



## 2015-16 Proposed Budget June 16, 2015

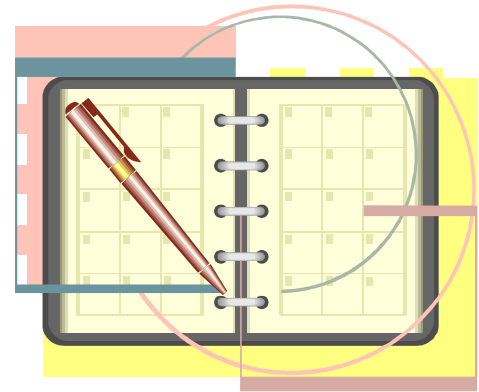
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# Agenda

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- ▶ State Budget Process
- ▶ State Budget Components
- ▶ MJUSD Budget Components
- ▶ 2015-16 Summaries
- ▶ Fund Balance Components / Excess Reserves (SB 858)
- ▶ Multi Year Assumptions
- ▶ Three Year Financial Projection
- ▶ Next Steps



# State Budget Process

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- ▶ January
  - ▶ Governor's proposed budget for budget year
- ▶ February
  - ▶ Legislative Analyst review with comments
- ▶ April
  - ▶ Statutory COLA recalculated
- ▶ May
  - ▶ "May Revise" reflects tax adjustments
- ▶ June 15 (or later)
  - ▶ Final adopted State budget
    - ▶ COLAs, "gap" funding
    - ▶ Potential additional programs, or funding changes
- ▶ November
  - ▶ Legislative Analyst Report (LAO Report)
    - ▶ Projections for next year based on tax collections and economic predictors
- ▶ January
  - ▶ Governor's proposed budget for next budget year...



