



FULLERTON  
SCHOOL  
DISTRICT



Great Schools  
Successful Kids

# 2016-17 Budget

*Report to Board of Trustees - June 7, 2016*

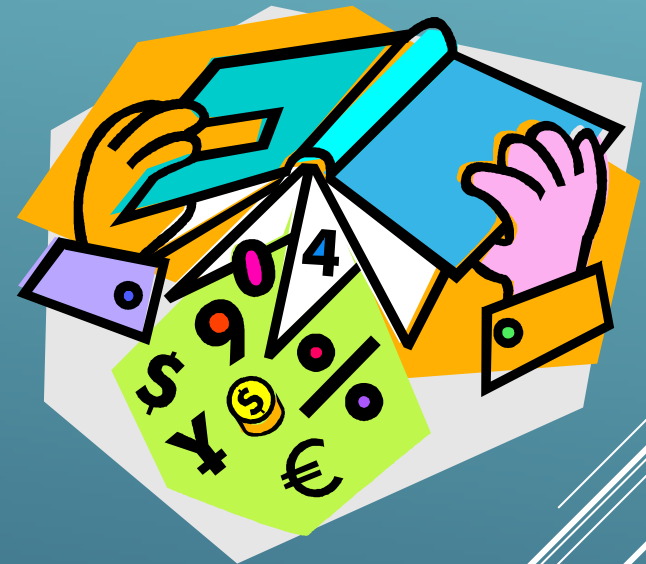
# THE "FINAL" BUDGET



- ▶ "Final" budget due June 30 to state
- ▶ For all funds:
  - ▶ 2015-16 Estimated Actuals
  - ▶ 2016-17 Budget
- ▶ General Fund only:
  - ▶ Multi-year projections through 2018-19
- ▶ Budget will be revised throughout the year

# THE “FINAL” BUDGET

- ▶ Our budget based on Governor’s May Revision
- ▶ State budget to be passed by June 15
- ▶ Final state budget not expected to change significantly



# 2015-16 ESTIMATED ACTUALS

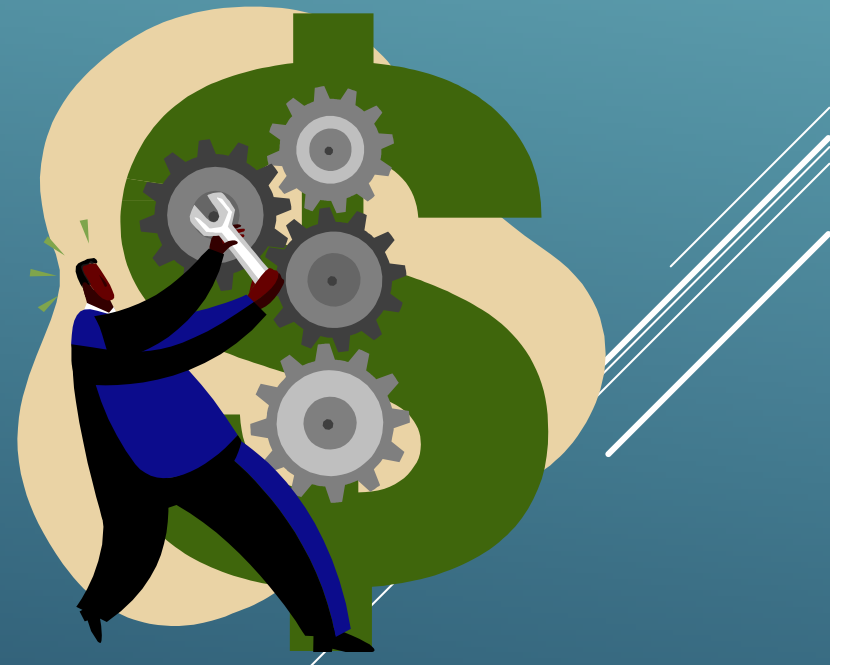
- ▶ District's best estimate of J-200 unaudited actuals
- ▶ Reflects current District budget
- ▶ Current budget includes all budget revisions for year



# 2015-16 ESTIMATED ACTUALS

## Items Reviewed:

- LCFF updated to latest information
- All Categorical programs/carryovers
- Other revenues
- All expense accounts
- Encroachment
- Other Funds



# 2015-16 ESTIMATED ACTUALS

## MATERIAL CHANGES FROM SECOND INTERIM



- ▶ Increase Special Education encroachment \$127,646
- ▶ Add one-time interfund transfer \$4,084,437 – Parks HVAC

# 2015-16 ESTIMATED ACTUALS

## MATERIAL CHANGES FROM SECOND INTERIM

### Estimated Unrestricted General Fund Net Income:

At Second Interim: \$2,736,819

Estimated Actuals: (1,512,288)

Change (\$4,249,107)

# 2015-16 ESTIMATED ACTUALS

◆ Estimated net decrease (\$ 4,486,196)

*Total is made up of:*

- Unrestricted net decrease (\$1,512,288)
- Restricted net decrease (\$2,973,908)





# 2015-16 ESTIMATED ACTUALS

Ending Fund Balance:

|                                  |                   |
|----------------------------------|-------------------|
| Restricted, Reserved, Designated | \$ 2,915,681      |
| Unrestricted                     | <u>24,325,832</u> |

**Total General Fund Ending Balance**

**\$27,241,513**



# 2015-16 ESTIMATED ACTUALS

## Unrestricted Ending Fund Balance

- \$24,325,832
- 17.48% of total expenditures
- State requirement is 3%



# 2015-16 ESTIMATED ACTUALS

## Final results should be better than Estimated Actuals

- ▶ 100% of categorical grants typically not spent
- ▶ Projected under-spending in expenditure accounts



# 2016-17 BUDGET



# STATE BUDGET OVERVIEW



- ▶ Continued strong growth in Prop 98 funding (total \$71.9B)
- ▶ \$2.98B added to continue implementation of LCFF
- ▶ Current year gap funding = 54.84%
- ▶ LCFF is implemented 95.7% of estimated total
- ▶ \$1.4B in one-time funding (\$237 per pupil)
- ▶ Remaining material increases for affordable housing projects, Rainy Day Fund, state deferred maintenance projects

# OVERALL THEME



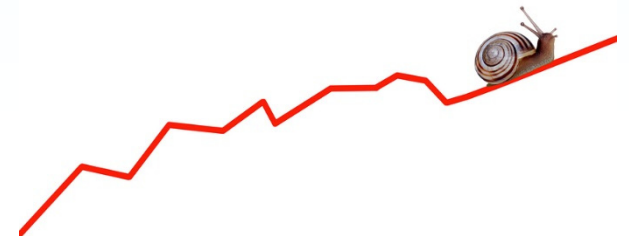
*Rick Rubin*



## Preparing for the Slowdown

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- The May Revision projects that the Local Control Funding Formula (LCFF) will be 95.7% implemented in 2016-17
  - At full implementation the supercharged increases are over, all local educational agencies (LEAs) just get a cost-of-living adjustment (COLA)
- The Department of Finance (DOF) projections assume:
  - Proposition 30 is allowed to expire
  - Very low COLAs for the next few years
  - Much lower growth in Proposition 98
- Now is the time to start preparing for slower growth

