

ITEM 3

**SAN DIEGUITO UNION  
HIGH SCHOOL DISTRICT  
BOARD WORKSHOP  
BUDGET PLANNING UPDATE  
JUNE 5, 2014**

**2014-15  
Proposed  
Budget**

## ITEM 3

# WHAT HAS CHANGED SINCE JANUARY?

Item	Governor	Assembly	Legislature
Proposition 98	\$60.85 billion	\$63.09 billion	\$63.85 billion
Common Core State Standards	\$26.7 million	\$1.25 billion	\$550 million
Local Control Funding Formula	\$4.5 billion	\$4.63 billion	\$4.83 billion (\$330 million targeted for CTE and Transportation)
Mandated Costs	No appropriation	\$313 million	\$457 million
Regional Occupational Programs	No appropriation	\$384 million to re-establish ROCP outside LCFF	No appropriation
CalSTRS	Increase contributions over seven years		

# WHAT HAS NOT CHANGED SINCE JANUARY?

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- No proposal for a statewide school facilities bond
- No new funding to address special education shortfalls
- No payments on the prior-year state mandate credit card
- No additional funding for the Common Core State Standards (CCSS)
- No extension of maintenance of effort period for adult education or regional occupational centers/programs

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# GENERAL FUND REVENUE

2014-15  
Proposed  
Budget

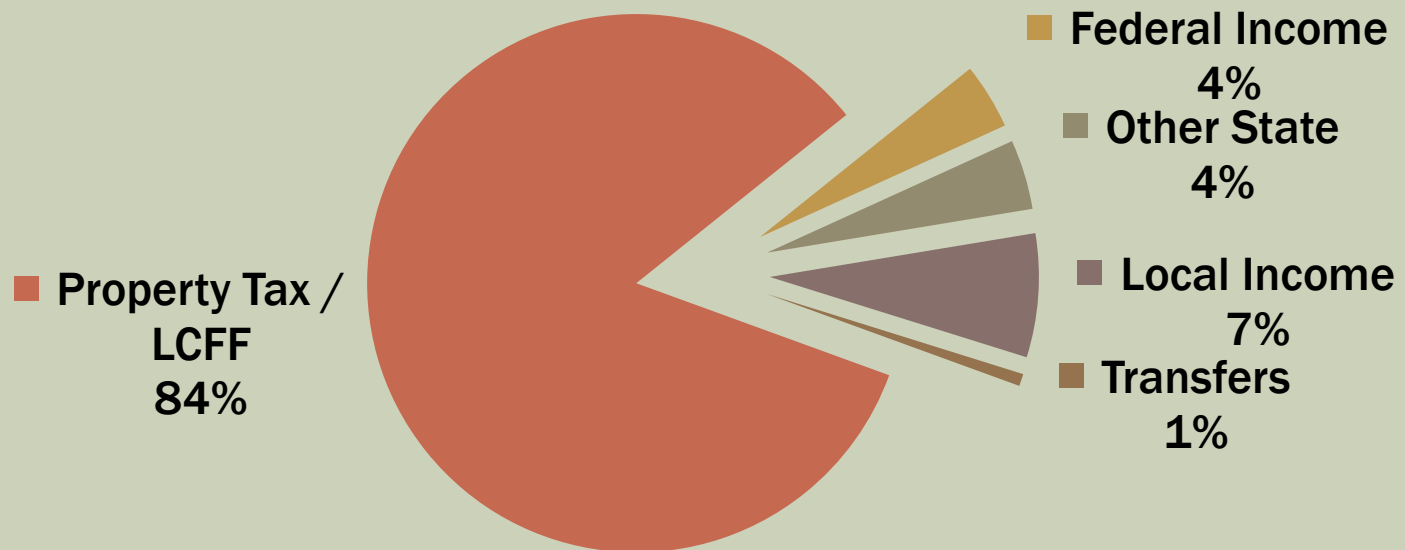
## ITEM 3

# GENERAL FUND

	<b>2013-14 Spring</b>	<b>2014-14 Proposed</b>	<b>Difference</b>
<b>Total Income</b>	<b>107,843,347</b>	<b>104,610,274</b>	<b>(3,224,073)</b>
<b>Total Expenditures</b>	<b>107,823,467</b>	<b>106,220,850</b>	<b>(1,602,617)</b>
<b>Surplus (Deficit)</b>	<b>10,880</b>	<b>(1,610,516)</b>	<b>(1,621,576)</b>
<b>Unrest. Balance</b>	<b>13,008,650</b>	<b>12,598,074</b>	<b>(410,576)</b>
<b>Unrest. Reserve %</b>	<b>12.06%</b>	<b>11.86%</b>	<b>(0.20%)</b>

# GENERAL FUND REVENUE

## Where the Money Comes From



# GENERAL FUND REVENUE

- **2014-15 Property Tax is estimated to increase 2.5%**
  - San Diego County official Property Tax estimate has not yet been received
- **San Diego County Assessor estimates Assessed Value will increase 4.93%**