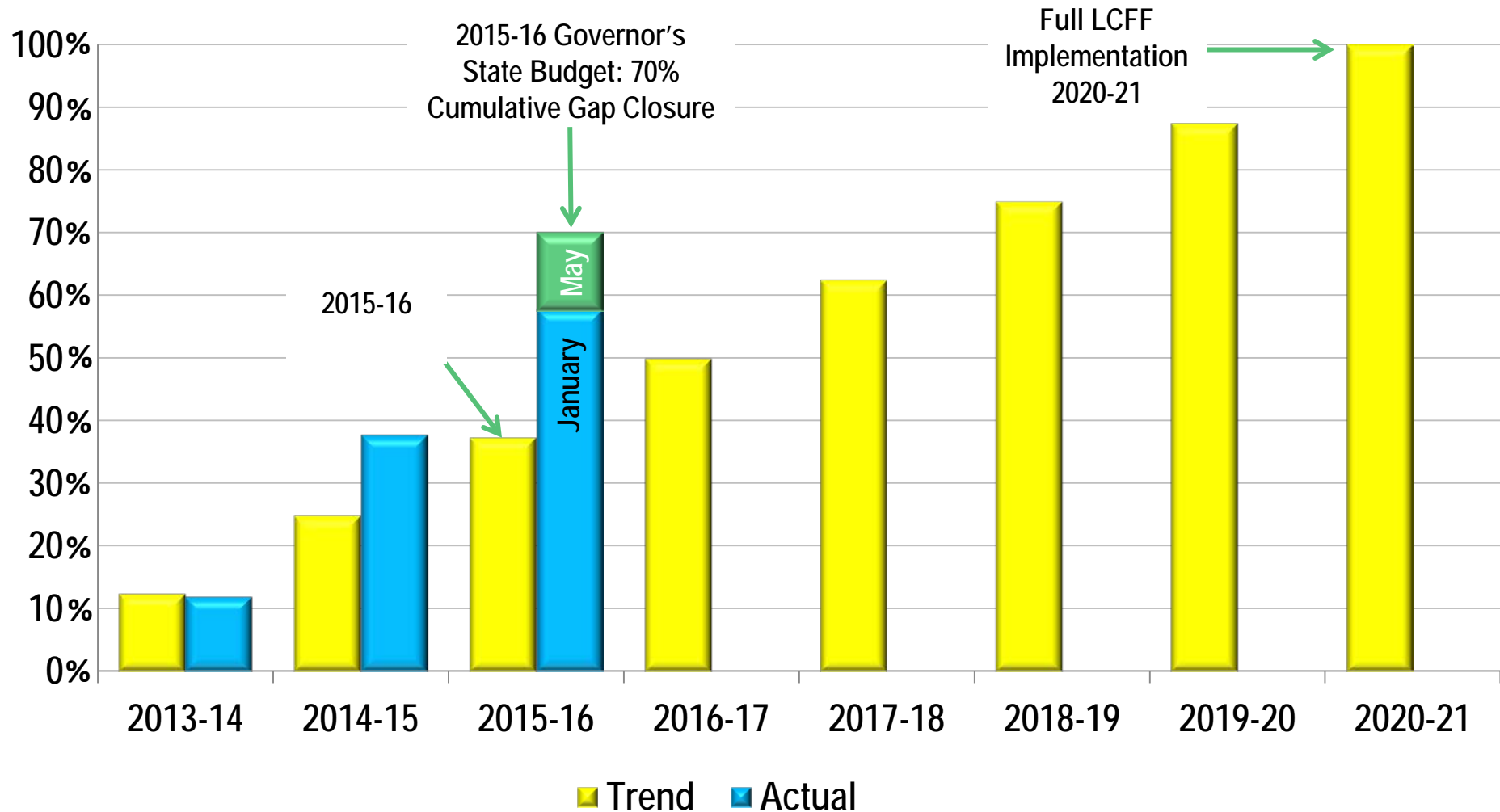
# 2015-16 Local Control Funding Formula

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- ▶ The January Budget proposed \$4 billion for continued implementation of the LCFF
- ▶ The May Revision provides another \$2.1 billion, for a total of \$6.1 billion of additional Proposition 98 revenues flowing to schools
- ▶ New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 53.08% in 2015-16
  - ▶ The May Revision slightly revises the current-year gap closure estimate, up from 29.15% to 29.97% for 2014-15
- ▶ When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would close almost 70% of the gap in just 3 years

# Progress Toward LCFF Implementation



# LCFF Components

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- ▶ Grade span base grants
- ▶ Add-ons for K-3 CSR, called Grade Span Adjustments (GSA)
  - ▶ Every site must average no more than 24:1 by target date, and make “proportional” progress toward that goal every year, or have alternative contract language in place
- ▶ Supplemental grants – 20% additional
- ▶ Concentration grants – 50% additional of unduplicated count above 55%
  - ▶ Our unduplicated percent is estimated at 83% for 2015-16

# Proposition 30 Taxes Will Expire

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- ▶ In November 2012, with the passage of Proposition 30, the Governor persuaded state voters to increase taxes on a temporary basis to mitigate cuts to education
- ▶ These taxes will generate more than \$8 billion annually at their peak; however, they begin to expire commencing 2016
  - ▶ The 0.25% sales tax increase expires in 2016 (i.e., the 2016-17 fiscal year)
  - ▶ The high-bracket personal income tax increase expires in 2018 (i.e., the 2018-19 fiscal year)
- ▶ While there is talk around the capitol of efforts to extend Proposition 30 or enact other taxes to replace the revenue loss from the expiration of Proposition 30 taxes, the success of such efforts is far from certain
  - ▶ The Governor has repeatedly stated that he considers Proposition 30 a temporary tax and has given no signals that he would support efforts to raise other taxes

# Discretionary Funds

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- ▶ The May Revision provides an increase of \$2.4 billion in discretionary one-time Proposition 98 funding
  - ▶ From \$1.1 billion to \$3.5 billion, equal to about \$601 per ADA
  - ▶ Of these funds, \$40 million is for county office of education (COEs) to assist in meeting new responsibilities associated with the Local Control and Accountability Plan (LCAP)
- ▶ The May Revision suggests that local educational agencies (LEAs) prioritize these funds for professional development, teacher induction, and instructional materials and technology
  - ▶ This is not a mandate and the funds can be used for “any one-time purpose, as determined by the governing board”
  - ▶ However, any funds received will offset state obligations for any LEA with outstanding mandate reimbursements, consistent with the approach used in the 2014 Budget Act



# January Budget vs. May Revision

Item	January Budget	May Revision
LCFF Gap Funding Percentage	32.19%	53.08%
Proposition 98 Minimum Funding Guarantee 2014-15 2015-16	\$63.2 billion \$65.7 billion	\$66.3 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

