



SAN DIEGO UNIFIED SCHOOL DISTRICT

Board of Education 2015-16 Budget Adoption

June 23, 2015



Presentation Agenda

- Opening Remarks
- Local Control Funding Formula (LCFF)
- Multi-Year Assumptions
- 2015-16 Budget Proposal and Solutions
- Overview of 2015-16 Budget Compromise
- Tax Revenue Anticipation Notes (TRANs)
- Superintendent's Recommended Budget



Local Control Funding Formula (LCFF)



Revenue Assumption Changes

2014-15	Third Interim	May Revise	Financial Impact
Mandates/ Discretionary (One-time)	Estimated \$183/ADA 104,818 ADA \$19.1M	Estimated \$418/ADA 104,649 ADA \$43.8M	Total \$601 / ADA \$62.9M

2015-16	Third Interim	May Revise	Financial Impact
Gap Funding %	32.19%	53.08%	Increase \$40.0M
Cost of Living Adjustment (COLA)	1.58%	1.02%	Decrease \$1.7M
Average Daily Attendance (ADA)	103,320	102,890	Decrease \$3.0M
		2015-16 Total	\$35.3M



2015-16 LCFF Target Funding Factors

- 1 The K-12 COLA is 1.02% for 2015-16 and is applied to the LCFF base grants
- 2 Two grade span adjustments are then applied as percentage increases:
 - Grade K-3 – 10.4% increase for smaller average class enrollments
 - Grades 9-12 – 2.6% increase in recognition of CTE coursework
- 3 The Supplemental Grant is calculated as 20% of the Adjusted Grants, multiplied by a district's unduplicated pupil percentage (UPP). San Diego Unified's UPP is 63.3%. Therefore, our Supplemental Grant percent is 12.7% (20% x 63.3%)
- 4 The Concentration Grant is calculated as 50% of the Adjusted Grants, multiplied by the portion of a district's UPP that is greater than 55%. SDUSD is 8.3% higher than 55%, therefore, our Concentration Grant percent is 4.2% (50% x 8.3%)

	K-3	4-6	7-8	9-12
2014-15 Base Grant per ADA	\$7,011	\$7,116	\$7,328	\$8,491
+ 1.02% COLA	1 \$72	\$73	\$75	\$87
2015-16 Base Grant per ADA	\$7,083	\$7,189	\$7,403	\$8,578
+ Grade Span Adjustment + CTE	2 \$737	-	-	\$223
2015-16 Adjusted Grants	\$7,820	\$7,189	\$7,403	\$8,801
12.7% Supplemental Grant (20% x 63.3%)	3 \$990	\$910	\$937	\$1,114
4.2% Concentration Grant (50% x 8.3%)	4 \$325	\$298	\$307	\$365
Total Projected / ADA at Full Implementation	\$9,135	\$8,397	\$8,647	\$10,280



LCFF MYP Target and Gap Implementation

Fiscal Year	ADA	LCFF Target at Full Implementation	LCFF Floor	Gap Funding Allocated	Annual LCFF Allocation	Remaining Gap	Gap Funding %
2013-14	106,109	\$ 1,029,063,124	\$ 737,048,879	\$ 35,046,661	\$ 772,095,540	\$ 256,967,584	12.00%
2014-15	104,649	\$ 1,028,940,444	\$ 763,878,011	\$ 79,439,211	\$ 841,317,222	\$ 187,623,222	29.97%
2015-16	102,890	\$ 1,021,264,943	\$ 832,079,277	\$ 100,419,752	\$ 932,499,029	\$ 88,765,914	53.08%
2016-17	101,381	\$ 1,022,684,188	\$ 921,385,453	\$ 37,885,727	\$ 959,271,180	\$ 63,413,008	37.40%
2017-18	99,838	\$ 1,031,397,899	\$ 947,329,942	\$ 30,886,567	\$ 978,216,509	\$ 53,181,390	36.74%
2018-19	98,329	\$ 1,043,565,634	\$ 966,077,724	\$ 16,249,215	\$ 982,326,939	\$ 61,238,695	20.97%
2019-20	96,854	\$ 1,029,022,215	\$ 970,231,835	\$ 30,619,348	\$ 999,618,025	\$ 29,404,190	50.00%
2020-21	96,854	\$ 1,029,022,215	\$ 999,618,025	\$ 29,404,190	\$ 1,029,022,215	-	100.00%



