



# 2015-16 SECOND INTERIM BUDGET REPORT & 2016-17 STATE BUDGET OVERVIEW MARCH 8, 2016

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# AGENDA

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- Governor's 2016-17 January Budget Proposal
  - California Economy
- 2015–16 Second Interim Report – Positive Certification
- Major Changes Since First Interim
- SAUSD Multi-Year Outlook/Budget Development
- Looking to the Future and Next Steps

# GOVERNOR'S JANUARY BUDGET PROPOSAL

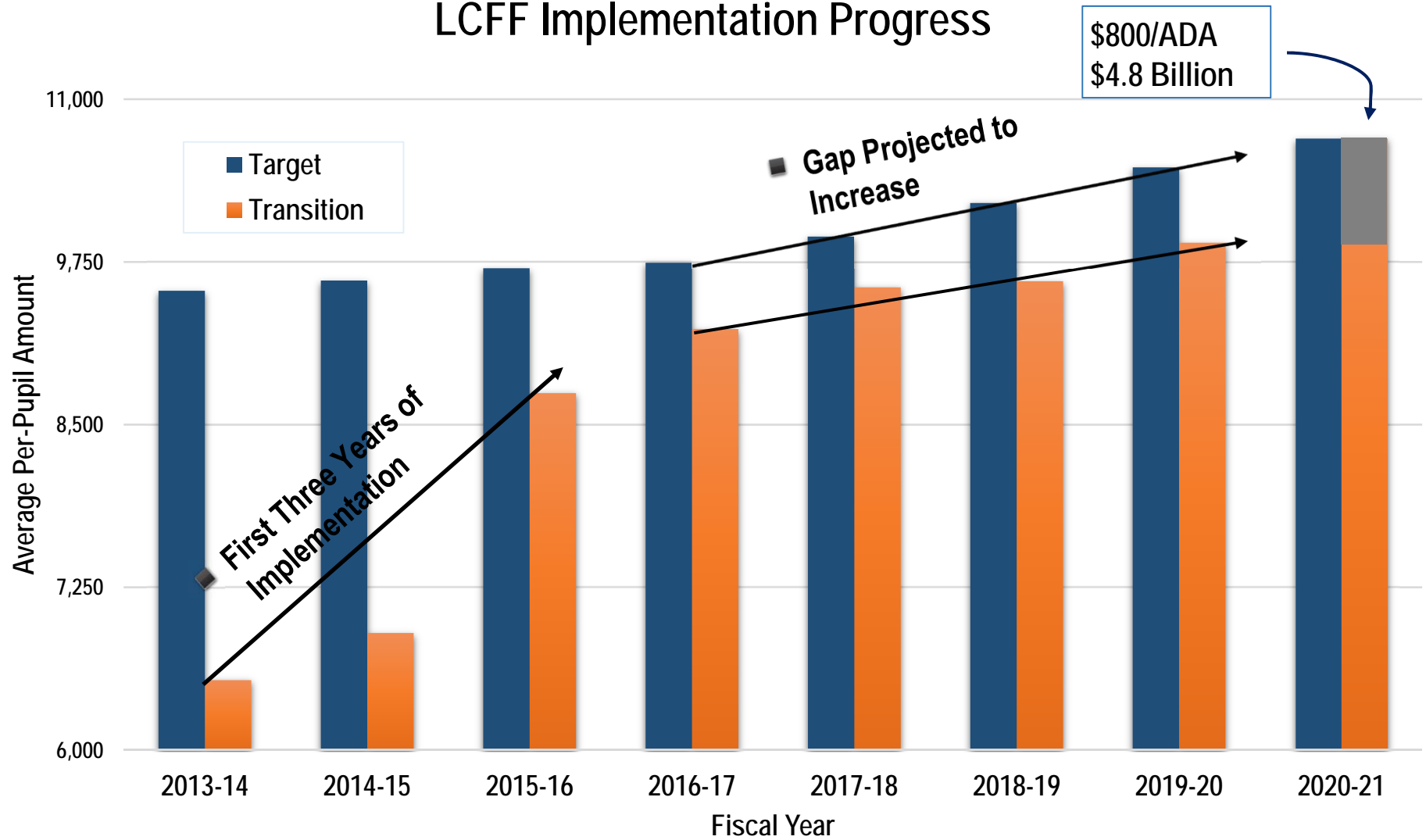
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- **LCFF Funding**
  - COLA 0.47%
  - GAP Funding equates to additional \$23.5M
- **One-Time Discretionary Funding**
  - Possibility of \$1.2B to the State Budget
- **Early Education Block Grant – no new funding**
- **Career Technical Education grant funding proposal**



# What's Ahead?

## LCFF Implementation Progress





# What's Not in the State Budget?

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- Unfortunately, many critical issues are missing from the Governor's State Budget proposal:
  - No proposal for a statewide school facilities bond or program, although Governor Brown notes his perceived downsides of the current school facilities program
  - No new funding to address the increased employer contributions to the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS)
  - No new funding for transportation programs