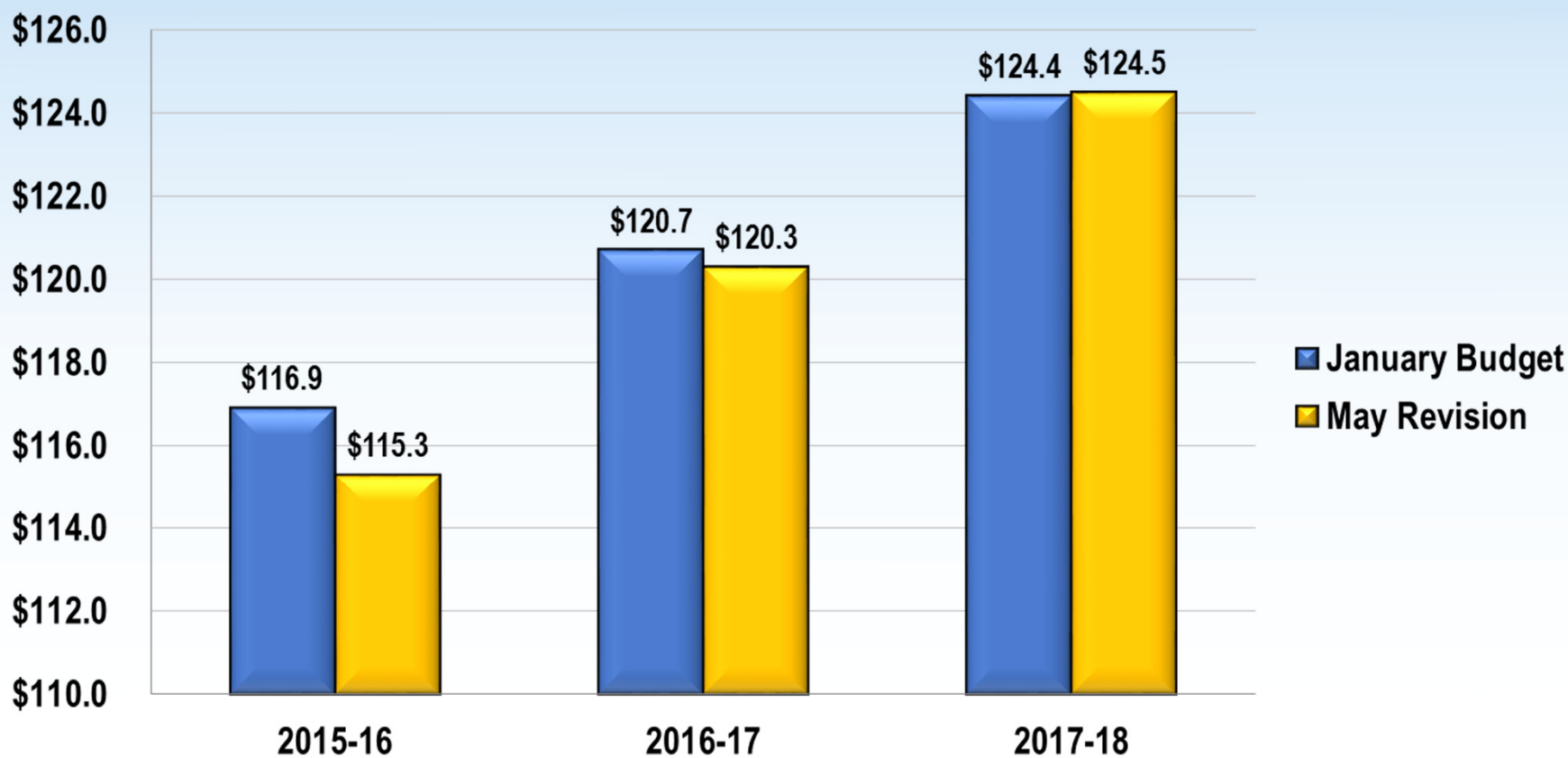




# General Fund Revenues in 2016-17

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**General Fund Revenues**  
(in Billions)



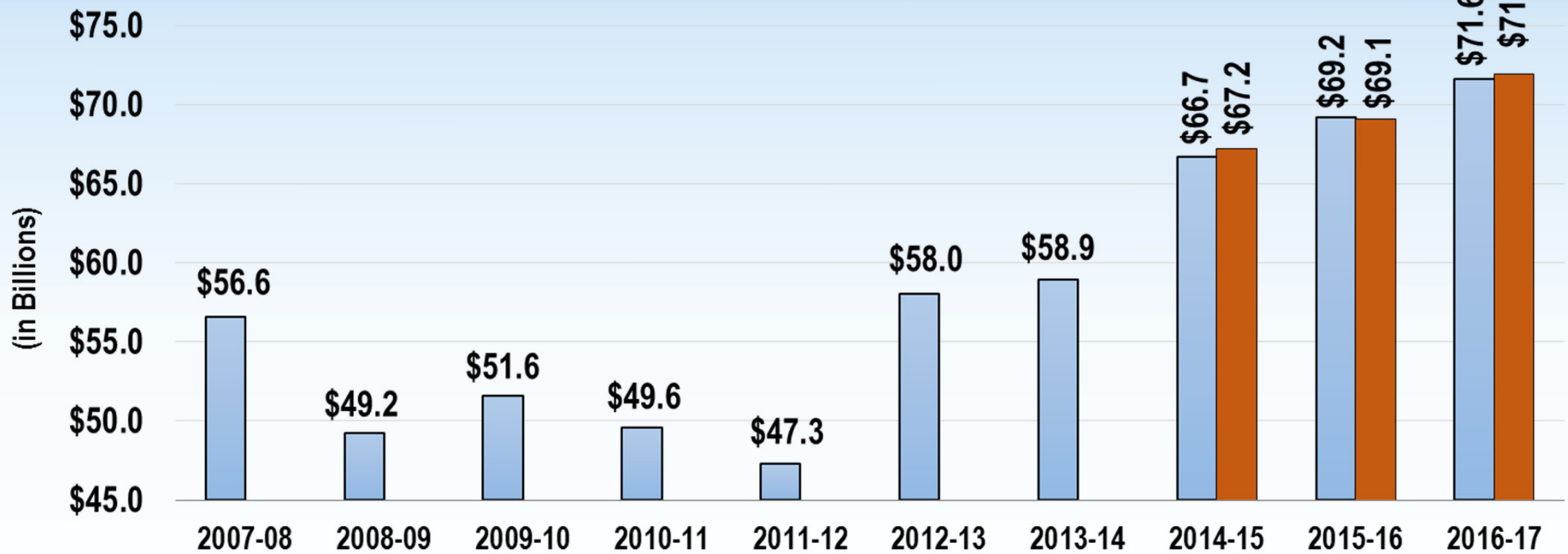




# Proposition 98 Funding

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## Proposition 98 Funding 2007-08 to 2016-17



