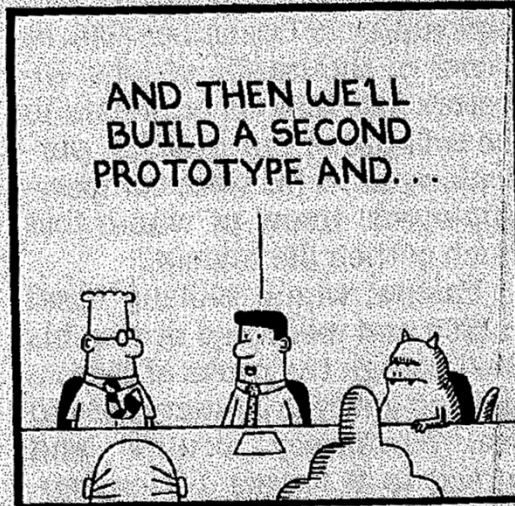




# Fullerton School District Second Interim Report

Report to Board of Education  
March 8, 2016

**DILBERT** By Scott Adams



www.dilbert.com scottadams@aol.com

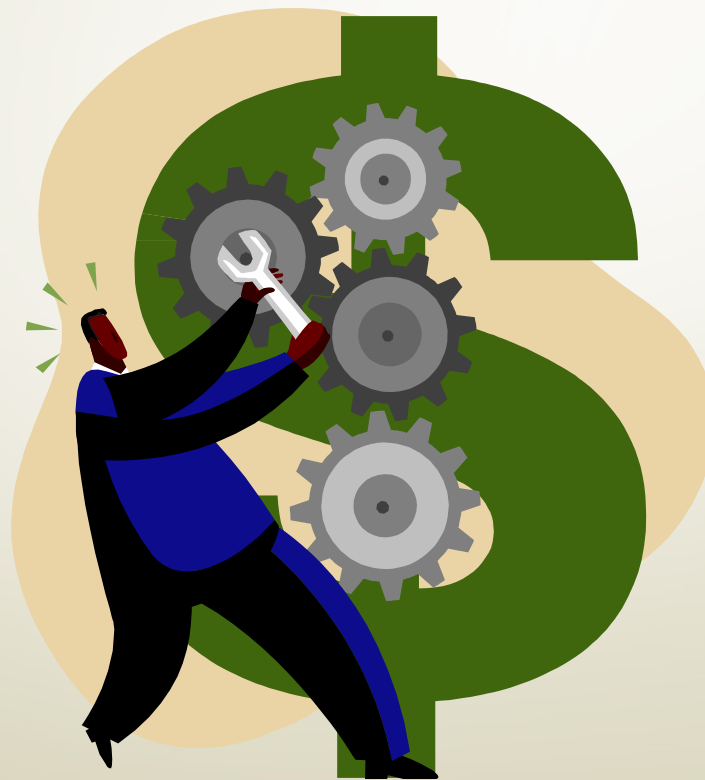
3-8-06 ©2006 Scott Adams, Inc./Dist. by UFS, Inc.

## Second Interim Report

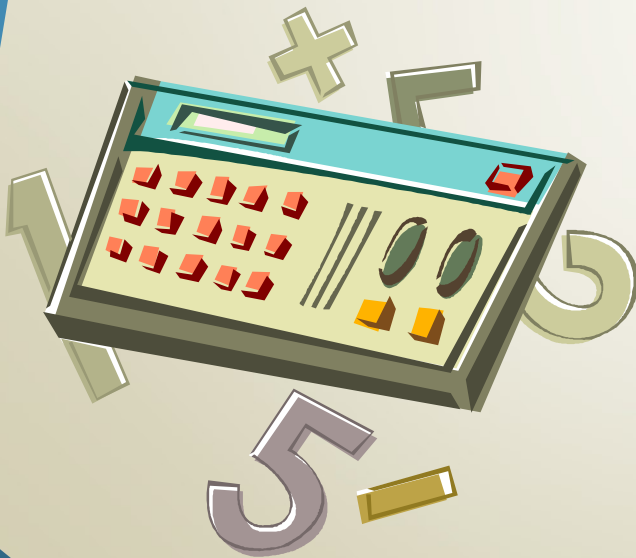
- One of three annual financial reports
- Reports actual financial results through January 31 and projections through 2017-18
- Key to determining District's fiscal viability
- Components of the Report



