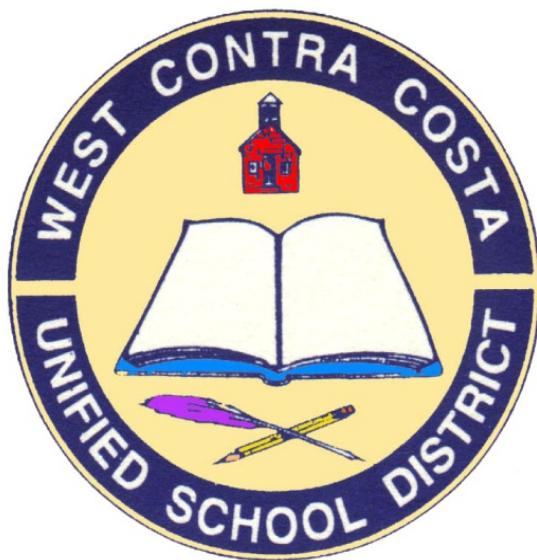


West Contra Costa Unified School District



**2013-14
45 Day Budget Revision
Executive Summary
Board Meeting
July 24, 2013**

State Budget Impact on District Planning

The 2013-14 budget for the State was adopted Friday June 14, 2013 with several legislative trailer bill packages to enact provisions of the budget approved as of July 18, 2013 and, reportedly, more to come. Included in the budget adoption is a new funding model that is a landmark change to school district funding within the State of California. It is set to completely overhaul the system of funding and to implement a new accountability model for all school districts. The new funding model is called the Local Control Funding Formula (LCFF) and the new accountability program is called Local Control Accountability Program (LCAP). While there is an adopted budget there is an enormous amount of work to be done at the State level to implement the new funding and accountability model. The State has not yet developed the forms, account code structures, software and guidelines for the new budget model. Given the major changes to the school finance system it is expected that trailer bills for clean-up, rule making by the State Board of Education and revisions to submission requirements by the California Department of Education will be ongoing throughout the 2013-14 budget year.

Due to the timing constraints and legislative process, staff provided the Board with a budget which uses the general operational and revenue assumptions that are within the District's 2012-13 programs, Board Direction on upcoming programs and activities, and 2012-13 State law relating to school revenues. This was done because the Board had an obligation to adopt a budget by June 30. This document serves as the required 45 day budget revision to correspond with the State adopted budget. Since Districts have not received any official funding notification from the State, this 45 day revision is based upon the information gathered through various workshops and the best understanding of the new programs that we have to date.

Local Control Funding Formula (LCFF)

The Local Control Funding Formula (LCFF) collapses the majority of categorical programs and establishes a targeted base rate funding model with supplemental and concentration grant add-ons. The term targeted is used because the State does not expect to fully fund the LCFF until 2020-21 (8 year rollout). The targeted base rate funding model eliminates the current Revenue Limit funding model and creates new funding amounts based upon grade span. In addition to the base funding school districts are eligible for supplemental funding for specific student groups. Supplemental funding is provided for English Learners (EL) and Low Income (LI) categories, districts that have 55% or more of their students identified as EL or LI will receive additional concentration grants.

Many of the programs being collapsed and rolled in to the new funding model are included in the Tier III program flexibility model, so the discretion to use those funds as unrestricted already existed in the adopted 2013-14 budget. There are also programs rolled into the LCFF that have driven expenses, such as the Economic Impact Aid (EIA) program and Adult Education. All expenses that were part of programs which revenues were eliminated in the restructuring of funding will need to be supported by the new LCFF funding. Adult Education in particular has a maintenance of effort requirement, stipulating that any program being offered in 2012-13 must expend dollars equal to 2012-13 in the 2013-14 and 2014-15 school years.

The LCFF funding is broken into to major categories, Base and then adjustments to the base for K-3 Class Size Reduction and Career Technical Education (CTE), Supplemental and Concentration. The Base grant is provided by and differentiated by grade level. The add on of K-3 Class Size Reduction then ties directly to the K-3 grade levels, while the CTE ties to grades 9-12. The Supplemental and Concentration grants are funded as a percentage add on to the base grant, using District demographics for free and reduced lunch participants and English Language Learners.

