

San Dieguito Union High School District
Board Workshop / Budget Planning Update
June 4, 2015

2015-16 Proposed Budget General Fund & Special Funds

Agenda

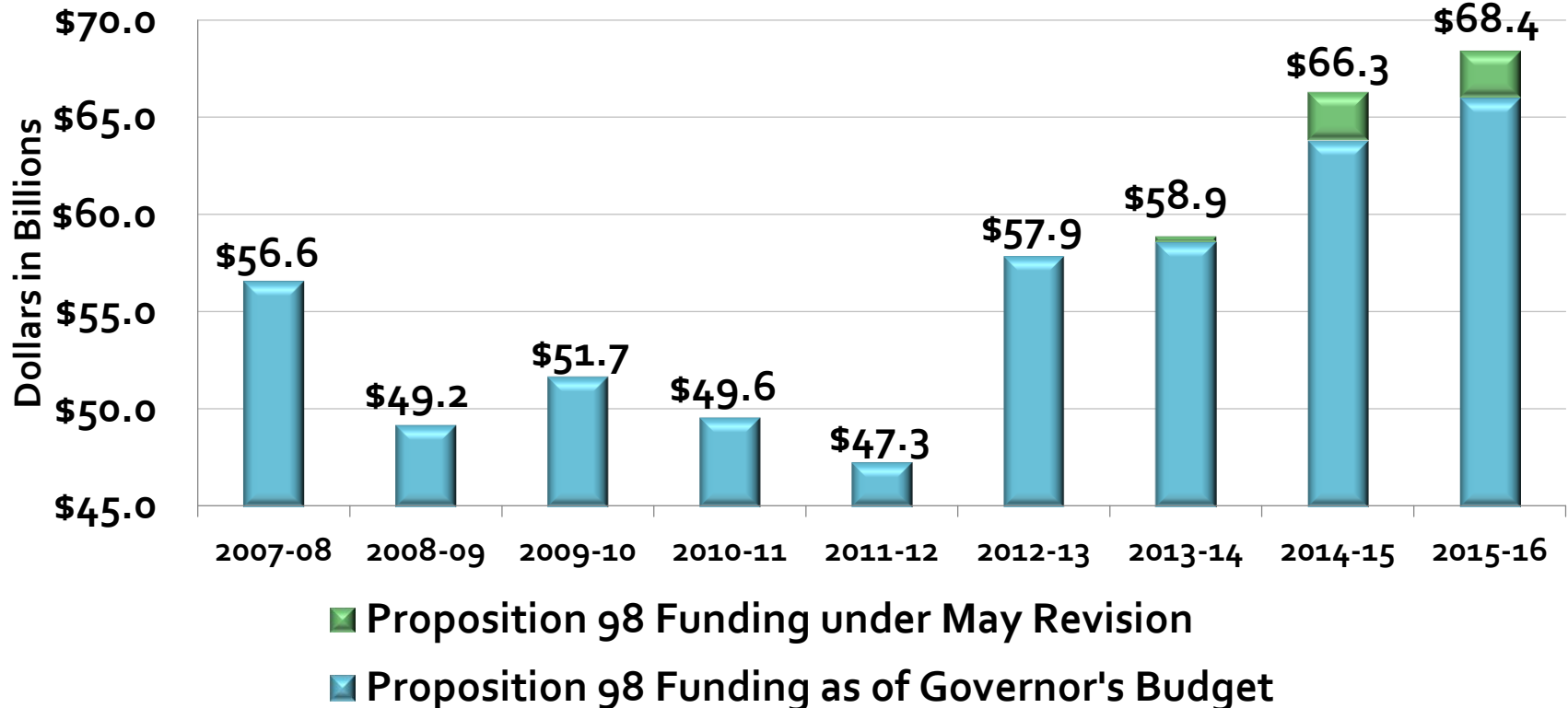
- Governor's Proposed Budget
- Return to State Funding
- Basic Aid vs. Local Control Funding Formula
- 2015-16 Changes
- Local Control Accountability Plan
- Multi-Year Projection & Reserves
- Special Funds

