

THE EAST SIDE BUDGET COMMUNICATOR



NEWSLETTER FOR BUDGET AND FINANCE NEWS AND UPDATES

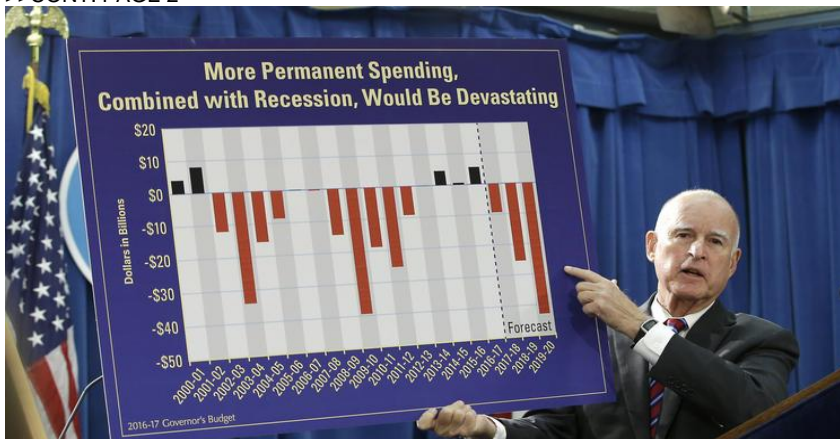
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Governor Jerry Brown's 2016-17 State Budget for Education Continues Progress but Proposition 30 Concerns Troubling

The Governor introduced his \$170.7 billion 2016-17 preliminary Budget in early January and it does continue to provide a sizable boost to public education. For 2016-17, the Governor's Budget proposes a Proposition 98 guarantee of \$71.6 billion, an increase of \$2.4 billion, or 3.5%, from the revised current-year level. According to the Governor's Budget, once fully funded K-12 Proposition 98 funding per pupil will rise from \$10,223 in the current year to \$10,591 in 2016-17, a 3.6% increase as contracted to 11.85% growth in 2015-16.

The Governor's Budget has factored in the expiration of Proposition 30 temporary taxes in the upcoming years, along with a less vigorous stock market. Projected capital gains in 2016-17 are expected to decrease by \$1 billion from the high watermark of \$13.4 billion in 2015-16. The Governor's Budget also reflects a decrease in personal income tax revenues in the 2018-19 fiscal year of \$1.9 billion resulting from the second leg of Proposition 30 expiring. Proposition 30 currently represents \$34 million in annual revenues for ESUHSD.

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“If you don’t remember anything else, just remember, everything that goes up comes down,” Brown said, standing next to the chart below which illustrates the state’s spiking revenues off of the capital gains of the state’s richest residents.

“You’ve got to plan for the down,” Brown said.”

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The Ticking Time-bomb - Proposition 30

Currently, Governor Brown is not recommending an extension of proposition 30 which was originally approved as a temporary tax initiative by the voters in November 2012. The tax was designed as an initiative to temporarily raise California's sales tax as well as income taxes on the wealthy. The tax is in the process of phasing out and will be fully phased out by the time Governor leaves office in December 2018. The Governor's Department of Finance projects that the temporary taxes will generate \$8.4 billion in FY 2015-16 before going down to \$2.9 billion in FY 18-19 at which time the income tax for high wage earners would phase out.

The Governor has indicated that school districts should not worry because State revenues are projected to continue to climb due to a continuing robust economy. The Governor is projecting State revenues to grow from \$116.9 billion in FY 15-16 to a \$124.4 billion by FY 17-18. State Revenues are expected to remain flat in FY 18-19 at \$124.2 billion at which time temporary taxes will expire. The Governor's budget especially as it relates to the Local Control Funding Formula does reflect temporary taxes being phased out. As you will note from the chart below, the LCFF GAP % and funding decreases from a high of \$846 for FY 2015-16 to \$37 by FY 2018 - 19. This represents a precipitous reduction in on-going funding by almost \$18 million based on FY 2015-16 funding.