■ Proposition 98 Funding as of Governor's Budget 
 ■ Proposition 98 Funding Under May Revision



# 2016-17 Local Control Funding Formula

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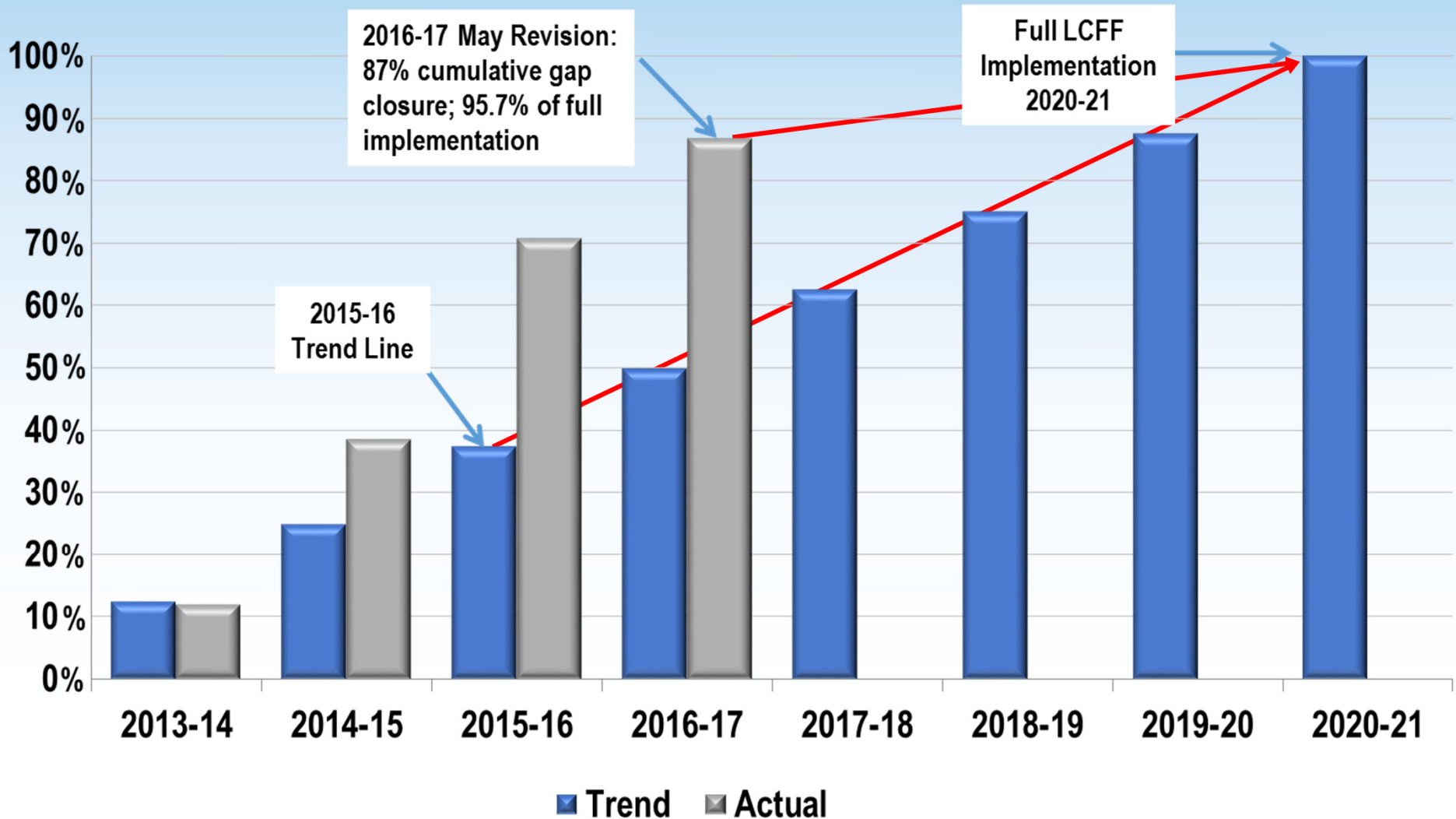
- May Revision proposes nearly \$2.9 billion for continued implementation of the LCFF, \$154 million above the January level
- New funding is estimated to close the gap between 2015-16 funding levels and LCFF full implementation targets by 54.84%
  - 87% of the gap closed in the first four years
  - Reaching to 95.7% of the targeted funding levels in 2016-17
- No COLA on the LCFF base grant targets
- 2016-17 LCFF growth provides an average increase in per-pupil funding of 5.94%, or \$520 per ADA
  - FSD: 5.31%, or \$409





# Progress Toward LCFF Implementation

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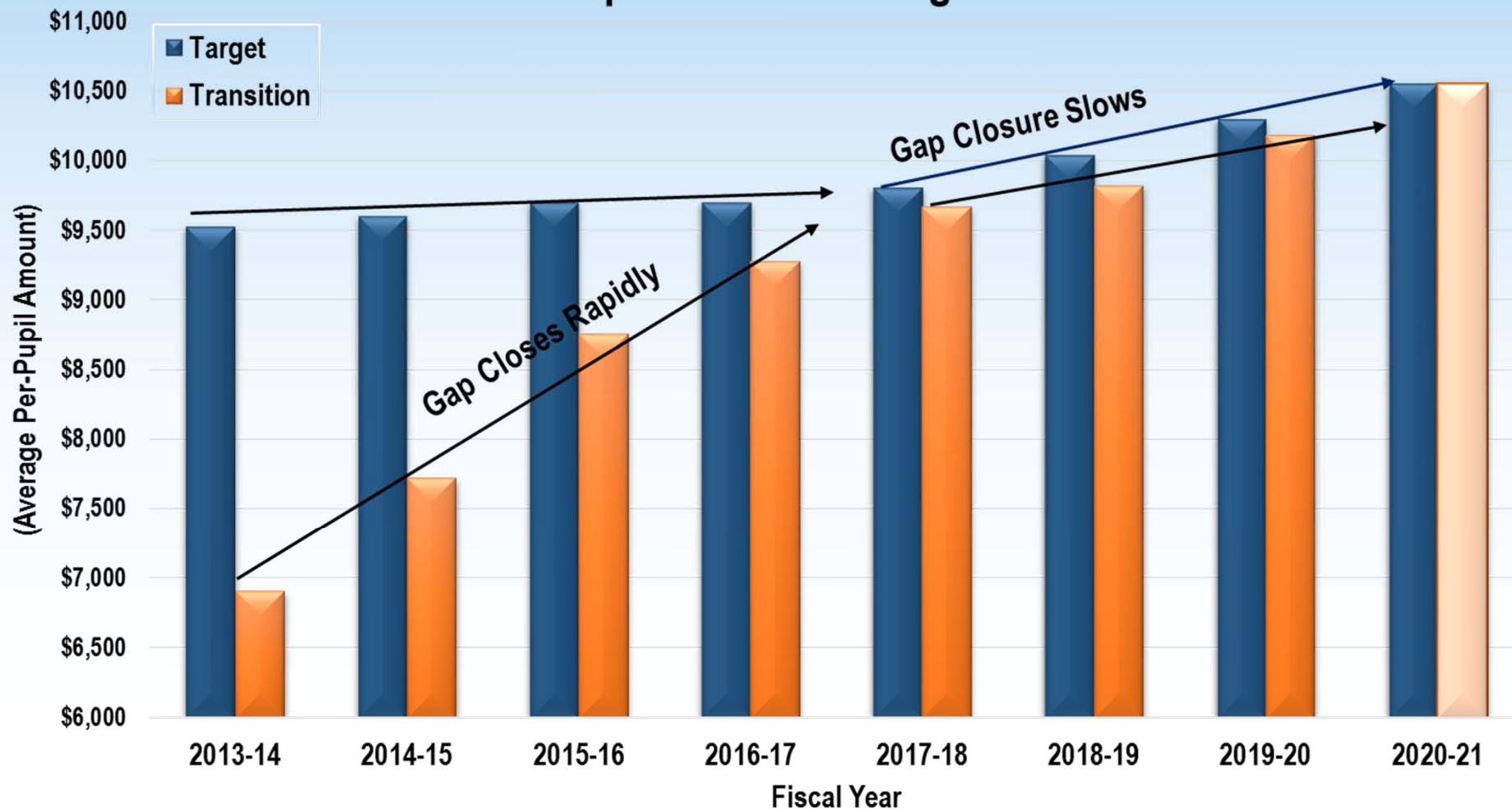