Basic Aid District	Assessed Value	% Change
SDUHSD	52.1 billion	4.93
Cardiff	2.4 billion	3.76
Del Mar	14.2 billion	4.28
Encinitas	15.4 billion	6.21
RSF	5.7 billion	3.11
Solana Beach	14.4 billion	5.15
Carlsbad	18.2 billion	5.67
Julian HS	734 million	1.58
County-Wide		5.00

# GENERAL FUND REVENUE

- Basic Aid status depends on growth in Property Tax vs growth in LCFF funding
  - Cautious Property Tax projections compared against current DOF LCFF projections would indicate a flip to LCFF in 2015-16
  - Carlsbad USD is returning to state funding model

	2013-14	2014-15	2015-16	2016-17
Estimated LCFF Target	100,895,415	101,768,538	103,914,608	106,301,773
Estimated LCFF Funding	<b>76,382,592</b>	<b>83,669,916</b>	<b>90,847,757</b>	<b>94,634,095</b>
Estimated Property Tax	82,387,315	84,448,334	86,981,784	89,591,238
Difference	<b>(6,004,723)</b>	<b>(778,418)</b>	<b>3,865,973</b>	<b>5,042,857</b>
Projected Status	<b>Basic Aid</b>	<b>Basic Aid</b>	<b>LCFF</b>	<b>LCFF</b>

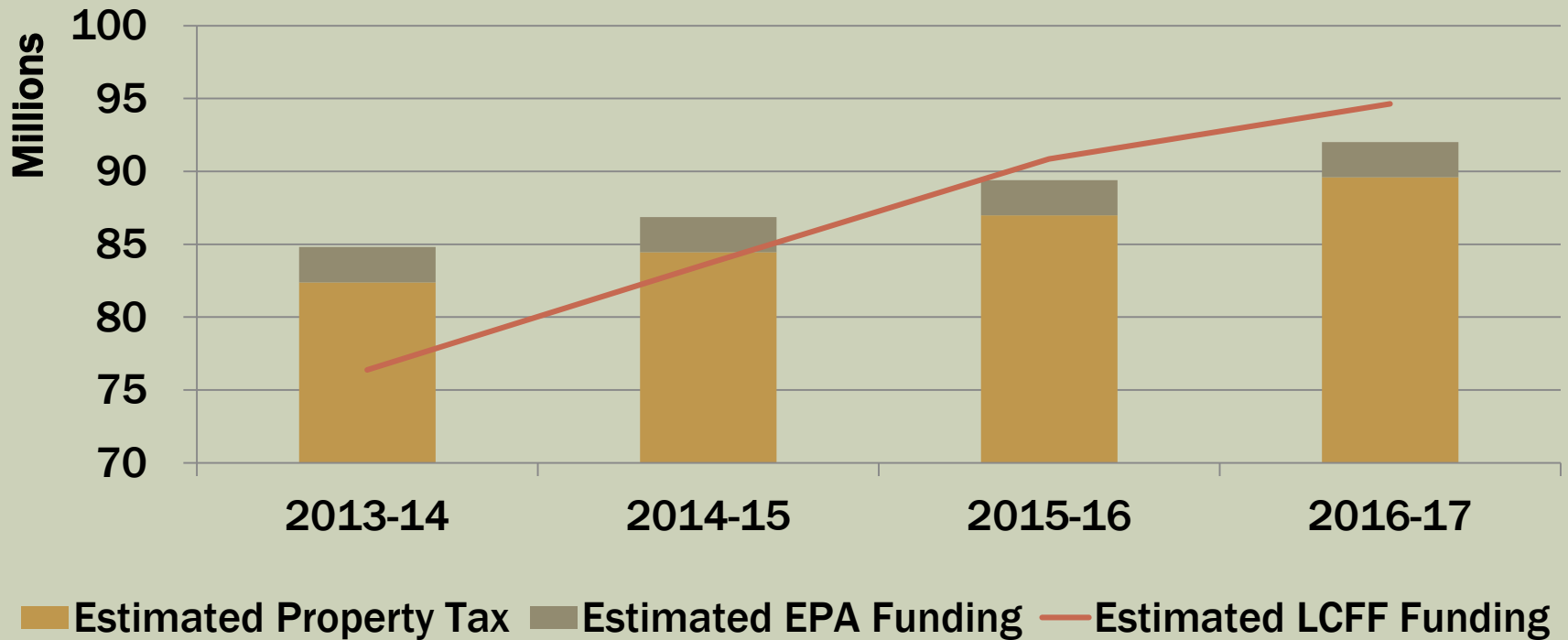


# GENERAL FUND REVENUE

- Theoretically, a district's funding model is whichever generates the most income
- Educational Protection Account (Prop 30) Revenue complicates switching back and forth between Basic Aid and LCFF
  - EPA is an add-on to Property Tax revenue under Basic Aid
  - EPA offsets State Aid under LCFF
  - EPA would continue to be received under either model, however—
  - The District's LCFF would have to grow above the current combination of Property Tax + EPA in order to see an increase of funding
- The interplay of Fair Share & Hold Harmless with LCFF funding could also complicate future budget years

