

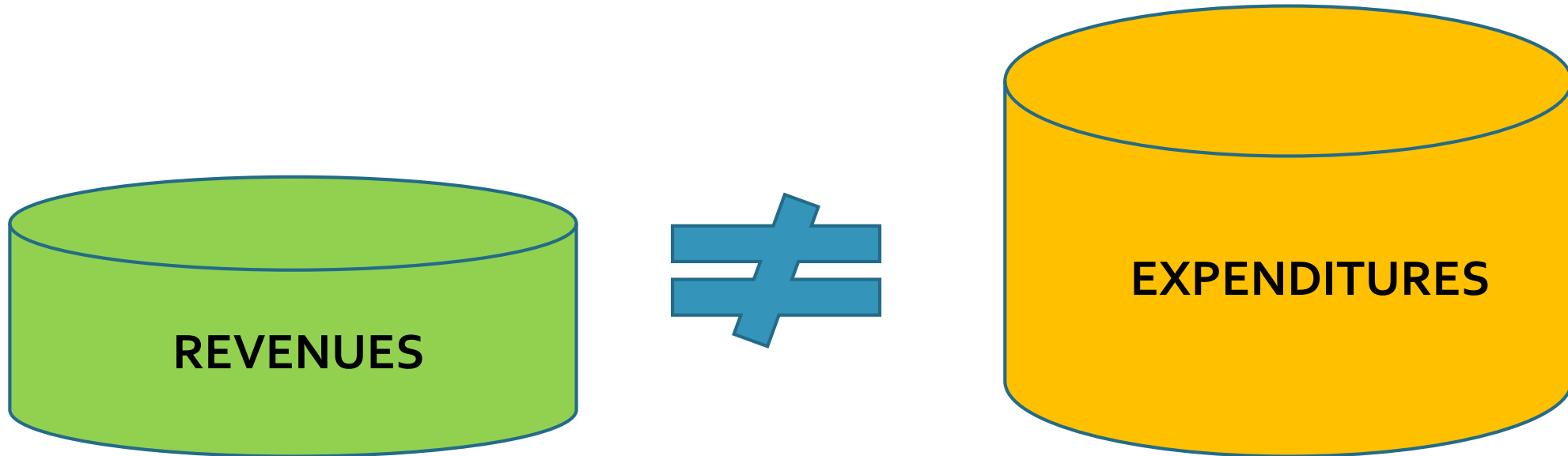
BOARD STUDY SESSION – BUDGET

FEBRUARY 20, 2020

AGENDA

- Deficit Spending
- Cost Pressures
- Declining Enrollment
- State Budget Outlook for 20/21
- Multi-Year Projections (MYPs)
- LUSD Board-adopted Budget Principles & Priorities
- Budget Reduction Strategy
- Board Direction

Deficit Spending – A Common Story



San Diego – News Headlines

- 2/9/2020 – Nearly every San Diego school district may be spending more than it can afford
- 1/5/2020 – North County districts facing tough budget choices to keep teacher pay competitive while trimming spending (Escondido, Oceanside, Poway, Carlsbad, San Marcos, Vista)
- 12/27/2019 – San Ysidro School District faces budget cuts to deal with deficit spending
- 12/26/2019 – Coronado USD meets and approves Interim budget that anticipates a higher structural deficit
- 12/20/2019 – Vista School Board tackles deficit spending
- 12/11/2019 – San Diego Unified's budget woes widen to include potential layoffs
- 11/12/2019 – County: Sweetwater SD's projected budget deficit rises again

41/42 San Diego School Districts are Deficit Spending

Inadequate Resources (the REAL problem)

- Prior to LCFF, the Great Recession: the State of California was unable to provide revenue to school districts in a timely way, if at all
- “Full LCFF Implementation” (2018/19): the State of California is providing funding at the revenue targets each district generates; however, it is not enough



California is the 5th largest economy in the world
California is ranked 45th in the nation
for taxable income spent on Education

Annual Fixed Operational Costs

LUSD (and most other CA school districts) need a minimum **4%** funding increase to open doors every school year to pay for:

• STEP/COLUMN/LONGEVITY	• FUEL
• PENSION CONTRIBUTIONS	• UTILITIES (ELECTRICITY)
• SPECIAL EDUCATION SERVICES	• PROPERTY/LIABILITY INSURANCE
• HEALTH BENEFITS	• BOOKS/SUPPLIES

**4% funding increase = maintain staff/programs
Nothing new!**

ACTIVITY

What did you learn about deficit spending?