# At 95.7% of Full Implementation – What's Ahead?

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## LCFF Implementation Progress





## One-Time Funds

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- The May Revision includes \$1.4 billion in discretionary one-time Proposition 98 funding
  - Equal to about \$237 per ADA
- The Governor suggests the one-time funds may be used to support investments in:
  - Content standards implementation, professional development, induction programs for beginning teachers, deferred maintenance, and instructional materials and technology
- This is not a mandate and the funds can be used for any one-time purpose
  - However, any funds received will offset state obligations for any LEA with outstanding mandate reimbursements, consistent with the approach used in the 2014 and 2015 Budget Acts



# General Fund Budget Summary in 2016-17

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|                                    | 2015-16          | 2016-17          |
|------------------------------------|------------------|------------------|
| Prior-Year Balance                 | \$3,444          | \$4,829          |
| Revenues and Transfers             | <u>\$117,000</u> | <u>\$120,080</u> |
| Total Resources                    | \$120,444        | \$124,909        |
| Total Expenditures                 | <u>\$115,615</u> | <u>\$122,155</u> |
| Fund Balance                       | \$4,829          | \$2,754          |
| Budget Reserve:                    |                  |                  |
| Reserve for Encumbrance            | \$966            | \$966            |
| Reserve for Economic Uncertainties | \$3,863          | \$1,788          |
| Budget Stabilization Account       | <u>\$3,421</u>   | <u>\$6,713</u>   |
| Total Available Reserve            | \$8,250          | \$9,467          |

- Revenues and Transfers for 2016-17 have decreased \$550 million from the January Budget proposal
- Available reserves for 2016-17 have decreased approximately \$1.8 billion from the January Budget proposal



## Cap on District Reserves

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- The cap on district reserves is triggered if four conditions are met:
  - Proposition 98 funding based on Test 1
  - Full funding for enrollment growth and COLA
  - Capital gains exceeds 8% of total General Fund revenues
  - Full repayment of the Proposition 98 Maintenance Factor as it existed in June 2014
- The January Governor's Budget showed that three of the four factors will have been met by 2016-17, leaving only Test 1 funding not satisfied
- However, the May Revision now indicates that the Maintenance Factor will not be fully repaid as forecasted in January
  - Instead, of the \$6.6 billion Maintenance Factor as of June 2014, \$155 million will remain unpaid at the end of the current year
  - Therefore, only two of the four criteria triggering the cap will be met in 2016-17

# Cap on District Reserves

- Based on May Revision, trigger conditions under SB858 will NOT be met in 2016-17
- Reserve cap will not be implemented
- Public disclosure requirements still in effect





# Governor's Rainy Day Fund

- Required transfer is \$1.3B
- Governor's May Revise: \$3.3B
- Legislature's spending priorities



# Early Education Block Grant

- Governor has proposed Early Education Block Grant for 2017-18
- Prioritizes services to 4-year-olds who are homeless, foster youth, at risk, non- or limited-English speaking, low income
- Eliminates Transitional Kindergarten
- Many questions remain





# Fullerton School District Budget

# FSD BUDGET - REVENUES

- LCFF uses May Revise assumptions
- No COLA
- One-time funding for mandated costs
- No other new revenues



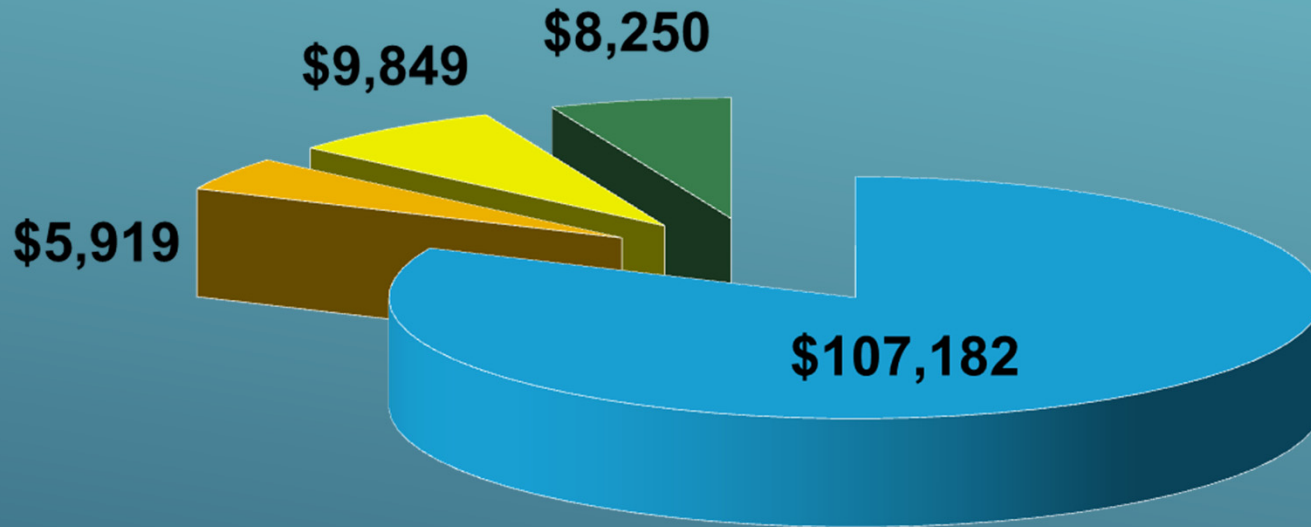
# PROJECTED REVENUES – 2016-17

- Total Revenues - \$ 131.2M
  - \$3.5M decrease from Estimated Actuals 2015-16
  - Decrease mainly due to less one-time revenues
  - 2015-16 decline of 162 ADA reflected
  - Federal and state COLA - 0

