Fullerton Joint Union High School District
2015/16 Fiscal Year Budget

Budget Assumptions
(June 9, 2015)

The Governor's 2015 May Budget Revision provided significant positive changes to funding for local education agencies. These changes included both one-time and ongoing funding and will impact both current and ongoing operations and expenditures. Integration of the funding outlined in the Governor's proposal into the District's budget will require careful planning in order to balance increased one-time revenues and accelerated appropriation of funding under the Local Control Funding Formula with ongoing issues such as deficit spending, multi-year fiscal solvency, and staffing in excess of what is needed to maintain authorized programs. Needs identified in the District's Local Control Accountability Plan (LCAP) will need to be reviewed in light of these funding changes. Changes to funding will also require staff time to appropriately plan for and integrate into the Budget. It is anticipated that these changes will be reflected in the Budget beginning at the First Interim Report, October 31, 2015.

PURPOSE

The purpose of this budget assumption document is to provide the District with a framework for preparing the budget. The overarching influence to the following assumptions is the budget for the State of California. Other assumptions will be based upon prior-year trends and staff members' judgment, as well as external sources or conditions when appropriate. Assumptions are subject to change based on both external and internal factors as well as the direction of the Board of Trustees and/or Superintendent as deemed necessary and/or appropriate.

LOCAL CONTROL FUNDING FORMULA

Local Control Funding Formula (LCFF) – The LCFF, implemented in fiscal year 2013/14, made fundamental changes in the way Proposition 98 revenues are allocated to schools. At full implementation in fiscal year 2020/21, the LCFF will fund every student, depending on grade span, at the same base rate. At full implementation in 2020/21, the target State funding for high school students (grades 9-12), is projected to be as follows:

2014/15 Base Grant Entitlement per ADA	$8,491	
2015/16 COLA (1.02%)	$ 87	
2015/16 Base Grant per ADA	$8,578	
CTE Augmentation Grant (2.6%)	$ 223	
Adjusted Base Grant per ADA	$8,801	(LCFF Target Funding)

Two factors, known as Supplemental and Concentration Grants, will be applied to the LCFF base grant for eligible students. Supplemental and Concentration Grant increases are calculated based on the unduplicated percentage of total enrollment accounted for by English language learners, free and reduced-price meal (FRPM) program-eligible students, and foster youth.

Supplemental Grant (20%)	$1,760
Concentration Grant (50%)	$4,401

Supplemental Grant funding is provided for each qualifying student. Concentration Grant funding is provided for program-eligible students exceeding 55 percent of the District's enrollment. The District does not currently have sufficient eligible students to qualify for Concentration Grant funding.

The 2020/21 LCFF Target receives a Cost of Living Adjustment (COLA) each. A portion of the shortfall, or gap, between the LCFF Target and the current's year funded base grant will be provided each year through 2020/21 until the Base Grant Entitlement is reached. The State will provide gap funding based on available revenues.

GENERAL ASSUMPTIONS

1. Enrollment – The enrollment projection for the budget year assumes that enrollment will remain flat as compared to current year enrollment. The projected enrollment for October 2015, CBEDS is 14,396.

2. Revenue received from the State under LCFF continues to be funded on the higher of current year Average Daily Attendance (ADA), or prior year ADA. ADA is calculated by dividing the total number of days of *student attendance* by the number of *days of school taught* during the same period. Funding for the budget year will be primarily based on the P-2 ADA calculation, which for the budget year includes 180 days. ADA for a school year is not usually finalized until sometime in the late summer or early fall the following year.

   ADA for the budget year is projected to be 13,849. The final figure for the budget year P-2 ADA will not be known until after mid-April, 2016.