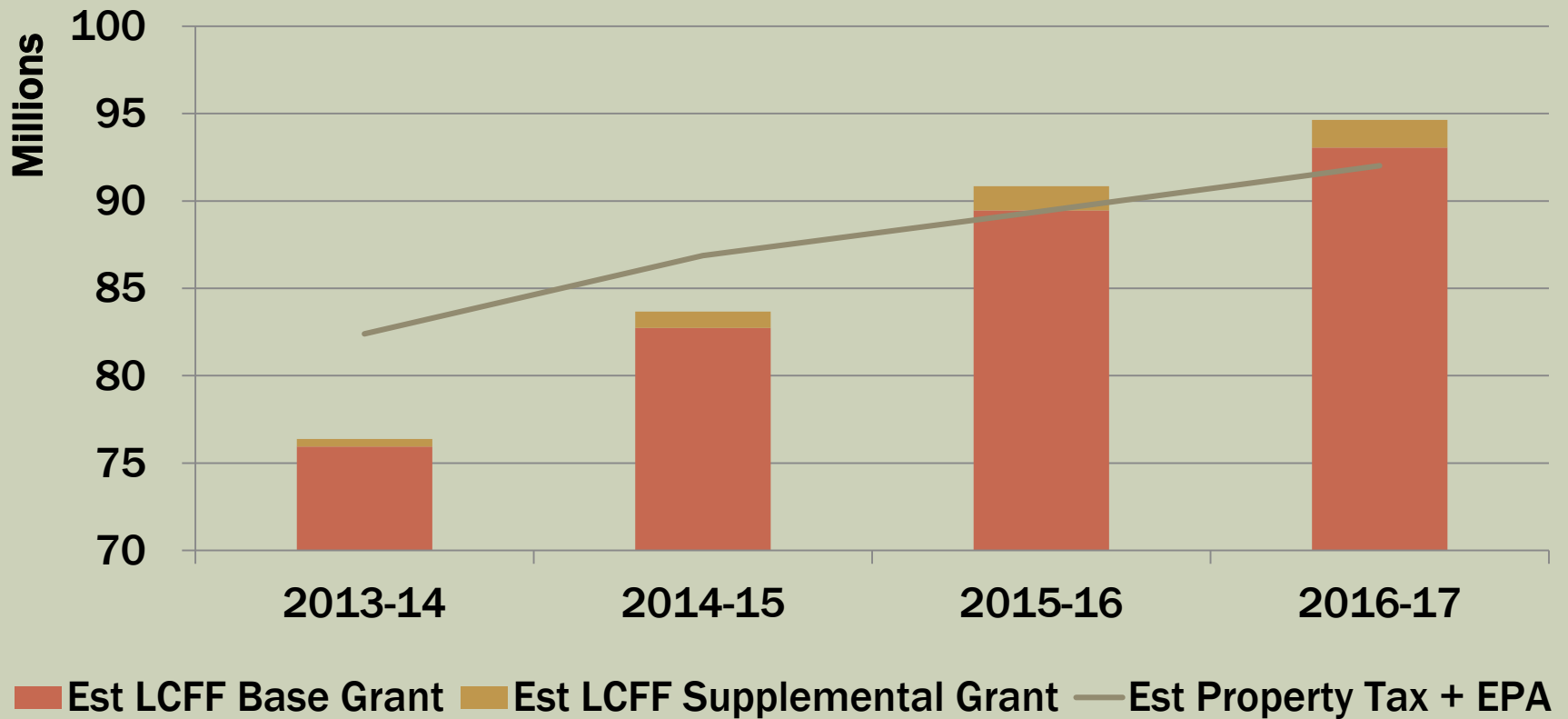
# GENERAL FUND REVENUE

**LCFF must grow beyond the District's Property Tax + EPA Funding in order to benefit from LCFF**



# GENERAL FUND REVENUE

## Components of LCFF Funding



# GENERAL FUND REVENUE

- **Common Core State Standards**
  - **No additional funding for school districts**
  - **One-time funding of \$200 / ADA received in 2013-14 must be spent by June 30, 2015**
    - Professional Development
    - Instructional Materials
    - Technology related to CCSS
  - **Education Coalition continues to advocate for additional resources to implement CCSS**

# CATEGORICAL FUNDING LOSSES

- **“Fair Share Reduction” is ongoing**
  - **Equal to 8.92% of revenue limit**
    - **Applied to each district’s total of categorical funds subject to the LCFF**
    - **Cuts in state aid to community-funded school districts not restored**
  - **Hold harmless provision applies – community-funded school districts will receive no less in state aid than received in 2012-13**
- **District must still implement a Local Control Accountability Plan (LCAP) and meet maintenance of effort requirements for Adult Education, ROP, and pupil transportation**

# CATEGORICAL FUNDING LOSSES

■ **Total 07/08 Categorical Funding - \$8,712,487**

■ **Total 14/15 Hold Harmless Funding - \$320,093**

## Programs:

Administrator Training  
Advanced Placement Int'l Baccalaureate  
Bilingual Teacher Training & Peer Review  
Deferred Maintenance  
Home-to-School Transportation  
Math & Reading Prof. Dev.  
Pupil Retention Block Grant  
Supplemental Instruction  
Targeted Instructional Improvement