The LCFF will require new types of spending requirements and a budget and accountability reporting model to be determined by the State Board of Education. It is expected that the guidelines and rules will be available sometime after January of 2014. The new plan model, the Local Control Accountability Program (LCAP) will have specific accountability measures which are supposed to link to the budget or LCFF.

45 Day Revision

The 45 day revision eliminates all previous Revenue Limit funding, both restricted and unrestricted that were in the June 30 adopted budget. It also eliminates all funding for the Tier III programs as well as the Economic Impact Aid (EIA) funding adopted in the June 30 budget. This results in a change in fund transfers due to the elimination of both Adult Ed and Deferred Maintenance as Tier III transfers into the general fund, as well as the elimination of restricted Revenue Limit funding for Special Education. This shift now requires an increased transfer to both Special Education and Adult Education out of the Base grant to backfill the loss of direct funding.

Because LCFF provides funding in two new categories staff is working toward balancing the Base grant revenues and expenses and have preliminarily identified certain major expense categories that were previously supported with unrestricted general fund dollars, and attributed them to the supplemental category.

Programs and services previously funded directly by the unrestricted general fund, or supported through contributions from the unrestricted general fund that may be eligible as expenses under the Supplemental funding category are identified in the areas of:

- 180 day school year – currently only 175 days of instruction are required by law
- Professional Development Days and Teacher Work Days above direct instructional days – 4 Days
- College Going Culture
- Targeted School Support
- School Site Safety
- Full Service Community Schools
- Intervention and Student Support

The planned EIA services for the English Language Learner program are shifted from restricted to Concentration at this time, until such time that the District receives guidance if these expenses should be supplemental, concentration, or a combination of the two.

It is also necessary to move previously restricted programs such as the maintenance program and the transportation program into the Base grant. As such, the contribution

to the previously restricted programs is eliminated and the programs are now considered unrestricted Base programs.

Expenditures are modified to reflect the additional funding needed to reach lower class sizes and avoid combination classes in grades K-3, estimated to cost \$2 million. The additional funding for the Richmond Police is also added in the amount of \$450,000.

SEE APPENDIX A FOR THE REVISION CHART

Special Reserve Fund

Over the course of the past two years the Board has managed the impending threat of State cuts. With each budget plan and revision the Board has diligently set aside funding to prepare for the State's newly announced cuts. The Special Reserve fund has been used to house the reserves set aside by the Board for the "Mid-Year Triggers" threatened by the State. By the end of 2012 the Board had set aside \$13.5 million in Special Reserve.

	45 Day Budget Revision
Special Reserve Fund - 17	
Balance June 30, 2012	\$ 13,500,000
2012-13 estimated use	\$ (2,800,000)
2013-14 Transfer to General Fund/Base Fund Balance	\$ (10,700,000)
Special Reserve Fund Balance Projection June 2014:	0

Deficit Spending

At this time it is not clear how restrictive the funding will be for the LCFF funding model. An effort has been made to identify expenses that could be charged to Supplemental and Concentration funding streams. However, the State Board of Education must provide the rules and governance on the spending of each of the funding categories.

If the Base grant is now considered the only unrestricted program funding, then the District is deficit spending in the Base category (if no other expenses can be identified that will qualify as Supplemental or Concentration). The unrestricted fund balance is projected to be \$23,189,129 as of year-end closing for 2012-13. The unrestricted fund balance projection for 2013-14 assumes that only the Base funding will be unrestricted, therefore this revision proposes the District place the remaining Special Reserve Fund Balance into the General Fund Reserves in the amount of \$10.7 million. This will bring the unrestricted fund balance projection to \$18.7 million

K-3 Class Size Reduction

The newly adopted State budget includes the implementation of the LCFF funding model for K-3 Class Size Reduction. The new program requires that each district make progress toward the 24:1 class size average, in grades K-3 by school site, not by grade. The State will require districts to provide site level average data for 2012-13 as the base year and progress will be required at each site, reducing the average class

sizes in grades K-3 by 12% in 2013-14. Using the District staffing model from 2012-13 as a base and applying the 12% reduction, on average, our schools would be at 25:1 for 2013-14. However, many schools had lower average class sizes than 25:1, such as schools that had QEIA or other special funding. Those schools must stay at or below 24:1 in order to avoid severe district wide penalties for class size. During the Board's budget adoption there was direction to work on eliminating combination classes as a part of the K-3 program. Eliminating combinations typically will result in smaller class sizes. It also creates a hard limit on the number of students a school can admit in a given grade level, so FTE may be created at adjacent school sites in grade levels in order group students in one grade level and avoid combinations. Twenty five additional FTE are budgeted as a part of the 45 day revision in the amount of \$2 million.

