

Galt Joint Union High School District

Presentation on the
State and District Budgets



January 24, 2017

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School
Services
of California
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Overview

- Enrollment and Average Daily Attendance (ADA)
- District Budget and Multiyear Projections (MYP)
- What to do now





Enrollment and ADA



Enrollment and ADA

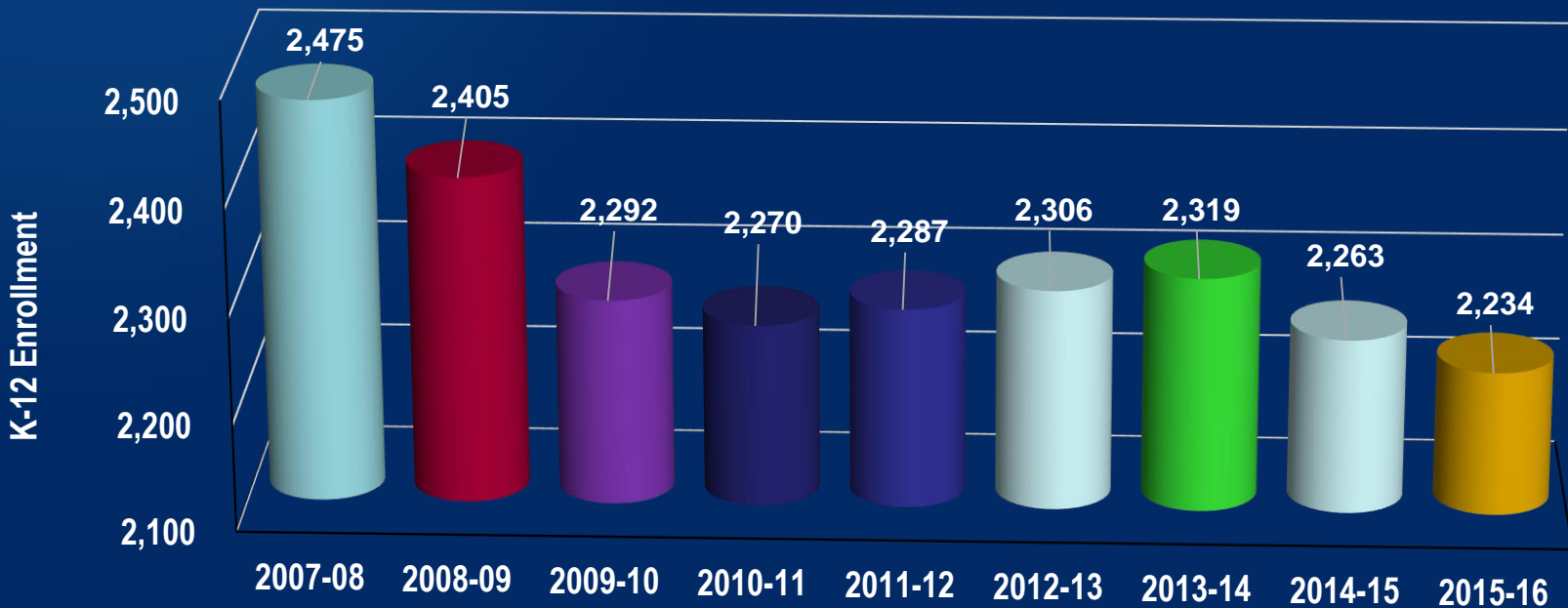
- Under the Local Control Funding Formula (LCFF) revenues are primarily driven by ADA and unduplicated student counts, as follows:

Drivers of LCFF Entitlement	
Base Grants	Supplemental and Concentration (S/C) Grants
ADA	Unduplicated counts of: <ul style="list-style-type: none">• Students eligible for free and reduced-price meals• English learners• Foster youth



Enrollment and ADA

- The District's enrollment has been declining since the 2007-08 peak of 2,475 students



