



Budget Communicator Volume 13 - Spring 2017 Straight Talk On The Budget

Dear Staff and Community,

After multiple years of record "new" revenues as a result of an improving economy and the implementation of the Local Control Funding Formula (LCFF), many of you are asking, "*Why are K-12 School Districts facing major reductions?*" The following data points will assist East Side staff and stakeholders in understanding the facts about our budget crisis.

In the following sections, you'll find facts about the budget that include the following topics:

- **Declining LCFF Funding**
- **State Discretionary Funding Decrease**
- **Decrease in Student Enrollment**
- **Increased Pension Contributions**
- **Special Education Cost Increases**
- **Healthcare Costs Increases**
- **Eroding Ending Fund Balance**

This special edition newsletter is designed to keep district staff and community informed about the latest news and updates regarding the budget.

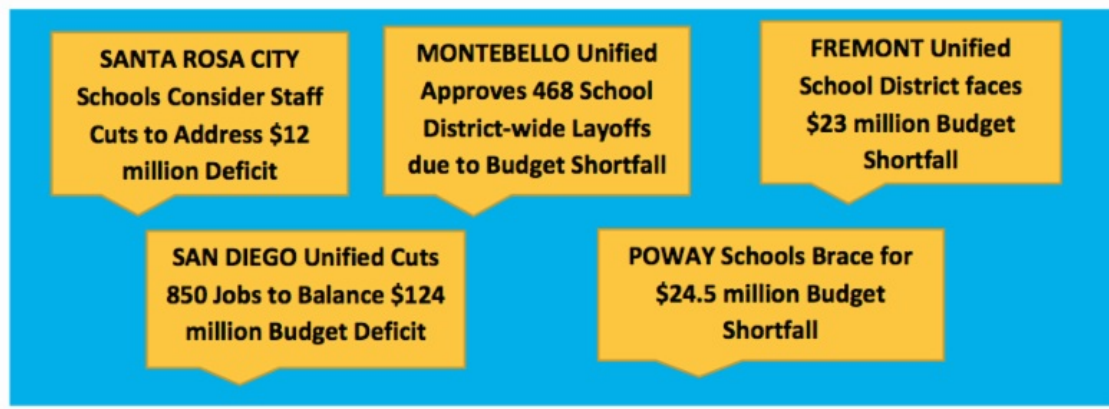
As always, we hope you will find the newsletter meaningful and insightful. If you have any comments, recommendations for articles, or questions, you can email me directly at battlem@esuhsd.org. Your feedback is welcomed.

Regards,
Marcus Battle
Associate Superintendent of Business Services

[Visit Our Website](#)

**ESUHSD is Facing an Estimated \$28.8 Million Deficit and
Budget Reductions are Being Planned**

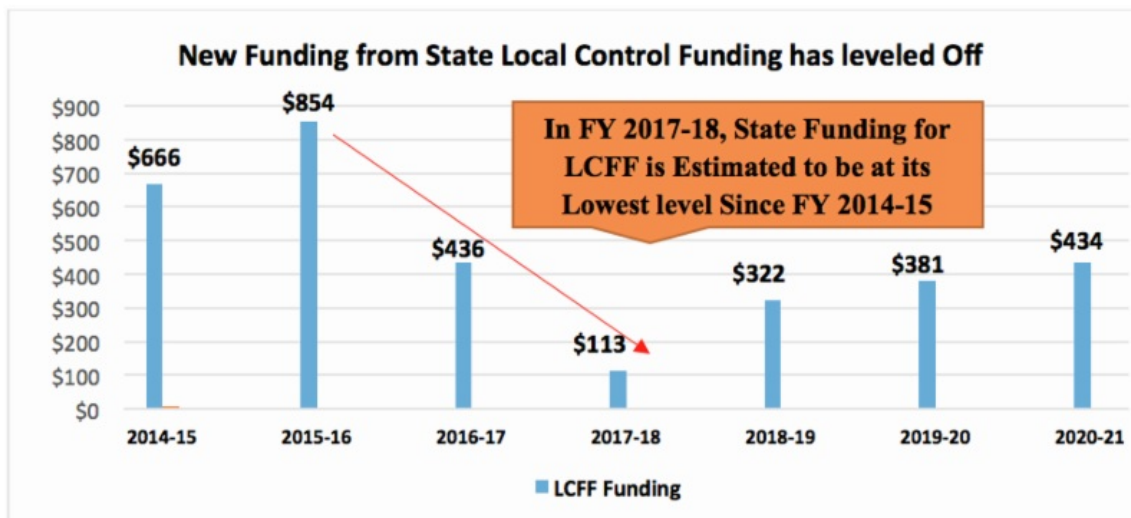
Recent K-12 Education Headlines Through-out California