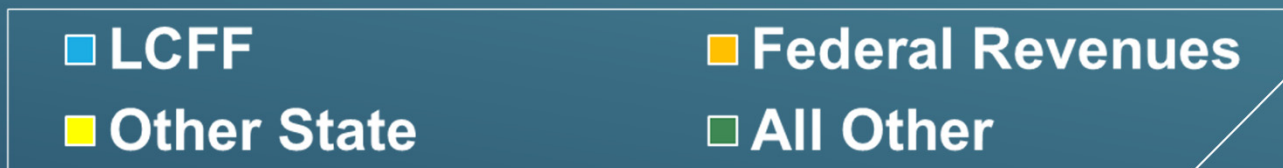


# PROJECTED REVENUES – 2016-17

Total Projected Revenues = \$131.2 M

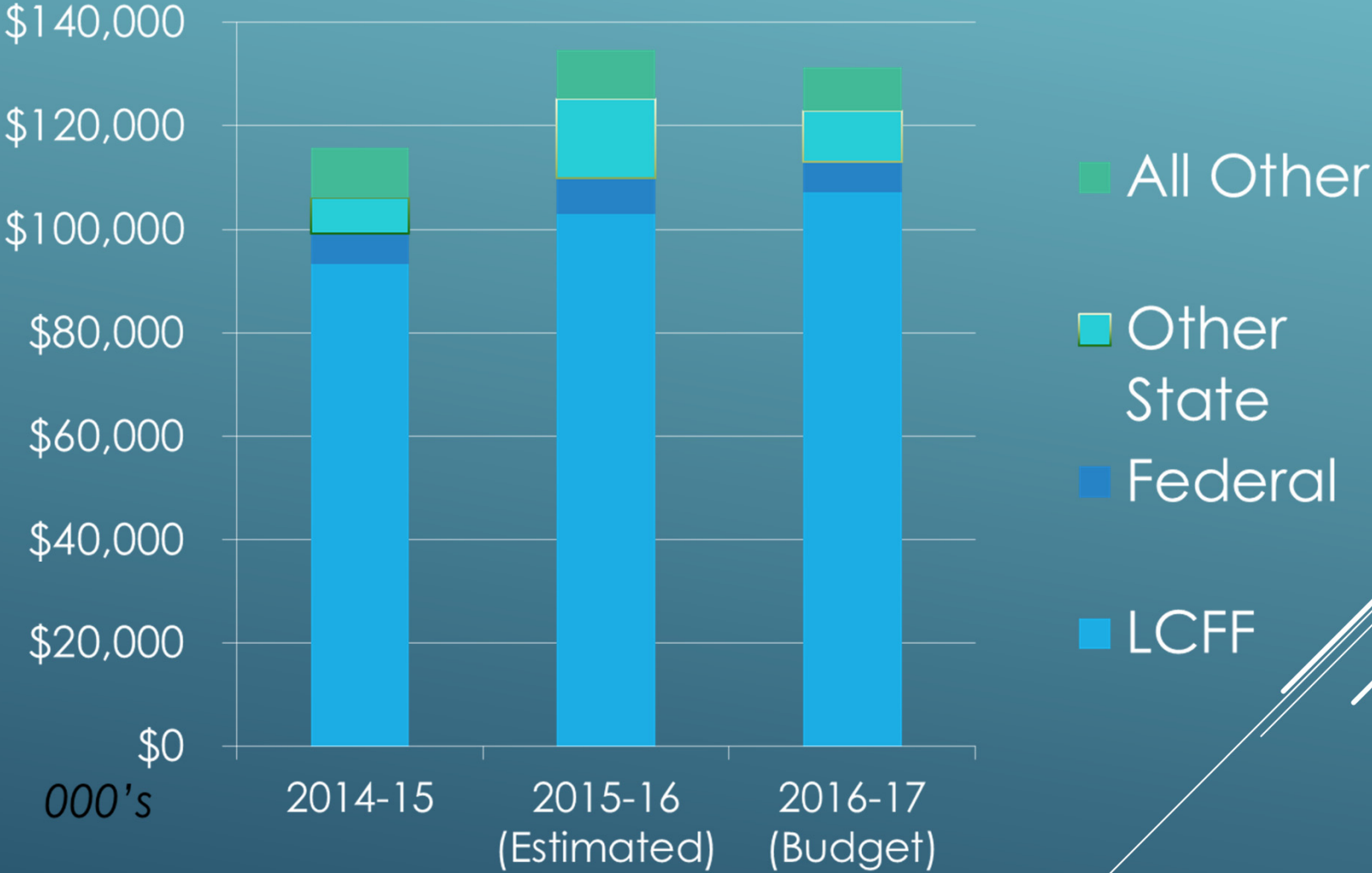


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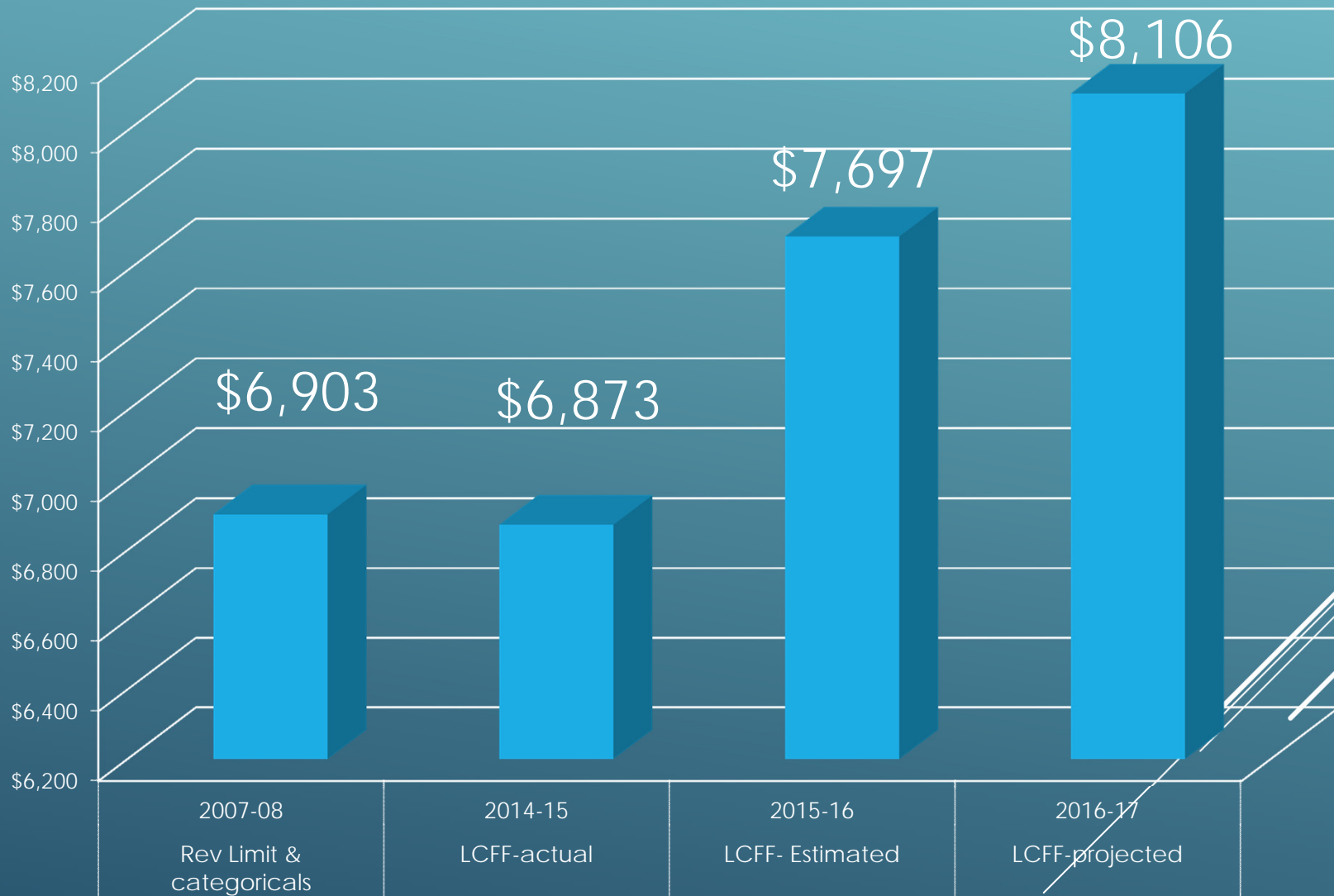
# GENERAL FUND REVENUES

