



2013 – 14 Budget Update

July 23, 2013

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Today's Agenda

- State Budget Update
- Adopted Budget vs. LCFF
- K-3 CSR
- Reserves and MYP
- Accountability for LCFF

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State Budget Update



- The Governor signed the budget including LCFF into law on June 27, 2013
- The major components of LCFF accountability are being addressed by the State Board of Education and will not be finalized until early January 2014
- There are concerns about the accountability provisions in the newest drafts that would make current revenue more restrictive –especially the supplemental and concentration grants
- The District maintains a significant structural deficit going into the 2014-15 school year
- Based upon the volatility of LCFF funding our adopted reserve of 2% is significantly below the recommended reserve levels.

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SAUSD Adopted Budget



MULTI-YEAR PROJECTIONS @ July 1 Budget	2013-14	2014-15	2015-16
REVENUE	\$335,241,296	\$329,477,835	\$335,492,955
EXPENDITURES	\$303,386,541	\$319,372,573	\$317,376,481
OTHER FINANCING SOURCES/USES	(\$52,102,599)	(\$54,610,249)	(\$55,822,724)
NET INCREASE/DECREASE (DEFICIT SPENDING)	(\$20,247,844)	(\$44,504,987)	(\$37,706,250)
BEGINNING BALANCE	\$39,769,987	\$19,522,143	(\$24,982,844)
DEFICIT SPENDING	(\$20,247,844)	(\$44,504,987)	(\$37,706,250)
ENDING BALANCE	\$19,522,143	(\$24,982,844)	(\$62,689,094)
COMPONENTS OF ENDING BALANCE:			
NON SPENDABLE	\$1,150,000	\$1,150,000	\$1,150,000
OTHER DESIGNATED	\$8,777,828	\$0	\$0
ECONOMIC UNCERTAINTIES	\$9,594,315	\$9,887,619	\$9,815,430
PROP 30	\$0	\$0	\$0
COLA PER SSC DARTBOARD	\$0	\$6,993,140	\$8,717,832
TOTAL	\$19,522,143	\$18,030,759	\$19,683,262
SHORTFALL	\$0	(\$43,013,603)	(\$82,372,356)

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State Revenue Changes Under LCFF



REVENUE LIMIT FUNDING

LCFF FUNDING

Flexible Funds

General Fund

Base Grant

Tier III Categorical Funds (Flexible)

Supplemental Grant (Restricted)

Restricted Funds (EIA)

Concentration Grant (Restricted)