3. School Site Allocations – General Fund allocations to schools for instructional support and operational costs will be based on an allocation of $95 per ADA. Staffing allocations for the comprehensive high schools will be at a ratio of one FTE teacher to each 28.5 ADA. Both site supply budgets and staffing allocations will be determined using the following formulas:

   3.1 Site Supply Budget Formula: $95/ADA

   3.2 Staffing Ratio: 28.5 ADA to one (1) classroom teacher

REVENUE ASSUMPTIONS

4. 2015/16 LCFF GAP Funding and LCFF Entitlement calculation is provided below:

Base Grant Funding	$121,888,394
Supplemental Grant Funding (48.4%)	$ 11,798,796
LCFF Target Funding 2020/21	$133,687,190
TIIG	$ 841,861
Transportation	$ 657,683
LCFF Target	$135,186,734
Less: LCFF Floor (2014/15)	$113,857,142
GAP	$ 21,329,592
2015/16 GAP Funding Rate	53.08%
2015/16 Funded GAP Revenue	$11,321,747
Add: LCFF Floor (2015/16)	$113,857,142
LCFF Entitlement for 2015/16	$125,178,889
Supplemental Grant GAP Funding	$4,229,692
Minimum Proportionality Percentage	6.97%

The Supplemental Grant Gap Funding of $4.2 million is a component of the 2015/16 funded gap revenue of $11.3 million and is attributable to the students that comprise the District's unduplicated percentage of total enrollment (48.4%) accounted for by English language learners, free and reduced-price meal (FRPM) program-eligible students, and foster youth. The primary goal of the District's Local Control Accountability Plan (LCAP) will be to demonstrate the nexus between this revenue and how the District intends to meet the educational needs of the students that generated these funds.

5. Reimbursement for Mandated Costs through the Mandated Block Grant will be budgeted at $56/ADA for a total of approximately $775,554.

   5.1 A one-time mandated cost reimbursement of $601/ADA will be budgeted for a total of approximately $8.3 million.

6. State special education funding is expected to receive a 1.02 percent COLA.

7. Lottery – Lottery expenditures for the budget year will be maintained at prior-year levels in support of programs identified in the 2014/15 budget with minor adjustments. Lottery and per-ADA funding levels have not yet been released for 2015/16. Therefore prior year (2014/15) funding levels will be budgeted for 2015/16. Once the 2015/16 figures are released, the budget will be adjusted accordingly. Beginning with the 2015/16 fiscal year, the District will no longer receive Lottery funding for Adult Education and ROP ADA.

   7.1 Lottery unrestricted revenue will be calculated at $128 per ADA. Unrestricted revenue is projected to be approximately $1.8 million.

7.2 Lottery restricted revenue for instructional materials will be calculated at $34 per ADA. Restricted revenue is projected to be approximately $488,000.

7.3 Lottery funds are budgeted and allocated for expenditure in the fiscal year following receipt.

8. Redevelopment Agencies (RDAs) – The District anticipates receiving approximately $1.5 million during the budget year. One hundred percent of the revenue received from the RDAs is used for debt service payments on the District's COP; see budget assumption numbers 27 and 28.

9. Interest

9.1 Interest earnings on funds in custody will be budgeted at 0.47 percent.

9.2 Interest earnings for funds on deposit with the County Treasurer will be budgeted at 0.47 percent.

EXPENDITURE ASSUMPTIONS

10. Salaries and Benefits

10.1 Step and column increases will be reflected for certificated, classified, and administrative employees who qualify for movement based upon their longevity with the District, earned education credits, and negotiated agreements.

10.2 Salary and benefit costs estimated for employee groups will increase to include employee movement across the salary schedule.

10.3 Vacancies created due to retirements, or employees indicating the intent not to return will be budgeted as follows:

Certificated:	Range 3, Step 5
Classified:	Step C, Range per Classification
Administrative:	Step D, Range per Classification

11. Actual costs for special education are dependent on the type of services the District is required to provide to each individual student. For the purposes of budgeting expenditures, the District is projecting increases of approximately 9 percent (or $1.2 million) in the costs of all expenditures for operating the program in the budget year.

12. For categorically funded programs, other than special education and transportation, the positions allocated will reflect the funding available. In other words, salary costs associated with categorical programs will not be charged to Unrestricted General Fund accounts.