LCFF Funding Has Declined Since FY 2015-16

FACT #1

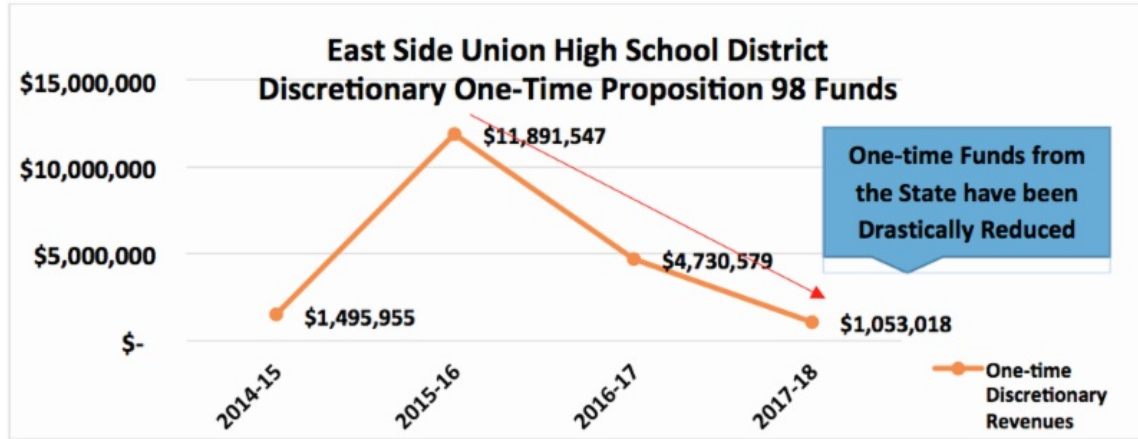
- **State Funding for LCFF:** The level of LCFF funding per Average Daily Attendance (ADA) for ESUHSD has declined considerably since fiscal year (FY) 2015-16. The Governor has nearly fulfilled his promise to fully fund K-12 education. In FY 2017-18, K-12 Education will be funded at 96% of the Governor's target level of funding for K-12 education. The Governor is currently proposing to pay the remaining 4% on or before FY 2020-21.