# Funding CalPERS and CalSTRS

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- ▶ The employer contribution costs for both CalPERS and CalSTRS are significantly increasing over the next several years
  - ▶ The 2015-16 CalPERS employer contribution rate increase is less than expected – increasing to 11.847% instead of 12.6%
  - ▶ The 2015-16 CalSTRS employer contribution rate statutorily increases to 10.73%
    - ▶ The increase in 2014-15 was made purposefully small – a 0.8% increase in the employer cost
      - The increase in 2015-16 is more significant – a 30% increase above the 2013-14 employer contribution rate
- ▶ The 2015-16 State Budget proposal does not address these cost increases for LEAs

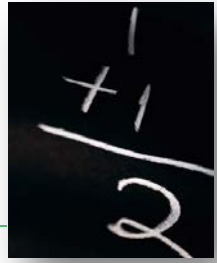
# 2015-16 Budget Components - Revenues



- ▶ Estimate 2015-16 average daily attendance (ADA) at approximately 8,574 (excludes pass-through ADA)
- ▶ Unduplicated percentage for supplemental & concentration funding is 83%
- ▶ All K-3 average class sizes by site are assumed to be at, or making proportional progress toward, 24:1 for GSA funding
- ▶ Lottery revenue is estimated to be \$128 per ADA for unrestricted purposes and \$34 per ADA for restricted purposes
- ▶ Mandated Cost Block Grant is \$28 for K-8 ADA, and \$56 for 9-12 ADA
- ▶ One-Time Mandated Cost reimbursement est \$601 per ADA.