Adult Education  
Arts & Music Block Grant  
Community Based English Tutoring  
Economic Impact Aid  
Instructional Materials Block Grant  
Prof. Dev. Block Grant  
Regional Occupational Program  
Supplemental School Counseling  
Teacher Credentialing Block Grant

# CATEGORICAL FUNDING LOSSES

- **Regional Occupational Program**
  - Maintenance of Effort requirement to spend no less than 2012-13 levels on ROP continues through June 30, 2015
  - Revenue budget reduced by \$448k to reflect San Diego County Office of Education plan to reduce pass-through funding to school districts
  - Capitol perspectives
    - Career Tech advocates continue to be vocal
    - Governor intent on funding ROP / CTE within LCFF
    - Various bills in legislature contemplating additional funding as a separate categorical program

# CATEGORICAL FUNDING LOSSES

- Home-to-School & Special Education Transportation
  - All funding eliminated under the Fair Share Reduction
  - District continues to provide service
  - Transportation now considered an unrestricted program
  - Legislative proposals would increase funding to 50% of expenditures
    - District is advocating for funding entitlement outside of the LCFF

	2013-14 Spring	2014-15 Proposed
Home-to-School Transportation Expenditure Budget	1,158,198	1,179,895
Special Education Transportation Expenditure Budget	2,711,502	2,736,544



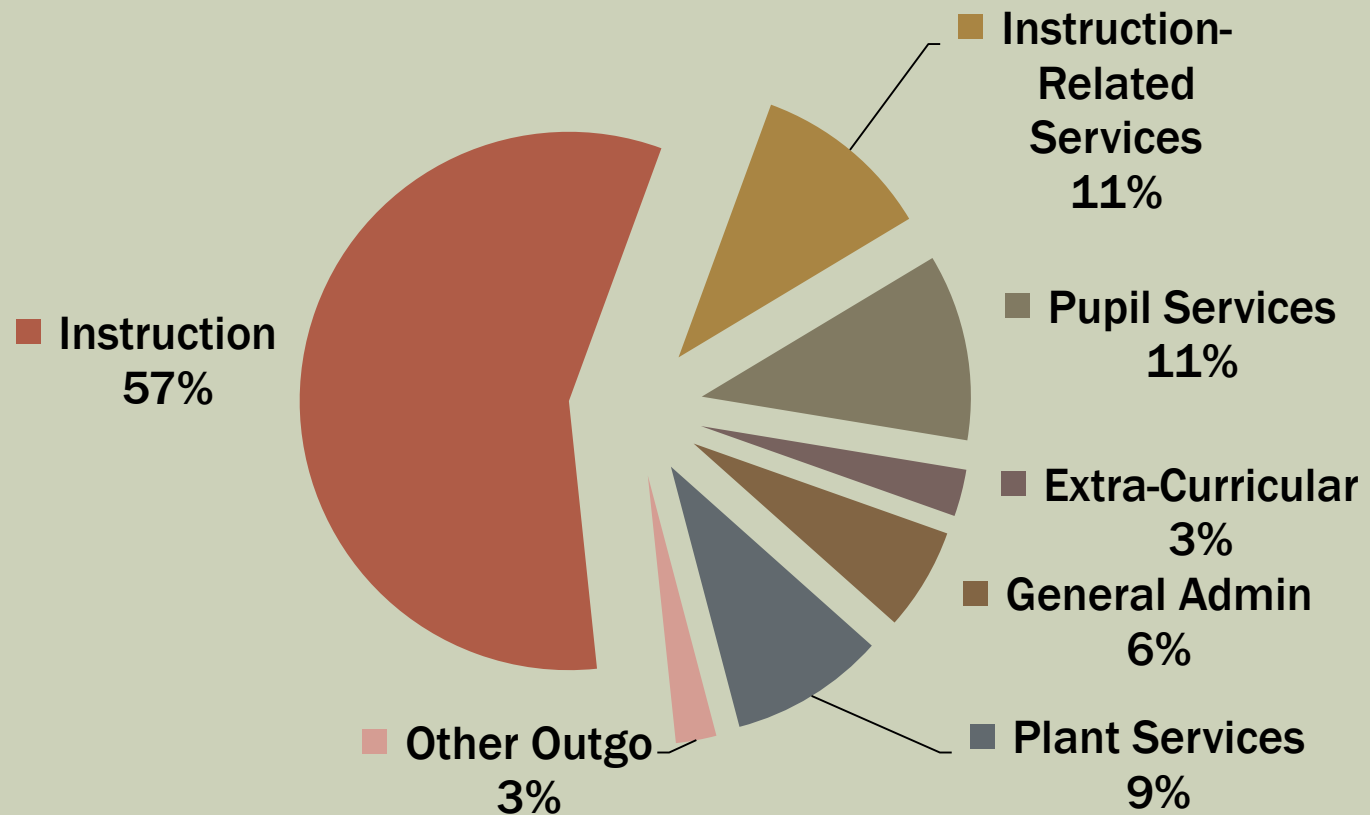
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# GENERAL FUND EXPENDITURES