State Discretionary Funding Has Declined

FACT #2

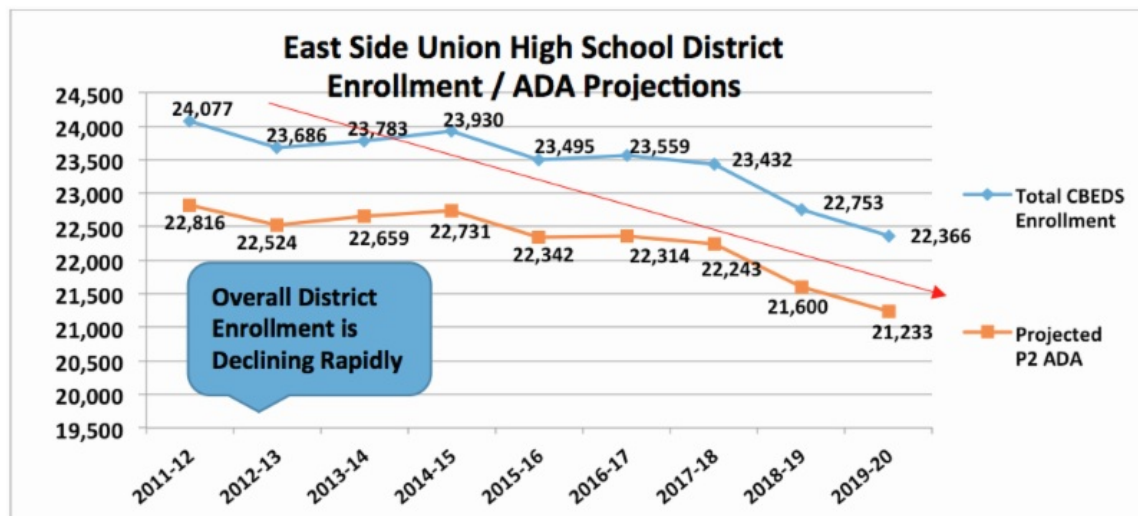
- **State Discretionary Funding:** The level of Proposition 98 Discretionary funding has declined considerably since FY 2015-16. These one-time funds are generally counted by the state as offsetting prior year mandate reimbursement claims on a dollar-for-dollar basis. **These funds, like other one-time funds, have been utilized to support on-going expenses.**



Declining Enrollment

FACT #3

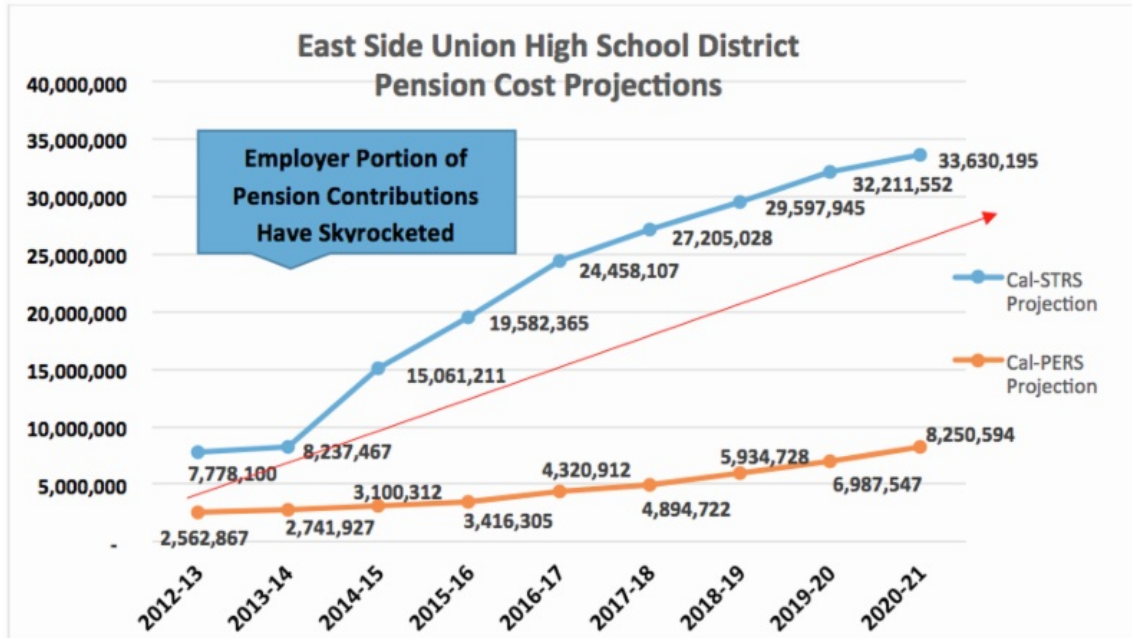
- Declining Enrollment** is eroding much of our new revenues since LCFF Funding is Tied Primarily to Enrollment. Between the Period of October 2011 - October 2019, East Side is expected to lose an estimated 1,711 students for a loss of an estimated \$16 million over 9 years.