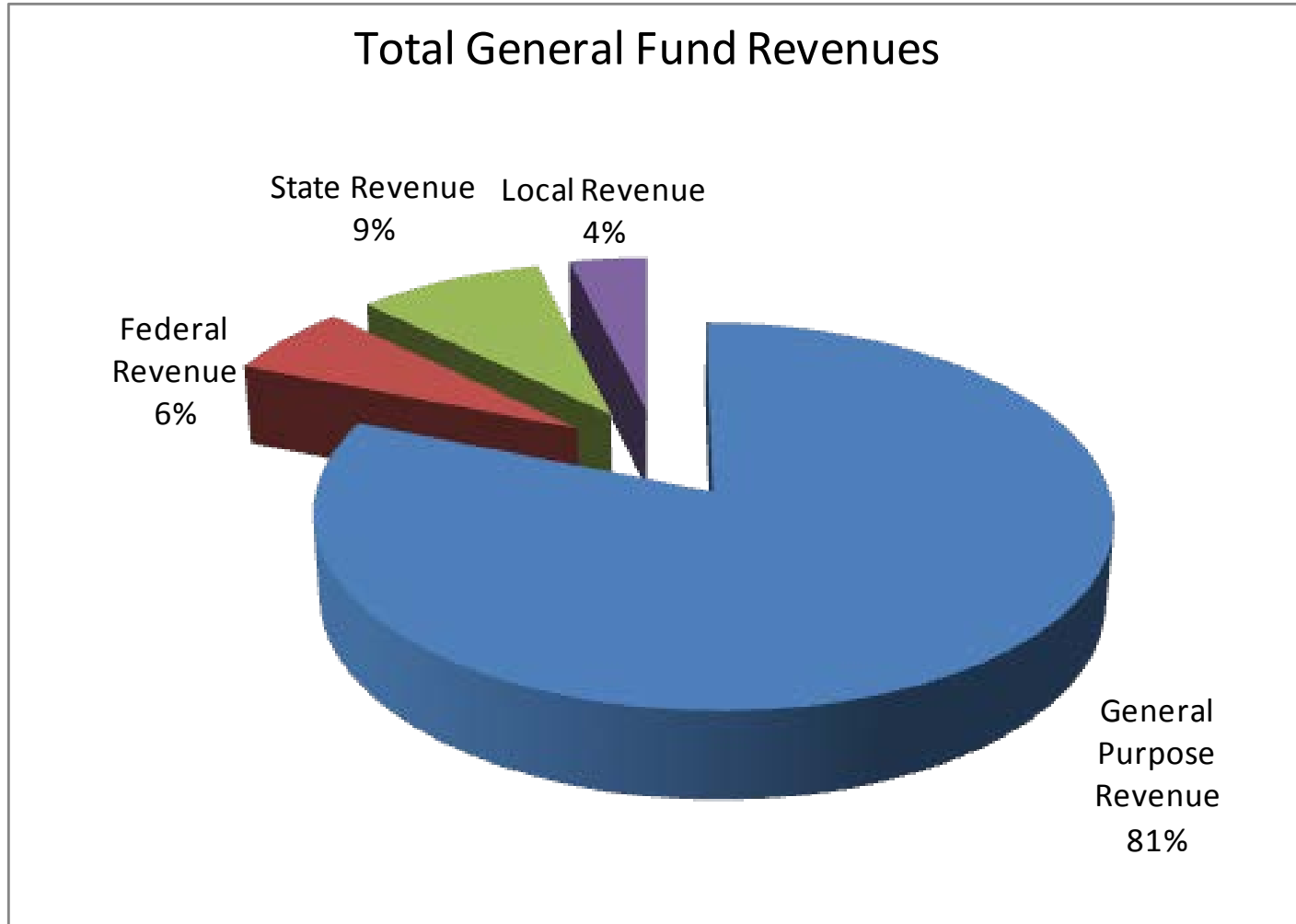
## 2015-16 Budget Components – Other

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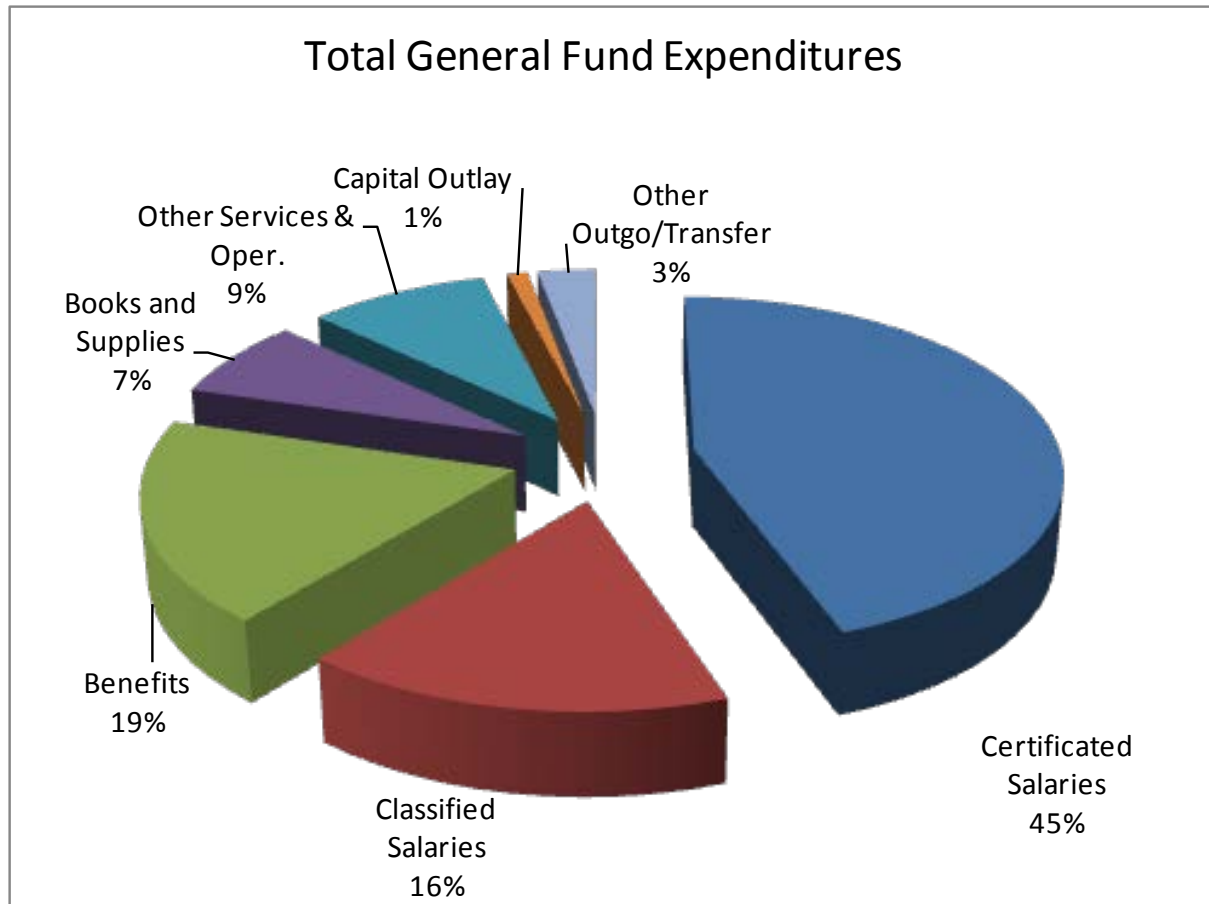
- ▶ Budget contains components illustrated in LCAP
- ▶ Budget includes step and column costs
- ▶ Budget includes increased STRS & PERS percentages
- ▶ Supplies, services & other have been budgeted according to current 2014-15 expenditures and meetings with site & department leaders

