



Preparing every student to thrive in a global society.

# **BUDGET ADVISORY COMMITTEE MEETING**

## **BUDGETARY PLANNING CONSIDERATIONS**

***February 29, 2016***

# DISCUSSION POINTS

- LCFF Overview
- Governor's Budget Assumptions
  - Proposed GAP % Funding
  - Maintenance of Effort (Fully Repaid)
  - Proposition 30 Ending 2018-19
- Impact of Governor's Budget for ESUHSD
- What is Qualified Status?
- Another Emerging Issue – Enrollment Projections
- Advocacy Strategies?

# LCFF TERMS AND DEFINITIONS

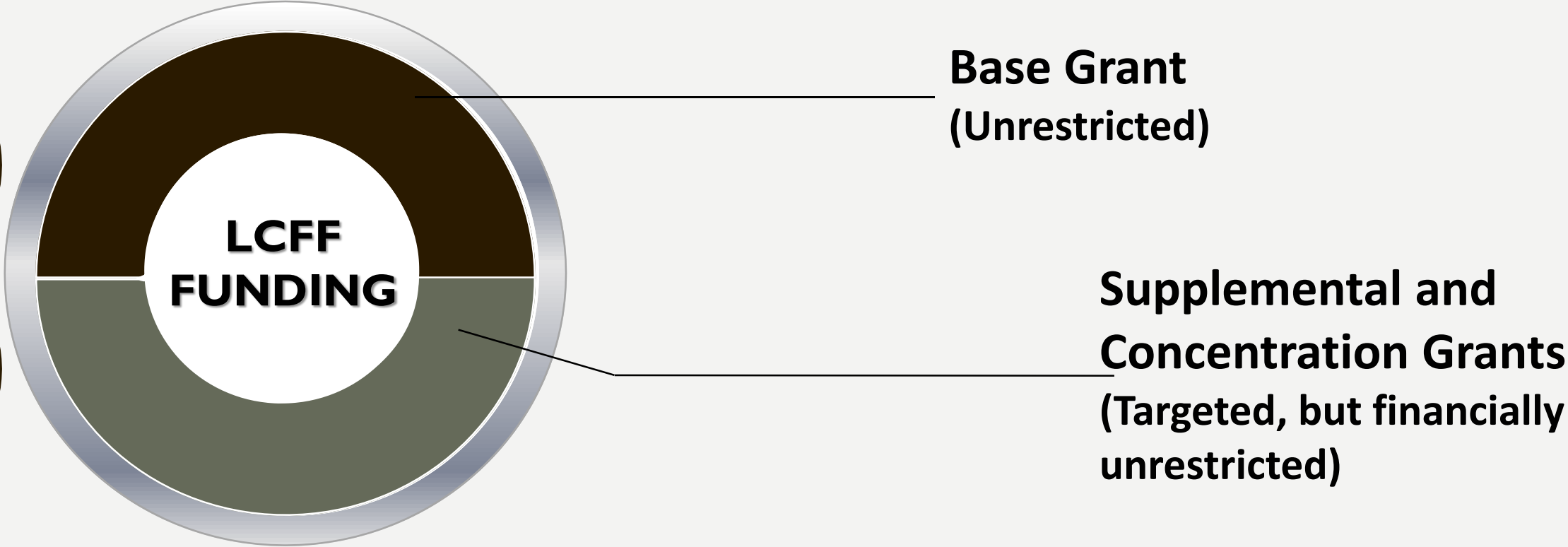
- LCFF Base Grant – Grade Span Specific Base Grants with Allowable adjustments for K-3 class sizes and 9 – 12
- LCFF Floor – Reflects current year funding and the calculation includes any prior year gap funding, converted to a per-ADA value that is then applied to current year ADA.
- LCFF GAP - Every school district and charter school that is not already funded based on its target will receive a percentage of its need, based on how much is appropriated in the state budget each fiscal year for this purpose. The additional funding is called gap funding. An LEA's funding amount during the phase-in period is based on a recalculation of its LCFF target and its floor, with gap funding added to the floor to arrive at the total transition entitlement for that year.
- LCFF Target – Consist of grade span-specific base grants plus supplemental and concentration grants that are calculated based on student demographic factors and adjusted for COLA each year
- LCFF Full Funding – Full funding occurs once the LCFF target is reached

