

**"Empowering  
Students for  
Success"**



# **Capistrano Unified School District**

Financial Report-Governor's 2014-2015 Proposed Budget and May Revise Update

**May 28, 2014**

# Capistrano Unified School District

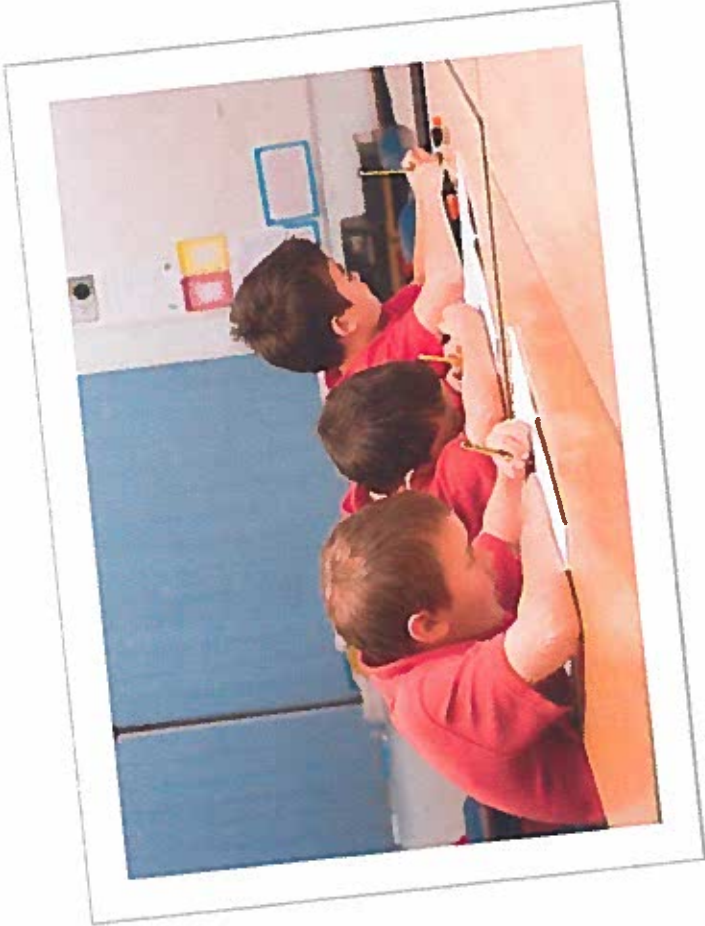
## **Vision**

Educated, responsible, and confident citizens succeeding in a global society



## **Mission**

The Capistrano Unified School District, with support from our community, prepares students to achieve academic and personal success while becoming responsible citizens and lifelong learners



# Budget Calendar

Budgeting for schools is a continuous, year-round process

- Adopted Budget June 30, 2013
- 1<sup>st</sup> Interim December 15, 2013 (reporting data as of October)
- 2<sup>nd</sup> Second Interim March 15, 2014 (reporting data as of January)
- ~~3<sup>rd</sup> Interim\* June 1, 2014 (reporting data as of April)~~
- 2014-2015 May Revise and Budget Update

**Because of the Positive 2<sup>nd</sup> Interim, a 3<sup>rd</sup> Interim is not required**

\*Note: Pursuant to Education Code §42131(e), a 3<sup>rd</sup> Interim Report is required to be filed by June 1 if the 2<sup>nd</sup> Interim certification is not positive.