# Updating the 2015-16 Budget



## 2015-16 Budget – Adjustments to First Interim



- Effect of negotiated agreement – CSEA
- Educator Effectiveness funding (Restricted Fund)
- Ongoing budget adjustments caused by routine financial changes

## Ongoing Budget Adjustments

- Current year enrollment down 132 – will be reflected in 2016-17 budget
- Categorical revenues and expenses
- Other income accounts
- Encroachment
- Salaries and benefits
- All other expenditure accounts

# 2015-16 Revised Budget

Projected net income (loss) –

First Interim \$ 3,151,216

**Second Interim \$ 2,736,819**



Projected Unrestricted Ending Fund Balance

\$28.6 M ~ 21.44%

# Projected Actuals

“Estimated Actuals” and final year-end results will include \$4.2 M interfund transfer out of General fund for Parks Jr. High HVAC project



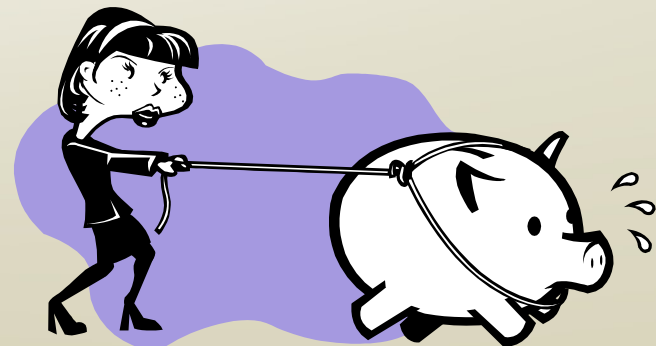


# Multi-Year Projections



# Governor's January Budget Proposal

- **A PROPOSAL**
- Will be revised in May, and again by Legislature for final budget
- Includes significant increases from 2015-16 Adopted Budget





# Themes for the 2016-17 Governor's Budget

© 2016 School Services of California, Inc.

- **The Governor continues to stabilize funding and programs in all areas of the State Budget**
- **Completing repayment of the education Maintenance Factor in 2015-16, as School Services of California, Inc., (SSC) projected, increases funding for the non-Proposition 98 side of the State Budget**
- **The state increased its revenue estimates, but continues to underestimate Proposition 98 revenues for 2015-16 and 2016-17**
- **Economic growth is much stronger than in past years, but Governor Jerry Brown highlights the risk of recession**
- **Serious legislative and advocacy issues abound and draw attention and energy**
- **The Local Control and Accountability Plan (LCAP) remains a dominant governance document**
- **Yet, in what is shaping up to be a very good year, it is time to think about the potential for a slowdown**



