



MARIN COUNTY

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January 14, 2020

Ms. Leslie Harlander, President
Tamalpais Union High School District

Dear Ms. Harlander,

Our office has completed its review of the Tamalpais Union High School District's first interim budget report for 2019-20 in compliance with the provisions of Education Code 42131(a)(2). The Governing Board approved the budget with a positive certification that the District will be able to meet its financial obligations for the current and subsequent two (2) years.

The Code requires the County Superintendent to approve or change interim report certifications after examining the report to determine if it complies with the standards and criteria established pursuant to Education Code 33127 and to determine if the first interim budget will allow the district to meet its financial obligations during the current fiscal year and is consistent with a financial plan that will enable the district to satisfy its multi-year financial commitments.

Based upon our review, the Board's POSITIVE certification of the first interim budget report has been approved.

2020-21 GOVERNOR'S BUDGET PROPOSAL

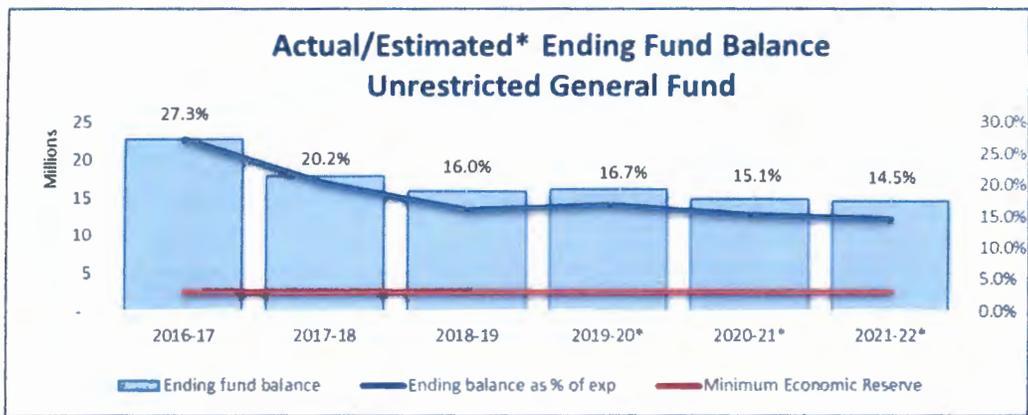
On January 10th, the Governor released his 2020-21 Budget Proposal with an increase of \$3.8 billion in Proposition 98 funding for schools for a total of \$84 billion, an all-time high for Proposition 98 funding. The current economic expansion is now in its eleventh year, and marks the longest period of sustained growth since World War II, however, the Governor notes this expansion is occurring in the context of slowing global growth and growing uncertainty regarding the political climate and federal policies. State revenue growth is predicted to be slower in each of the next four years compared to 2019-20, constraining new spending commitments. The majority of the projected surplus in the Governor's proposed budget is devoted to one-time spending. This approach enables the state to make significant investments in critical areas while also maintaining reserves.

The Governor's Budget proposes a 2.29% cost of living adjustment (COLA) to the Local Control Funding Formula (LCFF) for 2020-21 and some changes to improve fiscal accountability regarding the use of LCFF funds. Outside of the LCFF, the Governor's Budget for K-12 Education proposes an investment of approximately \$900 million in teacher training and an increase of almost \$900 million for special education to continue building on the multi-year effort to reform the special education system that began in 2019. In addition, the Governor's Budget proposal includes \$300 million for expanded supports and services to the

state's neediest schools, \$300 million for the development of innovative community school models that support student mental health, and \$70 million to improve and strengthen school meal programs. The Governor's Budget proposal builds on the commitment made in 2019 regarding universal pre-school by continuing development of a Master Plan for Early Learning and Care, funding for 10,000 additional full-day/full year preschool slots, and the establishment of a new Department of Early Childhood Development under the Health and Human Services Agency effective July 1, 2021.

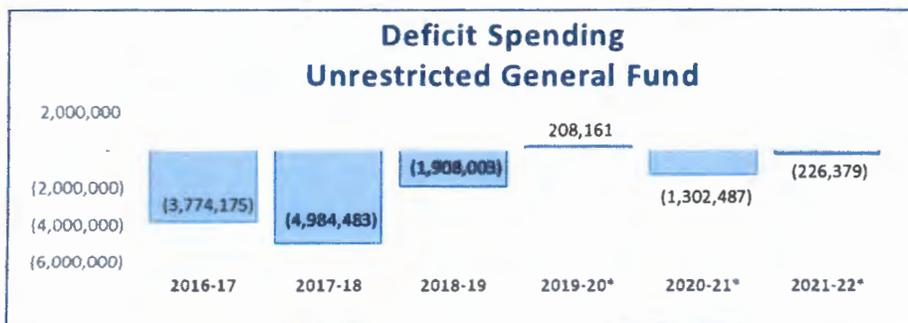
BUDGETARY POSITION FOR TAMALPAIS UNION HIGH SCHOOL DISTRICT

The District's first interim budget and multi-year projection reflects an improvement in budgetary position when compared to the adopted budget. The following graph depicts the District's estimated ending balance in the first interim budget and multi-year projection for the unrestricted general fund with both the state required minimum reserve and the District's actual reserve as a percentage of total general fund expenditures. The District's ending balance meets the minimum required reserve requirement for the current and both subsequent years.