# Total General Fund Revenues



# Total General Fund Expenditures

- ▶ Salaries and Benefits Total 80% of Total Expenditures and
  - ▶ 84% of Unrestricted Expenditures Only



# Education Protection Account (EPA)

- ▶ K-14 general purpose EPA funds must be utilized for instructional purposes

<b>Education Protection Account (EPA) Budget</b>		
<i>Fiscal Year Ending 2015 &amp; 2016</i>		
	MJUSD	
	Fiscal Year	
	2014-15	2015-16
<b>BUDGETED EPA REVENUES:</b>		
<i>Estimated EPA Funds</i>	\$10,501,170	\$10,441,954
<b>BUDGETED EPA EXPENDITURES:</b>		
<i>Certificated Instructional Salaries</i>	\$9,255,394	\$9,212,947
<i>Certificated Support Salaries</i>	\$0	\$0
<i>Certificated Instructional &amp; Support Benefits</i>	\$1,245,776	\$1,229,007
<b>TOTAL</b>	<b>\$10,501,170</b>	<b>\$10,441,954</b>

## Contributions from Unrestricted General Fund

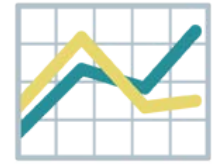
Description	Amount
American Indian Education	\$4,427
Restricted Maintenance Account	\$2,842,040
CTE/Regional Occupational Programs (ROP)	\$400,000
Special Education	\$7,969,920
<b>TOTAL CONTRIBUTIONS</b>	<b>\$11,216,387</b>



# Budget Changes Between Years (Unrestricted)

		<b>2014-15</b>
<b>Estimated Excess of Expenditures over Revenues 2014-15</b>		<b>\$ (1,926,000)</b>
<b>Revenue Changes</b>		
LCFF Funding (ADA, COLA & GAP %)	\$ 11,249,000	
Federal Revenue	(29,000)	
State Revenue, One-Time Mandated Costs	4,497,000	
Local Revenue	(119,000)	
Contribution to Restricted Programs (Spec Ed, RRM)	(1,855,000)	
Other Revenue Changes, Transfers	(21,000)	
<b>Total Revenue Changes</b>		<b>\$ 13,722,000</b>
<b>Expenditure Changes</b>		
Salaries and Benefits (Negotiated incr, Additional Positions, Step and STRS/PERS)	\$ 6,440,000	
Materials and Supplies & Other Services, Net of Carryover	(135,000)	
Services and Other Operating	(310,000)	
Capital Outlay	(1,231,000)	
Other Outgo	375,000	
<b>Total Expenditure Changes</b>		<b>\$ 5,139,000</b>
<b>Estimated Excess of Revenues over Expenditures Adopted Budget</b>		<b>\$ 6,657,000</b>

