

Understanding the District Budget





Budget Process

June	Budget Public Hearing Budget adopted by the Board
July	Prepare closing entries for prior year
August	Prepare closing entries for prior year and compute carryover balances Determine Ending Fund Balance
September	Complete Unaudited Actuals reporting forms
October	Audit of prior year financials by external auditors
November	Update budget assumptions for signed State Budget Adjust budget for changes in personnel Update ADA projections and estimated revenues based on fall enrollment Update carryover balances Update multi-year projections
December	First Interim Report (financial data as of 10/31) completed and approved by the board.

Budget Process (cont.)

January	Governor's Budget and School Services' Budget Conference
February	Update current year budget assumptions for changes in staffing or verification of revenues by the State Update enrollment projections for feeder school CBEDS data Update multi-year projections
March	Second Interim Report (financial data as of 1/31) completed and approved by board Budget development begins for the new year Staffing needs for next year identified
April	Site budgets completed by principals Budget data entered into the financial system (IFAS)
May	Governor presents May Revise Complete proposed budget and multi-year projections
June	Public hearing for budget Budget adopted by board (after LCAP approval)

Reporting Periods

- Adopted Budget (June 30)
- First Interim (December 15)
- Second Interim (March 15)
- Unaudited Actuals (September 15)



- P1 ADA (December 15)
- P2 ADA (funded) (April 15)
- Annual ADA (June 30)

Budget Process



- Budget at Org Key level (six digit district defined code) + object code
- Each Org Key has seven state defined fields attached that are transparent to most users
 - Fund
 - Resource (funding source)
 - Project Year
 - Goal (instructional setting, i.e. Special Ed)
 - Function (activities or services performed, i.e. maintenance or instruction)
 - Object (Type of revenue received or item purchased)
 - School

Budget Process (cont.)

Revenue Projections

- Enrollment based on current enrollment plus feeder school CBEDS date, adjusted for losses between grade levels based on 5 year average
- COLAs, target base LCFF grants, grade span adjustments, supplemental/concentration grants, Gap %'s, federal revenue estimates & lottery provided by SSC
- COLA applied to state categorical revenue sources outside of LCFF
- 3-year average used to estimate other sources

Budget Process (cont.)

Expenditure Projections

- Certificated staffing based on preliminary master schedules developed by principals
- Adjust for step and column movement
- Staffing costs developed in IFAS position budgeting module
- Debt service costs follow schedule of payments
- Other expenditures estimated using 3-year average
- Site budgets prepared by principals

Why Are The Numbers Always Changing?

■ Revenue

- Enrollment
- ADA
- COLA
- New Programs
- Programs End
- Revenue allocations differ from projections
- Mid-year state budget changes

■ Expenditures

- New Programs
- Carryover balances
- Step and column
- Salary costs
 - Turnover
 - New positions
 - Negotiations
 - Worker's Comp
 - Unemployment Ins.
 - Health Insurance
- Changes in Revenue
- Mid-year state cuts
- Equipment & facilities repair/replacement
- Student services





Where Does the Money Come From?

OUHSD
General Fund Summary
2014/15 First Interim Budget

Revenues

LCFF Sources

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
\$ 18,747,660			\$ 18,747,660
18,791		1,629,397	1,648,188
449,000		751,315	1,200,315
950,347		35,392	985,739
<u>\$ 20,165,798</u>	<u>\$ 2,416,104</u>		<u>\$ 22,581,902</u>

Federal Revenues

Other State Revenues

Other Local Sources

Total Revenues

- Unrestricted – not subject to specific constraints. Can usually be utilized for any educational purpose
- Restricted – Legally restricted for a specific purpose

Local Control Funding Formula (LCFF)

- Largest source of district income
- Earned when students come to school
- Unrestricted funding source
- Basic Funding Formula

Revenue Limit ADA (district, nps, county sdc)
X
Target Base Grant

Prior year base ADA used
when ADA declines

Adjustments made for

- ❖ 9-12 Grade span adjustment
- ❖ Supplemental grant (# eligible students)
- ❖ Concentration grant (elig students >55%)
- ❖ Transportation add-on
- ❖ Gap funding %
- ❖ Education Protection Account (Prop 30)
- ❖ Charter schools
- ❖ Property taxes

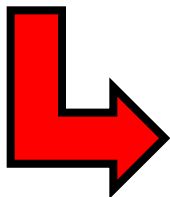
LCFF (cont.)

