



2019 – 2020 Budget Status and Moving Forward

Mt. Diablo Unified School District
Special Board Meeting
February 3, 2020

Rob Martinez, Ed.D., Superintendent
Lisa Gonzales, Ed.D., Chief Business Officer
Mika Arbelbide, Interim Director of Fiscal

Tonight's Presentation Agenda

"The Story" Part 1

- State Funding For Education
- Historical Local Expenditures and Trend Data
- Budget Reduction Process – 5 Point Plan
- Next Steps - Staff/Community Input, Feedback Loops, Quantify Suggestions for Reductions, Explore Revenue-Generation
- Budget Calendar
- Input from Contra Costa County Office of Education
- Board Discussion on Guiding Principles for Reductions

Is California School Funding Fair?

A study released in February 2018 by Rutgers University and the Education Law Center, *Is School Funding Fair? A National Report Card*, ranked California low on several measures of school funding fairness based on 2015 data from the U.S. Census

- California's fiscal effort to fund schools: Grade F
 - California's per capita personal income (\$44,173) is above the national average, but it provides only \$34 for each \$1,000 of personal income to support schools
 - By contrast, New York had a comparable per capita personal income (\$46,445), but provided \$55 for each \$1,000 of personal income, earning a grade A
 - New Mexico, with considerably lower per capita personal income (\$36,814) nevertheless provided \$48 for each \$1,000 of personal income, also earning a grade A



If California funded schools at the national average, a school of 500 students would have an additional \$980,500.

If the state funded schools at **just the national average**, that would increase funding by

\$1,961 per pupil



For a classroom of 25 students, that's an additional

\$49,025

for student support services

The California Economy

California's economy is solid but future predictions point to slowing growth in GDP from 3.5% in 2018 to 2.6% currently

- Cargo traffic slowing as a result of trade war
- Risk of increased unemployment
- State tax revenues that fund education are the most volatile in history

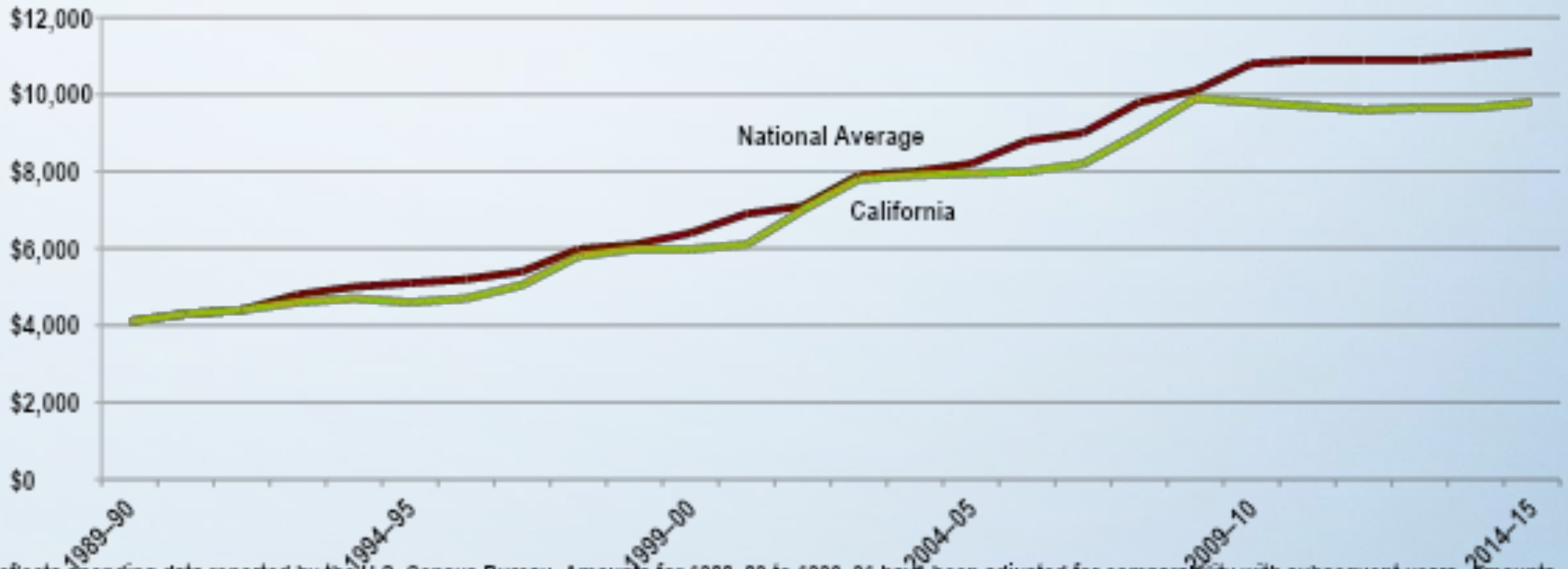


- Economy continues to grow
- Housing sales volume remains strong
- Full employment

GDP = Gross Domestic Product

California's Proposition 98 vs. the Rest of the Nation

Operating Expenditures Per Student¹



¹Reflects spending data reported by the U.S. Census Bureau. Amounts for 1988-89 to 1990-91 have been adjusted for comparability with subsequent years. Amounts shown for 2014-15 reflect an Legislative Analyst's Office (LAO) estimate.

