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NICOLE H. GLENTZER
Superintendent of Schools

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April 17, 2023

Warren Galletti, Superintendent
Members, Board of Trustees
Point Arena School District
P.O. Box 87
Point Arena, California 95468

Subject: County Office Review of the 2022-23 Second Interim Report

Dear Superintendent and Members of the Board:

We have reviewed the 2022-23 Second Interim Report of the Point Arena School District, in accordance with Education Code Section 42130, to determine if it complies with the criteria and standards adopted by the State Board of Education pursuant to EC Section 33127. AB1200 and AB2756 charge County Offices of Education with certain fiscal oversight of school districts, and in order to comply, MCOE must assure that expenditures will not exceed available reserves and that all budget documents are complete and accurate.

Based on our review and analysis, we believe that the second interim report approved by the district's governing board on March 15, 2023 reflects the financial status of the district and is consistent with the state's criteria and standards. Thus, we concur with the positive certification.

2023-24 Proposed Budget

In January, Governor Newsom released the first look at his proposed budget for 2023-24. Although the budget fully funds the COLA and avoids cuts to educational programs, LEAs should be aware of the estimated \$22.5 billion state budget deficit for this upcoming fiscal year. The Governor is proposing funding delays on programs such as the Arts, Music and Instructional Materials Discretionary Block Grant to help address the deficit. In addition, most of the COVID-19 fiscal relief funding will expire on or before September 30, 2024. The current revenue forecast only assumes slower economic growth; however, economists are predicting a mild recession will occur in 2023-2024 that could lead to additional cuts to educational spending.

The Governor's budget proposes an 8.13% COLA for 2023-24 applied to LCFF base grants and other categorical programs. Other funding priorities include the Transitional Kindergarten Expansion, and Literacy Coaches and Reading Specialist Grant Program.

Issues left with no solution include fiscal instability facing many LEAs due to declining enrollment and high absenteeism rates due to COVID-19. The ADA Loss Mitigation adjustment that permitted the 2019-20 attendance yield to be used to amend the reported ADA in 2021-22 will not be allowed in future years. However, the ADA Loss Mitigation adjusted 2021-22 ADA will be used in calculating

the greater of current year, prior year, or average ADA of the three most recent fiscal years. At this time, the Governor's budget does not offer any relief for school employers in 2023-24 in relation to increased pension costs.

Overall, the proposed budget provides some positives for schools. However, the January proposal is just the starting point. The proposed plan now goes before Legislators to review, dissect, and debate. We now look forward to the May Revision budget from the governor.

Fiscal Crisis Indicators

Your district's fiscal crisis indicators include the following risk factors, which must be monitored to ensure continued fiscal solvency:

- **Deficit Spending and Reserves:** The district is projecting deficit spending in the third year out. The unrestricted ending fund balance increases from \$1,430,106 at the beginning of 2022-23 to \$1,497,582 at the end of June 2023.

In each year of the MYP the district maintains the state mandated Reserve for Economic Uncertainty (REU) of 4%. We note that total unrestricted reserves at the end of June 2023 amount to just over 15% of total expenditures. As we learned during the great recession and more recently with the COVID pandemic, districts with healthy reserves are better able to weather economic downturns and sustain staff, programs and services to students.

The Adopted Budget and 2023-24 LCAP are due to our office no later than July 1, 2023.

We continue to support you in your efforts to maintain the fiscal health of your school district. As always, we recommend fiscal prudence, preferring to err on the side of conservatism. We encourage all districts to plan carefully, paying close attention to their multi-year projections and the fiscal impact of today's decisions on future budgets.

Please let us know if you have any questions or comments.

Sincerely,



Nicole Glentzer
County Superintendent of Schools

cc: Catherine Chin, Business Manager, PASD
Becky Jeffries, Interim Assistant Superintendent, Business Services, MCOE
Michelle Ebert, Director, External Fiscal Services, MCOE