# LCFF FUNDING IMPORTANT FACTS

## Funding the LCFF Gap

- Since funding the LCFF costs significantly more than the previous revenue limit funding system. The Governor estimated eight years to fully transition to the new funding formula.
- Estimated cost to fully fund LCFF in 2013-14 dollars was \$18 billion (Remaining GAP estimated at (\$5.3 billion).
- Amount appropriated at initial implementation in 2013-14 was \$2.1 billion, or about 12% (FY 2016-17 estimated GAP closure 95%) .
- Over the course of implementation, districts have received new funding based on the difference (or gap) between their prior-year funding level and their target LCFF funding level.
- Every district will see the same proportion of their gap closed, but dollar amounts will vary widely.
- The target LCFF funding grows over time based on a cost of living adjustment added to the Base Grant.

# LCFF FUNDING MODEL – TWO “POTS” OF MONEY IN ONE!

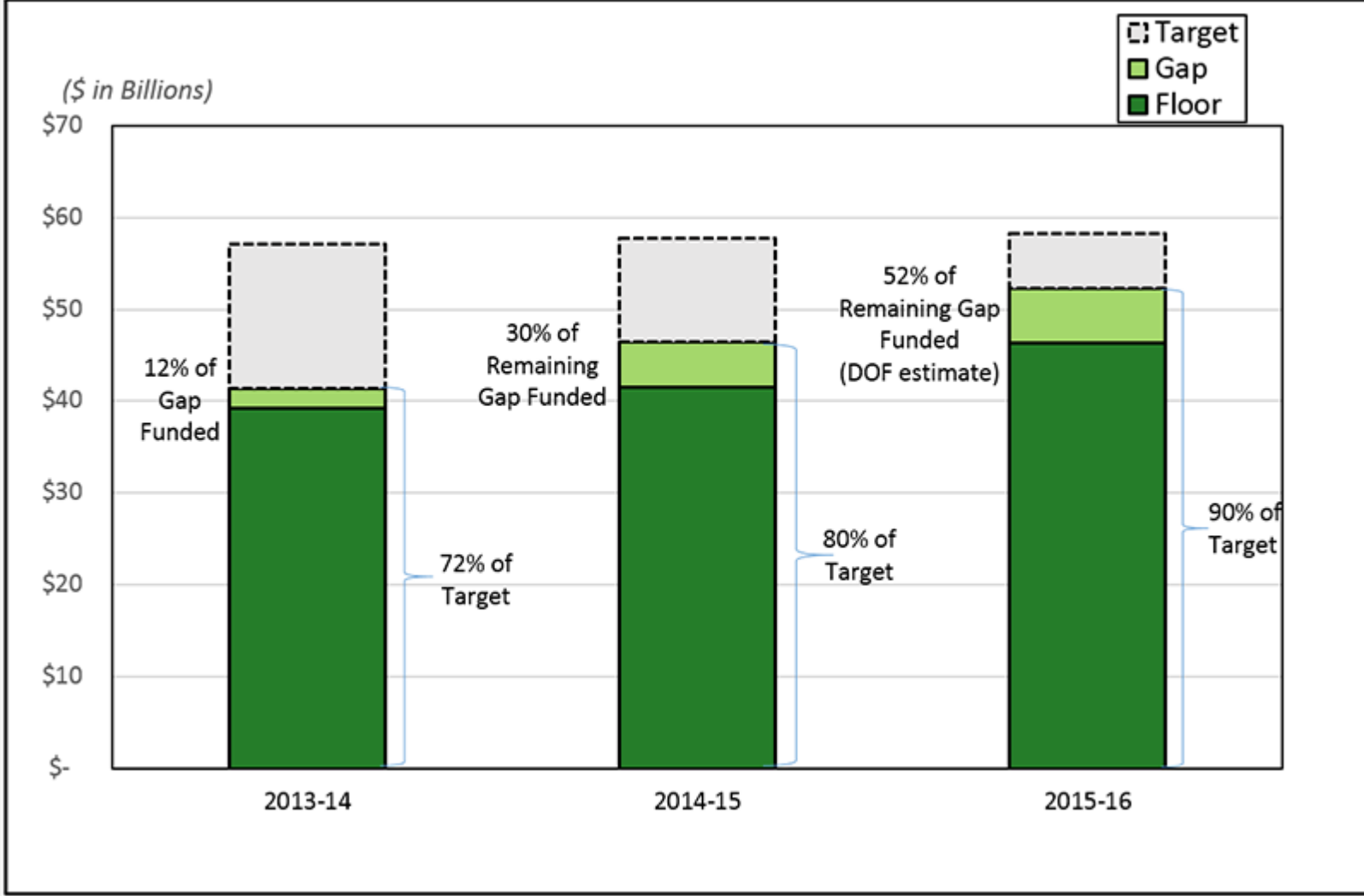


# GOVERNOR'S BUDGET

## PREPARING FOR A SLOW DOWN IN FUNDING

- The growth in education funding has been fueled by three major factors, all of which could change during 2016-17:
  - Proposition 30 temporary taxes
  - Growth in the economy
  - Repayment of the Maintenance Factor
- At full implementation, each district will receive only cost-of-living adjustment (COLA) increases to its LCFF funding each year

# Statewide Percentage of LCFF Targets Funded by Year



Source: CDE – Local Control Formula Overview

# AMOUNTS PROVIDED IN THE ANNUAL BUDGET TO FUND INCREASED COSTS FOR LCFF (DOLLARS IN BILLIONS)

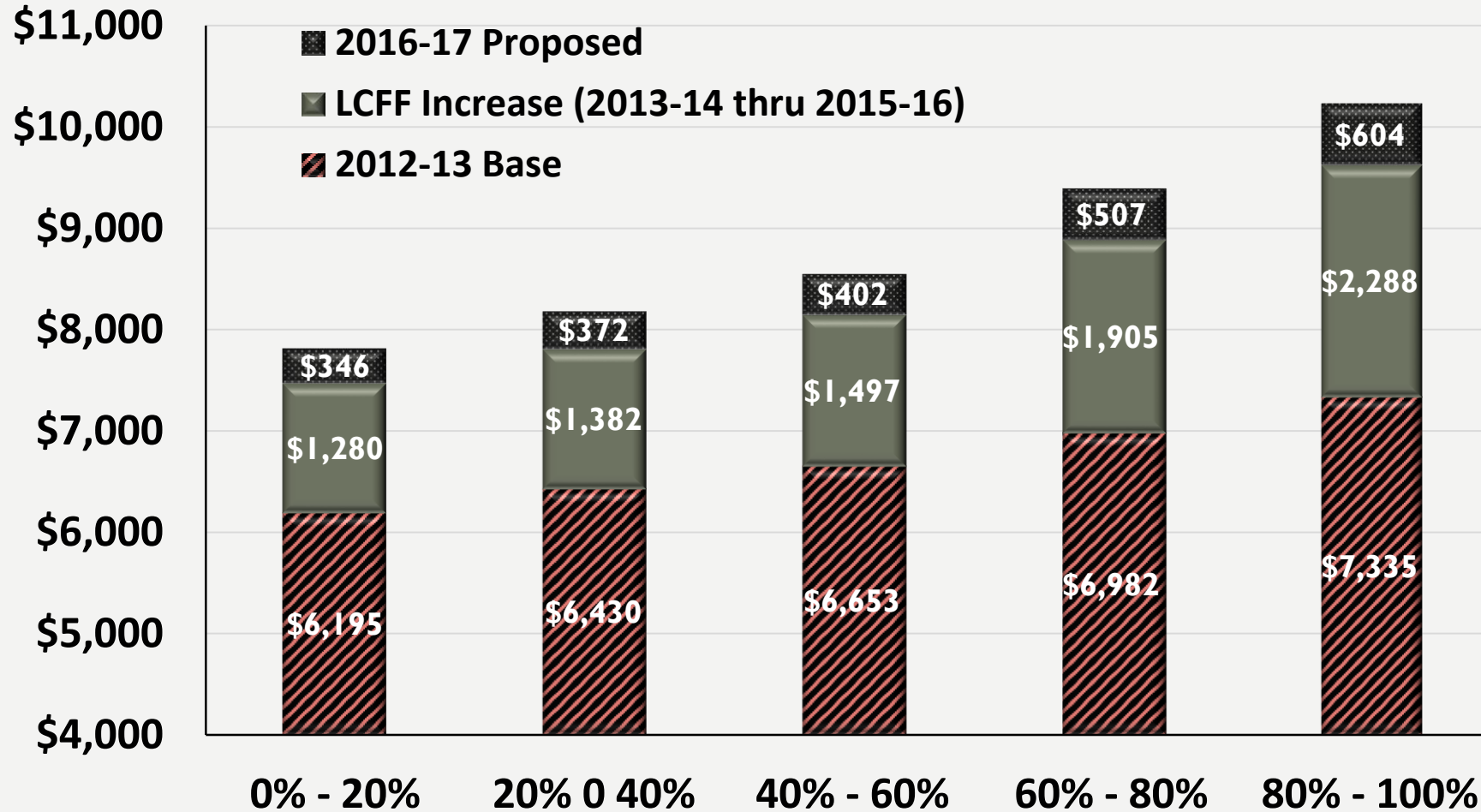
Fiscal Year	Original Estimated Need to Fully Fund LCFF	Gap Appropriation	Remaining Need to Fully Fund LCFF*
2013-14	\$18.0	\$2.1	\$15.8
2014-15	N/A	\$4.7	\$11.3
2015-16	N/A	\$6.0	\$5.3 (estimated)