Governor's Proposed Budget

- Significant Boost to Prop 98 Funding
 - Local Control Funding Formula increases by \$6.1 billion
 - Gap closure rate goes from 32.19% to 53.08%
 - Average increase is 14.13%, or \$1,088 per average daily attendance (ADA)
 - One-time Discretionary Funding increased to \$3.5 billion, or \$180/ADA to \$601/ADA

Governor's Proposed Budget

Proposition 98 Funding 2007-08 to 2015-16



Governor's Proposed Budget

Item	January Budget	May Revision
LCFF Gap Funding Percentage	32.19%	53.08%
Proposition 98 Minimum Funding Guarantee		
2014-15	\$63.2 billion	\$66.3 billion
2015-16	\$65.7 billion	\$68.4 billion
2015-16 COLA	1.58%	1.02%
One-time Discretionary Funds for 2015-16	\$1.1 billion \$180 per ADA	\$3.5 billion \$601 per ADA

Governor's Proposed Budget

- Increases to Prop 98 driven by Governor's intent to eliminate debt
 - 90% of new state revenue directed toward K-12 education to restore cuts made during the recession and eliminate Prop 98 Maintenance Factor
 - A "normal" year would see education receiving about 40% of new state funding
 - Proposition 98 funding will slow once the maintenance factor has been fully paid
 - Growth will likely be in the range of 2% to 4% annually

Governor's Proposed Budget

- One-Time Discretionary Funding
 - \$601 per ADA allocated to all districts which can be used for “any one-time purpose, as determined by the Governing Board”
 - Any funds received will offset state obligations for any LEA with outstanding mandate reimbursements

Governor's Proposed Budget

- Career Technical Education funding increases in each of the next three years
- Competitive grant proposal remains with funding priority to rural districts or regions with high student dropout rates
- Local funding match also increases over time to transition CTE wholly within LCFF
- Career Pathways Trust Grant funding can not be used for matching

Year	Total Funding Proposed	Local/State Match Requirement
2015-16	\$400 million	1:1
2016-17	\$300 million	1.5:1
2017-18	\$200 million	2:1

Governor's Proposed Budget

- Adult Education
 - \$500 million maintained for the Adult Education Block Grant
 - Eliminates the requirement for establishment of local allocation boards
 - Each consortium to establish decision-making rules and procedures

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Governor & Legislature Proposals

	Governor	Assembly	Senate
Prop 98 Total	\$68.4 billion	\$69.1 billion	\$70.1 billion
LCFF Increase	\$6.175 billion	\$6.3 billion	\$6.45 billion
Discretionary Funds	\$3.5 billion	\$3.5 billion	\$2.9 billion discretionary, \$800 million for teacher effectiveness
CTE	\$400 million competitive grant	\$400 million allocate per ADA	\$400 million allocate per ADA
Transportation	None	None	\$50 million to equalize funding

Return to State Funding

- SDUHSD poised to return to state funding for 2015-16 via the Local Control Funding Formula
 - District was funded via the Revenue Limit until 2008-09
 - District became Basic Aid when Revenue Limit was cut below level of Property Tax revenue
 - Increase in LCFF to eliminate Maintenance Factor in 2015-16 exceeded budgeting expectations and forecast of Property Tax revenue