## Preparing for the Slowdown

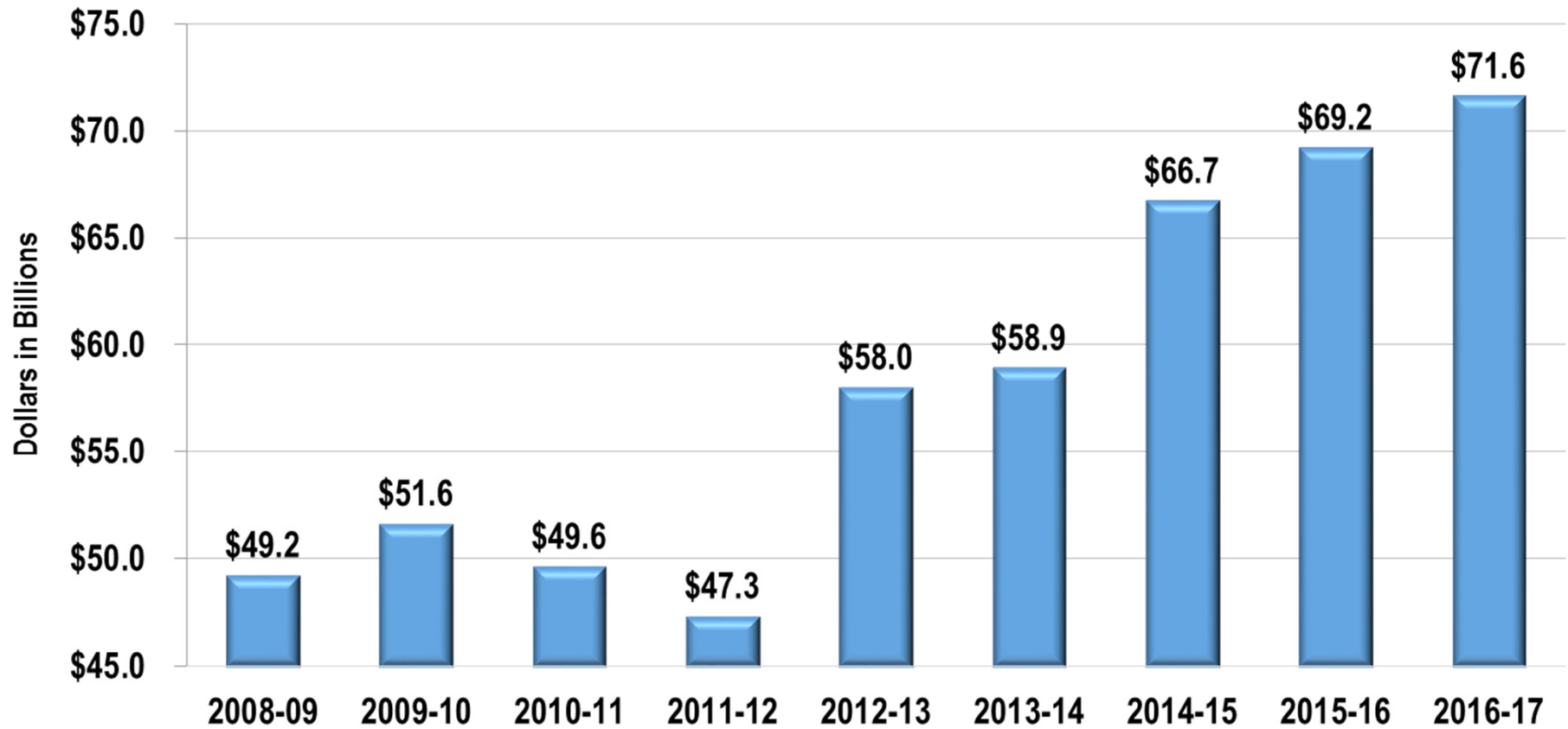
© 2016 School Services of California, Inc.

- **The growth in education funding has been fueled by three major factors, all of which could change during 2016-17:**
  - **The Proposition 30 temporary taxes**
  - **Growth in the economy**
  - **Repayment of the Maintenance Factor**
- **At full implementation, each district will receive only cost-of-living adjustment (COLA) increases to its LCFF funding each year**
  - **COLAs over the next few years are estimated to be in the 2% to 3% range**
  - **If those COLA projections come to pass, most districts would again be making significant budget reductions**
- **We need to prepare for a slowdown while at the same time advocate for higher funding to continue to move toward at least the national average**



