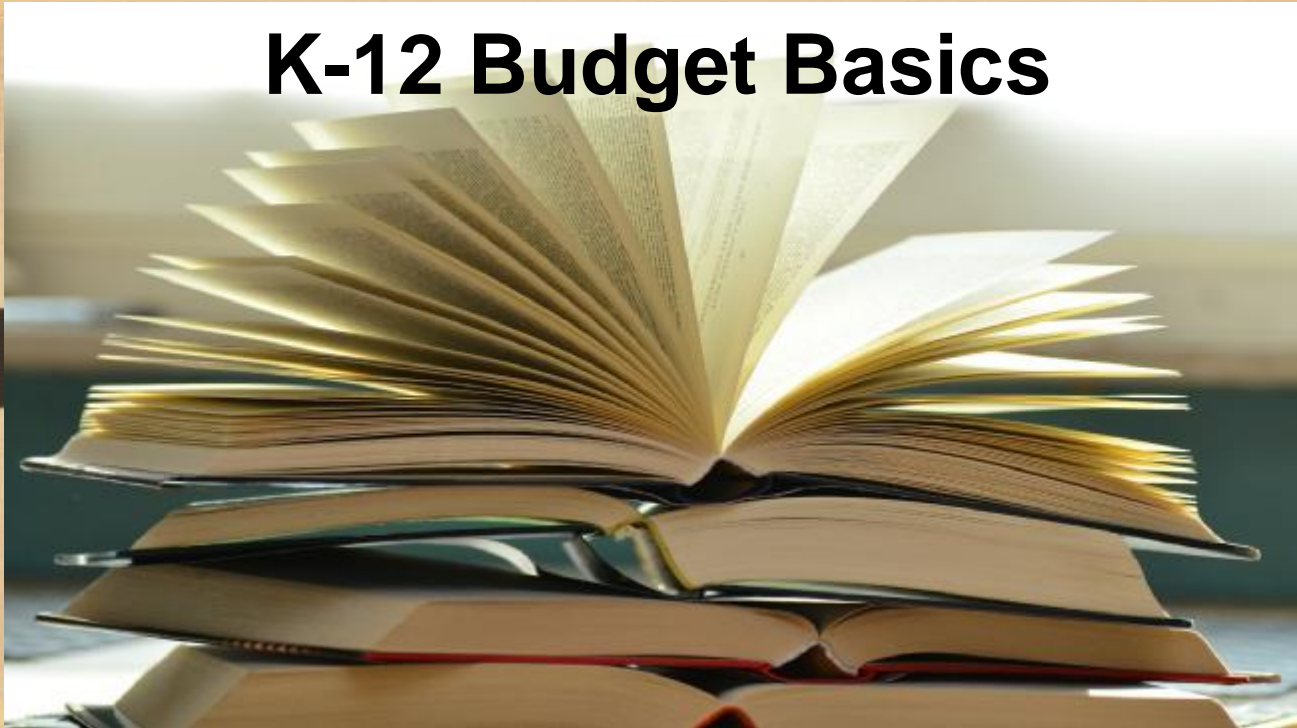




**Poway Unified School District**



# **K-12 Budget Basics**



**Community Presentation – May 20, 2021**

**Ron Little, Associate Superintendent, Business Support Services**



# Agenda

- Ø A Brief History of K12 Funding in California
- Ø Local Control Funding Formula
- Ø Types of District Funds
- Ø General Fund Revenues
- Ø General Fund Expenditures
- Ø General Fund Support of Restricted Programs
- Ø General Fund Reserves
- Ø Budget Cycle in CA K12s
- Ø COVID Mitigation Funds
- Ø Capital Funds
- Ø Q&A



## A Brief History of K12 Funding in California

- Ø Once upon a time in California, K12 Boards of Education had the authority to levy taxes
- Ø Serrano versus Priest (1968, 1971, 1976)
- Ø Senate Bill 90 (1972)
- Ø Proposition 13 (1978)
- Ø Gann Limit / Proposition 4 (1979)
- Ø Proposition 98 (1988)
- Ø Local Control Funding Formula (2013)

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## ONCE UPON A TIME...

