

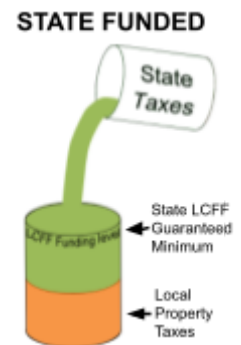
FAQs - Major Funding Changes Next Year (as of 2.3.22)

Next year (2022-23), the District is going to switch from “**State Funded**” (on a per student basis) to “**Community Funded**” (aka “Basic Aid” - on a total property tax basis, regardless of the number of students).

Q1: Why did the District choose to switch to a new funding structure?

A1: **Districts do not have a choice.** A district’s funding structure is based on a calculation comparing two different types of revenue. Whichever calculation results in the higher amount of revenue is the structure the district must use. The two funding structures are:

- “**State Funded**” – The State guarantees a per-student minimum entitlement based on a Local Control Funding Formula (LCFF) (This formula includes a base amount for each student plus add-on funds for English Language Learners (ELL), Socioeconomically Disadvantaged (SED) and Foster/Homeless students). If a district’s total Local Property Taxes do not meet the total State minimum guarantee then the State will pay the district for the difference. Revenue under this structure fluctuates based on how many students are enrolled in the district. This is the structure RVSD has been in for many years.
- “**Community Funded**” (previously known as “Basic Aid”) - If the district revenue from local property taxes, minus in-lieu fees paid to Charter schools (see below), exceeds the State guaranteed LCFF entitlement then the district keeps the excess funds. Revenue under this structure fluctuates based on property taxes and Charter, but not District, enrollment.



budget presentation, and [HERE](#) for an introduction to the Local Control Funding Formula.

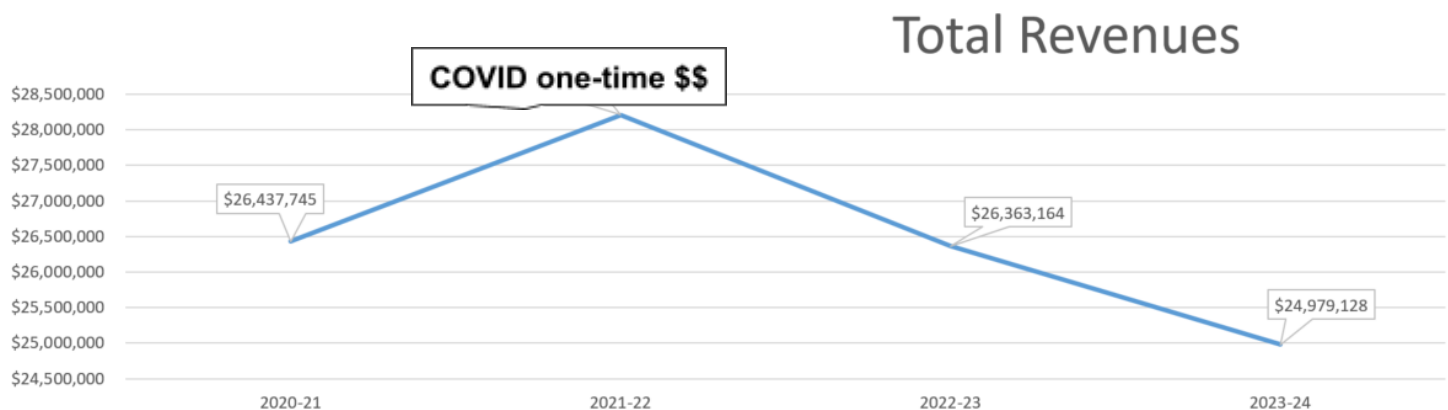
Click [HERE](#) to watch the 1.11.22 RVSD Board meeting presentation and [HERE](#) for the 1.11.22 slide presentation.

Q2: Isn't this good news? I heard that "Basic Aid" districts have a whole lot more money?