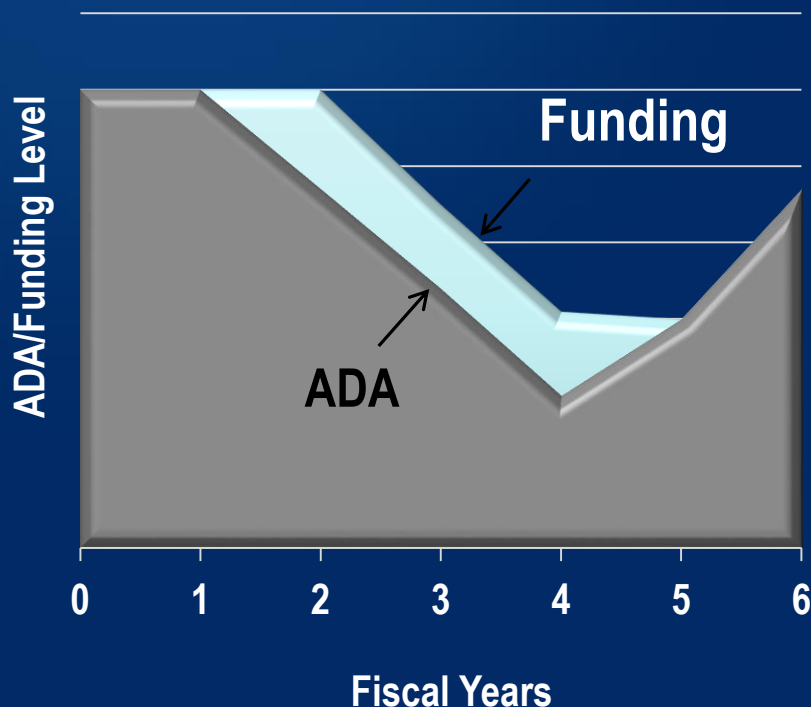
Source: California Department of Education (CDE) DataQuest website

- Enrollment is projected to continue declining in the future



Enrollment and ADA

Example:



Impact of ADA Decline

- Declining enrollment funding only delays – it doesn't relieve – the need for budget reductions
- Compensation increases will be lost in years of decline unless there are budget reductions equal to the revenue loss
- A budgeting crisis will also occur at the turnaround: more students, no more dollars



Declining Enrollment and ADA – Example

Impact of ADA Decline

Income Loss	Proportional Layoff
<ul style="list-style-type: none">117 ADA decline at \$9,200 each – yields marginal revenue loss	<ul style="list-style-type: none">125 students eliminates 5 classrooms at 25:1
	<ul style="list-style-type: none">Five teachers times cost per novice teacher yields savings of: \$300,000 (\$60,000 per teacher, including benefits, x 5 teachers)
Lost Revenue: \$1,076,400	<ul style="list-style-type: none">Miscellaneous savings (\$400/ADA) <u>\$48,000</u> Total proportional savings: \$348,000

Proportional layoff leaves a \$728,400 deficit. In this example, 12 more teachers would need to be laid off to cover the decline. Program cuts would be required.



Declining Enrollment and ADA

- **Decline in enrollment and ADA also impacts ongoing expenditures**
 - **Fewer new teachers are hired**
 - **Employees are clustered toward the top of the salary schedules**
 - **Almost 50% of the District's teachers are clustered at or near the top of the salary schedule**
 - **The average cost per employee is higher because of declining enrollment/ADA**
 - **\$82,400 per teacher (as of 2015-16)**



District Budget and Multiyear Projections



Budget and Multiyear Projections

- The District's current budget and MYP for the unrestricted General Fund are as follows:

Unrestricted General Fund			
	2016-17	2017-18	2018-19
Beginning Fund Balance	\$2,748,333	\$2,587,816	\$823,245
Revenues	\$22,215,948	\$21,487,751	\$21,768,150
Expenditures	(\$19,823,921)	(\$20,386,458)	(\$20,944,952)
Contributions to Restricted Programs	(\$2,552,544)	(\$2,865,864)	(\$2,956,203)
Surplus/(Deficit)	(\$160,517)	(\$1,764,571)	(\$2,133,005)
Assigned/Unassigned Ending Fund Balance	\$2,577,816	\$813,245	(\$1,319,761)
% Assigned/Unassigned (of total General Fund)	6.5%	3.1%	(4.8%)



Budget and Multiyear Projections

- **Because of deficit spending, the District's reserves fall below the state-required minimum of 3% in 2018-19**
 - **Therefore, the District submitted its 2016-17 First Interim report with a qualified certification**
- **Qualified certification: the District may not meet its obligations for the current or subsequent years**
 - **The Sacramento County Office of Education (SCOE) now has statutory authority to step in and assist the District with its fiscal stabilization**
- **The current budget and MYP reflect the most current information available at the time the Board adopted the 2016-17 First Interim report**
 - **However, the 2017-18 Governor's Budget just released will have significant impacts on the District's MYP**