- *What is deficit spending?*
- *Why are so many school districts spending?*

COST PRESSURES

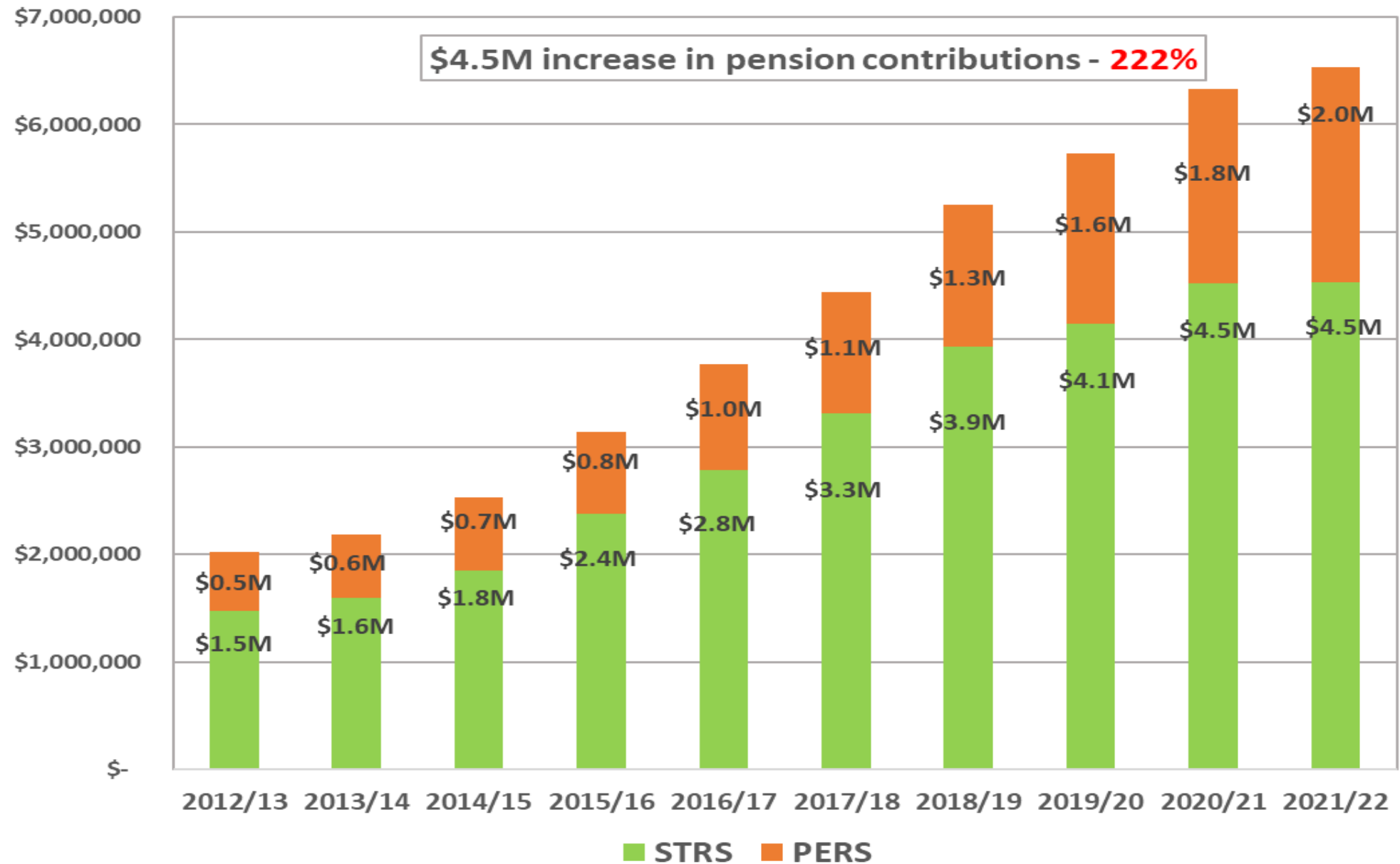
District Pension Contributions

	PERS	STRS
2013/14	11.443%	8.25%
2014/15	11.771%	8.88%
2015/16	11.847%	10.73%
2016/17	13.880%	12.58%
2017/18	15.531%	14.43%
2018/19	18.062%	16.28%
2019/20	19.721%	17.10%
2020/21	22.80%	18.40%
2021/22	24.90%	18.10%

Example

\$75,000 teacher salary X 17.10% = \$12,825 to STRS

District Contributions to PERS & STRS



HEALTH BENEFITS

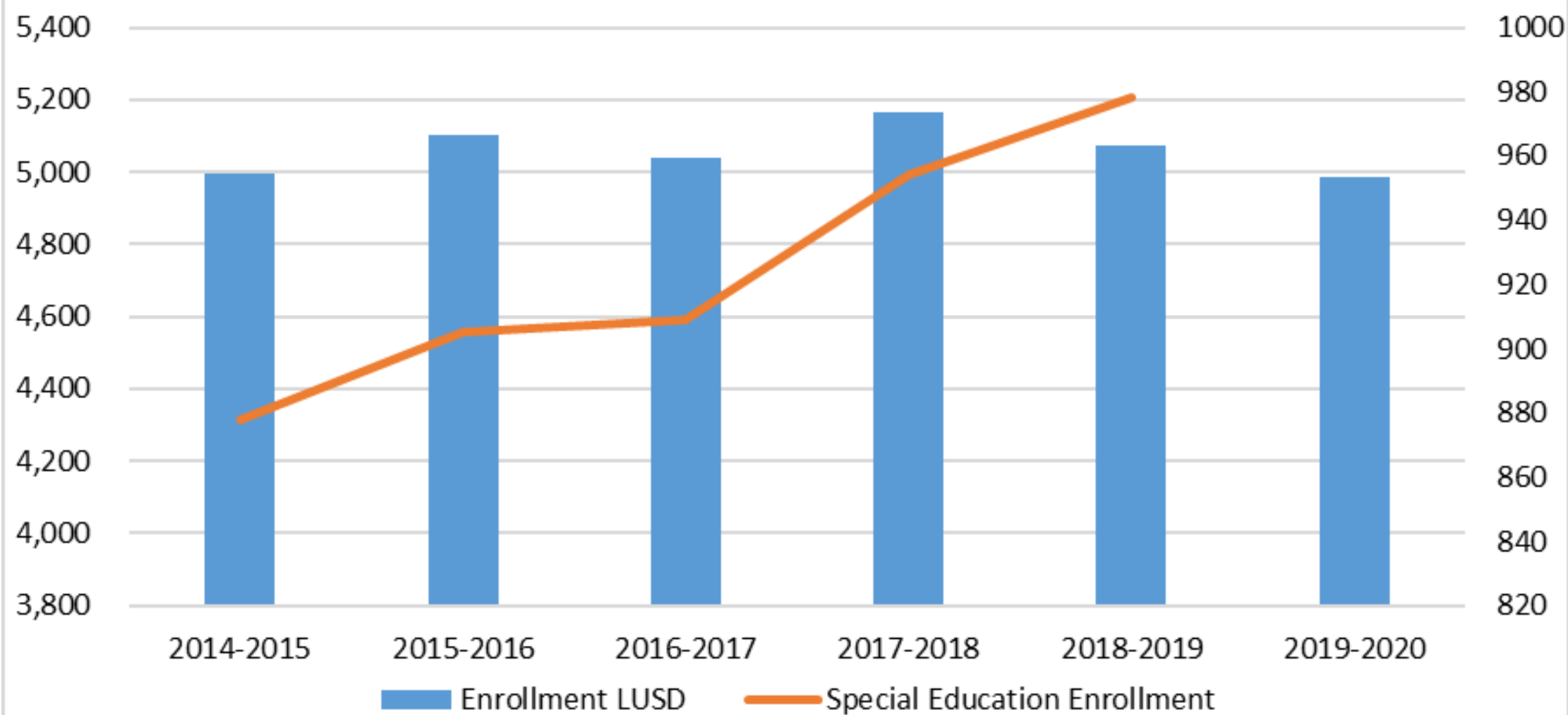
19/20 Annual Health Benefit Cost - \$7.5 Million
Active Employees - \$7.0 Million
Retirees - \$0.5 Million