Average Daily Attendance

Average student attendance on any given day

Year	ADA	Change	% Change
2004/05	2561.91	51.80	2.1%
2005/06	2573.87	11.96	0.5%
2006/07	2534.41	(39.46)	(1.4%)
2007/08	2531.62	(2.79)	(0.1%)
2008/09	2464.31	(67.31)	(2.7%)
2009/10	2557.94	93.63	3.8%
2010/11	2468.28	(89.66)	(3.5%)
2011/12	2356.04	(112.24)	(4.5%)
2012/13	2230.57	(125.47)	(5.3%)
2013/14	2146.51	(84.06)	(3.8%)
2014/15	2056.00	(90.51)	(4.2%)

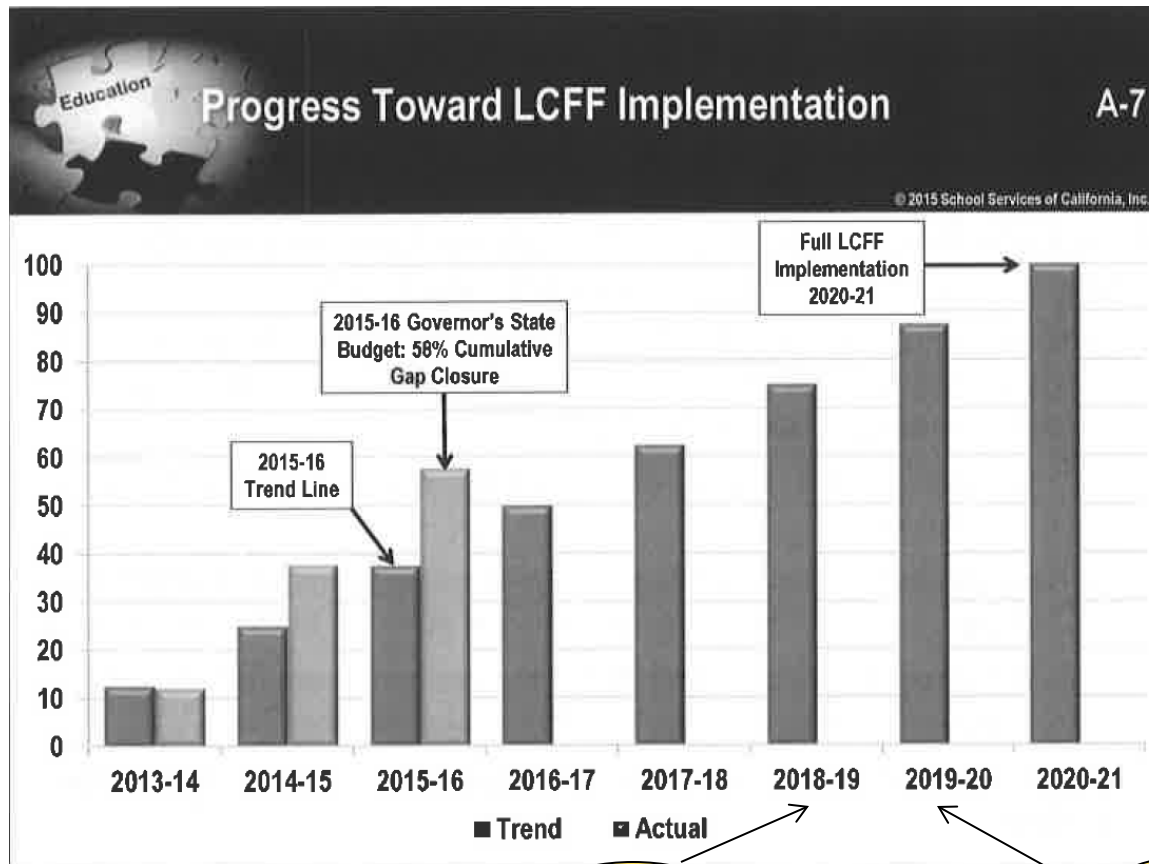
Estimated



2009/10 ADA increase due to close
of Challenge Charter School

LCFF (cont.)

Gap Funding



Prop 30 taxes end

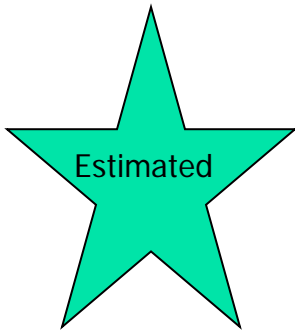
Possible Recession?

LCFF (cont.)