OPERATING DEFICITS

The District's first interim budget and multi-year projection reflects operating deficits in the unrestricted general fund as displayed in the chart below.



The cumulative impact of this projected deficit spending is an 8% decline in fund balance over the current plus two subsequent years, leaving the District with reserves of \$12.4 million or 14% of general fund expenditures at June 30, 2022. While some deficit spending may be a result of one-time costs from prior year funding sources, ongoing deficits threaten a school district's future educational programs. Districts that wait too long to address and correct structural deficits are forced to make dramatic corrections all at once. In contrast, carefully planned and phased-in structural corrections lessen the impact on children.

STUDENT ATTENDANCE

The District's estimate of average daily attendance (ADA) has increased by more than 30 ADA since budget adoption. The increase in ADA does not generate any additional LCFF revenue as the District is dependent on property tax growth for unrestricted revenue growth.

LOCAL CONTROL FUNDING FORMULA (LCFF) AND LOCAL CONTROL & ACCOUNTABILITY PLAN (LCAP)

The first period report of property taxes reflected an increase in the secured tax growth rate in comparison to the estimates used for budget adoption. As a result, the District's first interim budget and multi-year projection reflects an increase of \$2.4 million in property taxes (LCFF revenue sources) over the current and two (2) subsequent years

OTHER STATE FUNDING

The State budget has provided substantial one-time revenues to all school districts over the course of the last several years. However, in 2019-20 one-time revenue was limited to those districts with pre-school age students identified for special education. The Governor's budget proposal for 2020-21 provides an additional year of funding for the special education preschool grant.

FEDERAL BUDGET

The Administration signed the appropriation measures to fund the federal government for Fiscal Year (FY) 2020 on December 20, 2019, almost three (3) months into the fiscal year. While the initial budget proposals included a 12% cut to Education funding and the elimination of a number of federal education programs, the final budget provides \$72.8 billion in discretionary funding for the Department of Education, an increase of \$1.3 billion. The approved budget includes an additional \$400 million in Title I grants to school districts, \$410 million increase in Special Education, \$76 million increase to Title II professional development grants, and \$40 million increase to Title IV Student support and academic enrichment grants. Most federal funding for school districts is passed through the State with FY2020 federal funding allocated in the state budget for 2020-21.

The bills to enact the FY2020 budget also included a repeal of the 'Cadillac Tax' on high cost employer health insurance plans that, although deferred, remained in law and could have proven very costly to school districts.

PARCEL TAXES

Your community has shown support for its schools through a parcel tax. The District's multi-year projection includes parcel taxes in all three (3) years starting with a base of \$15.8 million in the first interim budget representing 14% of the District's total general fund revenue sources. The District's current parcel tax is escalated 3% annually and expires on June 30, 2022, however, we note the District has taken the necessary steps to have a parcel tax renewal measure placed on the election ballot for March 3, 2020.

RESERVES

The District maintains the state-required minimum reserve for economic uncertainty of 3% of total general fund expenditures in the current and two (2) subsequent years. In addition, we note the District's reserve policy identifies a target minimum reserve of 17% of expenditures inclusive of the 3% minimum reserve.

All school districts, whether state aid or community funded, are well advised to establish higher than minimum reserves in order to provide for the financial flexibility to absorb unanticipated expenditures without significant disruption to educational programs, cash flow deferrals and general economic uncertainties. Higher than minimum reserves allows the District to better ensure a consistent and stable program offering for students.

CONCLUSION

We thank Corbett Elsen for his timely submission of the first interim budget using the statutorily required forms. If you have any questions, please do not hesitate to contact me at 415-499-5822.

We appreciate your dedication and service to the children of Marin County. Due to your good fiscal stewardship, the children of Marin County will continue to experience quality education now and in the future.

Sincerely,

MARY JANE BURKE
Marin County Superintendent of Schools



KATE LANE
Assistant Superintendent

cc: Dr. Tara Taupier, Superintendent
Corbett Elsen, Chief Financial Officer