# Proposition 98 Funding Over Time

## Proposition 98 Funding 2008-09 to 2016-17



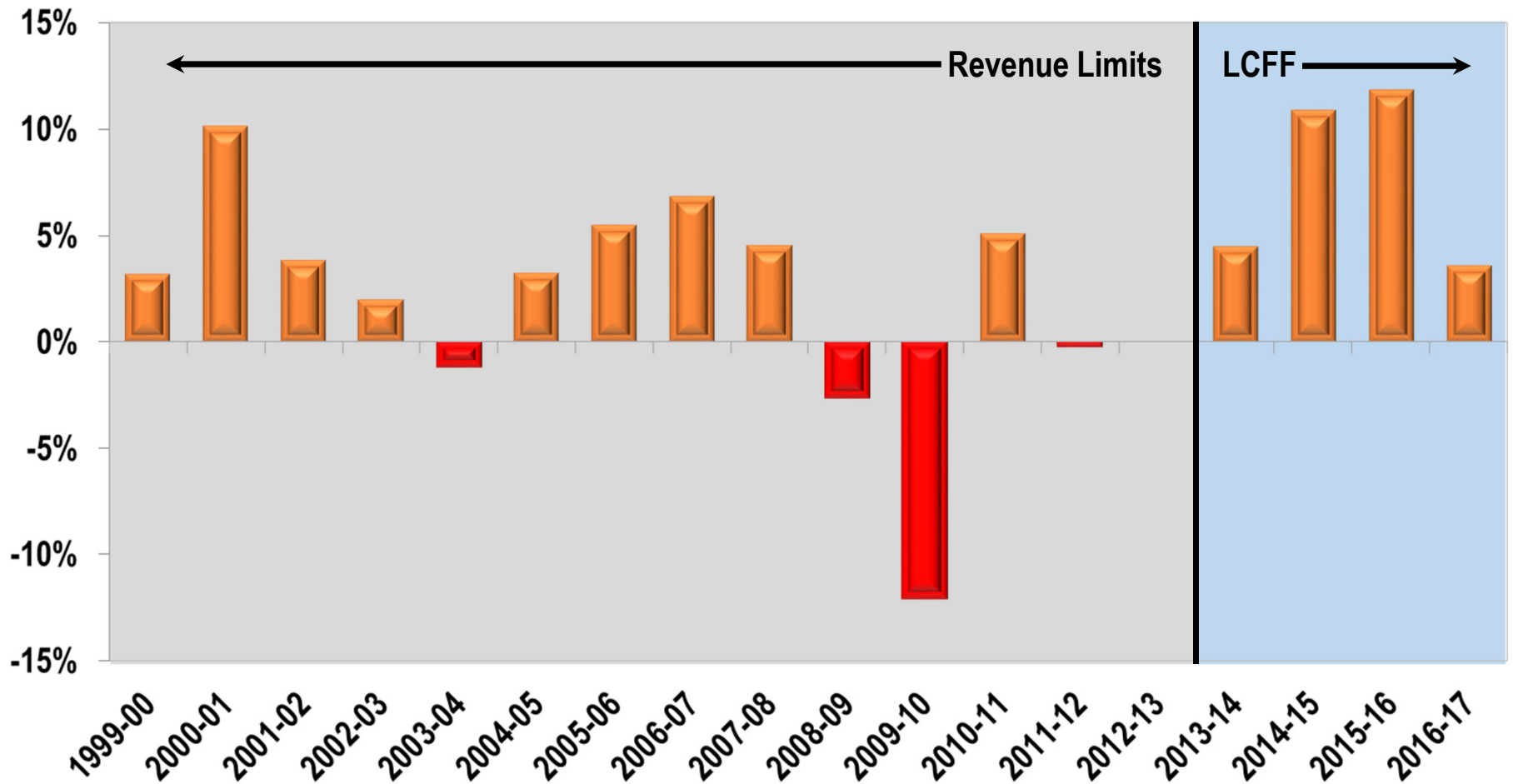
Source: Governor's State Budget Summary, Figure K12-02, page 20



# Per-ADA Funding Volatility

© 2016 School Services of California, Inc.

## Per Average Daily Attendance (ADA) Revenue Change





# Proposition 98 and the Major K-12 Proposals

© 2016 School Services of California, Inc.

- **The Governor's Budget proposal includes:**
  - **\$2.8 billion for Local Control Funding Formula (LCFF) gap closure**
  - **\$1.6 billion for an Early Education Block Grant (not new funding)**
  - **\$1.2 billion for discretionary one-time uses**
  - **\$365.4 million for the K-12 portion of Proposition 39 (2012) – Clean Energy Jobs Act**
  - **\$61 million to support projected charter school average daily attendance (ADA) growth**
  - **\$30 million in one-time funds to provide academic and behavioral supports**
  - **\$22.9 million for categorical programs' COLA (0.47%)**
  - **\$20 million for charter school startup grants**
  - **\$1.7 million for county offices of education (COE) to support COLA and ADA changes**



# What's Not in the State Budget?

© 2016 School Services of California, Inc.