Multi-Year Assumptions



San Diego County Office of Education

- San Diego County Office of Education (SDCOE) guidance letter dated May 28, 2015, recommends Department of Finance (DOF) LCFF gap funding percentages
- Subject to change pending State Legislature and Governor's approval
- Budget must be submitted to SDCOE by July 1, 2015 (E.C. 42127)
- The district is required to revise the adopted budget and submit to SDCOE within 45 days of state budget adoption, if there are significant changes
- District's Local Control Accountability Plan, Adopted Budget, Certification are reviewed and approved together



Multi-Year Assumptions – Revenues

REVENUE ASSUMPTIONS			
Description	2015-16	2016-17	2017-18
LCFF Funding Model			
Funded ADA	102,890	101,381	99,838
COLA	1.02%	1.60%	2.48%
Funding Gap	53.08%	37.40%	36.74%
Federal : Impact Aid	\$9.0M	\$9.0M	\$9.0M
Other State			
Mandated Cost Reimbursement	\$ 3.7M	\$ 3.7M	\$ 3.6M
Lottery (GFU- \$128; GFR-\$34.00)	\$162/ADA	\$162/ADA	\$162/ADA
Local : Interest	0.45%	0.45%	0.45%
Transfers In	\$13.8M	\$10.7M	\$10.7M



Multi-Year Assumptions – Expenditures

EXPENSE ASSUMPTIONS			
Description	2015-16	2016-17	2017-18
Salaries			
Step and Column: Cert / Class	2.06% / .73%	2.06% / .73%	2.06% / .73%
Salary Increase*	4%	0%	0%
STRS	10.73%	12.58%	14.43%
PERS	11.85%	13.05%	16.60%
Health and Welfare Premiums	7.00%	7.00%	7.00%
Materials and Supplies (Consumer Price Index- CPI)	2.20%	2.40%	2.60%
Contracted Services (CPI)	2.20%	2.40%	2.60%
Utilities	\$29.9M	\$30.5M	\$31.1M
Implemented Board Solutions/Budget Deficit	\$70.2M	\$94.7M	\$119.5M
Transfers Out	\$13.8M	\$13.8M	\$13.8M
Contributions			
Special Education	\$198.1M	\$212.9M	\$218.1M
Restricted Routine Maintenance (RRM)	\$38.5M	\$36.7M	\$37.2M
Community Day School	\$2.0M	-	-



2015-16 Budget Proposal and Solutions

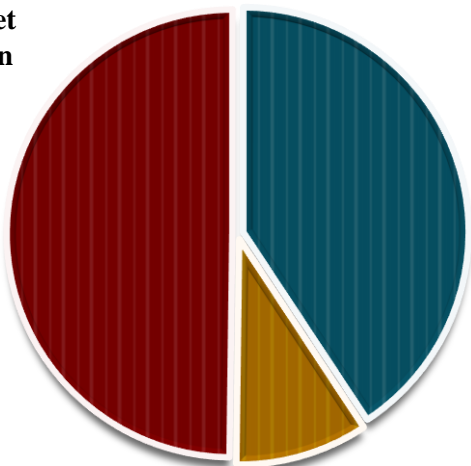


Total Projected Funds 2014-15 Compared To 2015-16

2014-15 Adopted Budget

**Total Budget
\$2.38 Billion**

Total Other
Funds,
\$1,185.16 ,
50%



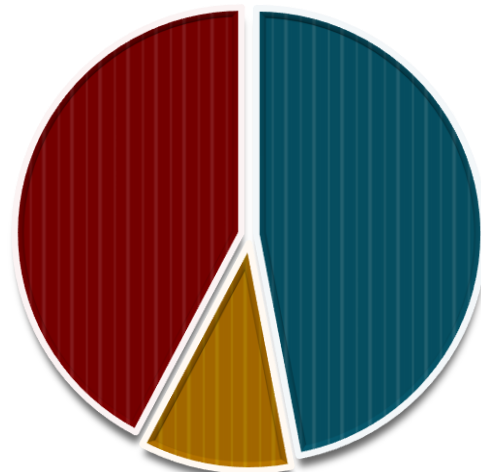
General Fund
Unrestricted,
\$969.13 , 41%

