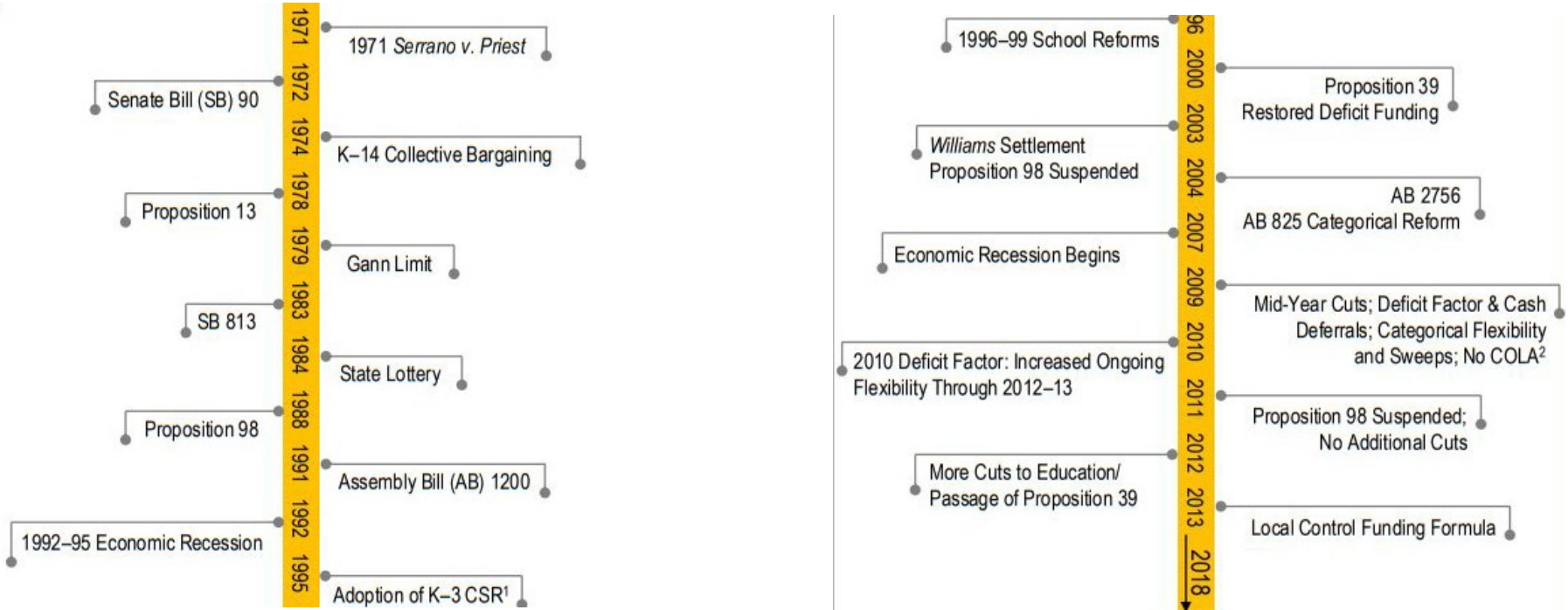


School Finance 101

December 17, 2019

Unraveling The
Mystery of K-12
School Business

Timeline of Major Events in California School Finance



Budget Milestones Across the School Year and Budget Process

- Financial reports in the SACS format must be adopted and submitted to the County Office of Education (“COE”) at least five times per year:

Report	Period Covered	Due Date
Adopted Budget	New fiscal year	July 1*
First Interim	July 1–October 31	December 15
Second Interim	July 1-January 31	March 15
Estimated Actuals	July 1–June 30	July 1*
Unaudited Actuals	July 1–June 30	September 15

*Adopted Budget for the next year includes Estimated Actuals for the current year