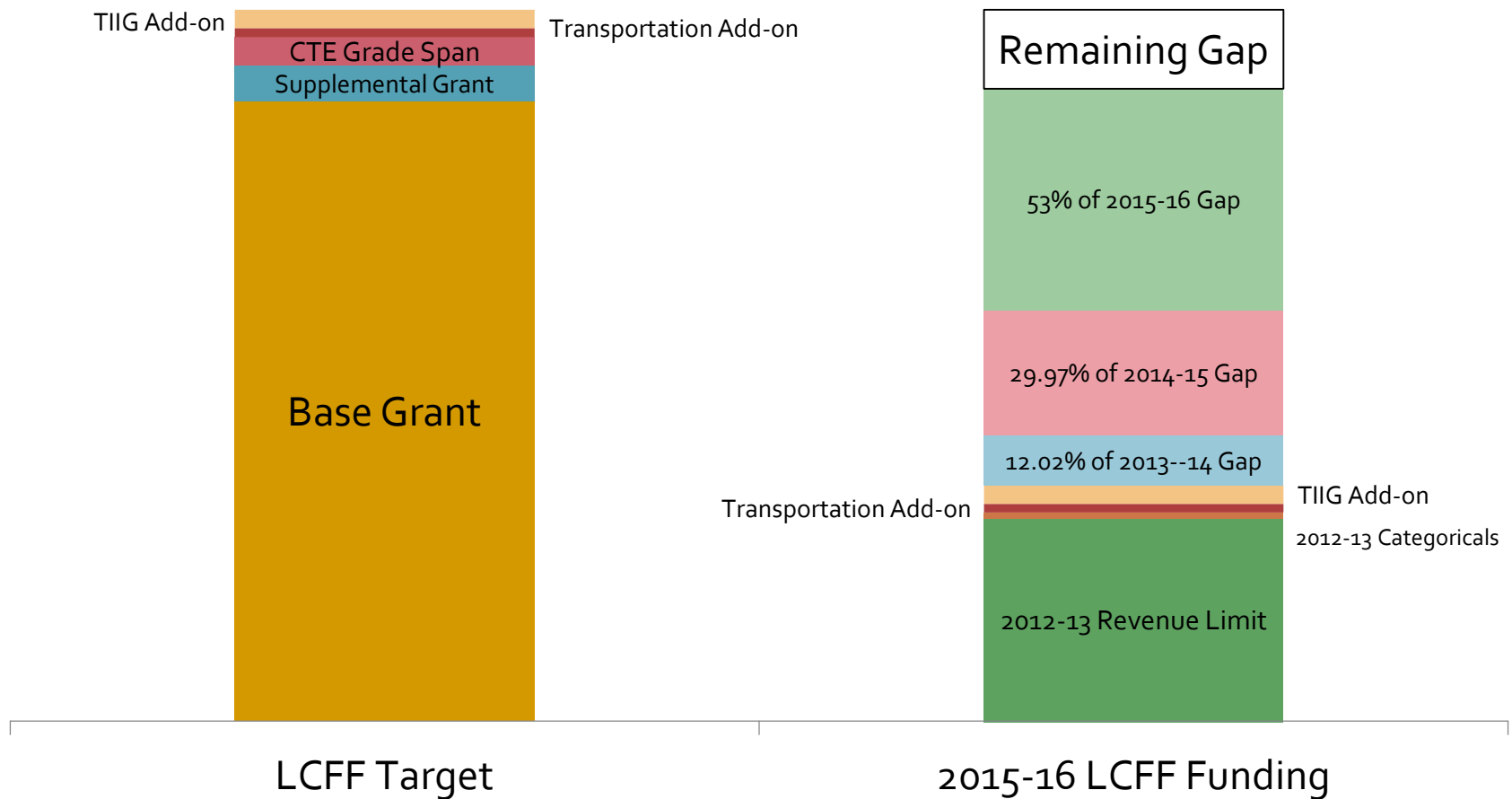
Return to State Funding

- Basic Aid determination is made in same manner under LCFF as with Revenue Limit
 - $[\text{LCFF Entitlement}] - [\text{Property Tax Revenue}] = [\text{State Aid}]$
- Districts with higher Property Tax Revenue than LCFF Entitlement are Basic Aid

Return to State Funding

- Local Control Funding Formula is driven by Average Daily Attendance (ADA) and demographics
 - Base Grant—multiplied times total ADA
 - Supplemental Grant—20% of Base Grant amount multiplied times “Unduplicated Count” of English Learners, Free & Reduced eligible, foster children
 - Concentration Grant—additional 50% of Base Grant if the unduplicated count exceeds 55%
- Accurate attendance accounting is critical

