



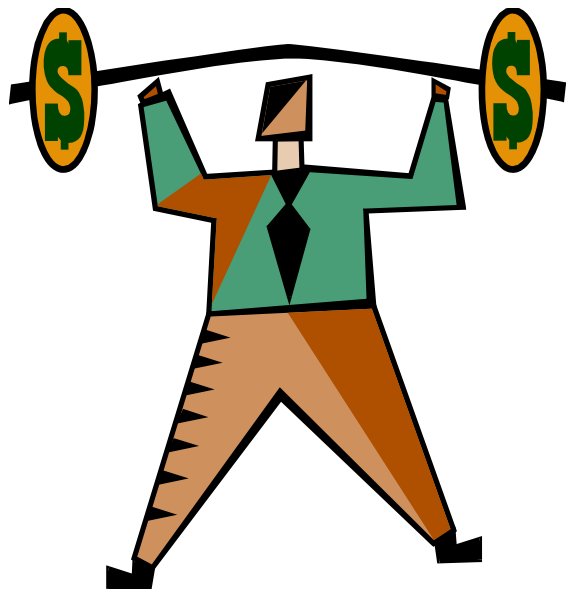
FULLERTON
SCHOOL
DISTRICT

Great Schools
Successful Kids

2015-16 Budget

*Report to Board of Trustees
June 9, 2015*

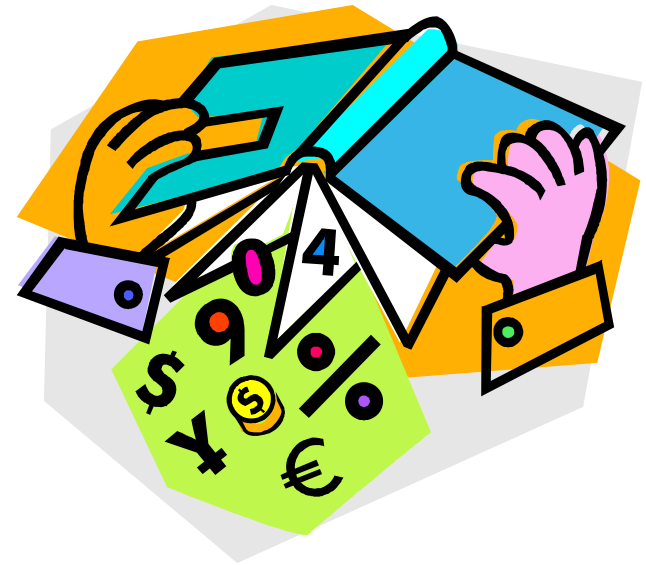
The “Final” Budget



- “Final” budget due June 30 to State
- For all funds:
 - 2014-15 Estimated Actuals
 - 2015-16 Budget
- General Fund only:
 - Multi-year projections through 2017-18
- Budget will be revised throughout the year

The “Final” Budget

- Our budget based on Governor’s January Budget
- State budget to be passed by June 15
- The May Revise has the potential to significantly improve this budget



2014-15 Estimated Actuals

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



2014-15 Estimated Actuals

Items Reviewed:

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



2014-15 Estimated Actuals

Changes from Second Interim



- No material line item revisions from Second Interim
- Estimated Actuals reflect underspending in expenditures

2014-15 Estimated Actuals

◆ Estimated net decrease (\$ 2,217,854)

Total is made up of:

- Unrestricted net income
\$502,880
- Restricted net decrease
(\$2,720,734)



2014-15 Estimated Actuals

Ending Fund Balance:

Restricted, Reserved, Designated	\$ 2,409,110
Unrestricted	<u>25,713,411</u>

Total General Fund Ending Balance	<u>\$28,122,521</u>
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2014-15 Estimated Actuals

Unrestricted Ending Fund Balance

- **\$ 25,713,411**
- 21.74% of total expenditures
- State requirement is 3%



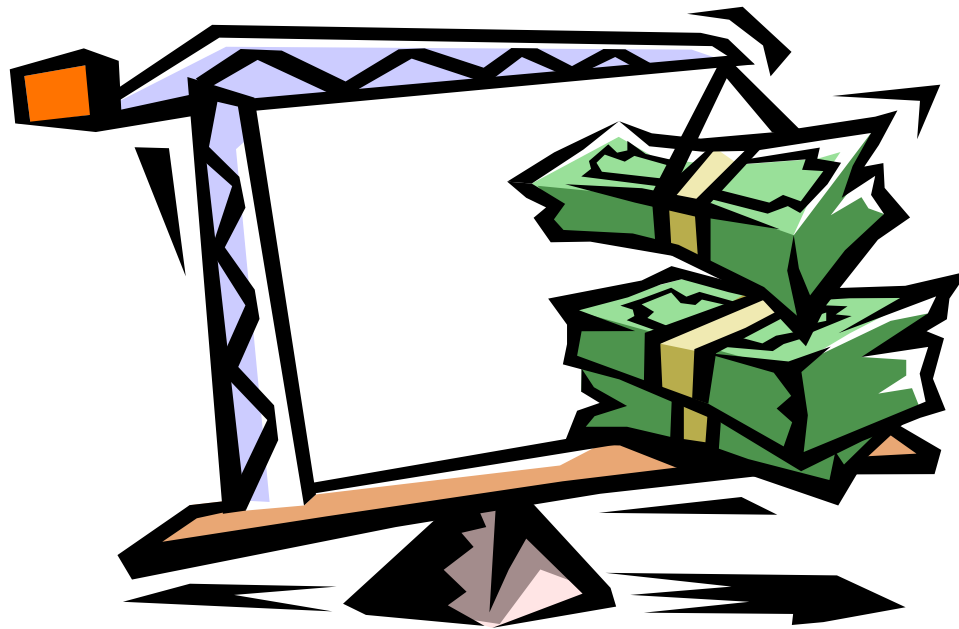
2014-15 Estimated Actuals

Final results should be better than Estimated Actuals

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



2015-16 Budget





I won the Lottery!