# Proposed Adopted Budget



Description	2015-16 Proposed Budget		
	Unrestricted	Restricted	Combined
<b>REVENUES</b>			
General Purpose Revenue	80,965,965	0	80,965,965
Federal Revenue	0	6,208,630	6,208,630
State Revenue	6,595,100	2,336,931	8,932,031
Local Revenue	183,438	3,536,341	3,719,779
<b>Total Revenues</b>	<b>87,744,503</b>	<b>12,081,902</b>	<b>99,826,405</b>
<b>EXPENDITURES</b>			
Certificated Salaries	34,113,534	7,437,766	41,551,300
Classified Salaries	10,899,618	4,310,793	15,210,411
Benefits	13,766,934	3,568,920	17,335,854
Books and Supplies	4,623,786	2,209,946	6,833,732
Other Services & Oper. Expenses	6,102,967	2,380,821	8,483,788
Capital Outlay	154,568	820,000	974,568
Other Outgo 7xxx	1,313,686	2,211,720	3,525,406
Transfer of Indirect 73xx	(1,135,867)	358,323	(777,544)
<b>Total Expenditures</b>	<b>69,839,226</b>	<b>23,298,289</b>	<b>93,137,515</b>
<b>Excess / (Deficiency)</b>	<b>17,905,277</b>	<b>(11,216,387)</b>	<b>6,688,890</b>
<b>OTHER SOURCES/USES</b>			
Transfers In	0	0	0
Transfers Out	(32,552)	0	(32,552)
Net Other Sources (Uses)	0	0	0
Contributions to Restricted	(11,216,387)	11,216,387	0
<b>Total Financing Sources/Uses</b>	<b>(11,248,939)</b>	<b>11,216,387</b>	<b>(32,552)</b>
<b>Net Increase (Decrease)</b>	<b>6,656,338</b>	<b>0</b>	<b>6,656,338</b>
<b>FUND BALANCE, RESERVES</b>			
Beginning Balance	7,809,503	1,966,115	9,775,618
<b>Ending Balance</b>	<b>14,465,841</b>	<b>1,966,115</b>	<b>16,431,956</b>

**Surplus will decrease when expenditures with the one-time discretionary funds (\$601 per ADA) are budgeted!**



# Components of Estimated Ending General Fund Balance

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## ► **Components:**

► Revolving Cash	\$ 30,000
► Inventory	\$ 254,476
► Legally Restricted	\$ 1,966,115
► Assignments	\$ 5,185,300
► Unassigned: Minimum Reserve for Economic Uncertainties (3%)	\$ 3,010,000
► Unassigned: General	<u>\$ 5,986,065</u>
► Total	\$16,431,956

# Senate Bill 858 – Excess Reserves

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- ▶ In accordance with Education Code 42127, school districts shall hold a public hearing on the budget to be adopted for the subsequent year, and shall provide the following information for public review and discussion:
  - ▶ (i) The minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget.
  - ▶ (ii) The combined assigned and unassigned ending fund balances that are in excess of the minimum recommended reserve for economic uncertainties for each fiscal year identified in the budget.
  - ▶ (iii) A statement of reasons that substantiates the need for an assigned and unassigned ending fund balance that is in excess of the minimum recommended reserve for economic uncertainties for each fiscal year that the school district identifies an assigned and unassigned ending fund balance that is in excess of the minimum recommended reserve for economic uncertainties, as identified pursuant to clause (ii).

# Senate Bill 858 – Excess Reserve Calculation

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Description	2015-16	2016-17	2017-18
Minimum Reserve for Economic Uncertainty (REU)	\$2,795,102	\$2,904,191	\$3,018,910
Combined Assigned & Unassigned Fund Balance	\$14,181,365	\$12,895,479	\$9,044,900
Excess Reserves	\$11,386,263	\$9,991,288	\$6,025,990

# Excess Reserve Description

Description	2015-16	2016-17	2017-18
Additional 3% REU for Assignments & Restrictions	\$214,898	\$232,809	\$232,090
Mandated Cost Funds for One-Time Expenditures	\$5,185,300	\$5,185,300	\$5,185,300
2016-17 Projected Deficit Spending	\$1,285,886	\$596,200	\$596,200
2017-18 Projected Deficit Spending	\$3,850,579	\$3,850,579	\$0
Towards 2018-19 Expected Deficit Spending	\$849,600	\$126,400	\$12,400
<b>Amount Disclosed per SB 858 Requirements</b>	<b>\$11,386,263</b>	<b>\$9,991,288</b>	<b>\$6,025,990</b>

# Other Funds

- ▶ All funds are projected to end with a positive fund balance

FUND	2014-15	Est. Net Change	2015-16
GENERAL (UNRESTRICTED & RESTRICTED)	\$9,775,618	\$6,656,338	\$16,431,956
CHARTER SCHOOL	\$356,619	\$276,664	\$633,283
ADULT EDUCATION	\$102	\$0	\$102
CHILD DEVELOPMENT	\$144,817	(\$5,000)	\$139,817
CAFETERIA	\$1,321,995	\$21,506	\$1,343,501
DEFERRED MAINTENANCE	\$1	\$0	\$1
BUILDING FUND	\$178,931	(\$178,931)	\$0
CAPITAL FACILITIES	\$525,427	(\$60,355)	\$465,072
COUNTY SCHOOL FACILITIES	\$141,937	\$0	\$141,937
BOND INTEREST & REDEMPTION	\$2,451,794	\$0	\$2,451,794
BLENDED COMPONENT DEBT	\$1,730,379	\$0	\$1,730,379
DEBT SERVICE	\$3,111	\$0	\$3,111
SCHOLARSHIP TRUST	\$264,366	\$0	\$264,366
<b>TOTAL</b>	<b>\$16,895,097</b>	<b>\$6,710,222</b>	<b>\$23,605,319</b>