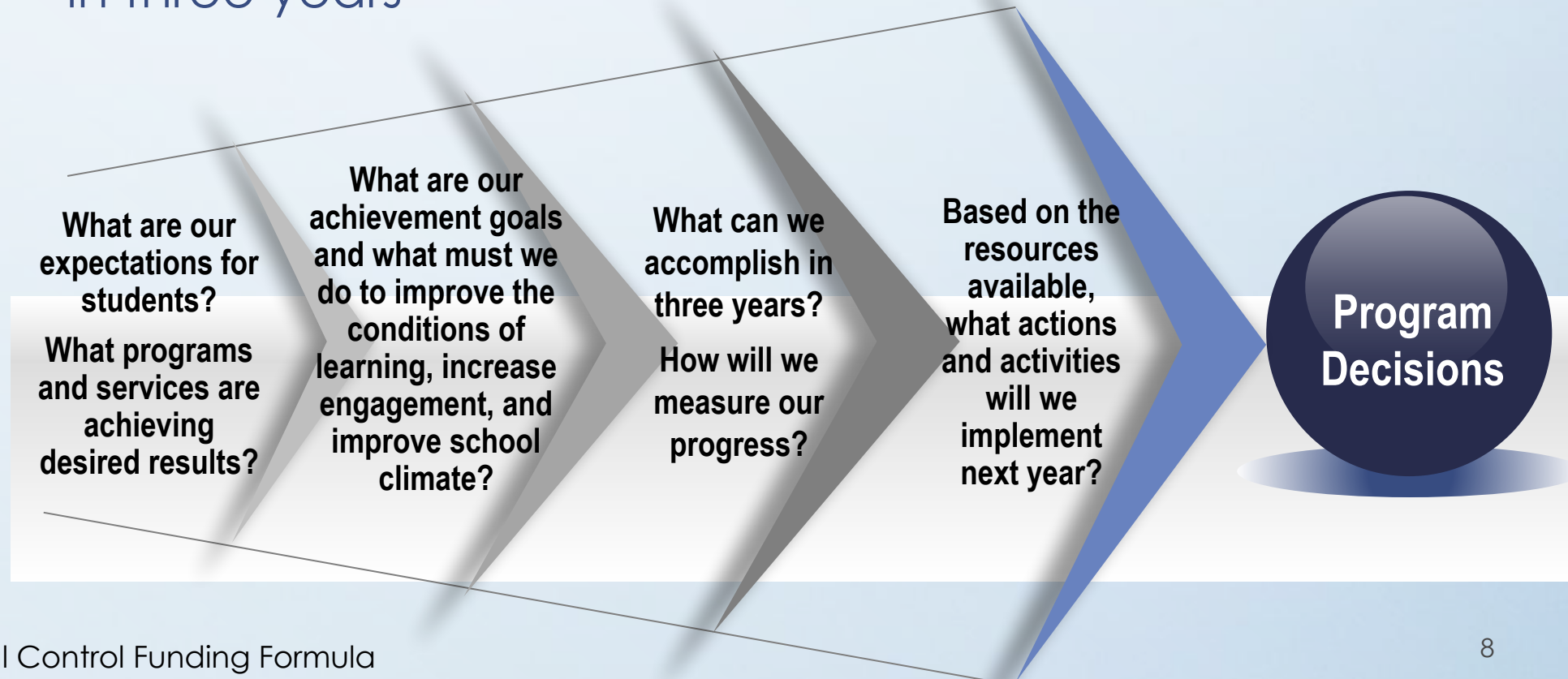
Source: LAO, *A Historical Review of Proposition 98*, page 27, January 2017

Local Control Funding Formula (LCFF) History

- Established in 2013-2014 with a stated goal of restoring 2007-2008 purchasing power + inflation.
- Target was set and each year the “gap” between the target and available funding was apportioned by the State.
 - When the “gap” was over \$1,000 a 50% gap funding was significant dollars.
 - Now fully funded, the only funding districts receive is the COLA adjustment, resulting much smaller new funding.
- Public Employee Pension Reform Act (PEPRA) required higher contributions for STRS and PERS from School Districts. This came off the top of new \$ and was not added to the target effectively reducing the ability to return to 2007-2008 purchasing power.