- **Unfortunately, many critical issues are missing from the Governor's State Budget proposal:**
  - **No proposal for a statewide school facilities bond or program, although Governor Brown notes his perceived downsides of the current school facilities program**
  - **No new funding to address the increased employer contributions to the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS)**
  - **No new funding for transportation**



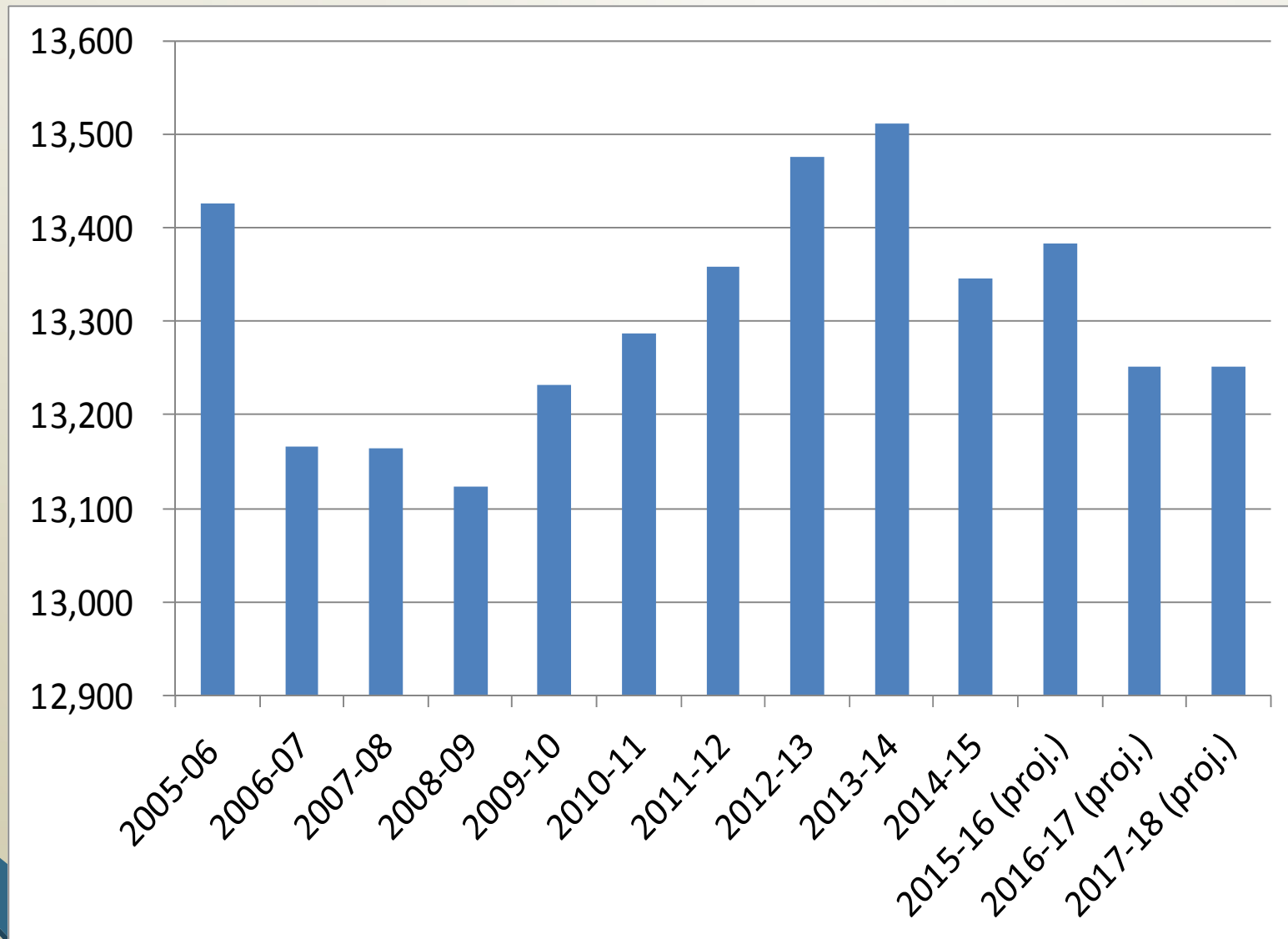


STAY! TUNED

# Multi-Year Projections

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Funded ADA	13,384	13,252	13,252
Statutory COLA	1.02%	0.47%	2.13%
Unduplicated Percent	51.28%	51.28%	51.28%
LCFF Gap Funding Rate	51.97%	49.08%	45.34%
Per ADA percent change LCFF-FSD	11.9%	5.0%	3.4%

