

SAN FRANCISCO
UNIFIED SCHOOL
DISTRICT
FY 2014-15
RECOMMENDED
BUDGET

Committee of
the Whole
June 17, 2014

OBJECTIVES

- Highlight changes to LCAP since First Reading
- Summarize the State Budget agreement for FY14-15
- Highlight changes to budget assumptions since First Reading
- Gather feedback and address questions
- Clarify next steps

LOCAL CONTROL ACCOUNTABILITY PLAN

- Section 1 (Community Engagement): has been updated to reflect discussion at on June 10 (First Reading)
- Section 2: preamble / introduction has been added
- Guiding questions have been eliminated
- Next Steps
 - Complete Appendix A (list of supplemental and concentration grant-funded investments)
 - Provide additional responses to feedback from PAC and DELAC
 - Staff work with PAC and DELAC to launch suggested advisory committee/working group to monitor implementation, refine future annual updates and continue community engagement

HIGHLIGHTS OF THE STATE BUDGET AGREEMENT

- The CA Legislature approved the State Budget on June 15th
- Higher revenue estimates from the Legislative Analyst's Office (LAO) were rejected in favor of revenue estimates proposed in the Governor's May Revision
- Funding to eliminate deferrals as proposed by the Governor in his May Revision is reduced by \$1 billion
 - Nearly \$1 billion in deferrals continue to be included in the budget, along with a "positive trigger"
 - If the 2015-16 May Revision reflects higher than anticipated revenues, then an additional payment of up to the full amount of deferrals would be made

HIGHLIGHTS OF THE LEGISLATURE'S STATE BUDGET

- The \$1 billion of freed up money from reduction of the deferrals is directed to the following areas:
 - \$250 MM more funding for LCFF implementation
 - \$400 MM to reduce the backlog of K-12 mandate reimbursements
 - Districts are to use these funds for Common Core State Standards but may use them for “any one-time purpose, as determined by the governing board”
 - \$250 MM in one-time funding for Career Pathways grants
 - \$155 MM (plus an additional \$101 MM in non-Prop 98 funding) for an Early Childhood Education package to increase slots, increase the standard reimbursement rate, and improve program quality, professional development and facilities

FISCAL IMPACT OF CAL-STRS RATE INCREASES – UGF & CONTRIBUTIONS

Year	May Revision Proposal			State Budget Agreement			Difference Between Governor's Proposal & Final Version	
	Employer Contribution Rate	Increase Over Current Rate	Amount of Increase	Employer Contribution Rate	Increase Over Current Rate	Amount of Increase	% Difference	\$ Difference
FY 14-15	9.50%	1.25%	\$ 3,048,629	8.88%	0.63%	\$ 1,536,509	-0.62%	\$ (1,512,120)
FY 15-16	11.10%	2.85%	\$ 7,020,383	10.73%	2.48%	\$ 6,108,965	-0.37%	\$ (911,418)
FY 16-17	12.70%	4.45%	\$ 11,071,267	12.58%	4.33%	\$ 10,772,716	-0.12%	\$ (298,551)
FY 17-18	14.30%	6.05%	\$ 15,202,467	14.43%	6.18%	\$ 15,529,131	0.13%	\$ 326,665
FY 18-19	15.90%	7.65%	\$ 19,415,183	16.28%	8.03%	\$ 20,379,598	0.38%	\$ 964,414
FY 19-20	17.50%	9.25%	\$ 23,710,634	18.13%	9.88%	\$ 25,325,520	0.63%	\$ 1,614,886
FY 20-21	19.10%	10.85%	\$ 28,090,052	19.10%	10.85%	\$ 28,090,052	0.00%	\$ -

FISCAL IMPACT OF CAL-STRS RATE INCREASES – ALL FUNDS

Year	May Revision Proposal			State Budget Agreement			Difference Between Governor's Proposal & Final Version	
	Employer Contribution Rate	Increase Over Current Rate	Amount of Increase	Employer Contribution Rate	Increase Over Current Rate	Amount of Increase	% Difference	\$ Difference
FY 14-15	9.50%	1.25%	\$ 3,964,700	8.88%	0.63%	\$ 1,998,209	-0.62%	\$ (1,966,491)
FY 15-16	11.10%	2.85%	\$ 9,129,911	10.73%	2.48%	\$ 7,944,625	-0.37%	\$ (1,185,287)
FY 16-17	12.70%	4.45%	\$ 14,398,030	12.58%	4.33%	\$ 14,009,769	-0.12%	\$ (388,261)
FY 17-18	14.30%	6.05%	\$ 19,770,599	14.43%	6.18%	\$ 20,195,422	0.13%	\$ 424,823
FY 18-19	15.90%	7.65%	\$ 25,249,179	16.28%	8.03%	\$ 26,503,386	0.38%	\$ 1,254,208
FY 19-20	17.50%	9.25%	\$ 30,835,353	18.13%	9.88%	\$ 32,935,491	0.63%	\$ 2,100,138
FY 20-21	19.10%	10.85%	\$ 36,530,726	19.10%	10.85%	\$ 36,530,726	0.00%	\$ -

CAP ON DISTRICT RESERVES: PART I

- Beginning in FY 2015-16 boards of education must justify reserves if they exceed the state-mandated minimum
- A public hearing will be required at every budget adoption or subsequent revision to explain any reserve amount greater than state-mandated minimum
- County Office of Education (or the State, for SFUSD) must determine whether the district's budget exceeds the minimum required reserve and whether the district complied with the new public hearing requirements

