

Chico Unified School District

2014-15 2nd INTERIM BUDGET NARRATIVE

March 25, 2015



OVERVIEW

The 2014-15 2nd Interim Budget is the updated financial report for the district including revised budget estimates and actual revenues and expenditures through January 31, 2015. As a reminder, the district adopted its Original Budget in June of 2014 before the state budget was approved. The 2nd Interim Report will show changes from the 1st Interim Budget based on the state adopted budget, updated revenue information, updated position control representing actual staff hired and vacancies expected to be filled, and expenditure projections based on meetings with school principals and program directors.

Chico Unified School District (CUSD) also self-certifies whether the 2nd Interim Report shows the district **will**, **may not**, or **will not** meet its financial obligations in the current and subsequent two years. A positive certification means the district **will** meet its financial obligations in the current and subsequent two years. A qualified certification means the district **may not** meet its financial obligations in the current or subsequent years. A negative certification means the district **will not** meet its financial obligation in the current or subsequent year.

2nd INTERIM BUDGET ASSUMPTIONS

Revenues

- Unrestricted Revenue based on Local Control Funding Formula (LCFF)
 - Prior year Average Daily Attendance (ADA) used, since CUSD is declining enrollment district
 - Gap funding percentage equal to the state budget recertification of 29.15%, which is a change from 29.56% at 1st Interim Budget
 - Unduplicated count percentage average equal to 49.21%
- Restricted Revenues budgeted as follows:
 - Federal programs revenue tied to apportionment letters and/or grant awards
 - State programs revenue tied to apportionment letters and/or grant awards
 - Common Core Implementation one-time dollars carried over from 2014-15 in the amount of \$2,026,591, which must be spent by June 30, 2015

Expenditures

- Salaries and benefit costs generated from position control
 - Reviewed and verified all open or vacant positions will be filled
 - Budget increased for step & column costs
 - Budget decreased related to retirees or changes in staffing
 - Benefits estimated at payroll percentage rates and contractual health & welfare district contribution amounts
 - State Teachers Retirement System (STRS) and Public Employee Retirement System (PERS) estimated at 8.88% and 11.771% respectively
- Supplies and equipment expense budgeted based on meetings with Directors and School Principals, trend analysis, and balancing restricted program budgets
- Services expense based on meetings with directors and school principals, trend analysis, and balancing restricted program budgets
- Capital outlay expenditures estimated based on planned equipment purchases over \$5,000
- Transfers In equal to amount of former Re-Development Area (RDA) pass-through dollars
- Transfers Out represents the amount of contribution from the General Fund to support the Nutrition Services Fund
- Contributions to Restricted Programs represents contributions to the Special Education Program and Routine Restricted Maintenance Account (RRMA)

CHANGES SINCE 1st INTERIM BUDGET

2014-15 is the second year of the Local Control Funding Formula (LCFF). The following are some of the major changes in the 2nd Interim Budget:

- LCFF gap funding percentage decreased from 29.56% to 29.15% based on state apportionment recertification reducing LCFF revenue by \$159,680
- Reduction in estimated contribution to Special Education of approximately \$556,647
 - The Special Education Local Plan Area (SELPA) distributed approximately \$100,000 of Out of Home Care (OHC) dollars
 - Non-public school costs decreased approximately \$100,000 with fewer students requiring this service in 2014-15
 - Reduction of approximately \$170,000 in Obligated Post-Employment Benefits (OPEB) charged to special education
 - Approximately \$180,000 of program savings from reduced operating expenses
- Increase in contribution amount to Nutrition Services Fund of \$21,534
 - Loss of federal after school funding impacting Nutrition Services by approximately \$200,000 in lost revenue
- Increased budget for possible labor actions in the amount of \$200,000
- Indirect costs increased due to budgeting of prior year restricted programs carryover dollars

CHICO UNIFIED SCHOOL DISTRICT'S FINANCIAL REPORT

The CUSD 2nd Interim budget reports a positive change in fund balance in unrestricted programs of \$1,706,979 and a negative change in fund balance in restricted programs of -\$3,126,110. The total change in fund balance for all programs is a negative -\$1,419,131. This is before any negotiated compensation increases.

A second Multi-Year Projection (MYP) is provided showing the impact of the CUSD compensation offer for all bargaining units (offer is outside of mediation with the Chico Unified Teachers Association (CUTA)). If the CUSD offer is accepted and implemented, the 2014-15 change in fund balance for unrestricted programs is projected to be a positive \$65,479 in 2014-15 and a negative -\$1,300,280 and -\$2,459,466 in 2015-16 and 2016-17 respectively.

FINAL THOUGHTS

The 2nd Interim Budget report shows an improved financial projection from the 1st Interim Budget. This is a typical progression, as 2nd Interim represents actual revenues and expenses through January 31, 2015 and provides better data from which to base assumptions and estimates. The 2nd Interim report provides an opportunity to refine and update the assumptions which the CUSD budget is built upon.

It is encouraging to see the general fund unrestricted contribution to special education projection decreasing. The Education Services division of CUSD deserves credit for reviewing the financial impacts of this program while continuing to offering a high quality educational program to students with special needs. This program has experienced large increases in costs over the last few years and the reduction at 2nd Interim from previous projections is a positive development for the financial health of the district.

The implementation of the LCFF is only in its second year. One of the greatest challenges during implementation has been determining how much CUSD will receive in increased funding in the MYP based on the LCFF. Schools continue to be funded based on the performance of the state economy. The state economy is certainly performing well with state revenues surpassing budget estimates in 2014-15. The question continues to be asked as to when, not if, the state economy will experience its next stagnation or recession which historically is sure to come. CUSD will continue to evaluate assumptions used to develop its budget and MYP, maintaining a conservative approach while striving for accuracy.

Chico is a wonderful place to live and Chico Unified School District is preparing our children for their future. It is because of our hard-working, dedicated teachers, support staff and administrators in partnership with parents and our community that we will continue to excel in educating the students of Chico.



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