- 19/20 Health Benefit costs increased by 2.5% (\$183,404) over 2018/19

Increasing Contributions to Special Education Services

Year	Amount Not Covered by State and Federal Special Education Funds	\$ Increase	% Increase
2014-15	4,428,121		
2015-16	4,561,537	133,416	3.01%
2016-17	5,417,259	855,722	18.76%
2017-18	6,507,086	1,089,827	20.12%
2018-19	6,935,449	428,363	6.58%
Source: Unaudited Actuals Revenues			

STUDENT ENROLLMENT



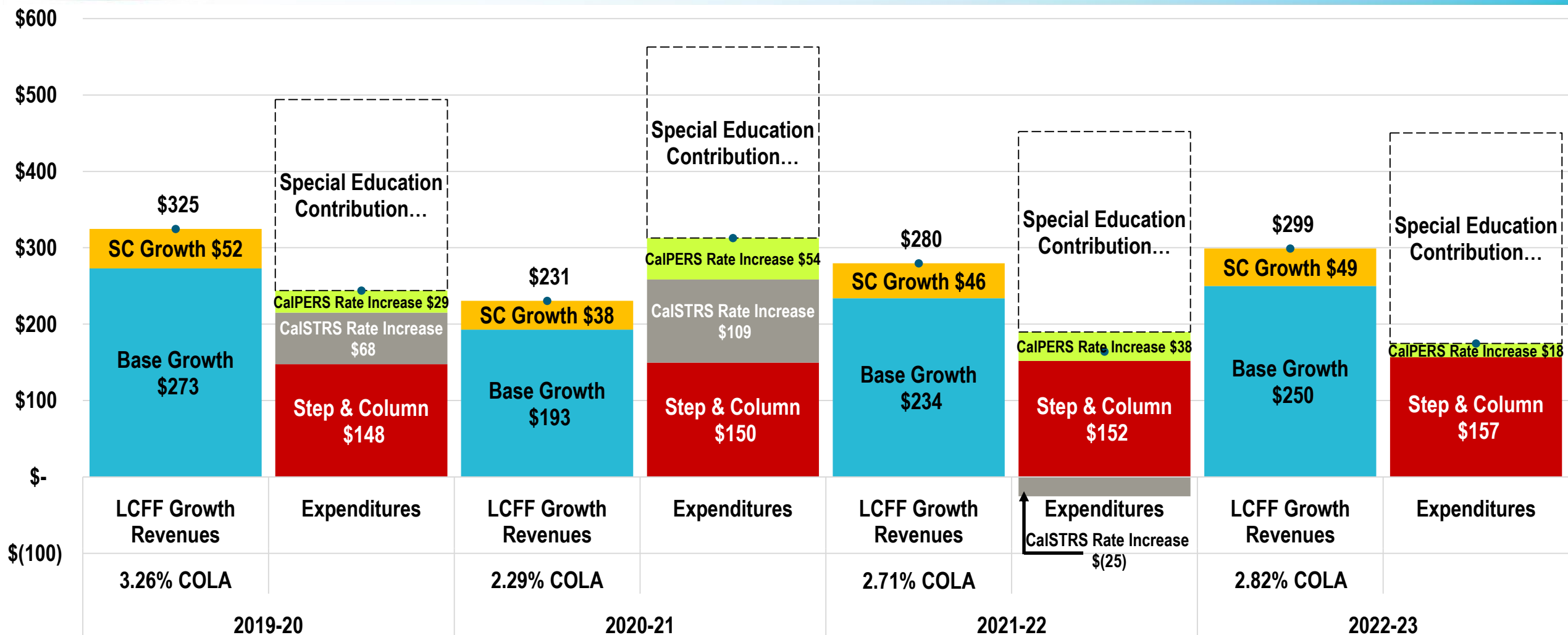
Source: CALPADS and CASEMIS



Per-ADA Growth in Revenues and Expenditures

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Supplemental/Concentration (SC) ▪ California Public Employees' Retirement System (CalPERS) ▪ California State Teachers' Retirement System (CalSTRS)

ACTIVITY

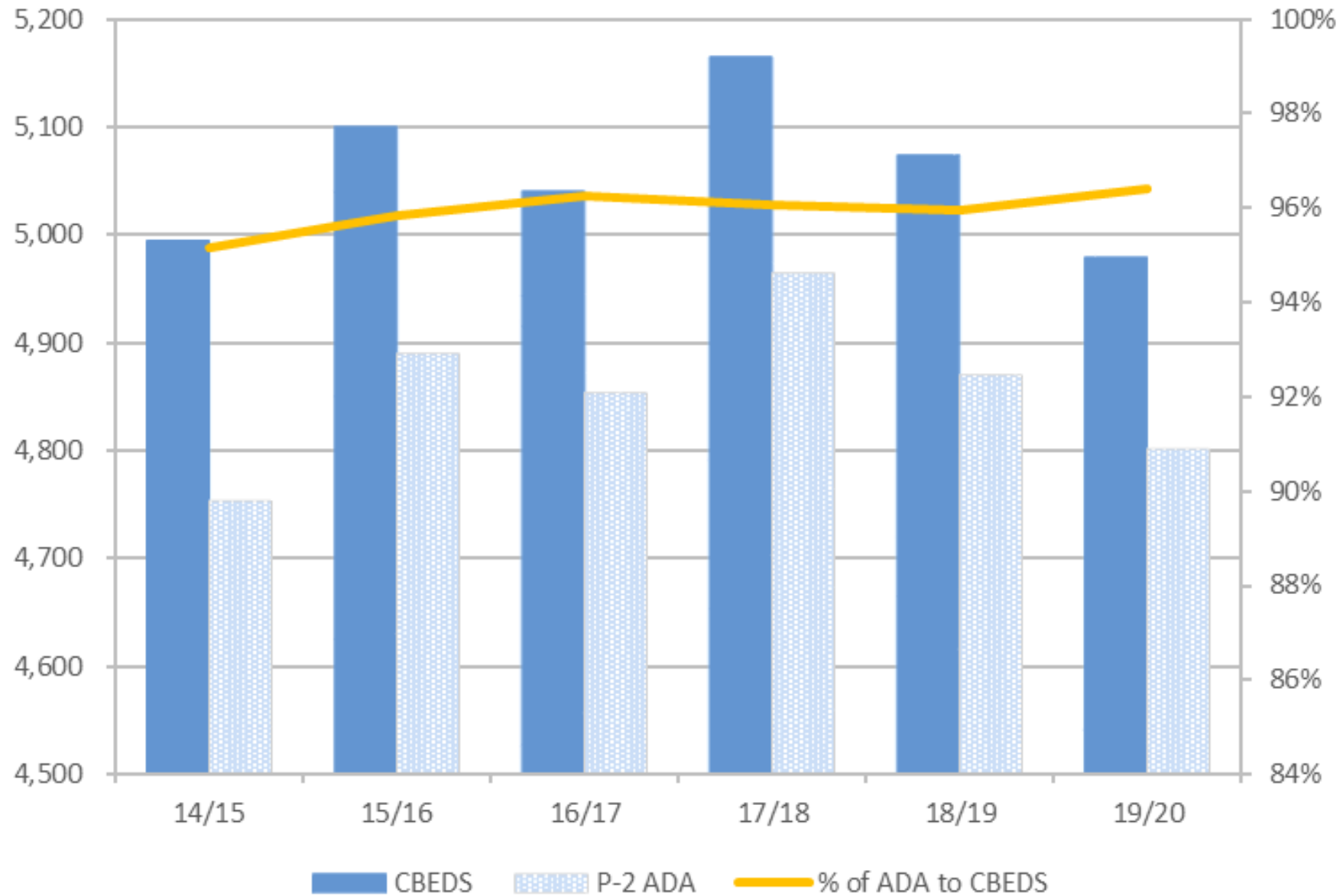
What did you learn about the cost pressures
LUSD is facing (pensions, health benefits,
Special Education)?