A New Way of Thinking - LCFF/LCAP

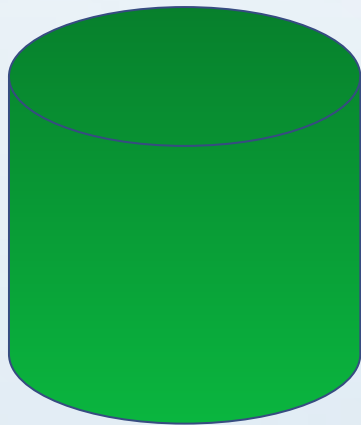
- The new system requires us to think first about outcomes
- No longer are you limited by what you can afford to do in a single year – start thinking about what you could accomplish in three years



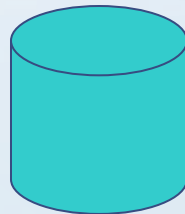
The Funding Model For School Districts

The District Receives Ongoing Revenue From Several Funding Sources

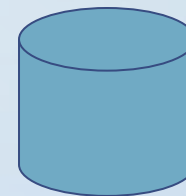
Base Grant



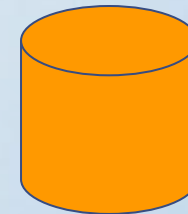
**Supplemental
and
Concentration
Grant Funds**



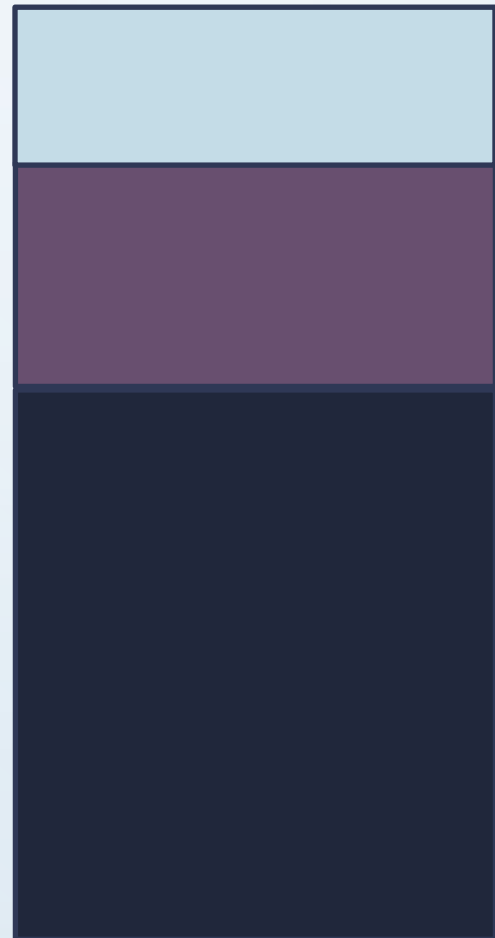
**State
Categoricals
(Child
Development,
Nutrition,) and
Ongoing
Federal Title I,
II, III,**



**Bond Funds &
State Match
Programs for
Construction**



State Funding: An LCFF* Review



CONCENTRATION GRANT – 50% of Base Grant
provided when more than 55% of a district's students fall into the high-needs category

SUPPLEMENTAL GRANT – 20% of Base Grant
provided to address needs of English Learners, low income students, and foster youth

BASE GRANT
the same for every local educational agency with adjustments based on grade level

* LCFF = Local Control Funding Formula*

2019-20 LCFF Funding Factors

- Supplemental and concentration grants are calculated based on the percentage of an LEA's enrolled students who are English learners, free and reduced-price meal program eligible, or foster youth – the unduplicated pupil percentage (UPP)

Grade Span	2019–20 Base Grant per ADA	2.29% COLA	2020–21 Base Grant per ADA
K–3	\$7,702	\$176	\$7,878
4–6	\$7,818	\$179	\$7,997
7–8	\$8,050	\$184	\$8,234
9–12	\$9,329	\$214	\$9,543

How Did We Get Here?

- State funding only increasing by COLA, CPI (Consumer Price Index) exceeds COLA
- STRS and PERS contribution increasing
- Year over year deficit spending
- Declining enrollment (ADA) decline \$37.04 million, cumulative since the 2008/2009 school year (4,342, avg \$9000 ADA at 95%)
- Other increased expenditures - General Fund contributions, health benefits, utilities
- Board approved reductions for the 19/20 school year were not entirely realized

CalSTRS

Fiscal Year	Without Additional Payments	Budget Act
2018-19	16.28	16.28
2019-20	18.13	17.1 (-1.03)
2020-21	19.1	18.4 (-0.7)
2021-22	18.4*	18.1* (-0.3)
2022-23	18.4*	18.1* (-0.3)
2023-46	18.4*	18.1* (-0.3)

2015 – 2016 rate was 10.56%

CalPERS

Fiscal Year	Without Additional Payments	Budget Act
2018-19	18.062	18.062
2019-20	20.733	19.721 (-1.012)
2020-21	23.6*	22.7 (-0.9)
2021-22	24.9*	24.6 (-0.3)
2022-23	25.7*	25.4 (-0.3)
2023-24	26.4*	26.1 (-0.3)
2024-25	26.6*	26.3 (-0.3)
2025-26	26.5*	26.2 (-0.3)

