



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item 11.2

Meeting Date: July 16, 2015

Subject: Approve 2015-16 District Budget Update and Revision-State Budget Approval

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Approve the 2015-16 district budget update and revision displaying the changes of the final state budget approval.

Background/Rationale: Education Code Section 42127(i)(4) requires districts to revise their budget “not later than 45 days” after the Governor signs the Annual Budget Act. The 2015-16 Budget Act was signed by the Governor on June 24, 2015. As such, SCUSD has until Saturday, August 8th, 2015, to submit a revised budget to the Sacramento County Office of Education. This Budget Revision reflects the impact of the Budget Act upon the district’s budget.

Financial Considerations: The proposed revisions to the adopted budget for the general fund reflect the adjustments needed to bring the District’s budget into alignment with the changes based on the Budget Act signed by the Governor on June 24, 2015, and all other expenditure and revenue data available to the District at this time.

LCAP Goal(s): Family and Community Engagement

Documents Attached:

1. Executive Summary
2. Budget Revisions
3. California Department of Finance regarding the 2015-16 Budget Act for K-12

Estimated Time: 15 minutes

Submitted by: Gerardo Castillo, CPA, Chief Business Officer
Michael Smith, Director Fiscal Services

Approved by: José L. Banda, Superintendent

Board of Education Executive Summary

Business Services

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I. Overview/History:

On June 24, 2015, Governor Jerry Brown signed the main state budget bill following the Legislature's passage of the budget on June 15, 2015. These bills collectively enacted how California funds education. We have presented to the Board and posted to our website, on June 4th and June 18th, the District budget with information known as of the May Revise and guidance from Sacramento County Office of Education. The information presented is the impact on our District of Senate Bill (SB) 97, Budget Act of 2015. In addition, attached to this Executive Summary is a summary of California Department of Finance 2015–16 Budget Act for K thru 12 Education. The Senate Bill (SB) 97 includes such things as:

- **Educator Support**

The Governor Brown total budget did not change, but in order to support (SB) 77, Educator Support, he reduced the budget in certain areas and created more flexibility in others.

The purpose of (SB) 77 is to promote educator quality and effectiveness, including but not limited to, training on mentoring and coaching certificated staff and to support effective teaching and learning. The estimated additional one-time funding has an ending date of June 30, 2018. The estimated funding of \$2,732,184 is based on \$1,400 per certificated staff in the 2014-15 year.

- **Decreased Local Control Funding Formula (LCFF) Funding**

Spending below the Governor's May Revision proposal, the 2015-16 State Budget provides a reduction of \$1,046,008 million towards implementation of the LCFF for our District. The LCFF gap funding closure is now estimated to be at 51.52% instead of 53.08% at May Revise.

- **Decreased One-Time Discretionary Funds**

Spending below the Governor's May Revision proposal, the 2015-16 State Budget provides a reduction of \$2,097,850 in One-Time Discretionary Funds for our District. The 2015-16 State Budget funds the one-time discretionary based on 2014-15 ADA at the rate of \$530 instead of \$601 as proposed in the May Revise.

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In summary, our District lost \$411,674 due to shifting funds in order to support the Educator Support Initiative. The breakdown is:

Add Educator Support	\$2,732,184
Reduced LCFF	\$(1,046,008)
Reduced One-Time Discretionary Funds	<u>\$(2,097,850)</u>
Total Net Lost	<u><u>\$(411,674)</u></u>

However, our District already allocated \$450,000 funds for Beginning Teacher Support and Assessment (BTSA). Since the state funding for the Educator Support program is very similar to BTSA, these funds became available to cover the net lost due to the final state budget. The District does not have to make any other reductions that were included in the adopted budget at June 18th to cover the loss of \$411,674. In addition, the shifting from unrestricted to restricted (Educator Support) funds in the final State Budget created a hole of \$3,143,858 (\$1,046,008 LCFF and \$2,097,850 one-time discretionary funds) because the District has already allocated those funds. In order to balance, the District took advantage of the flexibility created for the routine maintenance as explained below.