Restricted Funds

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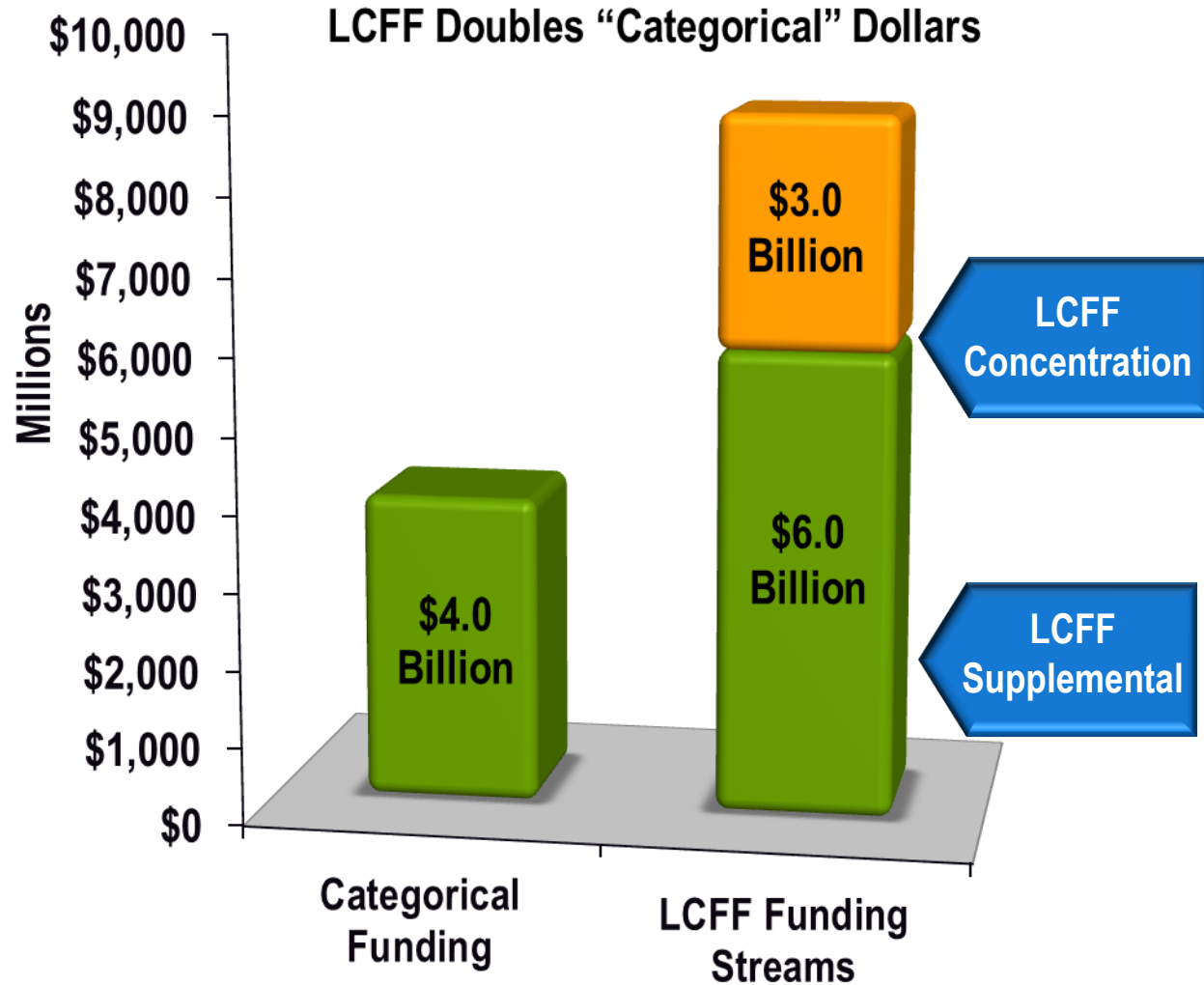
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LCFF Categorical Streams



- The LCFF both dramatically increases the level of funding flowing to school districts in addition to the base grant and dramatically reduces the factors that influence the flow of those dollars
- Weighting factors take the place of separate categorical program appropriations



