# Attachment 3

## California Department of Education

## M e m o r a n d u m

**Date:** December 29, 2023

**To:** Juan Mireles, Director, School Facilities and Transportation Division

**From:** Elizabeth Dearstyne, Director, School Fiscal Services Division

**Subject:** Fiscal Analysis for theAppeal from an Action of the Los Angeles County Committee on School District Organization to Approve a Petition to Transfer Territory from the Glendale Unified School District to the La Cañada Unified School District

Following is the fiscal analysis requested by the Facilities Planning Policy & Standards unit of the School Facilities and Transportation Division for the appeal submitted to the State Board of Education by Glendale Unified School District (USD) regarding the action of the Los Angeles County Committee on School District Organization (County Committee) to approve a proposal to transfer territory (Sagebrush Area) from the Glendale USD to the La Cañada USD.

The decision of the County Committee included determining whether the proposal substantially met nine conditions, including the following:

* Any increase in costs to the state as a result of the proposed reorganization will be insignificant and otherwise incidental to the reorganization. (*Education Code* [*EC*] Section 35753[a][5])
* The proposed reorganization will continue to promote sound fiscal management and not cause a substantial negative effect on the fiscal status of the affected district. (*EC* Section 35753[a][9])

The Los Angeles County Office of Education (LACOE) staff recommendation to the County Committee was based on a review and analysis of self-assessments by the affected districts as well as the 2016 Summary of Mitigation Options report prepared by Capitol Advisors Group. LACOE staff noted La Cañada USD would need to add facilities to accommodate additional student enrollment because of the reorganization. LACOE staff also noted that Glendale USD would experience a reduction in operational efficiencies due to the loss of students at Mountain Avenue Elementary, which serves the Sagebrush Territory, and there were concerns about the affected districts’ ability to maintain a statutory reserve for economic uncertainties. As a result, LACOE staff concluded that the transfer would result in additional costs to the state and would negatively affect the fiscal management or status of both affected districts. Therefore, LACOE staff recommended the County Committee find conditions 5 and 9 not substantially met.

After considering the information provided by all parties, the County Committee disagreed with the LACOE staff recommendation and concluded the proposal substantially met the conditions in both subdivision (a)(5) and (a)(9) of *EC* Section 35753.

## Recommendation

The California Department of California (CDE) recommends that the SBE find that the proposal to transfer territory from the Glendale USD to the La Cañada USD substantially complies with conditions set forth in paragraphs (5) and (9) of subdivision (a) of *EC* Section 35753.

The following report, prepared by the CDE, provides detailed analyses to support this recommendation. **The standards and criteria adopted by the SBE pursuant to *EC* Section 33127 and published in Title 5 *California Code of Regulations* sections 15440 through 15466 were used for evaluation of the financial conditions of the affected districts.**

**It should be noted that the determination of the student capacity of the two districts is outside the scope of this analysis and will be addressed in the facility analysis, which is a separate report.**

## Evaluation Criteria for the Unification Proposal

### Criterion 5. The proposed reorganization must not result in any significant increase in costs to the State.

In order to determine whether the proposed reorganization would result in significant increased costs to the state, CDE staff reviewed fiscal reports provided by Glendale USD and La Cañada USD. CDE also reviewed the estimated the impact to Glendale USD’s funding under LCFF and other per pupil funding programs.

Table 1, below, provides a summary of enrollment and funding data for Glendale USD for the three most recent fiscal years.

**Table 1. Enrollment Data for Glendale USD**

|  |  |  |  |
| --- | --- | --- | --- |
| Fiscal Year | 2019–20 | 2020–21[[1]](#footnote-2) | 2021–22 |
| Reported ADA | 24,617.27 |  24,617.27  | 22,637.48 |
| Funded ADA[[2]](#footnote-3) | 24,913.00 |  24,721.89 | 24,705.56 |
| Total Enrollment | 25,560 | 24,960 | 24,238 |
| Sagebrush Area Resident Enrollment | N/A | 228 | 210 |
| Sagebrush Area Resident UPC | N/A | 17 | 35 |

*Source: Glendale USD, School District ADA Exhibit, Unduplicated Pupil Percentage Exhibit*

Using ADA and enrollment data from the 2021–22 P-2 Apportionment certifications and data provided by the district for the Sagebrush Area resident students attending Glendale USD schools in 2021–22, CDE estimated the district’s LCFF funding excluding the Sagebrush Area students for the 2021–22 and 2022–23 fiscal years.