- **Routine Restricted Maintenance Contribution**

The 2015-16 adopted budget from June 18th Board meeting included an estimated 3% required contribution or an increase of \$4,981,950 compared to the 2014-15 budget. The governor's final state budget allows flexibility to phase-in the contribution (no less than 2 percent by 2017-18 and 3 percent by 2020-21) to routine maintenance account. This revision includes an increase of \$ 1 million instead of \$4.98 million at the June 18th Board meeting. The Routine Restricted Maintenance Account is \$10,292,258 for 2015-16.

- **Emergency Repair Funds**

During the June 4 and June 18 Board meetings, staff mentioned that the state will continue funding the one time Emergency Repair Funds as the governor objective is to pay the "the wall of debt" and that it will be added to the district budget once we know the estimated funding. Due the passage of the state budget, staff estimates that the 2015-16 State Budget contains provisions to fund \$36,312,714 in one-time emergency repair funds. This will retire the remaining obligations under the Williams settlement. These funds are restricted and can be used only for projects approved by state several years ago.

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- **Additional Expenditures included in the Budget**

In addition to the \$2,732,184 Educator Support, administration is including \$650,000 for five additional counselors to meet the contract agreement with SCTA and additional \$300,000 for school climate/restorative practices. Since the state is funding the Educator Support, administration is reducing the \$450,000 Beginning Teacher Support and Assessment (BTSA) included in the Adopted Budget.

- **Charter Fund**

The changes in General Fund also apply to Charter Schools and after reviewing the adopted budget, we estimated that the dependent charter schools will have additional \$1,261,501 funds available. Since, this requires a discussion with each charter school administrator; staff is setting these funds in the fund balance for allocating in the future with input from charter schools.

II. Driving Governance:

Education Code Section 42127(i)(4) states that “Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.”

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III. Budget:

At the time of the Adopted Budget, staff included additional Revenue based on the Governor's May Revise. The final state budget changed the General fund as described in Section I. On this Budget revision, staff is adding additional expenditures for Counselors, School Climate/Restorative Practices and reducing Beginning Teacher Support and Assessment (BTSA) and the effect in the General Fund of the new requirements of Educator Support. The general budget and proposed revisions are provided below:

Change in Revenue FY 2015-16	
Decrease LCFF Revenue	\$ (1,046,008)
Decrease One Time Discretionary Funding	\$ (2,097,850)
Reduction Unrestricted Revenue	\$ (3,143,858)
Estimated One Time Educator Support	\$ 2,732,184
Net (Loss) Due to Final State Budget	\$ (411,674)
One Time Emergency Repair Funds	\$ 36,312,714
Total Increased Revenue	\$ 35,901,040

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Change in Expenditures FY 2015-16	
Adjust Increase to Ongoing Maintenance	\$ (3,826,950)
Reduction Beginning Teacher Support and Assessment (BTSA)	\$ (450,000)
Additional 5 Counselors Based on Agreement with SCTA	\$ 650,000
Increase School Climate/Restorative Practices	\$ 300,000
Net Reduction Expenditures	\$ (3,326,950)
Educator Support	\$ 2,732,184
Approved Projects for Emergency Repair	\$ 36,312,714
Total Increased Expenses	\$ 35,717,948
Total Net Change in General Fund Balance	\$ 183,092

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IV. Goals, Objectives and Measures:

Continue to provide information to the Board and the public in a timely manner, including the required 2016-17 budget calendar and reporting periods such as First, Second Interim reports. Continue improving budget development process to comply with Local Control Accountability Plan (LCAP) and continue with the monthly budget committees.

V. Major Initiatives:

- Reworking the District chart of accounts to track supplemental and concentration expenditures
- Fiscal stability for 2015-16 and outlying years
- Utilizing funds prudently and effectively
- New financial software

VI. Results:

Continued review and updates given to the Board, meet with staff and community regularly through LCAP process to obtain the information needed to make knowledgeable fiscal decisions.