2014-15  
Proposed  
Budget

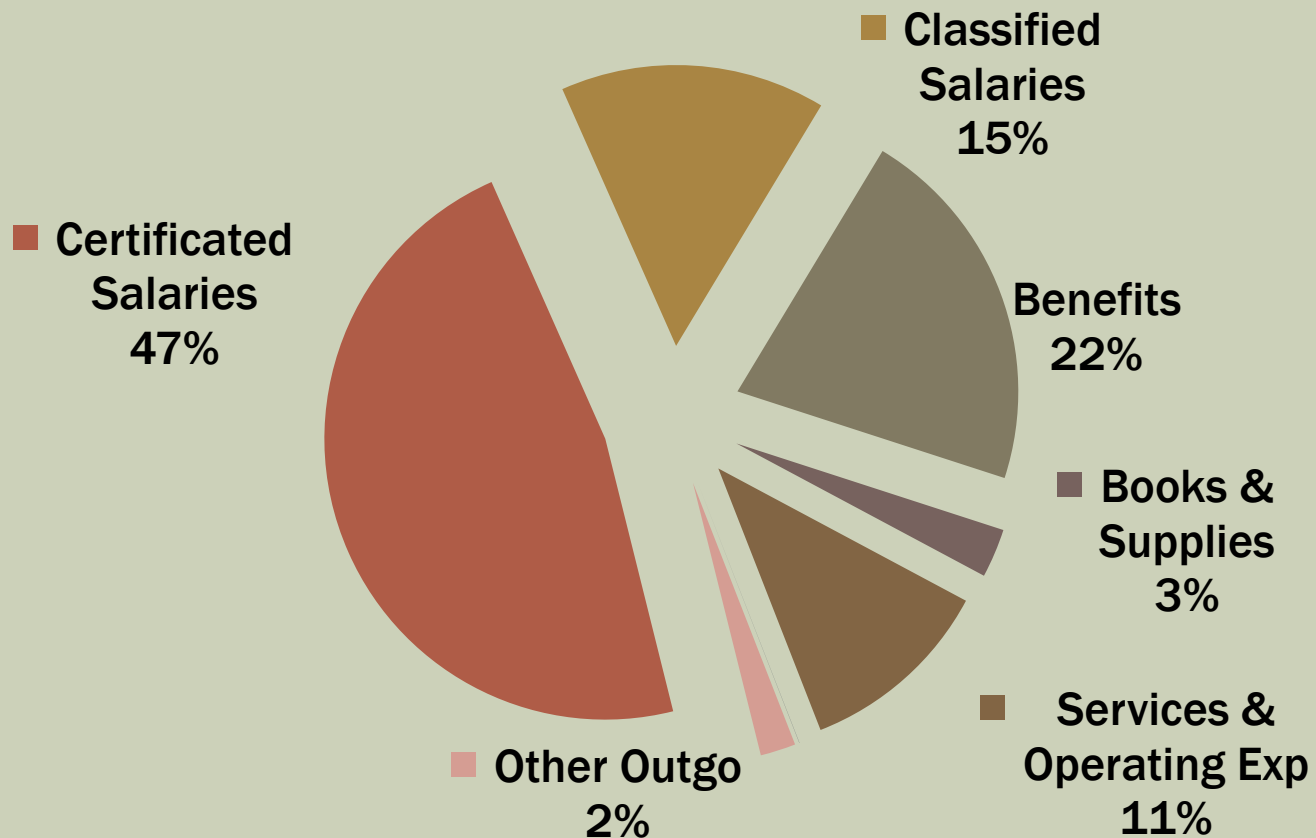
# GENERAL FUND EXPENDITURES

## Where the Money Goes To



# GENERAL FUND EXPENDITURES

## Where the Money Goes To



# GENERAL FUND EXPENDITURES

## ■ Certificated Salaries

- Net increase of \$378K after retirement savings
  - Step & column increases
  - Counseling restoration of 1.6 FTE
  - Common Core additional 1.62 FTE Teachers on Special Assignment
  - MS #5 staffing

General Fund FTE	2013-14 Spring	2014-15 Proposed	Difference
Certificated	540.71	544.59	3.88
Certificated Mgmt	28.85	28.85	0
<b>Total</b>	<b>569.56</b>	<b>573.44</b>	<b>3.88</b>

# GENERAL FUND EXPENDITURES

- **Classified Salaries**
  - Net decrease of nearly \$90K
    - Network Supervisor replaced with Network Analyst
    - Decrease in Instructional Assistants
    - MS #5 staffing

General Fund FTE	2013-14 Spring	2014-15 Proposed	Difference
Classified	304.32	305.44	1.12
Classified Mgmt	17.30	16.30	(1.00)
<b>Total</b>	<b>321.62</b>	<b>321.74</b>	<b>0.12</b>