2015 – 2016 rate was 11.847%

General Fund Combined Revenue and Expenditures

Year	Revenue	Expense
2015 – 2016	\$344,604,849	\$317,930,340
2016 – 2017	\$353,129,952	\$362,277,908
2017 – 2018	\$344,741,728	\$376,994,560
2018 – 2019	\$379,334,193	\$387,145,921
2019 – 2020	\$365,607,141	\$401,950,000 * (\$36,342,859)
2020 – 2021 projected	\$366,174,564	\$384,000,000 ** (\$17,825,436)
2021 – 2022 projected	\$372,493,147	\$386,300,000 ** (\$13,806,853)

* includes cost of MDEA tentative agreement and “me too” clause for all groups for 18/19 and 19/20

** includes cost of tentative agreement moving forward

Statewide Average Reserves

- 2017–18 statewide average reserve levels are slightly down from the prior year
 - Close to the 17%, or two months of expenditures, as recommended by the Governmental Finance Officers Association

2017–18 Average Unrestricted Net Ending Fund Balance		Change From Prior Year
Unified School Districts	16.98%	-0.27%
Elementary School Districts	20.20%	-0.88%
High School Districts	15.63%	-1.01%

Statewide Average Reserves vs. MDUSD

Statewide

2017–18 Average Unrestricted Net Ending Fund Balance		Change From Prior Year
Unified School Districts	16.98%	-0.27%
Elementary School Districts	20.20%	-0.88%
High School Districts	15.63%	-1.01%

Mt. Diablo USD

Year	Unrestr Ending Fund Balance	Percentage	Change from Prior Year
2015/2016	\$83,458,565	41.05%	- 7.41%
2016/2017	\$70,339,732	30.44%	- 10.62%
2017/2018	\$38,482,772	15.73%	- 14.71%
2018/2019	\$30,087,204	12.88%	- 2.85%
2019/2020	\$12,539,828	3.11%	- 9.77%

Budget vs. enrollment / ADA

- The state continues to fund school districts based upon the greater of prior year or current ADA
 - Financial impact will be integrated into the 2020 - 2022 MYP based upon CBEDS and P2 apportionment
- The district mitigates both revenue and expenditures to reduce the impact of declining enrollment
 - Revenue will be adjusted based upon enrollment count and projected ADA rate
- Staffing is adjusted based upon enrollment and current contractual requirements
- District staff is investigating the enrollment trends and attendance rates
 - Interdistrict, Open Enrollment Transfers, and “Destination Schools”
 - Charter School impact and Program Investments

Statutory COLA at 2.29%

- The MDUSD Multi-Year Budget Projections included a 3.00% statutory COLA from the California 2019/2020 State Budget (MDUSD = \$10,980,000)
- In early January 2020, it was estimated to be 1.79% (MDUSD = \$6,222,000)
- The Governor's Budget Message in January announced a 2.29% COLA (MDUSD = \$8,381,400)
- This amount could change prior to the May Revisions - Legislative Analyst's Office is suggesting a higher COLA but concern in Sacramento is that it could drop lower than 2.29%
- Each .5% is estimated to impact our budget approximately \$1.83M
- The cost of servicing the salary schedule of employees will exceed the new dollars that are available
 - New dollars = \$231 per ADA
 - Dollars needed to cover step and column increases and increased pension costs = \$313 per ADA

Now that LCFF is fully funded Districts only Receive “COLA” from the State

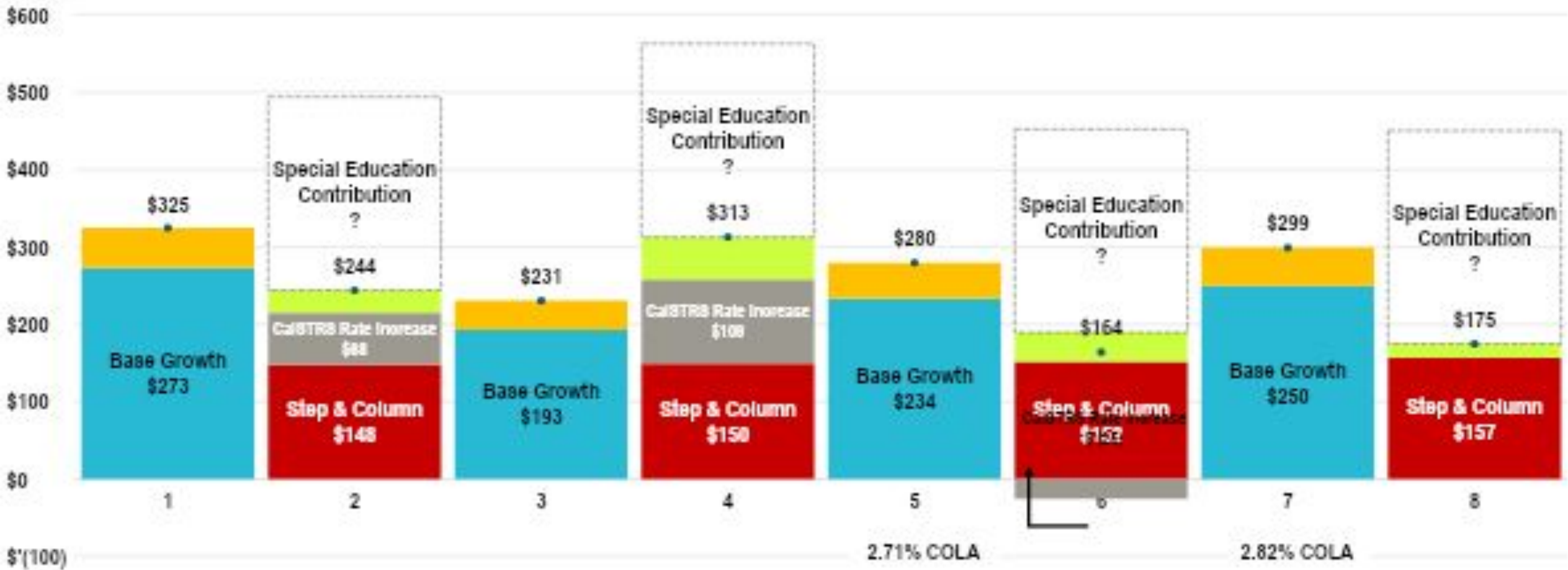
(COLA for 2020/21 is estimated at 2.29%)