VII. Lessons Learned/Next Steps:

- Continue to monitor the fiscal health of the district and the state
- Work closely with the Sacramento County Office of Education and provide necessary information
- Provide a budget calendar for the 2016-17 fiscal year

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT
BUDGET REVISIONS
GENERAL FUND (Changes Due to Final State Budget)**

	Adopted Budget 07/01/15 2015-16	45 Day Revised 07/16/15 2015-16	VARIANCE 07/16/15	
REVENUES				
LCFF SOURCES	\$342,665,973	\$341,619,965	(\$1,046,008)	Decrease of \$1 Million due to LCFF at 51.52 % vs. 53.08% as adopted
FEDERAL REVENUE	\$46,049,160	\$46,049,160		
OTHER STATE REVENUE	\$72,623,286	\$109,570,334	\$36,947,048	Decrease of \$2 Million One Time funds due to final state budget funded at \$530 per ADA instead of \$601; increase of \$2.7 Million Educator Support funds and \$36.3 Million of one time emergency repair funds - restricted funds
LOCAL REVENUE	\$4,971,283	\$4,971,283		
TOTAL REVENUES	\$466,309,702	\$502,210,742	\$35,901,040	
EXPENDITURES				
CERTIFICATED SALARIES	\$180,256,996	\$182,899,996	\$2,643,000	Assume increase of 5 counselors based on agreement with SCTA; Educator support; additional \$300,000 for School Climate/Restorative Practices
CLASSIFIED SALARIES	\$56,364,488	\$56,364,488		
EMPLOYEE BENEFITS	\$136,353,240	\$136,942,424	\$589,184	Benefits for 5 counselors & certificated staff
BOOKS AND SUPPLIES	\$20,753,430	\$20,506,891	(\$246,539)	Adjust increase to Ongoing Maintenance due to change in required contribution
SERVICES/OTHER OPERATING EXP	\$57,885,645	\$57,661,034	(\$224,611)	Adjust Ongoing Maintenance
CAPITAL OUTLAY	\$15,168,979	\$48,125,893	\$32,956,914	Increase for Emergency Repair and adjust Ongoing Maintenance
OTHER OUTGO	\$3,545,018	\$3,545,018		
INDIRECT SUPPORT	(\$1,527,141)	(\$1,527,141)		
TOTAL EXPENDITURES	\$468,800,655	\$504,518,603	\$35,717,948	
OTHER FINANCING SOURCES/USES				
INTERFUND TRANSFERS IN	\$1,386,880	\$1,386,880		
INTERFUND TRANSFERS OUT	(\$1,730,000)	(\$1,730,000)		
OTHER SOURCES	\$61,938,036	\$58,111,086	\$3,826,950	Reduction of Contribution to Ongoing Maintenance; increase by \$1 Million instead of \$4.98 Million
OTHER USES	(\$61,938,036)	(\$58,111,086)	(\$3,826,950)	
TOTAL OTHER FINANCING SOURCES/USES	(\$343,120)	(\$343,120)	\$0	
NET INCREASE (DECREASE) IN FUND BALANCE	(\$2,834,073)	(\$2,650,981)	\$183,092	
Beginning Fund Balance, July 1	\$30,288,206	\$30,288,206		
Audit Adjustments	\$0	\$0		
Ending Fund Balance, June 30	\$27,454,133	\$27,637,225	\$183,092	
Nonspendable - Revolving and Stores	\$545,000	\$545,000		
Unassigned- Reserve for Economic Uncert.	\$18,763,133	\$18,763,133		
Restricted	\$0	\$0		
Assigned	\$8,146,000	\$8,329,092	\$183,092	
Unappropriated Fund Balance	\$0	\$0	\$0	



CALIFORNIA 2015-16 State Budget

Edmund G. Brown Jr. Governor, State of California

INTRODUCTION

The 2015 Budget Act pays down debt and saves for a rainy day as it implements the first year of Proposition 2. In addition, it increases spending on education, health care, In-Home Supportive Services, workforce development, drought assistance and the judiciary. It establishes the state's first Earned Income Tax Credit to help the state's poorest working families and an amnesty program that will help many Californians pay past due court-ordered debt and regain their drivers' licenses.

Despite stronger revenues compared to a year ago, the budget remains precariously balanced. The state also continues to have hundreds of billions of dollars in liabilities for deferred maintenance on its aging infrastructure and for retiree health care benefits for state employees and various pension benefits. In response, the Budget includes \$125 million to address the most critical deferred maintenance and establishes a trust fund for the prefunding of retiree health benefits.

The Governor has called special sessions to continue work on two key fiscal issues—how to fund (1) improved maintenance of roads, highways and other infrastructure, and (2) the state's health care delivery system. In addition, an expenditure plan for Cap and Trade revenues to reduce greenhouse gas emissions that contribute to climate change will also be completed later in the legislative session.