**Table 2. LCFF Estimates for FY 2021–22**

| **Category** | **Existing Glendale USD** | **Glendale USD After Reorganization** | **Difference** | **Percent Change** |
| --- | --- | --- | --- | --- |
| Enrollment | 24,238 | 24,028 | 210  | (0.87%) |
| UPP[[3]](#footnote-4) | 52.17% | 52.26% | 0.09%  | N/A |
| Funded ADA[[4]](#footnote-5) | 24,702.56 | 24,487.64 | (214.92)  | (0.87%) |
| LCFF Entitlement |  $ 248,707,081  |  $ 246,599,545  | ($ 2,107,536)  | (0.85%) |

*Source: Unduplicated Pupil Percentage Exhibit, LCFF Calculation Exhibit, Glendale USD*

**Table 3. LCFF Estimates for FY 2022–23**

| **Category** | **Existing Glendale USD** | **Glendale USD After Reorganization** | **Difference**  | **Percent Change** |
| --- | --- | --- | --- | --- |
| UPP | 51.19% | 51.28% | 0.09% | N/A |
| Funded ADA | 22,897 | 22,697.79 | (199.21)  | (0.87%) |
| LCFF Entitlement | $ 258,653,780  | $ 256,445,294  | ($ 2,208,486)  | (0.87%) |

*Source: Glendale Unified 2021-22 Multi-Year Projection, CDE Calculations*

Tables 2 and 3 show that LCFF funding for Glendale USD would decrease by $2.1 million and $2.2 million in 2021–22 and 2022–23, respectively, if the students who reside in the Sagebrush Area and attend Glendale USD schools were instead students of the La Cañada USD. The UPP for Glendale USD would likely increase by a small amount because of the territory transfer, but not enough to offset the decrease in base grant funding due to the decline in ADA. The loss to Glendale USD is estimated to be less than 1 percent of its ADA, which results in a loss of less than 1 percent of its total LCFF funding. LCFF is the largest source of a school district’s funding. There are other one-time and on-going state funding programs from which the district would also receive less funding, but these do not represent a significant portion of the district’s funding. Additionally, the funding generated through other programs is not greater per pupil for La Cañada USD than it is for Glendale USD and, thus, would not result in additional state costs.

**Table 4. Estimated LCFF State Aid and Local Revenue for FY 2021–22**

| **Category** | **Existing Glendale USD** | **Glendale USD After Reorganization** | **Difference** |
| --- | --- | --- | --- |
| Local Revenue |  $ 95,196,357 |  $ 93,435,224 | (1.85%) |
| State Aid |  $ 153,510,724 |  $ 153,164,321  | (0.23%) |
| Total LCFF Funding |  $ 248,707,081  |  $ 246,599,545  | (0.85%)  |

*Source: Assessed Valuation from California Municipal Statistics, Inc., CDE Calculations*

As of the 2021–22 Second Principal Apportionment, the amount of local property taxes collected by Glendale USD was $153,510,724, which is 38.3 percent of its LCFF entitlement. According to a report presented to the County Committee, the California Municipal Statistics, Inc. estimated the territory proposed for transfer represented 1.85 percent of the assessed valuation of the Glendale USD as of 2018. Therefore, on that basis, the Glendale USD would be expected to receive 1.85 percent less property taxes if the territory transfer were to occur. Both the Glendale USD and the La Cañada USD are state aid funded districts currently. Neither district would become basic aid because of the reorganization.[[5]](#footnote-6) Total revenue for non-basic aid districts is unaffected by gains or losses in property taxes because local property taxes are an offset to state aid. Table 4 shows that after accounting for the estimated 1.85 percent loss in property taxes and the 0.84 percent decline in total funding resulting from the loss of students, state aid overall would decrease for Glendale by an estimated 0.23 percent.

