

# **SWEETWATER**

## **UNION HIGH SCHOOL DISTRICT**

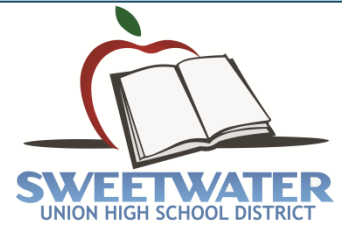
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### **BUDGET ADOPTION**

**PRESENTED TO:  
SWEETWATER UNION HIGH SCHOOL DISTRICT  
BOARD OF EDUCATION**

**PRESENTED BY:  
DR. ALBERT G. ALT  
CHIEF FINANCIAL OFFICER**

# Presentation Agenda:



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- State Budget Process
- School Budget Process
- Local Control Funding Formula (& Local Accountability Plan!)
- Key Budget Assumptions
- Budget Summary
- Multi-Year Projections (MYP)
- Additional Considerations
- Unresolved Issues
- Overall Message
- Recommendations
- References

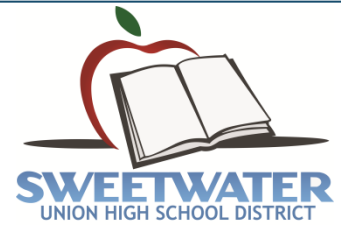
# State Budget Process:



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- Governor's Budget Proposal January 2013
  - ✦ <http://www.ebudget.ca.gov/>
- May Revision (begins negotiation process)
- June Budget Adoption
  - Local Control Funding Formula adopted

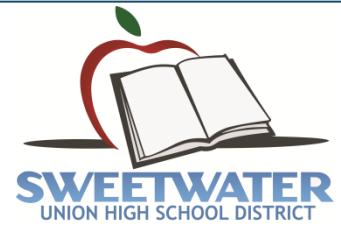
# School Budget Process:



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- Education Code requires the budget be reported to Governing Board, public and County Office of Education three times per year, as follows:
  - Annual Budget:
    - ✦ Adopted by June 30 (Education Code 42127)
  - First Interim Budget Report, as of October 31:
    - ✦ Certified by Governing Board on or before December 15 (Education Code 42130 and 42131)
  - Second Interim Budget Report, as of January 31:
    - ✦ Certified by Governing Board on or before March 15 (Education Code 42130 and 42131)
  
- Local Impact:
  - “45 Day Revision” recommended by SDCOE
  - Significant budget changes at First Interim Report

# Local Control Funding Formula (LCFF):



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- Significant Education Funding reform
  - ✦ “...the most significant change in four decades in how school dollars would be distributed...” (LA Times, February 24, 2013)
- Provides funding at 2007-08 pre-recession level
- Has three main components
  - Base Grant (84% of the funds devoted to Base Grant: All schools receive Base Grant)
  - Supplemental Grant (20% of the Base Grant)
  - Concentration Grant (50% of the Base Grant for **each** low-income and English learner student above 55% threshold)
- Requires Local Accountability Plan (LAP)
- CDE Estimates 7 months for implementation
- Causing “wait and see approach” throughout California
  - ✦ [http://www.recordnet.com/apps/pbcs.dll/article?AID=/20130613/A\\_NEWS/306130324/-1/A\\_NEWS04](http://www.recordnet.com/apps/pbcs.dll/article?AID=/20130613/A_NEWS/306130324/-1/A_NEWS04)

Hi, **Professor Budget** here to let you know that California is about to radically change the formula for funding its K-12 schools. It's all part of the budget agreement that's been reached between lawmakers in Sacramento and Gov. Jerry Brown.