**\*Note:** figures may not sum due to changes between years for growth and cost of living adjustments.

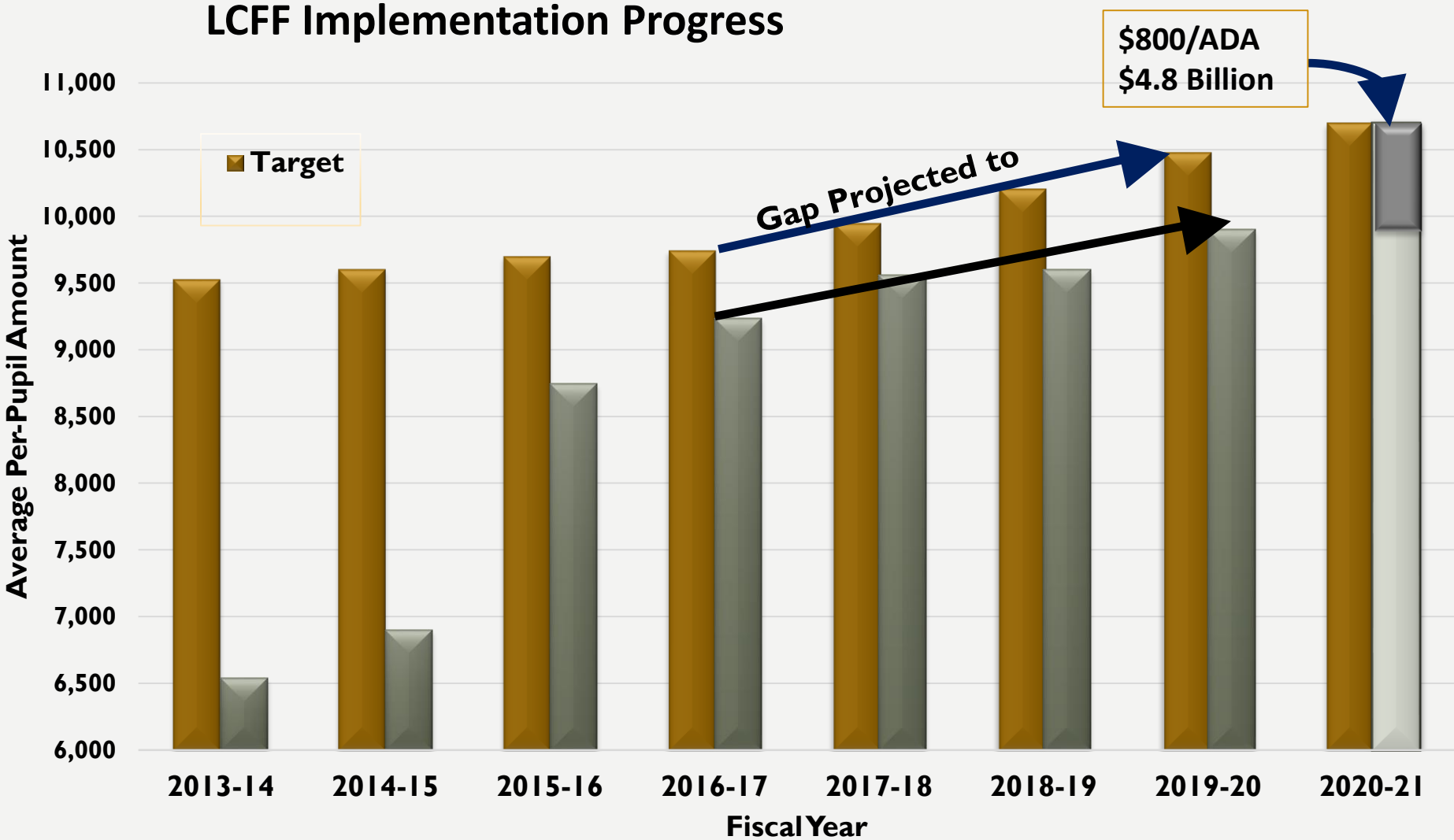


# TRANSITIONING TO FULL FUNDING OF LCFF ENTITLEMENTS

## Average Funding by Unduplicated Pupil %



# LCFF IMPLEMENTATION PROGRESS



# LCFF REVENUES CALCULATION INFORMATION

Fiscal Year	ADA	Target at Full Implementation	Floor	Calculated Gap	Gap Funding %	Funded Gap	Remaining Gap	Annual Allocation
		a	b	c	d	e	f	g
				$a - b = c$		$c * d = e$	$c - e = f$	$b + e = g$
2013-14	22,760.94	228,012,750	172,540,651	55,472,099	12.00%	6,657,593	48,814,506	179,198,244
2014-15	22,736.19	228,928,007	179,040,285	49,887,722	30.16%	15,046,218	34,841,504	194,086,503
2015-16	22,760.76	231,325,036	194,259,465	37,065,571	51.97%	19,262,977	17,802,594	213,522,442
2016-17	22,467.70	229,214,835	211,210,232	18,004,603	49.08%	8,836,659	9,167,944	220,046,891
2017-18	22,458.69	233,853,721	219,972,374	13,881,347	45.34%	6,293,803	7,587,544	226,266,177
2018-19	22,393.34	239,104,368	225,706,596	13,397,772	6.15%	823,963	12,573,809	226,530,559
2019-20	21,935.00	240,518,806	222,588,980	17,929,826	34.21%	6,133,793	11,796,033	228,722,773
2020-21	21,614.40	242,835,439	225,949,583	16,885,856	100.00%	16,885,856	-	242,835,439

# FISCAL SOLVENCY RISKS

- In the past, we have cited all manner of issues and concerns regarding impacts on the district's budget including