DECLINING ENROLLMENT

Declining Enrollment

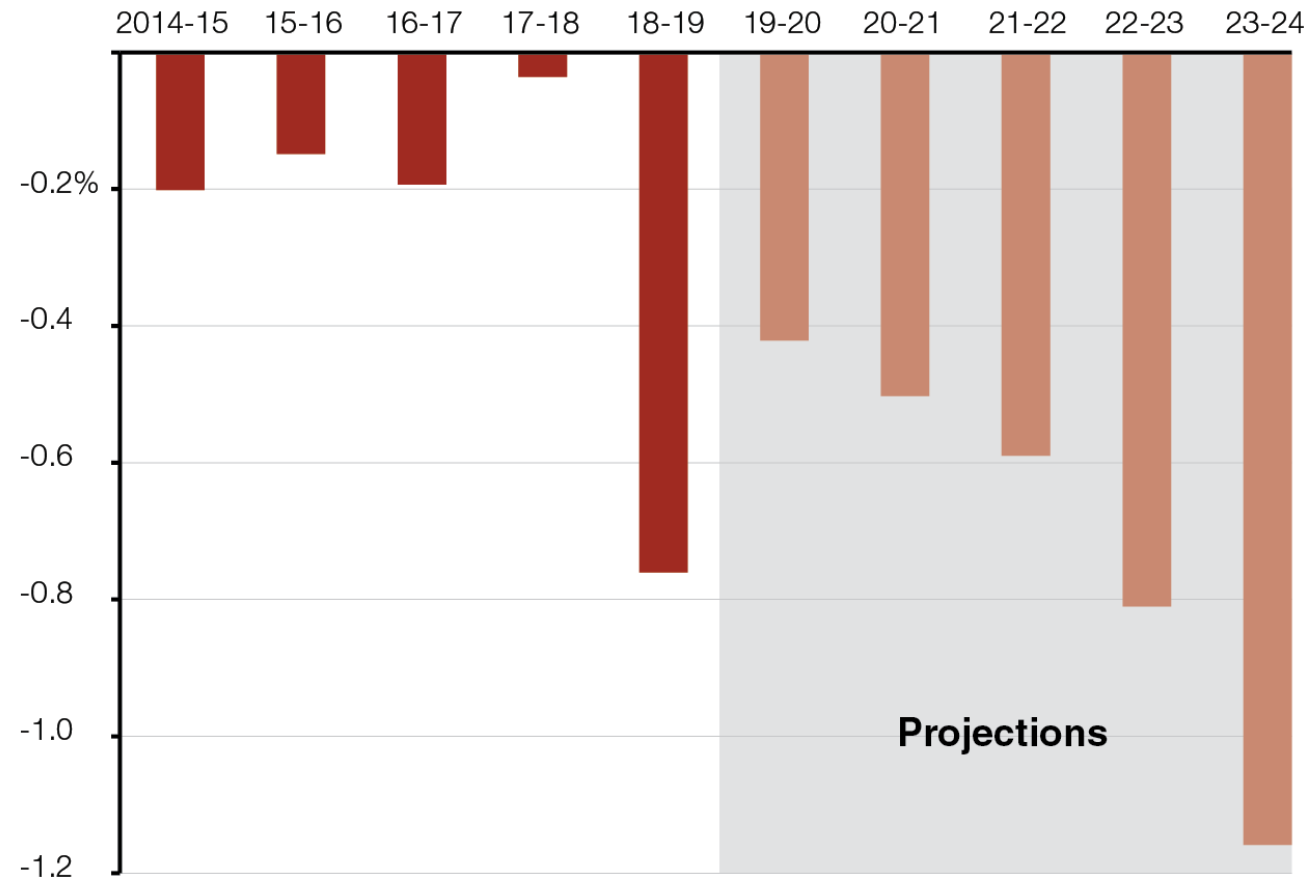
- 38 out of 42 San Diego County school districts are in declining enrollment
- CA K-12 ADA has declined past five years, since 2014/15
 - Future enrollment declines projected to accelerate
- LUSD 19/20 LCFF funding: \$9,109 per student
- LCFF Funding – districts are held harmless for 1 year during decline in enrollment, funding is paid on current or prior year ADA (whichever is greater)

Enrollment & ADA



Declines in K-12 Attendance Projected to Accelerate

Annual Percent Change



ACTIVITY

What did you learn about Declining Enrollment?