# GENERAL FUND EXPENDITURES

- **Benefits**
  - \$717K increase related to Governor's proposal to increase employer contributions to CalSTRS
  - \$659K estimated health & welfare rate increase
  - \$310K workers' compensation rate increase
  - \$244K PERS rate increase
- **No changes to OPEB contribution at this time**
  - Staff will bring back recommendation to begin increasing contributions for OPEB along with Fall Revision
  - Proposal will take into consideration:
    - Official property tax revenue estimate for 2014-15
    - Revised beginning balance and reserve levels following closure of 2013-14 fiscal year

# GENERAL FUND EXPENDITURES

- **CalSTRS Unfunded Liability**
  - May Revision proposes to fully fund CalSTRS by 2045-46
  - Plan kicks in immediately, beginning July 1, 2014
  - Contribution rate increases proposed for all three parties:
    - State contribution rate increase
      - 3.041% to 6.3% over three years
    - Employee contribution rate increase
      - 8% to 10.25% over three years
    - Employer contribution rate increase
      - 8.25% to 19.1% over seven years
  - No new funding to school districts to cover additional costs

# GENERAL FUND EXPENDITURES

## Governor's Proposal for Employer CalSTRS Contributions

<b>2013-14</b>	<b>8.25%</b>
<b>2014-15</b>	<b>9.50%</b>
<b>2015-16</b>	<b>11.10%</b>
<b>2016-17</b>	<b>12.70%</b>
<b>2017-18</b>	<b>14.30%</b>
<b>2018-19</b>	<b>15.90%</b>
<b>2019-20</b>	<b>17.50%</b>
<b>2020-21</b>	<b>19.10%</b>

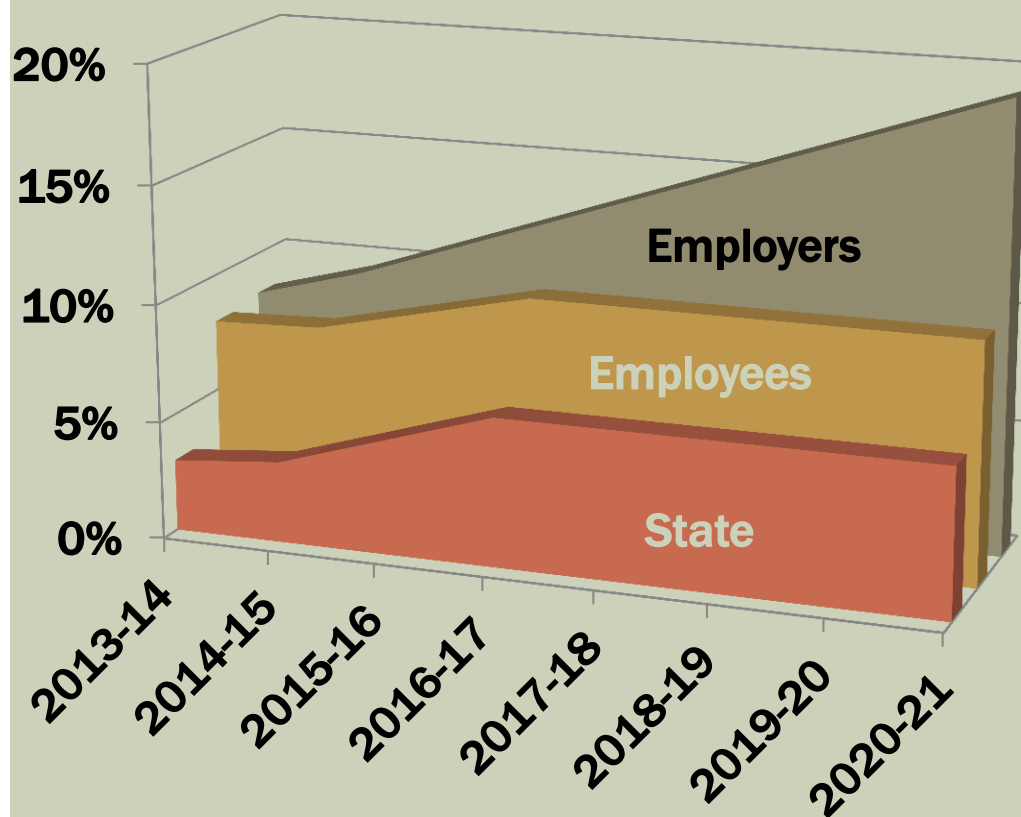
## Legislature's Proposal for Employer CalSTRS Contributions

<b>2013-14</b>	<b>8.25%</b>
<b>2014-15</b>	<b>8.88%</b>
<b>2015-16</b>	<b>9.81%</b>
<b>2016-17</b>	<b>11.81%</b>
<b>2017-18</b>	<b>14.25%</b>
<b>2018-19</b>	<b>17.75%</b>
<b>2019-20</b>	<b>18.75%</b>
<b>2020-21</b>	<b>19.10%</b>



