
Budget Study Committee



January 29, 2020
Meeting #5

Presentation materials can be found on the CUSD website, or by accessing the following link: <https://tinyurl.com/CUSDBudgetStudy>

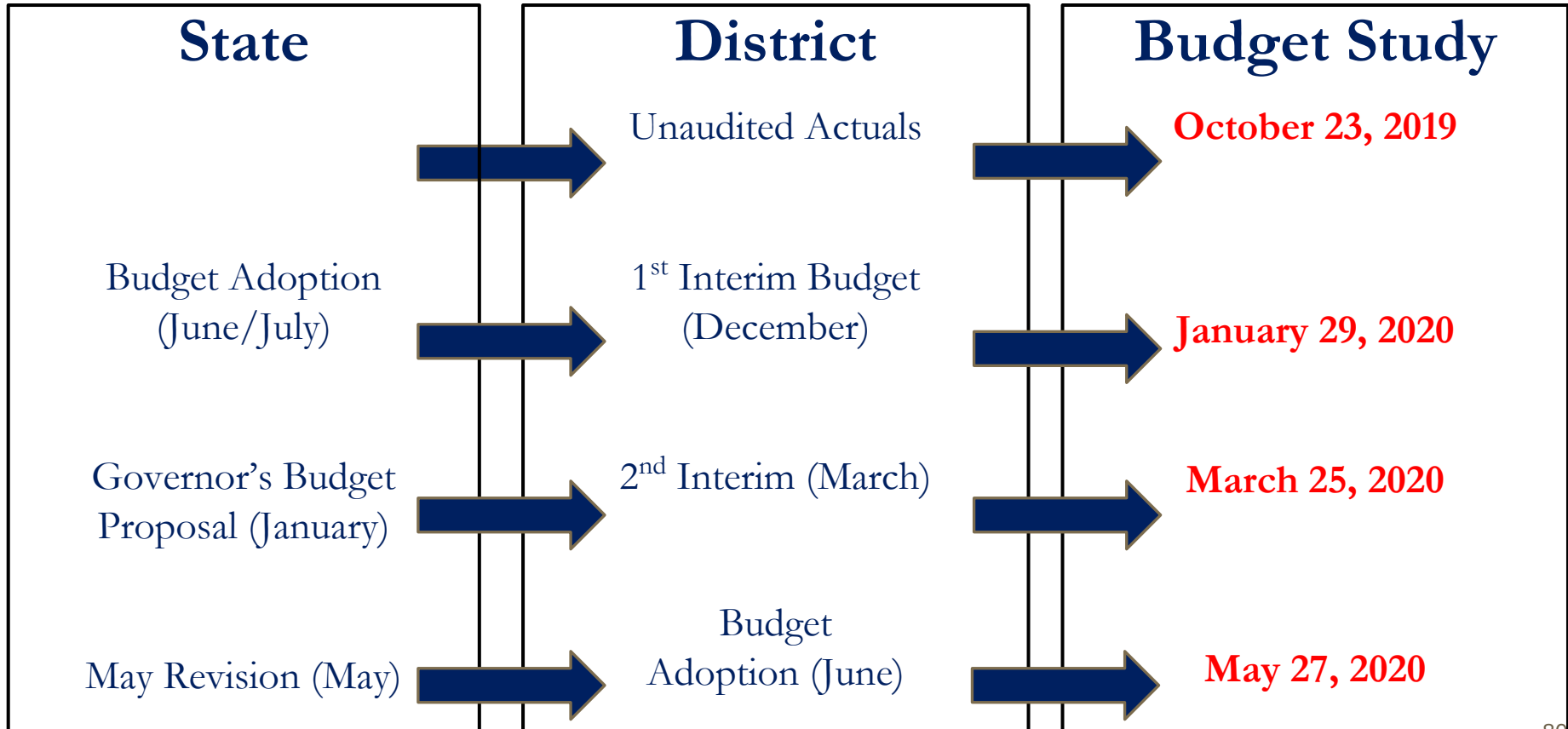
Meeting Overview

- ❖ Welcome & Introductions
- ❖ Budget Study Committee Goals
- ❖ 1st Interim Budget 2019-2020
- ❖ Governor's Budget Overview 2020-2021
- ❖ Other Updates & Reports

Welcome And Introductions

- ❖ Name
- ❖ Connection(s) to CUSD

Budget Timelines / Future Meetings



Note: Additional meetings may be scheduled as needed or requested.