Governor's January Budget – 20/21


- Special Education
 - Revamp of AB 602 SELPA funding formula – over multiple years
 - 20/21 – begin funding SELPAs on 3-yr rolling average ADA
 - 20/21- Increase SELPA base grants
 - \$250 M one-time funding for SpEd Preschool, with new service requirement
- Child Nutrition
 - Increase State meal reimbursements by approximately 35% to promote healthier meals, with new requirements
- **LCFF COLA – 2.29%**
 - LUSD budgeted 3.0% at First Interim in Dec 2019
 - LAO projection of COLA fell to 1.79% in Dec 2019

Governor's January Budget – 20/21, cont'd

- Missing from January Budget:
 - Pension relief & One-time discretionary funding to schools
- LUSD will monitor budget negotiations through June
- Political Landscape: Governor Newsom may run for President
 - One-time \$ is safe, don't have to cut programs in future years
 - “Categorical” comeback – Early education, Special Education

MULTI-YEAR PROJECTIONS (MYP)

Multi-Year Projections

TOTAL GENERAL FUND	2019-20	2020-21	2021-22
July 1, Beginning Balance	\$11,222,675	\$8,749,918	\$5,554,055
Estimated Revenues	\$57,953,144	\$57,382,558	\$58,727,871
Estimated Expenditures	(\$60,425,901)	(\$60,578,421)	(\$61,393,378)
Total Surplus/(Deficit)	(\$2,472,757)	(\$3,195,863)	(\$2,665,507)
Unrestricted Deficit 	(\$1,912,678)	(\$2,892,014)	(\$2,746,220)
June 30, Ending Fund Balance	\$8,749,918	\$5,554,055	\$2,888,548
Reserve Percentages	13.29%	8.07%	3.00%

(19/20 First Interim)

Changes to MYP since First Interim (Dec)

- 1) Contract Agreement with CSEA
- 2) Reduced LCFF COLA, from 3% to 2.29%
- 3) Local LUSD changes

Best course of action – make reductions now for 20/21 and reassess each year

ACTIVITY

What did you learn about the Governor's budget proposal for 20/21, or about the MYPs?

BUDGET PRINCIPLES & PRIORITIES

Budget Reductions – Decision-Making Guide

1. Maintain compliance with Local, State (including LCAP) and Federal regulations without creating potential for financial penalties, or increased costs
2. Maintain compliance with Collective Bargaining Agreements
3. Always consider non-staffing reductions before staffing reductions
4. When a vacancy occurs, evaluate feasibility of not filling the position
5. Consider reorganization of positions/functions for increased efficiencies
6. Consider funding source (Unrestricted/Restricted) and shift resources when possible
7. Continue to work towards Board goals over time:
 - a) Academic achievement of students
 - b) Social-emotional well-being of students
 - c) Maintain physical environments of classrooms and schools

BUDGET REDUCTION STRATEGY

Budget Reductions - Categories

- Reductions already in Place
- Level 1: Non-Staff & Non-Mission Critical
- Level 2: Non-Staff, Affects Mission & Goals
- Level 3: Staff, Affects Mission & Goals
- Level 4: Negotiable, Affects Staff & Working Conditions

**LCAP Stakeholder Engagement – primary input
process for budget**

Budget Reductions - Examples

- Reductions already in place
 - Copier/printer RFP - \$100,000 savings over 5 years
 - Cafeteria fund – controlling costs, revenue/participation increasing
- Level 1: Non-Staff, non-mission critical
 - Sparkletts water service
 - No food at meetings
 - Reduce travel & conference expenses
- Level 2: Non-staff, affects mission
 - Reducing Deferred Maintenance
 - Reducing contracted services

2018/19 SDCOE Staffing Study

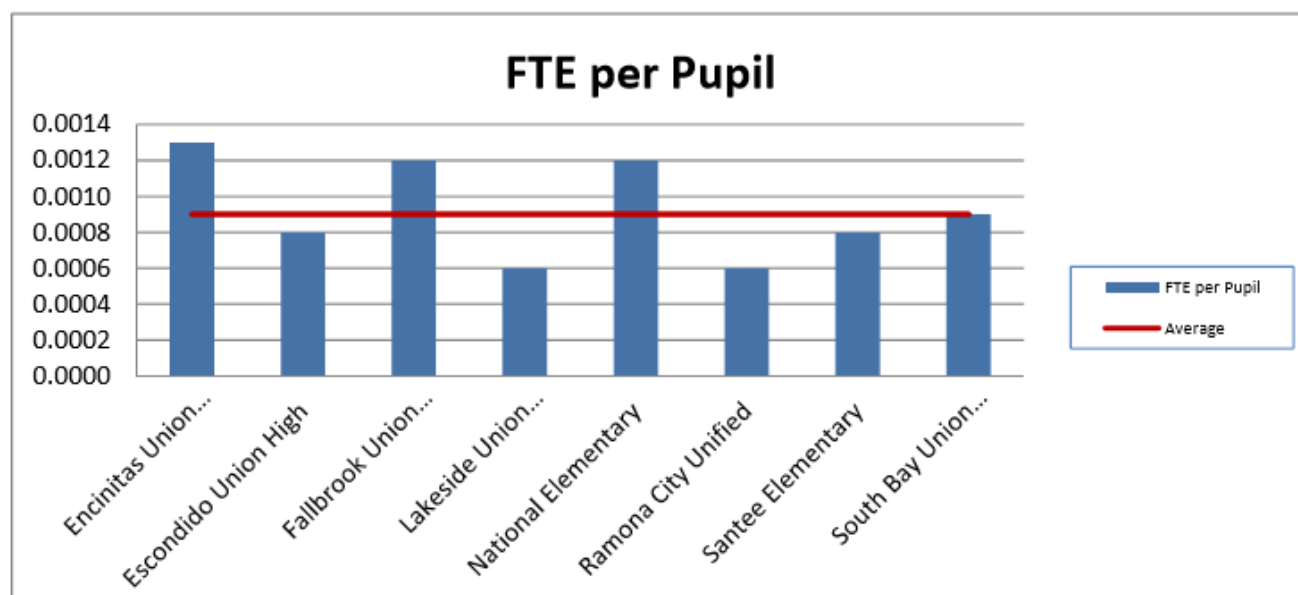
School Districts with 5,001 to 10,000 Students