That's Nothing! I won the May Revision!

2015-16
Education
May
Revision

Rick Fedido

State Budget Overview

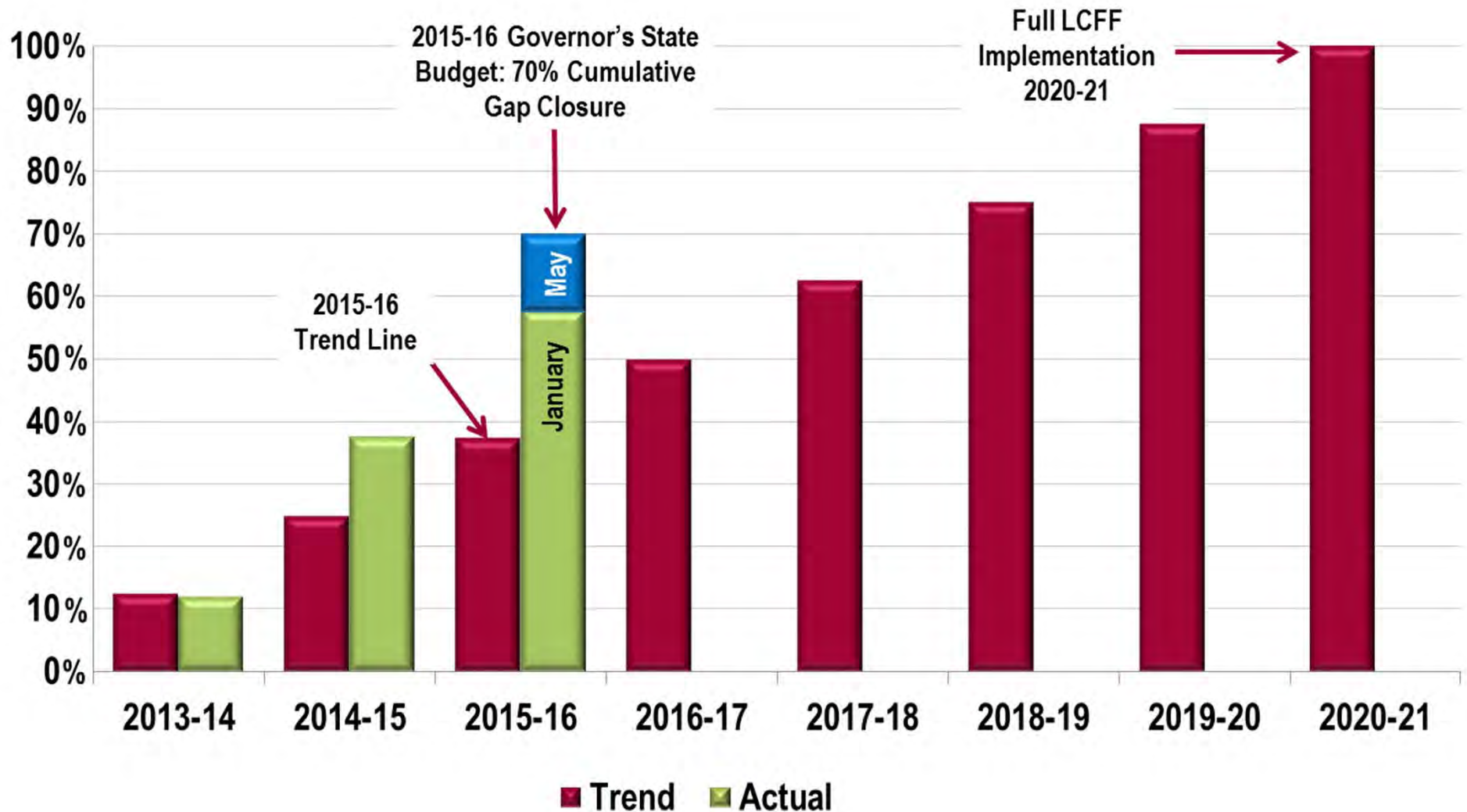


- \$6.1B to continue implementation of LCFF
- Current year gap funding = 53.08%
- When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would close almost 70% of the gap in just 3 years
- \$3.5B in one-time funding (\$601 per pupil)
- Remaining increases primarily fund paying down State debt and making deposits to rainy day fund



Progress Toward LCFF Implementation

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The California Economy

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- California's economic recovery is trending similarly to the nation's, benefitting from:
 - Improved job growth
 - Slow but recovering wage earnings
 - Growing confidence in the economy from businesses
- It was a great year for the state's highest income earners, whose income and capital gains taxes make up a significant part of the growth in General Fund revenues
- Proposition 30 continues to be a strong and steady source of state income, generating \$7 billion to \$8 billion in combined sales and personal income taxes



The California Economy

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- But amidst the abundance, there are still concerns
 - The economic effect of the drought is still unknown
 - Job growth in the innermost California communities still lags way behind the nation and other areas of the state
 - The strength of the U.S. dollar could slow growth
 - Rising gas prices could hinder domestic consumer spending



Issues of Note

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- Issues not addressed
 - CalSTRS/CalPERS cost relief
 - Repeal of the reserve cap
- No manipulation of Proposition 98 – we appreciate that
- Is the funding increase proposed by the Governor affordable for the state?
YES
 - Property tax growth alone is sufficient to cover the growth in Proposition 98
 - The “anti-spike” provisions increase non-Proposition 98 spending by about \$400 million
- Repayment of the cuts to education are affordable now

“If not us, who? If not now, when?”