K THRU 12 EDUCATION

California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 1,000 local school districts, and more than 1,000 charter schools provide students with instruction in English, mathematics, history, science, and other core competencies to provide them with the skills they will need upon graduation for either entry into the workforce or higher education.

The Budget includes total funding of \$83.2 billion (\$49.7 billion General Fund and \$33.5 billion other funds) for all K-12 education programs.

PROPOSITION 98

A voter-approved constitutional amendment, Proposition 98, guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The recently adopted Local Control Funding Formula is the primary mechanism for distributing funding to support all students attending K-12 public schools in California.

The Budget includes Proposition 98 funding of \$68.4 billion for 2015-16, an increase of \$7.6 billion over the 2014-15 Budget Act level. When combined with increases of

\$6.1 billion in 2013-14 and 2014-15 as well as other one-time savings and adjustments in those years, the Budget provides a \$14.4 billion increased investment in K-14 education. Since 2011-12, Proposition 98 funding for K-12 education has grown by more than \$18.6 billion, representing an increase of more than \$3,000 per student.

The Proposition 98 maintenance factor—an indicator of the past reductions made to schools and community colleges—totaled nearly \$11 billion as recently as 2011-12. The Budget reduces this obligation to \$772 million.

K-12 BUDGET ADJUSTMENTS

Significant Adjustments:

- **Local Control Funding Formula**—An increase of \$6 billion Proposition 98 General Fund to continue the State’s landmark transition to the Local Control Funding Formula. This formula commits most new funding to districts serving English language learners, students from low-income families, and youth in foster care. This increase will close the remaining funding implementation gap by more than 51 percent.
- **Career Technical Education**—The Budget establishes the Career Technical Education (CTE) Incentive Grant Program and provides \$400 million, \$300 million, and \$200 million Proposition 98 General Fund in 2015-16, 2016-17, and 2017-18, respectively, for local education agencies to establish new or expand high-quality CTE programs. Of the funding provided for this competitive grant program, 4 percent (\$16 million in 2015-16) is available for applicants serving no more than 140 students, 8 percent (\$32 million in 2015-16) is available for those serving between 140 and 550 students, and 88 percent (\$352 million in 2015-16) is available for those serving more than 550 students. School districts, county offices of education, and charter schools receiving funding from the program will be required to provide local-to-state matching funds of 1:1 in 2015-16, 1.5:1 in 2016-17, and 2:1 in 2017-18. When determining grant recipients, the Department of Education and the State Board of Education will give priority to grant recipients that: (1) are establishing new programs; (2) serve a large number of English-learner, low-income, or foster youth students; (3) serve pupil groups with higher-than-average dropout rates; or (4) are located in areas of high unemployment.
- **Educator Support**—An increase of \$500 million one-time Proposition 98 General Fund for educator support. Of this amount, \$490 million is for activities

that promote educator quality and effectiveness, including beginning teacher and administrator support and mentoring, support for teachers who have been identified as needing improvement, and professional development that is aligned to the state academic content standards. These funds will be allocated to school districts, county offices of education, charter schools, and the state special schools in an equal amount per certificated staff and are available for expenditure over the next three years. Additionally, \$10 million is provided for the K-12 High Speed Network to provide professional development and technical assistance to local educational agencies related to network management.

- **Special Education**—The California Statewide Special Education Task Force was formed in 2013 to examine the state of special education in California, analyze and consider best practices within the state and nation, and ultimately propose recommendations for improving the system. The Budget includes \$60.1 million Proposition 98 General Fund (\$50.1 million ongoing and \$10 million one-time) to implement selected program changes recommended by the task force, making targeted investments that improve service delivery and outcomes for all disabled students, with a particular emphasis on early education.
- **K-12 High Speed Internet Access**—An increase of \$50 million in one-time Proposition 98 funding to support additional investments in internet connectivity and infrastructure. This builds on \$26.7 million in one-time Proposition 98 funding that was provided in the 2014 Budget Act to assist local educational agencies with securing required internet connectivity and infrastructure to implement the new computer-adaptive tests administered under Common Core. This second installment of funding will further upgrade internet infrastructure to reflect the increasing role that technology plays in classroom operations to support teaching and learning.
- **K-12 Mandates**—An increase of \$3.2 billion in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments such as Common Core implementation.
- **K-12 Deferrals**—The Budget provides \$897 million Proposition 98 General Fund to eliminate deferrals consistent with the revenue trigger included in the 2014 Budget. Inter-year K-12 deferrals had reached a high of \$9.5 billion in the 2011-12 fiscal year.

