Tonight’s Presentation Agenda
“The Story” Part 1

• State Funding For Education
• Historical Local Expenditures and Trend Data
• Budget Reduction Process – 5 Point Plan
• Next Steps - Staff/Community Input, Feedback Loops, Quantify Suggestions for Reductions, Explore Revenue-Generation
• Budget Calendar
• Input from Contra Costa County Office of Education
• Board Discussion on Guiding Principles for Reductions
Is California School Funding Fair?


- California’s fiscal effort to fund schools: Grade F
  - California’s per capita personal income ($44,173) is above the national average, but it provides only $34 for each $1,000 of personal income to support schools.
  - By contrast, New York had a comparable per capita personal income ($46,445), but provided $55 for each $1,000 of personal income, earning a grade A.
  - New Mexico, with considerably lower per capita personal income ($36,814) nevertheless provided $48 for each $1,000 of personal income, also earning a grade A.
If California funded schools at the national average, a school of 500 students would have an additional $980,500.

If the state funded schools at just the national average, that would increase funding by $1,961 per pupil.

For a classroom of 25 students, that’s an additional $49,025 for student support services.
The California Economy

California’s economy is solid but future predictions point to slowing growth in GDP from 3.5% in 2018 to 2.6% currently

- Cargo traffic slowing as a result of trade war
- Risk of increased unemployment
- State tax revenues that fund education are the most volatile in history

GDP = Gross Domestic Product

- Economy continues to grow
- Housing sales volume remains strong
- Full employment

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California’s Proposition 98 vs. the Rest of the Nation

Operating Expenditures Per Student

1Reflects spending data reported by the U.S. Census Bureau. Amounts for 1988–89 to 1990–91 have been adjusted for comparability with subsequent years. Amounts shown for 2014–15 reflect an Legislative Analyst’s Office (LAO) estimate. Source: LAO, A Historical Review of Proposition 98, page 27, January 2017

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Established in 2013-2014 with a stated goal of restoring 2007-2008 purchasing power + inflation.

Target was set and each year the “gap” between the target and available funding was apportioned by the State.
  - When the “gap” was over $1,000 a 50% gap funding was significant dollars.
  - Now fully funded, the only funding districts receive is the COLA adjustment, resulting much smaller new funding.

Public Employee Pension Reform Act (PEPRA) required higher contributions for STRS and PERS from School Districts. This came off the top of new $ and was not added to the target effectively reducing the ability to return to 2007-2008 purchasing power.
A New Way of Thinking - LCFF/LCAP

- The new system requires us to think first about outcomes.
- No longer are you limited by what you can afford to do in a single year – start thinking about what you could accomplish in three years.

What are our expectations for students?
What programs and services are achieving desired results?
What are our achievement goals and what must we do to improve the conditions of learning, increase engagement, and improve school climate?
What can we accomplish in three years? How will we measure our progress?
Based on the resources available, what actions and activities will we implement next year?

LCFF = Local Control Funding Formula
LCAP = Local Control Accountability Plan
The Funding Model For School Districts

The District Receives Ongoing Revenue From Several Funding Sources

- **Base Grant**
- **Supplemental and Concentration Grant Funds**
- **State Categoricals (Child Development, Nutrition,) and Ongoing Federal Title I, II, III,**
- **Bond Funds & State Match Programs for Construction**
State Funding: An LCFF* Review

**BASE GRANT**
the same for every local educational agency with adjustments based on grade level

**SUPPLEMENTAL GRANT – 20% of Base Grant**
provided to address needs of English Learners, low income students, and foster youth

**CONCENTRATION GRANT – 50% of Base Grant**
provided when more than 55% of a district’s students fall into the high-needs category

* LCFF = Local Control Funding Formula*
Supplemental and concentration grants are calculated based on the percentage of an LEA’s enrolled students who are English learners, free and reduced-price meal program eligible, or foster youth – the unduplicated pupil percentage (UPP).

