



K-12 Education Funding

Scotts Valley Unified School District Budget

School District Budget: Primary Influences

- State Budget
 - Governor's Proposal
 - Legislative Review
 - Adoption
 - Clean up language
- Ballot Initiatives
 - Outside the legislative process
 - Voter approved
 - Subject to legal challenges

School District Budget: Proposition 98

- Defines minimum level of funding for:
 - K-14 education
 - Educationally related programs
 - Pre-school
 - Child care
 - Child development
- State economy determines the funding formula used

School District Funds

● Unrestricted

- General Fund
- Special Reserve Other than Capital Outlay

● Restricted

- Cafeteria Fund
- Deferred Maintenance Fund
- Building Fund
- Capital Facilities Fund
- Special Reserve for Capital Outlay
- Bond Interest & Redemption

General Fund: Funding Categories

Unrestricted

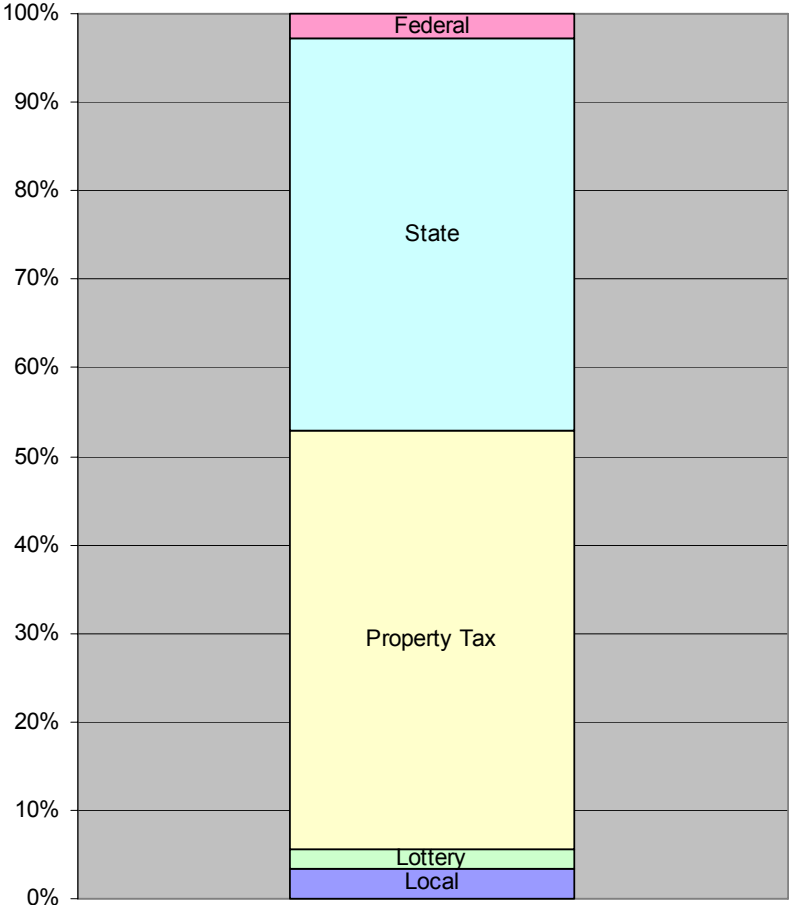
- Provides to all students
 - Basic Educational Program
 - Support Services
 - Pupil Services
 - Administration
 - Facilities
- Revenues
 - Revenue Limit
 - Lottery*
 - Interest
 - Community Donations
 - Facility use fees

Restricted

- Provides to identified students
 - Supplemental Services
 - Prescribed by law
 - In addition to the Basic Program
 - Additional instructional staff
 - Tutoring
 - Pupil services
 - Materials
 - Fully/Partially funded
- Revenues
 - Federal grants
 - State grants
 - Lottery*