ADULT EDUCATION

The Budget includes \$500 million Proposition 98 General Fund for the Adult Education Block Grant program to provide funds for adult education administered by school districts, county offices of education, and community college districts.

This program will coordinate efforts of various entities—such as schools, community colleges, universities, local workforce investment boards, libraries, social services agencies, public safety agencies, and employers—to provide education and training more effectively.

School districts, county offices of education, and community college districts that receive other state and federal funds for adult education are expected to be members of an adult education consortium. The Chancellor of the Community Colleges and the Superintendent of Public Instruction also will submit a plan to distribute federal Workforce Innovation and Opportunity Act Title II and Perkins funds to the consortia in future years.

The Chancellor and the Superintendent will jointly approve apportionment of these funds. For 2015-16, the Chancellor and the Superintendent will apportion funds first to school districts and county offices of education to match the amounts they have been required to spend on adult education in each of the last two years. Beginning in 2016-17, all funds will be appropriated directly to consortia, with considerations for current allocations, need in the region, and effectiveness of providers.

Each consortium will develop a comprehensive plan for adult education in its region at least once every three years, with annual updates. Each consortium will be required to create rules and procedures regarding how it will make decisions, consider feedback on proposed decisions from interested stakeholders, and make decisions publicly.

The consortia will decide how to distribute these funds to school districts, county offices of education, and community college districts in their regions. The Budget provides stability to these schools and colleges, requiring that existing funding be maintained unless a consortium finds that a school or college cannot provide services that address the needs of the region or has been consistently ineffective in doing so.

The Chancellor and the Superintendent will report annually on the use of these funds and the effectiveness of adult education programs in each consortium. The Budget also includes \$25 million one-time Proposition 98 General Fund to help consortia establish the systems necessary to evaluate the effectiveness of their programs.

CHILD CARE AND STATE PRESCHOOL

Subsidized Child Care includes a variety of programs designed to support low-income families so they may remain gainfully employed. These programs are primarily administered by the Department of Education. Additionally, the State Preschool program is designed as an educational program to help children develop the skills needed for success in school. The Department of Education and the Department of Social Services jointly administer the three-stage CalWORKs child care system to meet the child care needs of recipients of aid while they participate in work activities and as they transition from cash aid. Families can access services through centers that contract directly with the Department of Education, or by receiving vouchers from county welfare departments or alternative payment program providers.

Significant Adjustments:

- Full-Day State Preschool—An increase of \$34.3 million (\$30.9 million Proposition 98, \$3.5 million General Fund) to provide access to full-day State Preschool for an additional 7,030 children from low-income working families. In addition, \$145 million will shift from General Child Care to State Preschool to allow full-day State Preschool providers that are local educational agencies to access a single funding stream (Proposition 98) in their full-day State Preschool contracts. Under the existing program, local educational agencies receive funding for full-day State Preschool from a combination of Proposition 98, General Fund, and the federal Child Care and Development Fund.
- Alternative Payment Program Vouchers—An increase of \$52.6 million General Fund to provide child care vouchers for an additional 6,800 children from low-income working families.
- Standard Reimbursement Rate—An increase of \$61 million (\$38.3 million Proposition 98, \$22.7 million General Fund) to provide a 5-percent increase to the reimbursement rate for State Preschool and other direct-contracted child care and development providers.
- Regional Market Reimbursement Rate—An increase of \$62.1 million General Fund to increase the maximum reimbursement ceiling for voucher-based child care providers by 4.5 percent and increase the rate for license-exempt providers from 60 to 65 percent of the licensed family child care home rate.

K THRU 12 EDUCATION

- Infant/Toddler Child Care Quality—A one-time grant of \$24.2 million General Fund to Quality Rating and Improvement System consortia to provide training, technical assistance, and resources to help infant and toddler child care providers meet a higher level of quality.