General Fund
Restricted,
\$225.53 , 9%

2015-16 Proposed Budget

**Total Budget
\$2.35 Billion**

Total Other
Funds,
\$995.50 , 42%



General Fund
Unrestricted,
\$1,106.63 ,
47%

General Fund
Restricted,
\$251.52 , 11%

*Projected Funds = Beginning Balance + Revenue



Multi-Year Budget Projections

General Fund Unrestricted

	2014/15	2015/16	2016/17	2017/18
DESCRIPTION	PROJECTIONS	PROJECTIONS	PROJECTION	PROJECTION
Beginning Balance	\$97,904,305	\$126,426,928	\$32,307,579	\$31,028,028
Revenues	970,455,739 *	980,205,170	1,004,454,800	1,022,035,977
Expenditures	(742,679,826)	(835,635,084)	(847,815,772)	(882,810,627)
Budget Deficit Solutions 2016/17		-	94,743,350	
Budget Deficit Solutions 2017/18				119,490,223
TOTAL EXPENDITURES	(742,679,826)	(835,635,084)	(753,072,422)	(763,320,404)
Other Sources / Uses	(199,253,290)	(238,689,435)	(252,661,929)	(258,377,573)
Ending Balance	\$ 126,426,928	\$ 32,307,579	\$31,028,028	\$ 31,366,028
SURPLUS/(DEFICIT)	\$28,522,623	(94,119,349)	(1,279,551)	338,000
Required Reserves				
Economic Uncertainties	\$24,102,000	\$25,686,000	\$24,446,000	\$24,784,000
13/14 Mandates	7,102,439			
14/15 Mandates	62,894,049			
Surplus Set Aside	20,100,896			
School Site Ending Balances	4,558,192	4,039,551	4,000,000	4,000,000
Stores	1,674,228	1,674,228	1,674,228	1,674,228
Prepaid Expenses	850,000	850,000	850,000	850,000
Revolving Cash	57,800	57,800	57,800	57,800
Total Required Reserve	\$121,339,604	\$32,307,579	\$31,028,028	\$31,366,028
Reserve Surplus / (Shortfall)	\$5,087,324	\$0	\$0	\$0

- Includes \$63M Mandate/Discretionary Accrual



Statement of Reasons for Excess Reserves

Education Code Section 42127(a)(2)(B) requires a statement of the reasons that substantiates the need for assigned and unassigned ending fund balances in excess of the minimum reserve standard for economic uncertainties for each fiscal year identified in the budget.

Combined Assigned and Unassigned/unappropriated Fund Balances			
Form	Fund		2015-16 Budget
01	General Fund/County School Service Fund		\$ 29,725,551
17	Special Reserve Fund for Other Than Capital Outlay Projects		\$ -
	Total Assigned and Unassigned Ending Fund Balances		\$ 29,725,551
	District Standard Reserve Level		2%
	Less District Minimum Reserve for Economic Uncertainties		\$ 25,686,000
	Remaining Balance to Substantiate Need		\$ 4,039,551

- Reason for Fund Balances in Excess of Minimum Reserve: Additional \$4M set aside for specific school site accounts



2015-16 General Fund Unrestricted Budget Solutions

	2015-16
Current Projected Deficit	(70.20)
May Revise Proposed Revenues (one-time and LCFF)	98.20
Tentative Agreements	(62.60)
Adjusted Deficit	\$ (34.60)
Enrollment	
Increase High School Enrollment	3.10
Early Childhood Program (Increase Enrollment)	5.00
Operational Efficiencies	
Enhance Survey Card Collection (Federal Impact Aid and LCFF)	5.50
Strategic Staffing- Position Review	3.00
Central Office Program Adjustments	8.00
Right-Sizing Operations	10.00
Budget Deficit Solution Opportunities Surplus/(Deficit)	\$ -

- Budget projection for 2015-16 includes 2014-15 ending balance.
- The \$2.7M sale of the Benchley property is expected to occur in July 2015; proceeds will be attributed to fiscal year 2015-16.