13. Statutory Benefits

13.1 The District will utilize the following employer rates for statutory benefits for the budget year, based upon current available information from various State agencies:

STRS	10.73%
PERS	11.847%
OASDI	6.20%
Medicare	1.45%
Workers' Compensation	2.20%
Unemployment	0.05%

13.2 The District will utilize a rate of 1.7 percent to calculate the contribution towards the Other Post-Employment Benefits (OPEBs). The District is utilizing the pay-as-you-go method of contributing towards its OPEB liability.

14. Health and welfare insurance costs for the District for the budget year are projected to remain flat and will be budgeted at approximately $17.3 million.

15. Property and liability insurance premiums for the budget year are projected to remain flat and will be budgeted at approximately $651,000.

16. Utilities are expected to increase by 10 percent over the current year.

17. General Fund costs for non-personnel related expenditures at the District administrative level will be budgeted based on recommendations from division administrators to the Cabinet and Superintendent. Such recommendations will be made after review of prior-year budgets and consideration of anticipated needs for the budget year.

TRANSFERS AND CAPITAL OUTLAY

18. Deferred Maintenance

The annual Deferred Maintenance transfer from the General Fund, which in years prior to 2009/10, was one-half of one percent (0.5 percent) of General Fund expenditures, excluding capital outlay and other outgoings, was flexed as part of the multi-year Tier III provisions of SBX3-4 from 2009/10 through 2012/13 and is now part of the LCFF Base Grant Entitlement. The transfer requirement no longer exists; however, districts are still responsible for ensuring that facilities are kept in good order and that necessary deferred maintenance repairs are carried out using base grant funds. The District made no transfers to the Deferred Maintenance Fund from 2009/10 through 2013/14.

It is the intent of the District to rebuild the Deferred Maintenance Fund by restoring the District's portion of the annual transfer up to the full one-half of one percent (0.5 percent) of General Fund Expenditures in order to establish a minimum Deferred Maintenance funding level. Pending funding availability, the District may choose to allocate additional amounts above this funding level in order to make up for the loss of the State's portion (match amount) that was rolled into the LCFF Base Grant Entitlement.

In 2014/15, $200,000 was transferred to the Deferred Maintenance Fund with the expectation that an additional $200,000 would be added to the transfer amount over the next three years until the District's portion of the annual transfer was restored in order to reestablish and rebuild the deferred maintenance program. However, given the anticipated funding included in the May Budget Revision, it is recommended that the full one-half of one percent (0.5 percent) be transferred to the Deferred Maintenance Fund in 2015/16 and beyond, as a minimum allocation. The 2015/16 transfer to the Deferred Maintenance Fund can be calculated as follows:

(Total General Fund Expenditures – Capital Outlay and Other Outgo) x 0.50%

Transfer amounts are estimated as follows:

2014/15	$200,000
2015/16	$800,000
2016/17	$800,000
2017/18	$800,000

19. Routine Restricted Maintenance Account

The annual Routine Restricted Maintenance Account (RRMA) transfer from the General Fund, which in years prior to 2008/09, was an amount equal to three percent (3.0 percent) of General Fund expenditures, excluding capital outlay and other outgoings, was reduced as part of the multi-year Tier III flexibility provisions through 2014/15. Beginning with fiscal year 2015/16, an amount equal to three percent of General Fund expenditures, excluding capital outlay and other outgoings, will be placed in the RRMA for the purpose of providing routine repairs and maintenance of District facilities. The estimated contribution to the RRMA for 2015/16 is $4.4 million, an increase of approximately $1.1 million over 2014/15.

20. Capital Outlay

A total of $2.6 million will be reserved from the General Fund for capital outlay as follows:

Textbook/instructional materials adoptions[1]	$1,500,000
General technology infrastructure replacement	$350,000
Technology initiatives & upgrades[2]	$500,000

[1] The state is no longer providing separate funding specifically for textbook/instructional materials adoptions. Districts are required to fund instructional materials from LCFF allocations.
[2] Technology initiatives and upgrades include infrastructure expansion, access points, network components, hand held devices, etc., in support of network expansion, Common Core, electronic text book adoptions, etc.