Published – February 2019

HUMAN RESOURCES

Summary Data for Districts with 5,001 to 10,000 Students

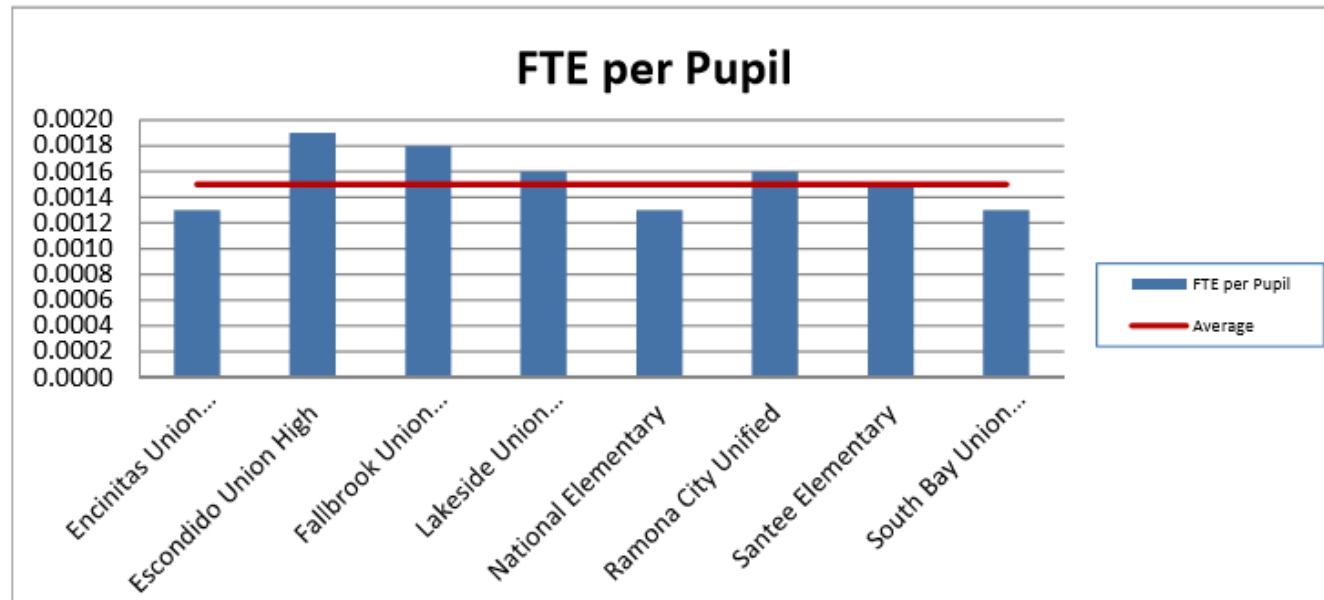
District Name	Total FTE	Number of School Sites	FTE per Site	2018-19 Estimated Enrollment	FTE per Pupil
Encinitas Union Elementary	7.00	11	0.64	5,280	0.0013
Escondido Union High	6.00	5	1.20	7,727	0.0008
Fallbrook Union Elementary	6.00	12	0.50	5,043	0.0012
Lakeside Union Elementary	3.00	9	0.33	5,157	0.0006
National Elementary	6.00	10	0.60	5,190	0.0012
Ramona City Unified	3.49	10	0.35	5,692	0.0006
Santee Elementary	5.00	9	0.56	6,472	0.0008
South Bay Union Elementary	7.00	12	0.58	7,379	0.0009



BUSINESS OFFICE

Summary Data for Districts with 5,001 to 10,000 Students

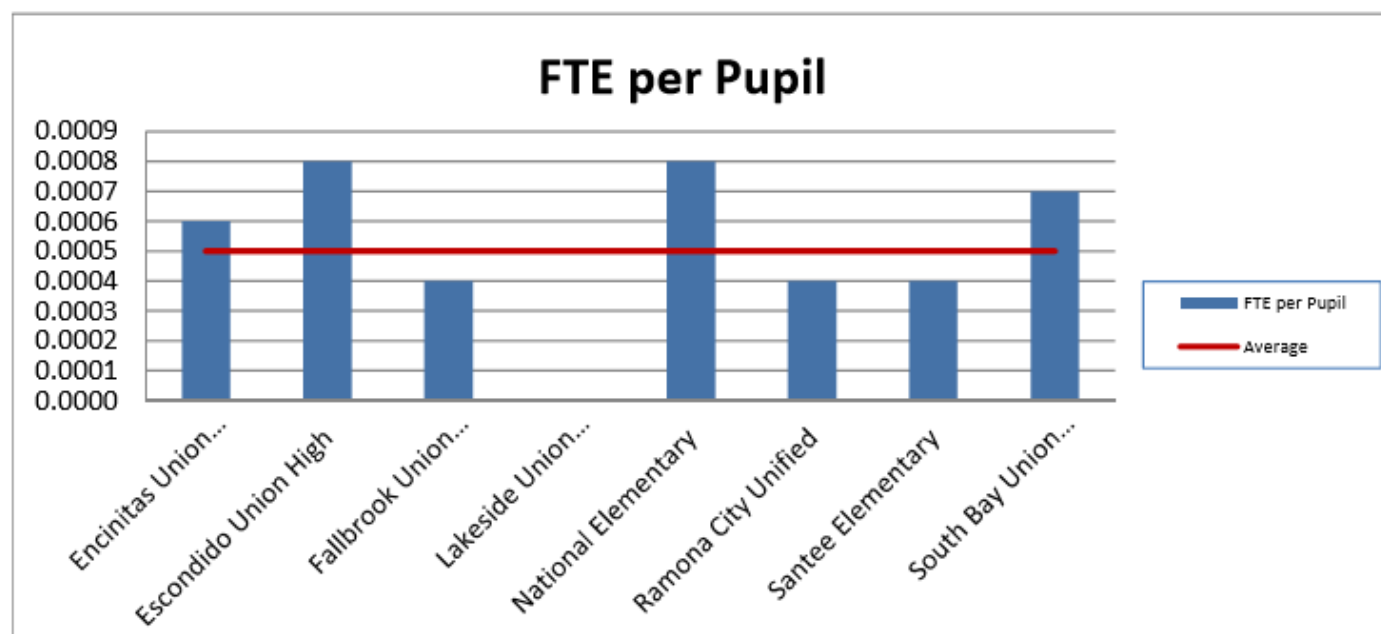
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Encinitas Union Elementary	7.00	11	0.64	5,280	0.0013
Escondido Union High	15.00	5	3.00	7,727	0.0019
Fallbrook Union Elementary	9.00	12	0.75	5,043	0.0018
Lakeside Union Elementary	8.00	9	0.89	5,157	0.0016
National Elementary	7.00	10	0.70	5,190	0.0013
Ramona City Unified	9.00	10	0.90	5,692	0.0016
Santee Elementary	10.00	9	1.11	6,472	0.0015
South Bay Union Elementary	9.47	12	0.79	7,379	0.0013



