

- \$500 million to continue **Adult Education Block Grant**
- \$422.9 million for **K-12 Energy Efficiency Grants (Prop. 39)**
- \$200 million for **one-time Career Technical Education (CTE) incentive grants**
- \$10.1 million to **reduce K-12 truancy and support dropout prevention** efforts

The Governor is once again calling for fiscal discipline and restraint while issuing warnings of risks to the State's economy. Governor Brown's budget recognizes the historic volatility and fluctuations in education finance because of the state's over-reliance on personal income taxes and capital gains from the wealthiest taxpayers.

For 2017-18, the Governor's Budget proposed a Proposition 98 guarantee of \$73.5 billion, which represents a *decrease of \$953 million*, relative to the 2016-17 State Budget. As a result, **East Side's Local Control Funding is expected to decline by \$5 million over a 3-year period.**

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Proposition 55 Passes

Proposition 55 passed during the November 2016 General Election and **will extend the high bracket income tax for an additional 12 years, through 2030.**

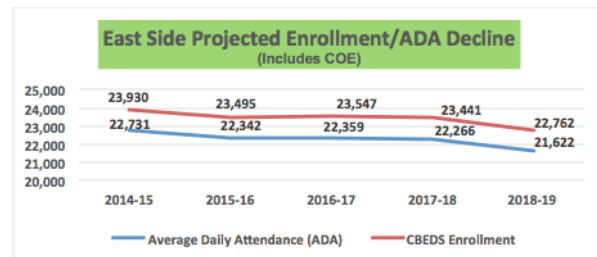


The high bracket income tax could **generate \$4 to \$9 billion in additional state revenues**, according to the Legislative Analyst Office. The first year effect of Prop 55 for schools will occur in FY 2018-19.

The Governor's budget currently does not reflect any measurable increase in funding as a result of Proposition 55.

Projected to Lose an Estimated 1,168 Students

Between 2014-15 to 2018-19



Declining enrollment has plagued the District for many years. In fiscal year 2008-09, the district's enrollment was at an all-time high surpassing 25,000 students. Today, the district's enrollment is around 23,500 and is projected to dip to around 22,700 by fiscal year 2018-19. The drop in students represents a decline of almost 1,200 students.

There are multitude of factors contributing to the decline including **lower birth rates, the rising costs of housing which is pushing young couples out of the area, and most significantly the continued growth of charter schools in the district.** As of January 2017, charter school enrollment totaled just under 4,000. It is estimated that by 2018-19 charter school enrollment will plateau at just over 5,000 at which time all current charters will be at full enrollment.

The level of declining enrollment currently occurring at East Side is creating dire financial implications because the district is **losing about \$9,000 in state funding for each departing student.**

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Highlights of the 2016-17

First Interim Budget

Second Interim Report will be Presented at March 23rd Board Meeting



The District's First Interim Budget for FY 2016-17 reflects:

- **Increase in projected revenues of \$6.47 million, and**

- **Increase in expenses of \$3.3 million since budget adoption**

The district's projected ending fund balance increased by \$4.5 million due to the changes in projected revenues and expenses and an increase adjustment in the beginning fund balance of \$1.4 million.

The District's CBEDS enrollment (excluding County Office of Education COE #'s) increased slightly to 23,287, which represented an increase of 31 average daily attendance (ADA) over the budgeted enrollment estimate. The adopted budget had projected an October CBEDS enrollment count of 23,256. The higher October enrollment count will result in slightly 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 \$41.3 million and represents undesignated reserves of 14.70%. Undesignated reserves for ESUHSD represent unrestricted and uncommitted reserves (including Fund 17) that could be used for any purpose to fund District operations.

The district's multi-year ending fund balance at first interim is projected to be reduced to 4.84% or \$14 million by FY 2018-19. The district's reserves are slowly eroding primarily due to continuing declining enrollment and increased pension costs.

Point Counter Point Results to be Presented at March 9th Board Meeting

With the Adoption of the 2016-17 budget and on-going concerns around the district's long-term forecast, the Board conveyed a special committee of board members, union representatives, administration and outside budget experts to engage in a Point Counter Point budget review.



The Goals of the Committee were as follows:

- **Provide Budget Review & Critical Question Query**
- **Provide Open Discussion and Understanding of the Fiscal Realities**
- **Involve all Key Stakeholders, including Board Members, Union Representatives, District Staff, Parents, Students, County Office Staff and other interested parties**

The committee held 3 meetings over a 4-month period where the committee had an opportunity to review various financial data and assumptions to increase consensus and understanding around the budget. The committee held its last meeting on Monday, January 23, 2017. Board members Herrera and Biehl expressed their gratitude to all members of the committee for their work and engagement.

Board members Herrera and Biehl will be developing their findings as a result of the committees work and they will be presenting it to the full board at a special meeting on Thursday, March 9, 2017.

Noteworthy

- ESUHSD ranks **#3** in Santa Clara County for **Certificated total compensation based on Maximum scheduled salary plus average district contribution for health and welfare.** [See Rankings](#)
- East Side Bonds Rated "AAA" by Fitch - **East Side received Fitch's highest rating.** The District was able to show that the pledged tax revenues met the definition of "special revenues" which Fitch agreed. It is anticipated that the rating will result in a lower interest rate on our bonds and savings for our taxpayers.
- **East Side's New Facilities Master plan is Currently in Development** - All stakeholders including the sites, Board members, parents, staff, and students were involved in the development. The new Master Plan will be presented at the March 23, 2017 Board Meeting.
- **Clean Financial Audit** - The Business Division has once again achieved an excellent financial audit with no findings. Special thanks is extended to the site administration,



finance clerks, and attendance clerks at Piedmont Hills, Independence HS, Foothill and Pegasus. Also, special acknowledgement to our Internal Auditor and Audit Committee for their support.

- **Supplemental Early Retirement Plan Approved** - At the January 19, 2017 Board Meeting the Board approved a Supplemental Early Retirement Program for Certificated staff. There was a total of 54 certificated staff who signed up for the retirement incentive and we wish all of our retirees a healthy and relaxing retirement.

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