– *Rabbi Hillel*



Political Issues

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- The Constitution requires that schools get big funding increases this year and next – can the state afford it?
- Yes!
 - Schools get the lion's share of unanticipated state revenue growth, but nothing is taken away from noneducation programs to pay for it
 - 2015-16 growth in Proposition 98 funding is wholly supported by increased local property tax revenues, not state aid
 - State General Fund spending for Proposition 98 actually drops by nearly \$200 million in 2015-16 from 2014-15
 - Proposition 98 is a complicated formula, in part because of protections built in for the state
 - Test 3, and "spike" protection, tempers Proposition 98 growth in 2015-16, freeing money for other state priorities



General Fund Budget Summary 2015-16

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	2014-15	2015-16
Prior-Year Balance	\$5,589	\$2,359
Revenues and Transfers	<u>\$111,307</u>	<u>\$115,033</u>
Total Resources Available	\$116,896	\$117,392
Non-Proposition 98 Expenditures	\$64,929	\$65,892
Proposition 98 Expenditures	<u>\$49,608</u>	<u>\$49,416</u>
Total Expenditures	\$114,537	\$115,308
Fund Balance	\$2,359	\$2,084
Reserve for Liquidation of Encumbrances	\$971	\$971
Special Fund for Economic Uncertainties	\$1,388	\$1,113
Budget Stabilization Account/Rainy Day Fund	\$1,606	\$3,460

- Revenues and transfers increase 3.2%, while expenditures increase by less than 1%
- The May Revision proposes over \$3.4 billion in the Budget Stabilization Account
- The May Revision maintains over \$1.1 billion in the Reserve for Economic Uncertainties

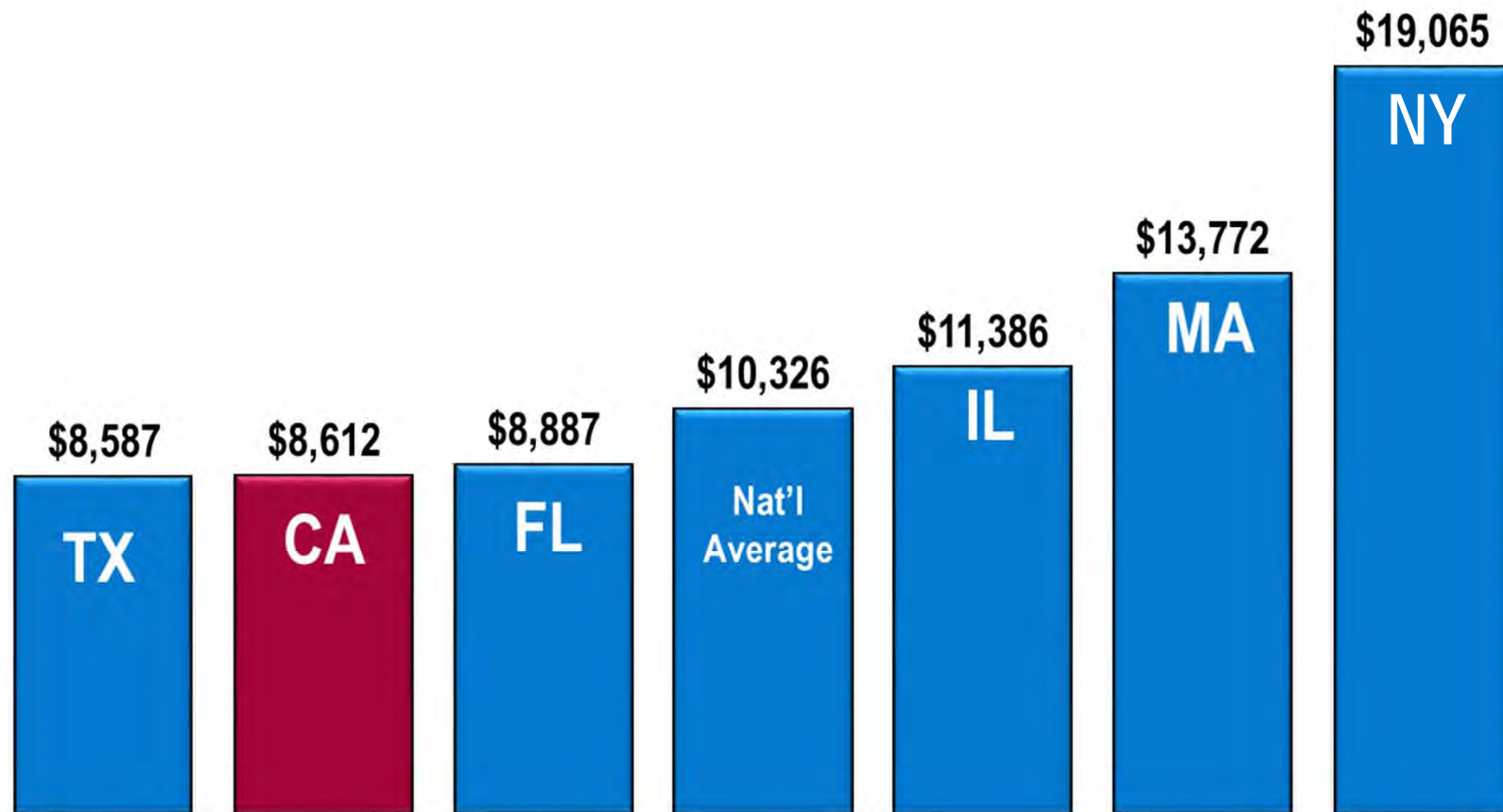
Source: 2015-16 May Revision, page 10



Spending by State

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Average Expenditures per Pupil 2011