<table>
<thead>
<tr>
<th>Grade Span</th>
<th>2019-20 Base Grant per ADA</th>
<th>2.29% COLA</th>
<th>2020-21 Base Grant per ADA</th>
</tr>
</thead>
<tbody>
<tr>
<td>K–3</td>
<td>$7,702</td>
<td>$176</td>
<td>$7,878</td>
</tr>
<tr>
<td>4–6</td>
<td>$7,818</td>
<td>$179</td>
<td>$7,997</td>
</tr>
<tr>
<td>7–8</td>
<td>$8,050</td>
<td>$184</td>
<td>$8,234</td>
</tr>
<tr>
<td>9–12</td>
<td>$9,329</td>
<td>$214</td>
<td>$9,543</td>
</tr>
</tbody>
</table>
How Did We Get Here?

- State funding only increasing by COLA, CPI (Consumer Price Index) exceeds COLA
- STRS and PERS contribution increasing
- Year over year deficit spending
- Declining enrollment (ADA) decline $37.04 million, cumulative since the 2008/2009 school year (4,342, avg $9000 ADA at 95%)
- Other increased expenditures - General Fund contributions, health benefits, utilities
- Board approved reductions for the 19/20 school year were not entirely realized
### CalSTRS

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Without Additional Payments</th>
<th>Budget Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>16.28</td>
<td>16.28</td>
</tr>
<tr>
<td>2019-20</td>
<td>18.13</td>
<td>17.1 (-1.03)</td>
</tr>
<tr>
<td>2020-21</td>
<td>19.1</td>
<td>18.4 (-0.7)</td>
</tr>
<tr>
<td>2021-22</td>
<td>18.4*</td>
<td>18.1* (-0.3)</td>
</tr>
<tr>
<td>2022-23</td>
<td>18.4*</td>
<td>18.1* (-0.3)</td>
</tr>
<tr>
<td>2023-46</td>
<td>18.4*</td>
<td>18.1* (-0.3)</td>
</tr>
</tbody>
</table>

2015 – 2016 rate was 10.56%

### CalPERS

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Without Additional Payments</th>
<th>Budget Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018–19</td>
<td>18.062</td>
<td>18.062</td>
</tr>
<tr>
<td>2019–20</td>
<td>20.733</td>
<td>19.721 (-1.012)</td>
</tr>
<tr>
<td>2020–21</td>
<td>23.6*</td>
<td>22.7 (-0.9)</td>
</tr>
<tr>
<td>2021–22</td>
<td>24.9*</td>
<td>24.6 (-0.3)</td>
</tr>
<tr>
<td>2022–23</td>
<td>25.7*</td>
<td>25.4 (-0.3)</td>
</tr>
<tr>
<td>2023–24</td>
<td>26.4*</td>
<td>26.1 (-0.3)</td>
</tr>
<tr>
<td>2024–25</td>
<td>26.6*</td>
<td>26.3 (-0.3)</td>
</tr>
<tr>
<td>2025–26</td>
<td>26.5*</td>
<td>26.2 (-0.3)</td>
</tr>
</tbody>
</table>

2015 – 2016 rate was 11.847%
# General Fund Combined Revenue and Expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016 – 2017</td>
<td>$353,129,952</td>
<td>$362,277,908</td>
</tr>
<tr>
<td>2017 – 2018</td>
<td>$344,741,728</td>
<td>$376,994,560</td>
</tr>
<tr>
<td>2018 – 2019</td>
<td>$379,334,193</td>
<td>$387,145,921</td>
</tr>
<tr>
<td>2019 – 2020</td>
<td>$365,607,141</td>
<td>$401,950,000 *</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($36,342,859)</td>
</tr>
<tr>
<td>2020 – 2021 projected</td>
<td>$366,174,564</td>
<td>$384,000,000 **</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($17,825,436)</td>
</tr>
<tr>
<td>2021 – 2022 projected</td>
<td>$372,493,147</td>
<td>$386,300,000 **</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($13,806,853)</td>
</tr>
</tbody>
</table>

* includes cost of MDEA tentative agreement and “me too” clause for all groups for 18/19 and 19/20

** includes cost of tentative agreement moving forward
Statewide Average Reserves

- 2017–18 statewide average reserve levels are slightly down from the prior year
  - Close to the 17%, or two months of expenditures, as recommended by the Governmental Finance Officers Association