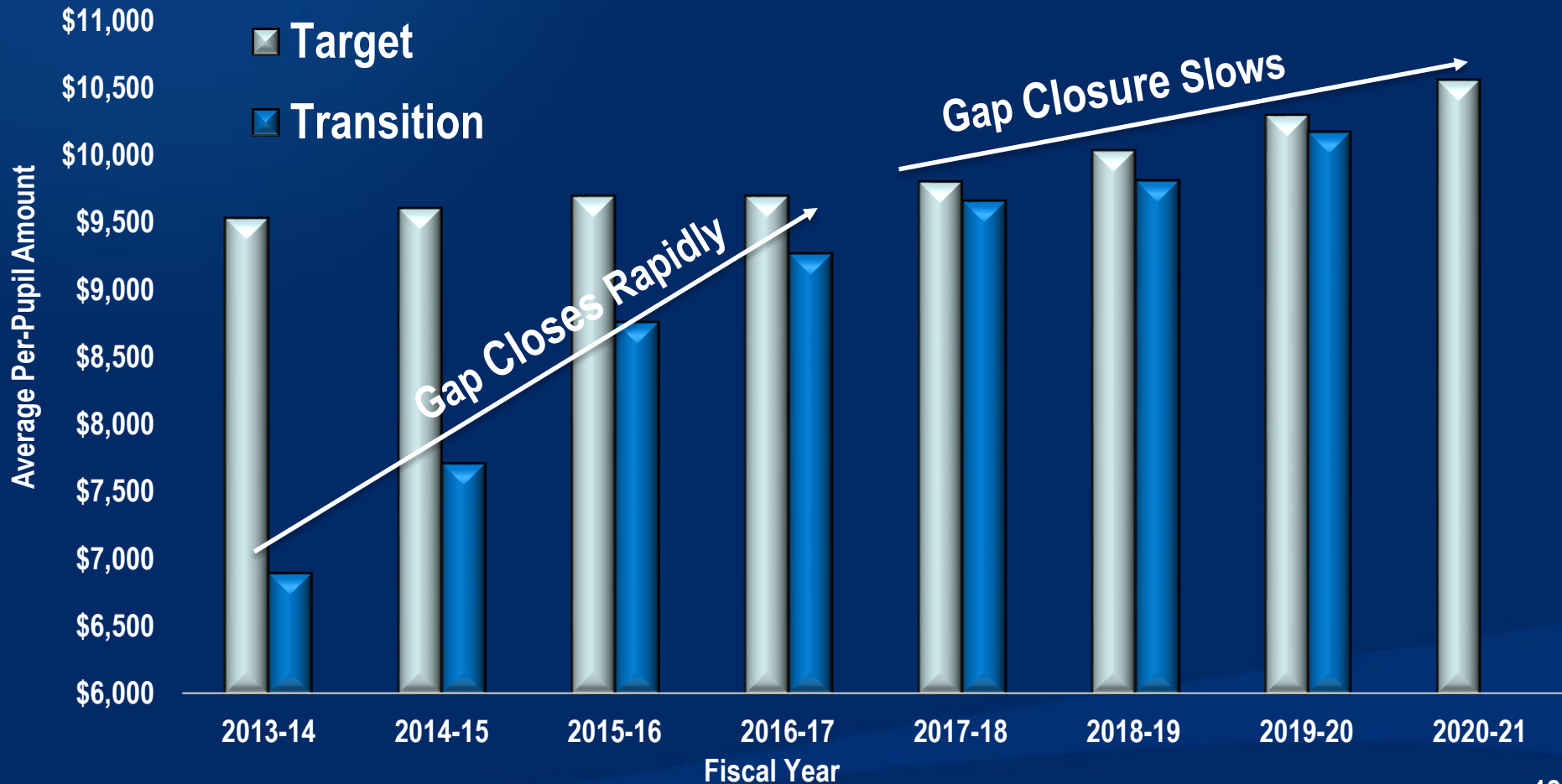
Revenues

- **During the eight-year LCFF implementation phase, the statutory cost-of-living adjustment does not directly determine annual funding increases**
 - **Instead, the increases are determined by how much that year's legislators and Governor are willing to commit to the LCFF**
- **The Department of Finance provides estimates of outyear gap funding increases for the LCFF, which now are big percentages**
 - **But the dollars are much lower than in the past**