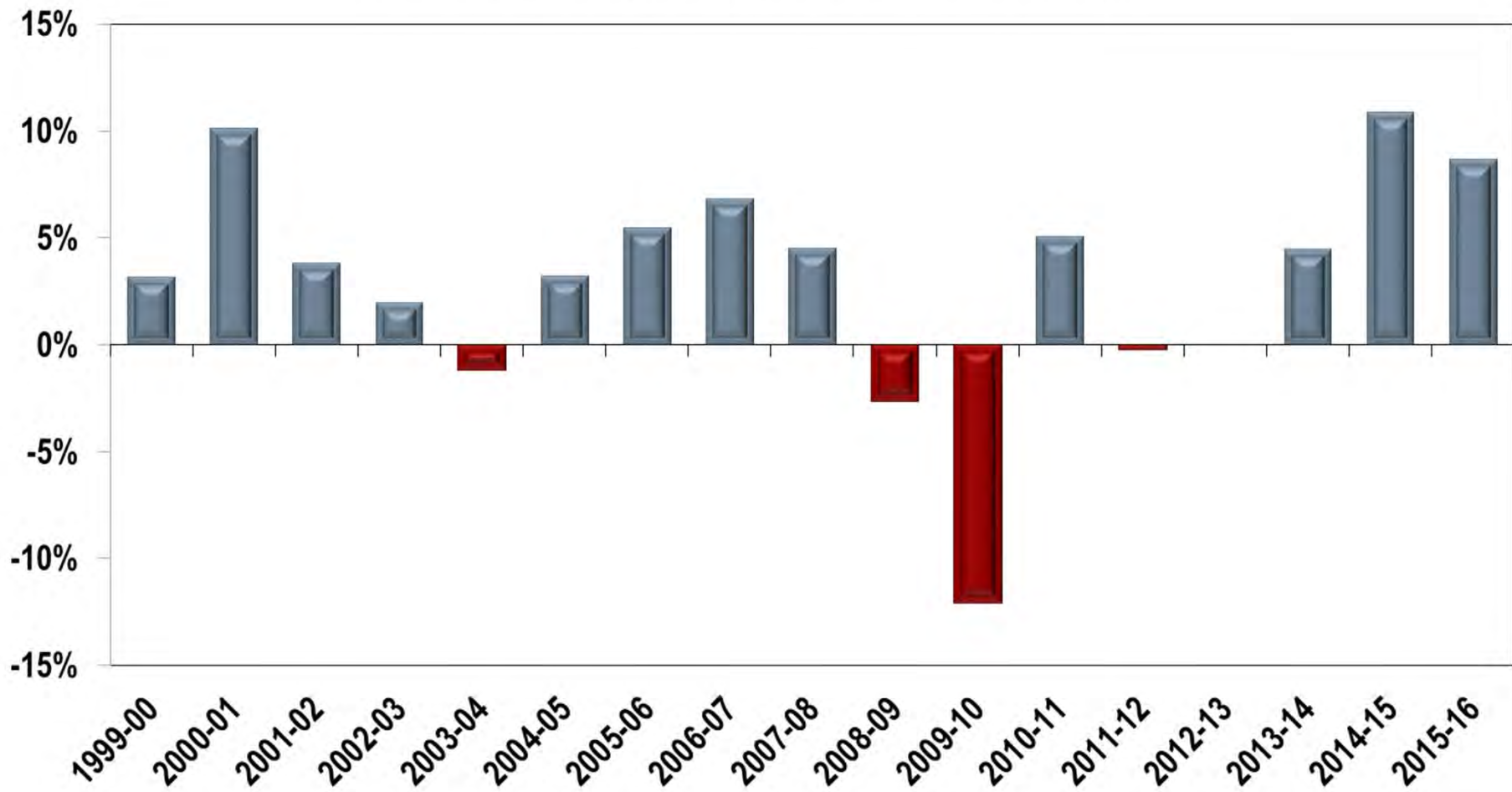
Source: National Center for Education Statistics



State Funding Volatility

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Per-Average Daily Attendance Revenue Change



OCDE's Thoughts on the State Budget

- Additional revenue and commitment toward LCFF funding is good news
- HOWEVER...
 - Beware the volatility of state revenues!
 - Expenditure challenges such as
 - Acceleration toward K-3 class size ratio of 24:1
 - Increasing competition for a limited pool of qualified teachers
 - Increasing pension costs
 - Increasing facility needs and costs



Fullerton School District Budget

FSD Budget - Revenues

- LCFF using January budget
- No COLA on categorical programs (except for Special Ed)
- One time funding for mandated costs
- No other new revenues



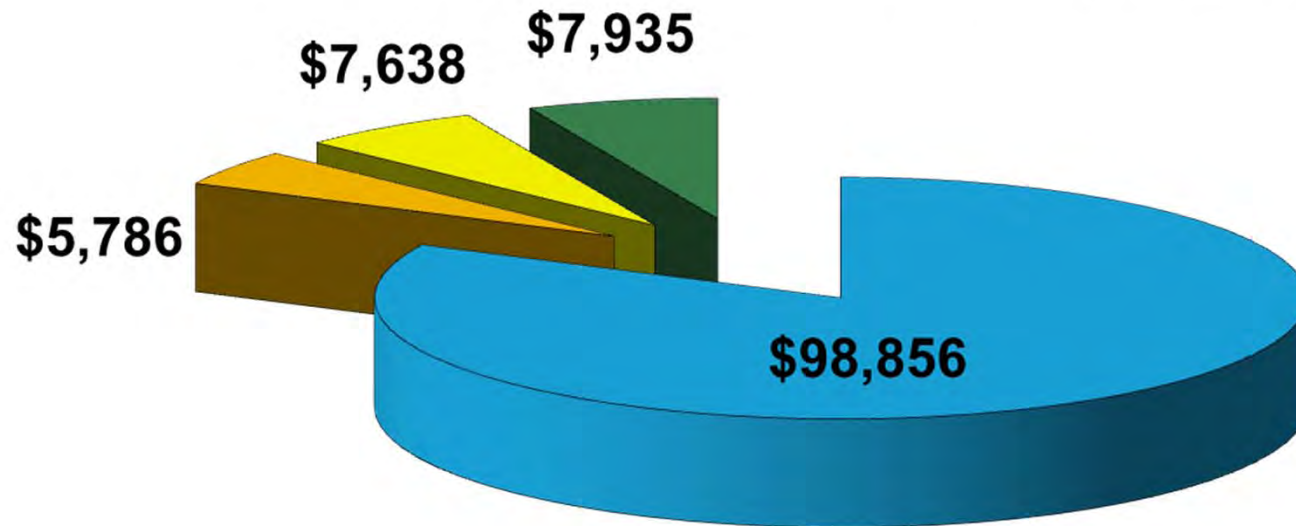
Projected Revenues – 2015-16

- Total Revenues - \$ 120.2M
- \$4.2M increase from Estimated Actuals 2014-15
- Increases mainly due to increase in LCFF (7.81%)
- 2014-15 decline of 180 ADA reflected