General Fund Unrestricted Multi-Year Budget Solutions

	2015-16	2016-17	2017-18
Current Projected Deficit	(34.60)	(94.70)	(119.50)
Enrollment			
Increase High School Enrollment	3.10	3.10	3.10
Early Childhood Program (Increase Enrollment)	5.00	5.00	5.00
Operational Efficiencies			
Enhance Survey Card Collection (Federal Impact Aid and LCFF)	5.50	7.00	7.00
Strategic Staffing- Position Review	3.00		
Central Office Program Adjustments	8.00		
Right-Sizing Operations	10.00	79.60	104.40
Budget Deficit Solution Opportunities Surplus/(Deficit)	\$ -	\$ -	\$ -

- Budget projection for 2015-16 includes 2014-15 ending balance.
- The \$2.7M sale of the Benchley property is expected to occur in July 2015; proceeds will be attributed to fiscal year 2015-16.



Overview of 2015-16 Budget Compromise



Overview of 2015-16 Budget Compromise

- Adopt May Revise revenue projections, \$3 billion less than GF estimates of the Legislative Analyst
- State General Fund – \$115.4 billion
- Proposition 98 funding will increase over \$14 billion in a mix of one-time and ongoing funds above the 2014-15 Budget Act
- \$68.4 billion for K-14 in 2015-16
 - \$7.5 billion increase over 2014-15 Budget level of \$60.9 billion
 - This is 12.4% higher than the 2014-15 Budget Act level
- Governor called two special legislative sessions to address issues of providing adequate funding for transportation infrastructure and health care



Policy Provisions with Fiscal Implications

- Restricted Routine Maintenance Account - Permits, through 2019-20, a phase-in of school district contributions to routine restricted maintenance accounts (no less than 2 percent by 2017-18 and 3 percent by 2020-21) and allows funds to be used for drought mitigation purposes.
- Mandates Audit Risk – Addresses a potential audit risk that could reduce future funding by clarifying that a school district will not be required to remit funding out of its General Fund to pay for disallowed costs identified by audits.
- Transitional Kindergarten Enrollment – SB 77 allows LEAs, including charter schools, to enroll students in TK who do not meet the current age requirements. The language specifies that the LEA would not be able to claim ADA for serving these students until the student reaches five years of age.



Tax Revenue Anticipation Notes (TRANs)



