

# 2017/18 2<sup>nd</sup> Interim Budget Report

March 13, 2018

# 2017/18 2<sup>nd</sup> Interim Themes

2017/18 Projections Updated with 2/3 of the year now completed

2018/19 State Budget Uncertainty:

Potential Upside:

Governor Brown's proposal to fully Fund Local Control Funding Formula (LCFF) 2-years ahead of target  
Two legislator proposals that would increase 2018/19 LCFF in addition to full funding

Potential Downside:

Proposed one-time discretionary funds may be shifted to address other state priorities

Challenges Ahead

- LCFF Full Funding
- Declining Enrollment
- Increasing Retirement Cost

# 2017/18 General Fund Revised Budget

(in thousands)

## Revenues

Source	1st Interim	2nd Interim	Change
LCFF	\$144,119	\$144,259	\$140
Federal	\$9,018	\$8,538	(\$479)
Other State	\$14,429	\$16,412	\$1,983
Local	\$14,383	\$14,430	\$47
<b>Total Revenues</b>	<b>\$181,949</b>	<b>\$183,639</b>	<b>\$1,690</b>

## Expenditures

Category	1st Interim	2nd Interim	Change
Certificated Salaries	\$74,690	\$75,599	\$908
Classified Salaries	\$29,160	\$29,555	\$395
Employee Benefits	\$47,982	\$48,658	\$676
Books/Supplies	\$11,205	\$9,907	(\$1,299)
Services, Software, Other			
Operating	\$15,765	\$15,855	\$90
Capital Outlay	\$1,000	\$228	(\$773)
Transfers To Other Agencies /			
Debt	\$5,309	\$5,598	\$290
Transfers to/(from) Other Funds	(\$392)	(\$392)	\$0
<b>Total Expenditures</b>	<b>\$184,721</b>	<b>\$185,009</b>	<b>\$288</b>

# General Fund Multi-Year Projections Summary

(in millions)

	2017/18 Projections	2018/19 Projections	2019/20 Projections
Revenues	\$183.639	\$186.551	\$190.234
Expenditures	\$184.826	\$189.190	\$191.414
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>(\$1.188)</b>	<b>(\$2.640)</b>	<b>(\$1.180)</b>
Other Sources	\$0.000	\$0.000	\$0.000
Other Uses	\$0.183	\$0.820	\$0.820
<b>Net Increase (Decrease) in Fund Balance</b>	<b>(\$1.370)</b>	<b>(\$3.460)</b>	<b>(\$2.000)</b>
Beginning Fund Balance	\$14.173	\$12.803	\$9.343
<u>Components of Ending Fund Balance</u>			
Total Ending Fund Balance	\$12.803	\$9.343	\$7.344
3% Reserve for Economic Uncertain	\$5.550	\$5.700	\$5.767
Legally Restricted	\$2.583	\$0.307	\$0.307
Non-Spendable (Stores)	\$0.325	\$0.325	\$0.325
Other Commitments	\$0.830	\$0.830	\$0.830
Other Assignments	\$2.392	\$1.570	\$0.000
<b>Undesignated/Unappropriated Fund Balance</b>	<b>\$1.124</b>	<b>\$0.611</b>	<b>\$0.115</b>