CAP ON DISTRICT RESERVES: PART II

- If the State Rainy Day Fund is approved by CA voters in November, in the year following a deposit into the Proposition 98 Rainy Day Reserve, districts will not be allowed to have reserves more than two times the minimum required by state regulations
- County Office could provide a waiver under “extraordinary fiscal circumstances” but only for up to two consecutive years within a three-year period
- In the third year after the two-year waiver period, a district would be required to spend down its reserves to the new maximum level or below

CONCERNS ABOUT RESERVES CAP

- The minimum reserve cap runs counter to the State's intent of providing greater local control and accountability to LEAs with the enactment of the LCFF
- An adequate reserve above the required minimum has saved several school districts from becoming fiscally insolvent during the State's recent recession
- The cap could severely restrict many districts' ability to adequately protect against economic downturns and other unforeseen contingencies

FY 2014-15 PROPOSED BUDGET REVENUE HIGHLIGHTS

- LCFF revenue is based on the growth factors projected by the Department of Finance.
 - LCFF revenue is projected to increase by ~~\$38.4~~ **\$39.8** MM, representing growth funding of ~~28.05%~~ **29%** for closing the gap toward target funding
 - Multi-year projections are now based on DOF estimates
- Lease and rental income is projected to increase by \$1MM reflecting higher revenue from 1235 Mission Street
- Sales Tax is projected to increase by about \$1.5 million or 5% based on City's projections for sales tax revenue growth
- All Other Local Revenue is projected to increase by \$515K due to a one-time settlement payout from PARS
- Mayor's budget includes **\$11.1** million appropriation from Rainy Day Reserve, which could provide security in the future, especially if DOF projections do not materialize

FY 2014-15 PROPOSED BUDGET EXPENDITURE HIGHLIGHTS

- Increases in FY 2014-15 expenditure budget include:
 - Salary and related benefits increases / collective bargaining (\$10.0 MM)
 - Increased WSF and other site-based budget allocations (\$5.3 MM)
 - Investments in centrally budgeted supports to sites (MTSS) (\$4.4 MM)
 - Increasing classified retirement and other benefits costs (\$4.3 MM)
 - Higher contribution to Special Education (\$4.1 MM)
 - Step and column increases (\$2.3 MM)
 - Elimination of revenue reallocation from QTEA (\$2.2 MM)
 - Increased employer contribution for CAL-STRS based on the Governor's proposal (~~\$3.0~~ \$1.5 MM)
 - Expanding transitional kindergarten classrooms (\$1.1 MM)
 - **Proposed budget also includes funding to match or exceed City's minimum wage of \$10.74 for all employees (\$0.2 MM)**

UNRESTRICTED GENERAL FUND FY 2013-14 ESTIMATED ACTUALS VS. FY 2014-15 BUDGET (\$ MILLIONS)

	FY 13-14 Estimated Actuals	FY 14-15 Recommended Budget	Variance
Beginning Fund Balance	\$ 36.073	\$ 24.635	\$ (11.438)
Revenues	\$ 429.912	\$ 478.164	\$ 48.252
Expenditures	\$ 441.350	\$ 477.218	\$ 35.868
Revenues Less Exp	\$ (11.438)	\$ 0.946	\$ 12.384
Ending Fund Balance	\$ 24.635	\$ 25.581	\$ 0.946
Designated Rainy Day Reserves	\$ -	\$ 6.680	\$ 6.680
Other Designated Fund Balance	\$ 15.973	\$ 16.111	\$ 0.138
Undesignated Fund Balance	\$ 8.662	\$ 2.790	\$ (5.872)

MULTI YEAR PROJECTIONS – UNRESTRICTED GENERAL FUNDS (\$ MILLIONS)

	FY 13-14 Estimated Actuals	FY 14-15 Recommended Budget	FY 2015-16 Projected Budget	FY 2016-17 Projected Budget
Beginning Fund Balance	\$ 36.073	\$ 24.635	\$ 25.581	\$ 28.241
Revenues	\$ 429.912	\$ 478.164	\$ 505.819	\$ 524.780
Expenditures	\$ 441.350	\$ 477.218	\$ 503.159	\$ 530.116
Revenues Less Expenditures	\$ (11.438)	\$ 0.946	\$ 2.660	\$ (5.336)
Ending Fund Balance	\$ 24.635	\$ 25.581	\$ 28.241	\$ 22.905
Designated Rainy Day Reserves	\$ -	\$ 6.680	\$ 6.680	\$ 6.680
Other Designated Fund Balance	\$ 15.973	\$ 16.111	\$ 16.014	\$ 16.143
Undesignated Fund Balance	\$ 8.662	\$ 2.790	\$ 5.547	\$ 0.082

(Based on State Budget Agreement and Department of Finance LCFF Revenue Growth Projections)

NEXT STEPS

- Staff revises budget book for Second Reading – June 20th
- Staff prepares SACS forms, finalizes LCAP – June 23rd
- Second reading of LCAP and Budget – June 24th
- School sites revise final budgets – Sept. / October
- Close books for FY 2013-14
 - Unaudited Actuals – October
 - Audited Financial Statements – December
- First Interim Report for FY 2014-15 – December