2019-20

First Interim Overview



Coronado Unified School District

Presented at the December 12, 2019

Meeting of the Governing Board

Budgets are developed using the best available information at the time...



Budget Assumptions

<u>Category</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Comments:</u>
Student Enrollment	X	X	CUSD boundaries - declining enrollment Reliance on inter-district transfers High mobility with Military Connected Students
Student Attendance	X	X	Districts are funded on actual attendance, rather than enrollment Saturday School (Attendance recovery)
Salaries & Staffing		X	<u>Collective Bargaining Agreements</u> -Student Contracts -Class Size Averages -Case Loads for Special Education Stipends -Absences, Maternity Leave, Extended Leave, Sick Leave
Health and Welfare Benefits		X	CUSD contributes up to 65% of the family plan for each benefit category (Employee, Employee + Spouse, Employee + Children, and Employee + Family)
New Employee Salary Placements		X	Dependent on Experience
Cost-of-Living Adjustments (CoLA)	X		Dependent on State and fluctuates often
Fringe Benefits		X	PERS (20.733%), STRS(16.70%), Workers' Compensation(2.28%), & FICA(1.45%) Rates Change Annually
Master Scheduling	X	X	Adding and Subtracting Class Sections due to individual student needs
New Grants	X	X	Ongoing Expenses for Staff, Curriculum, and Technology
Textbook Adoptions		X	Grade Level Textbooks, Workbooks, Software Licenses, Training
Conferences & Professional Development		X	To Support Changes in Curriculum and Technology
Operating Expenses		X	Utilities Legal Expenses CPI
Special Education	X	X	Every student is unique and so are their needs NPS/NPA Special Ed - I.A. Costs
Technology Infrastructure		X	Network and Computer Replacement to Support Curriculum and Textbook Adoptions

**SSC School District and Charter School Financial Projection Dashboard
2020-21 Governor's Proposed State Budget**

LCFF GRADESPAN FACTORS				
Entitlement Factors Per ADA*	K-3	4-6	7-8	9-12
2019-20 Base Grants	\$7,702	\$7,818	\$8,050	\$9,329
COLA at 2.29%	\$176	\$179	\$184	\$214
2020-21 Base Grants	\$7,878	\$7,997	\$8,234	\$9,543
Grade Span Adjustment Factors	10.4%	—	—	2.6%
Grade Span Adjustment Amounts	\$819	—	—	\$248
2020-21 Adjusted Base Grants	\$8,697	\$7,997	\$8,234	\$9,791
Supplemental Grants (% Adj. Base)	20%			
Concentration Grants (% Adj. Base)	50%			
Concentration Grant Threshold	55%			

*Average daily attendance (ADA)

PLANNING FACTORS						
Factors		2019-20	2020-21	2021-22	2022-23	2023-24
Statutory COLA ¹		3.26%	2.29%	2.71%	2.82%	2.60%
California CPI		3.09%	2.99%	2.89%	2.69%	2.73%
California Lottery	Unrestricted per ADA	\$153	\$153	\$153	\$153	\$153
	Restricted per ADA	\$54	\$54	\$54	\$54	\$54
Mandate Block Grant (District)	Grades K-8 per ADA	\$32.18	\$32.92	\$33.81	\$34.76	\$35.74
	Grades 9-12 per ADA	\$61.94	\$63.36	\$65.08	\$66.92	\$68.81
Mandate Block Grant (Charter)	Grades K-8 per ADA	\$16.86	\$17.25	\$17.72	\$18.22	\$18.73
	Grades 9-12 per ADA	\$46.87	\$47.94	\$49.24	\$50.63	\$52.06
One-Time Discretionary Funds per ADA		—	—	—	—	—
Interest Rate for Ten-Year Treasuries		2.07%	2.25%	2.51%	2.50%	2.60%
CalSTRS Employer Rate ²		17.10%	18.40%	18.10%	18.10%	18.10%
CalPERS Employer Rate ³		19.721%	22.80%	24.90%	25.90%	26.60%

Summary of Changes: General - Fund 01

<u>Revenues</u>	<u>Adopted Budget</u>	<u>1st INTERIM</u>	<u>DIFFERENCE</u>	
1) LCFF Sources	26,585,627	26,649,898	64,271	1)
2) Federal Revenue	3,533,865	3,795,063	261,198	2)
3) Other State Revenue	2,826,960	2,979,550	152,590	3)
4) Other Local Revenue	3,950,925	3,883,276	(67,649)	
5) TOTAL, REVENUES	36,897,377	37,307,787	410,410	

