



The East Side Budget Communicator

Volume 3
Spring 2013

Budget and Finance News

Next District Budget Advisory Committee:

Open to the Public
May 29, 2013 at
4:00 pm. at the EC

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Highlights from the District's Preliminary 2013/14 Budget Presentation

The Fiscal Year 2013-14 budget will provide for major shifts in funding from restricted programs such as the Regional Occupational Program, Adult Education, EIA, Transportation and numerous other categorical programs to the unrestricted general fund totaling almost \$30 million as a result of the Governor's newly proposed Local Control Funding Formula (LCFF).

2013-14 Major Changes in Revenues

- **Revenue Limit Sources** projected to increase by \$36.9 million as a result of shifting categorical funds and increases from LCFF
- **Other State Revenues** projected to decline by (\$19.4) million due to a shift in restrict categorical programs to the unrestricted General Fund

2013-14 Major Changes in Expenditures

- **\$8.1 Mil. Certificated Salaries** – Increase due to shifts in categorical programs including EIA, Transportation, Adult ED, and etc. from LCFF, and 11 FTE added for Special Education, Calero, and other programs;
- **\$3.8 Mil. Classified Salaries** – Increase due to shifts in categorical programs including EIA, Transportation, Adult ED, etc. from LCFF, and 13 FTE added for Special Education, Calero, etc., and step and column expenses;
- **\$3.9 Mil. Employee Benefits** – Primarily due to an increase in certificated and classified salaries expenses from funding shifts;
- **\$2.7 Mil. Other Outgo** – Increase due to a shift in funding for Regional Occupational Programs directly as a General Fund Expense since funding is now included as part of LCFF funding;
- **(\$1.7 Mil.) Debt Service** – Savings and a decrease in debt service expenses is a result of paying-off our remaining Solar Loan;

Total unrestricted revenues are estimated to increase \$16.3 million in FY 2013-14, while expenditures are projected to increase by \$17 million for an overall increase of \$800,000 year-over-year. Deficit spending is expected to continue and will total an estimated \$4.2 million in FY 2013-14 if additional revenues don't materialize in the Governor's May Revisions.

Projected Staffing Increases Beginning FY 2013/14

The District is proposing an increase in staff, as a result of the opening of the new Calero High School, Special Education compliance issues and the need to provide Fiscal and Educational oversight for the increasing number of Charter Schools in our district. The district is also proposing to serve more special education students in-district, as opposed to sending them to County programs. As a result of these actions, we are proposing to add 2 Certificated Administrators, 1 Classified Manager, 12 CSEA positions and 9 ESTA positions; for a total of 24 new positions.

Major Differences in the Governor Brown's LCFF versus the New Senate Alternative



LCFF HAS DIVIDED CALIFORNIA SCHOOL DISTRICTS

The Governor's proposed LCFF has created somewhat of a rift between districts who will fare better than others. As a result, Democratic leaders of the State Senate want to delay Gov. Brown's 2013/14 sweeping plan on changing how schools are funded and have recommended significant changes by introducing new Senate Bill 69 with the following provisions:

- **Base Grants** – Senate supports increasing the Governor's proposed base grant;
- **Supplemental Grants** – Senate agrees with the concept of supplemental grants but believes the % should be higher than what the Governor proposed;
- **Concentration Grants** – Senate recommends to eliminate the concentration grant and instead increase the base grants in an effort – “to improve funding adequacy for all students”;
- **Accountability** – Senate proposal would improve accountability provisions to ensure supplemental grants improve services for low income, ELL, and foster youth; and Provide authority for the State or County Office to intervene in and support districts that do not demonstrate improvement toward state goals; and rescind flexibility for district's that do not demonstrate outcomes across subgroups;

The Senate's proposal would not take effect until the 2014/15 Fiscal Year, to allow a transition period for school districts. ESUHSD does support increasing the base for all California School district's.

District Budget Facing Unexpected Impacts Beginning in FY 2013-14

The district has been impacted by a number of recent occurrences in the current fiscal year which have almost negated the increased funding we are to receive as a result of the LCFF. Unfortunately, many of these occurrences have been outside of the district's control and will cost the district almost \$11 million over a 3 year period. The major items which will impact our budget beginning in FY 2013-14 are summarized below:

- **Special Education Disproportionality – \$2 million increase in special educ. Expenses;** (The California Department of Education ruled that the district's Special Education Program has a disproportionate subgroup of identified students in the district which must be corrected. CDE requires the district to set-aside 15% of our Special Education program costs each year to address this issue. This will increase current Special Education cost by almost \$2 million over a 3 year period).
- **Federal EIA Audit Findings – \$4 million increase in general fund expenses;** The district recently underwent a Federal Categorical Program Management Audit and the district was found to be “Not In Compliance” with how Economic Impact Aid funding was supposed to be expended. As a result,

the district will be required to transfer current expenditures from categorical to general funds which will increase the district's general fund cost by almost \$4 million over the next 3 years.

- **Enrollment Update – \$5 million decrease in revenue limit/LCFF income;** The district's updated enrollment study reflects a decline in ESUHSD enrollment by 978 students over the next 3 years.
- **Federal Sequestration - \$549k decrease in Federal Revenues.** This would encompass reductions to Title I, Title II, Title III, and Special Education as a result of the expiration of Bush-era tax cuts and automatic cuts to federal programs to include education funding.