FYE June 30,



# PER PUPIL FUNDING

## Funding per ADA





# ONE-TIME REVENUES

- ▶ 2015-16      \$7,057,618
  - ▶ Budgeted Carryover (Estimated Actuals) \$2,800,000
- ▶ 2016-17      \$3,133,614




# PROJECTED EXPENDITURES – 2016-17

- ▶ Total 133.7M
- ▶ Ongoing Increases to Budget:
  - ▶ Annual step and column
  - ▶ Rate increases for health insurance
  - ▶ Inflationary increases for goods/services
  - ▶ Increases to encroachment
  - ▶ Rate increases for STRS and PERS retirement plans



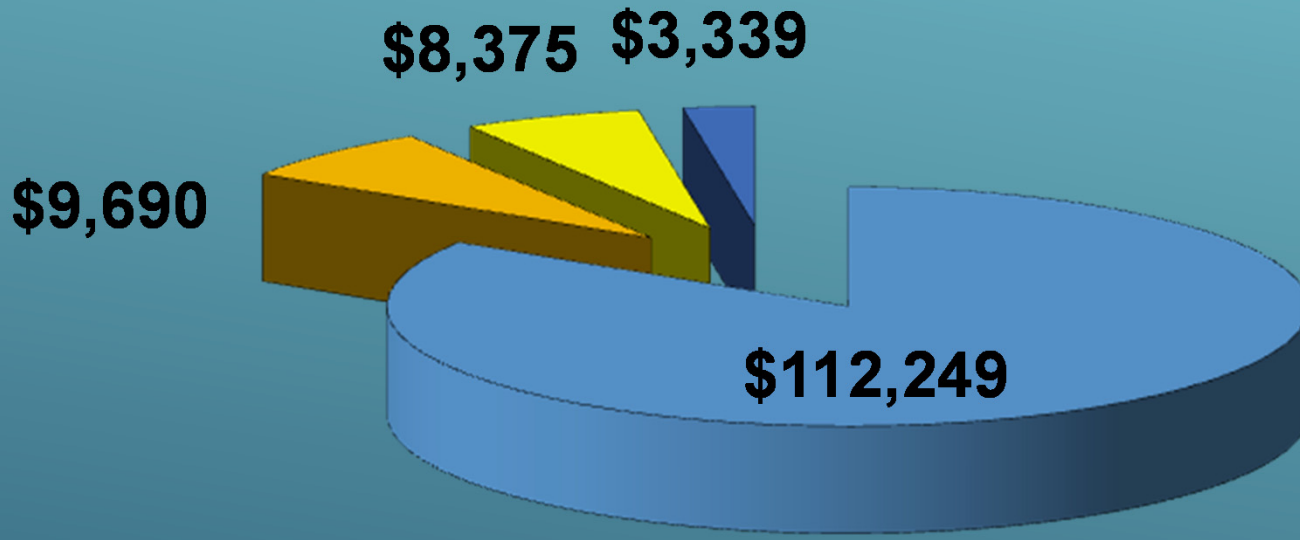
# BUDGET ADDITIONS – 2016-17

Added program expenditures due to increase in LCFF:

- ▶ Response to Intervention
  - ▶ Increases to site budgets
  - ▶ Dual Immersion
  - ▶ P.E./collaboration time
  - ▶ Jr. High after school sports
  - ▶ Technology
  - ▶ Other educational expenditures
- 