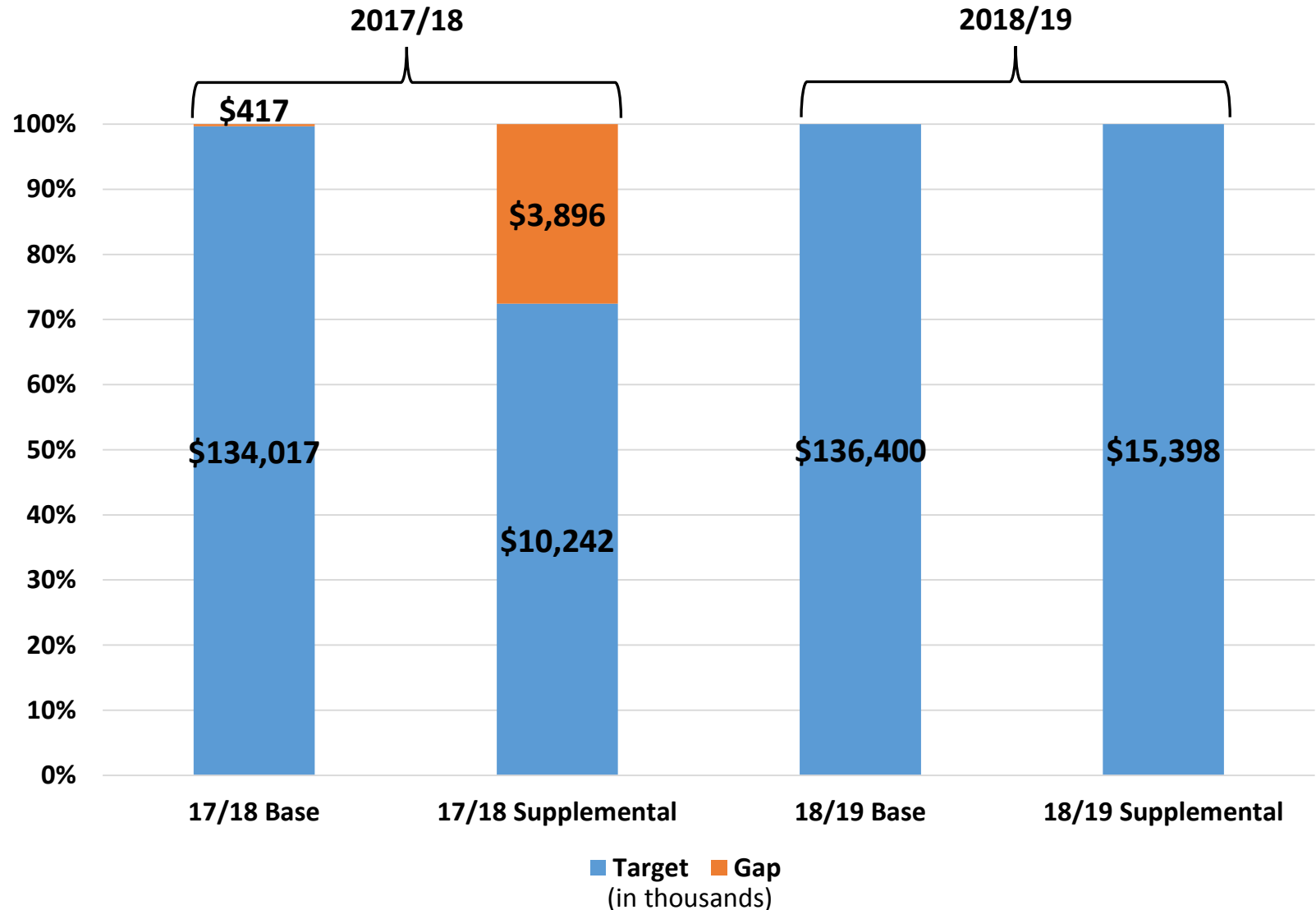
Ending Balance

# Goals of LCFF

- No District receives less than 2012/13 funding
- Purchasing power restored to pre-recession levels
- Equalization – Core funding same for all
- Equity – More services for higher needs
- Full implementation by 2020/21 may now occur in 2018/19