# FSD P-2 ADA

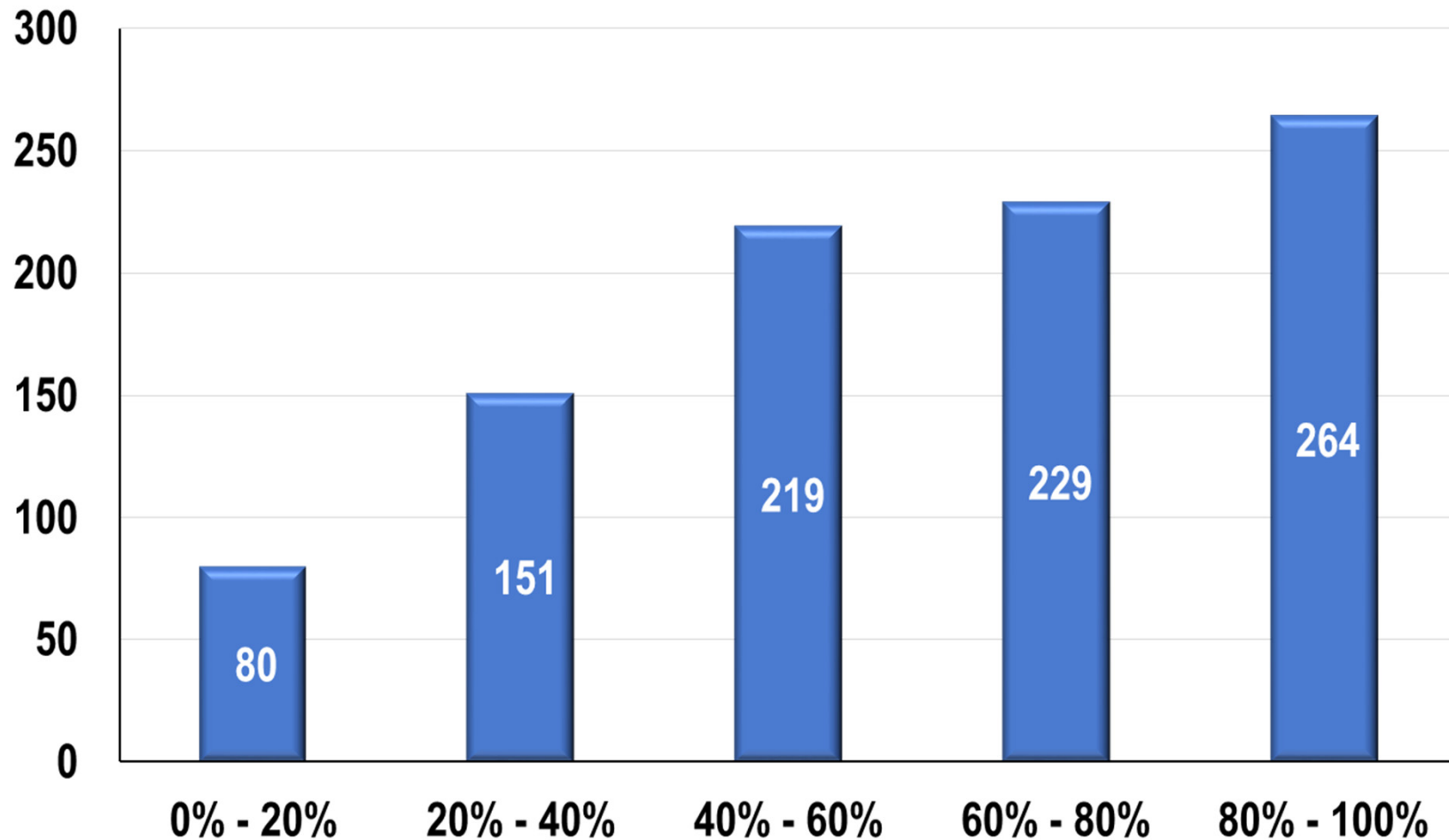




# Transitioning to Full Funding of LCFF