Projected Revenues – 2015-16

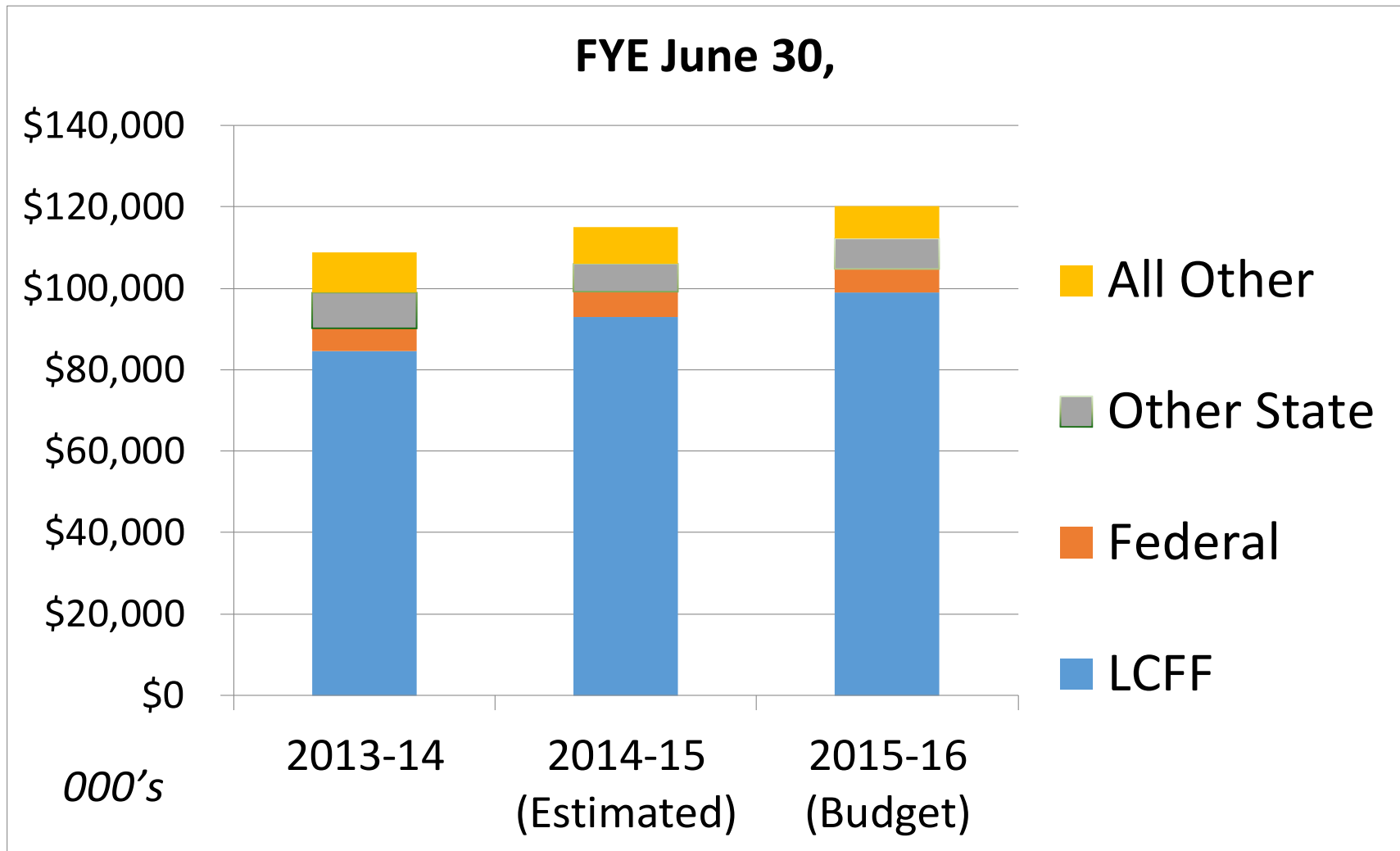
Total Projected Revenues = \$120.2 M



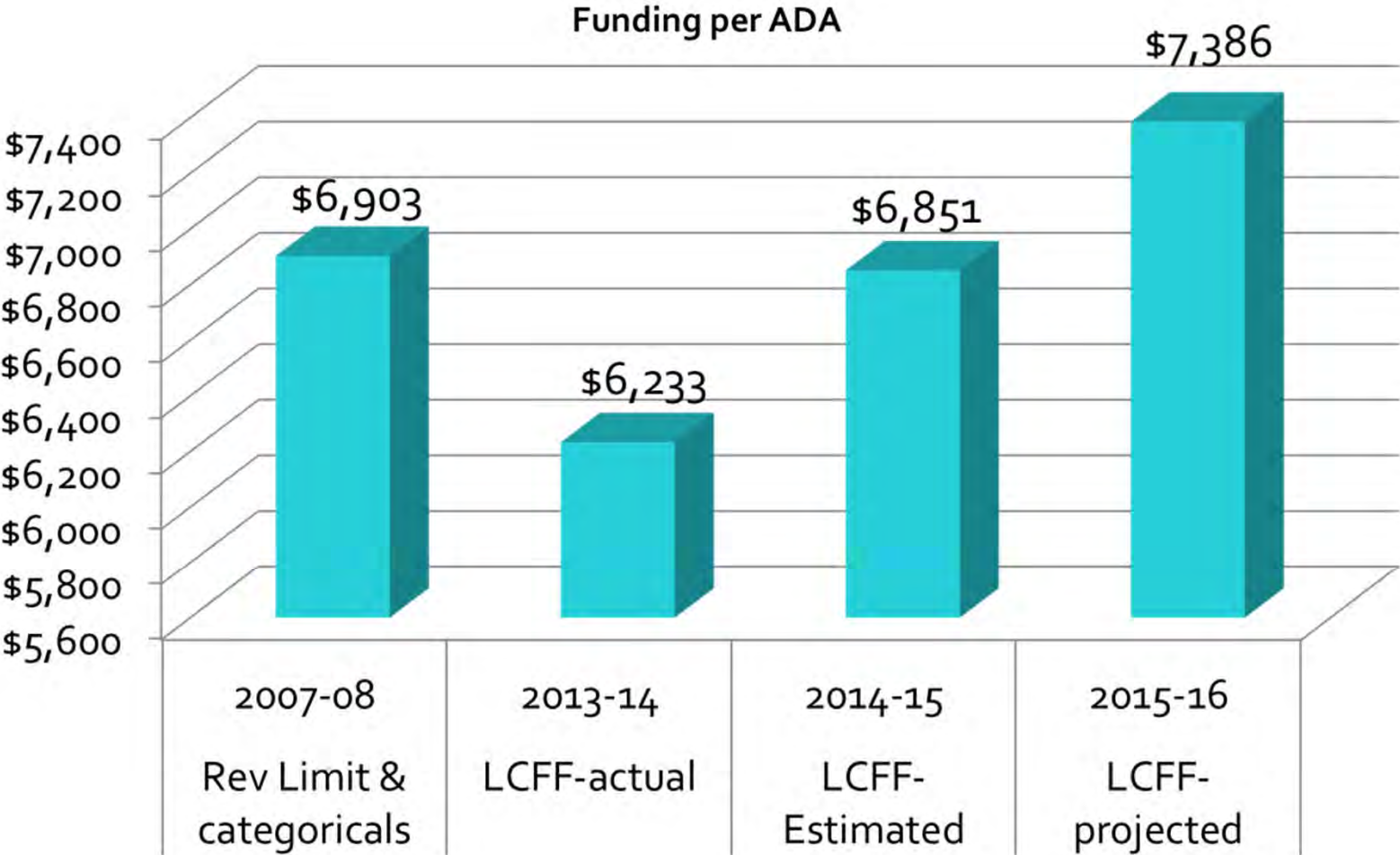
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General Fund Revenues



Per Pupil Funding



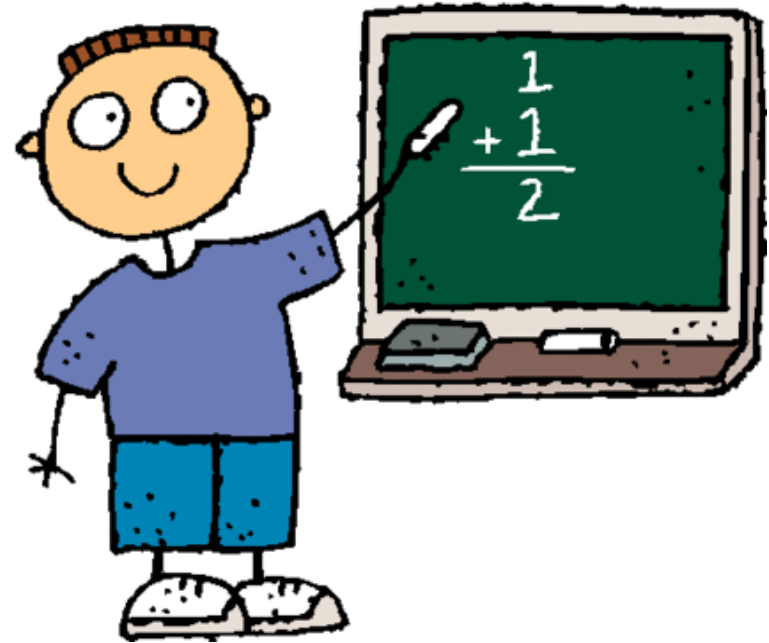
Projected Expenditures – 2015-16

- Total \$120.3 M
