

August 4, 2014

Item:

Report and Discussion of the California State Budget for FY14/15 – 45-Day Revise

Recommendation:

For Board information and discussion

Overview:

On June 20, 2014 the Governor signed the FY14/15 State Budget into law. Pursuant to the provisions of Education Code 42127(i)(4), "Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revision in revenue and expenditures that it has made to its budget to reflect the funding made available by that Budget Act."

A last minute addition to the Budget Act requires districts to justify ending fund balance in excess of the minimum reserve requirement during budget adoption or revision at the public hearing starting with FY15/16. Districts are required to prepare a statement that would justify the need for the excess and submit to the County Office of Education (COE) to determine compliance with the requirement.

Major highlights of the Budget Act are described below and reflected in our operating budget as attached:

Local Control Funding Formula (LCFF) – The Budget Act provides for additional funds towards implementation of the LCFF. The gap closure for FY14/15 is 29.56%, an increase of 1.51% or \$0.3M when compared to May Revise.

Lottery – The lottery funding is estimated at \$162 per ADA which is an increase of \$6.00 per ADA or \$0.1M for the PUSD.

California State Teachers' Retirement System (CalSTRS) – As reported in May, the Governor proposes to fully fund the CalSTRS' unfunded liability by FY45/46 and plans to increase the employer contribution rate over seven years. Based on this proposal, the PUSD committed \$0.9M of the ending fund balance for the increase in expenditures. The CalSTRS rate schedule through FY20/21 was adopted with the State Budget. The FY14/15 employer contribution rate is 8.88%, a slight decrease from the May Revision proposal of 9.50%. Thus, the PUSD adjusted the expenditures by \$0.5M to reflect the approved rate. The remaining balance from the CalSTRS commitment of \$0.4M is available in the undesignated reserve.

Deferrals – The Budget Act does not eliminate all deferrals. There is approximately \$1.0B in deferrals still active for K-14 education. The PUSD's cash projection for FY14/15 was based on the schedule with deferrals prior to the May Revision proposal to eliminate all deferrals, therefore there is no impact to PUSD's cash.

Mandates – The Budget Act provides \$400.5M towards funding prior mandate claims on a per-average daily attendance basis. Funding can be used for implementation of the Common Core State Standards or any one-time purpose as determined by the Board of Trustees. The PUSD will budget this revenue upon receipt of funds.

As a result of the approved tentative agreement between the PUSD and the Association of Pleasanton Teachers (APT) employees, the PUSD adjusted salaries and benefits by \$1.4M to reflect each cell increase on the salary schedule and additional new ongoing stipends for head counselors at the secondary level.

Special Education Transportation – Funding for the Special Education Transportation is included as an add-on to the LCFF grant. Prior to LCFF, the PUSD received and recorded transportation funding and expenditures in a separate restricted account. Due to the continued mandate to provide transportation to severely disabled and orthopedically impaired students including non-severely disabled special education students, the PUSD has determined that special education transportation costs should be reflected in the Special Education restricted account instead of an unrestricted resource. As a result, unrestricted expenditures were reduced by \$0.9M and restricted expenditures were increased by the same amount. There is no impact to fund balance because of the reclassification. The PUSD sought guidance from the Alameda County Office of Education (ACOE) and the external auditor prior to the reclassification.

Funding Source:

General Fund

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**PLEASANTON UNIFIED SCHOOL DISTRICT
GENERAL FUND SUMMARY
45 DAY REVISE**