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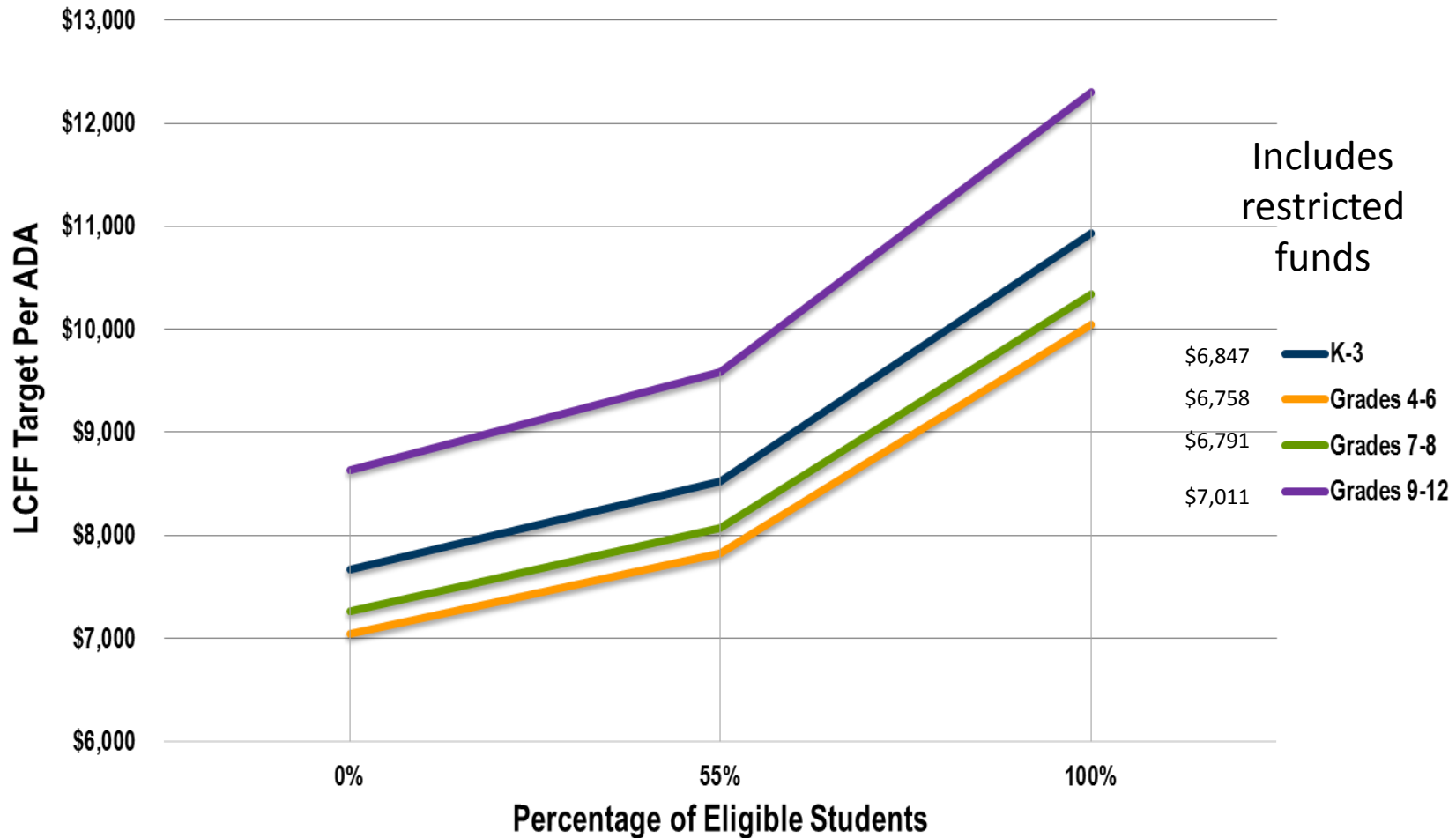
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LCFF – Grade Span Grants Per ADA



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Grade Span Grants Per ADA



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Comparing Adopted Budget to Estimated LCFF



MULTI-YEAR PROJECTIONS	2012-13 Budget	2013-14 Adopted Budget	2013-14 Estimated LCFF
GENERAL FUND REVENUE	\$277,480,432	\$289,864,524	
LCFF BASE GRANT			\$291,827,149
TIER III CATEGORICAL FUNDS (Flexible)	\$33,480,275	\$33,480,275	
TOTAL FLEXIBLE GENERAL FUND	\$310,960,707	\$323,344,799	\$291,827,149
Deficit Spending	(\$20,247,844)	(\$44,504,987)	(\$44,504,987)
LCFF "Base" or General Fund shortfall			\$31,517,650
LCFF Supplemental Grant			\$38,089,662
Restricted Categorical Funding EIA	\$15,957,734	\$15,958,721	
LCFF Concentration Grant			\$22,530,422
TOTAL FUNDING	\$326,918,444	\$339,303,320	\$352,447,233
SHORTFALL Cuts needed for 2014-15		(\$43,013,603)	(\$29,869,690)
Potential Cuts if LCFF NOT Flexible			(\$74,561,253)

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LCFF and K-3 CSR Penalties



- The LCFF specifies that districts must, as a condition of receiving the 10.4% K-3 CSR funding adjustment, limit class enrollment in grades K-3, eventually reaching a maximum average enrollment per class of no more than 24 students at each school site, **unless an alternate ratio is locally negotiated** – (\$12.7 million in base funds for 2013-14)
 - 24:1 student average must be reached at full implementation of the LCFF (planned for 2020-21)
 - During the intervening years, districts are to meet intermediate targets, based on the funding provided to move all districts to their LCFF target
 - A district's failure to meet the target at one school site would result in **the loss of all K-3 CSR funds districtwide** – a penalty that is likely to be out of proportion to the error