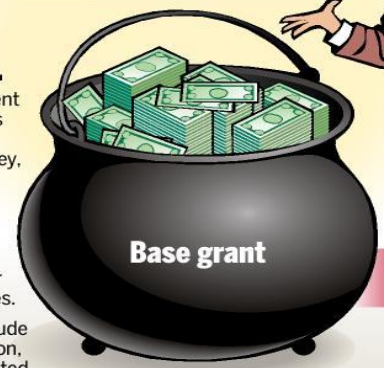


**...and in with the new**  
A new formula will give schools more control over how they spend state money.

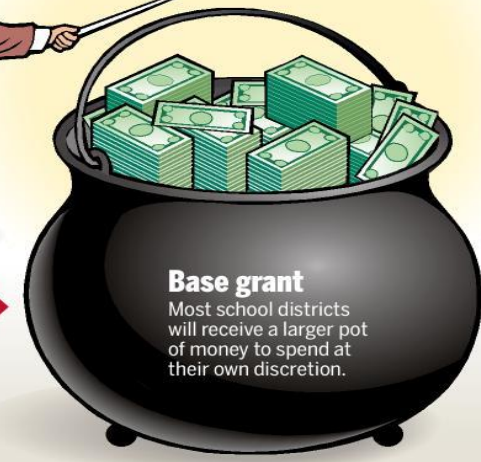
**Out with the old...**

Under the current system, schools receive a base amount of money, plus more than 60 "pots" of money, known as categorical funds, that can be used only for certain purposes.

These pots include special education, gifted and talented, school lunches, textbooks, etc. All the categorical money amounts to an average of \$2,000 per student.



Sources: California Department of Finance, School Services of California, Inc.



**Supplemental grant**  
Districts will receive additional money for each student who is poor, an English learner or a foster child.



**Concentration grant**  
Districts where at least 55 percent of the students are poor, English learners or foster kids will receive an extra pot of funding.



**A few of the old pots remain**  
While most of the money from the 60 small pots will be given to schools to spend as they wish, some of the old earmarks remain in place, including special education, vocational education and desegregation.

DOUG GRISWOLD AND KARL KAHLER/BAY AREA NEWS GROUP

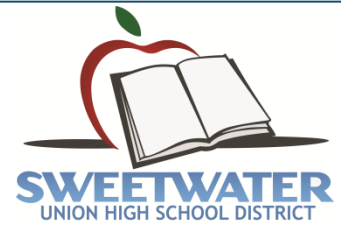
# Key Budget Assumptions:



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- Based on Governor's May Revise
- School Services of California "Dartboard"
- Developed under SDCOE guidelines
  - Use Revenue Limit/deficit factor until LCFF is law
  - Reserve new revenue until budget adoption (9.8)
- Enrollment flat/ADA trends
- Staffing ratios
- Revenue projections (May Revise)
  - Adopted budget includes additional revenue from May Revise
- Expenditure increases: Step/Column; PERS/STRS, CPI

# District 13/14 Budget Adoption Revenue Summary:

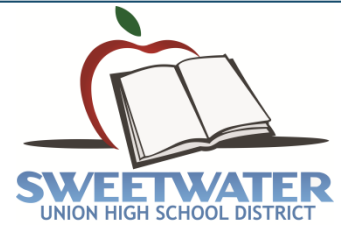


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Revenue	2011-12 Actuals	2012-13 Projections	2013-2014 Proposed
Beginning Balance	\$35,276,271	30,862,463	\$29,953,712
Revenue Limit*	\$236,478,953	\$235,272,432	\$249,128,920
Federal Revenue	\$32,150,022	\$24,914,805	\$19,867,048
Other State	\$56,175,909	\$51,569,695	\$51,077,843
Local Revenue	\$30,520,584	\$28,120,706	\$25,515,665
<b>Total</b>	<b>\$355,397,456</b>	<b>\$339,877,638</b>	<b>\$345,589,476</b>