Return to State Funding

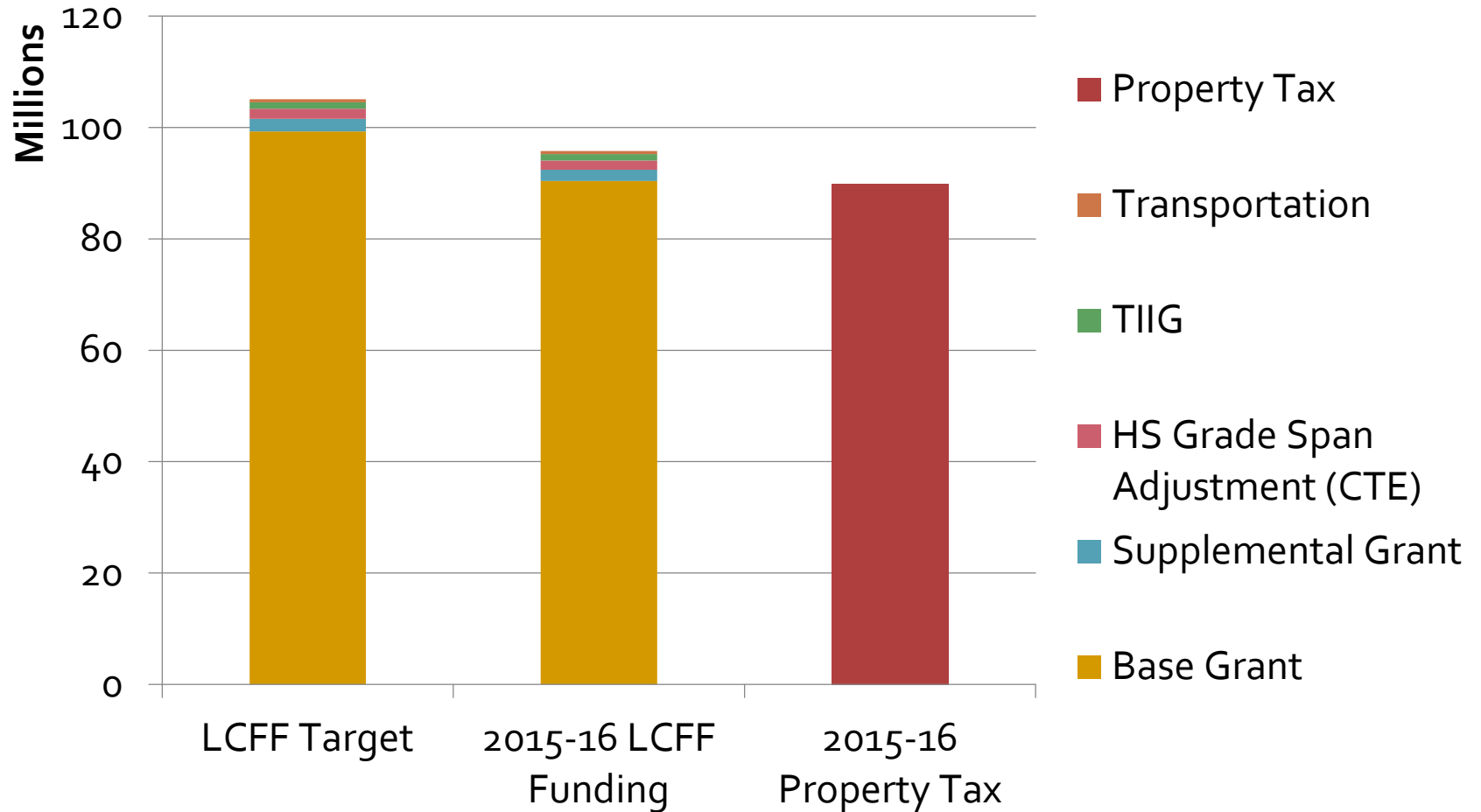


Return to State Funding

- When LCFF increases diminish, it is likely SDUHSD will return to Basic Aid
 - 2015-16 Prop 98 growth is wholly supported by statewide increases in property tax
 - Growth in income & sales tax, which make up 90% of state revenue, impacts LCFF significantly
 - If a recession occurs or when Prop 30 taxes expire in 2018, state revenues could drop below prior-year levels