Entitlements

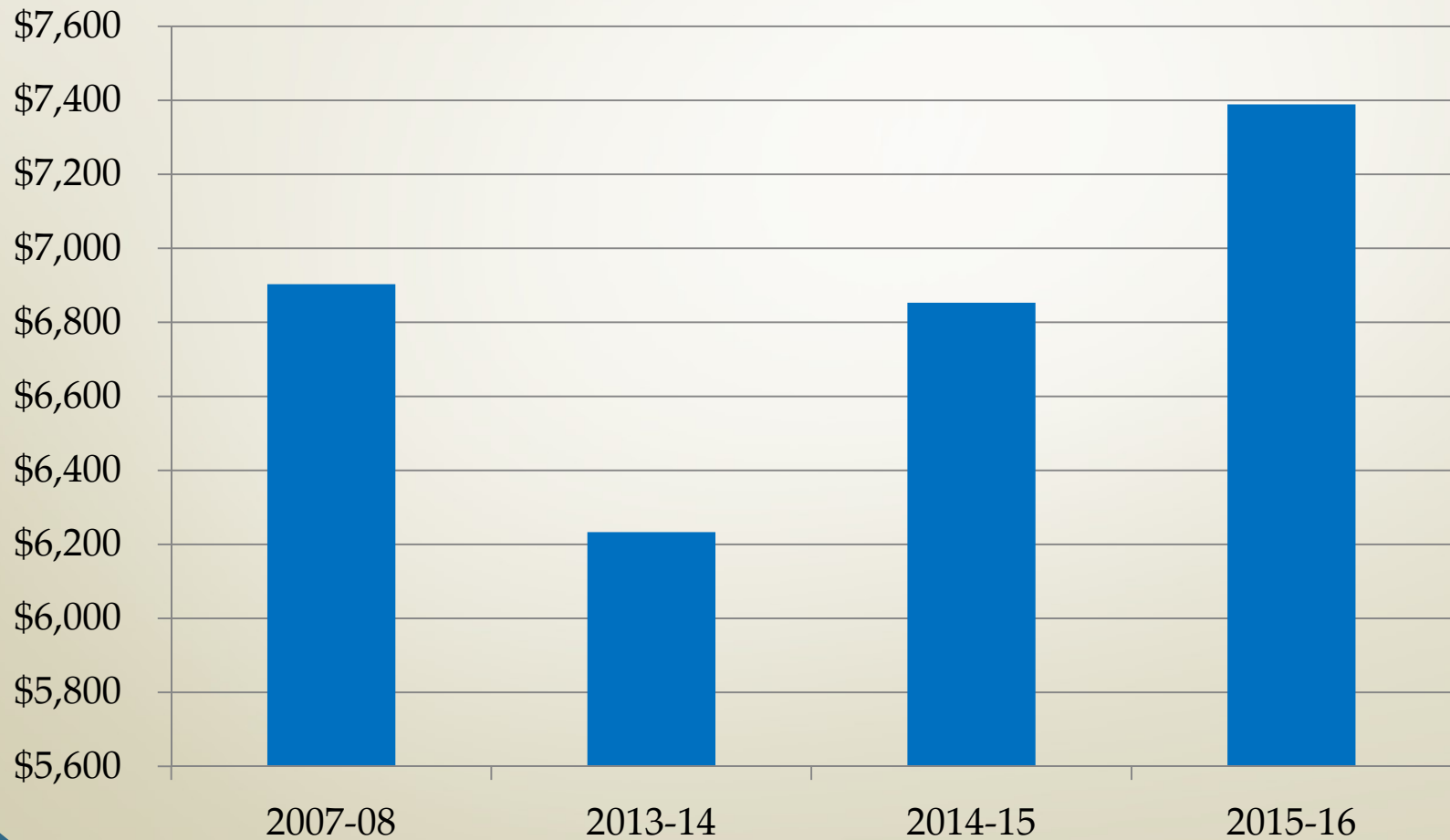
© 2016 School Services of California, Inc.