# District 13/14 Budget Adoption Expenditure Summary:

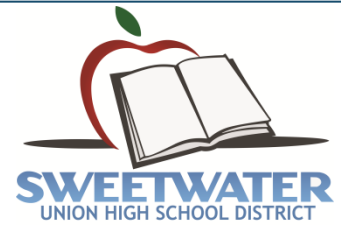


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Expenditure	2011-12 Actuals	2012-13 Projections	2013-14 Proposed
Certificated	\$171,908,185	\$165,544,249	\$168,786,134
Classified	\$57,044,314	\$56,252,164	\$60,510,019
Benefits	\$62,218,962	\$55,769,898	\$56,987,007
Supplies	\$14,020,700	\$13,638,847	\$16,855,564
Contracted Svc	\$27,772,848	\$30,307,704	\$30,346,091
Capitalized Expenses	\$1,117,384	\$518,341	\$1,710,205
Other Outgo	\$25,728,871	\$18,755,187	\$13,629,112
<b>Total</b>	<b>\$359,811,264</b>	<b>\$340,786,389</b>	<b>\$348,824,132</b>

# District 13/14 Budget Adoption

## Budget Summary:

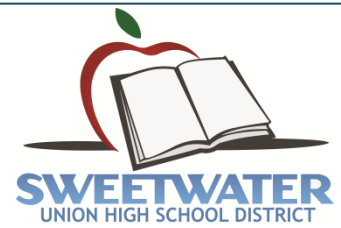


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	<b>2011-2012 Actuals</b>	<b>2012-13 Projections</b>	<b>2013-14 Proposed</b>	<b>2013-14 Proposed*</b>
Revenue	\$355,397,456	\$339,877,638	\$345,589,476	\$345,589,476
Expenditures	\$359,811,264	\$340,786,389	\$348,824,132	\$348,824,132
Net Surplus/ Deficit	<b>(\$4,413,808)</b>	<b>(\$908,751)</b>	<b>(\$3,234,656)</b>	<b>(\$3,234,656)</b>
Reserves	\$24,920,162	\$17,275,545	\$26,257,808	\$19,870,539
Unrestricted Reserve	\$5,942,301	\$12,678,167	\$461,248	\$6,848,517

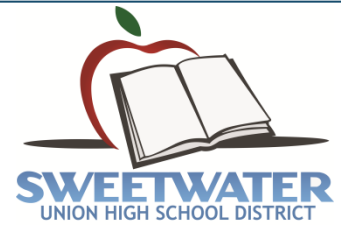
\*Distributes Reserve for Deficit Factor to Board 1% and Unrestricted Reserve

# District 13/14 Budget Multi-Year Projections:



	2013-14 Proposed	2014-15 (*28:1)	2015-16
Revenue	\$345,589,476	\$349,912,386	\$355,907,491
Expenditures	\$348,824,132	\$357,688,288	\$365,349,095
Net Surplus/ Deficit	(\$3,234,656)	(\$7,775,902)	(\$9,441,605)
Reserves	\$26,257,808	\$24,111,718	\$23,786,613
Unrestricted Reserve	\$461,248	(\$5,168,566)	(\$14,285,064)

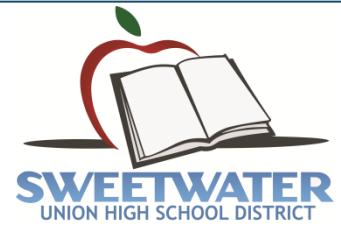
# District 13/14 Budget Multi-Year Projections Eliminating Reserve for Deficit Factor:



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	2013-14 Proposed	2014-15 (*28:1)	2015-16
Revenue	\$345,589,476	\$349,912,386	\$355,907,491
Expenditures	\$348,824,132	\$357,688,288	\$365,349,095
Net Surplus/ Deficit	(\$3,234,656)	(\$7,775,902)	(\$9,441,605)
Reserves	\$19,870,539	\$19,387,581	\$18,950,834
Unrestricted Reserve	\$6,848,517	(\$444,428)	(\$9,449,285)

# Primer on Fiscal Accountability:

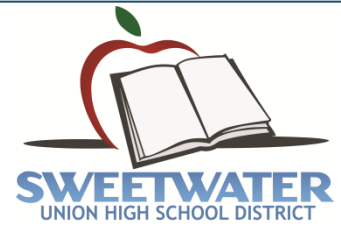


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- FCMAT Fiscal Health Risk Analysis:

Key Fiscal Indicators	
Deficit Spending	Position Control
Fund Balance	Budget Monitoring
Reserve	Retiree Health Benefits
Enrollment	Leadership/Stability
Interfund Borrowing	Charter Schools
Bargaining Agreements	Audit Report
General Fund	Facilities
Encroachment	General Ledger
Management Info Systems	

# Primer on Fiscal Accountability:

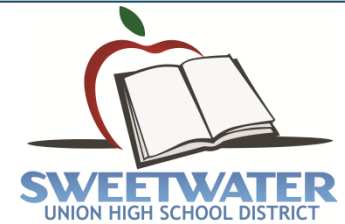


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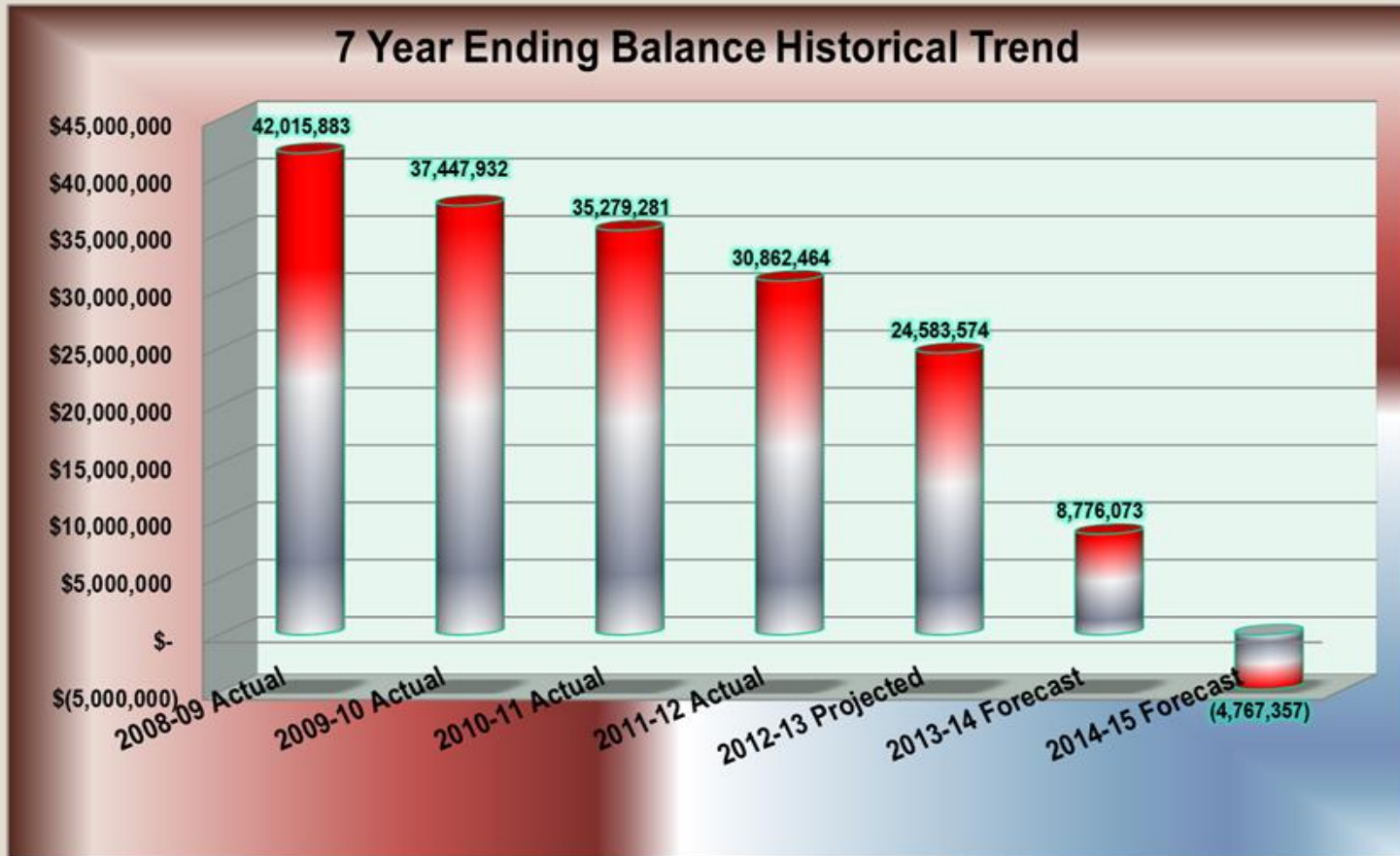
- FCMAT “ways a District gets in trouble”:

Estimates of State Economics	Execution of Budget
<b>Average Daily Attendance</b>	<b>Budget Monitoring</b>
Control of Staff Costs	<b>Deficit Spending</b>
Estimating Step and Column	Estimating Ending Balance
<b>Use of One-time Dollars</b>	<b>Management of Cash</b>
<b>Negotiations</b>	
Multi-year Planning	

# Primer on Fiscal Accountability:

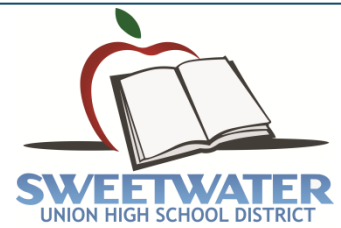


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\* Presented by Rick Knott, Interim CFO, First Interim Report (December 10, 2012)

# District 13/14 Budget Multi-Year Projections Eliminating Reserve for Deficit Factor:

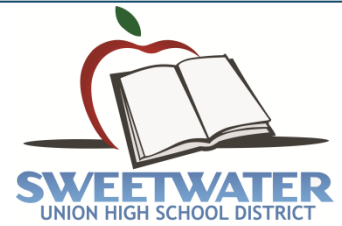


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Unrestricted Reserve	\$6,848,517	(\$444,428)	(\$9,449,285)



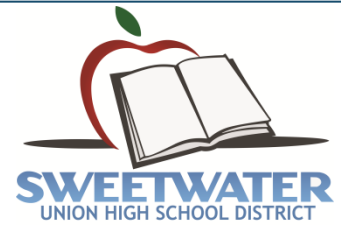
# Additional Considerations:



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- Sequestration (backfill eliminated in State budget proposal)
- Federal Health Care Reform
- Collective Bargaining (tbd)
- Multi-Year Projections (MYP)
  - Long Term Debt obligations
  - GASB Requirements: “L” Street
  - Programmatic additions: 1:1 initiative
  - CPI/Inflationary Trends

# Unresolved Issues:

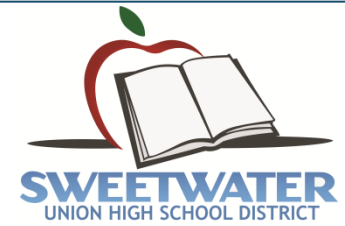


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- **Additional revenue via budget adoption**
  - 2.5 million to 4 million additional revenue (over May Revise)
- **Adult Education**
  - Budget bill reportedly requires 2012-2013 expenditure levels to qualify to participate in 2015-2016 Consortium
  - 2.8 m expenditure increase
- **ROP**
  - Reportedly from local legislative offices, ROP funding is direct to all districts via LCFF
  - SDCOE reviewing funding allocation
  - 2.5 m expenditure increase