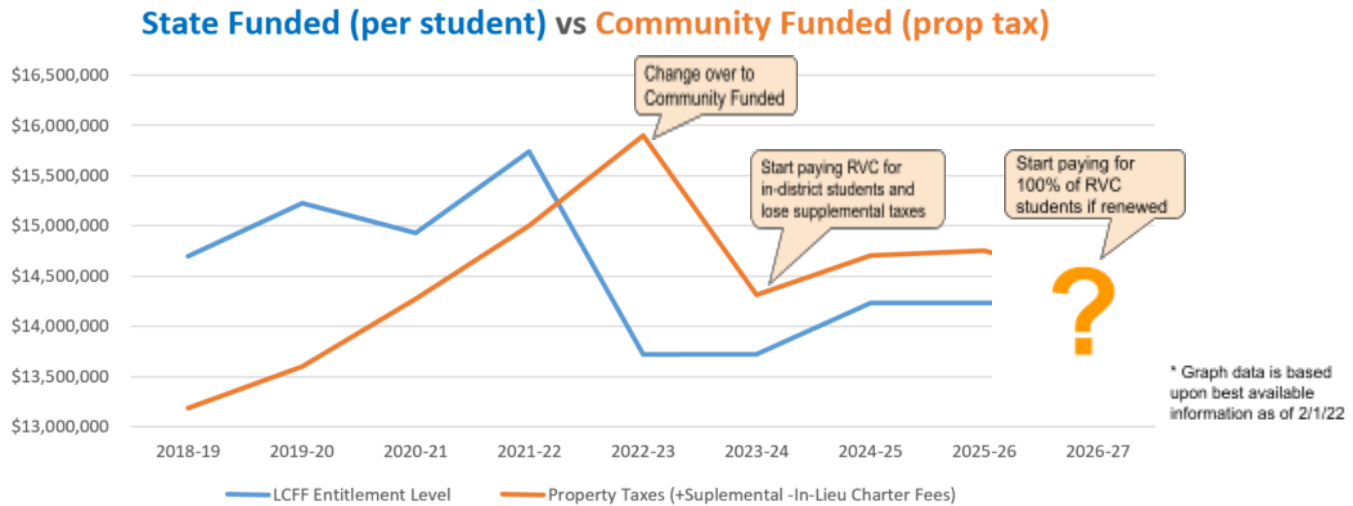
A2: Actually the difference in revenue can be as little as \$1. While we start to gain revenue from increased property taxes, we lose much of the increase by having to pay in-lieu fees to the Ross Valley Charter School and by losing supplemental taxes. Unfortunately, the amount gained is not enough to eliminate a negative budget in 2023-24. You can see below that revenues continue to decline despite moving into the Community Funded structure in 2022-23 (the exception in 2021-22 is due to one-time COVID funding).

	2020-21	2021-22	2022-23	2023-24
Beginning Balance	\$ 4,442,910	\$ 6,021,365	\$ 6,629,564	\$ 7,279,038
Revenues	\$ 26,437,745	\$ 28,208,838	\$ 26,363,164	\$ 24,979,128
Expenses	\$ 24,859,291	\$ 27,600,940	\$ 25,713,690	\$ 26,081,367
Net Increase / <Decrease>	\$ 1,578,455	\$ 608,199	\$ 649,474	\$ (1,215,364)
Ending Balance	\$ 6,021,365	\$ 6,629,564	\$ 7,279,038	\$ 6,176,799
Unrestricted Reserve %	20.5%	21.9%	27.0%	23.2%

(pg 10 of the 12.14.21 RVSD Budget Presentation)



The graph below shows how, in 2022-23, Community Funded revenue from property taxes will exceed the State Funded revenue at the LCFF entitlement level. The steep drop in per-student LCFF funding is a function of the State eliminating its COVID “hold harmless” LCFF revenue policy. The steep drop in Property Tax revenue in 2023-24 is due to losing the supplemental tax (~\$800K) and paying In-lieu Charter fees (~\$1.1 to \$1.3M) starting the year after we switch funding structures.



Q3: How much is the District going to have to pay Ross Valley Charter (RVC)?

A3: Our current estimate is that RVC’s “in-lieu” fees will cost the district \$1.1 to \$1.3 Million dollars a year. Since the State has been paying RVC for RVSD in-district students we do not know the actual total number and have not verified in-district residency. We estimate that RVSD’s in-district students only make up about 60% of RVC’s total student body. And, since RVC’s in-district enrollment has not increased since it started (i.e. most of the school’s growth has come from out of the district), our working assumption is that there are about 130-135 RVSD in-district students attending RVC.

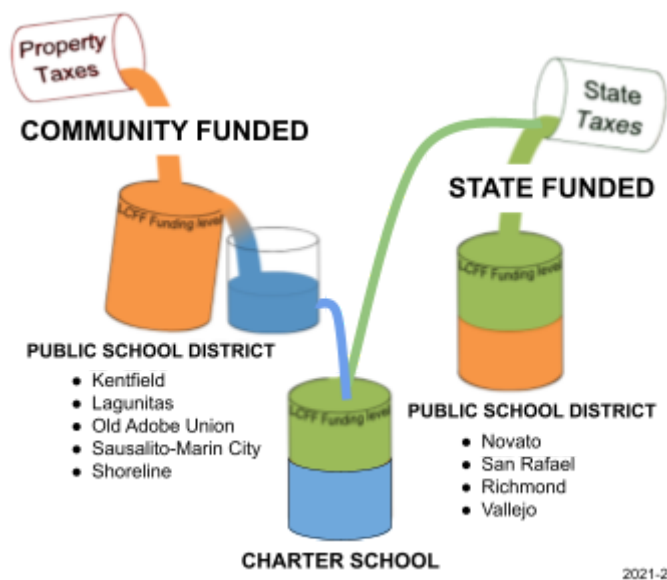
The In-Lieu Charter Fee is based on Average Daily Attendance and RVC’s “ADA” average is about 95% (i.e. 123-128 ADA). We estimate that the per-student LCFF rate when we start having to pay In-lieu Charter fees in 2023-24 will be approximately \$10,000 per student. So, we will be looking at an in-lieu Charter fee of about \$1.1-1.3M per year for in-district students.