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*School District Boards in California had the authority to levy taxes.  
Most took this responsibility very seriously, lest they not be chosen again  
by their constituents in the next election cycle.*

## **TAX REVENUES WERE BASED ON DISTRICT PROPERTY VALUES**

*School District Boards could tax their constituents (i.e.- property owners) within their boundaries a percentage of their property values. For example, Paradise School District, with assessed Property Values of \$1.0 Billion, could tax residents at 1% each year and generate \$10 Million of revenues for the District annually.*

## THE SANDS OF TIME PASSED...

*For awhile, all was (ostensibly) well in the Kingdom of California.  
But then, some school districts observed— while comparing themselves to their neighbors— that others with greater property value could issue more taxes. For example, a 1% tax levy by East Paradise School District, with total assessed Property Values of \$350 Mil, could only generate only \$3.5 Mil of annual revenues for their students.*

## AHA MOMENT! ...

*For the same 1% levy rate!*

*The reality of the Kingdom was that the Greater the assessed Property Value of a School District the Greater the Potential Revenues. Less Wealthy Districts would have to tax their constituents at a higher rate to generate similar levels of revenues.*

## SERRANO VERSUS PRIEST

*In the year 1968, a parent challenged the inequity of the system through the court system.*

*The Supreme Court ruled in 1976 declaring that CA's school finance system was so dependent on local property wealth that it violated the state's constitutional "equal protection" rights of students in the less wealthy districts. Essentially, the Court argued, those students were denied their right to equal educational opportunities.*



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## SENATE BILL 90 1971

*Recognizing the validity of the Serrano v. Priest arguments, the Kingdom took action prior to the Supreme Court's ruling. In the year 1971, after a State Superior Court Ruling, CA passed a law that established a system of revenue limit controls that capped the maximum amount of general purpose state and local revenues a district could receive.*

# SENATE BILL 90 1971

*The new law established the following*

- *Base Revenue Limit (BRL)*
- *Per ADA increment*
- *Plus Annual Adjustments*

*Effectively, SB90 usurped the authority of local school boards to unlimitedly tax its constituency.*

*This model was called the Revenue Limit model.*

## SENATE BILL 90 1971

*Revenue Limit Entitlement = BRL x ADA + Adjustments*

*In addition, Base Revenue Limits were “leveled up” through an*

- *Equalization Factor*

*To decrease the disparity among school districts.*

# OUTLIERS

*However, some districts in the Kingdom were more fortunate than others. Known as **Basic Aid** school districts, they had the good fortune of having their share of property tax revenues exceed their formulaic 'revenue limit entitlement.' Therefore, they need little to no State Aid. But, and here is where Fortune smiles upon them, these districts- representing about 10% of all school districts in the Kingdom- get to keep all their excess property tax revenues over and above their entitlement. Think: Our local coastal cities such as Del Mar and San Dieguito.*

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## **A MAJOR STUMBLING BLOCK!**

***Proposition 13 passes in 1978***

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*Time passed, then the people of the Kingdom, in their infinite wisdom, declared that they had (collectively) been taxed to the maximum of their wherewithal. Prop 13 passed in 1978.*


## **A MAJOR STUMBLING BLOCK!**

***Proposition 13 passes in 1978***

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***Prop 13 limited the general purpose property tax rate for  
all governmental agencies to 1.0%.***

***Effectively, Prop 13 undermined school districts' ability to levy taxes on  
their constituents and, instead, relegated that role to the State.***



## THE SANDS OF TIME PASSED...

*For the next many years, school districts rode a crazy roller coaster of state funding, replete with periodic recessions and subsequent “bailouts” as the Kingdom spent down its large general fund reserves to keep school districts operating*

## MIRROR, MIRROR...

*Paul Gann, who co-wrote Prop 13, continued his "taxpayers revolt" and in the year 1979 passed Proposition 4*

*Prop 4 established constitutional limits on the allowable growth in State and Local spending. These appropriation limits— known as GANN LIMITS— allowed government spending to grow at a rate no faster than inflation and the change in population.*



## MIRROR, MIRROR...

*Paul Gann, who co-wrote Prop 13, continued his "taxpayers revolt" and in the year 1979 passed Proposition 4*

*Nearly of decade of incessant calculations and School & Other Public Agency Finance Professionals holding their breath lest they exceed the Gann Limit. Not to mention projected years of State Budget cuts to meet the limit, even though the revenues were most often available. Finally, supporters of K-12 education reached their frustration maximum.*