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Balances, Reserves, and Planning



- The LCFF revenue model leads to an entirely new way of thinking about revenues, reserves, balances, and planning for the future
 - Gone are the anchors of the past: base revenue limit, deficit factor, current-year COLA, etc.
 - They are replaced with a “commitment” by the state to make a contribution to “closing the gap” each year
 - But there is **no statutory calculation** for how much the state will contribute – and no obligation to fund any certain amount
- This has huge implications for districts
 - Many districts will need to maintain much larger reserves
 - Much of the “new money” will still be tied to expenditures for specific programs
 - The SSC Dartboard will be more subjective than in the past, but more relevant than ever for conservative and reasonable planning

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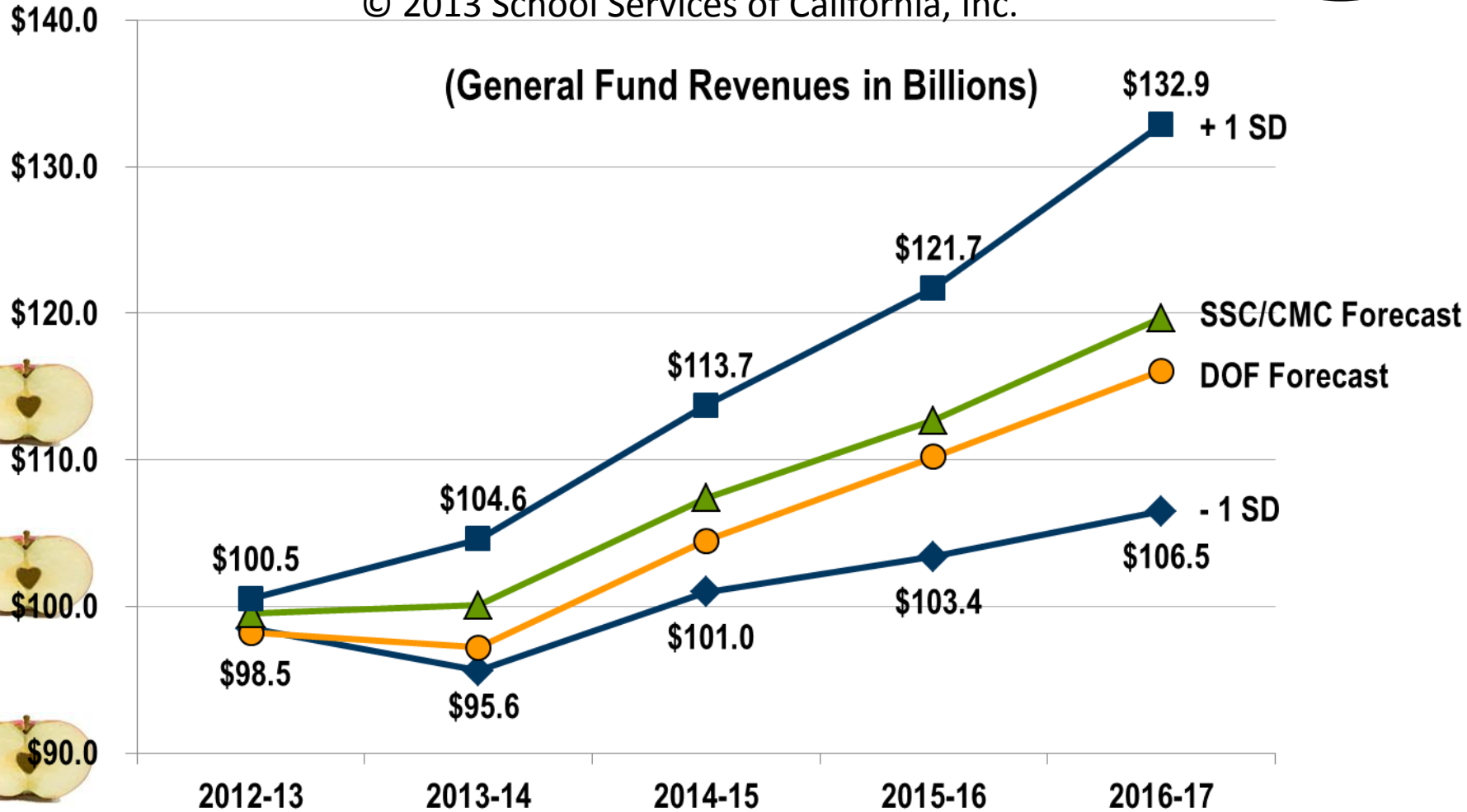
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Confidence Intervals and the State Revenue Forecasts