Q4: What happens in 2026-27?

A4: In 2026-27, RVSD will have to pay in-lieu Charter fees for 100% of RVC students regardless of where they live if MCOE renews the charter school for another 5 years. According to [current CDE regulations](#) (see the In-lieu tab, row 2), a district that denies a Charter school pays **all** of the in-lieu Charter fees if that school is subsequently authorized by a County Office of Education.

Q5: I thought the State and MCOE were responsible for RVC?

A5: Last year, RVC’s Charter was renewed by the State who then delegated oversight responsibility to MCOE. However, a trailer bill (SB75) was passed in 2019 by the CA Legislature that changed the way Charters were funded. Now all Community Funded (aka Basic Aid) districts have to pay in-lieu Charter fees for all students living in their district that attend a State authorized Charter school (Kentfield, Lagunitas, Old Adobe Union in Sonoma, Sausalito-Marín City, and Shoreline). The State continues to pay for students attending RVC who live in State Funded districts (Novato, San Rafael, Richmond, and Vallejo).



However, as noted above in Question/Answer #4, if MCOE renews RVC in 2026-27, then RVSD will be responsible for funding ALL of RVC’s students, regardless of where they live.

Q6: Don’t we save money if we have fewer students?

A6: Studies have shown that “In every case, the revenue that school districts have lost is far greater than the expenses saved” by not having the students in the district ([Breaking Point: The Cost of Charter Schools for Public School Districts - ITPI](#)). This is because of “stranded costs” for fixed expenses like facilities, equipment, utilities, administration, pension expenses and teachers that are still needed even if a class size goes down by a few students. As Lagunitas board president Amos Klausner recently noted when commenting on the students lost by the district to RVC, “...you still have to keep the lights on, keep the rooms heated. None of those expenses go away when you lose ... students.” ([Pt. Reyes Light, Jan 26, 2022](#)). Most estimates assume that “stranded costs” or fixed costs can add up to as much as 70-80% of revenue. And, since there are additional unfunded accounting and administrative costs carried by a district that has to pay in-lieu Charter fees, the 20-30% difference is often consumed by those additional expenses.

Some of these include, but are not limited to:

- RVSD staff time verifying residency and communicating with RVC/MCOE. To date, the State has been accepting RVC's residency allocations to fund the school for RVSD in-district students.
- Loan costs to manage cash flow - Since under the Community Funded structure RVSD will now receive its property tax revenue 2 times a year yet will have to pay the Charter in-lieu fees throughout the year, we anticipate needing a short-term bridge loan once a year.
- RVSD staff time for new budgeting, accounting, loan processing, and reserve management functions.
- Membership fee to Schools for Sound Finance [(SF)2], a professional association related to School Services of CA, and professional development costs to assist us in understanding and tracking policy changes specific to the Community Funded structure.
- Communications and community education about the new funding structure.

Q7: How will my child's education be impacted by this new funding arrangement?

A7: Thanks to our prior Board of Trustees maintaining a strong reserve and managing our budget very responsibly, your child's education will not be immediately impacted. Starting in 2023-24 however, we begin to spend down our reserves and will need to carefully consider our options.

Not only do our expenses start outpacing our revenues in 2023-24, but our funding environment as a Community Funded district will be much more complicated and unpredictable. Some of the new risk factors and unknowns on our horizon include, but are not limited to:

- Property tax fluctuations
- RVC enrollment changes
- Transitional Kindergarten funding for Community Funded districts (currently Community Funded districts do not receive any additional funding for TK expansion costs)
- State policy shifts in funding formulas and programs

Because of the increased risks, it is highly recommended that Community Funded districts maintain a much higher reserve percentage than State Funded districts. As you can see from the information included in this FAQ, with declining revenue and continued COVID related expenses for at least the next few years as we help our students recover socially, mentally and academically, we will need to continue to carefully watch and manage our budget and reserves.