Budget Milestones Across the School Year and Budget Process

Budget Calendar

For Last Year: Close and Audit

AUGUST AND NOVEMBER

Close, define actuals,
determine the ending balance

JULY—DECEMBER

Audit and review

DECEMBER

Receive audit, evaluate
management letters

JANUARY—FEBRUARY

Follow up on
management letters

For This Year: Monitor

JULY

Adopt and analyze

AUGUST—SEPTEMBER

Amend and revise

DECEMBER—JANUARY

Amend, measure, and report
First Interim Report

FEBRUARY—APRIL

Amend, measure, and report
Second Interim Report

JULY—SEPTEMBER

Amend, measure, and analyze

For Next Year: Developing the Budget

AUGUST—NOVEMBER

Identify goals for next year and draft
revisions to Local Control and
Accountability Plan (LCAP)

DECEMBER—JANUARY

Project enrollment, ADA,
revenues, and expenses

FEBRUARY—MARCH

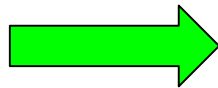
Conclude staffing levels,
incorporate LCAP initiatives

APRIL—JUNE

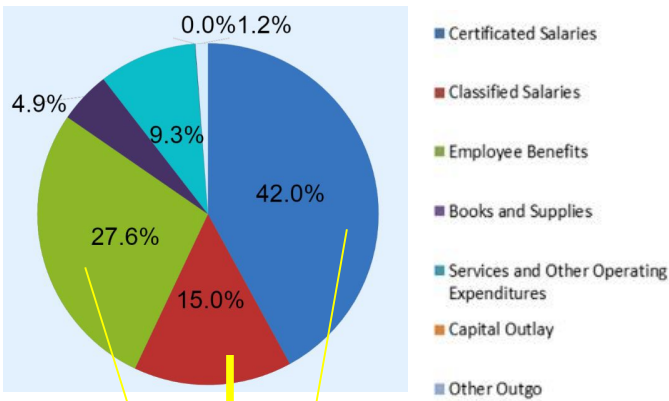
Study, update, balance,
conclude, and adopt

2019-20 1st Interim General Fund Financial Information

General Fund Budget = \$360m+ Revenues



Revenues Received Across Two Categories:



Salaries and Benefits = 85%

“Unrestricted” \$293m+ million includes
\$276m+ million “Local Control Funding Sources” (LCFF) sources
\$17m+ million Non-LCFF sources (examples = Parcel Tax \$6.8+ million, Lottery = \$5.0+ million)