# PROJECTED EXPENDITURES – 2016-17

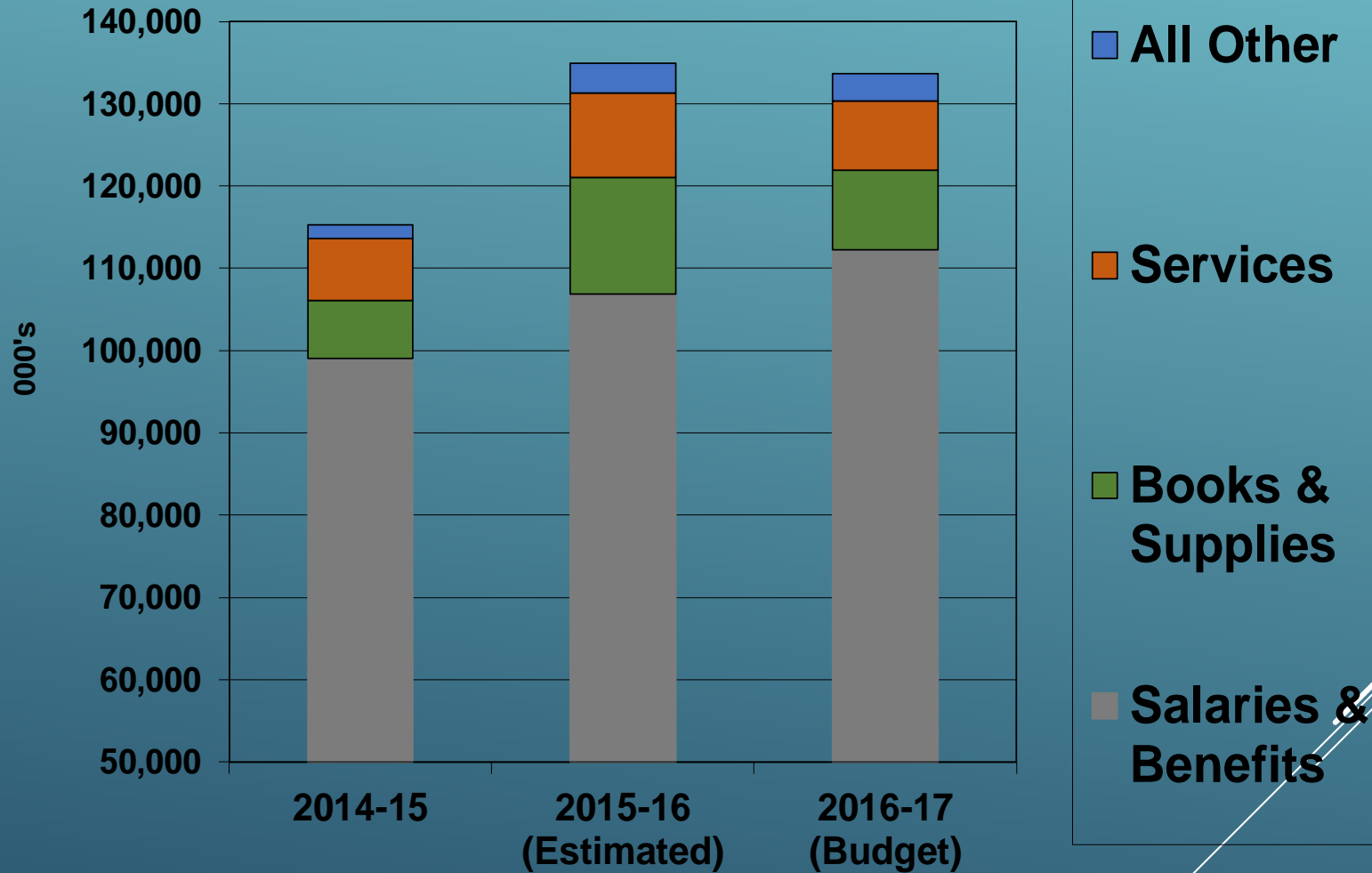
Total Projected Expenditures = \$133.7



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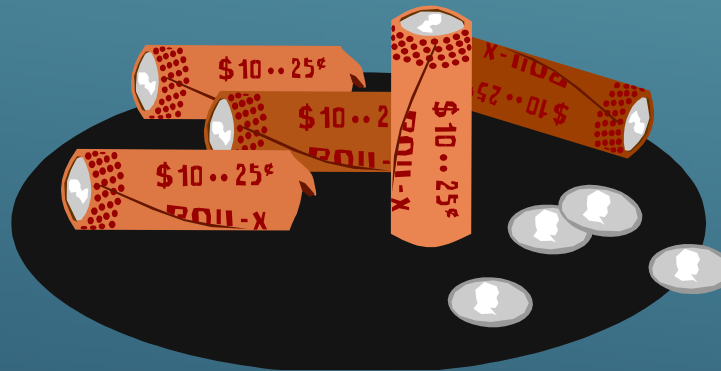
- |                       |                    |
|-----------------------|--------------------|
| Salaries and Benefits | Books and Supplies |
| Services              | All Other Outgo    |

# GENERAL FUND EXPENDITURES



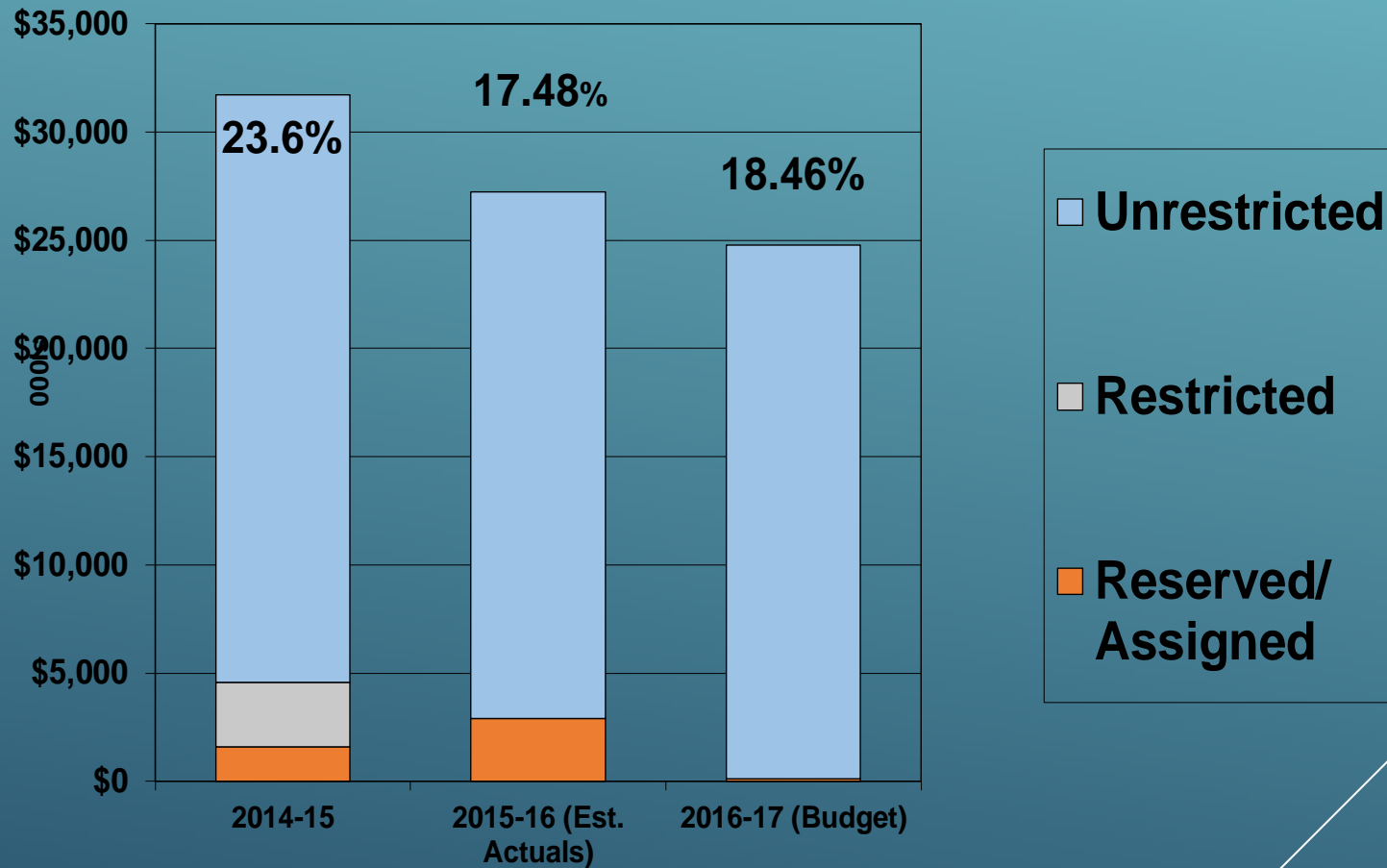
# 2016-17 BUDGET – CHANGE IN FUND BALANCE

|                              |                    |
|------------------------------|--------------------|
| Total estimated net decrease | (\$2,452,038)      |
| <i>Unrestricted decrease</i> | <i>(2,452,038)</i> |
| <i>Restricted decrease</i>   | <i>0</i>           |