Certificated	
COLA Only	2.29%*
Step and Column	(1.00%)
Declining Enrollment	(0.30%)
CaSTRS	(0.82%)
Special Education	<u>(1.50%)</u>
	(3.62%)
Operations	?
LCAP Priorities	?

Classified	
COLA Only	2.29%*
Step and Column	(1.00%)
Declining Enrollment	(0.30%)
CalPERS	(1.659%)
Special Education	<u>(1.50%)</u>
	(4.459%)
Operations	?
LCAP Priorities	?

All % are estimates and for illustrative purposes only

Per-ADA Growth in Revenues and Expenditures - Factors for Multi Year Projections



Historical Attendance Rate

(Does not include Charter Schools)

Fiscal Year	CBEDS Enrollment	% of ADA to CBEDS	Change in ADA %	Enrollment Change
2011-2012	33,592	90.68%		
2012-2013	31,625	96.55%	5.87%	(1,967)
2013-2014	31,757	95.92%	- 0.63%	132
2014-2015	31,696	95.82%	- 0.10%	(61)
2015-2016	31,757	97.47%	1.64%	61
2016-2017	31,580	95.74%	- 1.72%	(177)
2017-2018	31,073	95.84%	0.09%	(507)
2018-2019	30,727	95.61%	- .23%	(346)
2019-2020 Projected	30,611*	95.72%	0.12%	(116)

Special Education Services

- Special Education services are reimbursed by the Federal and State government at approximately 35 cents on the dollar of our costs.
- The funding “may” increase based on Governor’s Budget Message, but we are waiting for ‘trailer bill language’ due this month.

Year	Special Education Unduplicated Per Pupil Count per SEMA	Special Education Total Expenditure
2015 - 2016	3,788	\$69,696,342
2016 – 2017	3,989	\$76,619,900
2017 - 2018	4.075	\$81,751,062
2018 - 2019	4,210	\$82,429,513
2019 - 2020 Projected	4,233	\$83,460,829