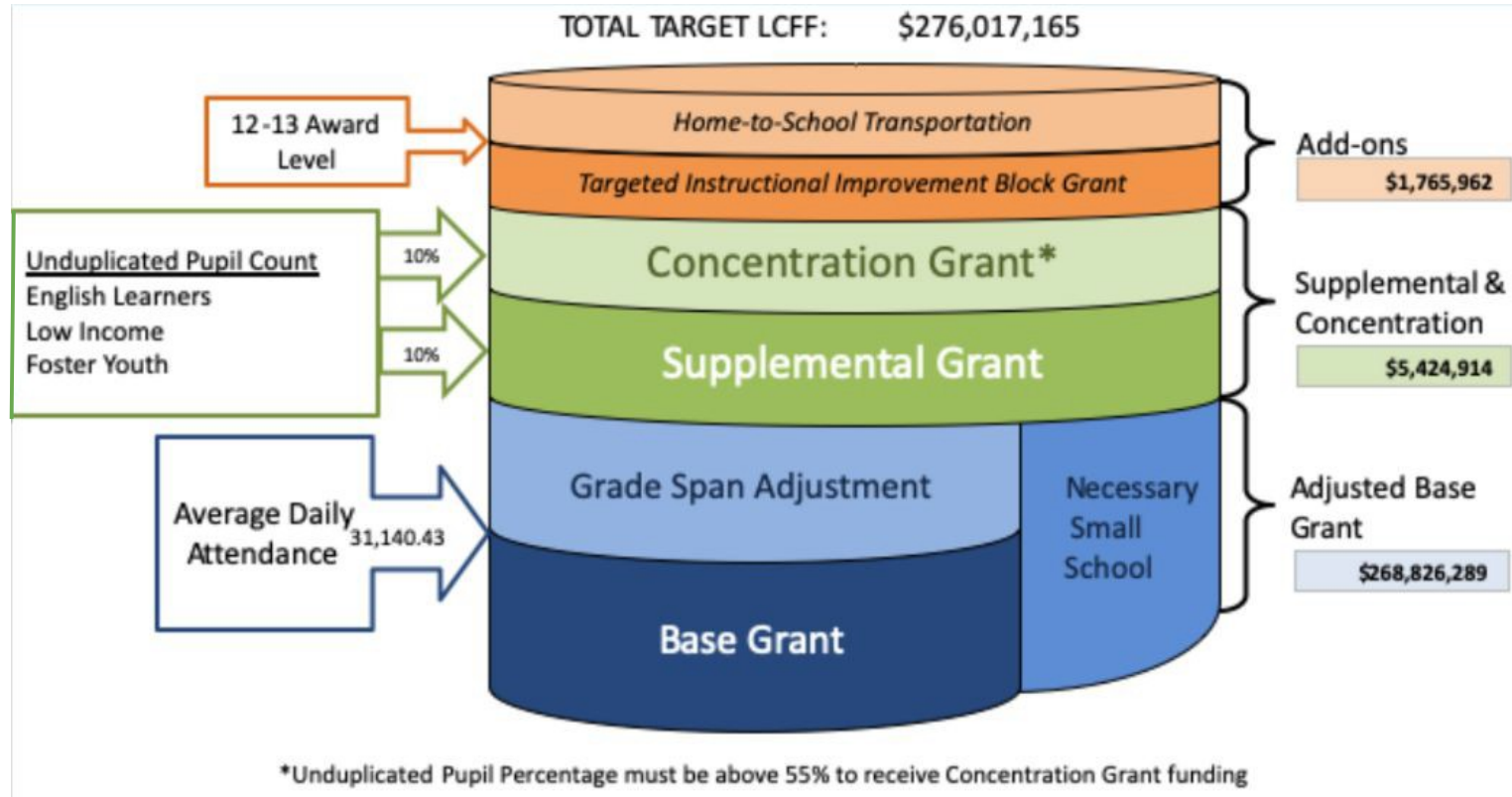
“Restricted” \$67m+ million includes
\$25m+ million Federal and State Special Education sources
\$20m+ million Other State sources
\$22m+ million Local Donations

The General Fund is the chief operating fund for all school districts and is divided into restricted and unrestricted segments. School districts record expenditures according to the types of items purchased or services obtained (the seven categories in the pie chart above). 86%+ of total General Fund expenditures consist of employee salaries and benefits. All employees contribute to the pool of services required to deliver the core school day for our students. Classroom teaching; clerical and administrative support; custodial, maintenance and other operational support; all make us the General Fund’s pool of services. Costs associated with these core employees, along with related supplies and services, are not generally included in the “Local Control Accountability Plan” (LCAP) unless they are associated with specific actions and services identified in the LCAP.