LCFF Gap Funding Projections

LCFF Implementation





Revenues

- The District's revenue projections in the MYP as of the 2016-17 First Interim budget report reflected the latest estimates for LCFF gap funding
 - However, now the state has reduced its estimate for next year by about two-thirds of what was expected

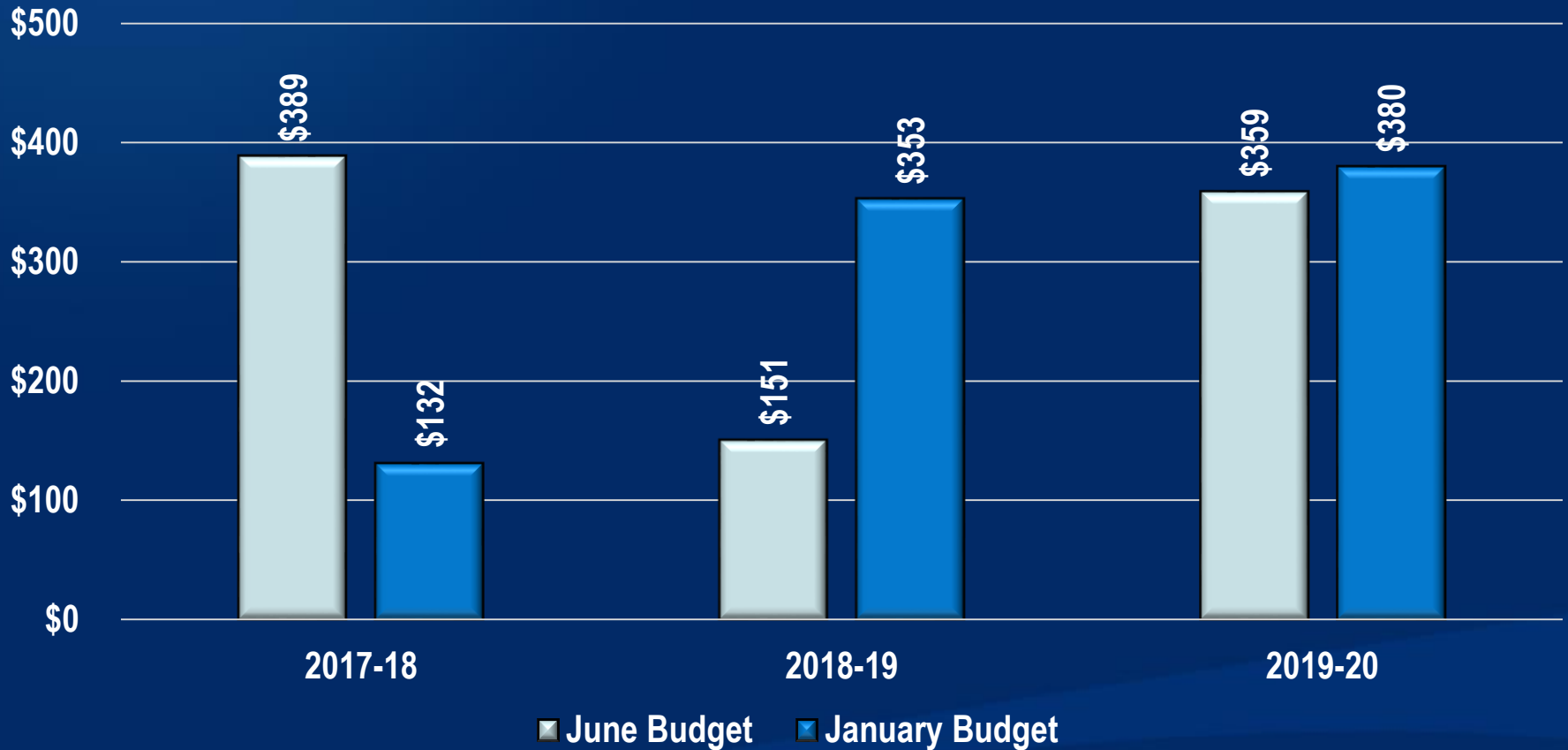
Department of Finance Gap Funding Estimates	2017-18	2018-19
Estimated at 2016-17 First Interim	72.99%	40.36%
Governor's 2017-18 Proposed Budget	23.67%	53.85%

