2019 – 2020
Budget Solutions & Moving Forward

Staff/Community Forum
Tuesday, February 18, 2020
Thursday, February 20, 2020
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 Mt Diablo Unified, that would be an additional $57,026,762.

For a classroom of 25 students, that’s an additional $49,025 for student support services.
School district budgets must be approved, by CA Education Code, by the end of June. They are based on assumptions made by the State of California. If the State Budget changes, we lose revenue midyear but cannot easily course correct because we have most of our employees who we have to pay until June 30 of the next year. The State can change our budget mid-year and we have no way to cover what they reduce. Budgets are based on projections of students, regardless of actual attendance - we still have to pay for the staff if the students do not show up in August.
How do we receive funding for the students in our schools?

- We are funded only for the days a student is in school - that is "average daily attendance" (ADA)
- One student = approximately $10,000
- Each day a student does not attend school, we lose $55.55/student
- Our district ADA is 95% - that’s 171 days in school for the average student
- We pay 100% of the cost of our staff, but we lose about $500/child/year when they are not in school

  - WOW! That’s $15,300,000
  - If we increased attendance by 1% districtwide? That’s $3,060,000!
Where are we TODAY with our budget?

Our expenditures are exceeding our revenue because….

• The Cost of Living Adjustment (COLA) does not cover the cost of living increases
• CalSTRS and CalPERS contributions are increasing (retirements costs)
• Year over year deficit spending
• Declining enrollment (ADA)
• Other increased expenditures - General Fund contributions, health benefits, utilities, insurance, and more
Cost of Living Adjustment (COLA) at 2.29% for now.....

- The Governor’s Budget Message in January announced a 2.29% COLA
  - In MDUSD, that’s $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%

- The cost of servicing the salary schedule of employees (step and column and retirement costs) 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

- $80 deficit per ADA = $2,281,216
Self-sufficiency standards for a family of two adults, one preschooler, and one school aged child:

Contra Costa County

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$58,174</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>$69,069</td>
<td>18%</td>
</tr>
<tr>
<td>2014</td>
<td>$73,445</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

Since 2008 and the recession - housing prices have increased an average of 6% a year:

A $300,000 home in Contra Costa County in 2008
$425,555 in 2014
$603,660 in 2020

Yet, we are now considered fully funded at the 2008 rate.
In the Bay Area, $15 an hour buys you $11 worth of goods

Where paychecks stretch the most, and least

*Estimated real purchasing power of a national $15 hourly wage, by metropolitan area*

Note: Based on 2013 regional price parities for metropolitan statistical areas.
Source: Bureau of Economic Analysis, Pew Research Center analysis.

Pew Research Center
Our employees all pay into their retirement every month - this shows the increase in the “employer share” over the last few years.

<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>2023–24</td>
<td>18.4*</td>
<td>18.1* (-0.3)</td>
</tr>
<tr>
<td>2024–25</td>
<td>18.4*</td>
<td>18.1* (-0.3)</td>
</tr>
<tr>
<td>2025–26</td>
<td>18.4*</td>
<td>18.1* (-0.3)</td>
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2015 – 2016 rate was 10.56%

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<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%
## Statewide Average Reserves vs. MDUSD

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>

<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>
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<td>2017/2018</td>
<td>$38,482,772</td>
<td>15.73%</td>
<td>- 14.71%</td>
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<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>
### 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>$402,915,789 *</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($37,666,815)</td>
</tr>
<tr>
<td>2020 – 2021 projected</td>
<td>$370,712,306</td>
<td>$385,994,942 **</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($22,441,710)</td>
</tr>
<tr>
<td>2021 – 2022 projected</td>
<td>$363,553,232</td>
<td>$388,523,821 **</td>
</tr>
<tr>
<td></td>
<td></td>
<td>($17,811,515)</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
The Problem: State Population Growth Slowing

California Population Growth (Percent Change by Decade)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>49.0%</td>
</tr>
<tr>
<td>1970</td>
<td>26.3%</td>
</tr>
<tr>
<td>1980</td>
<td>18.7%</td>
</tr>
<tr>
<td>1990</td>
<td>25.4%</td>
</tr>
<tr>
<td>2000</td>
<td>14.1%</td>
</tr>
<tr>
<td>2010</td>
<td>14.8%</td>
</tr>
<tr>
<td>2020</td>
<td>8.4%</td>
</tr>
<tr>
<td>2030</td>
<td>7.8%</td>
</tr>
<tr>
<td>2040</td>
<td>6.5%</td>
</tr>
<tr>
<td>2050</td>
<td>4.9%</td>
</tr>
</tbody>
</table>

Forecast
The Problem: State Population Growth Slowing

• Many Californians are leaving the state
  • In 2018, migration out was 691,000, while migration in was 501,000
  • Most went to Texas, Arizona, Nevada, and Oregon
  • Fastest growing states from 2008 to 2018 were Utah, Texas, Colorado, and North Dakota
• Low birthrates and net negative migration leave more than half of California school districts facing student enrollment losses
California Public K–12 Enrollment

Historic and Projected K–12 Enrollment

Year
- 2000-01
- 2001-02
- 2002-03
- 2003-04
- 2004-05
- 2005-06
- 2006-07
- 2007-08
- 2008-09
- 2009-10
- 2010-11
- 2011-12
- 2012-13
- 2013-14
- 2014-15
- 2015-16
- 2016-17
- 2017-18
- 2018-19
- 2019-20
- 2020-21
- 2021-22
- 2022-23
- 2023-24
- 2024-25
- 2025-26
- 2026-27
- 2027-28