<table>
<thead>
<tr>
<th>2017–18 Average Unrestricted Net Ending Fund Balance</th>
<th>Change From Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unified School Districts</td>
<td>16.98%</td>
</tr>
<tr>
<td>Elementary School Districts</td>
<td>20.20%</td>
</tr>
<tr>
<td>High School Districts</td>
<td>15.63%</td>
</tr>
</tbody>
</table>
## Statewide Average Reserves vs. MDUSD

### 2017–18 Average Unrestricted Net Ending Fund Balance

<table>
<thead>
<tr>
<th>District Type</th>
<th>Average Unrestricted Net Ending Fund Balance</th>
<th>Change From Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unified School Districts</td>
<td>16.98%</td>
<td>-0.27%</td>
</tr>
<tr>
<td>Elementary School Districts</td>
<td>20.20%</td>
<td>-0.88%</td>
</tr>
<tr>
<td>High School Districts</td>
<td>15.63%</td>
<td>-1.01%</td>
</tr>
</tbody>
</table>

### Mt. Diablo USD

<table>
<thead>
<tr>
<th>Year</th>
<th>Unrestr Ending Fund Balance</th>
<th>Percentage</th>
<th>Change from Prior Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015/2016</td>
<td>$83,458,565</td>
<td>41.05%</td>
<td>-7.41%</td>
</tr>
<tr>
<td>2016/2017</td>
<td>$70,339,732</td>
<td>30.44%</td>
<td>-10.62%</td>
</tr>
<tr>
<td>2017/2018</td>
<td>$38,482,772</td>
<td>15.73%</td>
<td>-14.71%</td>
</tr>
<tr>
<td>2018/2019</td>
<td>$30,087,204</td>
<td>12.88%</td>
<td>-2.85%</td>
</tr>
<tr>
<td>2019/2020</td>
<td>$12,539,828</td>
<td>3.11%</td>
<td>-9.77%</td>
</tr>
</tbody>
</table>
The state continues to fund school districts based upon the greater of prior year or current ADA
- Financial impact will be integrated into the 2020 - 2022 MYP based upon CBEDS and P2 apportionment

The district mitigates both revenue and expenditures to reduce the impact of declining enrollment
- Revenue will be adjusted based upon enrollment count and projected ADA rate

Staffing is adjusted based upon enrollment and current contractual requirements

District staff is investigating the enrollment trends and attendance rates
- Interdistrict, Open Enrollment Transfers, and “Destination Schools”
- Charter School impact and Program Investments
Statutory COLA at 2.29%

- The MDUSD Multi-Year Budget Projections included a 3.00% statutory COLA from the California 2019/2020 State Budget (MDUSD = $10,980,000)

- In early January 2020, it was estimated to be 1.79% (MDUSD = $6,222,000)

- The Governor’s Budget Message in January announced a 2.29% COLA (MDUSD = $8,381,400)

- This amount could change prior to the May Revisions - Legislative Analyst’s Office is suggesting a higher COLA but concern in Sacramento is that it could drop lower than 2.29%

- Each .5% is estimated to impact our budget approximately $1.83M

- The cost of servicing the salary schedule of employees will exceed the new dollars that are available
  - New dollars = $231 per ADA
  - Dollars needed to cover step and column increases and increased pension costs = $313 per ADA
Now that LCFF is fully funded Districts only Receive “COLA” from the State
(COLA for 2020/21 is estimated at 2.29%)

<table>
<thead>
<tr>
<th></th>
<th>Certificated</th>
<th>Classified</th>
</tr>
</thead>
<tbody>
<tr>
<td>COLA Only</td>
<td>2.29%*</td>
<td>2.29%*</td>
</tr>
<tr>
<td>Step and Column</td>
<td>(1.00%)</td>
<td>(1.00%)</td>
</tr>
<tr>
<td>Declining Enrollment</td>
<td>(0.30%)</td>
<td>(0.30%)</td>
</tr>
<tr>
<td>CalISTRS</td>
<td>(0.82%)</td>
<td>(1.659%)</td>
</tr>
<tr>
<td>Special Education</td>
<td>(1.50%)</td>
<td>(1.50%)</td>
</tr>
<tr>
<td>(3.62%)</td>
<td></td>
<td>(4.459%)</td>
</tr>
<tr>
<td>Operations</td>
<td>?</td>
<td>?</td>
</tr>
<tr>
<td>LCAP Priorities</td>
<td>?</td>
<td>?</td>
</tr>
</tbody>
</table>