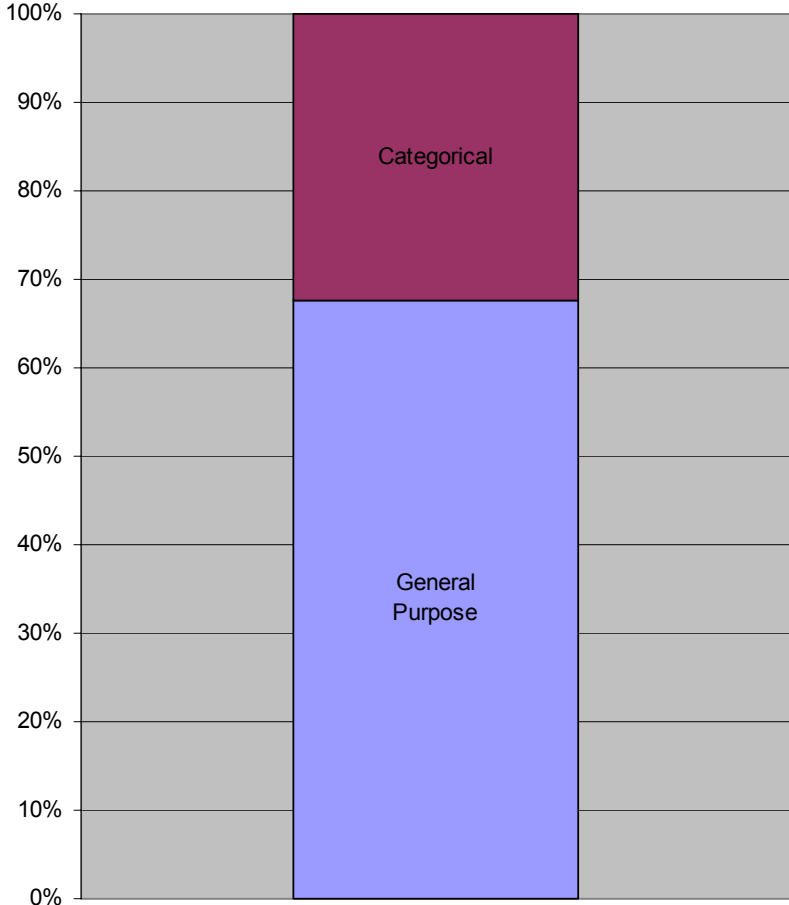
California's School Finance System

Sources



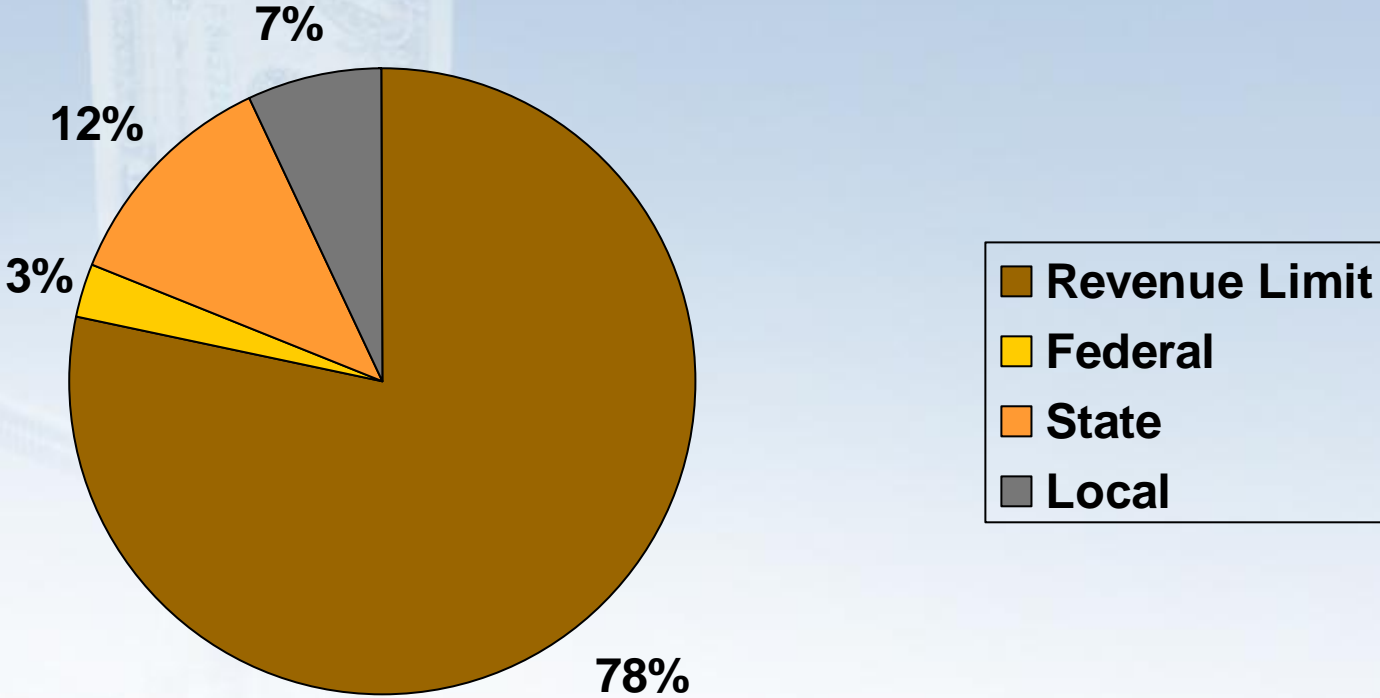
2008-09

Uses

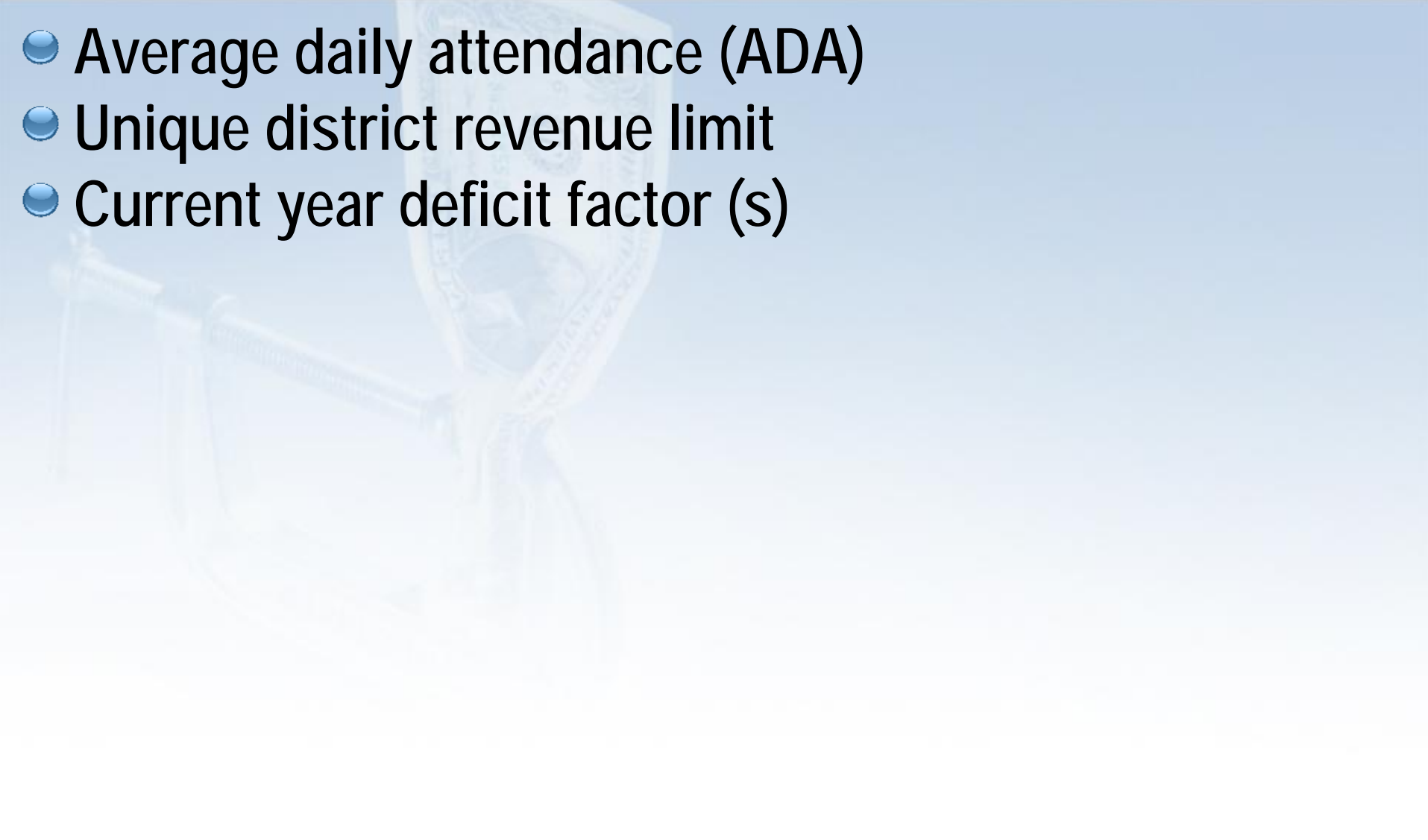


2008-09

General Fund Sources of Revenue



Revenue Limit Funding: Formula Elements

- Average daily attendance (ADA)
 - Unique district revenue limit
 - Current year deficit factor (s)
- 

Average Daily Attendance (ADA)

- One unit of ADA =
 - One student
 - Enrolled and in attendance every day
 - From first day of school
 - Through last day of school month ending on or before April 15th (seven school months)

Revenue Limit