PURCHASING/ WAREHOUSE

Summary Data for Districts with 5,001 to 10,000 Students

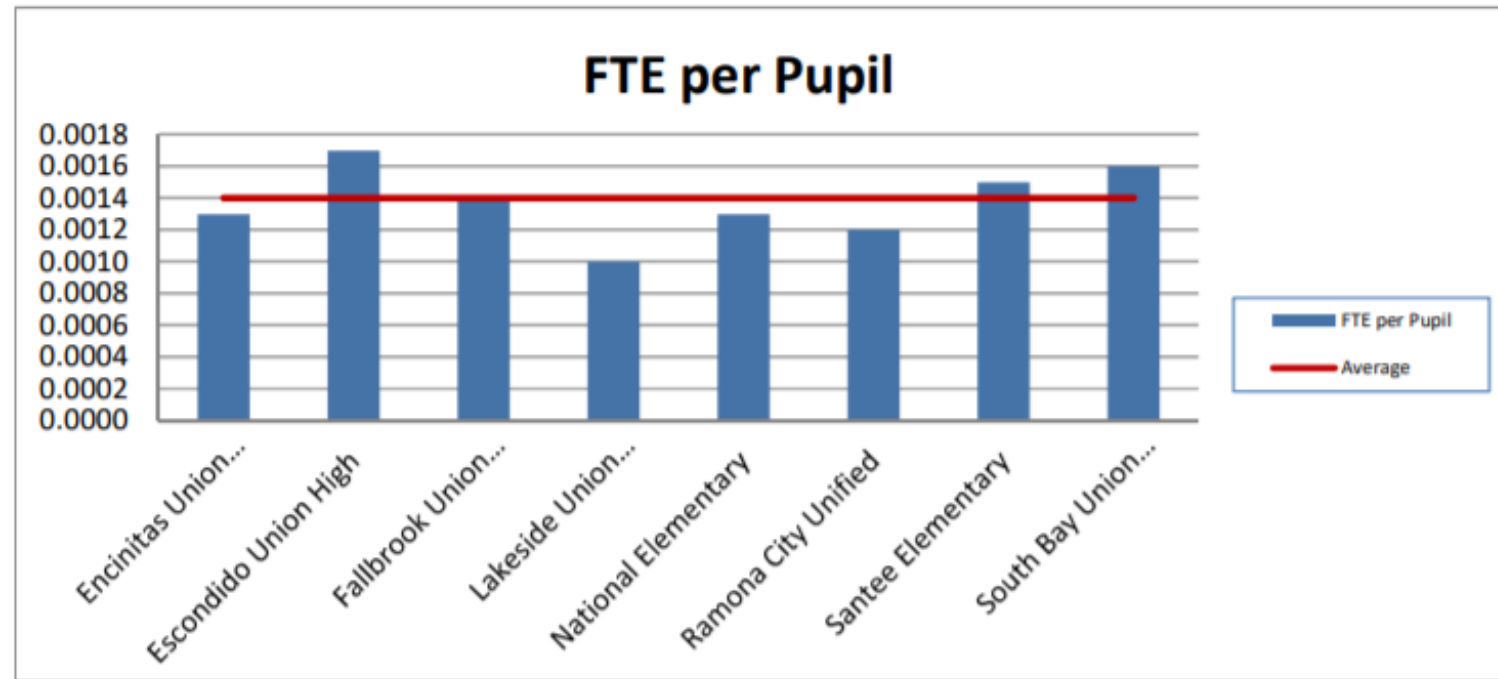
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Escondido Union High	6.00	5	1.20	7,727	0.0008
Fallbrook Union Elementary	2.00	12	0.17	5,043	0.0004
Lakeside Union Elementary	0.00	9	0.00	5,157	0.0000
National Elementary	4.00	10	0.40	5,190	0.0008
Ramona City Unified	2.00	10	0.20	5,692	0.0004
Santee Elementary	2.30	9	0.26	6,472	0.0004
South Bay Union Elementary	5.47	12	0.46	7,379	0.0007



INFORMATION TECHNOLOGY

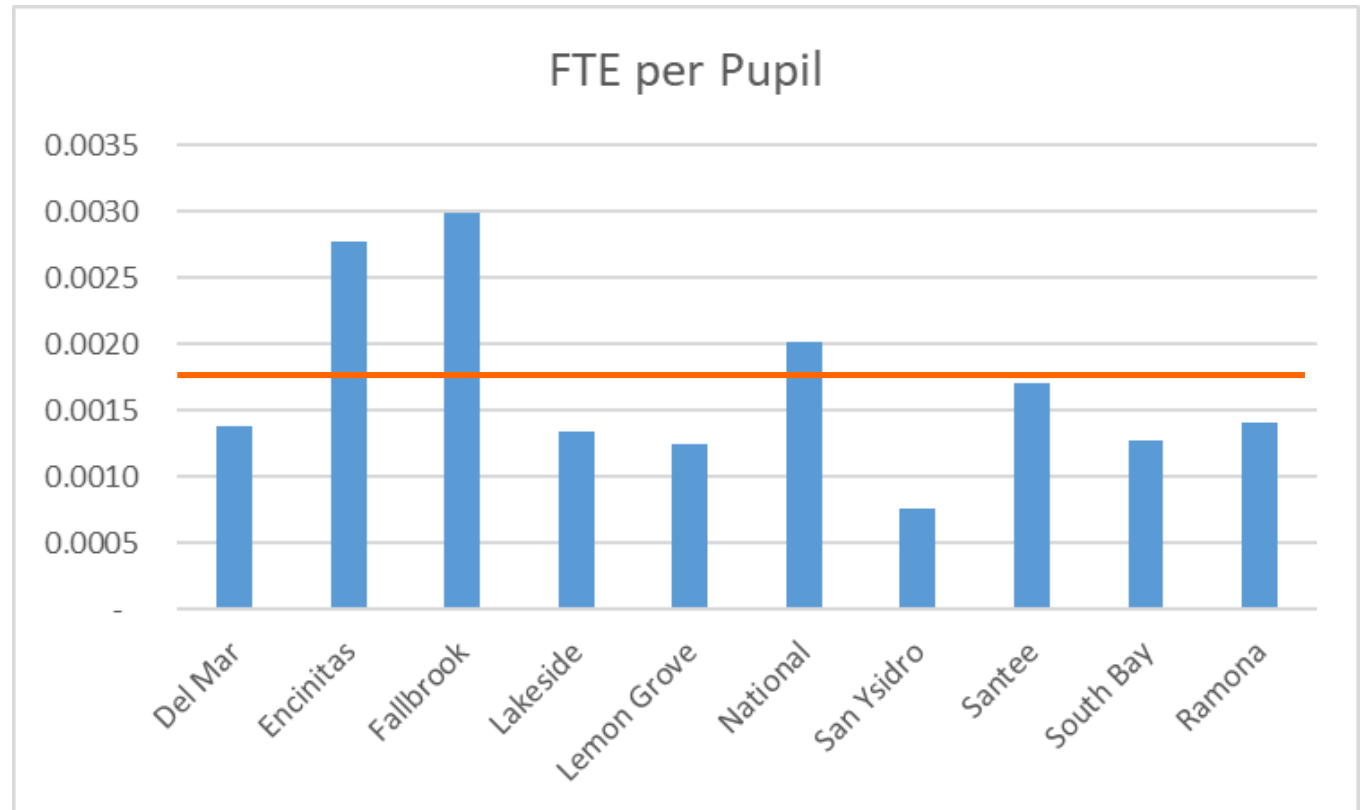
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Escondido Union High	13.25	5	2.65	7,727	0.0017
Fallbrook Union Elementary	7.00	12	0.58	5,043	0.0014
Lakeside Union Elementary	5.20	9	0.58	5,157	0.0010
National Elementary	7.00	10	0.70	5,190	0.0013
Ramona City Unified	7.00	10	0.70	5,692	0.0012
Santee Elementary	10.00	9	1.11	6,472	0.0015
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Educational Services