# ENDING GENERAL FUND BALANCE

## Unrestricted Fund Balance %



# THREE-YEAR PROJECTION - LCFF

|  | 2016-17 | 2017-18 | 2018-19 |
|--|---------|---------|---------|
| Statutory COLA                         | 0%      | 1.11%   | 2.42%   |
| Gap Funding Rate                       | 54.84%  | 73.96%  | 41.22%  |
| Unduplicated Count                     | 51.71%  | 51.51%  | 51.31%  |
| Net change in per ADA FSD LCFF funding | 5.31%   | 3.81%   | 1.51%   |
| ADA – Funded                           | 13,222  | 13,222  | 13,222  |



# THREE-YEAR PROJECTION

## ▶ Projected Unrestricted Fund Balance %'s:

- ▶ 2016-17 18.46%
- ▶ 2017-18 18.00%
- ▶ 2018-19 15.41%





# Unrestricted Fund Balance – Statewide Averages

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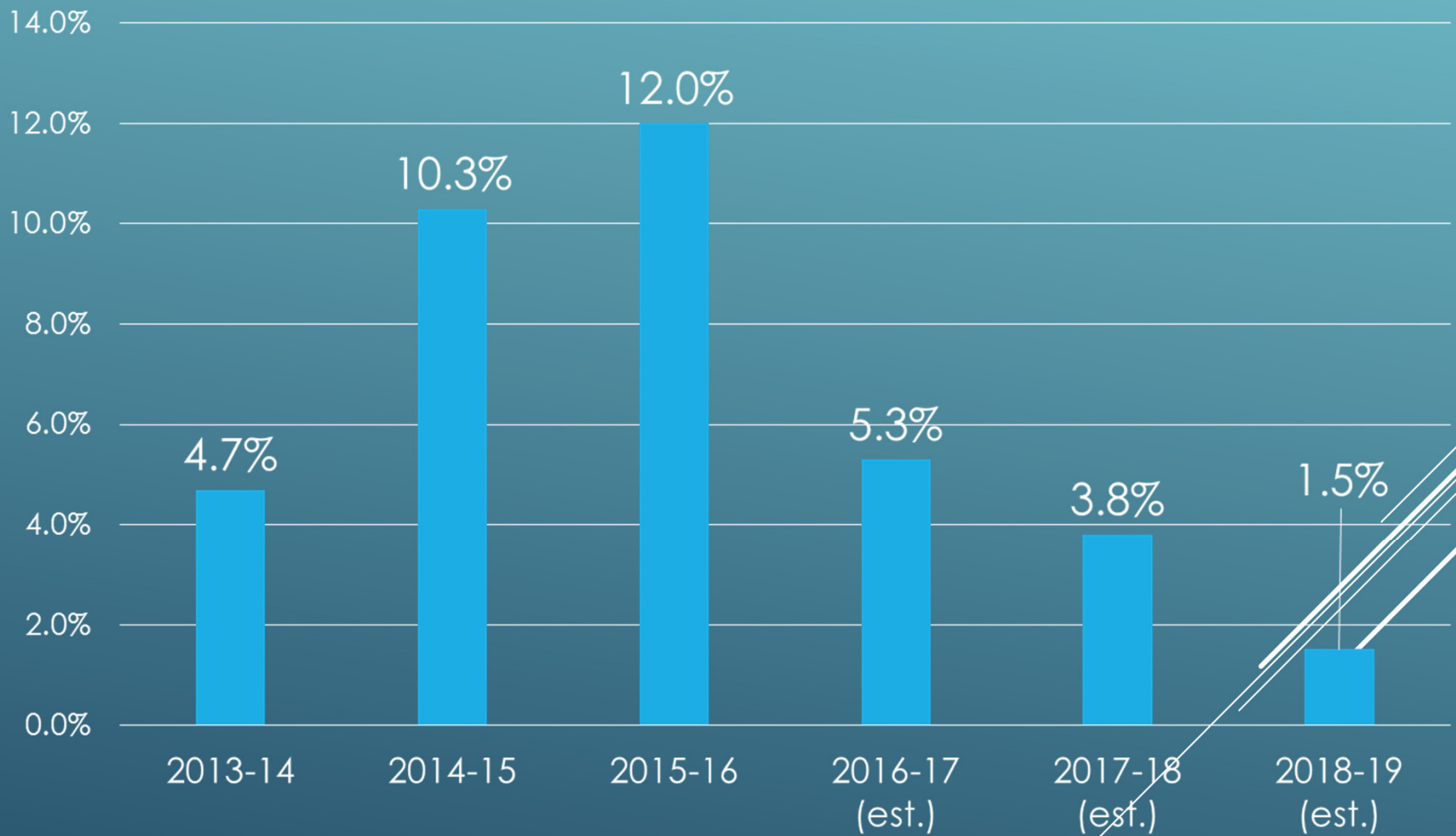
| 2014-15 Average Unrestricted General Fund, Plus Fund 17, Net Ending Balances as a Percentage of Total General Fund Expenditures, Transfers, and Other Uses |        | Change from Prior Year* |
|--|--------|-------------------------|
| Unified School Districts   | 13.09% | -0.04%                  |
| Elementary School Districts  | 18.96% | -2.17%                  |
| High School Districts  | 14.86% | -1.96%                  |

Source: State-Certified Data

\*Decrease relative to the reserve levels of 2013-14

# FSD – CHANGE IN PER PUPIL FUNDING

LCFF Funding-per pupil change (%)



## REQUIRED DISCLOSURE UNDER ED CODE 42127 (A)(2)(B)

|               | Assigned | Unassigned   | 3% Minimum  | Amount Above 3% Minimum |
|---------------|----------|--------------|-------------|-------------------------|
| June 30, 2017 | \$0      | \$24,673,794 | \$4,009,584 | \$20,664,210            |
| June 30, 2018 | \$0      | \$23,932,890 | \$3,988,036 | \$19,944,855            |
| June 30, 2019 | \$0      | \$21,084,645 | \$4,104,844 | \$16,979,802            |

## Required Disclosure under Ed Code 42127 (a)(2)(b)

The Board of Trustees of the Fullerton School District maintains a prudent reserve which provides for :

- ▶ anticipated future expenditures for technology, instructional materials, and other necessary instructional expenditures
- ▶ funds available to mitigate the costs to the District of declining enrollment
- ▶ for unplanned or emergency expenditures that might occur in the future
- ▶ for future facilities needs
- ▶ for future downturns in the state economy which could negatively affect the District's budget

## WHAT'S NEXT?

- ▶ Update our budget to state budget
- ▶ Close books on 2015-16 to determine carryovers
- ▶ Start school and count enrollment
- ▶ Further budget refinement