# District 13/14 Budget Adoption

## Budget Summary:



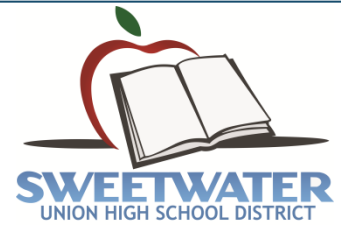
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	<b>2011-2012 Actuals</b>	<b>2012-13 Projections</b>	<b>2013-14 Proposed</b>	<b>2013-14 Proposed*</b>	<b>2013-14 Adult Ed***</b>
Revenue	\$355,397,456	\$339,877,638	\$345,589,476	\$345,589,476	\$348,089,476
Expenditures	\$359,811,264	\$340,786,389	\$348,824,132	\$348,824,132	\$351,624,132
Net Surplus/ Deficit	<b>(\$4,413,808)</b>	<b>(\$908,751)</b>	<b>(\$3,234,656)</b>	<b>(\$3,234,656)</b>	<b>(\$3,534,656)</b>
Reserves	\$24,920,162	\$17,275,545	\$26,257,808	\$19,870,539	\$19,954,539
Unrestricted Reserve	\$5,942,301	\$12,678,167	\$461,248	\$6,848,517	\$6,464,517

\*\*Eliminates the Reserve for Deficit Factor

\*\* Includes conservative estimate of new revenues (2.5m) and restoration of Adult Ed to 2012-2013

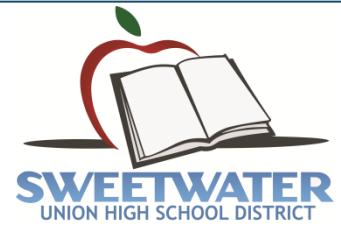
# Overall Message:



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- Positive for 13/14 Fiscal Year:
  - Additional revenue to District
  - Increased revenue projected over 8 year LCFF implementation
  
- Precautionary for 14/15 and 15/16:
  - Deficit spending persists
  - Multi-Year Projects show deficit without significant expenditure reductions or revenue enhancements
  - FCMAT Indicators
  - Additional considerations

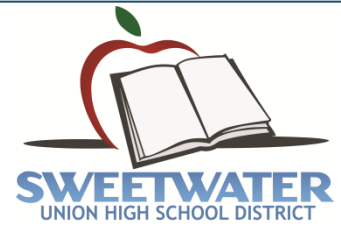
# Recommendations:



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- **Adopt 2013-2014 Budget as provided**
  - Maintaining Board 1% reserve
  
- **Identify any expenditure enhancements (in motion):**
  - Adult Education (2.8m)
  - ROP (2.5m)
  
  - Direct Staff to:
    - ✦ Implement adjustments to increase expenditures for priority programs (If any)
    - ✦ Implement expenditure reductions to accommodate programmatic restorations (discretionary accounts, deferred maintenance, text books, Board 1%)
  
  - Report adjustments at First Interim or pursuant to SDCOE guidance
    - ✦ Include additional revenues from enacted budget bill
  
- **Future Recommendations:**
  - Develop balanced budget for 2014-2015 and MYP
    - ✦ Expenditures do not exceed revenues
  - Develop Local Accountability Plan
    - ✦ Link educational/strategic priorities with budget development

# References:



- **California State Budget**
  - <http://www.ebudget.ca.gov/>
- **LA Times:**
  - <http://articles.latimes.com/2013/feb/24/local/la-me-school-finance-20130225>
- **Stockton Record.net**
  - [http://www.recordnet.com/apps/pbcs.dll/article?AID=/20130613/A\\_NEWS/306130324/-1/A\\_NEWS04](http://www.recordnet.com/apps/pbcs.dll/article?AID=/20130613/A_NEWS/306130324/-1/A_NEWS04)
- **San Jose Mercury News**
  - [http://www.mercurynews.com/bay-area-news/ci\\_23439691/california-budget-deal-overhauls-four-decade-old-school](http://www.mercurynews.com/bay-area-news/ci_23439691/california-budget-deal-overhauls-four-decade-old-school)
- **School Services of California:**
  - ✦ <http://www.sscal.com/dartboard.cfm>
- **San Diego County Office of Education**
  - ✦ <http://www.sdcoe.net/business2/dfs/?loc=home>
- **Fiscal Crisis Management and Assistance Team (FCMAT):**
  - ✦ <http://wwwstatic.kern.org/gems/fcmat/fiscalhealthriskanalysis.pdf>
  - ✦ <http://wwwstatic.kern.org/gems/fcmat/FiscalOversightGuideFINALsm.pdf>



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