# The California Economy

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- Governor Brown warns that concerns regarding a recession are growing
  - He forecasts that three years into even a moderate recession the state could be hit hard
    - Deficits of up to \$55 billion could quickly accumulate
- Governor Brown is rightfully proud of the progress California has made, but he recognizes that stability is a very fragile commodity



# Preparing for the Slowdown

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- 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
  - COLAs over the next few years are estimated to be in the 2% to 3% range
  - If those COLA projections come to pass, most districts would again be making significant budget reductions



# SECOND INTERIM UPDATE



# 2015-16 Second Interim Budget Report: MAJOR CHANGES - REVENUE

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MAJOR ADJUSTMENTS from First Interim– 2015-16	\$ (in millions)
Increase in GAP Funding Projection from 51.52% to 51.97% (DOF Projection)	\$0.7 million
Increase in Medical Administrative Activities (MAA) funding	\$0.3 million
Decrease in Title I funding	(\$0.4 million)
State's on behalf pension contribution to CALSTRS due to new regulations	\$15.7 million
Decrease in OC Career Pathways Partnership Program funding	(\$0.2 million)

# 2015-16 Second Interim Budget Report: MAJOR CHANGES – EXPENDITURE

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MAJOR ADJUSTMENTS from First Interim – 2015-16	\$ (in millions)
STRS rate increase	\$2.2 million
State's on behalf pension contribution to CALSTRS due to new regulations	\$15.7 million
PERS rate increase	\$0.7 million
Health and Welfare Costs Adjustment and AB1522 (Sick Leave)	(\$1.9 million)
Technology Projects	(\$3.5 million)
Maintain Summer School at Current Levels (due to expiration of MOU)	\$2.0 million
One-time Interfund transfer to Fund 40 for kitchen remodeling at SAHS	\$1.5 million
One-time Interfund transfer to Fund 20 for OPEB	\$9.0 million

# PROJECTED ENDING BALANCES - All Other Funds

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Fund (all \$s in 000's)	2015-16 First Interim	2015-16 Second Interim	Difference
Fund 09 – Charter School	\$51	\$46	(\$5)
Fund 12 – Child Development	\$88	\$102	\$14
Fund 13 – Cafeteria	\$18,688	\$20,224	\$1,536
Fund 14 – Deferred Maintenance	\$81	\$142	\$61
Fund 20 – Special Reserve/Post Employment Benefits	\$6,000	\$15,037	\$9,037
Fund 21 – Building	\$3,392	\$3,252	(\$140)
Fund 25 – Capital Facilities	\$9,849	\$7,857	(\$1,992)
Fund 35 – School Facilities	\$25,164	\$25,228	\$64
Fund 40 – Special Reserve/Capital Outlay	\$797	\$2,895	\$2,098
Fund 49 – Capital Projects (COP)	\$830	\$827	(\$3)
Fund 51 – Bond Interest & Redemption	\$19,708	\$19,708	\$0
Fund 56 – Debt Service	\$10,681	\$10,237	(\$444)
Fund 67 – Self-Insurance Fund	\$15,237	\$15,596	\$359