If the La Cañada USD does not have sufficient capacity at its existing schools to serve Sagebrush Area students and the district applies for state funding through the School Facilities Program, the state would incur additional costs. However, recent information provided to CDE in the Administrative Record suggests that the district has completed school construction projects since the original analysis occurred and is now likely able to serve the additional pupils within its existing capacity. As noted in the introduction, the evaluation of student capacity is outside the scope of this analysis and will be addressed in the facility analysis.

Based on the data and analysis noted above and assuming La Cañada USD has sufficient capacity to serve the Sagebrush Area students, CDE finds that the reorganization would not result in significant increased costs to the state.

### Criterion 9. The proposed reorganization must not cause a substantial negative effect on the fiscal management or fiscal status of the proposed district, or any existing district affected by the proposed reorganization.

Glendale USD reports that it served 228 students from the Sagebrush Area in 2020–21 and 210 students from that area in 2021–22. If those students became residents of the La Cañada USD because of the reorganization, Glendale USD would have had 24,028 pupils enrolled in 2021–22 instead of 24,238, while the La Cañada USD would have had 4,119 students instead of 3,909.

**Table 5. Enrollment of Affected Districts Before and After Reorganization**

|  |  |  |  |
| --- | --- | --- | --- |
| **School District** | **Enrollment Before Reorganization** | **Enrollment After Reorganization** | **Percent Change** |
| Glendale USD, FY 2020–21 | 24,960 | 24,732 | (0.91%) |
| Glendale USD, FY 2021–22 | 24,238 | 24,028 | (0.87%) |
| La Cañada USD, FY 2020–21 | 3,981 | 4,209 | 5.73% |
| La Cañada USD, FY 2021-22 | 3,909 | 4,119 | 5.37% |

*Source: Unduplicated Pupil Percentage Exhibit, Lines A-1 and A-2, Enrollment Data from Glendale USD*

Based upon the districts’ calculations of LCFF revenue for 2020–21 and 2021–22, and assuming that the reorganization had been in effect in those years, CDE developed a hypothetical fiscal scenario.

The hypothetical fiscal estimates contained in tables 6 and 7 include the following assumptions:

* Enrollment/ADA declines based on the districts’ assumptions in their FY 2021–22 fiscal reports.
* Certificated/Classified staffing levels were based on the districts’ assumptions and were not adjusted for the purpose of these calculations.
* All revenues for Glendale USD were pro-rated 0.91 percent for FY 2020–21 and 0.87 percent to account for FY 2021–22 enrollment data it provided for Sagebrush Area students. Using the same student enrollment data, the La Cañada USD estimated revenues for FY 2020–21 and FY 2021–22 were adjusted by 5.73 percent and 5.37 percent, respectively. (See table 5)
* The territory to be transferred represents 1.85 percent of the assessed valuation of the existing Glendale USD based on the data from the California Municipal Statistics, Inc. that was provided to the County Committee.
* LCFF estimates were calculated assuming the reorganization had occurred as of FY 2020–21.

For purposes of this analysis, estimated LCFF revenues reported by the districts in their fiscal reports were adjusted proportionately based on the percentage of Sagebrush Area students enrolled in Glendale USD schools in 2020–21 and 2021–22 that would become residents of La Cañada USD if the reorganization occurred (See table 5). The estimates are shown in tables 7 and 8.

LCFF funding requirements for reorganized districts provides that the 2012–13 categorical program entitlements (categorical funding) subsumed into LCFF remain with the Glendale USD rather than be divided between the two districts. Pursuant to *EC* Section 35735.2, the district that loses territory maintains its categorical funding. Districts involved in the reorganization may work out local arrangements related to the categorical funding, but the CDE did not make any adjustments for these situations. For the purposes of this analysis, the CDE assumed that no local arrangements to allocate any of the categorical funding to La Cañada USD will be made.