## Number of School Districts by UPP



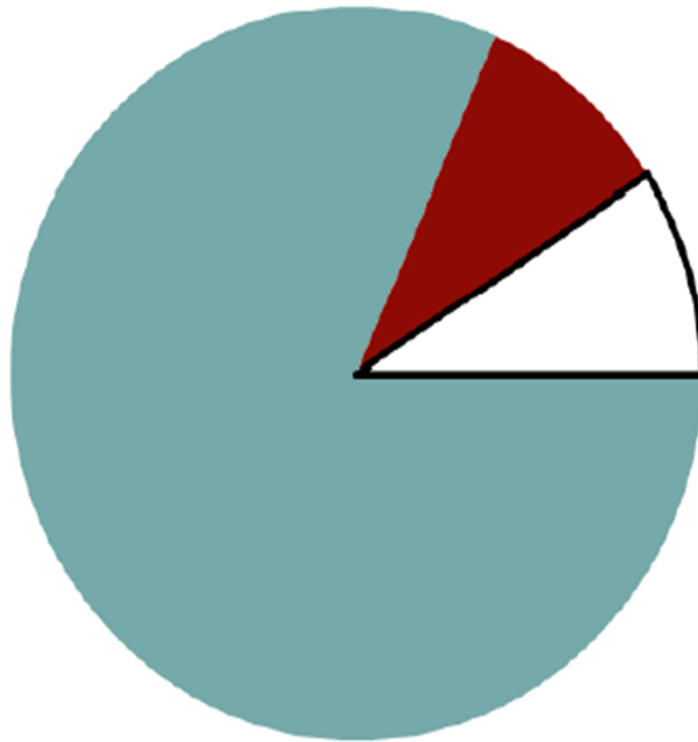
# Per Pupil Funding




## Funding per ADA



■ 2007-08 is Revenue Limit and categoricals, others are LCFF

# LCFF Target vs. LCFF Floor



 Floor     CY Gap     Remaining Need



## LCFF Funding Sources



Local Revenue   EPA   State Aid

# Multi-Year Projections – What's Included

- One Time Revenues
  - \$2.86 million unrestricted
- Employee compensation
  - 2<sup>nd</sup> half of 1% raise started 1/1/16
  - 1% off schedule bonus on 7/1/16
- Routine step & column
- STRS and PERS rate increases
- Health and welfare
- Inflationary increases





## Multi-Year Projections – What's NOT Included

- Any negotiated settlement for 2016-17
- Other discretionary/non-routine items
  - Dual Immersion
  - P.E./additional collaboration time
  - RTI coaches

## Projected Unrestricted Reserve – 3-year Projection

FYE	2016	2017	2018
Projected Unrestricted Gain/ (Loss)	\$2.7 M	(\$3.5 M)	\$137 K
Projected Unrestricted Ending Fund Balance	\$28.6 M	\$27.9 M	\$27.7 M
Fund Balance Percent	21.44%	20.56%	20.88%

# 2016-17 Net Deficit

Projected net deficit – UGF	(\$3,510,374)
One time expenses – 2016-17	
• Carryover – one-time funding	\$2,800,000
• 1 % bonus	<u>1,056,851</u>
Total	\$3,856,851

# District Certification

- The District shows above required 3% reserve as of June 30, 2018
- The District is certifying **“Positive”**
- A positive certification indicates that the District **will** be able to meet its financial obligations for the current and subsequent two fiscal years



# Next Steps

- Second Interim Report filed with OCDE for review
- P-2 Attendance Report
- LCAP
- May Revise
- District Budget – June 7<sup>th</sup> AND 21<sup>st</sup>
- State Budget



QUESTIONS?