  - Deficit Spending; Depleted Reserves; Declining Enrollment; Increased PERS/STRS Obligations; Excessive Health Care Costs; Increased Special Education Costs; Slow Down in State Funding
- Unfortunately, all of these factors are severely impacting the district's budget and if serious strategic budgetary actions are not made within the next 12 months, District insolvency is almost a certainty

# RISK TO THE BUDGET

- Deficit Spending History and Projection

Fiscal Year	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
	Actual	Actual	Actual	Actual	Actual	Projected	Projected	Projected	Projected
Unrestricted	17,339,910	992,119	516,636	(929,183)	2,816,600	4,097,339	(13,057,263)	(15,135,206)	(27,823,373)
Restricted	(3,202,855)	635,560	1,291,349	2,016,466	(1,874,711)	(780,944)	(1,060,869)	(637,873)	(258,091)
Excess/Deficit w onetime Revenues & Transfers	14,137,055	1,627,679	1,807,985	1,087,283	941,889	3,316,395	(14,118,132)	(15,773,079)	(28,081,464)
Less: one time revenues	(7,360,694)	(3,241,556)	(5,166,404)	(2,739,984)	-	(11,891,547)	(4,807,510)		
Less: Transfer In	(4,122,110)	(2,250,000)	(1,000,000)	(6,903,133)	(7,181,114)	(4,511,241)	(4,520,000)	(8,600,000)	(3,500,000)
Excess/Deficit w/o onetime Revenues & Transfers	2,654,251	(3,863,877)	(4,358,419)	(8,555,834)	(6,239,225)	(13,086,393)	(23,445,642)	(24,373,079)	(31,581,464)