# POTENTIAL CALSTRS RATE INCREASES

## Proposed Contribution Rates



- The burden is clearly on the employers
- Of the current \$74 billion CalSTRS unfunded liability:
  - \$20 billion will be funded by the state
  - \$8 billion will be funded by employees
  - \$47 billion will be funded by employers

Source: School Services of California

# GENERAL FUND EXPENDITURES

- **Materials & Supplies**
  - Net reduction of \$3.1M
  - Carry-over budgets will be added back in at Fall Revision
  - Gifts & donations will increase this area over the budget year
- **Services & Operating Expenses**
  - Net reduction of \$281K
  - Special Ed budget savings realized in 2013-14 carried forward

# LOCAL CONTROL ACCOUNTABILITY PLAN

	2014-15	2015-16	2016-17
LCFF Supplemental Grant Target	2,214,395	2,258,640	2,306,800
LCFF Supplemental Grant Funding Estimate	932,978	1,383,040	1,583,219

- No additional funding provided to Basic Aid districts to implement LCAP
- Supplemental Grant funding levels are assumed to be within Property Tax revenue
- LCAP budget established as if the District were LCFF

# LOCAL CONTROL ACCOUNTABILITY PLAN

- Public hearing for LCAP at the Regular Meeting prior to public hearing for the 2014-15 Budget
- COE must approve the LCAP on or before October 8 if three conditions are met
  - The plan adheres to the SBE template
  - The district's budgeted expenditures are sufficient to implement the strategies outlined in its LCAP
  - The LCAP adheres to the expenditure requirements for supplemental and concentration funding
- Rubrics for assessing a school district's performance will not be adopted by the SBE until October 1, 2015

# GENERAL FUND ENCROACHMENT

- Encroachment has a new benchmark
  - Net decrease of \$1.9M due to programs and revenue shifting from the Restricted General Fund to Unrestricted
  - Home-to-School and Special Education Transportation are now considered unrestricted programs
    - Expenditures are essentially flat, but are now Unrestricted
    - Contribution to Restricted General Fund is no longer necessary
  - Special Ed revenue that had been classified as Restricted from Property Tax is now received as Unrestricted revenue
    - This appears to increase the encroachment of Special Ed by \$1.5 million, however, expenditures are actually lower than 2013-14

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# MULTI-YEAR PROJECTION

2014-15  
Proposed  
Budget

# MULTI-YEAR PROJECTION

Multi-Year Projection 2014-15 Proposed Budget			
	2014-15	2015-16	2016-17
<b>Revenue</b>	104,610,274	107,160,566	109,340,452
<b>Expense</b>	106,220,850	108,231,969	109,980,365
<b>Surplus (Deficit)</b>	<b>(1,610,576)</b>	<b>(1,071,403)</b>	<b>(639,914)</b>
<b>Unrest. Ending Balance</b>	<b>12,598,073</b>	<b>11,526,670</b>	<b>10,886,756</b>
<b>GF Reserve</b>	<b>11.86%</b>	<b>10.65%</b>	<b>9.90%</b>
<b>Certification</b>	<b>Positive</b>	<b>Positive</b>	<b>Positive</b>

# WHY RESERVES MATTER

## 2012-13 Unrestricted General Fund Balance Plus Fund 17 Special Reserve as a Percent of Total General Fund Expenditures

<b>Unified School Districts</b>	<b>14.81%</b>
<b>Elementary School Districts</b>	<b>23.03%</b>
<b>High School Districts</b>	<b>19.27%</b>