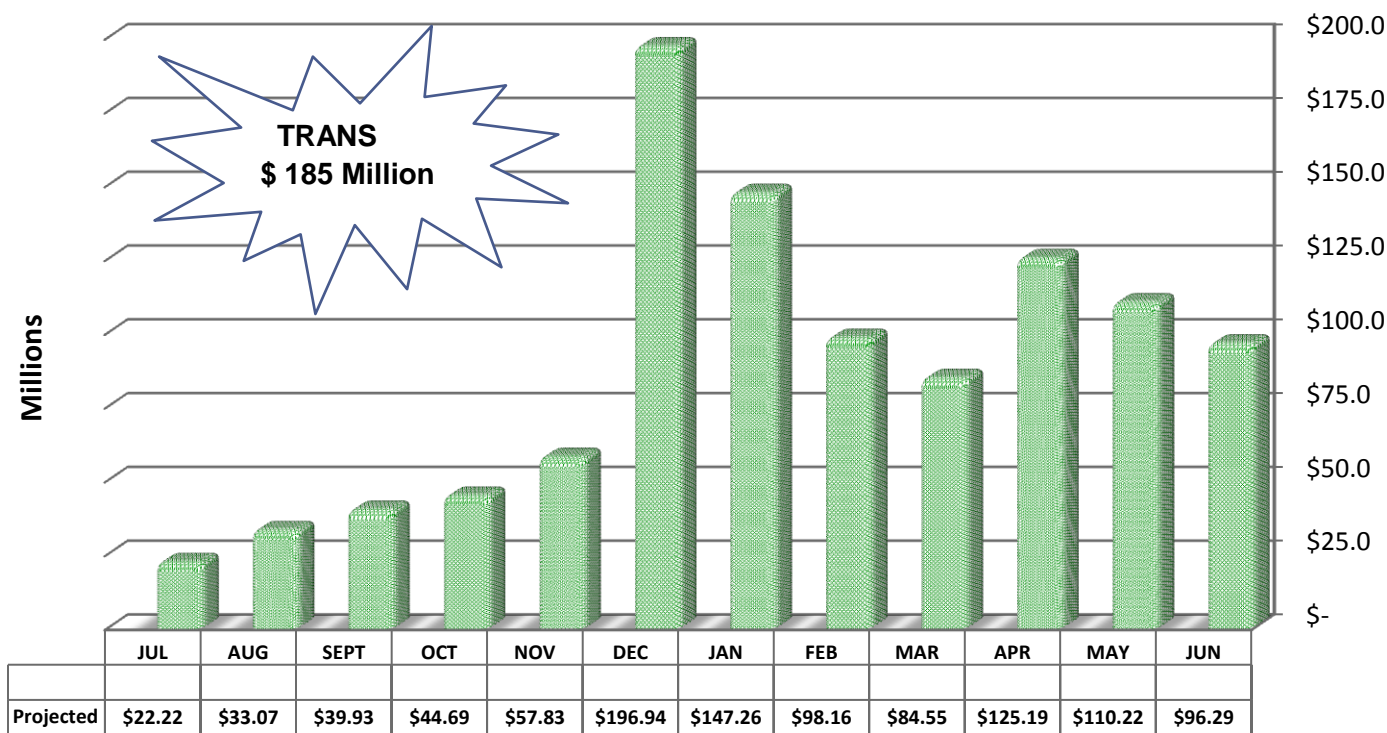
Tax Revenue and Anticipation Notes

- Estimated at \$185 million
- No cash deferrals factored into projections
- Subject to Education Protection Account and LCFF entitlement adjustments at P-2 certification anticipated in July 2015
- Resolution to board on June 23, 2015
- Credit rating presentation on July 2, 2015
- Close in mid-July



Total General Fund Cash Flow

2015-16 General Fund Projected Cash Flow





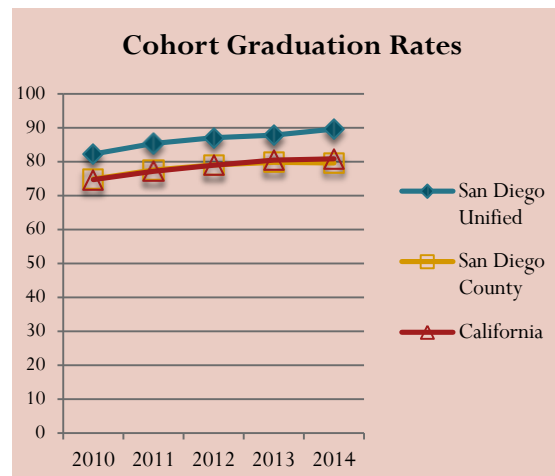
Superintendent's Recommended Budget and Actions Timeline



The San Diego Unified Story

Building a system of equity...

VISION 2020





Superintendent's Recommended Budget

New Investments

- Lower Class Sizes at TK to 3 Grade Levels
- Additional Certificated Staff at High-Needs Elementary and Middle Schools
- Counseling
 - Enhanced Allocation for Counselors at Secondary Schools
 - Concentrated Services for A-G Support
- Youth Advocacy Office to Support Closing of Achievement Gap
- Cluster Centered Parent Engagement and Community Engagement
- Vehicle Replacement Program
- GATE Testing

Improved Services

- English Learner
- Special Education
- African/African-American Students
- Translation Services
- Sworn Officers at all High Schools

Continued Investments

- Cultural Proficiency
- Bi-literacy and International Baccalaureate Programs
- High School Transformation
- Early Learning Support
- Open Library Hours at Every Elementary School
- Common Core Continued Support
- Professional Development for Educators
- Beginning Teacher Induction Program
- Graduation Coaches
- Visual and Performing Arts Program
- Maintained classroom GATE and Seminar Funding
- Maintained i21 program
 - Focus on Online Learning
 - Innovation Center
 - Focus on Student Support Intervention Plans



2015-16 Budget Actions Timeline

Date	Actions
June 23, 2015	<ul style="list-style-type: none">- Board adoption of 2015-16 Budget and LCAP- TRANs Resolution And Preliminary Official Statement
July 1, 2015	<ul style="list-style-type: none">- 2015-16 adopted Budget and LCAP due to SDCOE
Mid-July	<ul style="list-style-type: none">- TRANs Issuance
July 28, 2015	<ul style="list-style-type: none">- Board Approval of Revised Budget – Information Only*

*The district is required to revise the adopted budget and submit to the SDCOE within 45 days of state budget adoption, if there are significant changes

Questions?