District Uses Creativity to Save Big Bucks for FY 2013-14 Budget

In an effort to keep the cost increases mentioned above away from our staff and our students, the district's leadership has developed some creative options to address this direct hit to our budget. The chart below summarizes some of the actions proposed by the district which will save almost \$8.5 million over a 3 year period and will not impact a single employee. The savings will be generated from a slight change in the dental plan to include a PPO option, a benefits audit to move ineligible dependents off our health plans, having our health carriers bill us based on the actual cost of each employee covered as opposed to composite (average) billing, and paying off our solar loan. This exercise in savings clearly demonstrates what can happen when you think outside the box.

Estimated Budget Savings Actions for FY 2013-14	Source of Savings	FY 2013-14	FY 2014-15	FY 2015-16	Estimated Total Budget Savings through FY 2015-16
Dental Plan Change to PPO	District Initiated	\$300,000	\$300,000	\$300,000	\$900,000
Full Benefits Audit	District Initiated	\$500,000	\$500,000	\$500,000	\$1,500,000
Medical Plan Changing from Composite Billing to Tiered Billing	District Initiated	\$450,000	\$0	\$0	\$450,000
Solar Loan Payoff	District Initiated	\$1,823,189	\$1,867,814	\$1,914,637	\$5,605,640
District-wide Discretionary - Budget Reductions	District Initiated	\$25,000	\$0	\$0	\$25,000
Total Estimated Savings Actions		\$3,098,189	\$2,667,814	\$2,714,637	\$8,480,640

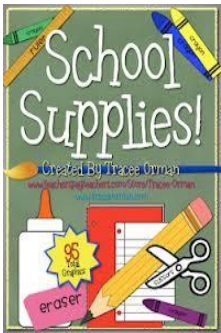
What Will the Governor's May Revision mean for ESUHSD?

The District is optimistic about the Governor's May Budget Revisions and believes that an increase in proposed funding to K-12 education is on the horizon. Our rationale is based on an improved State economy and increased State revenues which as of March 2013 are up \$4.7 billion ahead of the Governor's estimates. The Governor still has some May revision considerations as follows:

- Are the current year revenue increases one-time?
- How do the increases impact the Proposition 98 minimum guarantee for K-12 education?
- Do the higher revenues for 2012-13 necessarily mean increased projections for 2013-14?

Deficit Spending - What is the Long-Term Outlook?

The district is once again looking at deficit spending during the 3 year forecast period. In FY 2013-14 deficit spending is projected to be \$4.2 million, \$9.5 million in FY 2014-15, and \$7.7 million in FY 2015-16. The district ending fund balance during this period goes from a high of \$29.8 million in FY 2013-14 and is reduced to \$5.6 million by the end of FY 2015-16. In 2015-16, the district's reserves will be 2.59% which is less than the State's minimum reserve of 3% for a district our size. As a result, the district is planning to closely monitor the Governor's May Revision actions which we hope will provide much needed additional revenues to the district. During this period, we will continue to collaborate with our stakeholders regarding current savings initiatives. In the meantime, the district will plan to augment district revenues with one-time transfers from our Other Post Employment Benefit (OPEB) fund as a temporary measure to support current budgeted expenses and to ensure we meet our mandated minimum reserve requirements.



What's new for 2013/14?

In FY 2012-13, the district in consultation with the Board, site administration and staff, have taken great efforts to ensure that every teacher in the ESUHSD district has an ample supply of instructional materials on hand when school starts in FY 2013-14. Teachers should not have to expend their own money for required school materials and supplies unless they choose to. The district has requested that all school sites designate 20% of their site budgets for instructional materials and reimburse teachers accordingly for approved purchases, if needed.

Budget Questions and Answers

Question 1. Will furlough days go away in 2013/14?

Answer. The district is awaiting the outcome of the Governor's May Revisions which will provide the district with an opportunity to reevaluate its financial position. The removal of furlough days is a high priority for the district.

Question 2. What are the main differences between tiered and composite health benefit rates and should I care?

Answer The primary differences between tiered and composite rates revolve around how our health carriers bill the district for providing coverage for our employees. A composite rate is a flat rate that is charged based on the average cost for all covered employees. The tiered rate is the actual cost for each employee in the plan based on their family status (single, two family, and married). By having the carrier's bill us based on our actual cost of coverage, we save money.

Question 3. Will I have to take money out of my pocket for instructional supplies next year?

Answer. The short answer is "No". The district believes it has directed school sites to allocate a sufficient amount for supplies. In addition, we have asked sites to be vigilant in addressing your reimbursement request. There will be some instances where you may really want to purchase something that is outside the parameters of reimbursement and you may want to discuss your purchase in advance with your site principal.

Reminders **Year End Closing**

Please **submit** all packing slips, receiving reports and/or invoices with signature and date to Accounts Payable Department **before leaving for the summer**. If we do not hear from you, all outstanding and open purchase orders will be closed. If items and/or services were received and we don't have confirmation paperwork, the invoice will have to be paid from **2013/14** budget.

Annual Benefits Fair: Friday, May 17 at the EC from 12:30 To 4:30 pm. (Refreshments, prizes, and games)