- This reduces the revenues expected in both 2017-18 and 2018-19 from the District's current MYP
 - The revenue side will look significantly worse at the Second Interim reporting period



Examples of Changes in MYPs

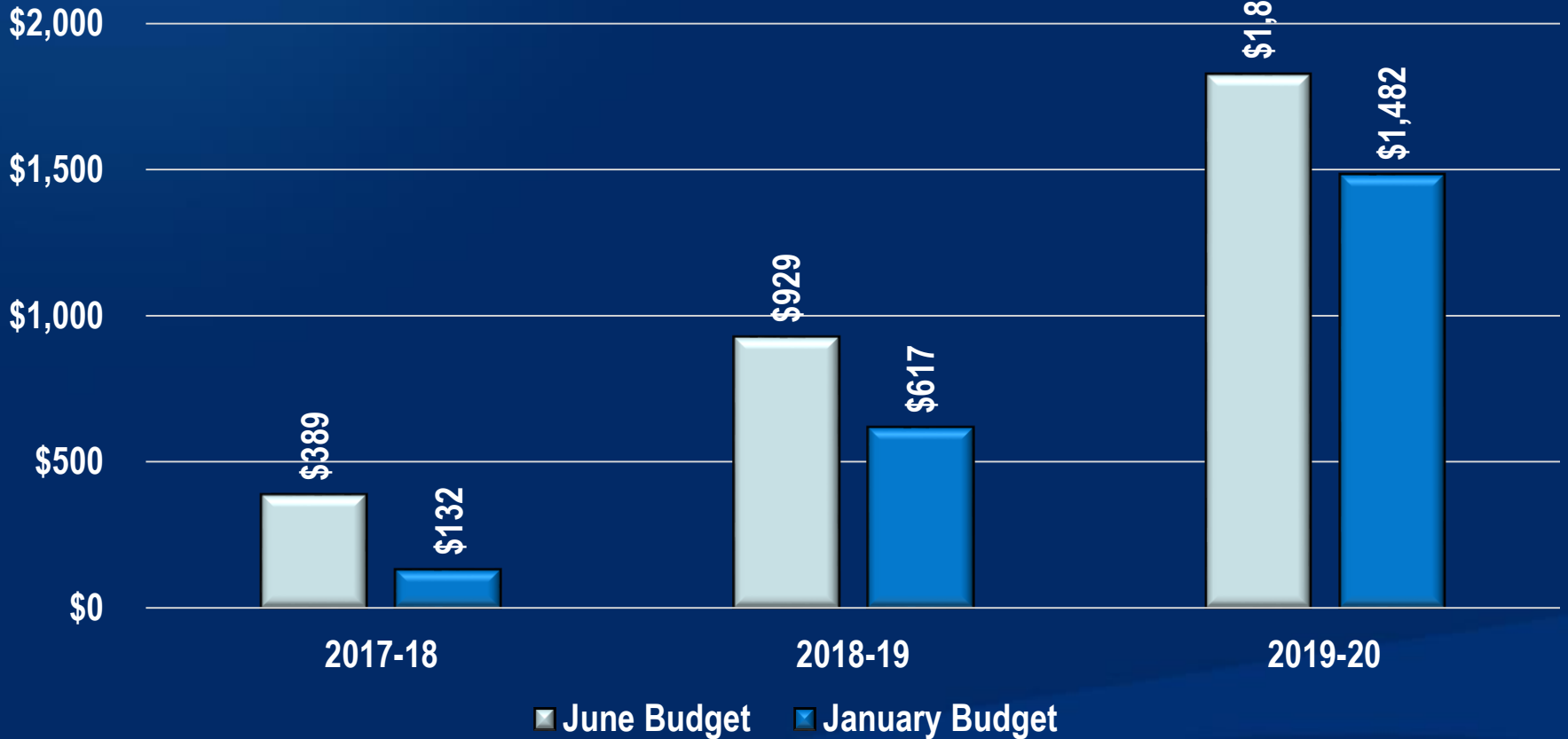
New Dollars Per ADA
(Average District)