- 1) Increase enrollment and unduplicated pupil percentage
- 2) Federal carryover (DoDEA M3 Grant)
- 3) Additional State grants (one-time preschool grant)

Summary of Changes: General - Fund 01

Expenditures

1) Certificated Salaries	16,392,947	16,689,399	296,452	1)
2) Classified Salaries	5,797,557	6,089,247	291,690	2)
3) Employee Benefits	10,279,083	10,505,793	226,710	3)
4) Books and Supplies	907,322	1,275,715	368,393	4)
5) Services and Other Operating Expenditures	5,887,975	6,351,780	463,805	5)
8) Other Outgo - Transfers of Indirect Costs	(25,790)	(26,570)	(780)	
9) TOTAL, EXPENDITURES	39,239,094	40,885,364	1,646,270	

1) Additional staffing hired (added) after budget adoption:

*1.5 FTE Additional Reading Supports (Grant Funded - Low-Performing Student Block Grant)

*2.0 FTE Additional Classroom Teachers (SSES for enrollment - currently overstaffed by 1 FTE)

*3.0 FTE Additional Special Education to decrease caseloads

2) Additional Instructional Aides (Special Education)

3) Increase in statutory benefits and health & welfare related to salary increases above

4) Additional purchases related to State and Federal program carryover and new grants

*Final year of DoDEA M3 Grant

5) Increase in Special Education contracts for NPS/NPA

Additional services related to State and Federal program carryover and new grants

Total Change in Fund Balance

Coronado Unified
San Diego County

2019-20 First Interim
Special Reserve Fund for Capital Outlay Projects
Revenues, Expenditures, and Changes in Fund Balance

Description	Resource Codes	Object Codes	Original Budget (A)	Board Approved Operating Budget (B)	Actuals To Date (C)	Projected Year Totals (D)	
E. NET INCREASE (DECREASE) IN FUND BALANCE (C + D4)			(3,748,280.47)	(4,761,140.75)	(121,657.25)	(4,761,140.75)	(b)
F. FUND BALANCE, RESERVES							
1) Beginning Fund Balance							(a)
a) As of July 1 - Unaudited		9791	10,345,412.35	10,345,412.35		10,345,412.35	
b) Audit Adjustments		9793	0.00	0.00		0.00	
c) As of July 1 - Audited (F1a + F1b)			10,345,412.35	10,345,412.35		10,345,412.35	
d) Other Restatements		9795	0.00	0.00		0.00	
e) Adjusted Beginning Balance (F1c + F1d)			10,345,412.35	10,345,412.35		10,345,412.35	
2) Ending Balance, June 30 (E + F1e)			6,597,131.88	5,584,271.60		5,584,271.60	(c)

$$\begin{array}{rcl}
 \text{Beginning Fund Balance} & - & \text{Current Year Change} = \text{Projected Ending Balance} \\
 \$10,345,412 & - & \$4,761,141 = \$5,584,272 \\
 (a) & (b) & (c)
 \end{array}$$

Multi-Year Projections / Deficit Spending / Reserve for Economic Uncertainties

The district continues to operate with a structural deficit in the unrestricted general fund. Deficit spending has been lowered due to the following interfund transfers.

- 2019-20 = \$3.77 million
- 2020-21 = \$3.53 million
- 2021-22 = \$3.86 million

While these transfers provide short term relief and allow the district to maintain the minimum required reserves, they are not an ongoing, long-term solution. Depleting reserves will minimize the district's ability to address unforeseen circumstances in the future.

Excluding these transfers, the First Interim Report projects the following impacts to the unrestricted general fund:

- Projected unrestricted deficit spending
 - 2019-20 = <\$3.55 million>
 - 2020-21 = <\$3.37 million>
 - 2021-22 = <\$3.68 million>
- Projected unrestricted ending fund balance
 - 2019-20 = <\$0.94 million>*
 - 2020-21 = <\$4.31 million>*
 - 2021-22 = <\$7.99 million>*

*denotes negative ending fund balance

***An excerpt from the
1st Interim
Review Letter from
San Diego County Office
of Education***

Conclusion:

The district is relying on transfers from Fund 40 to meet the minimum required reserve in the unrestricted general fund. Reserves are being depleted, including 46% of the Fund 40 balance in 2019-20. *While the district currently meets the minimum reserve requirement, ongoing budget reduction solutions are needed to remain fiscally solvent in future years.*

2020-2021

Governor's Budget Overview



January 29, 2020



Money Abounds—Or Does It?