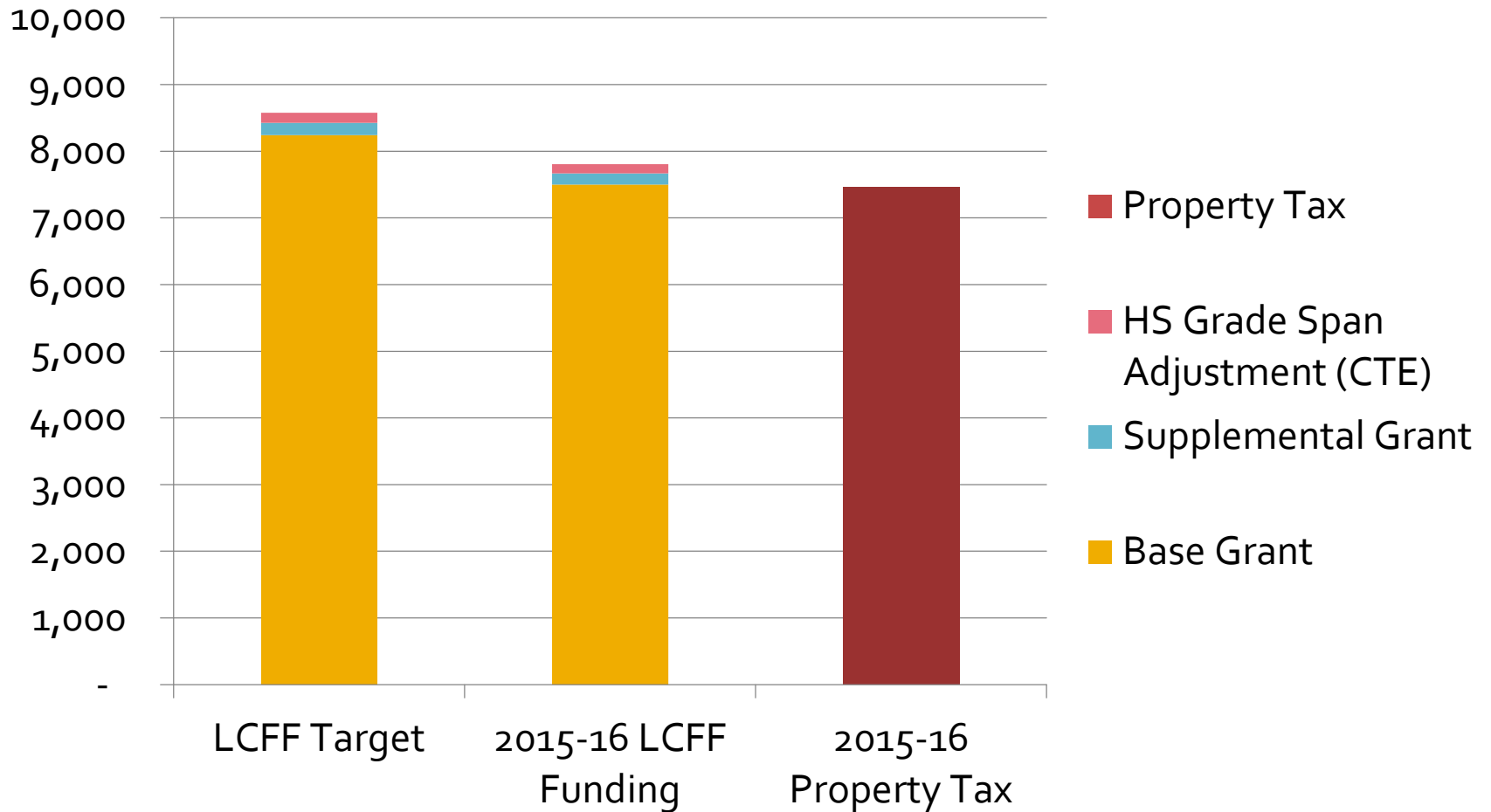
Local Control Funding Formula Total Funding