- 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



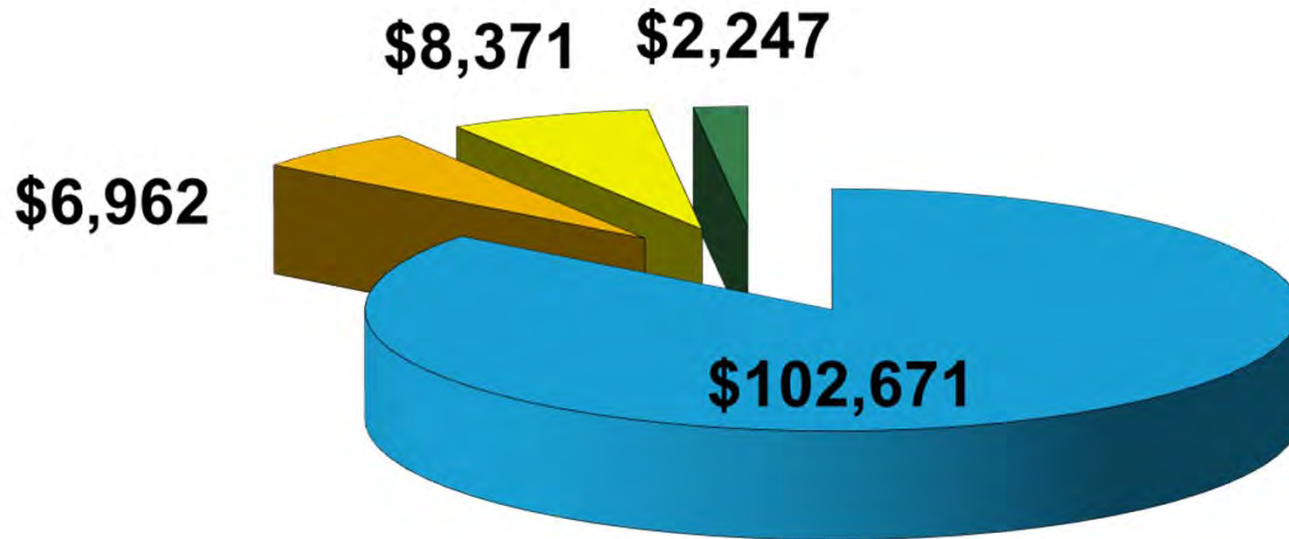
Budget Additions – 2015-16

- Added expenditures due to increase in LCFF:
 - Technology
 - Response to Intervention
 - Increases to site budgets
 - Other educational expenditures
- Required increase to Routine Repair & Maintenance (RRM)
- Increase in teacher substitute pay