# 2014-2015 State Budget

Governor's January Proposal



## Governor's May Revision Summary

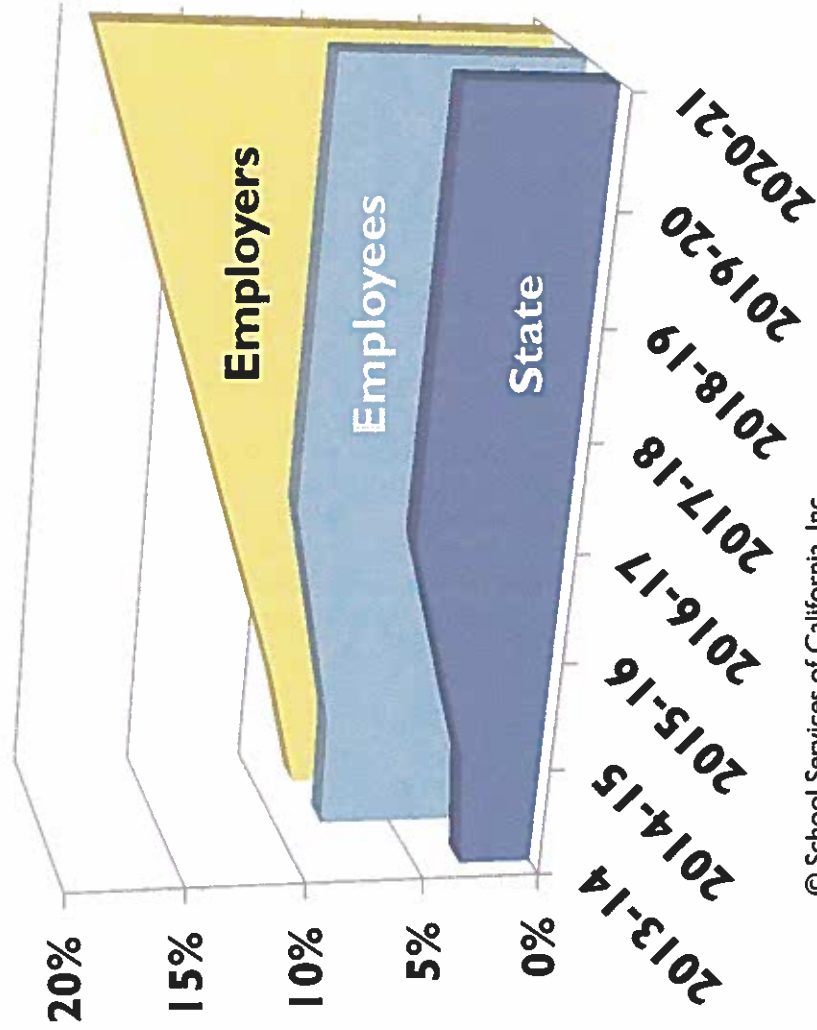
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- ▶ The state recognizes an additional increase of \$2.4 billion in revenues, most of which are committed to:
  - ▶ Growth in the cost of Medi-Cal
  - ▶ Establishment of a Rainy Day Fund (approved by legislature May 15, 2014)
- ▶ No major increases are proposed for any area of the state budget other than Medi-Cal, as compared to January
- ▶ The Local Control Funding Formula (LCFF) provides wide range of funding increases to school districts
  - ▶ Increases to range from 0% to 20%, with an average of about 11%
  - ▶ CUSD 2013-2014 → 2014-2015 approximately 9%

# CalSTRS Rate Increases

- ▶ Largest increase for employers
- ▶ Of the current \$74 billion CalSTRS unfunded liability:
  - ▶ \$20 billion will be funded by the state
  - ▶ \$8 billion will be funded by employees
  - ▶ \$47 billion will be funded by employers

**Proposed Contribution Rates**



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# CalPERS Rate Increases

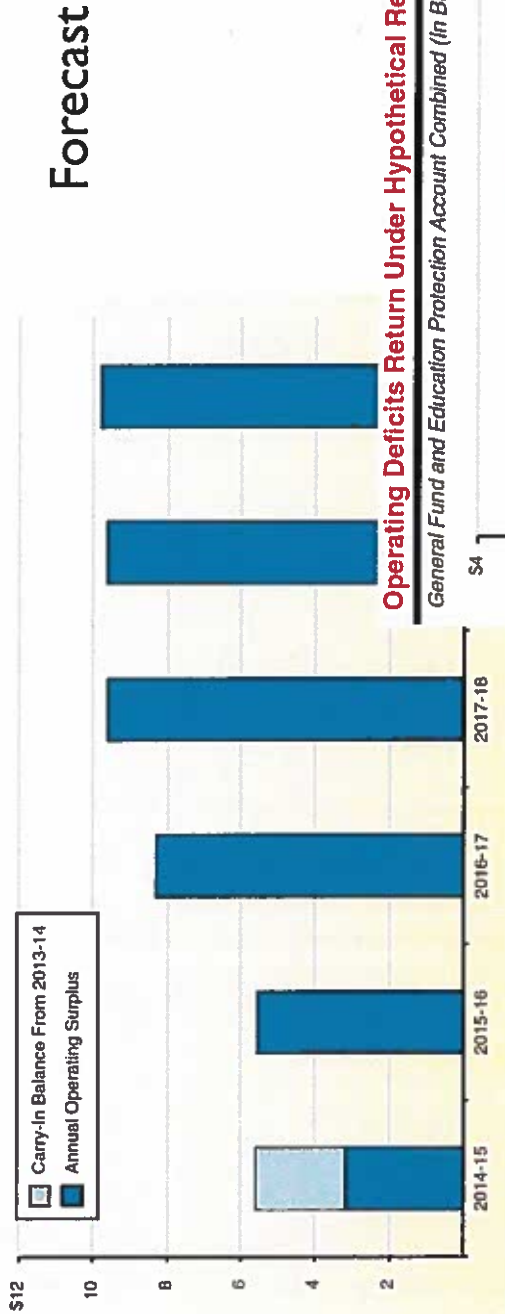
- ▶ The employer contribution to the California Public Employees' Retirement System (CalPERS) for 2014-2015 is 11.771%
- ▶ “Classic” members continue to pay 7.00%
- ▶ New members pay 6.00%, which may fluctuate from year to year