All % are estimates and for illustrative purposes only
Per-ADA Growth in Revenues and Expenditures
- Factors for Multi Year Projections

Supplemental/Concentration (SC)  ▪  California Public Employees’ Retirement System (CalPERS)  ▪  California State Teachers’ Retirement System (CalSTRS)

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### Historical Attendance Rate
(Does not include Charter Schools)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>CBEDS Enrollment</th>
<th>% of ADA to CBEDS</th>
<th>Change in ADA %</th>
<th>Enrollment Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-2012</td>
<td>33,592</td>
<td>90.68%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012-2013</td>
<td>31,625</td>
<td>96.55%</td>
<td>5.87%</td>
<td>(1,967)</td>
</tr>
<tr>
<td>2013-2014</td>
<td>31,757</td>
<td>95.92%</td>
<td>-0.63%</td>
<td>132</td>
</tr>
<tr>
<td>2014-2015</td>
<td>31,696</td>
<td>95.82%</td>
<td>-0.10%</td>
<td>(61)</td>
</tr>
<tr>
<td>2015-2016</td>
<td>31,757</td>
<td>97.47%</td>
<td>1.64%</td>
<td>61</td>
</tr>
<tr>
<td>2016-2017</td>
<td>31,580</td>
<td>95.74%</td>
<td>-1.72%</td>
<td>(177)</td>
</tr>
<tr>
<td>2017-2018</td>
<td>31,073</td>
<td>95.84%</td>
<td>0.09%</td>
<td>(507)</td>
</tr>
<tr>
<td>2018-2019</td>
<td>30,727</td>
<td>95.61%</td>
<td>-0.23%</td>
<td>(346)</td>
</tr>
<tr>
<td>2019-2020 Projected</td>
<td>30,611*</td>
<td>95.72%</td>
<td>0.12%</td>
<td>(116)</td>
</tr>
</tbody>
</table>
Special Education Services

- Special Education services are reimbursed by the Federal and State government at approximately 35 cents on the dollar of our costs.
- The funding “may” increase based on Governor’s Budget Message, but we are waiting for ‘trailer bill language’ due this month.

<table>
<thead>
<tr>
<th>Year</th>
<th>Special Education Unduplicated Per Pupil Count per SEMA</th>
<th>Special Education Total Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 - 2016</td>
<td>3,788</td>
<td>$69,696,342</td>
</tr>
<tr>
<td>2016 - 2017</td>
<td>3,989</td>
<td>$76,619,900</td>
</tr>
<tr>
<td>2017 - 2018</td>
<td>4,075</td>
<td>$81,751,062</td>
</tr>
<tr>
<td>2018 - 2019</td>
<td>4,210</td>
<td>$82,429,513</td>
</tr>
<tr>
<td>2019 - 2020 Projected</td>
<td>4,233</td>
<td>$83,460,829</td>
</tr>
</tbody>
</table>

SEMA = Special Education Maintenance of Effort
• The District must be able to demonstrate that it can meet its financial obligations for the budget year + 2 out years under AB1200.
  – The District must also maintain adequate reserves.
  – Recommended reserve levels are approximately 2 months of payroll, or 17%.
  – MDUSD currently has approximately 6 days worth of reserved for payroll.

• In a balanced budget:
  – Revenue – Expenditures = a positive number and reserves increase
Budget Solutions – Multiple Approaches

- Cuts
- Advocacy
- Reserves
- Funding Shifts
- Investments
Reserves

- After a state required 3% reserve ($11.8M) and adding positions in August 2019, that negated the expenditure reductions approved by the Board in Spring 2019.