Projected Expenditures – 2015-16

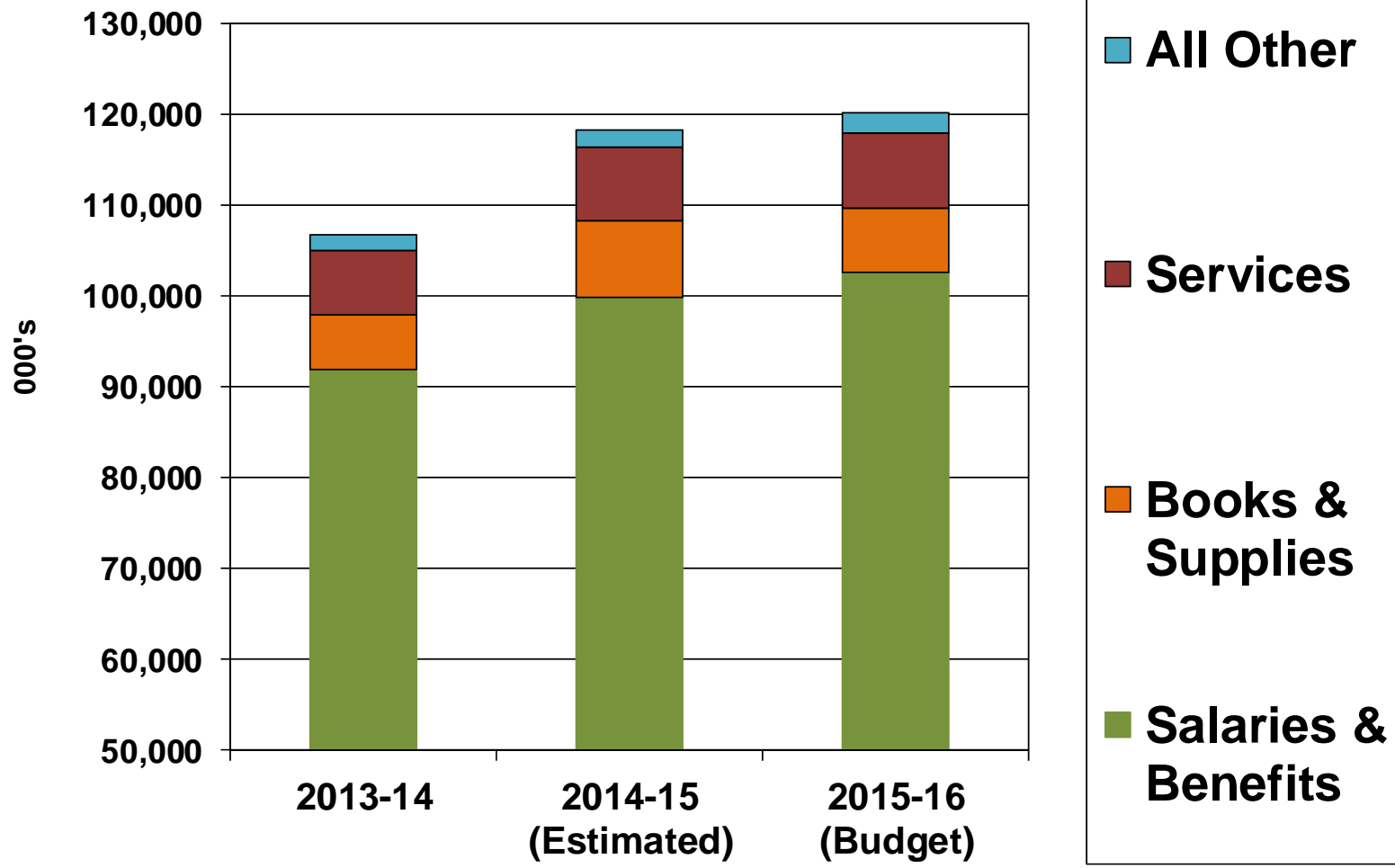
Total Projected Expenditures = \$120.3M



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

General Fund Expenditures

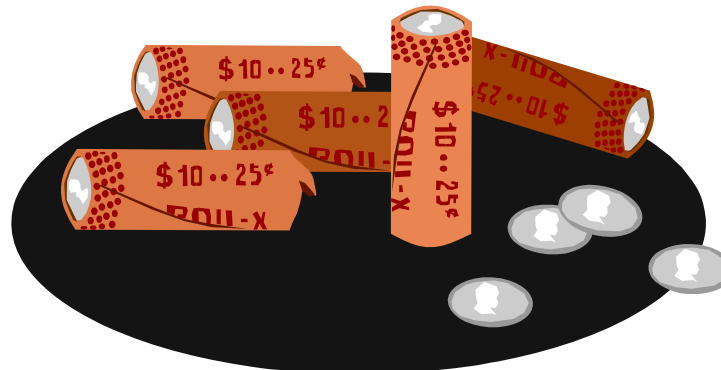


2015-16 Budget – Change in Fund Balance

Total estimated net decrease (\$37,288)

Unrestricted increase \$145,057

Restricted decrease (\$182,345)



Unrestricted Net Income

2014-15 Estimated actuals	\$502,880
2015-16 Budget	\$145,057



Where From/Where To – FYE 2015 to 2016

Increase to LCFF (7.81%)

\$7,268,000

Material Adds:

- ADA loss \$1,375,000
- End transfer Fund 17 1,001,000
- Spec Ed encroachment 921,000
- RRM increase 1,292,000
- STRS/PERS rate change 915,000
- Step & Column 1,048,000

Continued....

