

State budget changes prompt new look at district's recently adopted 2015-2016 financial plan

Although the Chino Valley Unified School District Board of Education adopted a 2015-2016 budget for the district at its June 25 meeting, the document may require some refinement this summer because of the state's own recently approved financial plan.

The California Department of Finance's report of cash receipts for May showed that revenues came in \$84 million below the estimate of \$6.379 billion for the month, a 1.3% shortfall. Year-to-date, revenues are down \$110 million compared with Governor Jerry Brown's May Revision Budget forecast.

A budget study session will be held 5 p.m. Thursday, July 9 to address the changes in the state's adopted budget, which could result in a projected revenue loss of approximately \$3.5 million to Chino Valley Unified School District.

The meeting will be held in the board room at the district office, 5130 Riverside Drive, Chino. It is open to the public.

Board of Education President Irene Hernandez-Blair called for the special meeting at the June 25 board meeting after learning the state budget approved that same day will provide less revenues to school districts than was previously believed.

While discussing the budget, Hernandez-Blair said the district needs to take another look at providing money to reduce combination grade level classes, and increasing safety officers at high schools.

Assistant Superintendent Sandra Chen told the school board that the Department of Finance estimated the one-time discretionary funding to be approximated \$530 per ADA in the 2015-2016 school year, instead of the \$601 per student that had originally been proposed by Governor Brown. She said the change could result in an estimated loss of one-time \$2 million in revenue to the district.

Chino Valley Unified will also lose another estimated \$1.5 million in LCFF revenues over the next three years. According to the Department of Finance, the reduction from \$6.176 billion proposed in the May Revision to \$5.994 billion in the final deal will lower the gap closure percentage from 53.08% in May to 51.52%.

School board members said the study session will be needed to discuss additional expenditure needs for our students. The district budget contains nearly \$227.5 million in expenditures for the 2015-2016 school year.

Among the district's expenses in the coming year are approximately \$170.5 million for employee salaries and benefits, \$4.4 million for books and supplies, \$15.1 million for services and other operating expenses, approximately \$5.3 million for other costs, and \$146,887 for capital outlay.

The newly adopted budget also includes a 20 percent increase to school site budgets to help with basic operation needs, including copy paper, duplicating costs, and custodial supplies.

The district had expected to receive \$249.2 million in unrestricted revenues, including \$225.5 million from the state's Local Control Funding Formula (LCFF), which is targeted for increasing academic achievement, and assisting low-income students, foster youth, and English Language Learners.

Other revenues listed for the 2015-2016 school year include a \$38.8 million beginning balance from the 2014-2015 school year, approximately \$21.7 million from other state funding, and \$2 million from local funding.

Governor Jerry Brown has suggested that districts use the one-time discretionary funding of \$530 per student for professional staff development, instructional materials, and technology. The district is doing that through its Local Control and Accountability Plan (LCAP), which was also approved by the board June 25.

The LCAP is a state-required document that details how school districts use LCFF money to increase student achievement.

Chino Valley's LCAP will provide money for new state standards-aligned materials, upgrades to the district's technology infrastructure, piloting 21st Century technology for students and staff members, refinement of English Language curriculum, and professional development.

Projected budgets for the next three years – through 2018 -- were also approved by the school board June 25 as required by the state.

The district is projected to have a positive ending balance of approximately \$38.8 million this school year, \$60.5 million in 2016, \$58.4 million in 2017, and \$52 million in 2018. Those balances reflect revenues the district expected to receive before changes were made to the state budget.

Despite the positive ending balances, the board has been cautioned that spending needs to be kept in check in the future. The district spent more than it took in this school year by nearly \$12 million in 2014-2015, and the district is projected to deficit spend by \$2 million in the 2016-2017 school year, and by \$6.3 million in the 2017-2018 school year.

Recent developments and factors on the horizon will impact the district's pocketbook, said Chen, who oversees the district's finances.

Proposition 30, which has provided tax money for education since it was approved in fall 2012, ends with the three-year-budget cycle, Chen said. Prop. 30's 0.25% sales tax ends in 2016, and its income tax increase ceases in 2018.

The new federal health care act and recently signed California legislation regarding substitute employees could also affect district revenues, she said. The Affordable Care Act requires that large companies provide health benefits to employees that work at least 30 hours a week for 120 weeks or more. AB 1522 requires companies to pay sick leave to substitute employees who work at least 30 days within a year.

Proposition 2, approved last fall, caps the amount school districts can put into emergency reserves, possibly affecting Chino Valley Unified School District's budget. The district currently keeps a reserve of

\$20.3 million a year. Chen said that amount would barely cover the approximately \$18 million a month needed for payroll.

Also affecting the district's finances are an annual decrease in student enrollment by 500 students, and a significant increase in the percentage the school district will have to pay towards employee pensions each year.