If this assumption in the Governor's budget remains, this could be problematic for ESUHSD since the district is projected to deficit spend in the out-years and district reserves would not be sufficient to cover a short-fall in on-going funding. A temporary tax initiative is currently being circulated for signatures by the California Teachers Association and the California Hospital Association. The details of the plan are uncertain in regard to how much of the potential funding could flow to ESUHSD.

Gov's Proposed LCFF GAP Funding, PER Student ADA, and GAP Closure %

	2015-16	2016-17	2017-18	2018-19
LCFF GAP	\$846	\$393	\$280	\$37
Per ADA	\$9,381	\$9,794	\$9,794	\$10,116
GAP Closure %	51.97%	49.08%	45.34%	6.15%



Governor's Budget Proposal Con't.

Key Proposition 98 and K-12 Proposals:

- ◆ \$2.825 billion for LCFF gap closure
- ◆ \$1.2 billion for discretionary for one time uses
- ◆ \$1.28 billion for Mandated Costs
- ◆ \$500 million for an Adult Education Block Grant
- ◆ \$500 million Teacher Effectiveness Block Grant (one-time/Restricted)
- ◆ \$365 million for one-time Prop. 39 – California Clean Energy Jobs Act

District Implements New Online Facility Reservation System

In order to streamline the facility rental process and provide more transparency to our users, the district initiated a new online facility reservation system in partnership with silicon-based Facilitron LLC. The new state-of-the art system went live on December 1. All facility rentals are now on-line and are managed by the District's new facilities rental manager, Debbie Ramirez.

ESUHSD Leads in Health Benefits Statewide and Regionally

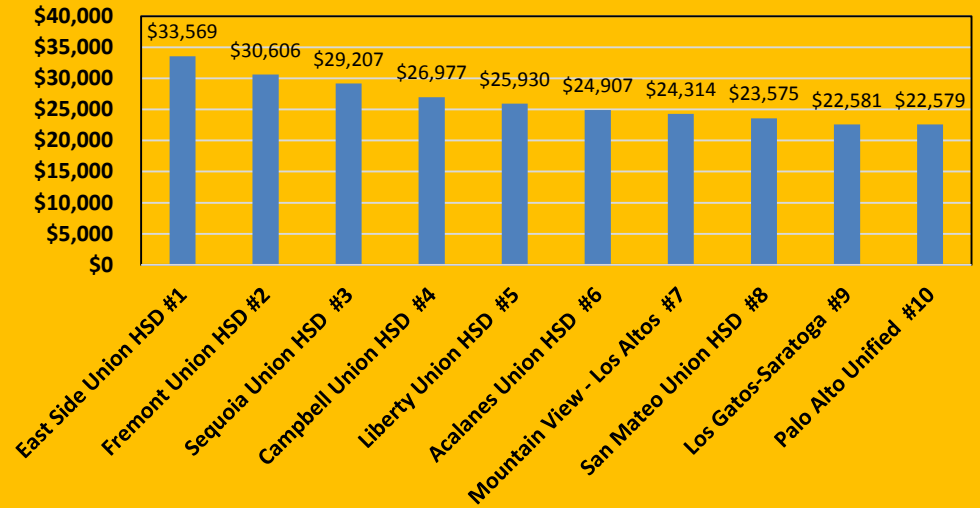
Statewide Rankings - Maximum Paid by a District for Health and Welfare Benefits

Rank	District	Maximum Health Contribution (Family)
#1	East Side Union High School	\$30,664
2	Fremont Union High School District	\$28,863
3	Campbell Union HSD	\$25,228
4	Huntington Beach Union HSD	\$18,541
5	Fullerton Joint Union High	\$18,503
6	Chaffey Union High SD	\$17,737
7	El Monte Union High	\$16,860
8	Salinas Union High SD	\$16,701
9	Statewide Average	\$16,393

ESUHSD Ranks # 1 for Maximum Contribution to Health Benefits Statewide for Our Employees

Source: 2014-15 School Services CADIE Report

All Contributions (Health, Dental, Vision, & Life) Regional Comparison



East Side Union High School District Ranks #1 Statewide for Maximum Contributions (Family) and #1 Statewide and Regionally for All Contributions

In general, most employers both private and public generally require that workers make a contribution towards the cost of employer provided premiums. According to a recent report by the Kaiser Family Foundation, covered workers contribute on average 18% of the premium or \$1,100 for single coverage and 29% of the premium or \$4,200 for family coverage.