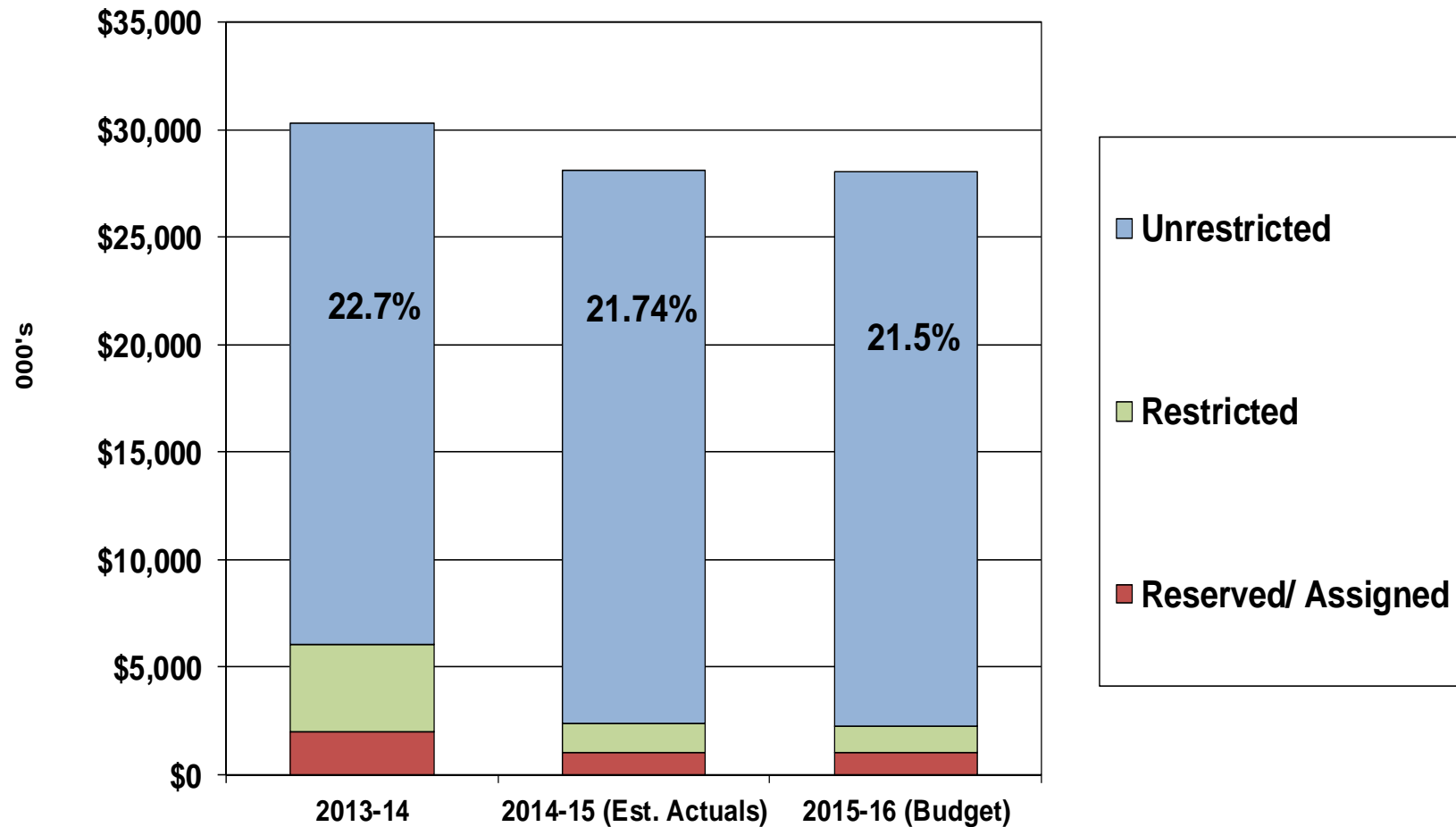
Where From/Where To – FYE 2015 to 2016

Material Adds (continued):

• Health Insurance (5.5%)	681,000	
• 1% Raise	652,000	
• Sub pay	200,000	
• Adds	1,000,000	
• Remove 2% bonus	(1,285,000)	
• PARS final payment	<u>(444,000)</u>	
Total Uses		\$7,356,000

Ending General Fund Balance

Unrestricted Fund Balance %



Three-year Projection - LCFF

	2015-16	2016-17	2017-18
Statutory COLA	1.58%	2.17%	2.43%
Gap Funding Rate	32.19%	23.71%	26.43%
Unduplicated Count	51.98%	51.93%	51.92%
Net change in per ADA FSD LCFF funding	7.81%	4.11%	4.07%
ADA	13,385	13,385	13,385

Three-Year Projection

- Projected Unrestricted Fund Balance %'s:
 - 2015-16 21.50%
 - 2016-17 20.80%
 - 2017-18 20.34%



Potential Effect May Revise - LCFF

	This Budget	May Revise	Change
Gap Funding Rate	32.19%	53.08%	+20.89%
FSD per ADA % Change	7.81%	12.5%	+4.69%
Total Additional Dollars <i>(net of ADA loss)</i>	\$5.9M	\$10.2M	+ \$4.3M

Potential Effect May Revise – One time Revenue

	This Budget	May Revise	Change
Per student amount	\$180	\$601	+\$421
Total Additional Dollars	\$2.3M	\$8.0M	+ \$5.7M

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

	Assigned	Unassigned	3% Minimum	Amount Above 3% Minimum
June 30, 2016	\$913,429	\$25,858,468	\$3,607,549	\$23,164,348
June 30, 2017	\$913,429	\$25,471,015	\$3,673,449	\$22,710,995
June 30, 2018	\$913,429	\$25,653,762	\$3,784,267	\$22,782,924

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 2014-15 to determine carryovers
- Start school and count enrollment
- Further budget refinement