Invested in 31,900+ students

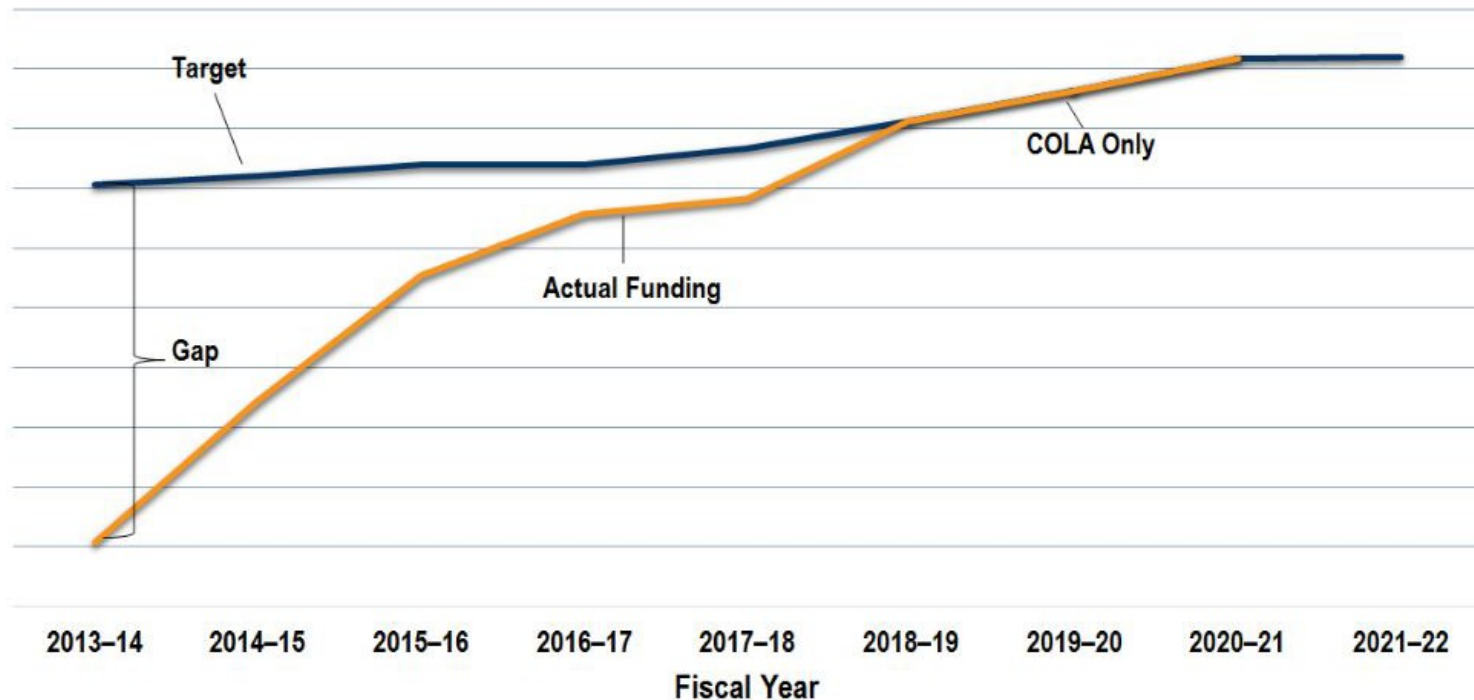
\$365m+ Expenditure Budget

Local Control Funding Formula (“LCFF”) --- Components

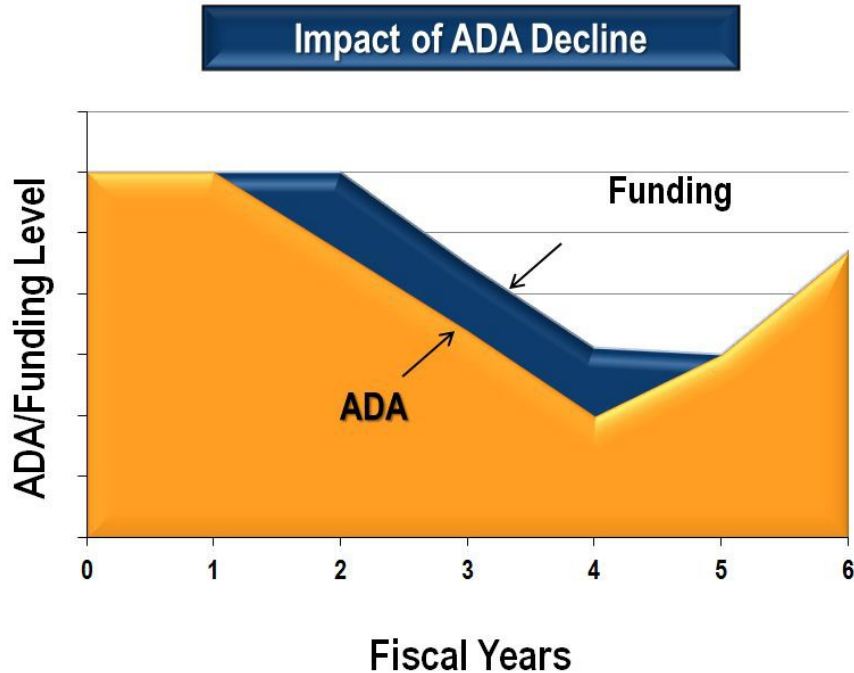


2019-20 and Beyond --- LCFF Implementation

LCFF Implementation Progress

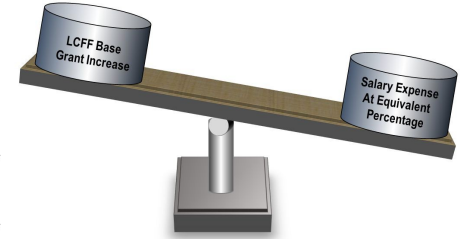


LCFF Reality in a Declining Enrollment Environment

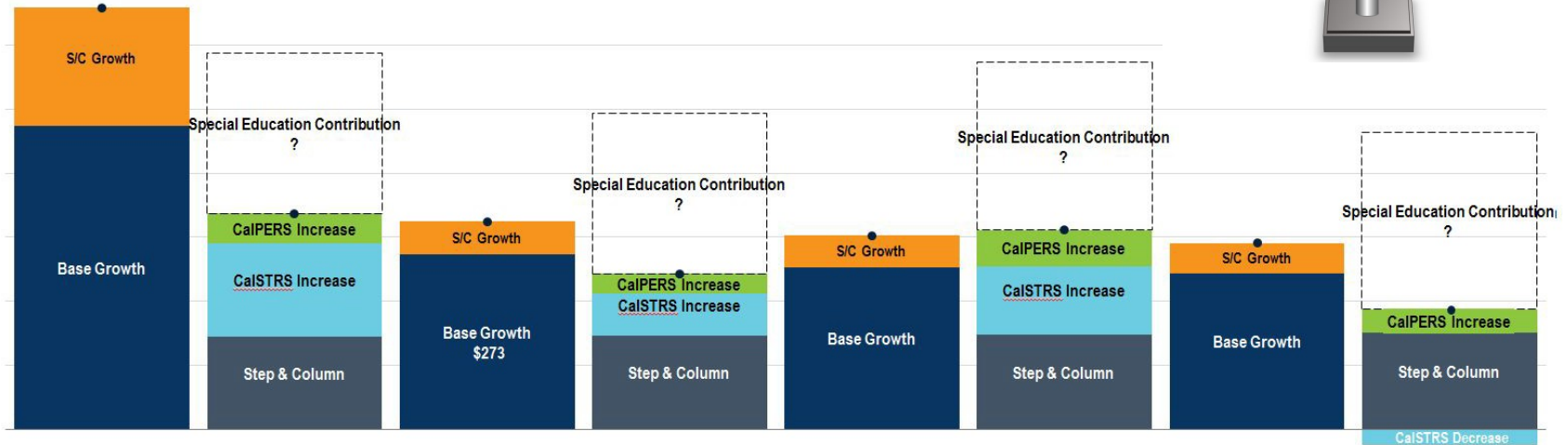


- Declining enrollment districts receive LCFF funds based on the greater of current-year or prior-year Average Daily Attendance (“ADA”)
- Declining enrollment funding forces budget reductions >>> less money for our students = less money for expenditure investments
- A budgeting difficulties also occur when/if an enrollment turnaround materializes >>> more students, but no more dollars (because may still not exceed the prior-year’s ADA)

LCFF Cannot Keep Up With “Turn the Page Costs” Reality in a “LCFF Increases by COLA” Environment