According to the CDE estimates, the affected ADA would result in a revenue loss to Glendale USD of approximately $2 million for each year examined and a $2 million gain for La Cañada USD for each of the same years. It is reasonable to expect that the transfer of approximately 200 students from Glendale USD to La Cañada USD will result in a reduction of expenditures for Glendale USD and an increase in expenditures for La Cañada USD due to changes staffing needs and other expenditures for the districts. However, the extent of impact to the districts’ expenditures is unknown, therefore the expenditures in the CDE funding estimates have not been adjusted to account for these anticipated changes.

Both districts anticipate they will be deficit spending in 2022–23 and beyond, because of overall projected declines in enrollment and associated loss of LCFF funding. The reductions needed to address the deficit spending would be exacerbated by the reorganization; however, the extent of that impact does not appear significant.

Glendale USD would have had a spending deficit of $7.12 million before the reorganization and $9.2 million after accounting for the loss in ADA revenue and its ending fund balance would have been $38.0 million. Similarly, the La Cañada USD would have had a FY 2021–22 spending deficit of $1.17 million in unrestricted funds without the additional Sagebrush Area students and would have a surplus of 771,000[[6]](#footnote-7) with additional Sagebrush Area students, with an ending fund balance of $10.6 million.

**Table 6. Ending Fund Balance of Affected Districts Before and After Reorganization**

|  |  |  |
| --- | --- | --- |
| **School District** | **Ending Fund Balance Before Reorganization** | **Ending Fund Balance After Reorganization** |
| Glendale USD, FY 2020–21 | $ 47,338,052 | $ 45,176,440 |
| Glendale USD, FY 2021–22 | $ 40,219,730 | $ 38,054,034 |
| La Cañada USD, FY 2020–21 | $ 9,838,592 | $ 11,907,994 |
| La Cañada USD, 2021–22 | $ 8,670,343 |  $ 10,610,464 |

It is likely La Cañada USD would need to increase certificated and credentialed staff to accommodate the new students, but the extent of that was not factored into the estimate. Although both districts were deficit spending, they each received a positive certification in their latest interim reports and funded their required reserve for economic uncertainties in FY 2020–21 and 2021–22.

Based on the information shown in tables 7 and 8 and this analysis, CDE finds that the changes that would result from the proposed reorganization itself would not have a substantial negative effect on the fiscal management or fiscal status of the either affected district, noting that with or without the reorganization, both school district governing boards will need to take steps to address their deficit spending.

**Conclusion**

The CDE finds that:

* The proposed reorganization does not result in a significant increase in costs to the State.
* The proposed reorganization would not cause a substantial negative effect on the fiscal management or fiscal status of the proposed district, or any existing district affected by the proposed reorganization.

Therefore, CDE recommends that the state board of education determine the proposed territory transfer of the Sagebrush Area substantially complies with conditions set forth in paragraphs (5) and (9) of subdivision (a) of *EC* Section 35753.