FINANCIAL SUMMARY		2014-15 Original Budget			2014-15 Operating Budget			Difference		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
REVENUES										
LCFF Sources	8010-8099	101,400,263	2,647,075	104,047,338	101,731,507	2,647,075	104,378,582	331,244	0	331,244
Federal Revenues	8100-8299	0	3,344,998	3,344,998	0	3,344,998	3,344,998	0	0	0
Other State Revenues	8300-8599	3,871,268	9,351,235	13,222,503	3,904,240	9,417,179	13,321,419	32,972	65,944	98,916
Other Local Revenues	8600-8799	1,107,193	802,850	1,910,043	1,107,193	802,850	1,910,043	0	0	0
TOTAL, REVENUES		106,378,724	16,146,158	122,524,882	106,742,940	16,212,102	122,955,042	364,216	65,944	430,160
EXPENDITURES										
Certificated Salaries	1000-1999	60,471,621	11,840,649	72,312,270	61,540,824	12,020,329	73,561,154	1,069,203	179,680	1,248,884
Classified Salaries	2000-2999	10,704,512	5,843,550	16,548,062	10,313,336	6,234,726	16,548,062	(391,176)	391,176	0
Employee Benefits	3000-3999	12,238,937	3,801,962	16,040,899	12,627,423	4,035,687	16,663,111	388,486	233,725	622,212
Books and Supplies	4000-4999	1,923,761	1,604,436	3,528,197	1,864,261	1,663,936	3,528,197	(59,500)	59,500	0
Services, Other Operating Expenses	5000-5999	7,648,743	4,100,639	11,749,382	7,397,482	4,351,900	11,749,382	(251,261)	251,261	0
Capital Outlay	6000-6599	57,000	20,000	77,000	57,000	20,000	77,000	0	0	0
Other Outgo	7100-7299	0	111,000	111,000	0	111,000	111,000	0	0	0
Transfers of Pass-Through Revenues	7211-7223	1,374,029	3,539	1,377,568	1,374,265	4,011	1,378,276	236	472	708
Debt Service	7400-7499	31,155	75,958	107,113	31,155	75,958	107,113	0	0	0
Direct Support/Indirect Costs	7300-7399	(1,863,993)	1,642,910	(221,083)	(1,912,611)	1,691,528	(221,083)	(48,618)	48,618	0
TOTAL, EXPENDITURES		92,585,765	29,044,643	121,630,408	93,293,136	30,209,076	123,502,212	707,371	1,164,433	1,871,804
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES		13,792,959	(12,898,485)	894,474	13,449,805	(13,996,974)	(547,169)	(343,154)	(1,098,489)	(1,441,643)
OTHER FINANCING SOURCES/USES										
Interfund Transfers In	8910-8929	605,803	58,665	664,468	605,803	58,665	664,468	0	0	0
Interfund Transfers Out	7610-7629	1,913,773	0	1,913,773	1,913,773	0	1,913,773	0	0	0
Other Sources	8930-8979	0	0	0	0	0	0	0	0	0
Other Uses	7630-7699	0	0	0	0	0	0	0	0	0
Contributions to Restricted Programs	8980-8999	(12,141,115)	12,141,115	0	(13,305,076)	13,305,076	0	(1,163,961)	1,163,961	0
TOTAL, OTHER FINANCING SOURCES/USES		(13,449,085)	12,199,780	(1,249,305)	(14,613,046)	13,363,741	(1,249,305)	(1,163,961)	1,163,961	0
NET INCREASE (DECREASE) IN FUND BALANCE		343,874	(698,705)	(354,831)	(1,163,241)	(633,233)	(1,796,474)	(1,507,115)	65,472	(1,441,643)
FUND BALANCE, RESERVES										
Beginning Balance, Unaudited	9791	10,419,109	2,887,750	13,306,859	10,419,109	2,887,750	13,306,859			
Audit Adjustments & Restatements	9793-9795	0	0	0	0	0	0			
ENDING BALANCE		10,762,983	2,189,045	12,952,028	9,255,867	2,254,517	11,510,384			
Components of Ending Balance										
RCF, Stores & Prepaid Exp.	9711-9730	303,786	0	303,786	303,786	0	303,786			
Legally Restricted Balances	9740									
Mental Health Services		0	1,120,939	1,120,939	0	1,120,939	1,120,939			
Prop 39		0	1,052,106	1,052,106	0	1,052,106	1,052,106			
Lottery		0	16,000	16,000	0	81,472	81,472			
Other Commitments										
Technology		121,278	0	121,278	121,278	0	121,278			
Instructional Materials		1,906,656	0	1,906,656	1,906,656	0	1,906,656			
CalSTRS		900,000	0	900,000	0	0	0			
Designated for Econ. Uncertainties	9789	3,706,325	0	3,706,325	3,762,480	0	3,762,480			
Other Designations	9720-9789	0	0	0	0	0	0			
Undesignated/Unappropriated	9790	3,824,937	(0)	3,840,936	3,161,667	(0)	3,243,139			
Memo Reserves in Other Funds		0	0	0	0	0	0			
Reserve Percentage		6.16%	0.00%	6.18%	5.58%	0.00%	5.65%			