School Resource Officers

The following table represents the contracts and costs associated with the School Resource Officer program. It should be noted that in all cases the Police Departments at each agency offer special programs to school sites as well as special services at school events such as athletics, dances and special assemblies as a part of their contract. The 2013-14 adopted budget is modified in this 45 day revision to reflect the addition of \$450,000 to the City of Richmond program.

School Resource Officers amended 2013-14 Budget

City	Total # of Officers	# paid by City	Contract Amount	Coverage
Hercules	2	0	\$320,000	Hercules Family Schools
San Pablo	1	1	\$0	San Pablo Family Schools
CC Sheriff	1	0	\$212,000	North Campus, Crespi
El Cerrito	3	0	\$420,000	El Cerrito Family Schools
Richmond	9	1	\$1,326,000	Richmond, Kennedy and DeAnza Family Schools
Pinole	3	1	\$320,000	Pinole Family
Total	19	3	\$2,598,000	

Health Care Reform

Federal Health Care Reform or the Affordable Care Act will have significant enactment provisions during the 2013-14 school year. Federal law indicates that in January of 2014 the District must comply with new regulations regarding the availability and affordability of health care programs for all employees, it has been widely reported that there will be a one year delay in the penalty component of the new law. The Affordable Care Act requires employers to ascertain the eligibility of employees through a "measurement period" defined in federal law. There are multiple measures depending upon hire dates and the stability of hours worked for employees. During 2013-14 school year the District will work with a consultant to perform the necessary study to determine

what the requirements and costs are for the District to adhere to the new Affordable Care Act.

Common Core Block Grant and Prop 39 Energy Grant

Approved in March 7, 2012 by the California State Board of Education, the Common Core State Standards (CCSS) have now come to the forefront and require the adoption of new curriculum and the deployment of technology. The District has developed its own local plan for CCSS systems implementation based on local needs and resources.

The State Budget adoption includes provisions for block grants toward the implementation of the Common Core. The Common Core Block Grant is meant to assist districts with implementation and can be used for:

- Professional development for teachers and other employees involved in the direct instruction of students
- Common Core Instructional Materials
- Integration of standards through technology

Funding is estimated at \$210 per pupil for approximately \$5.6 million. The funding must be used over a two year period. A budget of \$100 per pupil along with a corresponding expense budget is included in this 45 day budget revision. In order to use the funding the district must develop a plan and present it at a public meeting. No funds can be expended until after the plan is adopted by the Board.

The Prop 39 Energy grant is going to have per pupil allocation based upon average daily attendance. In addition, districts will have funding available based upon the free and reduced lunch counts to account for community need. The estimated funding for West Contra Costa Unified is \$1.6 million. School districts will be required to apply for the grant allocation. Applications will require detailed information on projects and energy savings and will be reviewed by the California Energy Commission before funding is allocated by the California Department of Education.

The following is an excerpt from the July 18, 2013 announcement regarding Proposition 39 funding by the California Department of Education:

Proposition 39, a voter approved initiative at the November 2012 statewide general election, provides for annual transfers from the General Fund to the Clean Energy Job Creation Fund for a period of five years, 2013–14 through 2017–18. The 2013–14 Budget Act appropriated \$381,000,000 to K–12 local educational agencies (LEAs) with 85 percent of the appropriation to be allocated based on 2012–13 average daily attendance (ADA) and 15 percent based on 2012–13 free and reduced-price meals (FRPM). Proposition 39 funds will be provided to LEAs to improve energy efficiency and create clean energy jobs. Guidelines are under development and LEAs will see more information soon, including how LEA's will submit energy project expenditure plans to the California Energy Commission (CEC) for approval, and how the California Department of Education (CDE) will disburse the funds. In addition to receiving future CDE

communications, LEAs should refer to the CEC's Proposition 39 webpage for more detail.