- The maximum amount of money a district is entitled to for each unit of ADA
- Unique for each district
 - Historical inequity when schools were funded exclusively through local property taxes
 - Established at roughly what each district spent on general education programs in 1972
 - By late 1990's Revenue Limits were within about a \$350 range for districts serving 97% of states students
- Funding sources:
 - Local property tax (outside proposition 98)
 - State aid (inside proposition 98)

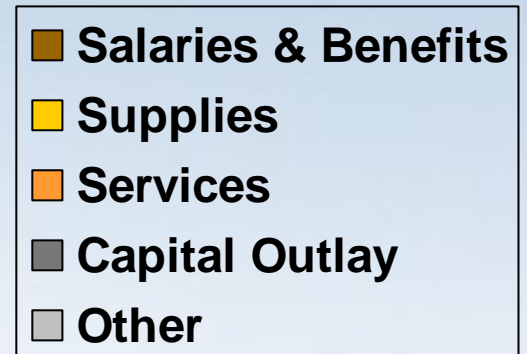
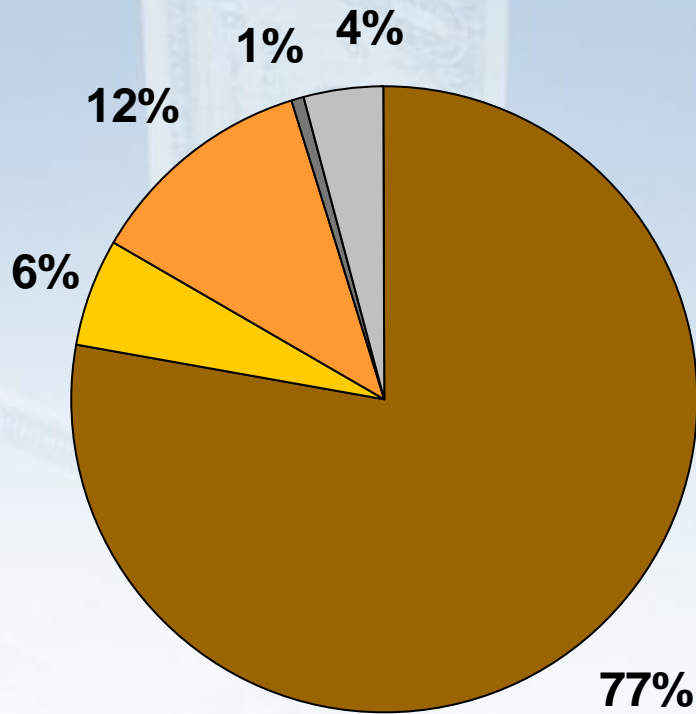
Revenue Limit Funding Formula: ADA X Revenue Limit X Deficit Factor (s)