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## **SOMETHING ALTOGETHER SIMILAR...**

*In the year 1988 the people of the Kingdom, in their infinite wisdom, adopted Proposition 98, designed to provide stability to school funding by establishing a funding floor, henceforth. Prop 98 provided K-14 education with a constitutionally protected piece of the State Budget pie and provided that they would receive the benefit of any Gann limit excess revenues.*

## THE REVENUE LIMIT MODEL BECAME ULTRA COMPLICATED

*Over the ensuing years- in order to assist those students who were traditionally underrepresented in the model- the Kingdom created numerous 'categorical' grant programs- resources targeted to certain student groups allocated to school districts who applied, most often.*

*By 2012 there were over 40 categorical programs, all with distinct spending and reporting requirements. Examples include: Arts & Music Block Grant, Adult Education, Physical Ed Teacher Incentive Program, Instructional Materials Realignment Program, Remedial Program, Economic Impact Aid, School & Library Improvement Block Grant, etc.*



## Local Control Funding Formula (2013)

K12 revenues are allocated on the **average daily attendance (ADA)** of a school district – how often its students come to school – not on the number of students enrolled. The more often students come to school, i.e.- the attendance rate, the more funding the district receives to serve them. [This was also the practice under the prior K12 funding model, the Revenue Limit model.]

Poway Unified School District			
School Year	Enrollment	Funded ADA	Attendance Rate
2015-2016	35,771	34,597	96.7%
2016-2017	35,956	34,819	96.8%
2017-2018	36,519	35,287	96.6%
2018-2019	36,450	35,293	96.8%
2019-2020	36,586	35,362	96.7%



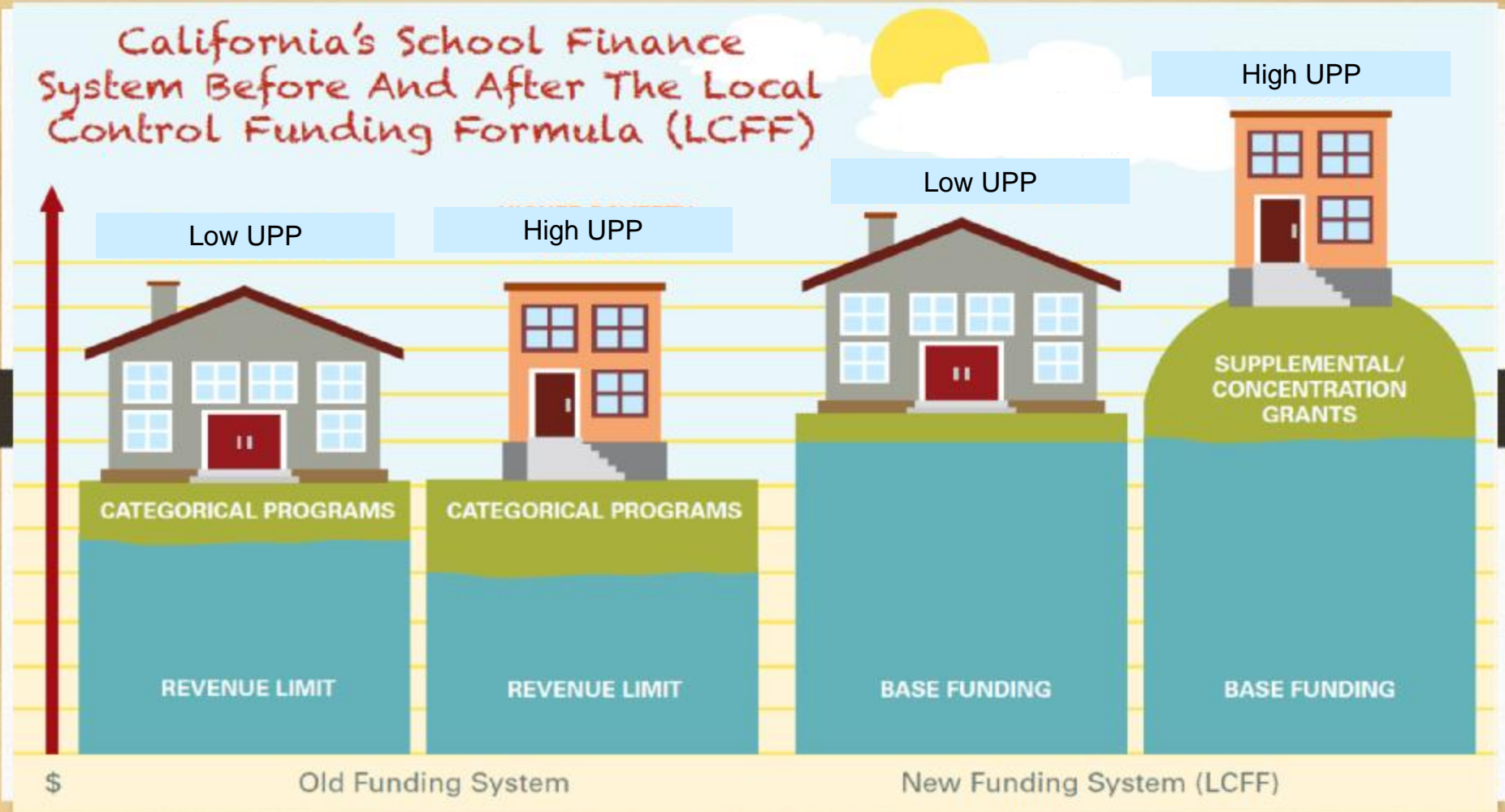
## Local Control Funding Formula (2013)