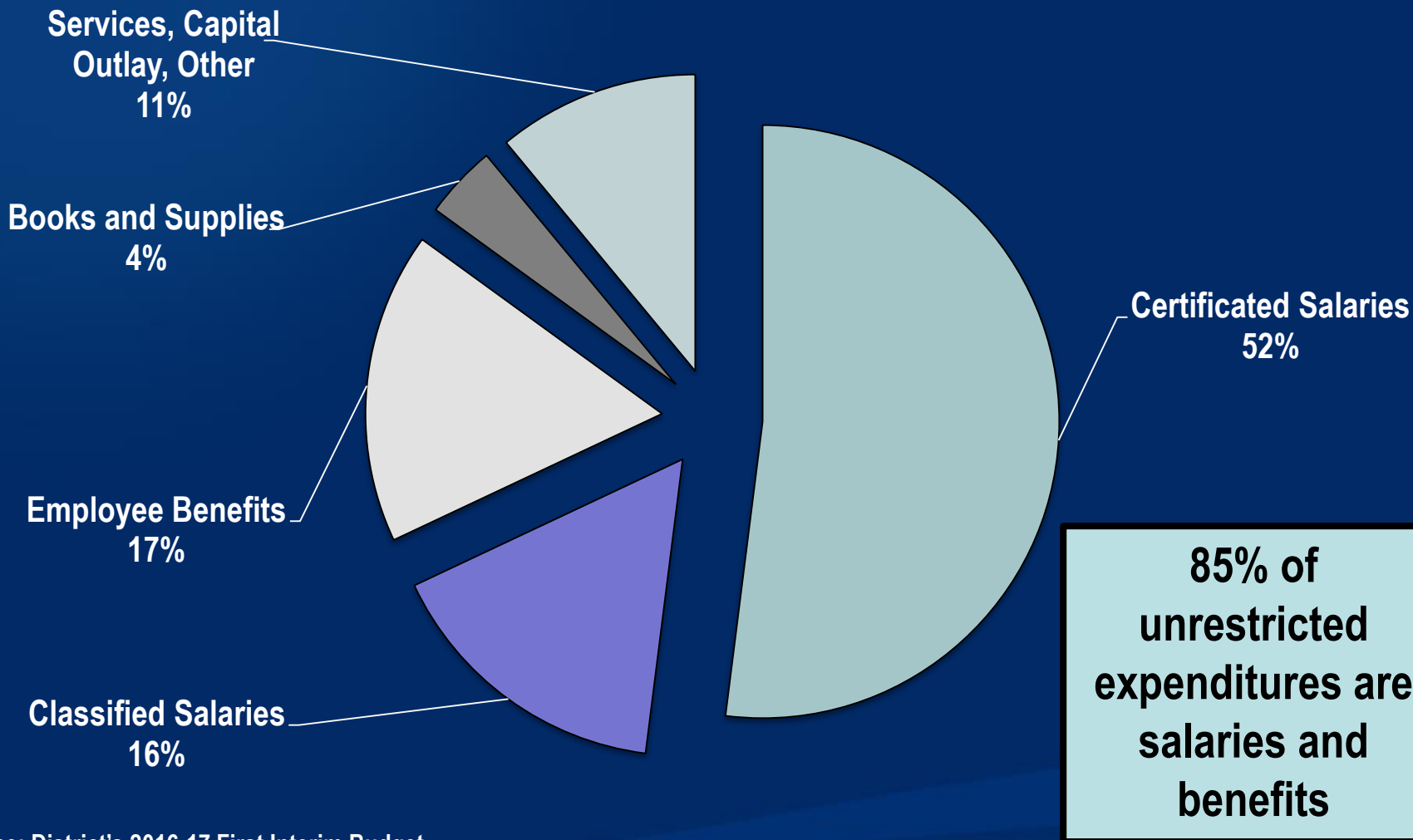
Examples of Changes in MYPs

Cumulative New Dollars Per ADA
(Average District)





How the Unrestricted General Fund Budget Is Allocated



Source: District's 2016-17 First Interim Budget



Expenditures

- **The District's expenditures are projected to increase each year in the MYP primarily due to:**
 - **Step and column movement increases**
 - **Increases in the contribution rates required for employee pensions:**
 - **California State Teachers' Retirement System (CalSTRS)**
 - **California Public Employees' Retirement System (CalPERS)**
 - **Increases in the contributions required for restricted programs, mainly:**
 - **Special education**
 - **Routine restricted maintenance**
 - **Contributions to the home-to-school transportation program, which is now unrestricted, are also projected to increase**