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(General Fund Revenues in Billions)



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Source: General Fund Revenues and Proposition 98 Forecast, CMC, July 2013

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Declining Reserves and 2%

- Finally, the District will be recommending adoption of a budget with the minimum 2% reserve beginning in the 2013-14 school year and a significant structural deficit for 2014-15.
- The need for ongoing budget reductions and monitoring of spending will be required for the 2013-14 school year and beyond to mitigate the structural deficit and being to work to rebuild a healthy reserve to mitigate any unexpected expenditures.
- A 2% reserve means that any new expenditure that was not planned on will require an immediate reduction in spending in a planned area in the current year.

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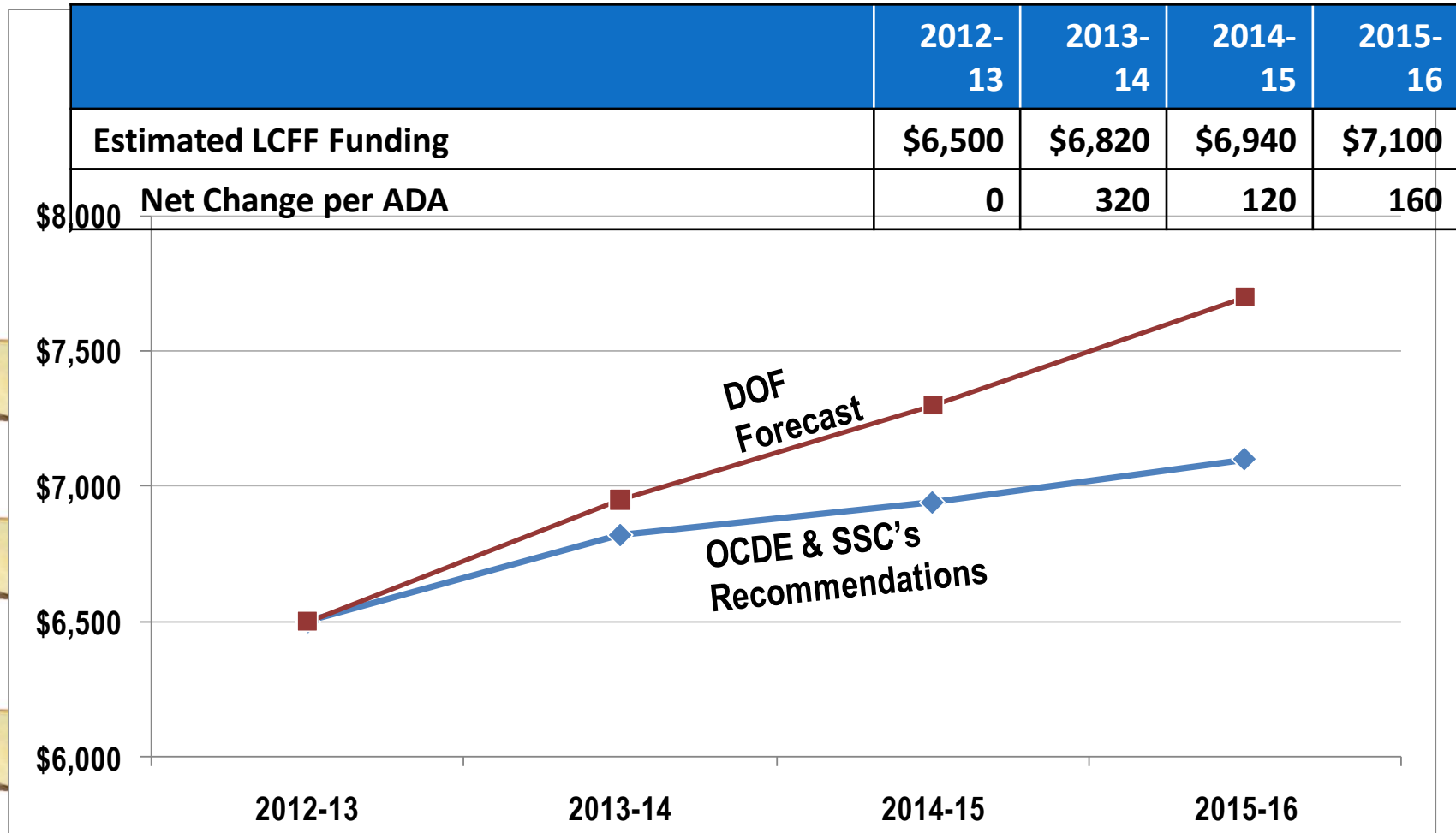
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MYP Revenue Projections