Pension Contributions

FACT #4

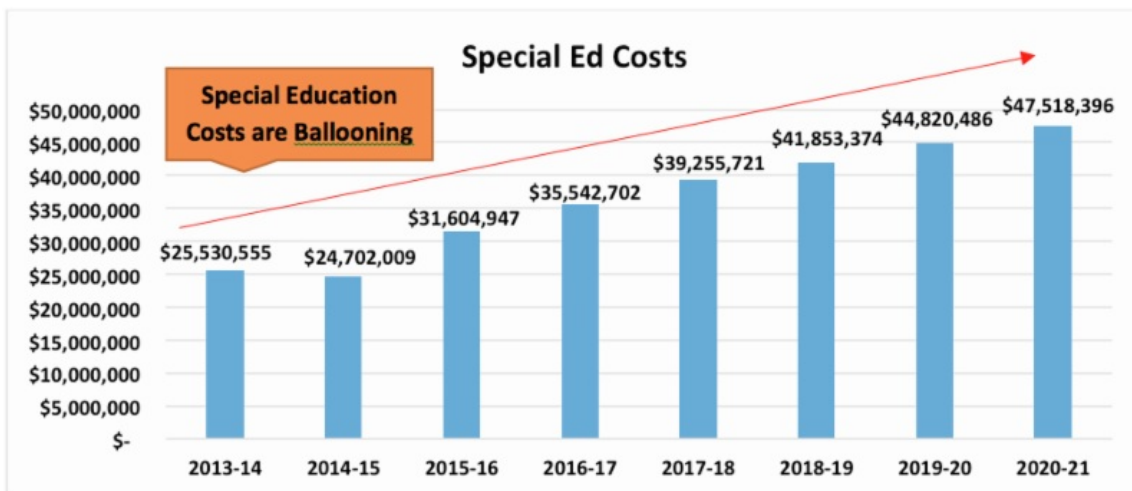
- Pension Contributions** for Staff have increased dramatically under Governor Brown who mandated that K-12 employers contribute more to ensure STRS and PERS remain solvent.
- The total costs for the employer portion of STRS has increased dramatically for ESUHSD since July 2013 at \$7.7 million and are estimated to total \$33.6 million by FY 2020-2021, representing an increase of \$25.8 million.
- During the same period, PERS is expected to increase by \$5.6 million.
- The total estimated increase for East Side STRS & PERS contributions over this period total \$31.4 million.



Special Education

FACT #5

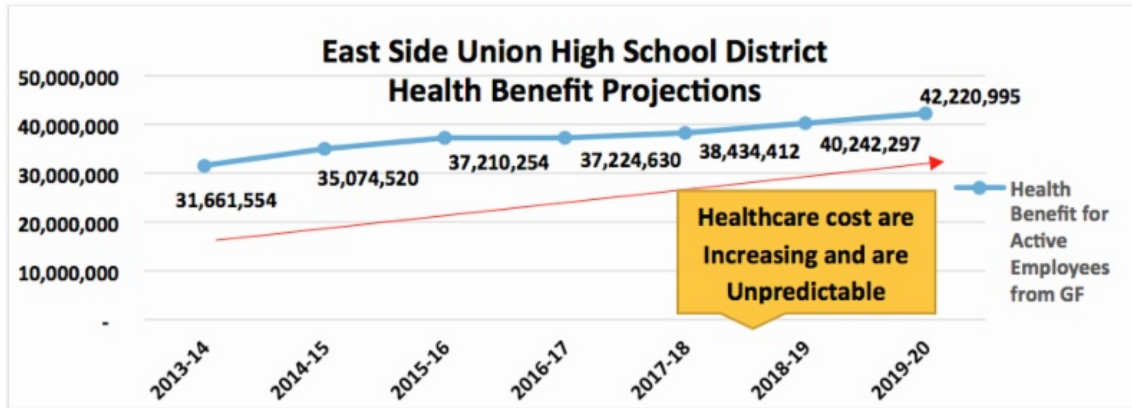
- **Special Education** costs have increased dramatically since 2013-14 from \$25.5 million to an estimated \$47.5 million by 2020-21. The total projected increase for the period totals \$22 million.