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Capitol Alert

California state budget breaks record, tops \$220 billion

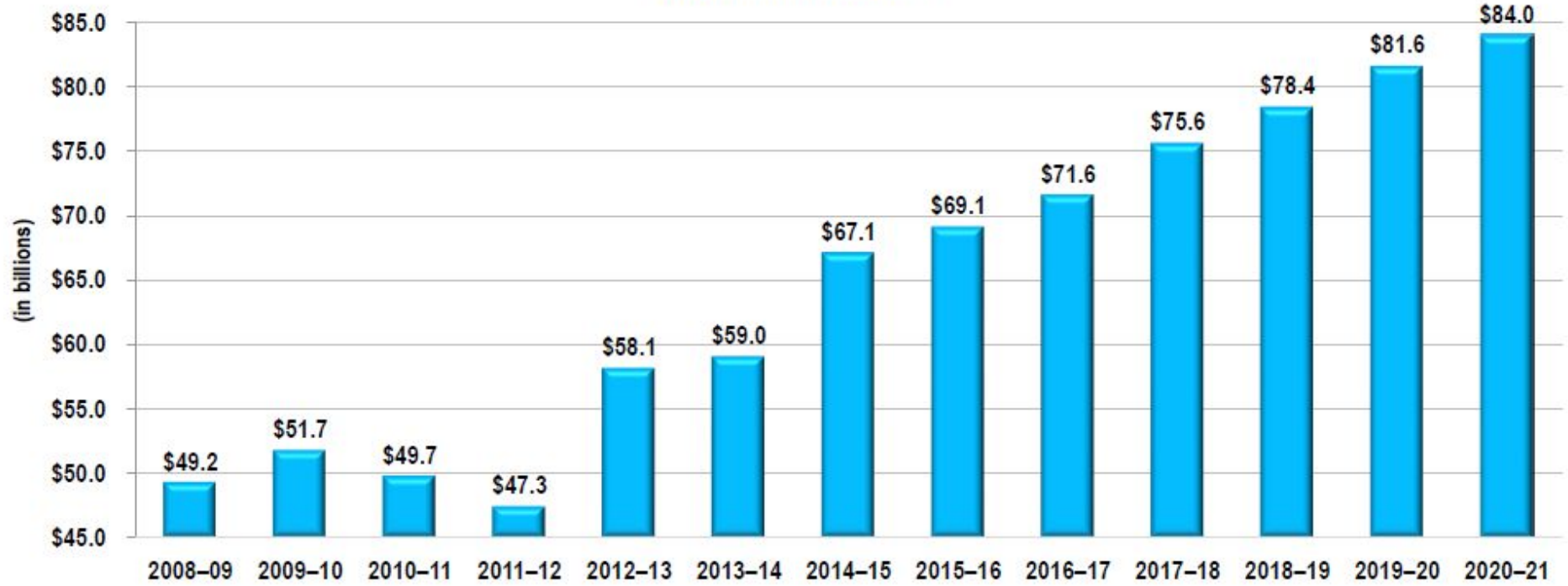
- Friday, January 10, 2020, Governor Gavin Newsom unveiled a \$222.2 billion budget proposal with a projected \$5.6 billion surplus



Proposition 98 Funding Over Time

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2008-09 to 2020-21



Source: 2020-21 Governor's Budget, page 68



Multyyear Projections

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How much fiscal relief does \$3 billion provide?