- 07-08 $2,626 \times \$5,751 \times 1.0 = \$15,102,126$
- 08-09 *Cost of Living Adjustment (COLA) = \$329*
 $\$5,751 + \$329 = \$6,080$
- 08-09 *(If no deficit factor, no decline in enrollment)*
 $2,626 \times \$6,080 \times 1.0 = \$15,966,080$
Entitlement gain due to COLA = \$863,954
- 08-09 *(With single deficit factor, no decline in enrollment)*
 $2,626 \times \$6,080 \times .94643 = \$15,110,777$
Entitlement loss due to deficit = \$855,303
- 08-09 *(With double deficit factor, no decline in enrollment)*
 $2,626 \times \$6,080 \times .94643 \times .95433 = \$14,420,668$
Entitlement loss due to double deficit = \$1,545,412
Loss over prior year = \$681,458

Key Assumption: Expenditures

- Enrollment
 - Staffing
 - Ratio of teacher to students
 - Facilities
 - Site capacity
 - Program changes

Expenditures: Categories



Expenditures

- Personnel costs
 - Cost of living salary adjustment
 - Step & column salary increases
 - Statutory Benefit rate increases
 - Workers Compensation (experience factor)
 - Unemployment
 - Bargaining unit contract issues

Expenditures

- **School Site Costs**
 - **Instruction**
 - Teachers
 - Instructional Aides
 - Books & Supplies
 - **Administrative**
 - Principal & Assistant Principal
 - Secretarial
 - **Support Services**
 - Library
 - Counseling
 - Food Service
 - **Facility / Operational**
 - Custodial Staff
 - Utilities

Expenditures

- District Level Costs
 - Central Administration
 - Superintendent
 - Instructional Supervision
 - Business
 - Facilities Maintenance Costs
 - External Services
 - Audit
 - Legal
 - Elections
 - Property & Liability Insurance

Governor's Proposal for the 2009-10 State Budget and K-12 Education

Including Proposed
Mid-Year Reductions
for 2008-09



The Size and Duration of the Budget Shortfall

- The projected State Budget shortfall is huge and continues to grow

November 2007	\$10 Billion
December 2007	\$14 Billion
December 2008	\$28 Billion
January 2009	\$41.6 Billion

- A “normal” State Budget has expenditures of about \$100 billion
 - So the shortfall equates to 40% of a single year Budget or 20% of the combined expenditures for two years – either way, a huge number

Is There Any Way Out of This Mess?

- Short term
 - More one-time and temporary solutions on the revenue side
 - Deep cuts in expenditures
 - Lack of consensus, leadership, and a sense of urgency result in paralysis
 - Past plans for economic health : “wait for a good year”
- Reduce the two-thirds vote for a parcel tax
 - SCA 6 (Simitian) would do that
 - Now is the time for the Legislature to pass this bill and give the voters a choice on Educational funding

Is There Any Way Out of This Mess?

- Long term, it really depends on the voters
 - Will they continue to accept the results the current system produces?
 - Will they demand real change and be willing to pay for it?
 - Under current law, Proposition 98 guarantees that sooner or later education will have a recovery year – but when?
- But for this year, the die is cast:
 - Education will take at least its share of cuts
 - We will share in the “misery index” level of the state