Healthcare Costs

FACT #6

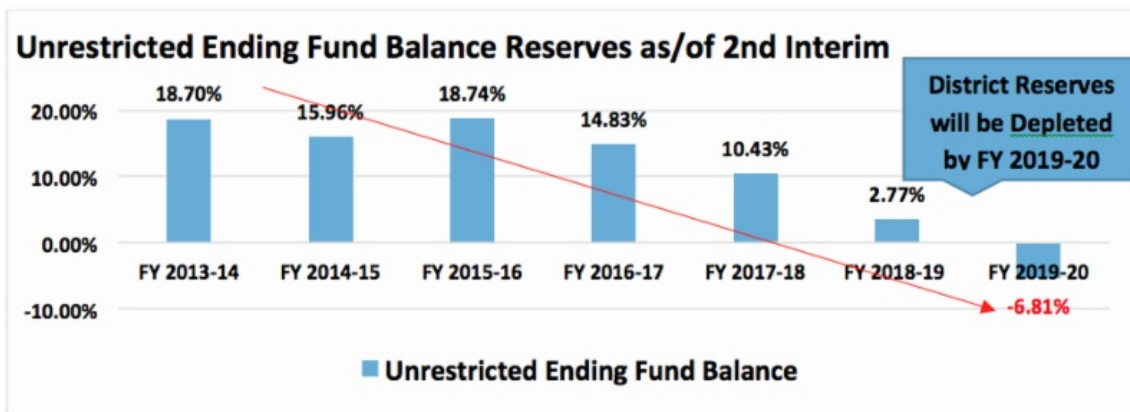
- **Healthcare Costs for Active Employees** is estimated to increase by \$11 million between June 2013 - June 2019, from \$31.6 million to \$42.2 million and future increases are unpredictable given any proposed changes in the Affordable Care Act.



Eroding Ending Fund Balance

FACT #7

- **Eroding Ending Fund Balance:** The District is required to maintain a minimum ending fund balance of 3% and the Government Finance Officers Association actually recommends an ending fund balance of 17%, or two months of expenditures.
- Our current ending fund balance is projected to go under the state minimum in FY 2018-19 to 2.77% and is projected to be fully depleted by FY 2019-20 to a (negative) **-6.81%**, if no actions are taken.



Summary

The **preliminary budget** will be presented to the Board on **May 4, 2017**, which will entail a review of the Governor's proposed budget with impacts for ESUHSD, a review of current budget assumptions, a review of projected revenues and expenses, expenditures adjustments and contributions for special education.

The presentation will provide the Board with the estimated budget shortfall and the Administration's plan for proposed reductions. The Administration's primary goals right now are to maintain 100% employee benefits, maintain jobs and current support structures, and push proposed reductions into FY 2018-19 and 2019-20, to allow time for negotiated agreements. In mid-May, the Governor will be proposing revisions to the State's preliminary budget and the District will adjust the ESUHSD preliminary budget based on those proposed changes.

Contact Us

For better communication you can now send your email to a general mailbox by department. All emails will be reviewed and responded to within 1

day.

- accounts payable@esuhsd.org
- payroll@esuhsd.org
- general accounting@esuhsd.org
- general purchasing@esuhsd.org
- capacctg@esuhsd.org
- cappurchasing@esuhsd.org

Report Fraud, Waste and Abuse

1-855-247-3156

Do not be concerned about whether it is fraud, waste, or abuse.
Just report any concerns anonymously.



Preparing every student to thrive in a global society.

ESUHSD | 408.347.5000 | esuhsd.org

STAY CONNECTED:

