



2018-2019 Adopted Budget

PALISADES CHARTER HIGH SCHOOL

BY: GREG WOOD & ARLETA ILYAS



Presentation

- Highlights from May Revise
 - News/Updates from Sacramento
- Building the Budget
 - Budget Assumptions
 - Budget Planning
 - Multi-Year Projection
- 18-19 Budget
 - Budget Snapshot
 - Budget Additions
 - Budget Reductions
 - Adopted Budget – Revenue (visual)
 - Adopted Budget – Expenses (visual)
- Fixed vs. Variable Expenses
- Looking Ahead



Highlights from SSC May Revision Workshop

Themes for the May Revision

3

© 2018 School Services of California, Inc.

- **As Governor Jerry Brown completes his second term, this May Revision is his final opportunity to craft a State Budget proposal**
 - ◊ **And the last statutorily required revision to his 2018-19 proposed Budget, prior to adoption of local educational agency (LEA) budgets and the enactment of the State Budget in June**
- **Current-year state revenue collections through April are approximately \$4 billion higher than the January forecast, causing speculation on the impact on K-14 education funding, for both this year and next**
- **May Revision revenue forecast through 2018-19 is increased by \$8 billion, but as we expected, the impact to the Proposition 98 minimum guarantee is minor**
- **Meanwhile, expenditures continue to rise, causing a huge squeeze for LEAs**
 - ◊ **In response, we are seeing many LEAs deficit spending and making expenditure reductions, including layoffs**



Highlights from SSC May Revision Workshop

Does the LCFF Restore Lost Purchasing Power?

6

© 2018 School Services of California, Inc.

- Reaching full implementation of the LCFF in six years is no small achievement, thanks to a rebounding economy, strong tax revenue growth, and provisions of Proposition 98 requiring restoration of cuts imposed during the downturn
- However, the LCFF addresses an LEA's revenues – what about its costs over the same period?
 - Employer contribution rates to the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) have increased each year to address the unfunded liability of these pension systems
 - Our analysis finds that, of the \$20 billion in new funding provided through the LCFF, approximately \$2.8 billion, or 14%, has been used to fund these costs
 - Employer rate increases will continue well beyond full implementation of the LCFF
- Since full funding of the LCFF has not been adjusted for these local costs, purchasing power will not be fully restored



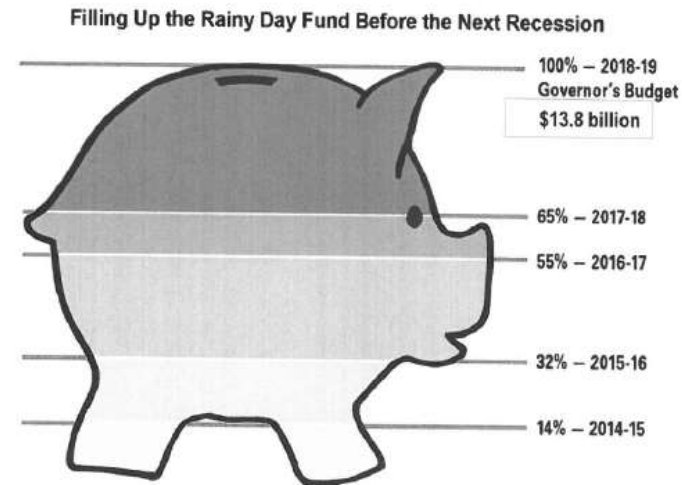
Highlights from SSC May Revision Workshop

Rainy Day Fund

25

- The May Revision maintains the Governor's January proposal to provide a supplemental deposit to fully fill the Rainy Day Fund in 2018-19
- The May Revision includes a modest \$306 million increase from the January proposal, bringing the Rainy Day Fund to \$13.8 billion in 2018-19 (the maximum allowed by the State Constitution)

© 2018 School Services of California, Inc.



Source: Governor's Budget Summary - 2018-19

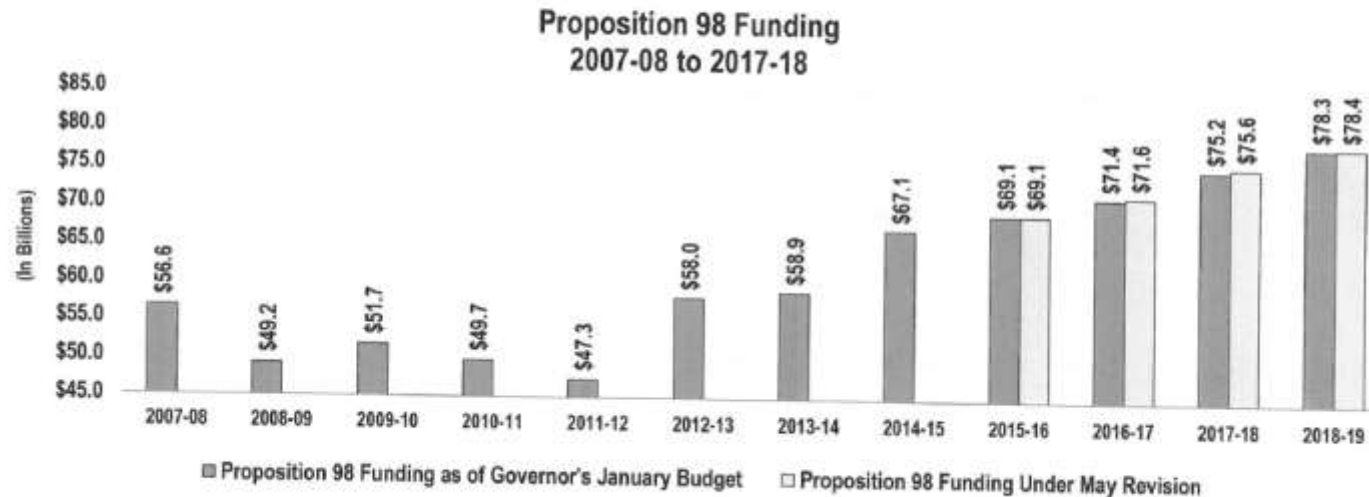


Highlights from SSC May Revision Workshop

Proposition 98 Funding

32

© 2018 School Services of California, Inc.



Source: 2018-19 Governor's Budget Summary, pg. 6 and 2018-19 May Revision, pg. 6



Highlights from SSC May Revision Workshop

January Budget vs. May Revision

43

© 2018 School Services of California, Inc.

Item	January Budget	May Revision
LCFF Gap Funding	100% or \$2.9 billion	100% or \$3.2 billion
Proposition 98 Minimum Funding Guarantee		
2016-17	\$71.4 billion	\$71.6 billion
2017-18	\$75.2 billion	\$75.6 billion
2018-19	\$78.3 billion	\$78.4 billion
2018-19 COLA	2.51%	2.71%
One-Time Discretionary Funds for 2018-19	\$1.8 billion \$295 per ADA	\$2.02 billion \$344 per ADA



Highlights from SSC May Revision Workshop

2018-19 Local Control Funding Formula

44

© 2018 School Services of California, Inc.

- May Revision proposes \$3.2 billion for funding beyond full implementation of the LCFF – \$320 million above the January level
- New funding closes the gap from 2017-18 funding levels
 - ◇ 100% gap closure in six years
 - ◇ 100% of the targeted funding levels in 2018-19
- 2.71% COLA and additional LCFF funding in 2018-19, for a total increase of 3.00% on the LCFF base grant targets
- 2018-19 LCFF growth provides an average increase in per-pupil funding of 6.2%, or \$587 per ADA, beyond 2017-18 level
 - ◇ Individual results will vary widely



Highlights from SSC May Revision Workshop

Local Control Funding Formula 2.0

51

© 2018 School Services of California, Inc.

- AB 2808 (Muratsuchi, D-Torrance) would increase the LCFF per-student funding targets beginning 2019-20 fiscal year, after the current LCFF targets are met
 - ◊ Would set funding level targets above the national average
- Base grants would set as follows:

Grades	Amount
Kindergarten and grades 1-3	\$11,799
4-6	\$11,975
7-8	\$12,332
9-12	\$14,289



Highlights from SSC May Revision Workshop

Statutory COLA at 2.71%

58

© 2018 School Services of California, Inc.

- Categorical programs outside of the LCFF will see a 2.71% COLA increase
- As costs continue to rise, these programs will see adjustments only for COLA (and ADA for Special Education):
 - ◊ Special Education
 - ◊ Foster Youth
 - ◊ American Indian Education Centers
 - ◊ American Indian Early Childhood Education Programs
 - ◊ Child Nutrition



Highlights from SSC May Revision Workshop

One-Time Discretionary Funds

59

© 2018 School Services of California, Inc.

- **The May Revision includes an increase in one-time discretionary funding to LEAs by \$286 million from the January Budget, bringing the total to \$2.04 billion (\$344 per ADA)**
 - ◆ **One-time funds offset outstanding local mandate claims**
 - ◆ **One-time funds may, but are not required to, be used for state standards implementation, teacher induction, technology, infrastructure, and deferred maintenance needs**



Highlights from SSC May Revision Workshop

Career Technical Education – Legislative Proposal

64

© 2018 School Services of California, Inc.

- The Legislature has responded by introducing AB 1743 (O'Donnell, D-Long Beach), which would extend the existing CTE Incentive Grant program indefinitely
 - ◇ The current \$200 million program sunsets on June 30, 2018
 - ◇ AB 1743 would provide \$500 million annually
 - Remains competitive and requires a matching grant
 - Includes funding for technical assistance and adds several new requirements, including data reporting and ongoing program evaluation provisions
- AB 1743 has 27 Assembly and Senate joint and co-authors and is supported by several school agencies, statewide education groups, and business community organizations



Highlights from SSC May Revision Workshop

Federal Programs

75

© 2018 School Services of California, Inc.

- In March 2018, President Trump signed the Fiscal Year (FY) 2018 spending bill that increased education funding nationally by over \$2.6 billion
 - ◊ Title IV Block Grant receives a \$1.1 billion increase nationally, the largest increase of all the Title programs
 - Funds can be used for school safety, educational technology, among other things
 - ◊ Funding for ESSA (Title I) and Special Education Individuals with Disabilities Education Act (IDEA) increase by nearly \$300 million each nationally
 - ◊ Title II professional development is flat funded
- The Governor's May Revision reiterates California's relationship with the federal government has never been more uncertain, noting the increasing federal deficit "caused by the tax bill will also create more pressure for the federal government to cut spending programs through rescissions or some other mechanism"



Highlights from SSC May Revision Workshop

Transparency Around LCAP Expenditures

85

© 2018 School Services of California, Inc.

- **The May Revision maintains the proposal for a budget summary document but emphasizes that it is intended for parents – LCFF Budget Overview for Parents**
 - ◊ **In addition, there are proposed investments in the Community Engagement Initiative and the proposed website to report the total amount of S/C funding provided to each LEA under the LCFF**
- **Deliberate efforts aimed at improving the ability of parents and community members to be engaged partners in the LCAP process**
- **LEAs should be working collaboratively with their stakeholders to have a shared understanding of the LEA's needs and how LCFF dollars are used to meet those needs**



Highlights from SSC May Revision Workshop

CalSTRS Rate Increases

141

© 2018 School Services of California, Inc.

- Employer rates are increasing to 16.28% in 2018-19, up from 14.43% in 2017-18
 - ◇ No specific funds are provided for this cost increase
- Under current law, once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer contribution rate
- Recently, the CalSTRS Board increased the contribution rate for post-PEPRA employees from 9.205% to 10.205% effective July 1, 2018

CalSTRS Rates			
Year	Employer	Pre-PEPRA Employees	Post-PEPRA Employees
2017-18	14.43%	10.25%	9.205%
2018-19	16.28%	10.25%	10.205%
2019-20	18.13%	10.25%	10.205%
2020-21	19.10%	10.25%	10.205%



Highlights from SSC May Revision Workshop

CalPERS Rate Increases

142

© 2018 School Services of California, Inc.

- CalPERS Board adopted an employer contribution rate of 18.062% for 2018-19, 2.531% higher than the current-year rate of 15.531%
- CalPERS Board also adopted the contribution rate for new employees
 - ◊ Currently, new members are contributing 6.5%, which will increase to 7.0% for 2018-19
 - ◊ Classic members continue to pay 7.0%

Year	Previously Released Employer Contribution Rates	Employer Contribution Rate*
2018-19	17.7%	18.062%
2019-20	20.0%	20.8%
2020-21	22.7%	23.5%
2021-22	23.7%	24.6%
2022-23	24.3%	25.3%
2023-24	24.8%	25.8%
2024-25	25.1%	26.0%

*Actual for 2018-19



Highlights from SSC May Revision Workshop

Mandate Block Grant

162

© 2018 School Services of California, Inc.

- All school districts, charter schools, and COEs are eligible to participate in the Mandate Block Grant (MBG), notwithstanding the applicability of state mandates on their operations
- LEAs that opt into the MBG can plan for the following rates per ADA, inclusive of the 2.71% COLA, in all three years of the MYP:

Grade Span	School Districts	Charter Schools	COEs
K-8	\$31.16	\$16.33	\$32.21
9-12	\$59.83	\$45.23	\$60.88

- We recommend LEAs weigh the benefits of receiving money now from the MBG versus an unfunded receivable with no time-certain reimbursement



Budget Planning Dartboard



UPDATED BUDGET ASSUMPTION GUIDELINES (AS OF MAY 2018) PROJECTIONS FOR FISCAL YEARS 2019-20 THROUGH 2021-22

The guidelines below are provided to assist you with projections for fiscal years 2018-19, 2019-20, 2021-22 and 2021-22.

LCFF REVENUE	2018-19	2019-20	2020-21	2021-22
Statutory COLA / Net Funded COLA	3.00% (1)	2.57%	2.67%	2.90%
Gap Funding	100.00%	100.00%	100.00%	100.00%
SPECIAL EDUCATION AND CATEGORICAL PROGRAMS	2018-19	2019-20	2020-21	2021-22
COLA for Special Ed and Other Categorical Programs Outside of LCFF (on state and local share only)	2.71%	2.57%	2.67%	2.90%
LOTTERY REVENUE	2018-19	2019-20	2020-21	2021-22
Unrestricted	\$146.00/ADA	\$146.00/ADA	\$146.00/ADA	\$146.00/ADA
Restricted for Instructional Materials	<u>48.00/ADA</u>	<u>48.00/ADA</u>	<u>48.00/ADA</u>	<u>48.00/ADA</u>
Total Lottery Revenue	\$194.00/ADA	\$194.00/ADA	\$194.00/ADA	\$194.00/ADA
OTHER FACTORS	2018-19	2019-20	2020-21	2021-22
CalSTRS Employer Rates (2)	16.28%	18.13%	19.10%	19.10%
CalPERS Employer Rates (2)	18.062%	20.80%	23.50%	24.6%
Interest Rate for 10-year Treasuries	3.15%	3.40%	3.50%	3.40%
California Consumer Price Index (CPI)	3.58%	3.36%	3.23%	2.94%
Other Expenses (4000s – 6000s)	2018-19+CPI	2019-20+CPI	2019-20+CPI	2021-22+CPI

(1) Includes statutory COLA of 2.71% plus an additional 0.29% appropriated for the LCFF target for 2018-19
 (2) CalSTRS rates set by statute; CalPERS rate projections from Legislative Analyst Office and School Services of California (SSC)

- State Law says we must use these assumptions to project out-years.

- Assumptions subject to may revise for funding levels



Budget Assumptions

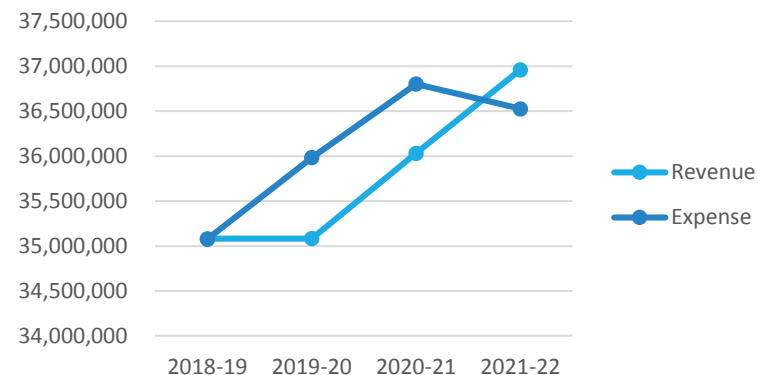
- Total 2018-2019 Projected Enrollment: 3,000
- Total 2018-2019 Projected ADA Level: 2,882
- LCFF funding per ADA: \$9,814
- Unduplicated Count of Free/Reduced/EL: 33%
- Amount received per unduplicated: \$1,750.78



Multi-Year Projection

	2018-19	2019-20	2020-21	2021-22
Revenues	\$35,081,036	\$35,083,044	\$36,032,920	\$36,960,821
Total Expenditures: Cash Reporting Basis	\$34,978,032	\$35,123,666	\$35,942,246	\$36,527,744
Fund Balance (Cash Reporting Basis)	\$103,004	(\$40,622)	\$90,674	\$433,077
Total Expenditures: Financial Reporting Basis	\$35,077,142	\$35,983,666	\$36,802,246	\$37,387,744
Fund Balance (Financial Reporting Basis)	3,894	(\$900,622)	(\$769,326)	(\$426,923)
Additional OPEB Requirement (Lifetime Health Benefits)	\$749,445	\$749,445	\$749,445	\$749,445
Fund Balance w/OPEB Reporting (using financial reporting basis)	(\$745,551)	(\$1,650,067)	(\$1,518,771)	(\$1,176,368)

Revenue vs. Expense



Budget Snapshot



Original Requests

- Total Revenue: \$35,031,036
- Total Expense: \$35,528,212
- Over/Under **(\$497,176)**

Expense Category Overview:

- Salaries/Benefits: \$27,459,324
- Books/Supplies: \$1,391,327
- Services/Other Operating: \$5,069,912
- Capital Outlay: \$818,890

Budget/Finance Recommendation:

- Total Revenue: \$35,081,036
- Total Expense: \$35,077,142
- Over/Under: **\$3,894**

Expense Category Overview:

- Salaries/Benefits: \$27,557,322
- Books/Supplies: \$1,165,906
- Services/Other Operating: \$5,158,203
- Capital Outlay: \$760,890



Additions to budget recommended by Budget/Finance Committee

- Scholarship Program for Transportation (Board Recommended)
- Implementation of Social Media Monitoring as part of safety initiatives
- Addition Infinite Campus on-line registration
- Addition of school-wide site license for Adobe Creative Cloud
- Addition of Mobile Device Monitoring license
- Additional EL Support to Dolphin Leadership Academy
- Hiring of 2 more Math Paraprofessionals
- Tech E-Rate Network Infrastructure Project
- Facilities Improvements for Safety & Repairs
- Added \$50K for additional Permit Revenue



Reductions Recommended by Budget/Finance Committee

Original Requests:

- IMA: \$263,046
- Non-Capitalized Expenses: \$702,200
- Office/Other Supplies: \$177,632
- Operations/Utilities: \$705,000
- Professional Services: \$2,444,000
- Additional Salaries: \$246,013
- School-wide Tech: \$340,000
- Total Original Listed Expenses: \$4,877,891

Total Reduction in Listed Categories: \$599,814

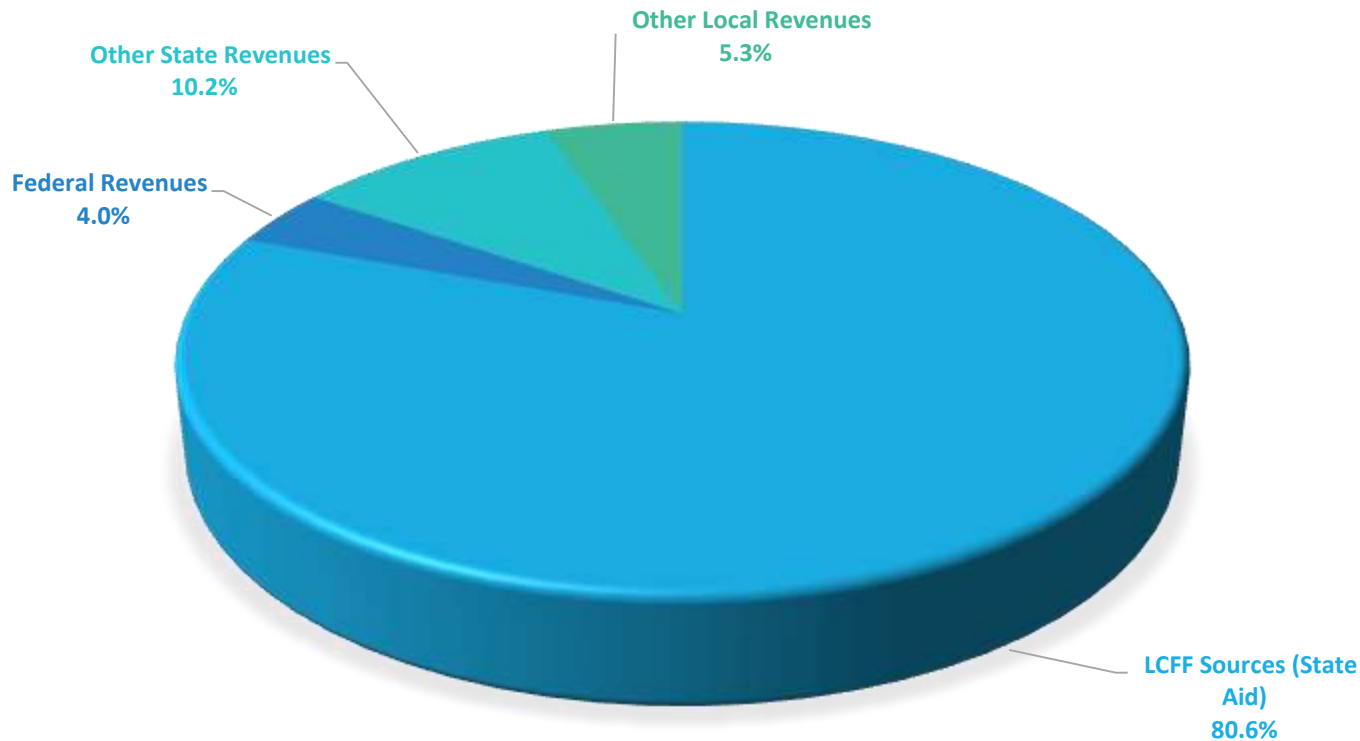
Budget/Finance Recommended:

- IMA: \$240,000
- Non-Capitalized Expenses: \$413,547
- Office/Other Supplies: \$165,000
- Operations/Utilities: \$683,850
- Professional Services: \$2,370,680
- Additional Salaries: \$170,000
- School-wide Tech: \$235,000

Total Recommended Listed Expenses:
\$4,278,077



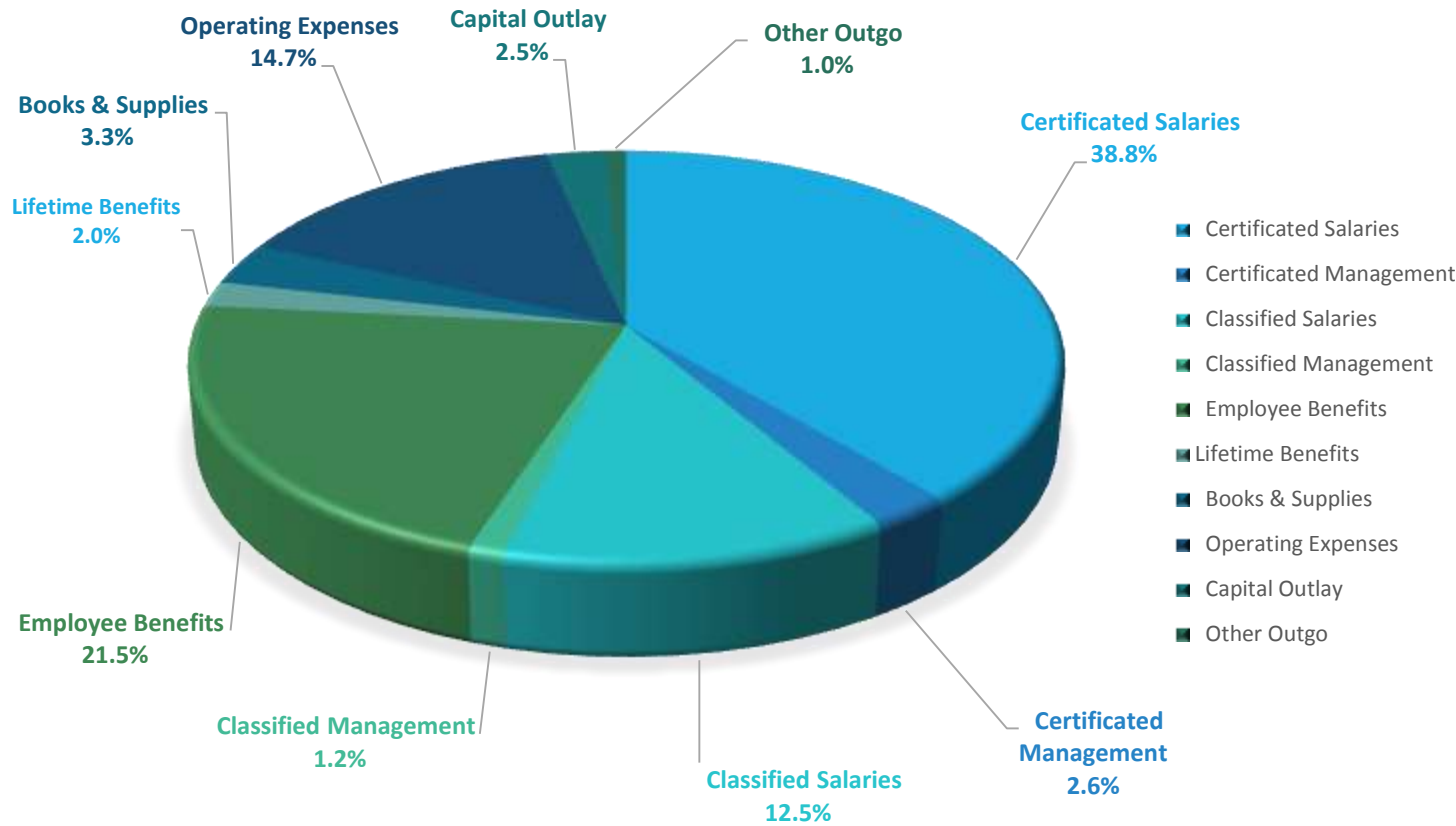
Adopted Budget – Revenue



Revenue	Amount
LCFF	28,277,877
Federal	1,391,636
State	3,568,933
Local	1,842,590
Total	35,081,036



Adopted Budget – Expenditures

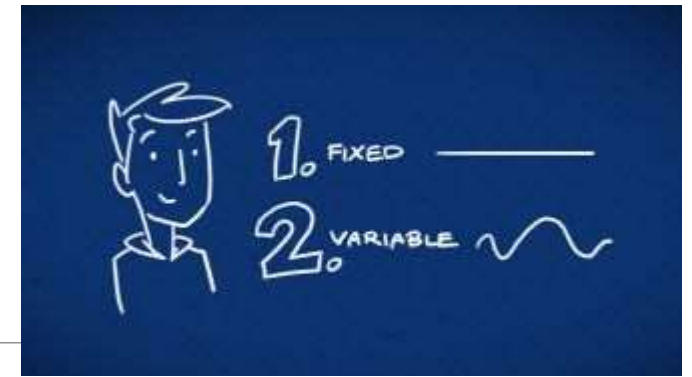


Expense	Amount
Certificated Salaries	14,526,492
Classified Salaries	4,798,852
Benefits	8,231,979
Books & Supplies	1,165,906
Services	5,158,203
Depreciation	860,000
Interest/Indirect	335,711
Total	35,077,142

Salary/Benefits % of Overall Budget: 78.5%



Fixed Vs. Variable Expenses



Fixed Expenses:

- Certificated Salaries: (\$14,526,492)
- Classified Salaries: (\$4,548,852)
- Statutory Benefits: (\$7,780,979)
- Textbooks/IMA : (\$339,583)
- Food Service Supplies: (\$247,776)
- Professional Development/Mileage: (\$40,094)