Please note that the CDE has not completed the Proposition 39 entitlement calculation for the 2013–14 fiscal year, and the CDE cautions districts' reliance on calculations and/or estimates by other entities. The calculation will not be possible to complete until such time as the CDE knows the number of LEAs with ADA of 1,000 or less that choose to receive both their current and subsequent year entitlements as allowed by *Public Resources Code Section 26233 (c)*. Once the eligible LEAs make their elections, entitlements will be proportionately calculated for the remaining LEAs.

No funding for the Proposition 39 Energy Program is included in this revision.

Next Steps

The coming year provides the Board with the opportunity to align a new Strategic Plan to the Local Control Accountability Program. There are many unknowns about the programmatic restrictions and reporting requirements that come with the new funding model. The Board should also be concerned about the stability of the model and the State's ability to fully fund the program within eight years. It is recommended that the Board consider a higher reserve for economic uncertainty, at least until the funding model can be tracked and trended and projection models are developed in a reliable fashion.

The Board should be mindful as rules and regulations are revealed that major adjustments to current projections within the Supplemental area may be required. Under the current projections the Base funding does not cover the estimated base expenditures, and this is troubling.

Staff will update the Board as information is provided throughout the year. The year-end closing, Unaudited Actuals for 2012-13, will be presented on September 11.

Appendix A
45 Day General Fund Budget
Revision Chart
July 24, 2013

Revenues	Total Unrestricted	New Restricted	Old Restricted	Net
Adopted June 26	\$ 175,229,242		\$ 80,188,762	\$ 255,418,004
LCFF Change	\$ 196,584,658		\$ 65,306,635	\$ 261,891,293
Net Change	\$ 21,355,416		\$ (14,882,127)	\$ 6,473,289
Supplemental	\$ 21,441,495			
Concentration	\$ 9,928,880			
Subtotal	\$ 31,370,375			
Supplemental		\$ 21,441,495		
Concentration		\$ 9,928,880		
(A) 45 Day Revision /New Revenue Base	\$ 165,214,283	\$ 31,370,375	\$ 65,306,635	\$ 261,891,293
Adopted Expenses as of June 26	\$ 152,270,275	\$ -	\$ 117,446,011	\$ 269,716,286
Add Expenses - CSR and SROs & Full Service Comm. Schools	\$ 2,000,000	\$ 510,000		\$ 2,510,000
Add Expenses previously restricted now rolled into LCFF	\$ 12,820,805	\$ 6,514,214	\$ (19,335,019)	\$ -
Sweep Expenses to Supplemental from Unrestricted	\$ (14,973,901)	\$ 14,973,901		\$ -
PERS Adjustment	\$ (241,073)		\$ (101,078)	\$ (342,151)
(B) 45 Day Revision of Expenses	\$ 151,876,106	\$ 21,998,115	\$ 98,009,914	\$ 271,884,135
(B.1) Contribution to Special Education/Adult Education	\$ (28,471,039)		\$ 27,158,455	\$ (1,312,584)
(F) Estimated Net Increase/Decrease to Fund Balance ((A-(B+B1))	\$ (15,132,862)	\$ 9,372,260	\$ (5,544,824)	\$ (11,305,426)
(F.1) Estimated Beginning Fund Balance- June 2013	\$ 23,189,129	\$ -	\$ 13,889,085	\$ 37,078,214
(F.2) Estimated Ending Fund Balance - June 2014	\$ 8,056,267	\$ 9,372,260	\$ 8,344,261	\$ 25,772,788
(F.3) Special Reserve Balance Estimate - June 2013	\$ 10,700,000	\$ -	\$ -	\$ 10,700,000
(F.4) Reserve for Economic Uncertainty - June 2013	\$ 8,400,000	\$ -	\$ -	\$ 8,400,000
(G) Estimated Net Ending Fund Balance June 2014 (F.2+F.3-F.4)	\$ 10,356,267	\$ 9,372,260	\$ 8,344,261	\$ 28,072,788