Actual		Projected					
2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.442%	11.771%	12.6%	15.0%	16.6%	18.2%	19.9%	20.4%

# California Outlook

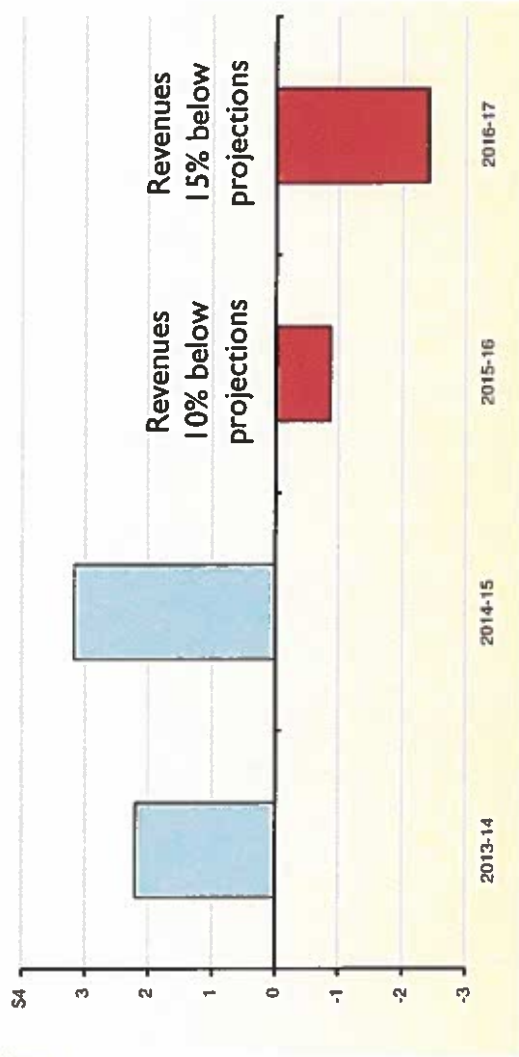
## Operating Surpluses Projected Throughout Forecast Period

General Fund and Education Protection Account Combined (In Billions)



## Operating Deficits Return Under Hypothetical Recession Scenario

General Fund and Education Protection Account Combined (In Billions)



## Hypothetical Recession

Current economic expansion is now over four years old. Since World War II, the average expansion has been just under five years.



# Proposition 30 Expiration

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- ▶ Proposition 30, approved by voters in November 2012, temporarily increased the state sales tax and income tax rates
  - ▶ helped offset revenue losses due to the Great Recession
- ▶ Unless extended by the voters, these higher taxes will expire as follows:
  - ▶ The 0.25% sales tax increase expires in 2016 (2016-2017 fiscal year)
  - ▶ The personal income tax increase expires in 2018 (2018-2019 fiscal year)
  - ▶ By 2019-2020, the state will no longer collect an estimated \$7 billion related to the Proposition 30 tax rates

## Adequate Funding

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- ▶ California's per pupil expenditures continue to lag the national average, ranking 49<sup>th</sup> in the nation in 2011-2012, the most recent data comparison
  - ▶ California reported per pupil expenditures of \$8,341, comprising about 70 percent of the U.S. average of \$11,864
  - ▶ If Capistrano Unified were funded at the national average, the District would receive over \$200 million more each year

Source: Education Week Quality Counts 2014 – January 9, 2014  
United States average includes the District of Columbia



# District Budget

2014-2015 Projections



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# Changes to Employer Retirement Contributions