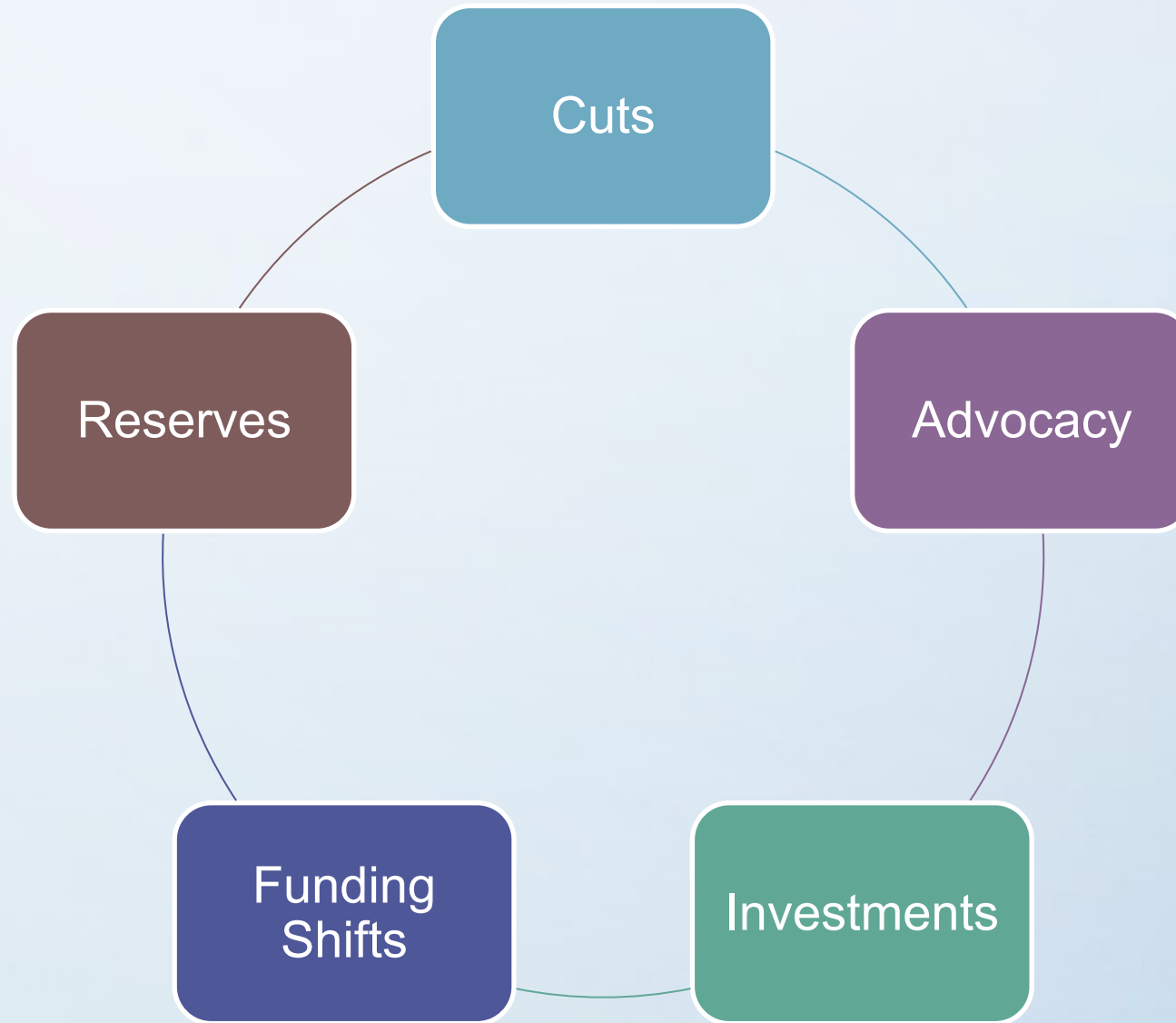
SEMA = Special Education Maintenance of Effort

Budget Building Blocks



- The District must be able to demonstrate that it can meet its financial obligations for the budget year + 2 out years under AB1200.
 - The District must also maintain adequate reserves.
 - Recommended reserve levels are approximately 2 months of payroll, or 17%
 - MDUSD currently has approximately 6 days worth of reserved for payroll.
- In a balanced budget:
 - Revenue – Expenditures = a positive number and reserves increase

Budget Solutions – Multiple Approaches



Reserves

- After a state required 3% reserve (\$11.8M) and adding positions in August 2019, that negated the expenditure reductions approved by the Board in Spring 2019.



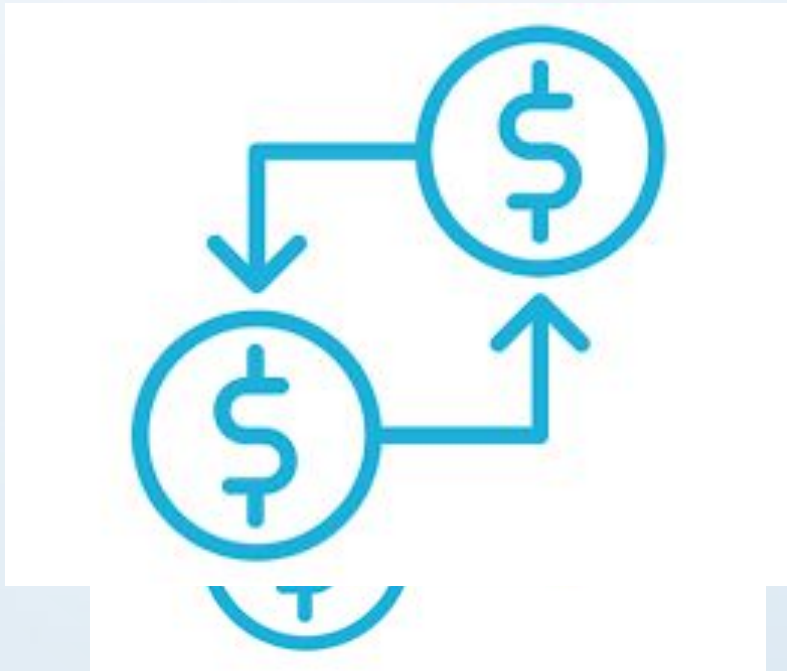
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Cuts



- 89% of our budget is staff salaries, benefits, other mandatory deductions, so we will need to eliminate positions in all bargaining groups
- Significant restrictions on spending in departments and school sites
- Monitor all purchases
- Significantly curtail conferences, professional development, and contracts