The LCFF stipulates four grade spans. Each grade span has a **base grant**, which is a specific dollar amount the state gives districts based on the number of days students in that grade span attend school.

Additional funding is provided to school districts based on their **unduplicated pupil percentage (UPP)**. The **UPP** represents the number of foster youth, English learners and students from lower socioeconomic households compared to total student population of a district as a %. The higher a district's UPP, the more supplemental funding it receives from the State.

*This is why it is so important to submit your Free and Reduced Lunch Program applications.*

# California's School Finance System Before And After The Local Control Funding Formula (LCFF)



# Local Control Funding Formula

## What does this mean?

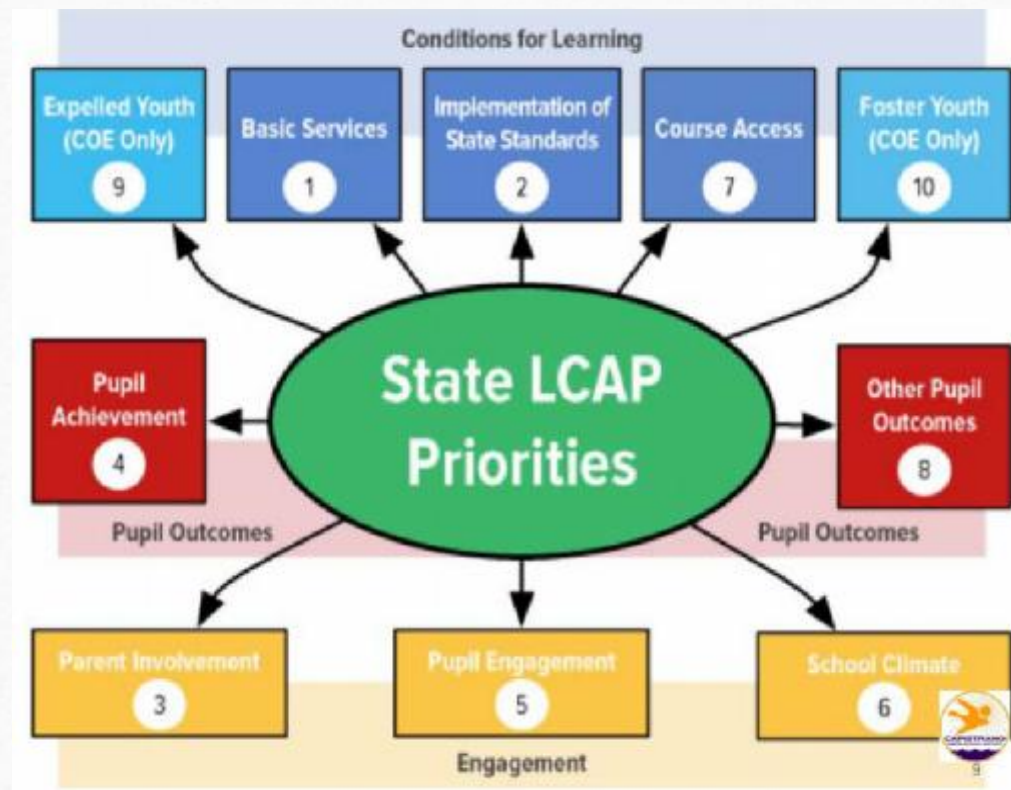
In 2019-2020 Poway Unified School District was the lowest funded unified school district, on a per ADA basis, in San Diego County.

