

GLENDALE UNIFIED SCHOOL DISTRICT

August 13, 2013

DISCUSSION REPORT NO. 3

TO: Board of Education

FROM: Dr. Richard M. Sheehan, Superintendent

SUBMITTED BY: Eva Rae Lueck, Chief Business and Financial Officer

SUBJECT: **District Budget for 2013-14**

The funding for next year continues to change, and four significant items came to light at the July 17 School Services State Budget Conference.

- **Local Control Funding Formula (LCFF)** - the School Services of California (SSC) calculator was updated, and the L.A. County Office of Education (LACOE) also has developed an "initial calculator". The LACOE calculator is still in the process of being finalized. Both calculators indicate that the District's revenue increase is significantly less than what was provided to the Board in July. It currently appears we will need to **reverse the \$3.4 million** increase that was submitted to the Board on July 16.
 - **Background:** The adopted budget included a \$7.8 million increase in revenue and with the additional \$3.4 million that was added in July, our net increase is currently budgeted at \$11.2 million. The latest SSC calculator indicates the increase will be \$7.2 million and the LACOE calculator indicates the increase will be \$8.0 million. The reversal of the \$3.4 million will take us back to the District's original base in the adopted budget, and we will make future changes from that base which include the \$7.8 million increase.
 - In addition, there are several other adjustments we will need to make for the 2013-14 year that relate to the LCFF implementation. These include revisions for the PERS Reduction which was eliminated and alignment of categorical budgets to prior year calculation in LCFF. Both of these items will have a positive impact on the Ending Fund Balance.

In summary, with the reduction of the \$3.4 million, the District is still fiscally sound. The balance in excess of the 3% requirement will be: 2013-14 \$17.2 million; 2014-15 \$28.1 million; 2015-16 \$17.9 million; and 2016-17 \$8.5 million. The decision to hire additional teachers remains a fiscally sound decision and is included in the balances listed. There are and will be funds available to do some type of salary increase once we are able to stabilize our numbers, we just do not have solid data at this time.

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- **Routine Restricted Maintenance Account** - Prior to the State fiscal crisis, the District was required to transfer and spend 3% of its Combined General Fund on routine maintenance. These are the monies we use to pay FASO salaries and expenses. The District was given "flexibility" to reduce down to 1% through 2014-15. This flexibility was **NOT** extended and will expire at the end of 2014-15. This means that beginning in 2015-16, we will need to allocate approx. \$1.1 million more from the Unrestricted General Fund to this account. We currently are transferring approx. 2.5%.
- **Regional Occupational Program (ROP)** - The State has required that funding through the various JPA's continue at the 2012-13 level through 2014-15 (**2 years**). This means that in 2015-16, the District will not receive the \$1.8 million that is currently funded through the County. The District will be receiving some CTE funds through the LCFF but those are anticipated to be in the \$300,000 range and will increase each year.
- **Multi-Year Projection:** There is no guidance in the State Budget as to how we should project our revenues in our multi-year plan that we are required to submit. The State is simply stating the target they are trying to reach in 2020-21. School Services of California (SSC) presented an analysis as to what would be reasonable to assume for future year increases. LACOE provided guidance that we should not use the SSC methodology. LACOE's direction was to apply the projected COLA to the LCFF funding we receive this year. We have not analyzed the various methods yet and are not going to make any adjustments to future revenue projections at this time. Our first goal is to figure out our base year (2013-14) in LCFF and hopefully we will have more clarity on process in the coming months.

There are still many unanswered questions and a great deal of reconciliation that needs to occur as we continue to receive information from the state regarding the transition to LCFF. We anticipate that there will be additional changes to the LCFF calculation and will update the Board of Education accordingly to allow the evaluation of any increase in funding, and how this may impact the District's various competing priorities (structural deficit, restoration and/or expansion of programs, rescission of furlough days, and employee compensation).