# Multi-Year Assumptions

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- ▶ LCFF – used SSC gap funding factors rather than DOF
- ▶ Based on trends, estimated enrollment & ADA to decrease
- ▶ Ongoing Other Revenues remain constant (except for County ROP revenues)
- ▶ Raises are included in 2015-16
- ▶ Step and Column included
- ▶ Increased STRS costs by 1.85% and PERS costs by .8% to 3.4% of salaries, each year
- ▶ Removed one-time revenues and expenditures



# Multi-Year Assumptions: LCFF Supplemental/ Concentration Funds

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- ▶ New supplemental targeted funds to prioritize through LCAP process are part of this total gap funded increase
  - ▶ Total supplemental funding (minimal proportionality percentage) is to go toward providing additional or improved services to the 83% identified students
  - ▶ Additional supplemental dollars still need to be prioritized, and are temporarily budgeted as supplies



# STRS and PERS Required Increases

- ▶ Regardless of additional revenues in the future, the State-required contributions to employee retirement systems are escalating

CalSTRS Rates per Education Code Sections 22901.7 and 22950.5							
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
<b>Employer</b>	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	19.1%
<b>Member (2% at 60)</b>	8.15%	9.20%	10.25%	10.25%	10.25%	10.25%	10.25%
<b>Member (2% at 62)</b>	8.15%	8.56%	9.205%	9.205%	9.205%	9.205%	9.205%

CalPERS Actual and Projected Rates						
<b>2014-15 Actual</b>	<b>2015-16 Projected</b>	<b>2016-17 Projected</b>	<b>2017-18 Projected</b>	<b>2018-19 Projected</b>	<b>2019-20 Projected</b>	<b>2020-21 Projected</b>
11.771%	12.6%	15.0%	16.6%	18.2%	19.9%	20.4%