Funding Shifts



- Examine our flexibility within different funding structures
- Identify positions that can be funded from Restricted Budgets, such as Routine Restricted Maintenance, LCFF, Federal Programs
- Put off any significant expenditures

Investments



- Look at opportunities to increase district revenue
- Attendance accountability
- Risk Management focus
- Facility utilization and optimization
- Specialty programs to sustain enrollment
- Public/Private partnerships
- Ensure we are following Civic Center Act for use of district facilities

Advocacy



- Utilize our voice with Sacramento Decision Makers
- Create an advocacy plan of action
- Appropriately engage lobbyists that can support the district's message
- Collaborate with statewide organizations such as CSBA, CASBO, ACSA
- Partner with our associations (UTR, Teamsters, and SSA) in the message of adequate school funding

Next Steps

- Business Services works with the Contra Costa County Office of Education to confirm deficit spending and reduction numbers
- District leadership engages staff and community in input for budget reductions and income generation. New webpage available for updates.
- Cabinet develops tiers of reductions, based on input received and board priorities
- Feedback from staff and community to implement budget solutions
- Board presentations on budget updates, ongoing process, budget solution recommendations
- Board will approve most reductions at the March 9 Board Meeting to meet the March 15th requirement for certificated layoffs

Opportunities for Staff Input

Staff are invited to the following meetings:

Tuesday, February 18th - 4 pm

Ygnacio Valley High School Multi Use Room

Tuesday, February 18th - 5:30 pm

Ygnacio Valley High School Multi Use Room

Thursday, February 20th - 4 pm

Riverview Middle School Multi Use Room

Thursday, February 20th - 4 pm

Pleasant Hill Middle School Multi Use Room

Thursday, February 20th - 5:30 pm

Pleasant Hill Middle School Multi Use Room

Opportunities for Community/Parent/ Student Input

The students, community and staff are invited to the following Forums:

Tuesday, February 18th - 7 pm

Thursday, February 20th - 5:30 pm

Thursday, February 20th - 7 pm

Ygnacio Valley High School Multi Use Room

Riverview Middle School Multi Use Room

Pleasant Hill Middle School Multi Use Room

Online Survey for Additional Feedback

An anonymous Google survey is now available thru Friday, February 7th at 5 pm. The survey will collect the following information:

- **Budget solution suggestions**
- **Ideas for revenue generation**
- **Additional questions that staff and the community have**

The survey will disaggregate responses based on:

- Students
- Certificated staff
- Classified staff
- Management
- Parents
- Community members

Calendar of Budget Events

- Board Presentation February 10th – Budget Presentation
- Staff & Community Input Meetings - February 4th - 20th
- Board Presentation February 24th – Budget Solutions and Budget Update Presentation
- Board Presentation March 9th – Second Interim, Budget Solutions, Board to approve resolution calling for certificated layoffs



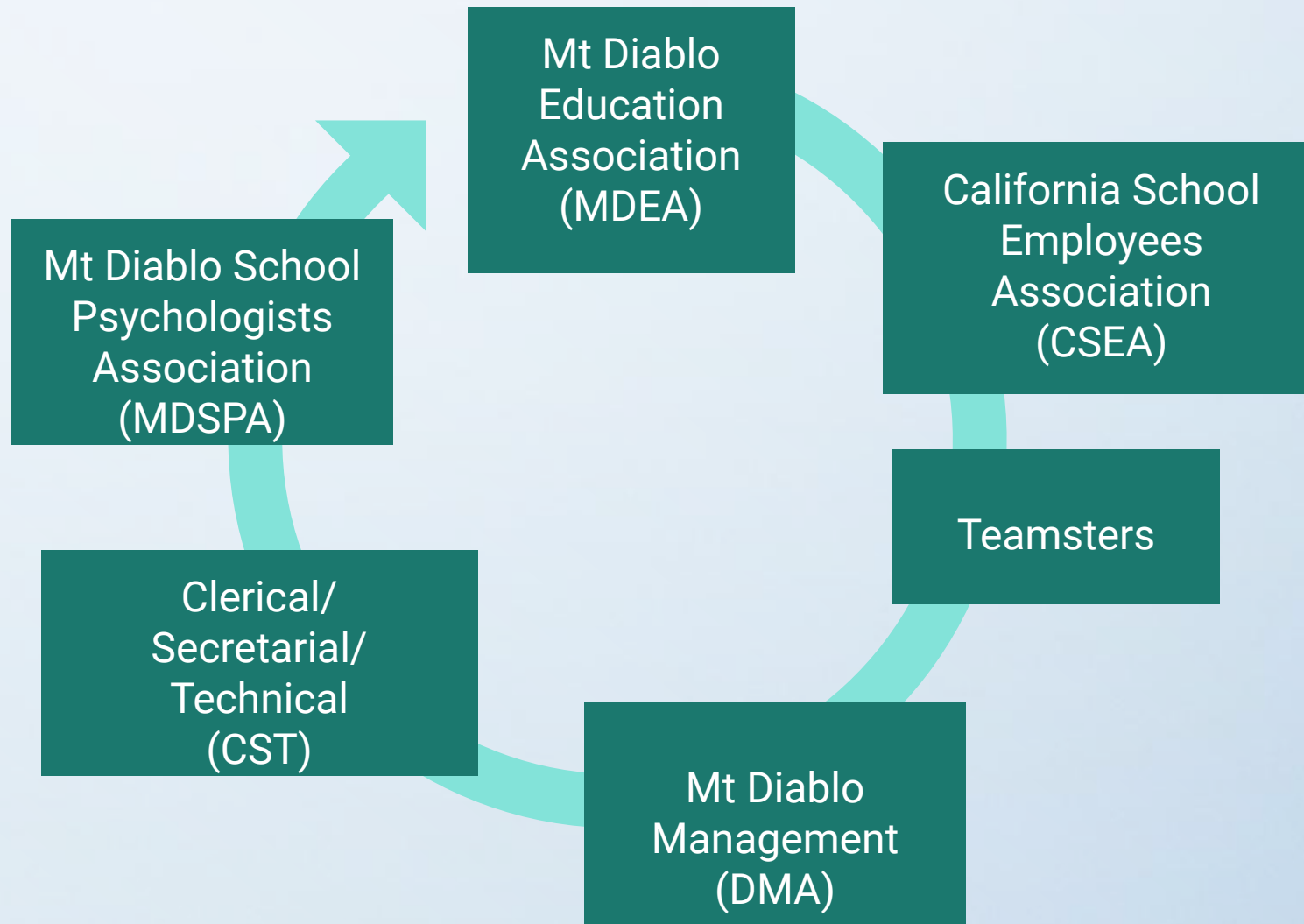
Input from the Contra Costa County Office of Education