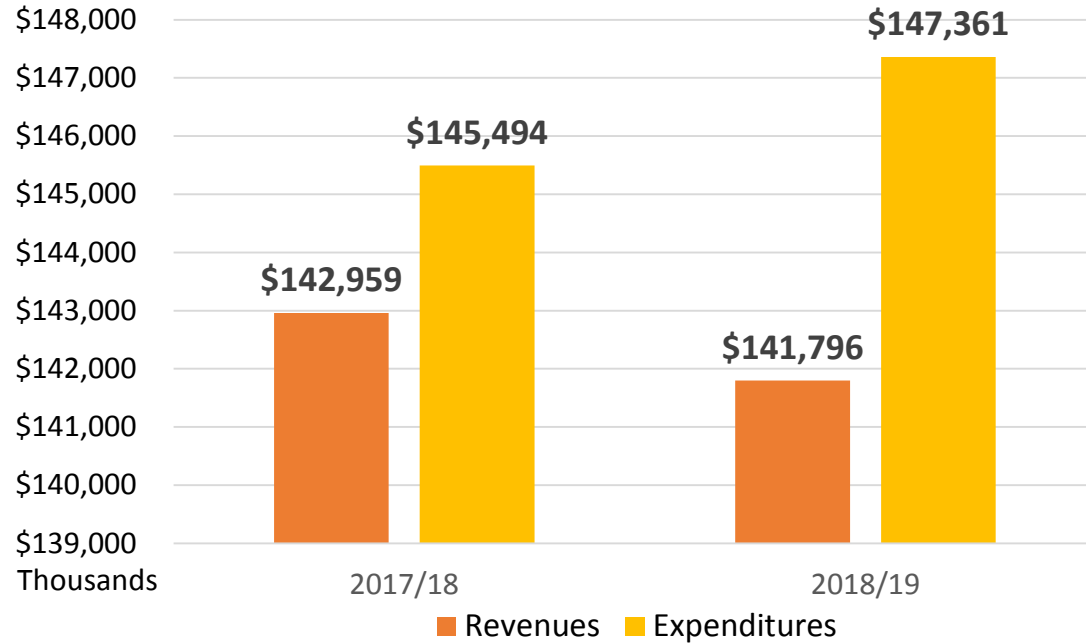
# LCFF: Progress Towards Full Implementation

- 2017/18 at 97%
  - 99.6% base
  - 72.4% supplemental
  
- 2018/19 if 100%  
 Majority of additional funds in 2018/19 are projected to be supplemental and concentration grant funds

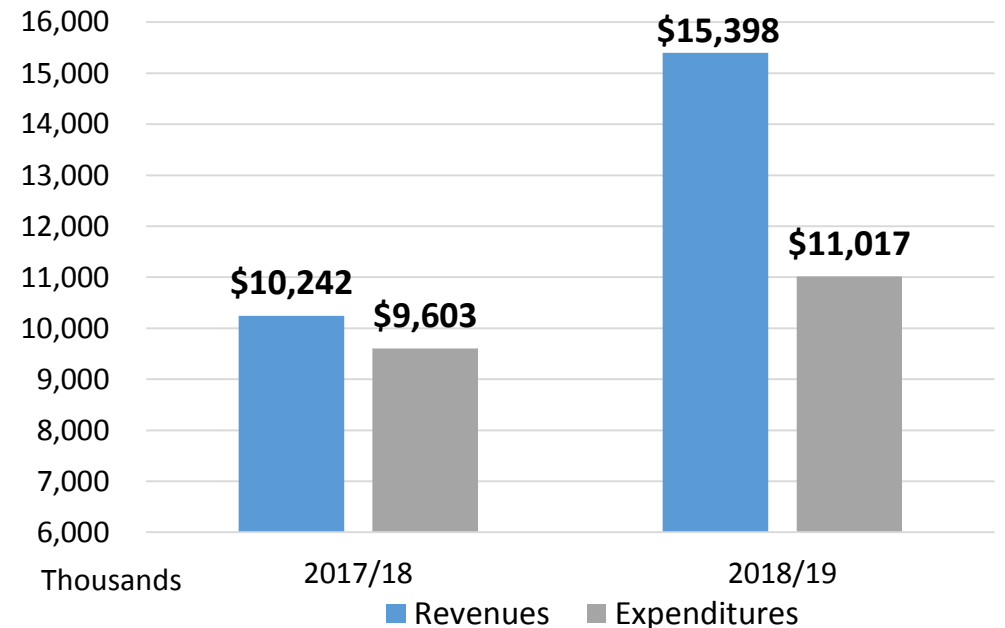


# Challenge: Full LCFF Implementation

2<sup>nd</sup> Interim Multi-Year Projections  
Base Grant and Other Unrestricted Funds