# Multi-Year Projections (MYP)

Description	2015-16 Projected Budget			2016-17 Projected Budget			2017-18 Projected Budget		
	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined	Unrestricted	Restricted	Combined
<b>REVENUES</b>									
General Purpose Revenue	80,965,965	0	80,965,965	81,845,336	0	81,845,336	83,104,614	0	83,104,614
Federal Revenue	0	6,208,630	6,208,630	0	6,208,630	6,208,630	0	6,208,630	6,208,630
State Revenue	6,595,100	2,336,931	8,932,031	1,409,800	2,336,931	3,746,731	1,409,800	2,336,931	3,746,731
Local Revenue	183,438	3,536,341	3,719,779	183,438	3,536,341	3,719,779	183,438	3,536,341	3,719,779
<b>Total Revenues</b>	<b>87,744,503</b>	<b>12,081,902</b>	<b>99,826,405</b>	<b>83,438,574</b>	<b>12,081,902</b>	<b>95,520,476</b>	<b>84,697,852</b>	<b>12,081,902</b>	<b>96,779,754</b>
<b>EXPENDITURES</b>									
Certificated Salaries	34,113,534	7,437,766	41,551,300	34,795,834	7,586,566	42,382,400	35,491,734	7,776,266	43,268,000
Classified Salaries	10,899,618	4,310,793	15,210,411	11,063,118	4,375,493	15,438,611	11,229,018	4,441,093	15,670,111
Benefits	13,766,934	3,568,920	17,335,854	14,702,334	4,387,320	19,089,654	15,919,534	4,737,920	20,657,454
Books and Supplies	4,623,786	2,209,946	6,833,732	5,394,486	2,209,946	7,604,432	6,413,557	2,209,946	8,623,503
Other Services & Oper. Exp	6,102,967	2,380,821	8,483,788	6,102,967	2,380,821	8,483,788	6,102,967	2,380,821	8,483,788
Capital Outlay	154,568	820,000	974,568	154,568	930,000	1,084,568	154,568	1,050,000	1,204,568
Other Outgo 7xxx	1,313,686	2,211,720	3,525,406	1,313,686	2,211,720	3,525,406	1,313,686	2,211,720	3,525,406
Transfer of Indirect 73xx	(1,135,867)	358,323	(777,544)	(1,157,000)	354,503	(802,497)	(1,157,000)	354,503	(802,497)
Other	0	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>69,839,226</b>	<b>23,298,289</b>	<b>93,137,515</b>	<b>72,369,993</b>	<b>24,436,369</b>	<b>96,806,362</b>	<b>75,468,064</b>	<b>25,162,269</b>	<b>100,630,333</b>
<b>Excess / (Deficiency)</b>	<b>17,905,277</b>	<b>(11,216,387)</b>	<b>6,688,890</b>	<b>11,068,581</b>	<b>(12,354,467)</b>	<b>(1,285,886)</b>	<b>9,229,788</b>	<b>(13,080,367)</b>	<b>(3,850,579)</b>
<b>OTHER SOURCES/USES</b>									
Transfers In	0	0	0	0	0	0	0	0	0
Transfers Out	(32,552)	0	(32,552)	0	0	0	0	0	0
Net Other Sources (Uses)	0	0	0	0	0	0	0	0	0
Contributions to Restricted	(11,216,387)	11,216,387	0	(12,354,467)	12,354,467	0	(13,080,367)	13,080,367	0
<b>Total Financing Sources/Uses</b>	<b>(11,248,939)</b>	<b>11,216,387</b>	<b>(32,552)</b>	<b>(12,354,467)</b>	<b>12,354,467</b>	<b>0</b>	<b>(13,080,367)</b>	<b>13,080,367</b>	<b>0</b>
<b>Net Increase (Decrease)</b>	<b>6,656,338</b>	<b>0</b>	<b>6,656,338</b>	<b>(1,285,886)</b>	<b>0</b>	<b>(1,285,886)</b>	<b>(3,850,579)</b>	<b>0</b>	<b>(3,850,579)</b>
<b>FUND BALANCE, RESERVES</b>									
Beginning Balance	7,809,503	1,966,115	9,775,618	14,465,841	1,966,115	16,431,956	13,179,955	1,966,115	15,146,070
<b>Ending Balance</b>	<b>14,465,841</b>	<b>1,966,115</b>	<b>16,431,956</b>	<b>13,179,955</b>	<b>1,966,115</b>	<b>15,146,070</b>	<b>9,329,376</b>	<b>1,966,115</b>	<b>11,295,491</b>
Nonspendable	284,476	0	284,476	284,476		284,476	284,476		284,476
Restricted	0	1,966,115	1,966,115	0	1,966,115	1,966,115	0	1,966,115	1,966,115
Assigned	5,185,300	0	5,185,300	5,781,500		5,781,500	5,781,500		5,781,500
Unassigned - REU @ 3%	3,010,000	0	3,010,000	3,137,000		3,137,000	3,251,000		3,251,000
Unassigned - Other	5,986,065	0	5,986,065	3,976,979	0	3,976,979	12,400	0	12,400
<b>Total - Fund Balance</b>	<b>14,465,841</b>	<b>1,966,115</b>	<b>16,431,956</b>	<b>13,179,955</b>	<b>1,966,115</b>	<b>15,146,070</b>	<b>9,329,376</b>	<b>1,966,115</b>	<b>11,295,491</b>



# Uncertainties and Prudence

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- ▶ Declining Enrollment and ADA
- ▶ Affordable Health Care Act (ACA)
- ▶ Eventual downturn in the economy (every 8-10 years whether we like it or not)
- ▶ Expected deficit spending for subsequent years
- ▶ Keep larger than required reserves for unpredictable annual gap funding
- ▶ Proposition 30 taxes are set to expire:
  - ▶ Sales tax of .25% increase expires in 2016 (2016-17 fiscal year)
  - ▶ Personal income tax increase in 2018 (2018-19 fiscal year)
- ✓ Deal with volatility through increased reserves and/or conservative revenue assumptions

# Next Steps

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- ▶ Public Hearing tonight on LCAP and Proposed Budget

**Proposal Only – Nothing Enacted!**

- ▶ State Budget signed June 15 (tentative; still negotiating)
- ▶ LCAP and Budget adoption June 23
- ▶ Budget revisions as a result of the State Budget, if material, are made and presented to the board by August 15

# Questions

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