Mid Year Reductions: FY 2008-09 Educational Funding FY 2009-10



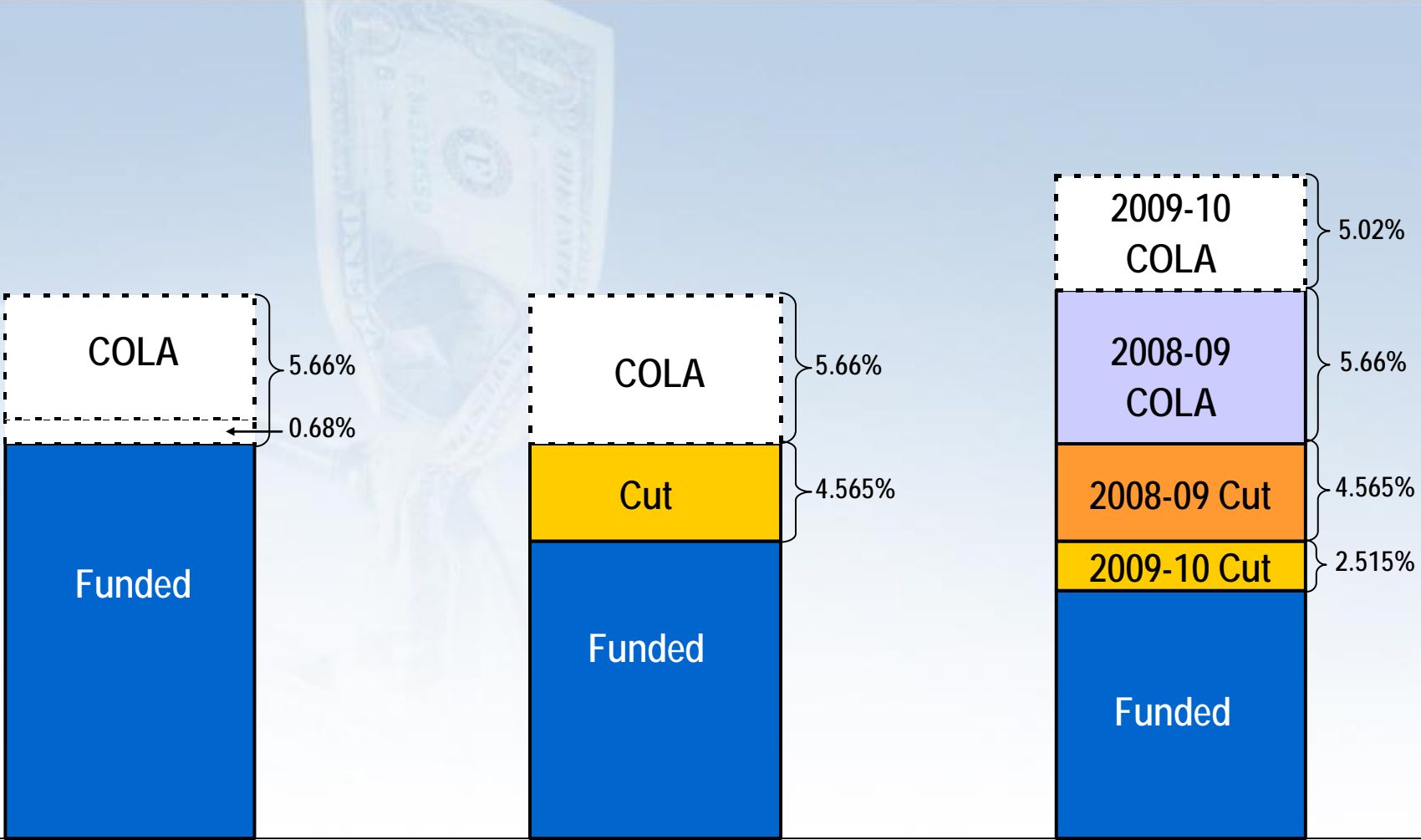
Mid-year reductions 2008-09

- Major common elements of both Governor's and legislative proposals
 - Elimination of the 0.68% COLA
 - Elimination of the Deferred Maintenance match requirement
 - Reduction of the Routine Restricted Maintenance Account (RRMA) set-aside requirement from 3% to 1%
 - Some form of flexibility in the use of state categorical funds
 - Excluding programs generated by initiatives (Lottery IMF)
 - Excluding programs generated by lawsuits (Williams)
- However, the Governor's proposal is the only one still in play
 - Reflects a 4.5% reduction in revenue limit funding

Revenue Limit Cuts, COLAs

- Governor's Budget Proposal for:
 - 2008-09 reduces budgeted COLA of 0.68%, eliminating the entire 5.66% statutory COLA
 - 2009-10 provides a zero funded COLA, eliminating the projected statutory COLA of 5.02% through the deficit
- Governor's Budget made further cuts to revenue limit funding
 - \$1.6 billion in 2008-09 is equal to a cut of 4.565%
 - \$1.1 billion in 2009-10 is equal to a reduction of 2.515%

2008-09 and 2009-10 K-12 Revenue Limits



2008-09 Budget Act

2008-09 Proposed Governor's Budget

2009-10 Proposed Governor's Budget

Revenue Limits – COLAs

	Statutory COLAs	
	Actual	Estimated
	2008-09	2009-10
All Unified Districts	\$329	\$309

- Statutory COLAs for both 2008-09 and 2009-10 will be eliminated through the deficit factors

Cumulative Effects of Deficits and Cuts

	2008-09		2009-10	
	Statutory COLA	Deficit Factor	Statutory COLA	Deficit Factor
COLA Proposal	5.66%	.94643	5.02%	.90117
	% Cut	Deficit Factor	% Cut	Deficit Factor
Revenue Limit Cut	4.565%	.95433	2.515%	.93030

Cumulative Loss from Statutory Level: 16.161%!!

Revenue Limit Reduction Impacts: First Interim Calculations

First Interim Revenue Limit

	2008-09 Projected Budget	2009-10 Projected Budget	2010-11 Projected Budget
REVENUES			
1) Revenue Limit Sources	14,695,055	14,366,824	14,652,910

Budget Assumptions *Revenue Limit*

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<u>Revenues</u>			
Revenue Limit (Revenue Limit COLA)	5.66%	5.60%	3.50%
Revenue Limit (Deficit Factor 1)	0.94643	0.89575	0.89575
Revenue Limit (Deficit Factor 2)	1.00000	1.00000	1.00000
COLA	\$329.00	\$344.00	\$227.00

Revenue Limit Reduction Impacts: Second Interim Calculations – Statutory Cola Changes

Second Interim Revenue Limit

	2008-09 Projected Budget	2009-10 Projected Budget	2010-11 Projected Budget
REVENUES			
1) Revenue Limit Sources	14,695,055	14,288,723	14,147,353
First Interim Revenue Limit Sources	14,695,055	14,366,824	14,652,910
Change in Revenue Limit Sources	0	(78,101)	(505,557)