Statewide Average Per ADA*



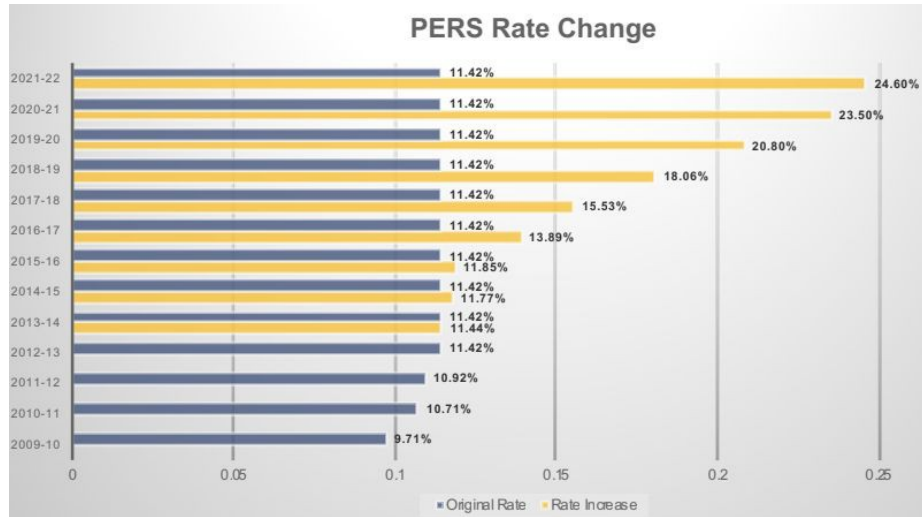
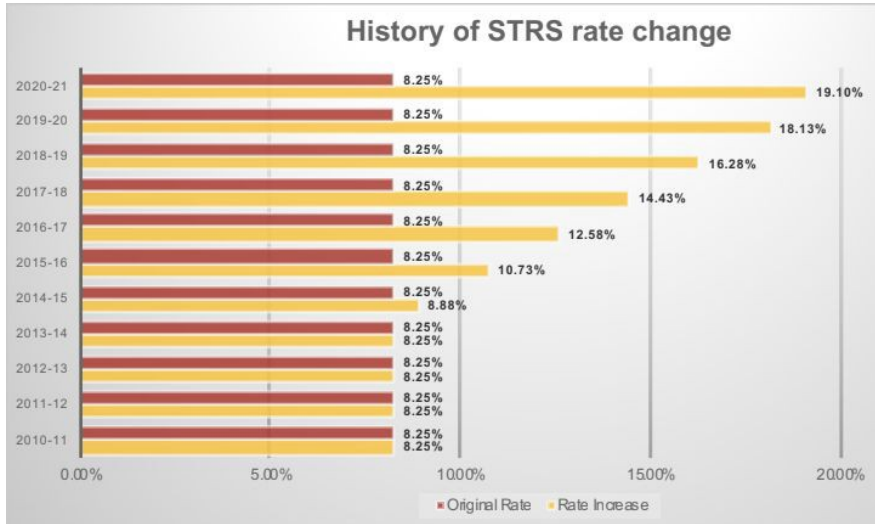
LCFF Growth Revenues	Expenditures	LCFF Growth Revenues	Expenditures	LCFF Growth Revenues	Expenditures	LCFF Growth Revenues	Expenditures
3.7% COLA+Gap Funding		3.26% COLA		COLA		COLA	
2018-19		2019-20		2020-21		2021-22	

Supplemental/Concentration (S/C)

*Average daily attendance (ADA)

LCFF Cannot Keep Up With “Turn the Page Costs” >>>>>>

STRS and PERS Pension Cost Example



Sacramento's Requirements for School District to Plan For the Future through "Multi Year Projections" ("MYPs")

- **Since 1991, when Assembly Bill (AB) 1200 was enacted, multiyear projections (MYPs) have been required by law**
 - **To be approved, an LEA's budget must demonstrate that it can meet its financial obligations both in the current fiscal year and the subsequent two years**
 - **Interim reports must meet the same multiyear standards**
- **Decisions made today affect today and tomorrow**
 - **So MYPs show the impact of today's decisions on the finances of future years**

Sacramento's Requirements for School District to Plan For the Future through "Multi Year Projections" ("MYPs")

Required by
AB 1200 (Chapter 1213/1991)
and AB 2756 (Chapter 52/2004)



MYPs are predicated
on assumptions



Those assumptions are
expected to change



"Long-range planning does not deal with future decisions, but with the future of present decisions."