# MULTI-YEAR PROJECTION EXTENDED TO FY 2018-19

Categories	2016/17 Projection			2017/18 Projection			2018/19 Projection		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
Total Revenues	233,532,590	22,413,962	255,946,552	234,946,126	17,903,661	252,849,787	235,143,557	18,107,720	253,251,277
Total Expenditures	205,757,357	63,008,977	268,766,334	207,696,923	59,957,593	267,654,516	219,163,576	61,200,815	280,364,392
Excess (Deficiency) of Revenues over Expenditures before Other Financing Sources & Uses	27,775,233	(40,595,015)	(12,819,782)	27,249,203	(42,053,933)	(14,804,730)	15,979,981	(43,093,096)	(27,113,115)
Other Sources / Uses									
Subtract:									
Transfer to Child Nutrition Fund 61	715,350	-	715,350	715,350	-	715,350	715,350	-	715,350
Transfer to Child Development-Educare	153,000		153,000	153,000		153,000	153,000		153,000
Transfer to Adult Ed for Concurrent HS Students	-		-	-		-	-		-
Transfer to Gen Reserve Fund	330,000		330,000	-		-	-		-
Transfer to Properties/Liab Fund F67	100,000	-	100,000	100,000	-	100,000	100,000	-	100,000
Add:									
Contribute to Special Ed	(32,684,146)	32,684,146	0	(34,266,059)	34,266,059	0	(35,685,004)	35,685,004	0
Contribute to Restr Routine Maintenance	(6,850,000)	6,850,000	-	(7,150,000)	7,150,000	-	(7,150,000)	7,150,000	-
Net Increase (Decrease) in Fund Balance	(13,057,263)	(1,060,869)	(14,118,132)	(15,135,206)	(637,873)	(15,773,079)	(27,823,373)	(258,091)	(28,081,465)
BEGINNING BALANCE	35,225,293	2,219,026	37,444,319	22,168,030	1,158,157	23,326,187	7,032,824	520,284	7,553,107
Prior Year Store Adjustment									
ENDING BALANCE BEFORE RESERVE	22,168,030	1,158,157	23,326,187	7,032,824	520,284	7,553,107	(20,790,549)	262,192	(20,528,357)
Revolving Cash	2,500		2,500	2,500		2,500	2,500		2,500
Stores	162,057		162,057	162,057		162,057	162,057		162,057
Fund 17, General Reserve	8,295,162		8,295,162	8,378,114		8,378,114	8,461,895		8,461,895
ENDING FUND BALANCE	30,627,749	1,158,157	31,785,906	15,575,495	520,284	16,095,779	(12,164,097)	262,192	(11,901,905)
	11.05%			5.62%			-4.30%		

# WHAT HAPPENS WHEN YOU HAVE A QUALIFIED BUDGET?

- For districts that are certified as qualified or negative, requires the county superintendent to report to the Superintendent of Public Instruction on the financial condition of the school district and his or her proposed remedial actions and to take **all** actions that are necessary to ensure that the district meets its financial obligations.

# EMERGING ISSUE - ENROLLMENT FORECAST

- Incorrect Alum Rock Data – Demographer found that the enrollment database used last year from Alum Rock was overstated and incorrectly included all their charter students. That’s about 1000 extra students that actually did not attend their schools. The error was found while when they were on contract in Alum Rock to prepare their enrollment projections.
  - Enrollment Forecast for 15/16 – Enrollment off by 448 students districtwide when comparing district projections with the demographer especially at Independence and Oak Grove.
    - Independence, off 234 students
    - Oak Grove, off 113 students
    - Mt. Pleasant, off 58 students

The CBO and Director of Finance had a conference call with the demographer and have asked the demographer to amend and update the current enrollment projections within the next 3 – 4 weeks in light of the discrepancies



# ADVOCACY STRATEGIES TO CLOSE THE OPERATIONAL GAP IN 2016/17

Potential Budget Strategies	Opportunity in \$ Millions
Projected 18/19 Shortfall	(\$21)Mil
Program Adjustments (On-going)	\$21 Mil
Advocacy Efforts:	
Est. Mandated Cost Balance (One-time)	\$52 Mil
Est. LCFF Remaining Gap in FY 2018-19 (Prop. 30 Extension)	\$13.9 Mil
Special Education (GF Contribution)	\$32.7 Mil



QUESTIONS/COMMENTS