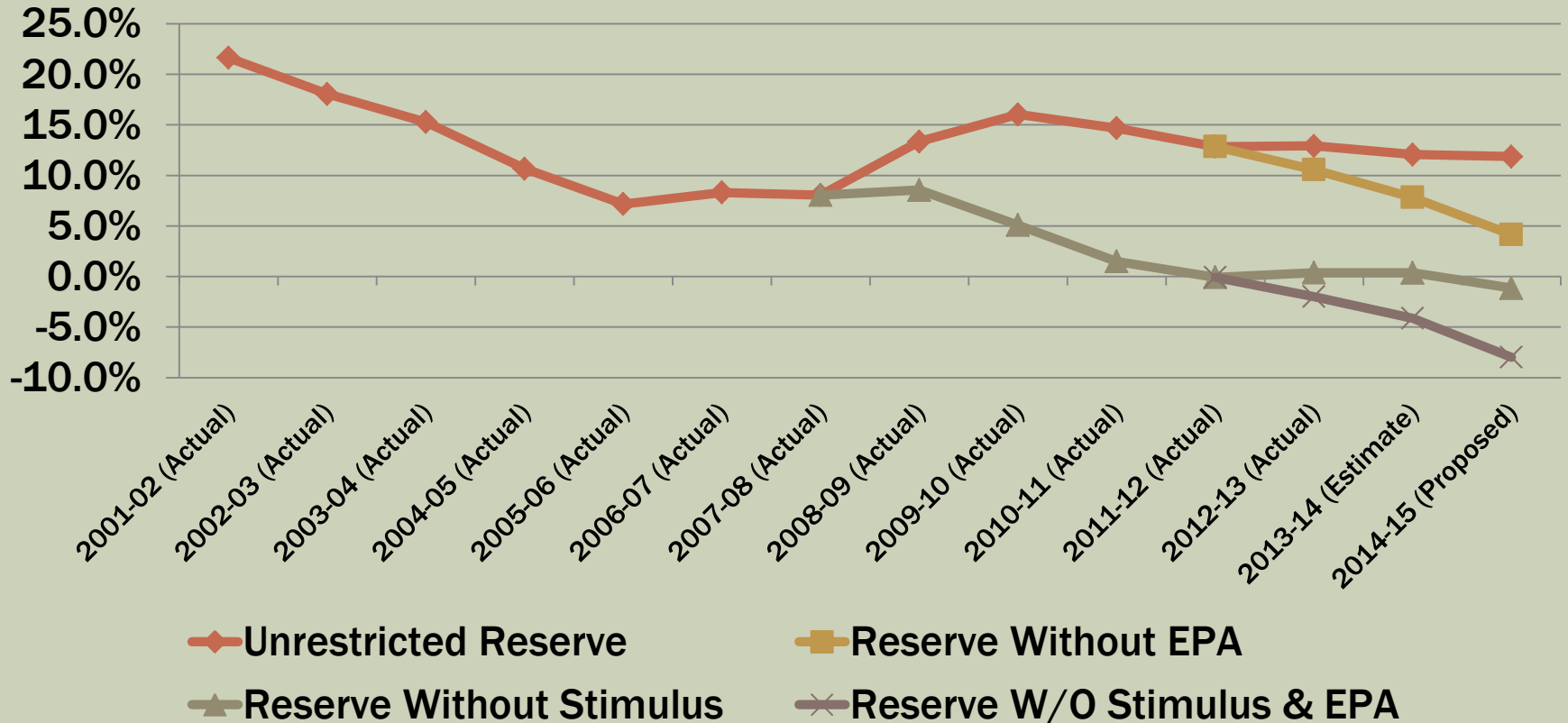
- Reserve levels have remained relatively flat from 2010-11 through 2012-13
- Reserves can help carry you through a tough financial time – but only temporarily since they are one-time funds

Source: School Services of California



# WHY RESERVES MATTER

**Reductions Made During the Great Recession Would Have Been More Severe Without Reserves & Stimulus Funding & Prop 30**



# WHY RESERVES MATTER

## SDUHSD Annual Surplus (Deficit)



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# SPECIAL FUNDS HIGHLIGHTS

2014-15  
Proposed  
Budget

# SPECIAL FUNDS

- **Prop AA Fund 21-39**
  - Series A issued at \$160 million in 2013
  - Project commitments will bring available project funds down to \$6 million by the end of 2014-15
  - Series B discussions and analysis will begin this fall
- **Capital Facilities Funds 25-18 & 25-19**
  - Escalation in developer permit activity results in increased revenue
  - Funds smaller projects tied to enrollment growth
- **Deferred Maintenance Fund 14-00**
  - State contributions and local matching requirements eliminated during the recession
  - While fund balance is nearly depleted, deferred maintenance needs are ongoing
  - Maintenance & Operations is reviewing the Five-Year Deferred Maintenance plan
  - Staff intends to renew annual contributions to the fund to protect the investment in our schools

# SPECIAL FUNDS

- **Adult Education Fund 11-00**
  - Maintenance of Effort requirement to support Adult Education at 2012-13 spending levels continues through 2014-15
  - Governor & legislature are mutually interested in establishing an ongoing single categorical program for Adult Ed
  - District is collaborating with MiraCosta Community College to develop a regional plan to serve educational needs of adults
  - Adult Education fund is projecting a surplus for 2014-15 despite ongoing loss of state revenue due to the Fair Share reduction
    - Overhead expenses have been reduced
    - Enrollment and associated revenue drives course offerings
    - Fund balance may change due to maintenance of effort at year end

# SPECIAL FUNDS

- **Cafeteria Fund 13-00**
  - Nutrition Services is projecting a deficit for 2014-15
  - New regulations will negatively affect sales
    - Calorie and ingredient restrictions result in fewer beverage and snack options
    - Replacement menu items will be tested throughout the school year
  - New shopping center across from Canyon Crest Academy will bring competition to the area
  - No-Charge Breakfast will continue at campuses where state and federal revenue will cover costs

# 2014-15 PROPOSED BUDGET TIMELINE

- Regular Meeting, June 5, 2014
  - Public Hearing for LCAP
  - Public Hearing for Proposed General & Special Funds Budgets
- Regular Meeting, June 19, 2014
  - Adoption of LCAP
  - Adoption of General & Special Funds Budgets
- State Budget Timeline
  - Legislature to adopt by June 15, 2014
  - Governor to sign by July 1, 2014
  - Trailer & Clean-up Bills to be acted upon throughout Summer
- Fall Revision
  - Revised Beginning Balance and carryover amounts
  - Review of Property Tax estimate
  - Effect of State Budget & Trailer bills known