—Peter Drucker

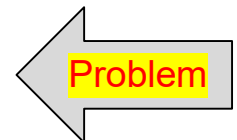
Sacramento's Requirements for School District to Plan For the Future through "Multi Year Projections" ("MYPs")

- **The cause of most school agency insolvencies can be traced to a bad financial decision made during prosperous times that came back to bite the school agency during lean financial times, so caution is key**
 - **One-time funds are just that—one time**
 - **A future recession is predicted—the timing is unknown**
 - **Slowing down of Proposition 98 growth**
 - **Low cost-of-living adjustment (COLA) environment on programs that require contributions**
 - **Increasing pension contributions**

Sacramento's Requirements for School District to Plan For the Future through "Multi Year Projections" ("MYPs")

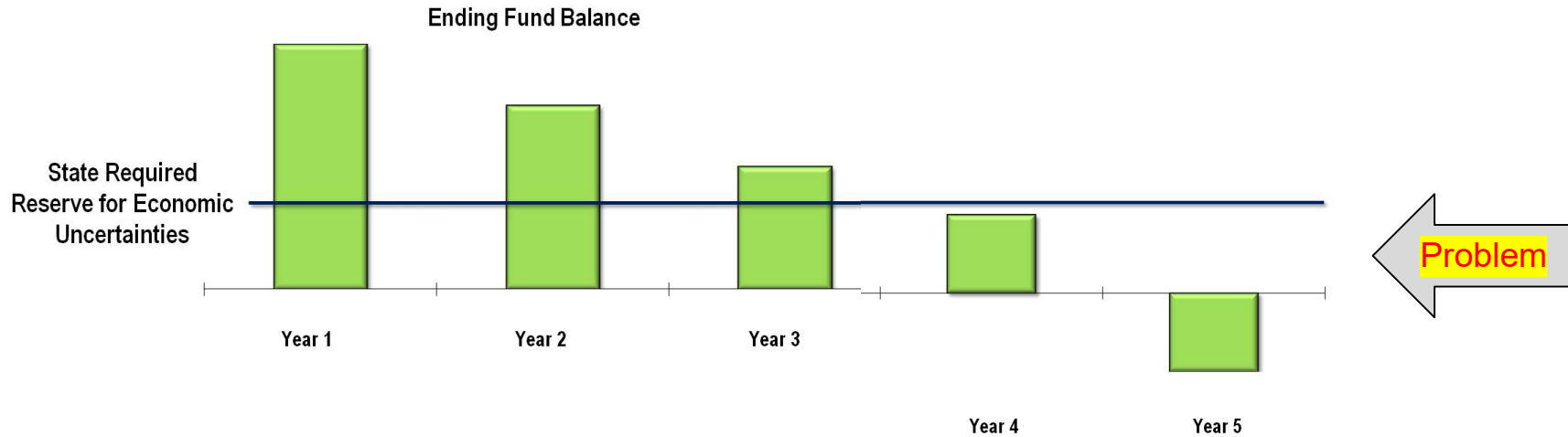
Multiyear Effect of Expense Decisions

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Beginning Balance	0	1	2	3	1	-1
Revenues	+10	+10	+10	+10	+10	+10
Expenditures	-9	-9	-9	-12	-12	-12
Ending Balance	1	2	3	1	-1	-3



Sacramento's Requirements for School District to Plan For the Future through "Multi Year Projections" ("MYPs")

Multiyear Effect of Expense Decisions



Characteristics of Financially Successful School Districts versus Those Who Get in Trouble

Characteristics of Financially Diligent School Districts:

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

Characteristics of Districts that require severe financial measures:

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

Outcome All Stakeholders are Striving For

- Spend today's dollars on today's children
 - ▶ But not at the expense of tomorrow's children



Additional Resources for Information



Legislative Analyst's Office

The California Legislature's Nonpartisan Fiscal and Policy Advisor

<https://lao.ca.gov/Publications/Report/4083>



<https://www.ed-data.org/Comparisons>



<https://www.sscal.com/>

<https://www.sscal.com/tools-resources/dartboard>



<https://www.fcmat.org/news-headlines>



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<https://edsources.org/>