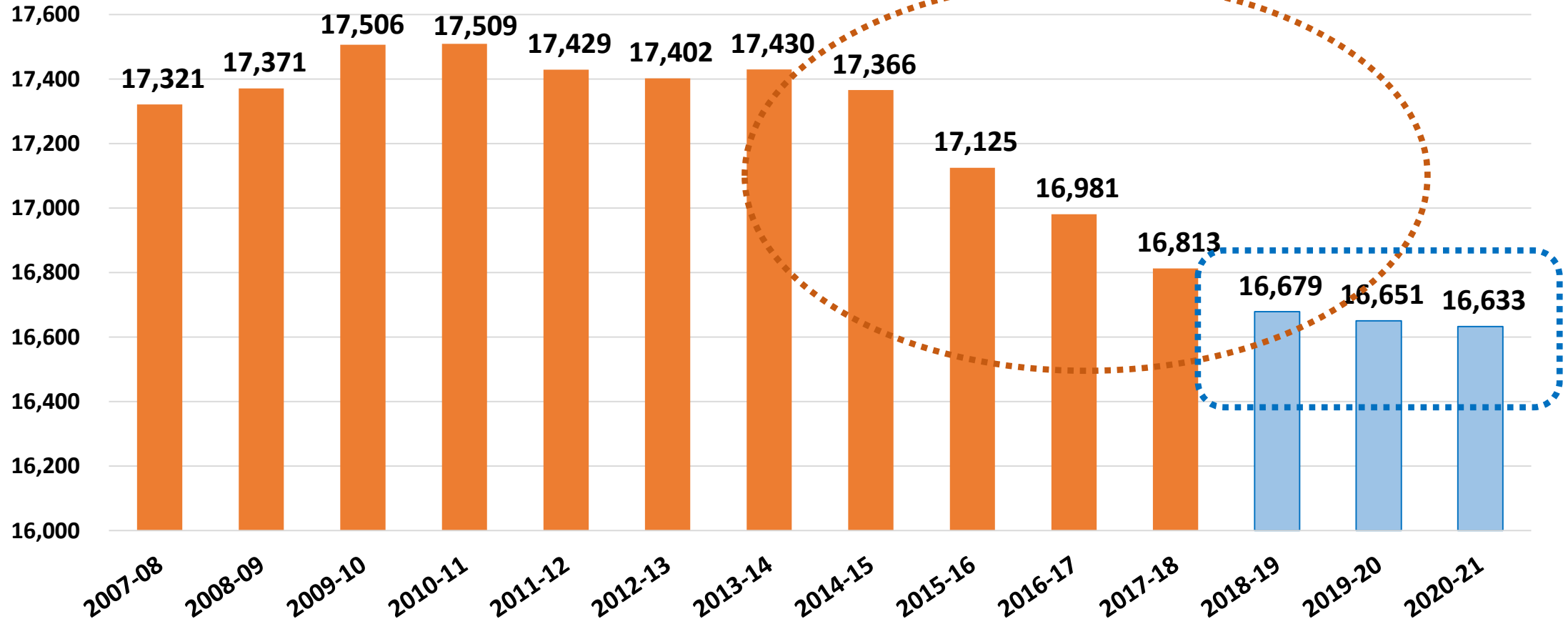


2<sup>nd</sup> Interim Multi-Year Projections  
Supplemental & Concentration Grant Funds