Source: Department of Finance Demographic Research Unit, January 2019
Actual enrollment data through 2017–18
Declining Enrollment by County

Northern California
## 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>-.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>
## Importance of Enrollment and Projections

### Basis for Staffing
- We are in the people business, so the personnel costs of our budget is comprised 89% of total unrestricted General Fund expenditures

### Teacher Shortage
- California is facing a teacher shortage from years of budget cuts, layoffs, and teachers choosing other careers
- The more accurate and reliable the enrollment projections, the sooner we can secure staffing

### Use for Other Staff
- Site administrators
- Site support
- Food services
- Transportation
- Maintenance and operations
- Student services
- Counselors, social workers
- Other district office personnel

### Drives Revenue
- The more students you have, the more money you earn (for the most part)
- Unduplicated pupil enrollment, which is strongly correlated with total enrollment, generates additional funds
Factors That Influence Enrollment and Projections

- Boundary changes and new or closing schools
- Changes or additions to programs
- Change to grade configurations
- Employment shifts
- Magnet, charter, and private schools
- Changes in school capacities
- Transfer students
- Birth rates
- Move in/out of families in existing homes
- District and school culture
- Residential construction, demolition, and foreclosures
- Dropouts
- District reputation

Enrollment and Projections
Individuals with Disabilities Education Act on the National Stage

**Students with Disabilities as a Percentage of All Students (Ages 6–22)**

Sources: 40th Annual Report to Congress on the Implementation of the Individuals with Disabilities Education Act, 2018 and California December 2016 Special Education Enrollment
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</td>
<td>4,233</td>
<td>$83,460,829</td>
</tr>
<tr>
<td>Projected</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SEMA = Special Education Maintenance of Effort
What is the bottom line right now?

The chart on the prior page, reviewed by CCCOE, shows an estimated $21,100,000* in necessary reductions.

What can affect this number in the coming weeks?

- Impact of eliminating positions of unfilled vacancies we can do without
- Retirement incentive
- Finding additional savings districtwide
- Continued movement of expenses from Unrestricted to Restricted budgets
- Board approved reductions at February 24, 2020 board meeting
- The results of the Second Interim Report, to be presented at March 9, 2020 Board Meeting

*updated on February 19, 2020
What is the process to identify Budget Solutions?

The process for moving forward with budget solutions includes:

- Staff, student, and community input from survey
- Executive Cabinet review and tier of suggestions for reductions - Administrative Council input
- Board input and further direction on tiers at last week’s meeting
- Continued review of budget with CCCOE staff
- Fiscal team to review costs of tiered suggestions
- Staff and community forum meetings - another round of input through ThoughtExchange
- Recommendations to Board from Executive Cabinet
- Board actions on February 24, 2020 and March 2, 2020 - certificated staff
- Board actions in April - classified staff
Budget Solutions – Multiple Approaches

1. Cuts
2. Advocacy
3. Investments
4. Funding Shifts
5. Reserves
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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Reductions & 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
- Grants for specific programs
- 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
District’s Goal is to continue to work collaboratively with our associations.

- Mt Diablo Education Association (MDEA)
- California School Employees Association (CSEA)
- Teamsters
- Mt Diablo Management (DMA)
- Mt Diablo School Psychologists Association (MDSPA)
- Clerical/Secretarial/Technical (CST)
How will we look at budget solutions?

Core Components
- teacher
- principal
- office support
- custodian

Must have’s

Wish to have’s
Impact of Solutions & Reductions

- Services, support, and student learning intersect in many areas
- Consider operational impacts of the reduction or elimination of services

Elimination of services in one area impacts operational efficiency in the reduction area and could affect other departments and services
Certificated Layoffs and Timelines

Late February/Early March
Board resolution to reduce certificated service and adopt skipping and tie-breaking criteria

No later than March 15*
Preliminary layoff notices served

On or before May 7*
Administrative law judge decision

Before May 15*
Final notices served

January
January 10
Governor’s Budget

February

Mar–Apr

May

June

May 14
May Revision

By June 30
State Budget adoption

*Statutory deadlines per EC § 44949 and 44955
Classified Layoffs and Timelines

On or about March 20
Board adopts resolution to reduce classified service for lack of work or lack of funds

On or about March 27
Notice of layoff personally served on affected employees, including notice of bumping rights and election form

Additional time should be provided to manage bumping and to serve additional notices if needed

Fifteen Days

EC § 45117
Notices to be served sixty days prior to the effective date of the layoff for lack of work/lack of funds

Notices of layoff must be served before April 29 for specially funded programs

Layoff effective June 30

January
January 10
Governor’s Budget

Feb–March

April

May

May 14
May Revision

June

By June 30
State Budget adoption
We’ve launched a ThoughtExchange to provide feedback with prioritization of our available funding.

What are the most important ways we can prepare students to be ready for college, career, and life?

To respond, please go to:  
bit.ly/mdusdfeedbck
How does it work?

Specialized programs and educators for students with special needs. To support General Ed teachers and so all students are able to learn effectively.

We need to provide students a safe and supportive environment in which to learn. If students do not feel safe, they cannot learn. We are removing site support/services. The goal seems to be to pack as many students in every school.
Any questions?

To respond, please go to: bit.ly/mdusdfeedback