Budget Assumptions *Revenue Limit*

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<u>Revenues</u>			
Revenue Limit (Revenue Limit COLA)	5.66%	5.02%	0.50%
Revenue Limit (Deficit Factor 1)	0.94643	0.89575	0.89575
Revenue Limit (Deficit Factor 2)	1.00000	1.00000	1.00000
COLA	\$329.00	\$309.00	\$32.00

Revenue Limit Reduction Impacts: Second Interim Calculations –Cola & Deficit Factor Changes

Second Interim Revenue Limit

	2008-09 Projected Budget	2009-10 Projected Budget	2010-11 Projected Budget
REVENUES			
1) Revenue Limit Sources	14,018,229	13,364,457	13,232,100
First Interim Revenue Limit Sources	14,695,055	14,366,824	14,652,910
Change in Revenue Limit Sources	(676,826)	(1,002,367)	(1,420,810)

Budget Assumptions *Revenue Limit*

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<u>Revenues</u>			
Revenue Limit (Revenue Limit COLA)	5.66%	5.02%	0.50%
Revenue Limit (Deficit Factor 1)	0.94643	0.90117	0.90117
Revenue Limit (Deficit Factor 2)	0.95433	0.93030	0.93030
COLA	\$329.00	\$309.00	\$32.00

Revenue Limit Reduction Impacts: Second Interim Calculations – Cola & Deficit Factor Changes

Second Interim Revenue Limit

	2008-09 Projected Budget	2009-10 Projected Budget	2010-11 Projected Budget
REVENUES			
1) Revenue Limit Sources	14,018,229	13,364,457	13,166,311
First Interim Revenue Limit Sources	14,695,055	14,366,824	14,652,910
Change in Revenue Limit Sources	(676,826)	(1,002,367)	(1,486,599)

Budget Assumptions *Revenue Limit*

	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
<u>Revenues</u>			
Revenue Limit (Revenue Limit COLA)	5.66%	5.02%	0.00%
Revenue Limit (Deficit Factor 1)	0.94643	0.90117	0.90117
Revenue Limit (Deficit Factor 2)	0.95433	0.93030	0.93030
COLA	\$329.00	\$309.00	\$0.00

2009-10 Education Program Changes

- The Budget axe falls on the revenue limit, but the Governor would like categorical programs to provide the life support
- Planning under the Governor's proposal means considering how best to reduce expenses in all areas of the Budget and this could mean:
 - Requirements are waived
 - Funding is flexible
 - The school year could be shorter
- But, ultimately, each District would need to renegotiate contracts to realize expenditure savings



Categorical Elimination / Flexibility: Scotts Valley Unified District

Program	Funding	Service
Community Based English Tutoring	\$2,132	Hourly Parent Instruction
Safety & Violence Prevention	\$42,520	Campus Supervision, Counseling Services
Tobacco Use Prevention Grades 4-8	\$3,603	Nurse
Tobacco Use Prevention Grades 9-12	\$12,500	Nurse
Arts & Music Block Grant	\$44,739	Music Teacher
CAHSEE Intensive Instruction	\$8,054	Testing Materials & Scoring
Supplemental School Counseling	\$88,884	Counselors
Economic Impact Aid	\$46,477	Teacher, Aide, Hourly Instruction/Assessment
Gifted & Talented Education	\$23,301	Hourly Instruction/Assessment
Instructional Materials Fund	\$183,591	Textbooks (State Adoptions)
Peer Assistance & Review	\$13,208	New Teacher Project
International Baccalaureate	\$23,921	Staff development, testing
Pupil Retention Block Grant	\$5,935	Counselor, Materials
Professional Development Block Grant	\$115,054	Staff development days, Stipends
Targeted Instructional Improvement	\$136,738	Counselor, Nurse, Counseling Services
School & Library Improvement	\$193,281	Library Aides, Instructional Aides, Misc.
Class Size Reduction	\$810,747	Teachers
Routine Restricted Maintenance	\$471,866	Building Maintenance & Repairs
Deferred Maintenance	\$94,373	Building Repairs
Total:	\$2,320,924	

Categorical Elimination / Flexibility: Scotts Valley Unified District

Program	Staff	Staff Costs
Community Based English Tutoring		
Safety & Violence Prevention	1.72 High School Campus Supervisors	\$38,283
Tobacco Use Prevention Grades 4-8		
Tobacco Use Prevention Grades 9-12		
Arts & Music Block Grant	.6 Music Teacher	\$44,739
CAHSEE Intensive Instruction		
Supplemental School Counseling	1.0 Counselor (.6 HS) (.4 MS)	\$88,884
Economic Impact Aid	.2 Teacher (HS) .125 Instructional Aide (MS)	\$19,842
Gifted & Talented Education		
Instructional Materials Fund		
Peer Assistance & Review		
International Baccalaureate		
Pupil Retention Block Grant	.0498 Counselor (HS)	\$4,478
Professional Development Block Grant	2 staff development days	\$115,054
Targeted Instructional Improvement	.8862 Counselor (HS) .375, Career Technician	\$87,297
School & Library Improvement	.245 Library Aide at each school (1.96) Instructional Aides	\$126,084
Class Size Reduction	14 K-3 Teachers	\$810,747
Routine Restricted Maintenance	1 Facilities Specialist, 1 Lead, .6 Custodian	\$171,096
Deferred Maintenance		
Total Staff Costs:	64.91%	\$1,506,504