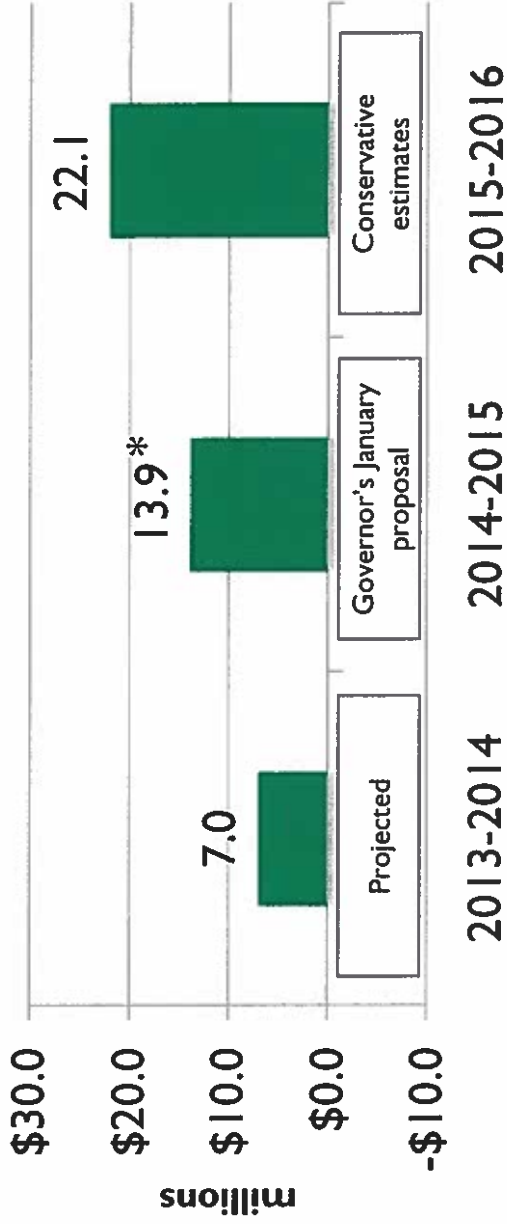
CalPERS									
Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
<b>2013-14</b>	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021		
<b>11.442%</b>	11.70%	12.60%	15.00%	16.60%	18.20%	19.90%	20.40%		
CalSTRS									
Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
<b>2013-14</b>	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021		
<b>8.25%</b>	9.50%	11.10%	12.70%	14.30%	15.90%	17.50%	19.10%		
<b>Yearly Increase in Millions</b>	<b>+2.54</b>	<b>+3.45</b>	<b>+4.18</b>	<b>+3.81</b>	<b>+3.81</b>	<b>+3.86</b>	<b>+3.30</b>		

\$24.95 million increase in District expenditures or about 9.6% of the current Unrestricted Budget



# District Multi-Year Projection

Governor's January Proposal Estimate

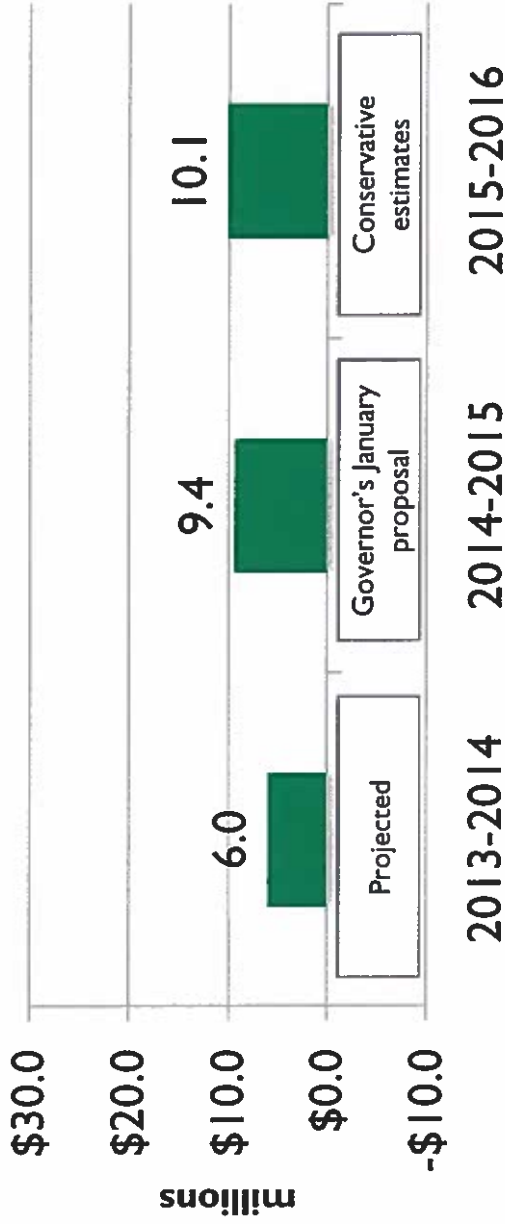


\* \$5.9 million of 2014-2015 is one-time money

- State budget priorities can change from year to year with no guarantee that LCFF growth will be provided or that the LCFF will be fully funded
- Capture some one-time savings to improve reserve balances. Plan for being ready to absorb next economic downturn while at the same time maintaining services for students.