LCFF Phase-in

LCFF History

Year	Target A	Floor B	Gap C=A-B	Gap % D	Gap Funding E=CxD	LCFF Entitlement F=B+G
2013-14	24,227,959	17,526,554	6,701,405	0.120017	804,283	18,330,837
2014-15	23,381,247	17,772,885	5,608,362	0.2956	1,657,832	19,430,717



Year	LCFF Entitlement Break-down								
	Base	Increase		Targeted	Increase		Total	Increase	
2013-14	15,587,590			2,743,247			18,330,837		
2014-15	16,309,613	722,023	4.6%	3,121,104	377,857	13.8%	19,430,717	1,099,880	6.00%

Federal Revenue



- No Child Left Behind Programs
 - Title I (At-risk students)
 - Title II (Staff development)
 - Title III (LEP students)
- Special Education
- Vocational Education Act (Career Tech)
- Indian Education
- Medi-cal Billing

All restricted

Other State Revenue



- Unrestricted

- Lottery
- Mandated Cost
Reimbursement BG

- Restricted

- Special Education
- Lottery Instructional
Materials
- Ag Incentive

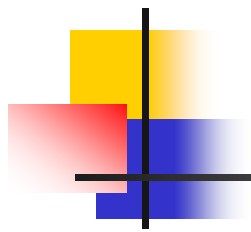
Local Revenue



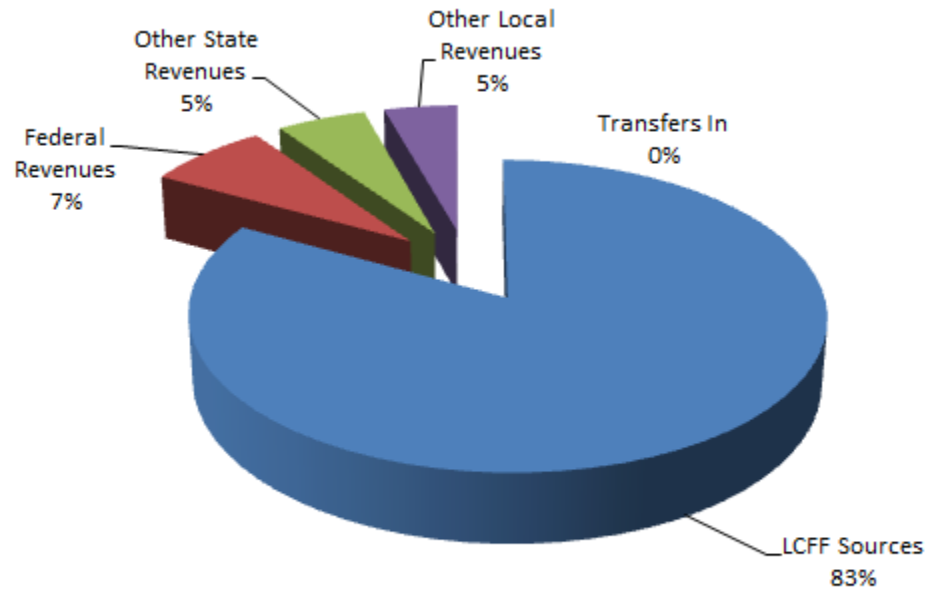
- Interest income
- Sale of surplus items
- Facilities-use fees
- Transportation contracts and student fees
- ROP
- Special Ed Regional Programs

Unrestricted, except
for Regional Programs

Total District Revenue and Other Sources



General Fund





Where Is The Money Spent?

OUHSD
General Fund Summary
2014/15 First Interim Budget

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Expenditures			
Certificated Salaries	\$ 7,433,794	\$ 1,307,549	\$ 8,741,343
Classified Salaries	2,650,626	685,703	3,336,329
Employee Benefits	4,410,503	915,859	5,326,362
Books and Supplies	844,683	793,619	1,638,302
Services, Other Operating	1,731,908	999,942	2,731,850
Capital Outlay	158,000	231,135	389,135
Other Outgo	156,338	828,000	984,338
Direct Support/Indirect Costs	(165,784)	105,500	(60,284)
Total Expenditures	<u>\$ 17,220,068</u>	<u>\$ 5,867,307</u>	<u>\$ 23,087,375</u>

- Unrestricted – not subject to specific constraints. Can usually be utilized for any educational purpose
- Restricted – Legally restricted for a specific purpose a specific purpose

Types of Expenditures



- Certificated Salaries
 - Object codes 1000-1999
 - Teaching staff
 - Principals & AP's
 - Counselors
 - Superintendent
 - Psychologists
 - Social Worker

Types of Expenditures (cont.)



- Classified Salaries
 - Object codes 2000-2999
 - Clerical
 - Food Service
 - Bus Drivers
 - Maintenance/Grounds/Custodians/Universals
 - Para-Educators/Library Aide
 - Computer Techs
 - Indian Ed Coordinator
 - Campus Supervisors
 - Confidential
 - Supervisors and CBO

Types of Expenditures (cont.)