Flexibility and Opportunity

- In addition, the Governor proposes providing permanent categorical flexibility
 - Proposal calls for rolling virtually all state categorical funding into one block grant
 - Base year selected to determine funding levels
 - To extent funding is available, provision for growth and COLA
 - Proposal emphasizes outcomes and accountability over accounting
- Essentially, moves regular K-12 funding closer to charter school model
- Whether the cuts come from the revenue limit or categorical programs, Districts will need to make adjustments

Budget Development: County Office of Education Expectations

- Multiyear projections are required by AB 1200 and AB 2756
 - Use the SSC Dartboard for multiyear projections
- Develop three plans
 - Cuts to revenue limit, no categorical flexibility
 - Cuts to revenue limit, categorical flexibility
 - Targeted categorical cuts, smaller revenue limit reductions
- Plan on providing detailed expenditure reduction information to the COE if cuts are incorporated into your multiyear projections

SSC School District Financial Projection Dashboard

Factor		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Statutory COLA (use for K-12 and COE Revenue Limit)		5.66%	5.02%	0.50%	2.00%	2.50%	3.00%
K-12 Revenue Limit Deficit		9.685%	16.161%	16.161%	16.161%	16.161%	16.161%
Net Revenue Limit Change		-4.57%	-2.52%	0.50%	2.00%	2.50%	3.00%
Special Education COLA (on state and local share only)		0.00%	0.00%	0.50%	2.00%	2.50%	3.00%
State Categorical COLA (including adult education and ROC/P)		0.00%	0.00%	0.50%	2.00%	2.50%	3.00%
California CPI		2.9%	1.7%	2.7%	2.9%	3.1%	3.2%
California Lottery	Base	\$ 109.50	\$ 109.50	\$ 109.50	\$ 109.50	\$ 109.50	\$ 109.50
	Prop 20	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50	\$ 11.50
Interest Rate for Ten-Year Treasuries		3.33%	3.55%	4.44%	4.80%	4.90%	5.00%

POSSIBLE REDUCTIONS: NO CATEGORICAL FLEXIBILITY

All Reductions from Unrestricted					
		<u>Minimum</u>	<u>Median</u>	<u>Maximum</u>	<u>Negotiable</u>
Increase Staffing Ratio					
Increase Gr 4-12 staffing ratio by one	128,650	128,650			√
Increase Gr 4-12 staffing ratio by two	308,760		308,760		√
Increase Gr 4-12 staffing ratio by three	424,545			424,545	√
Eliminate Overage Instructional Aides	21,970	21,970	21,970	21,970	√
Calendar Adjustment					
One less work day all staff	58,399	58,399			√
Two less work days all staff	116,797				√
Three less work days all staff	175,196		175,196		√
Four less work days all staff	233,594				√
Five less work days all staff	291,993			291,993	√
Classified Reduction in Force					
Eliminate K-8 Yard Duty	74,698	74,698	74,698	74,698	
Reduce K-8 Attendance Clerks to 6 hrs	24,200	24,200	24,200	24,200	
Reduce HS Clerk to 4 Hrs	27,250	27,250	27,250	27,250	
Reduce Custodial .375	23,735	23,735	23,735	23,735	
Reduce Categorical Encroachment					
Economic Impact Aid	82,000	82,000	82,000	82,000	
Transportation	49,559	49,559	49,559	49,559	
*except for Special Education					
Eliminate Furniture Allocation					
	10,000	10,000	10,000	10,000	
Total:		500,461	797,368	1,029,950	