# District Multi-Year Projection

Governor's May Revision Proposal Estimate



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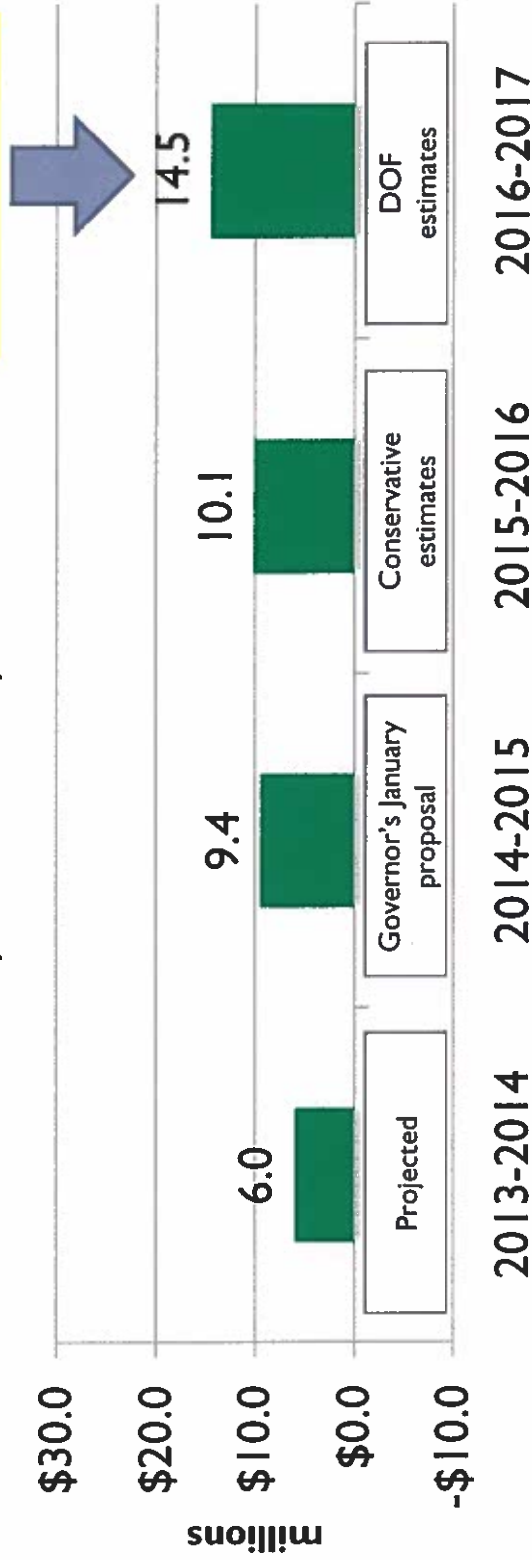