Contributions to Restricted Programs

Contributions to Restricted Programs



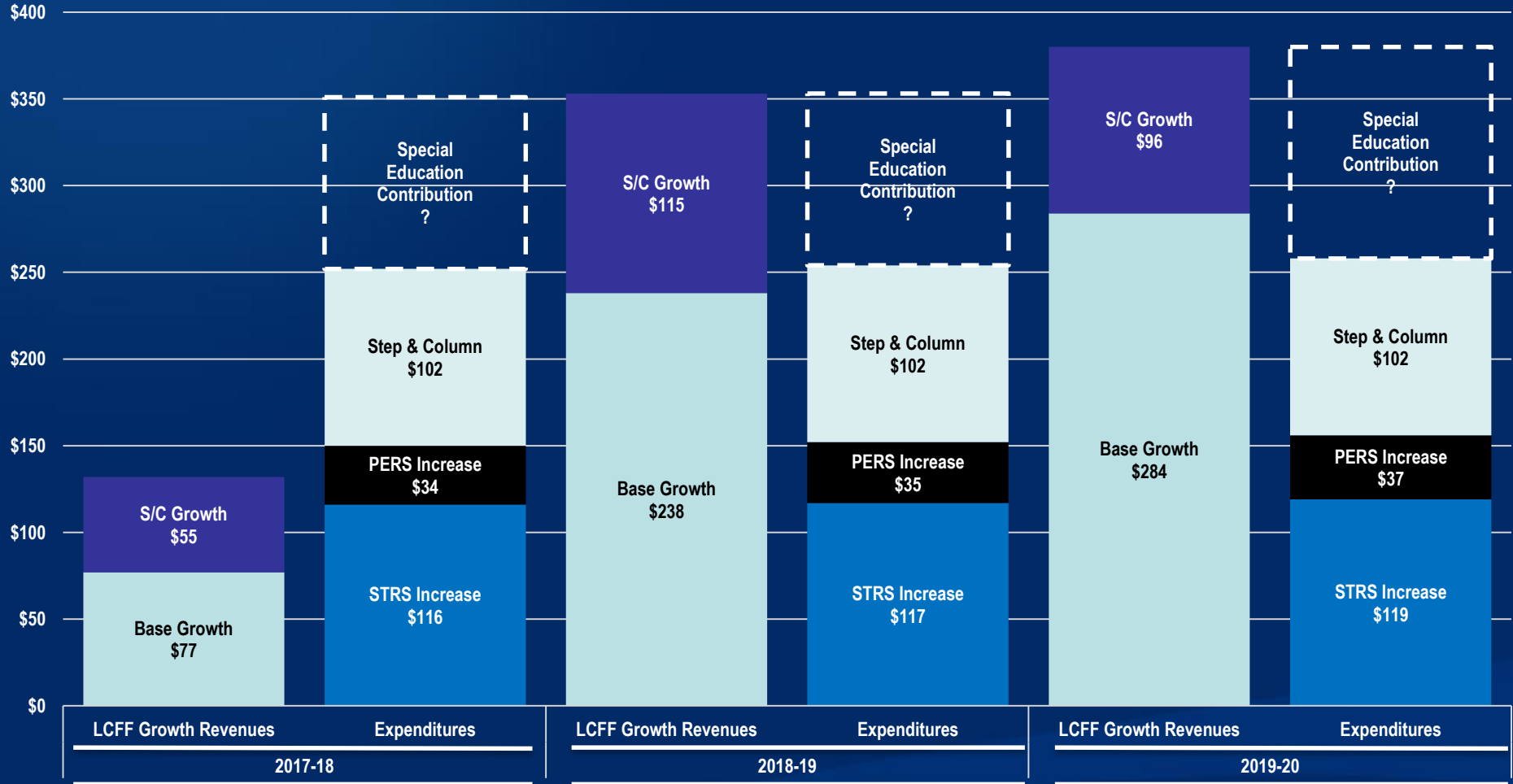


Expenditures

- After the Board approved the 2016-17 First Interim budget and MYP, the CalPERS Board revised its estimated employer contribution rates
 - Contributions to CalPERS are now projected to increase at a faster rate than what is currently reflected in the District's MYP
 - This will increase expenditures in the District's next MYP



Revenues vs. Expenses – Average District Now





What to Do Now



What to Do Now

Characteristics of districts that make a successful turnaround:

- Recognize they have a problem
- Don't mask the problem
- Take advantage of financial expertise available
- Work collaboratively with oversight agencies
- Are part of the solution

Characteristics of districts that require severe measures:

- Deny they have a problem
- Resist scrutiny from outsiders
- Don't seek external assistance
- Are combative with oversight agencies



What to Do Now

- **We commend the Board of Education for taking actions to address its fiscal situation**
 - **Self-certifying as qualified at the 2016-17 First Interim**
 - **Engaging fiscal experts to assist the District**
- **Further action is necessary to avoid fiscal insolvency**
 - **Welcome the assistance of external agencies such as SCOE**
 - **Reduce expenditures immediately**
 - **A dollar eliminated this year grows to three dollars in the third year of the MYP**
 - **Early action avoids significant pain later**

Questions?