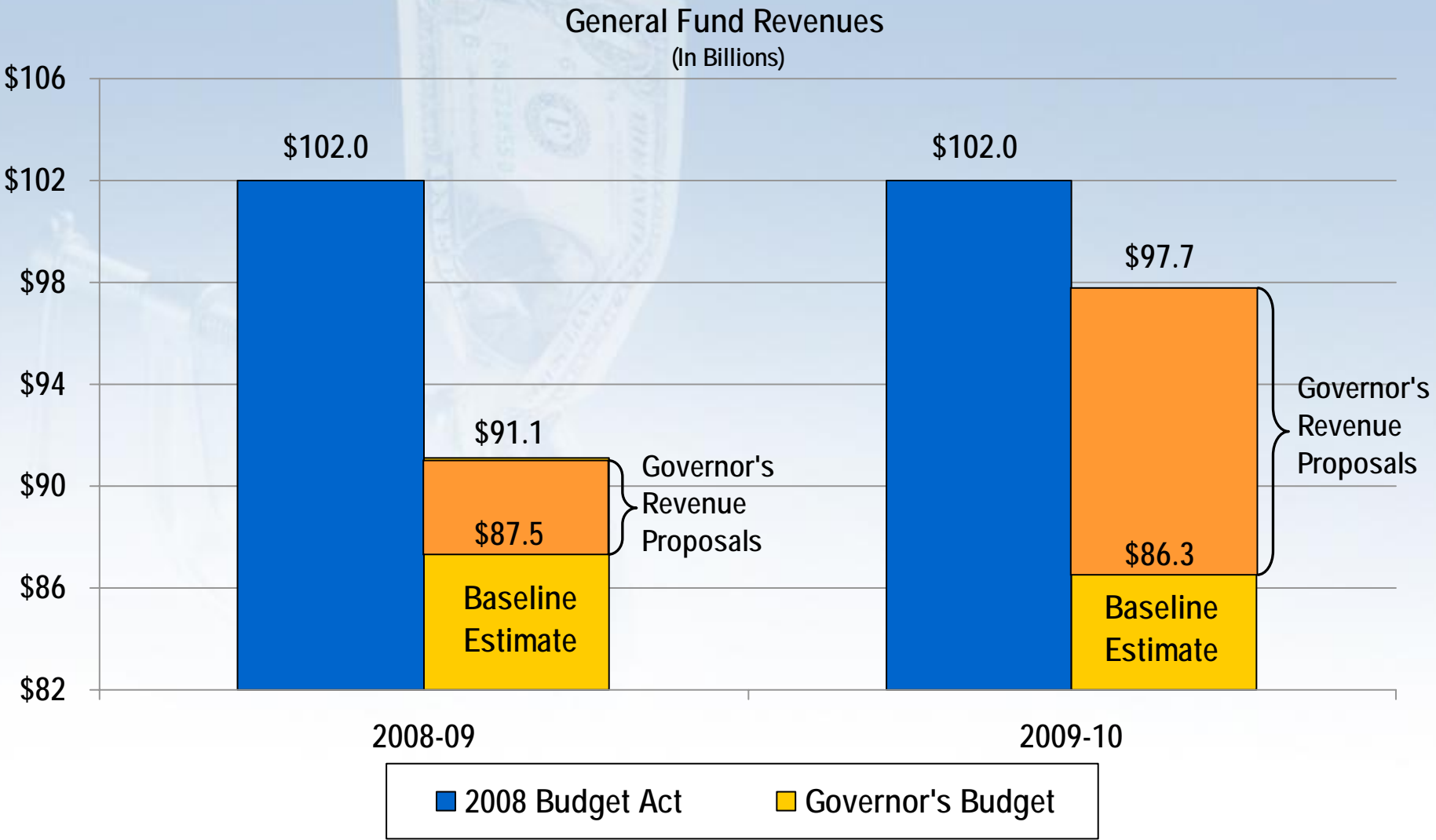
POSSIBLE REDUCTIONS: CATEGORICAL FLEXIBILITY

Categorical Flexibility					
<i>Categorical</i>					
Increase Staffing Ratio		Minimum	Median	Maximum	Negotiable
Class Size Reduction to 21	128,650	128,650			√
Class Size Reduction to 22	192,975				√
Class Size Reduction to 23	321,625				√
Class Size Reduction to 25	450,275		450,275		√
Class Size Reduction to 29	900,550			900,550	√
Transfer Categorical Allocations to Unrestricted					
Professional Development Block Grant	115,054	115,054	115,054	115,054	√
Instructional Materials	183,591	183,591	183,591	183,591	
Peer Assistance & Review	13,208	13,208	13,208	13,208	
Gifted and Talented	23,301	23,301	23,301	23,301	
Reduce Categorical Encroachment					
Economic Impact Aid	82,000	82,000	82,000	82,000	
Transportation	49,559	49,559	49,559	49,559	
Reduce Routine Restricted Maintenance to 2.0%	120,128	120,128	120,128	120,128	
Eliminate Contribution to Deferred Maintenance	98,482	98,482	98,482	98,482	
<i>Unrestricted</i>					
Calendar Adjustment					
One less work day all staff	58,399	58,399			√
Two less work days all staff	116,797		116,797		√
Three less work days all staff	175,196			175,196	√
Increase Staffing Ratio					
Increase Gr 4-12 staffing ratio by one	128,650	128,650	128,650	128,650	√
Classified Reduction in Force					
Reduce Custodial .375	23,735	23,735	23,735	23,735	
Eliminate Furniture Allocation					
	10,000	10,000	10,000	10,000	
Total:		1,034,757	1,414,780	1,923,454	

BUDGET DEFICIT: ADDITIONAL IMPACTS



Governor's Budget Projections



Actions to Take Now:

- Prepare for worst-case scenario
- Prepare timeline and process for both certificated and classified layoff notices
- Prepare stakeholders
- Prepare seniority lists
 - Post them for employee review, verification, and questions
- Implement each stage as necessary
 - Until the facts and circumstances warrant a change in direction or scope

Actions to Take Now:

- Your board, staff, and community members need to know:
 - What may come down from the state
 - How that will impact your local agency – financially and operationally
 - What your agency is doing to prepare
 - What they can do to help
- Forums
 - School site council meetings
 - Staff meetings
 - Board meetings
 - Community meetings

Closing Thoughts

- The Governor's January Proposal as a beginning point
 - Nothing is in law; no legislative votes have been cast
 - But Districts must prepare the Second Interim and multiyear projections using the Governor's Proposal as a base
- But as evidenced over the past year – things can change rapidly
- This is a year to engage all stakeholders in solutions – not a year to get mired in the problems
- The next statutory checkpoint is the May Revision – unless there are midyear cuts from the special session



Scotts Valley Unified School
District wishes to acknowledge:

School
Services
of California
INC. TM

For elements of this presentation