The two charts on this page clearly illustrate the district's commitment to benefit contributions. It is estimated that East Side is one of a few remaining employers in the State of California which provides fully paid benefits at no costs to employees. It is probably safe to say that many of us probably don't know many people including family members or friends who are in such an enviable position.

It goes without saying that being in such an enviable position does come with risks. Continuing the current plans with no changes is probably unsustainable. When you look back at when the District made a commitment to provide fully paid health insurance it was at a time when health insurance was not as expensive. It is not the commitment it is today. ESUHSD unions and employees have taken on increased class size, furlough days, and layoffs in order to preserve this benefit. In the meantime, health insurance has continued to increase year after year at a pace faster than projected revenues. We believe this is a benefit that our employees deserve and have earned. We just have to figure out how to fund it in the future considering the on-going fluctuation in State funding.



Highlights of the 2015-16 First Interim Budget

The District's First Interim budget for FY 2015-16 reflected a decrease in estimated surplus from \$12.1 million to \$5.6 million and represents a decline of \$6.4 million. The estimated deficits for FY 2016-17 increases by \$9.4 to almost \$20 million and increases by \$7.5 million to \$17 million in FY 2017-18. The decrease in current year surplus is primarily reflective of negotiated settlements with bargaining groups and reduced State funding in the final State budget adoption.

The District's CBEDS enrollment increased slightly to 23,276 which represents an increase of 58 average daily attendance (ADA) over the budgeted enrollment estimate. The adopted budget had projected an October CBEDS enrollment count of 23,218. The higher October enrollment count will result in a higher P-2 ADA, which provides the basis for determining the District's current year local control state revenues.

At First Interim, unrestricted reserves total \$43.7 million and represents undesignated reserves of 16.78%. Undesignated reserves for ESUHSD represent unrestricted and uncommitted reserves (including Fund 17) that could be used for any purpose to fund District operations. 2015-16 negotiated settlements have been included in the 2015-16 First Interim budget update.

The finance department is currently preparing the second interim financial report for the period ending January 30, 2016. The Budget Advisory Committee will be meeting in the Boardroom at the Education Center on Monday, February 29 at 4:00 pm. to get a preview of the Second Interim and to discuss the impact of the Governor's budget on the district. The Second Interim will be presented at the March 18 Special Board Meeting.

**To Report Fraud, Waste, or Abuse
Anonymously Call
1-855-247-3156**

NOTEWORTHY

New Foreign Exchange Program

The Business Services Division in collaboration with the Education Services Division is ready to launch the district's new Foreign Exchange Program. The district is currently awaiting final approval from the Dept. of Homeland Security. The district currently has an interest list of over 125 students from around the world who are eager to attend one of our high schools for August 2016 enrollment. In addition, there are over 35 families who have expressed an interest in hosting a student. If you are interested, please contact Nadia Davis.

No Audit Findings

Once again, the Business Services Division in collaboration with sites and Educational Services Division has achieved an outstanding audit with no findings for the fiscal year ending June 2015. We would like to thank the following sites for doing an excellent job managing their attendance and ASB Accounting:

- Overfelt High School, Santa Teresa HS, Foothill ISP, Silver Creek High School, Apollo School, and Yerba Buena SOAR

UAS is being Proposed for Replacement by POMCO

The district recently issued an RFP for a new self-insurance administrator to replace UAS. UAS has been the administrator since 1984, however, UAS has been unable to keep pace with the increased service, efficiency, and responsiveness that our employees demand. POMCO is a major provider which will be able to deliver the services our employees expect. This change only relates to benefits administration. There will be no changes to the plan benefits. (Pending Approval)