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The LCFF Accountability System



- The full local control touted in January was significantly reduced in the May Revision
- The Enacted State Budget tips the spending scale once again – striking what appears to be a better balance between local and state control
 - Relaxed proportionality rules will allow LEAs to use concentration and supplemental grant funds for schoolwide and districtwide purposes subject to SBE regulations
 - The priorities of the state, which form the basis for the annual goals of the Local Control Accountability Plan (LCAP), are broad in scope and are both qualitative and quantitative in nature
 - Providing an improved accountability system
 - **The extent to which LEAs will have flexibility over expenditure of supplemental and concentration grant funds is still uncertain**

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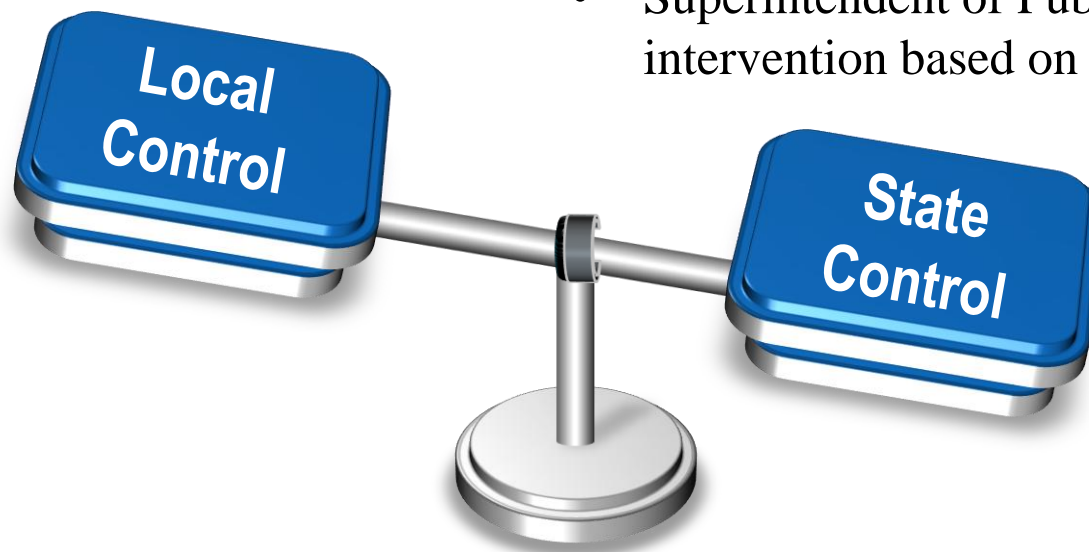
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Spending Control Scale at the State Adopted Budget

- Some discretion regarding content of the LCAP
- Retain control of statewide testing system and student achievement expectations
- Strict expenditure and proportionality requirements
- Annual audits
- Superintendent of Public Instruction (SPI) intervention based on direction of the SBE

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SBE Actions and Timeline

Adopt Budget Standards and Criteria

Adopt Spending Regulations

1/1/14

1/31/14

3/31/14

10/1/15

Adopt LCAP Plan Templates

Adopt Technical Assistance and Intervention Evaluation Rubric

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Questions?



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