# MULTI-YEAR PROJECTIONS & 2016-17 BUDGET DEVELOPMENT

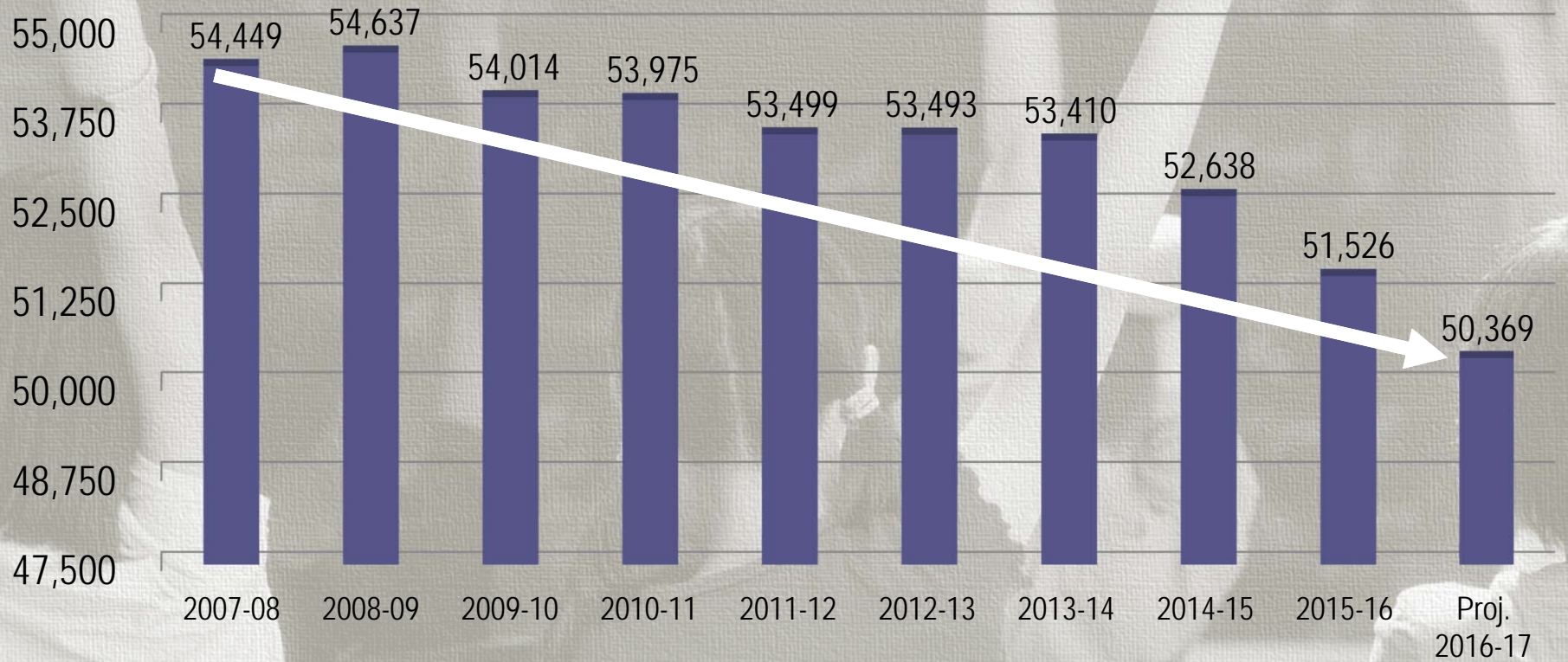
# LCFF GAP FUNDING FOR 2016-17

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- Governor proposes increased gap funding from 35.55% to 49.08%
- Base Grant funds – align to LCAP goals that serve all students
  - Includes COLA of 0.47% on the target (down from 1.60%)
  - Includes add-on funding for specific purposes
    - K-3 CSR (implementation based upon current collective bargaining contract)
    - CTE add-on 9-12
- Supplemental and Concentration Grant funds – align to LCAP goals that service identified students
- Assumptions will be included in the 2<sup>nd</sup> Interim Budget Report

# ENROLLMENT DECLINES

## SAUSD Historical & Projected Student Enrollment



# ENROLLMENT DECLINES

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- Orange County declining overall
- Charter School ADA
- Loss to other districts
  - 3<sup>rd</sup>, 6<sup>th</sup>, 9<sup>th</sup> grades
- Kinder numbers may be increasing slightly due to birth rates and changes in the Transitional Kindergarten program

# MULTI-YEAR PROJECTION ASSUMPTIONS

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2nd Interim Budget Assumptions	2015-16	2016-17	2017-18
LCFF GAP Funding Rate	51.97%	49.08%	45.34%
Enrollment Adjustment	(1,255)	(1,629)	(815)
STRS	\$2.2 million	\$4.5 million	\$4.7 million
PERS	\$0.7 million	\$1.2 million	\$3.6 million
HEALTH & WELFARE BENEFITS		\$3.2 million	\$3.5 million



# MYP GENERAL FUND

2nd Interim Budget	2015-16	2016-17	2017-18
REVENUE	\$668,964,115	\$647,533,115	\$648,198,010
EXPENDITURES	\$641,286,120	\$634,190,279	\$641,194,310
OTHER FINANCING SOURCES/USES	(\$19,678,814)	(\$9,280,687)	(\$6,319,137)
NET INCREASE/DECREASE (DEFICIT SPENDING)	\$7,999,181	\$4,062,149	\$684,563
BEGINNING BALANCE	\$50,320,511	\$58,319,692	\$62,381,841
(DEFICIT SPENDING) / SURPLUS	\$7,999,181	\$4,062,149	\$684,563
ENDING BALANCE	\$58,319,692	\$62,381,841	\$63,066,404
COMPONENTS OF ENDING BALANCE:			
NON SPENDABLE	\$1,170,000	\$1,170,000	\$1,170,000
RESTRICTED BALANCE	\$10,125,602	\$8,918,936	\$6,926,746
COMMITTED BALANCE	\$7,547,581	\$7,547,581	\$7,547,581
OTHER ASSIGNMENTS	\$26,257,190	\$31,875,905	\$34,471,808
ECONOMIC UNCERTAINTIES	\$13,219,319	\$12,869,419	\$12,950,269

**AB1200 - POSITIVE CERTIFICATION**



# LOOKING TO THE FUTURE

# THINGS TO WATCH

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- Enrollment fluctuations
- Reduction expenses commensurate with enrollment reduction
- Volatility of Revenues
  - Prop 30
  - State Tax receipts
- Deferred Maintenance Needs

# NEXT STEPS – LCAP AND BUDGET

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**March 9, 2016 (Tonight)**

- LCAP Update to the Board and Second Interim Report

**April 2016**

- Board Budget Study Session

**May 2016**

- LCAP Update to the Board

**June 2016**

- LCAP and Budget

# THANK YOU

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