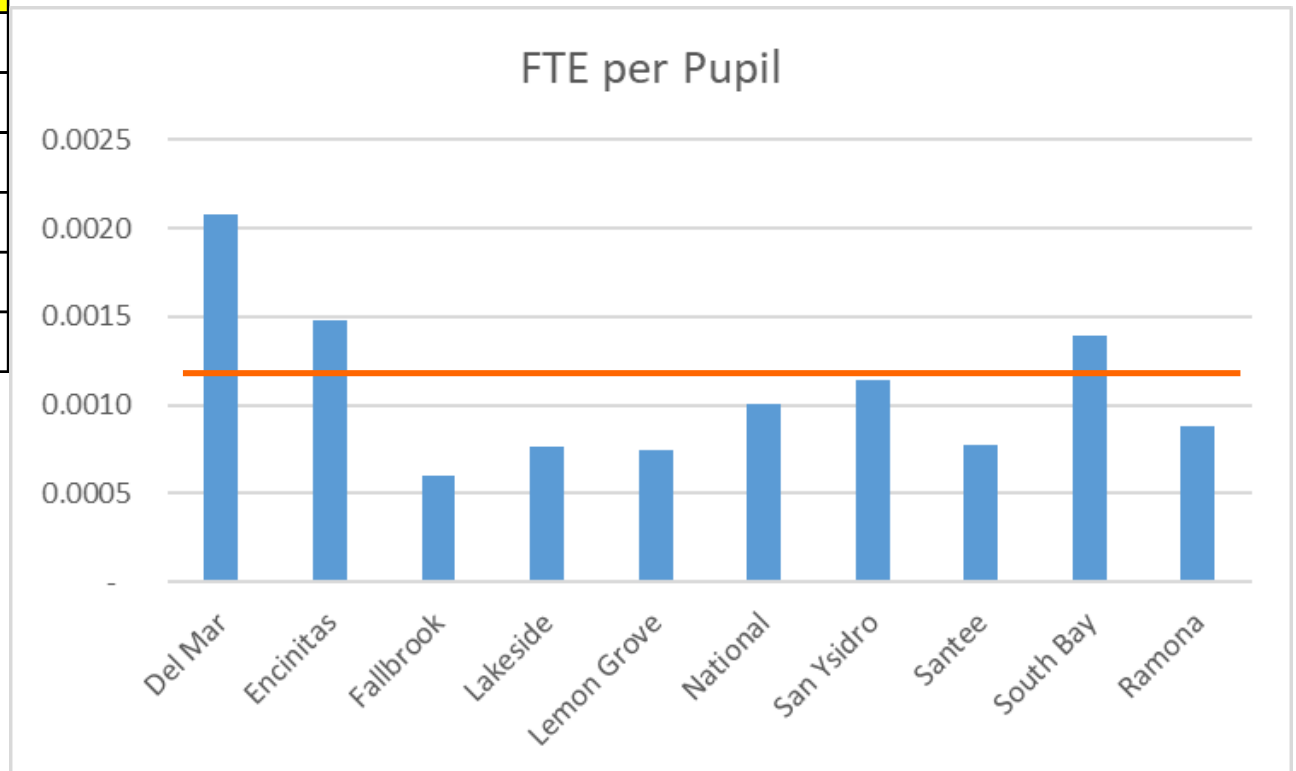
District Name	Total FTE	2018/19 Estimated Enrollment	FTE per Pupil
Del Mar	6	4,337	0.0014
Encinitas	15	5,400	0.0028
Fallbrook	15	5,024	0.0030
Lakeside	7	5,199	0.0013
Lemon Grove	5	4,000	0.0013
National	10	4,966	0.0020
San Ysidro	4	5,252	0.0008
Santee	11	6,422	0.0017
South Bay	10	7,871	0.0013
Ramona	8	5,700	0.0014



*LUSD HR Dept study – 18/19

Special Education/Pupil Services

District Name	2018/19 Estimated Enrollment	Total FTE	FTE per Pupil
Del Mar	9	4,337	0.0021
Encinitas	8	5,400	0.0015
Fallbrook	3	5,024	0.0006
Lakeside	4	5,199	0.0008
Lemon Grove	3	4,000	0.0008
National	5	4,966	0.0010
San Ysidro	6	5,252	0.0011
Santee	5	6,422	0.0008
South Bay	11	7,871	0.0014
Ramona	5	5,700	0.0009



*LUSD HR Dept study – 18/19

BOARD DIRECTION

BOARD DIRECTION

- Second Interim Budget Report – March 12, 2020
 - Will include all Level 1 and most Level 2 budget reductions
 - Board Resolution – to identify remaining reduction amount needed over next two fiscal years

ACTIVITY

What questions do you still have about the budget reduction process?

OR

What is your final A-ha about the budget from everything we've discussed tonight?

QUESTIONS