# Challenge: Declining Enrollment

VUSD Actual Enrollment Trend with Projections





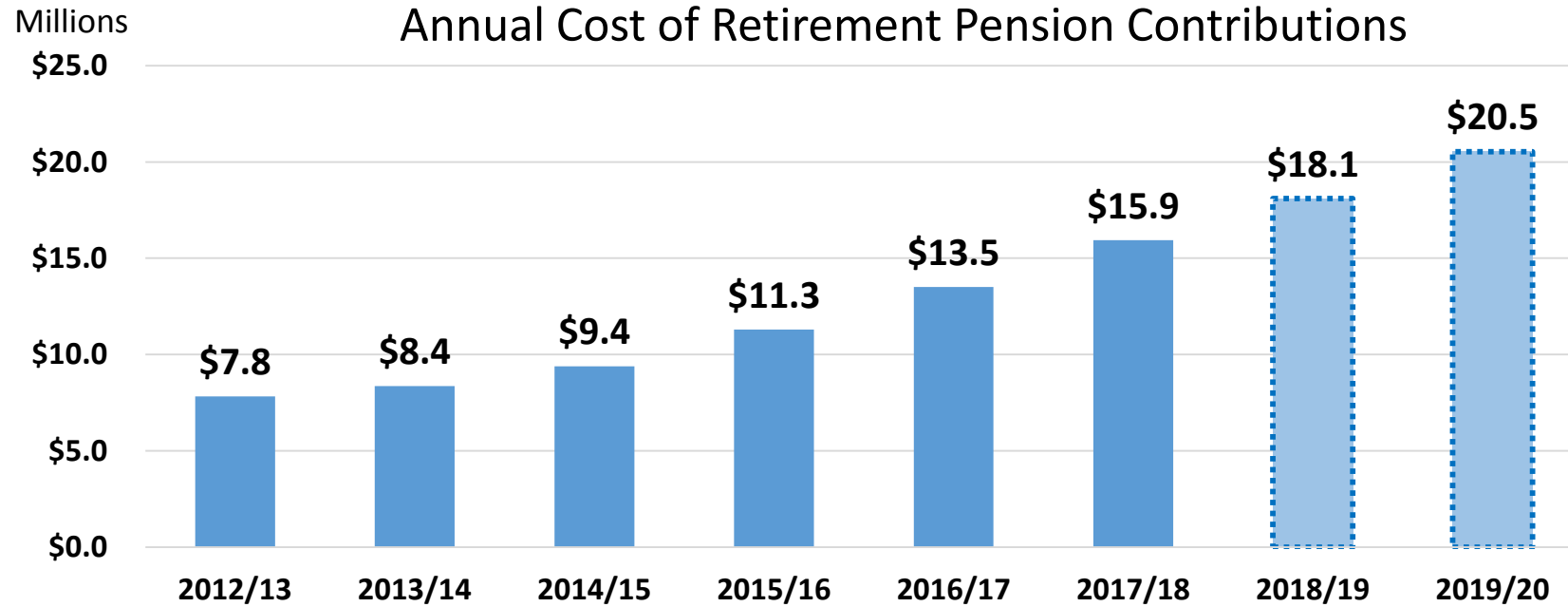
# Challenge – Impact of Declining Enrollment

Income Loss	
134 ADA decline at \$9,000 each – yields marginal revenue loss	
Lost revenue:	\$1,206,000

Proportional Layoff	
120 students requires 5 teachers at 24:1	
Five teachers multiplied by the cost per novice teacher yields savings of:	\$435,000
(\$87,000 per teacher, including benefits, x 5 teachers)	
Misc. savings (\$500/student)	<u>\$67,000</u>
Total proportional savings:	\$502,000

**Proportional layoff leaves a \$704,000 deficit. In this example, additional program cuts may be required.**

# Challenge: Increasing Pension Contributions



STRS	Rates Fixed per Assembly Bill 1469							
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	8.25%	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	19.10%

PERS		Actual				Estimated		
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	11.44%	11.77%	11.85%	13.89%	15.53%	17.70%*	20.00%*	22.70%*

\*CalPERS-provided estimates January 2018

# Summary

- Fiscally stable
- Closely monitor financial position and develop strategies to maintain fiscal stability
- Next Steps
  - Continue 2018/19 Budget Development
  - Governor's May Revision (early-to-mid May)