What a difference a year makes in ongoing operations relief, not to mention the non-Proposition 98 funded pension relief we received in 2019–20



2020–21 Local Control Funding Formula

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- **The State Budget proposes \$1.2 billion towards the Local Control Funding Formula (LCFF) to fund the 2.29% statutory COLA**
 - Which brings LCFF funding to \$64.2 billion (up from \$63 billion in 2019–20)
 - This is lower than the 3% cost-of-living adjustment (COLA) projected at adoption of the 2019–20 State Budget, but higher than the Legislative Analyst's Office's estimate of 1.79%
- **2020–21 LCFF growth provides an average increase in per-pupil funding of an estimated \$231 per average daily attendance (ADA), or 2.14% (individual results will vary)**
 - The lower 2.14% increase takes into consideration that no COLA is provided for Targeted Instructional Improvement Grant, Transportation, or Economic Recovery Target funds



Multiyear Projections

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Change From 2019–20 Enacted State Budget to 2020–21 Governor's Proposed State Budget

Assumption	2020–21	2021–22	2022–23	Applied to
COLA %	-0.71%	-0.09%	-0.34%	<ul style="list-style-type: none">• LCFF• Special education and other categorical programs• MBG

- Small percentage changes applied to a big number can be significant

A decrease in the Cost-of-Living adjustment (CoLA) from 3.0% to 2.29% results in a **decrease in ongoing revenues of approx. \$180K for CUSD.**



Special Education

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- To understand the 2020–21 State Budget proposal for special education remember:
 - The 2019–20 State Budget included \$645 million in new resources:
 - \$152 million to bring the lowest-funded Special Education Local Plan Areas (SELPA) up to the statewide target rate of \$557.27 per ADA
 - \$493 million in flexible, one-time funding to school districts based on the count of three-, four-, and five-year-olds with Individualized Education Programs
 - These two pots were funded with ongoing state money, but future, specific allocation to districts was dependent upon further discussion
- The 2020–21 State Budget proposes to use this \$645 million in an ongoing manner to increase special education base rates
- Additionally, the Budget proposes \$250 million in one-time funding to school districts based on preschoolers with disabilities



Special Education—Base Rates

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- For the 2020–21 fiscal year, the Budget proposes to use the \$645 million from the 2019–20 State Budget to add to the existing Assembly Bill (AB) 602 base funding for a new special education base formula that uses a three-year rolling average of local educational agency (LEA) ADA (but still allocated to SELPAs)
 - While future formula discussions may include other factors, this formula is strictly based on a statewide per-ADA amount
 - With the information currently available, we estimate this would equal between \$640 and \$680 per ADA
 - Most LEAs will see an increase in base funding
 - Approximately 100 LEAs with base rates higher than the proposed base rate will be held harmless
 - It is unknown whether these hold harmless LEAs will receive a COLA
 - The proposed repeal of AB 602's base formula would also eliminate the approximate \$65 million special education deficit



Special Education—Funding Based on Preschoolers with Disabilities

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- **Like the 2019–20 State Budget, Governor Newsom proposes to provide funding to school districts based on the three-, four-, and five-year-old preschoolers with disabilities that they serve**
 - **The 2020–21 allocation of \$250 million would be one time**
 - **Based on the latest data, we would estimate the per-pupil rate at \$4,570**
- **Unlike the 2019-20 State Budget, the Administration specifies that districts will be required to allocate these funds to increased or improved services**
 - **In the current year, while the dollars were apportioned based on pupil count, they were not required to be used for any specific purpose**



Addressing California's Educator Shortage

- **Governor Newsom highlighted that the most impactful way of improving student achievement is by improving the skills and abilities of educators who interact with them every day**
- **He supports this belief by proposing a \$900 million one-time Proposition 98 investment in the educator workforce**
 - **Professional development (\$350 million Educator Workforce Investment Grants)**
 - **Recruitment and retention (Workforce Development, Teacher Residency and Credentialing)**
 - **Preparation, including expanding the Classified School Employees Credentialing Program by \$64.1 million**



The Rest of the Budget

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- **As expected, Governor Newsom has several progressive initiatives outside of the K-12 budget**
 - **\$1 billion to radically shift the state's involvement to house unsheltered individuals**
 - **\$12 billion over the next five years to create a comprehensive approach to California's investments to protect the state's environment, address the effects of climate change, and promote resiliency**
 - **New initiatives related to health care to increase price transparency, address hospital cost trends by region with a particular focus on increases driven by consolidation, and reduce unnecessary administrative costs by increasing the use of technology and value-based reimbursements**



What's Not in the Budget?

**Increased
LCFF Targets**

**Payments to
Reduce
CalSTRS and
CalPERS Costs**

**One-Time
Discretionary
Grants**



What's Really Available?

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- The Governor touts a State Budget of more than \$222 billion, but what's really available in new resources for negotiations?