- Subscriptions: (\$202,080)
- Insurance: (\$173,678)
- Utilities: (\$341,925)
- Leases: (\$187,966)
- Special Ed Transportation : (\$170,000)
- Educational Consulting agreements: (\$1,102,654)
- Communications: (\$209,878)
- Capital/Equipment/Depreciation (tied to revenue sources) : (\$860,000)
- Indirect: (\$330,258)

Variable Expenses:

- New positions/hours: (\$250,000)
 - Lifetime Benefits: (\$691,000)
 - Non-Capitalized Equipment: (\$413,547)
 - Other Supplies: (\$165,000)
 - Repairs/Leases: (\$410,288)
 - Subscriptions: (\$202,080)
 - Operations supplies: (\$341,925)
 - Non-Educational Consulting Agreements: (\$1,268,026)
 - Home to school/athletic transportation: (\$607,651)
 - Other expenses (\$69,959)
 - Capital/Equipment (w/no revenue offset): (\$760,890)
- TOTAL FIXED: \$30,897,667**
- TOTAL VARIABLE: \$4,179,475**



Looking Ahead – Ongoing Concerns

- Lifetime Benefits/OPEB obligation
- Transportation
- PERS/STRS rate increases
- Health Benefits premium increases
- Increase cash fund balances/reserves



Questions?