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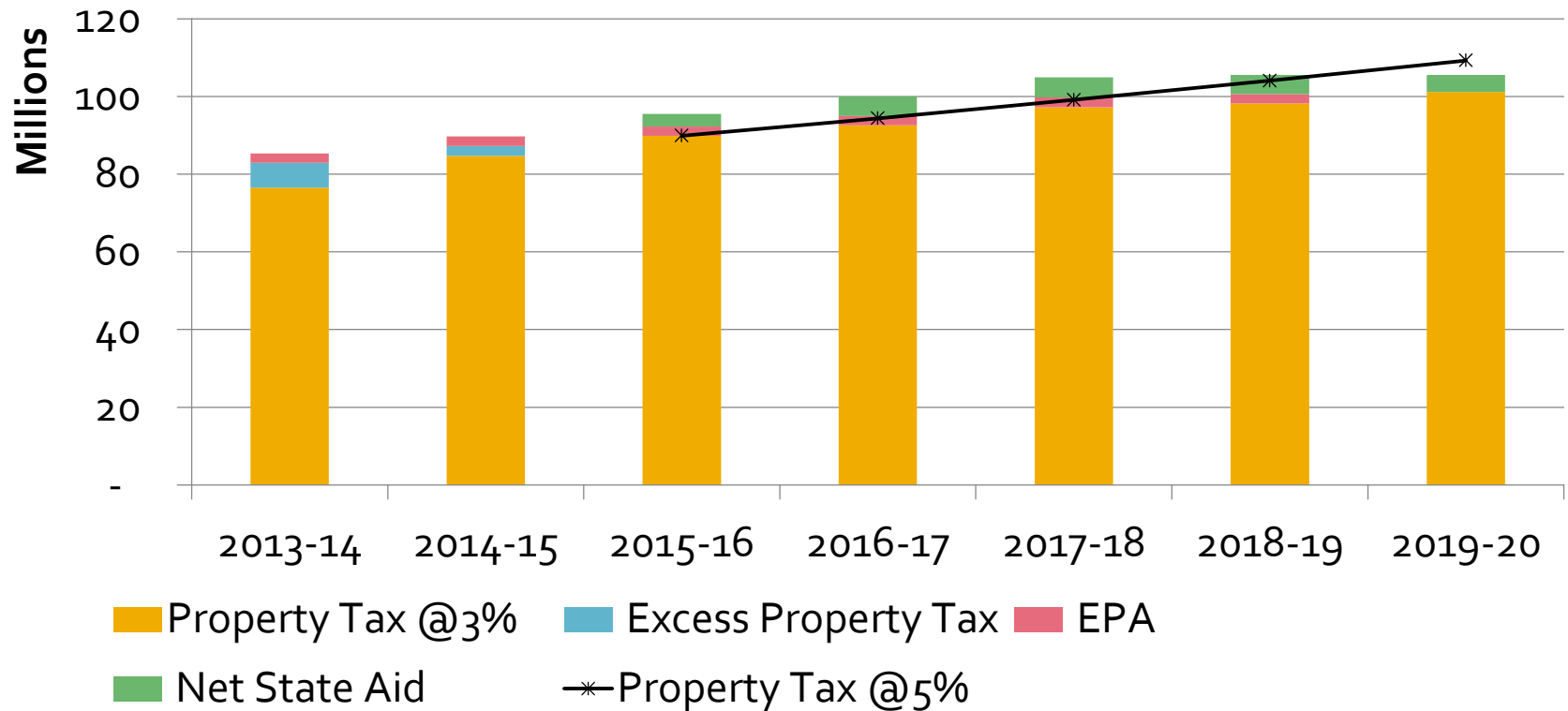
Local Control Funding Formula Per ADA Basis

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Chasing Basic Aid

LCFF Target & Gap Funding Increase Property Tax Estimate @3%



2015-16 Budget Assumptions

- LCFF Sources
 - \$3.5 million increase in Property Tax
 - \$2.9 million increase in LCFF State Aid
- Other State
 - \$6.6 million increase in One-time Discretionary and Mandated Cost revenue
- Local Revenue
 - \$759K reduction in donations & testing
 - \$629K reduction in ROP funding
 - \$142K reduction from NCCSE
- Encroachment
 - \$1.3 million restoration of 3% Routine Restricted Maintenance contribution requirement