- Approximately \$2 billion
- Remaining dollars are either one-time and/or restricted for specific purposes

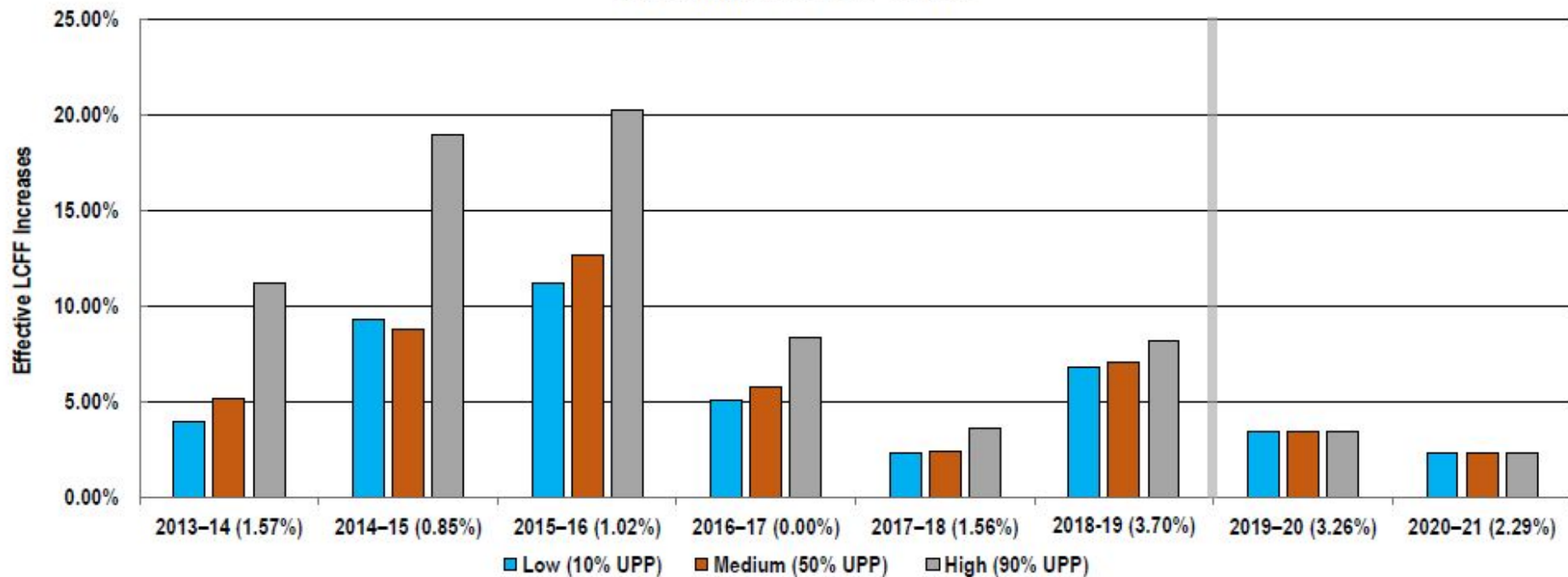
Proposition 98 K-12 Spending after Technical Adjustments	
Ongoing Spending	
K-12 COLA (LCFF and Categoricals)	1,328.1
Other Agency COLA	3.2
Special Education Formula Reform	645.2
Special Education Preschool Add-on Grant (one-time purpose)	250.0
Nutrition Reimbursement Rate Increase	60.0
Other	6.2
Total K-12 Ongoing Spending	2,292.7
One-time Spending with Ongoing Resources	
Teacher Initiatives	768.0
Community School Grants	300.0
Classified Teacher Credential Program	20.0
Computer Science Supplementary Authorization Incentive	15.0
Other	32.7
Total K-12 One-time Spending with Ongoing Resources	1,135.7
One-time Spending	
Opportunity School Grants	300.3
Inclusive Early Education Expansion Program	75.0
Literacy Grant Program	53.0
Teacher Residency Program	50.0
Classified Teacher Credential Program	44.1
Classified Professional Development-Nutrition	10.0
Other	13.8
One-time Spending	546.2
Total K-12 Proposition 98 Spending	3,974.6