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Cuts

• 89% of our budget is staff salaries, benefits, other mandatory deductions, so we will need to eliminate positions in all bargaining groups

• Significant restrictions on spending in departments and school sites

• Monitor all purchases

• Significantly curtail conferences, professional development, and contracts
Funding Shifts

• Examine our flexibility within different funding structures
• Identify positions that can be funded from Restricted Budgets, such as Routine Restricted Maintenance, LCFF, Federal Programs
• Put off any significant expenditures
Investments

- Look at opportunities to increase district revenue
- Attendance accountability
- Risk Management focus
- Facility utilization and optimization
- Specialty programs to sustain enrollment
- Public/Private partnerships
- Ensure we are following Civic Center Act for use of district facilities
Advocacy

• Utilize our voice with Sacramento Decision Makers

• Create an advocacy plan of action

• Appropriately engage lobbyists that can support the district’s message

• Collaborate with statewide organizations such as CSBA, CASBO, ACSA

• Partner with our associations (UTR, Teamsters, and SSA) in the message of adequate school funding
Next Steps

• Business Services works with the Contra Costa County Office of Education to confirm deficit spending and reduction numbers

• District leadership engages staff and community in input for budget reductions and income generation. New webpage available for updates.

• Cabinet develops tiers of reductions, based on input received and board priorities

• Feedback from staff and community to implement budget solutions

• Board presentations on budget updates, ongoing process, budget solution recommendations

• Board will approve most reductions at the March 9 Board Meeting to meet the March 15th requirement for certificated layoffs
Opportunities for Staff Input

Staff are invited to the following meetings:

Tuesday, February 18th - 4 pm
Tuesday, February 18th - 5:30 pm
Thursday, February 20th - 4 pm
Thursday, February 20th - 4 pm
Thursday, February 20th - 5:30 pm

Ygnacio Valley High School Multi Use Room
Ygnacio Valley High School Multi Use Room
Riverview Middle School Multi Use Room
Pleasant Hill Middle School Multi Use Room
Pleasant Hill Middle School Multi Use Room
Opportunities for Community/Parent/Student Input

The students, community and staff are invited to the following Forums:

Tuesday, February 18th - 7 pm  
Ygnacio Valley High School Multi Use Room

Thursday, February 20th - 5:30 pm  
Riverview Middle School Multi Use Room

Thursday, February 20th - 7 pm  
Pleasant Hill Middle School Multi Use Room
Online Survey for Additional Feedback

An anonymous Google survey is now available thru Friday, February 7th at 5 pm. The survey will collect the following information:

- Budget solution suggestions
- Ideas for revenue generation
- Additional questions that staff and the community have

The survey will disaggregate responses based on:
- Students
- Certificated staff
- Classified staff
- Management
- Parents
- Community members
Calendar of Budget Events

- Board Presentation February 10th – Budget Presentation
- Staff & Community Input Meetings - February 4th - 20th
- Board Presentation February 24th – Budget Solutions and Budget Update Presentation
- Board Presentation March 9th – Second Interim, Budget Solutions, Board to approve resolution calling for certificated layoffs
Input from the Contra Costa County Office of Education
• Solving the Budget issue will require a full partnership of all stakeholders.
• We need to understand the current situation, provide data, and answer questions
• We need to look forward – together!
District’s Goal is to continue to work collaboratively with our associations.
How will we go about prioritizing reductions moving forward?

- Base programs?
- LCAP goals?
- Other thoughts?
What must the Base Budget Cover?

Classroom Furniture and Technology
Student Textbooks and Technology
Teacher Supplies and Technology
General Upkeep of Facilities

Teachers
Principal
Office Staff
Custodial Staff
Support Staff (Payroll, Human Resources, Accounting)

Everything that represents the base is necessary to support the classroom.
Local Control Accountability Plan (LCAP) Focus Areas

Goal 1: All students will receive a high quality education in a safe and welcoming environment with equitable high expectations, access to technology, and instruction in the California State Standards that prepare them for college and/or career.

Goal 2: High quality, culturally proficient, and responsive staff will provide engaging instruction respectful of all students’ backgrounds to ensure they are college and/or career ready.

Goal 3: Parents, family, and community will be informed, engaged, and empowered as partners with Mt Diablo Unified to support student learning.