**Table 7. Glendale USD Unrestricted General Fund Estimate for Fiscal Years 2020–21 and 2021–22**

| **Description** | **FY 2020–21Glendale USD(Before Reorg)** | **FY 2020–21Glendale USD (After Reorg)** | **FY 2021–22Glendale USD(Before Reorg)** | **FY 2021–22Glendale USD (After Reorg)** |
| --- | --- | --- | --- | --- |
| LCFF Revenues[[7]](#footnote-8) |  $ 237,539,776  |  $ 235,378,164  |  $ 248,930,486  |  $ 246,764,791  |
| Federal Revenues |  207,503  |  207,503  |  200,000  |  200,000  |
| Other State Revenues |  5,375,689  |  5,375,689  |  5,152,431  |  5,152,431  |
| Other Local Revenues |  4,381,049  |  4,381,049  |  4,530,655  |  4,530,655  |
| **Total Revenues** |  **247,504,017**  |  **245,342,405**  |  **258,813,572**  |  **256,647,877**  |
| Certificated Salaries |  104,656,281  |  104,656,281  |  102,509,449  |  102,509,449  |
| Classified Salaries |  25,866,308  |  25,866,308  |  27,377,945  |  27,377,945  |
| Employee Benefits |  59,596,502  |  59,596,502  |  62,656,297  |  62,656,297  |
| Books and Supplies |  9,533,861  |  9,533,861  |  10,962,910  |  10,962,910  |
| Service and Other Operating Expenses |  12,731,834  |  12,731,834  |  23,194,355  |  23,194,355  |
| Capital Expenses |  30,994  |  30,994  |  541,411  |  541,411  |
| Other Outgo Expense |  255,177  |  255,177  |  220,000  |  220,000  |
| Direct Support / Indirect Costs |  (635,723) |  (635,723) |  (1,328,549) |  (1,328,549) |
| **Total Expenditures** |  **212,035,234**  |  **212,035,234**  |  **226,133,818**  |  **226,133,818**  |
| **EXCESS / (DEFICIENCY)** |  **35,468,783**  |  **33,307,171**  |  **32,679,754**  | **30,514,059**  |
| Transfers In |  4,525,152  |  4,525,152  |  -  |  -  |
| Transfers Out |  -  |  -  |  7,877  |  7,877  |
| Other Sources |  -  |  -  |  -  |  -  |
| Other Uses |  527  |  527  |  -  |  -  |
| Contributions |  (38,399,213) |  (38,399,213) |  (39,790,199) |  (39,790,199) |
| **Total, Other Financing Sources and Uses** |  **(33,874,588)** |  **(33,874,588)** |  **(39,798,076)** |  **(39,798,076)** |
| **FUND BALANCE CHANGE** |  **1,594,195**  |  **(567,417)** |  **(7,118,322)** |  **(9,284,017)** |
| Beginning Fund Balance (July 1) |  45,743,857  |  45,743,857  |  47,338,052  |  47,338,051  |
| Ending Fund Balance (June 30) |  47,338,052  |  45,176,440  |  40,219,730  | 38,054,034 |
| Available Reserve for Economic Uncertainties |  10,565,000  |  N/A  |  11,265,375  |  N/A  |
| Recommended Reserve for Economic Uncertainties (3% of restricted and unrestricted general fund expenditures and other financing uses) |  $ 10,561,047  |  $10,464,491  |  $ 11,256,372  |  $11,168,490  |

*Sources: Glendale Unified School District Unaudited Actuals, FY 2020–21; Glendale Unified School District Second Interim Report,
FY 2021–22; Sagebrush Resident Data from Glendale Unified School District, California Department of Education*

**Table 8. La Cañada USD Unrestricted General Fund Estimate for Fiscal Years 2020–21 and 2021–22**

| **Description** | **FY 2020–21La Cañada USD(Before Reorg)** | **FY 2020–21La Cañada USD (After Reorg)** | **FY 2021–22La Cañada USD(Before Reorg)** | **FY 2021–22La Cañada USD (After Reorg)** |
| --- | --- | --- | --- | --- |
| LCFF Revenues |  $ 36,115,220  |  $ 38,184,622  |  $ 36,128,903  |  $ 38,069,025  |
| Federal Revenues |  12,527  |  12,527  |  10,284  |  10,284  |
| Other State Revenues |  884,958  |  884,958  |  910,321  |  910,321  |
| Other Local Revenues |  7,190,760  |  7,190,760  |  8,782,331  |  8,782,331  |
| **Total Revenues** |  **44,203,465**  |  **46,272,867**  |  **45,831,839**  |  **47,771,961**  |
| Certificated Salaries |  8,946,210  |  18,946,210  |  20,210,135  |  20,210,135  |
| Classified Salaries |  5,441,016  |  5,441,016  |  5,887,880  |  5,887,880  |
| Employee Benefits |  7,696,927  |  7,696,927  |  8,571,614  |  8,571,614  |
| Books and Supplies |  1,225,578  |  1,225,578  |  1,212,170  |  1,212,170  |
| Service/Other Operating Expenses |  3,166,152  |  3,166,152  |  4,954,399  |  4,954,399  |
| Capital Expenses |  6,250  |  6,250  |  71,793  |  71,793  |
| Other Outgo Expense |  14,359  |  14,359  |  14,694  |  14,694  |
| Direct Support / Indirect Costs |  (842,664) |  (842,664) |  (925,825) |  (925,825) |
| **Total Expenditures** |  **35,653,828**  |  **35,653,828**  |  **39,996,860**  |  **39,996,860**  |
| **EXCESS / (DEFICIENCY)** |  **8,549,637**  |  **10,619,039**  |  **5,834,980**  |  **7,775,101**  |
| Transfers In |  -  |  -  |  -  |  -  |
| Transfers Out |  375,000  |  375,000  |  375,000  |  375,000  |
| Other Sources |  -  |  -  |  -  |  -  |
| Other Uses |  -  |  -  |  -  |  -  |
| Contributions |  (6,553,835) |  (6,553,835) |  (6,628,229) |  (6,628,229) |
| **Total, Other Financing Sources/Uses** |  **(6,928,835)** |  **(6,928,835)** |  **(7,003,229)** |  (7,003,229) |
| **FUND BALANCE CHANGE** |  **1,620,802**  |  **3,690,204**  |  **(1,168,249)** |  **771,872**  |
| Beginning Fund Balance (July 1) |  8,217,790  |  8,217,790  |  9,838,592  |  9,838,592  |
| Ending Fund Balance (June 30) |  9,838,592  |  11,907,994  |  8,670,343  |  10,610,464  |
| Available Reserve for Economic Uncertainties |  6,518,882  |  N/A  |  6,304,627  |  N/A  |
| Recommended Reserve for Economic Uncertainties (3% of restricted and unrestricted general fund expenditures and other financing uses) |  $ 1,481,493  |  $ 1,566,383  |  $ 1,634,322  |  $1,561,049  |

*Sources: La Cañada Unified School District Unaudited Actuals, FY 2020–21 (ed-data.org); La Cañada Unified School Second Interim Report, FY 2021–22; Sagebrush Resident Student Data from Glendale Unified School District, California Department of Education*

1. Due to issues related to the COVID-19 pandemic, local educational agencies were not required to report ADA for FY 2020–21. Prior year reported ADA was used in place of current year reported ADA for the purpose of ADA-driven funding calculations. [↑](#footnote-ref-2)
2. Funded ADA is the greater of current year or prior year P-2 ADA, plus current year ADA for district funded county programs and special programs. [↑](#footnote-ref-3)
3. Unduplicated Pupil Percentage (UPP) is the sum of the current and prior two years unduplicated pupil count divided by the sum of total enrollment for the same three years. The unduplicated pupil count is the unduplicated count of students identified as low-income, English learner, and/or foster youth. [↑](#footnote-ref-4)
4. Enrollment may be lower than funded ADA due to *EC* Section 42238.05 (declining enrollment protection), as has occurred with Glendale USD. [↑](#footnote-ref-5)
5. A school district that does not receive an apportionment of state funds pursuant to EC Section 42238.02, as implemented pursuant to Section 42238.03, excluding funds apportioned pursuant to the requirements of subparagraph (A) of paragraph (2) of subdivision (e) of Section 42238.03, shall be considered a “basic aid school district.” (*EC* Section 42238.02[o]). [↑](#footnote-ref-6)
6. The CDE’s post-reorganization estimate of FY 2022-23 for La Cañada USD shows a surplus; however, it should be noted that the expenditures in this estimate were not adjusted to reflect increases in staffing costs to serve the additional pupils as a result of the territory transfer. [↑](#footnote-ref-7)
7. LCFF Revenues in this table are slightly different from the certified and adjusted LCFF amounts shown in table 4. The values shown in this table are directly from the district’s budget documents, which were based on the district’s assumptions and information available before final certified amounts were known. [↑](#footnote-ref-8)