- Employee Benefits
 - Object codes 3000-3999
 - Unemployment insurance, worker's compensation insurance, social security and Medicare tax
 - Retirement contributions
 - Health, vision and dental premiums for active and retired employees

Types of Expenditures (cont.)



- Books and Supplies
 - Object codes 4000-4999
 - Textbooks
 - Reference books
 - Classroom supplies
 - Office supplies
 - Custodial and maintenance supplies
 - Food
 - Equipment purchases costing less than \$5,000

Types of Expenditures (cont.)



- Services and Other Operating Expenses
 - Object codes 5000-5999
 - Repairs
 - Alarm services
 - Field trip costs
 - Non-public school tuition
 - Copier leases and maintenance
 - Legal and audit fees
 - Travel and conferences
 - Utilities
 - Property and liability insurance
 - Communications (telephone and postage)

Types of Expenditures (cont.)



- Capital Outlay

- Object codes 6000-6999

- Land and Building Improvements

- Purchases of portables, major remodels, replacement of existing structures

- Equipment

- Individual value in excess of \$5,000

Types of Expenditures (cont.)



- Other Outgo
 - Object codes 7100-7499
 - State special schools
 - Excess cost for special education students who attend county or other district programs
 - Debt service payments
 - Transfers of indirect/direct support costs
 - Charge to programs for share of overhead costs
 - Indirect cost rate (currently 2.99%)
 - Calculated annually
 - Rate approved by CDE

Other Sources and Uses

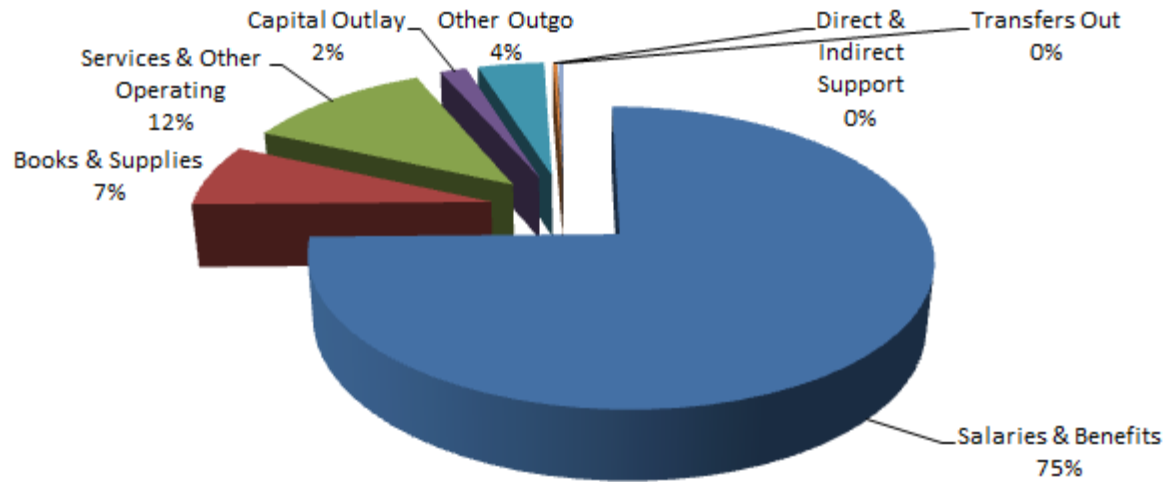
OUHSD
General Fund Summary
2014/15 First Interim Budget

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Other Financing Sources/Uses			
Transfers in from other funds	1,500		1,500
Transfer out to other funds	(80,934)		(80,934)
Other Sources			-
Contributions to Restricted Prog.	(2,652,231)	2,652,231	-
Total Other Sources/Uses	<u>\$ (2,731,665)</u>	<u>\$ 2,652,231</u>	<u>\$ (79,434)</u>

- Transfers in from other funds – Developer Fee Administrative Fees
- Transfers out to other funds – support of the Cafeteria program
- Contributions to Restricted Programs – transfers of unrestricted funds to encroaching programs
 - Special Education
 - Routine Maintenance

Total District Expenditures and Other Uses

General Fund



Budget Certifications

- **Positive Certification** 😊
 - The district will meet its financial obligations for the current fiscal year and the subsequent two fiscal years
- **Qualified Certification** 🔔
 - The district may not meet its financial obligation for the current year or two subsequent fiscal years
- **Negative Certification** 😞
 - The district will not be able to meet its financial obligations for the remainder of the fiscal year or for the two subsequent fiscal years