2015-16 Budget Assumptions

- Certificated & Administrative Salaries increase by \$1.3 million
 - 13.6 FTE
 - Counselors, PTMS, SpEd, Enrollment Growth
- Classified Salaries increase by \$861K
 - 4.0 FTE
 - PTMS
- Benefits increase by \$2.4 million
 - Health & welfare corresponding with salaries
 - STRS/PERS Rates
- Materials & Supplies decrease by \$2.4 million
 - Donation & college testing expenses
 - Prior Year carry-over amounts
- Services & Operating Expenses decrease by \$203K
- Capital Outlay decreases by \$817K (one-time MITI implementation)
- Other Outgo increases by \$575K
 - Routine Restricted Maintenance contribution to Deferred Maintenance

Local Control Accountability Plan

- Local Control Accountability Plan is a requirement of all districts
 - Update presented to Board at 5-21-15 meeting
 - Public hearing scheduled for 6-4-15 regular meeting
- Close collaboration between Business Services & Educational Services
- LCAP budget assumption of \$1.6 million developed using Governor's January proposal
 - Increased Supplemental Grant Funding included final state budget act will be adjusted in Fall Revision

2015-16 Unrestricted Reserves

- Increased LCFF and one-time discretionary funding will result in a budget surplus for 2015-16
 - Multi-year implementation of new state standards and instructional material needs are ongoing
 - Basic Aid Reserve will provide stability in the event of shifting funding status and the possibility of the loss of state funding
 - New program and bell schedule options at TPHS and LCCHS will have start-up costs in 2016-17

2015-16 Unrestricted Reserves

ASSIGNED & UNASSIGNED COMPONENTS

Item	Amount
General Fund 01	
Basic Aid Reserve	5,579,716
Ongoing State Standards Implementation	2,500,000
Textbook adoption reserve	1,000,000
High School Program Development	750,000
Board Fund Balance Policy requiring available reserves of at least 4.5% of total general fund expenditures	8,015,115
Reserve for Economic Uncertainty (3%)	3,405,206
Special Reserve Fund 17	
Mandated cost reimbursement audit reserve	2,453,145

Cap on District Reserves

- Reserve Cap will not likely be triggered in 2015-16
 - Only a matter of time until all conditions to trigger the cap are met
 - Maintenance Factor will be paid in 2015-16 or 2016-17
 - Extraordinary growth in property taxes or weak growth of personal income growth would lead to a trigger
- Repeal of the Reserve Cap a priority of education management groups

Special Fund Highlights

- Adult Ed Fund 11-00
 - Continue transition to regional consortium administered by MiraCosta Community College
 - 2015-16 budget similar to 2014-15
- Cafeteria Fund 13-00
 - Revenue impacted by increased competition and legislatively-constrained menu choices
 - Expenditures decreased to reflect lower demand
 - Meal prices and options will be adjusted to improve revenue outlook
 - Fund Reserves are sufficient to cover anticipated deficit

Special Fund Highlights

- Deferred Maintenance Fund 14-00
 - Restoration of contribution to fund via the Routine Restricted Maintenance requirement
 - State has not restored match
- Special Reserve Fund 17-42
 - Considered unrestricted reserve
 - Received via prior mandated cost claim reimbursements
 - Still subject to audit

Special Fund Highlights

- Proposition AA Fund 21-39
 - Fund balance increased in 2014-15 with sale of Series B bonds
 - Anticipated expenditures of \$64 million in next fiscal year for ongoing projects

Next Steps

- June
 - Public hearing 6/4/15
 - Board Action 6/18/15
 - Await final action on state budget by Governor & Legislature
- August
 - Review Budget Act & associated trailer bills for changes affecting funding or operations
- Fall Revision
 - Adjust budget to incorporate state funding changes, beginning fund balances, and carry-over amounts