LCFF Increases

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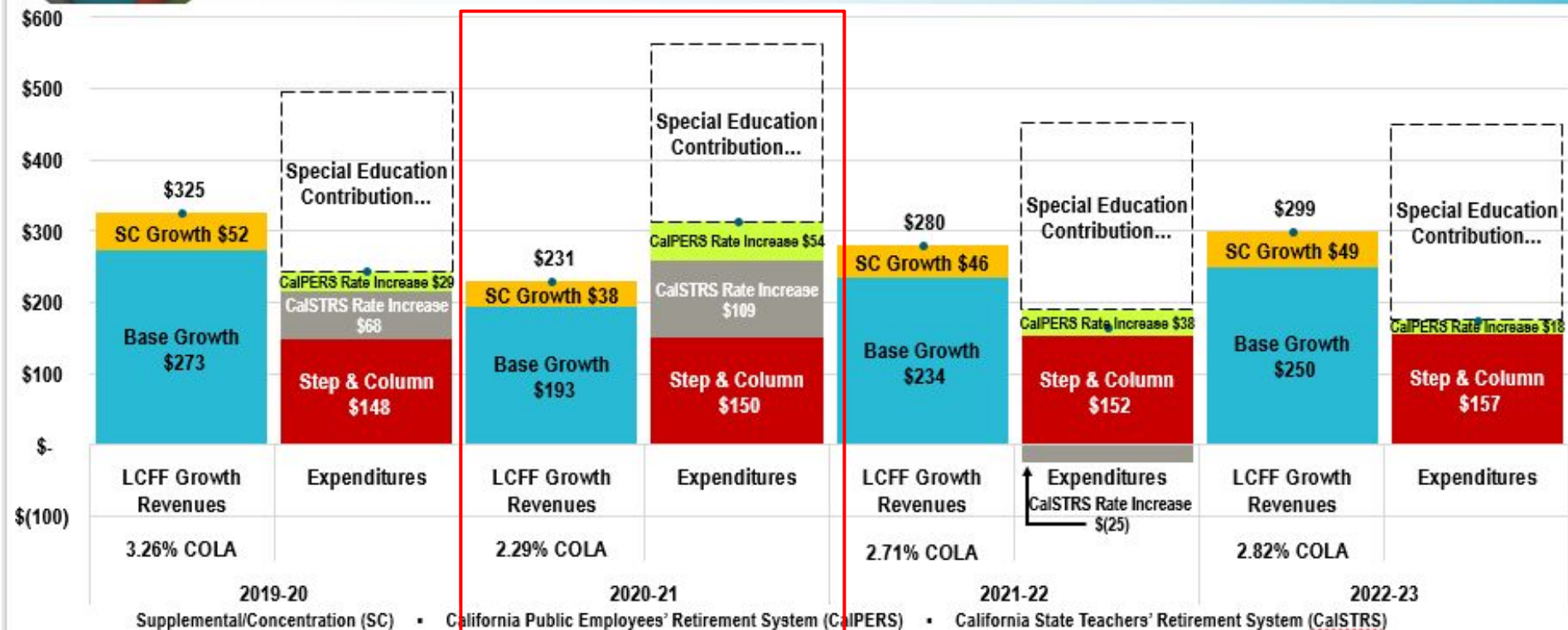
COLA Applied to LCFF Targets



Unduplicated pupil percentage (UPP)



Per-ADA Growth in Revenues and Expenditures



2020-21 Governor's Budget - Projected Impact on CUSD

	2020-2021	Notes
LCFF New Revenue	\$ 599,210	Cost-of-Living Adjustment @ 2.29%
Less: LCFF Supplemental	\$ (14,649)	Restricted for increased/improved services
LCFF Base Funding Increase	\$ 584,561	Available for unrestricted uses
Less: Increase in STRS Employer Contributions	\$ (220,239)	From 17.100% to 18.400%
Less: Increase in PERS Employer Contributions	\$ (218,488)	From 19.721% to 22.800%
Less: Health & Welfare (Insurance Benefits)	\$ (126,000)	@ 6% annually (3% for January plan date)
Sub-total	\$ 19,834	New revenues available before annual employee step/column salary increases
Less: Certificated Step/Column	\$ (169,414)	@ 1% of total salary
Less: Classified Step/Column	\$ (70,961)	@ 1% of total salary
Total	\$ (220,541)	Growth in EXPENDITURES will OUTPACE growth in REVENUES

Next Steps

**Next Meeting:
March 25, 2020**

- ❖ 2nd Interim Budget Adjustments
- ❖ Local Control Accountability Plan (LCAP) Development
- ❖ 2020-2021 Annual Budget Development
- ❖ May Revision
- ❖ Budget Adoption in June