Moving Forward - Together

- Solving the Budget issue will require a full partnership of all stakeholders.
- We need to understand the current situation, provide data, and answer questions
- We need to look forward – together!



District's Goal is to continue to work collaboratively with our associations.

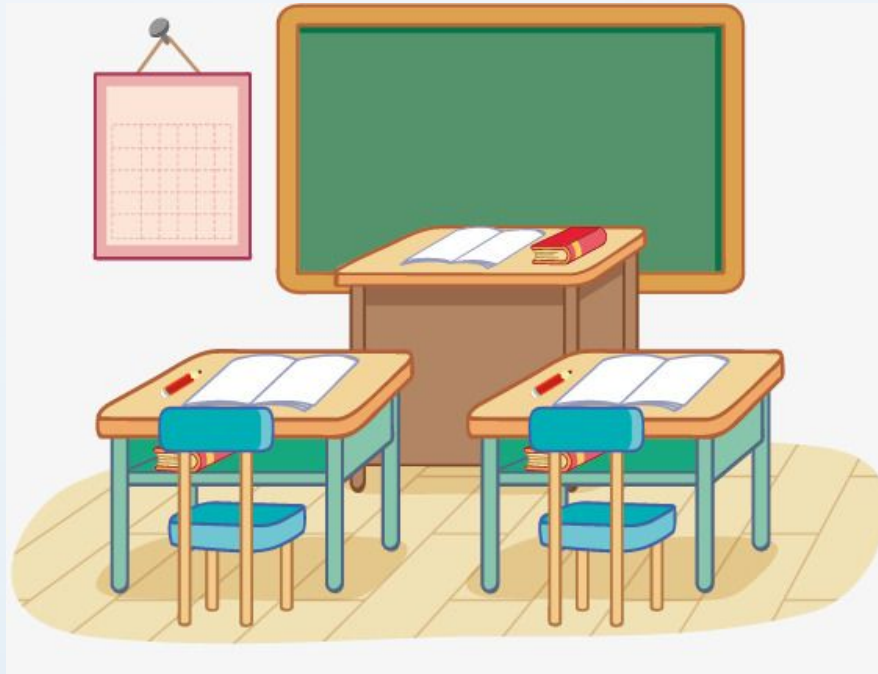


How will we go about prioritizing reductions moving forward?

- Base programs?
- LCAP goals?
- Other thoughts?



What must the Base Budget Cover?



Teachers
Principal
Office Staff
Custodial Staff
Support Staff (Payroll, Human Resources, Accounting)

Classroom Furniture and Technology
Student Textbooks and Technology
Teacher Supplies and Technology
General Upkeep of Facilities

Everything that represents the base is necessary to support the classroom.

Local Control Accountability Plan (LCAP) Focus Areas

Goal 1: All students will receive a high quality education in a safe and welcoming environment with equitable high expectations, access to technology, and instruction in the California State Standards that prepare them for college and/or career.

Goal 2: High quality, culturally proficient, and responsive staff will provide engaging instruction respectful of all students' backgrounds to ensure they are college and/or career ready.

Goal 3: Parents, family, and community will be informed, engaged, and empowered as partners with Mt Diablo Unified to support student learning.



Board Discussion