# District Multi-Year Projection

Will be third year for adopted budget multi-year projection

Governor's May Revision Proposal Estimate

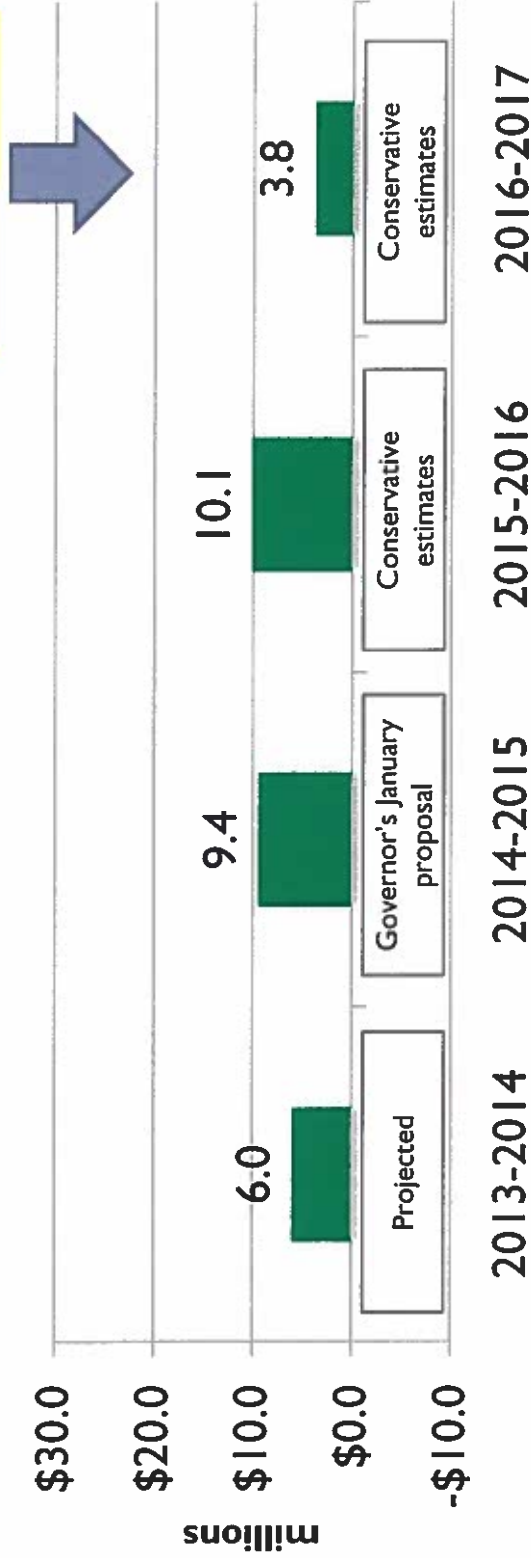


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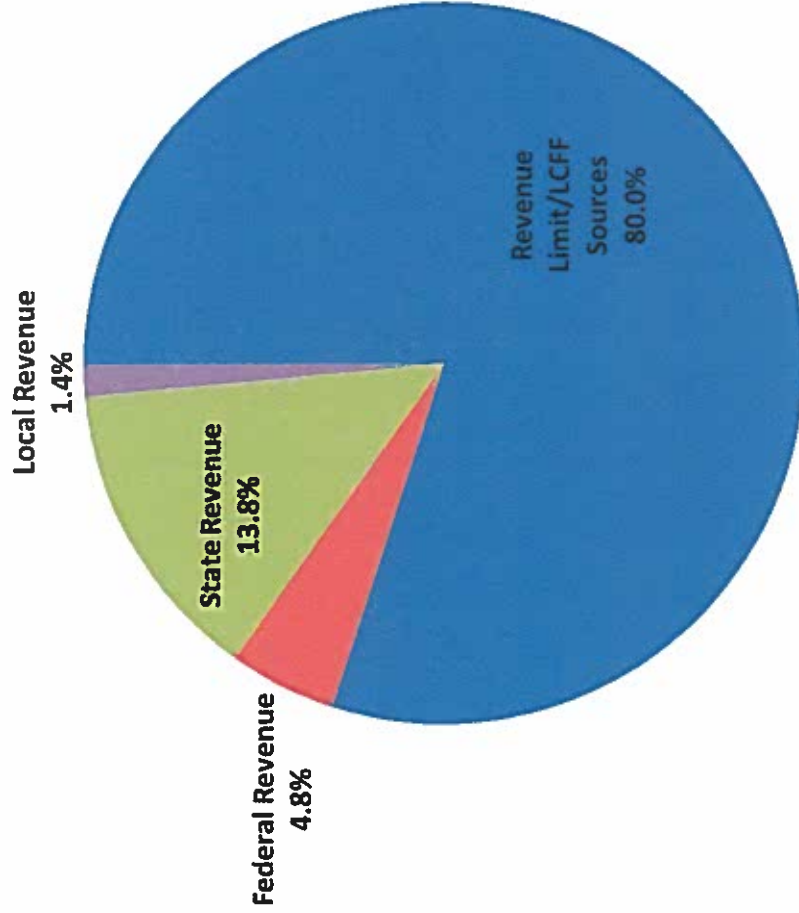
Governor's May Revision Proposal Estimate



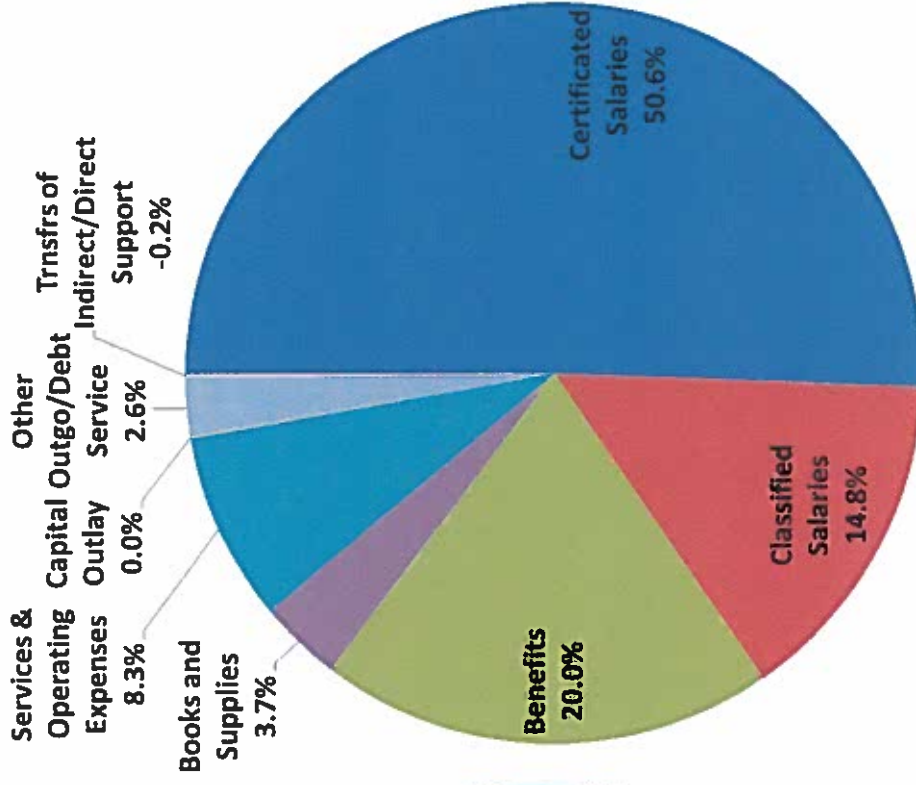
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# 2013-2014 Combined Unrestricted & Restricted Budget