Vehicle replacement (white fleet/golf carts)	$100,000
Food service Point of Sale equipment/software	$100,000
Furniture replacement	$50,000
Transportation shop equipment	$35,000

21. Transfer to the General Fund

    The District will transfer a total of approximately $805,000 from the following funds to the General Fund during the budget year:

    21.1 Maintenance of ongoing programs and deficit offset:

Fund 17 – Special Reserve	$805,000

22. Other Post Employee Benefits (OPEB)

    Although no funds has been budgeted or assigned in the 2015/16 Budget or ending fund balance in order to reduce the District's OPEB liability, the District may want to consider reducing the OPEB obligation by transferring additional moneys to Fund 20 Special Reserve for Postemployment Benefits (GASB 45 Set-aside) as a means of reducing the obligation.

INDIRECT COSTS

23. Inter-program direct and indirect costs will be calculated at the maximum allowable rate per program. The approved indirect cost rate for the budget year, based upon prior-year (2013/14) unaudited actuals, is 4.26 percent.

24. The Cafeteria Fund will be charged a 4.26 percent indirect cost for the budget year. Education Code Sections 38101(c) and 52616.4(a)(3) specify that the indirect cost charge for Cafeteria Funds is the lesser of the approved school district rate, or the statewide average rate.

25. The Child Development Fund will be charged a 4.26 percent indirect cost for the budget year.

DEBT SERVICE AND LEASE PAYMENTS

26. The District currently does not plan to enter into significant additional lease obligations during the budget year.

27. The District is projected to incur approximately $663,000 in debt service payments from the General Fund in the budget year. The amount consists primarily of lease payments obligations for Certificates of Participation for La Vista/La Sierra High Schools.

28. The COPs issued in 2007 will be repaid primarily with a combination of rental savings and redevelopment income.

District staff members are currently evaluating the financial feasibility of refunding (refinancing) the 2007 COPs during the 2015/16 fiscal year. In the event that the COPs are refunded and debt service payments are reduced, the budget will be adjusted accordingly.

ADDITIONAL ASSUMPTIONS AND OTHER PROGRAMS

29. A minimum reserve for "Economic Uncertainty" is required to be maintained at three percent of General Fund expenditures.

30. New instructional materials, textbooks, consumables, and other related costs will be budgeted at the same level as in 2014/15 ($1.4 million) and will be funded from the following:

    30.1 Restricted Lottery Funding – $488,000

    30.2 General Fund Unrestricted – $900,000

31. Summer School – Budget projections for both regular summer school and special education summer school will be budgeted at $1.1 million for regular education and $357,000 for special education.

FISCAL SOLVENCY MEASURES AND MULTIPLE-YEAR PROJECTION

32. Use of Reserves

    Although it is not anticipated in 2015/16, mid-term (3-5 years) revenue and expenditure projections indicate the District has not yet fully resolved its deficit spending imbalance. In order to balance the budget and meet multiple-year projection solvency requirements, the Board of Trustees will drawdown unallocated reserves, if necessary. Shortfalls, if any, over the next several years will likely require a combination of budget reductions and reserves draw-down in order to maintain fiscal solvency.

33. Fiscal Solvency Statement

    In submitting the 2015/16 Budget, the Board of Trustees understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years.

    In conjunction with adoption of the 2014/15 budget, a deficit elimination plan was approved by the Board of Trustees. This plan addresses the spending imbalance through a combination of ongoing budget reductions, streamlining and efficiency measures, and potential revenue transfers. These measures have not yet been fully recognized in the budget and multi-year projection. In order to maintain multi-year fiscal solvency, the District may need to make expenditure reductions in 2015/16, 2016/17, and/or 2017/18.

End of Assumptions