Qualified or Negative Certification



- BCOE can
 - Assign a fiscal advisor
 - Appoint a budget review committee
 - Develop a balanced budget for the district
 - Cancel purchase orders or prevent checks from being issued.
 - Monitor and review district operations
 - Require the district to provide additional financial projections, cash flows, and financial plans to address conditions that resulted in the qualified or negative certification

Cash Is King



- Cash balances must be preserved to meet daily cash needs
- BCOE requires districts to provide monthly cash flow worksheets with the budget and interim reports
- Short-term cash borrowing options (pay back in one year or less)
 - Other Funds
 - TRANS
 - BCOE
 - Butte County Treasurer
- State loan is last resort
 - School Board loses power and becomes advisory
 - Superintendent loses job
 - State Administrator is assigned
 - Loan is sized to cover cost of advisor, any additional staff required, and the cost of developing an recovery plan and monitoring progress
 - Pay-back includes interest

FCMAT Predictors of School Agencies Needing Intervention

The following 11 conditions represent those school agency problems most commonly encountered by the Fiscal Crisis and Management Assistance Team (FCMAT). The presence of any one condition is not necessarily an indication of a school agency in trouble. Unavoidable short-term situations such as key administrative vacancies can result in brief and acceptable periods of exposure to one or more of the following conditions. Exceeding acceptable limits of exposure in one or more of the following conditions is often the blueprint for districts nearing or presently in a crisis situation.

1. **Leadership Breakdown***
 - a. **Governance crisis****
 - b. Ineffective staff recruitment
 - c. Board micromanagement and special interest groups influencing boards
 - d. Ineffective or no supervision
 - e. Litigation against district
2. **Ineffective Communication***
 - a. Staff unrest and morale issues
 - b. **Absence of communication to educational community****
 - c. **Lack of interagency cooperation****
 - d. Breakdown of internal systems (payroll, position control)
3. **Collapse of Infrastructure**
 - a. Unhealthful and unsafe facilities and sites
 - b. Deferred maintenance neglected
 - c. Low Budget Priority
 - d. Local and state citations ignored
 - e. No long-range plan for facility maintenance
4. **Inadequate Budget Development***
 - a. **Failure to recognize year-to-year trends, e.g., declining enrollment or deficit spending****
 - b. **Flawed ADA projections****
 - c. **Failure to maintain reserves****
 - d. Salary and benefits in unrealistic proportions
 - e. **Insufficient consideration of long-term bargaining agreement effects****
 - f. **Flawed multi-year projections****
 - g. **Inaccurate revenue and expenditure estimations****
5. **Limited Budget Monitoring***
 - a. Failure to reconcile ledgers
 - b. **Poor cash flow analysis and reconciliation****
 - c. Inadequate business systems and controls
 - d. Inattention to COE data
 - e. Failure to review management control reports
 - f. **Bargaining agreements beyond state COLA****
 - g. Lawsuit settlements
6. **Poor Position Control***
 - a. Identification of each position missing
 - b. Unauthorized hiring
 - c. Budget development process affected
 - d. **No integration of position control with payroll****
7. **Ineffective Management Information Systems***
 - a. **Limited access to timely personnel, payroll, and budget control data and reports****
 - b. Inadequate attention to system life cycles
 - c. Inadequate communication systems
8. **Inattention to Categorical Programs***
 - a. **Escalating general fund encroachment****
 - b. **Lack of regular monitoring****
 - c. Illegal expenditures
 - d. Failure to file claims
9. **Substantial Long-Term Debt Commitments**
 - a. **Increased costs of employee health benefits+**
 - b. Certificates of participation
 - c. **Retiree health benefits for employees and spouse+**
 - d. Expiring parcel taxes dedicated to ongoing costs
10. **Human Resource Crisis**
 - a. Shortage of staff (administrators, teachers, support, and board)
 - b. Teachers and support staff working out of assignment
 - c. Students/classrooms without teachers
 - d. Administrators coping with daily crisis intervention
 - e. Inadequate staff development
11. **Related Issues of Concern**
 - a. Local and state audit exceptions
 - b. Disproportionate number of under performing schools
 - c. Staff, parent, and student exodus from the school district
 - d. Public support for public schools decreasing
 - e. Inadequate community participation and communication

* Highlights the seven conditions consistently found in each district requesting an emergency loan or dealing with a "fiscal crisis."

** Represents the 15 conditions that have been found most frequently to indicate fiscal distress and are those referenced in Assembly Bill 2756 (Daucher) and recently amended Education Code Sections 42127 and 42127.6.

+ Indicates an emerging area of significant concern.