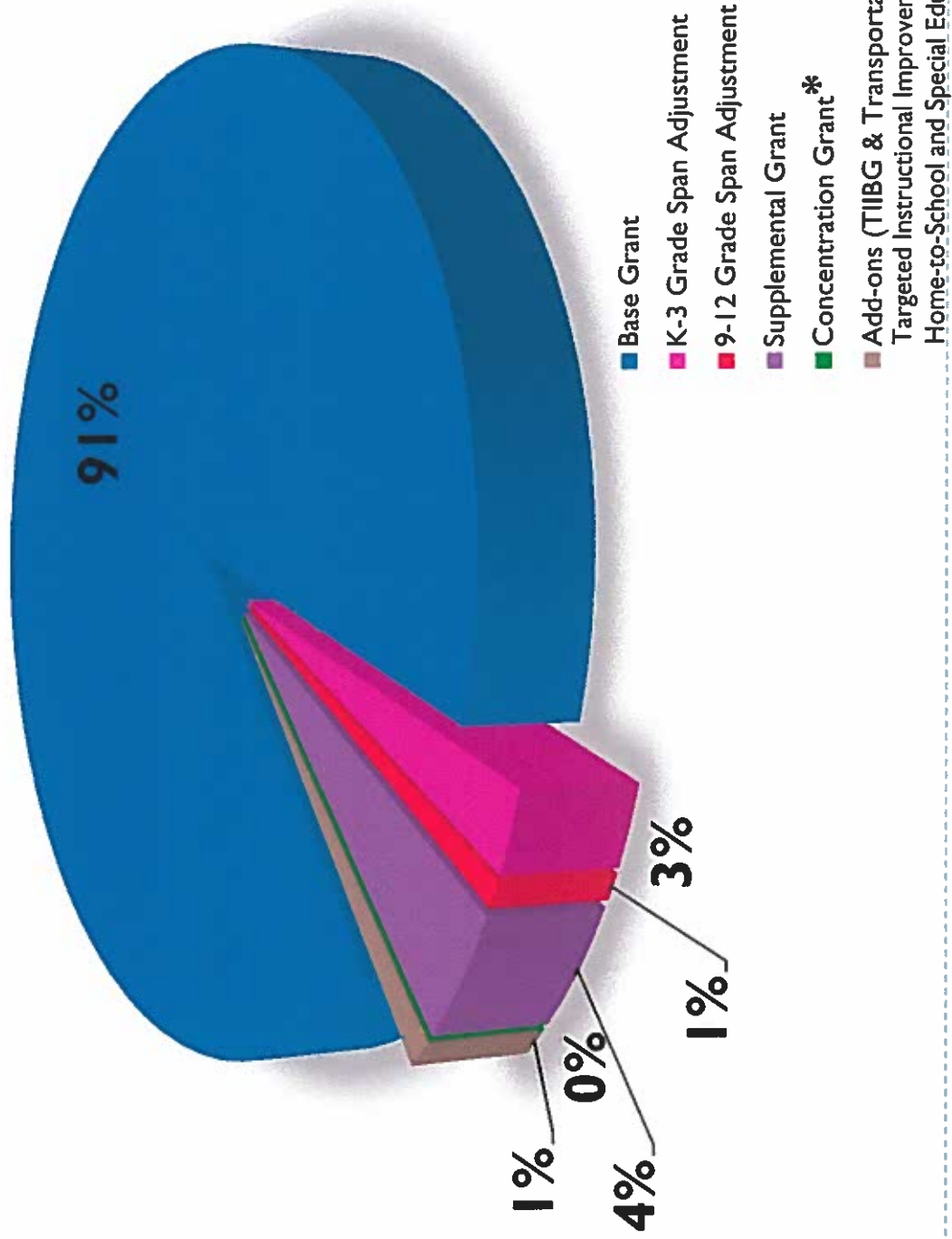
## Revenue



## Expenditures



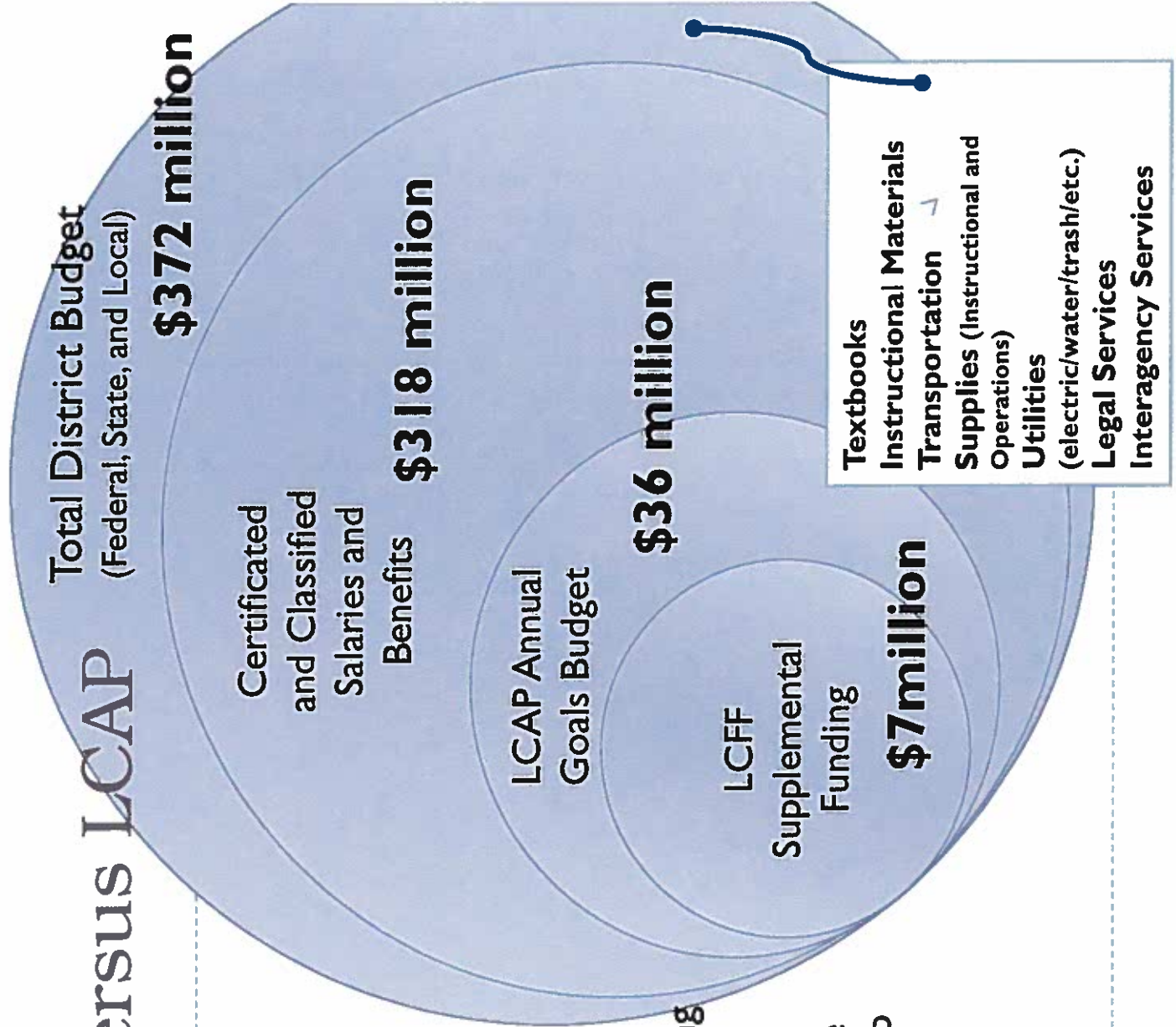
# CUSD LCFF Funding Components



\* CUSD does not receive a Concentration Grant

# Total Budget versus LCAP

- ▶ All expenditures in the LCAP must be contained in the District budget
- ▶ Not all expenditures of the District will be shown in the LCAP
- ▶ Supplemental funds may be used District wide
- ▶ 85% (\$318 million) for those who teach or support teaching
- ▶ LCAP are initiative identified within each goal area to improve student performance and close the achievement gap
- ▶ \$36 million LCAP
  - ▶ \$7 million supplemental funds
  - ▶ \$9 million other funds
  - ▶ \$19 million base funds



# Important Future Considerations

- ▶ State budget priorities can change from year to year with no guarantee that LCFF growth will be provided or the LCFF will be fully funded
- ▶ Maintain efficient operations
- ▶ Recover lost services and programs within the current environment and future expectations
  - ▶ As funding improves, districts will need to plan for developing programs and services.
    - ▶ Examples include:
 

Deferred Maintenance	Routine Maintenance
Staffing Recovery	Staff Development
Instructional Materials	Technology
Discretionary Site Funding	Furniture Replacement
Vehicle/Bus Replacement Etc.	
- ▶ Avoid deficit spending when funding is stable
- ▶ Staff effectively to minimize impact of declining enrollment
- ▶ Use one-time savings to build reserves
  - ▶ Maintain service levels to students even during short-term economic downturns
  - ▶ Avoid “feast or famine” budgeting
- ▶ Students and staff thrive in a stable environment