District	LCFF per ADA	%Δ
San Diego USD	\$10,610	16.4%
Vista USD	\$10,372	13.8%
Oceanside USD	\$10,266	12.7%
Ramona USD	\$9,555	4.9%
San Marcos USD	\$9,373	2.9%
Carlsbad USD	\$9,176	0.7%
Poway USD	\$9,112	-

# Local Control Funding Formula

## Local Control & Accountability Plan

- ∅ Three-year educational plan
- ∅ Ties resources to educational goals and objectives
- ∅ Uses student performance data as metrics
- ∅ Engages parents, staff and students in the discussion
- ∅ A tool for continual improvement







## PUSD Funds

Operating Funds		Capital Funds		Enterprise Funds	
<i>Fund</i>	<i>Description</i>	<i>Fund</i>	<i>Description</i>	<i>Fund</i>	<i>Description</i>
<b>01</b>	<b>General Fund</b> (main operating fund)	25	Capital Facilities	63	Other Enterprise (ESS/Preschool)
11	Adult Education	35	County School Facilities		
12	Child Development	40	Special Reserve Fund for Capital Outlay Projects		
13	Cafeteria Special Revenue	49	Capital Projects Fund for Blended Component Units (CFDs)		
14	Deferred Maintenance	52	Debt Service Fund for Blended Component Units		
17	Special Reserve Fund for Other than Capital Outlay Projects				
67	Self-Insurance				



## General Fund Revenues

### Examples of Federal Revenues

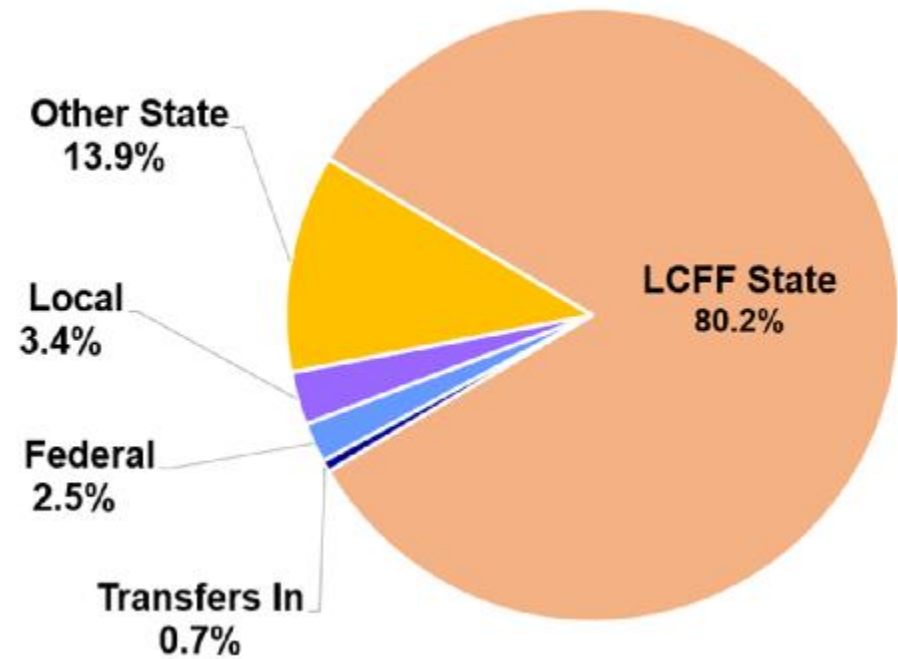
- Title 1
- Individuals with Disability Education Act (IDEA)
- Title II Teacher Quality
- Title III LEP Student Program

### Examples of Other State Revenues

- Lottery
- Special Education Mental Health Services
- Workability

### Examples of Local Revenues

- Interest
- Rent /Lease of Facilities
- Bus Passes
- Donations



**2019-2020 Revenues totaled approximately \$404 million**



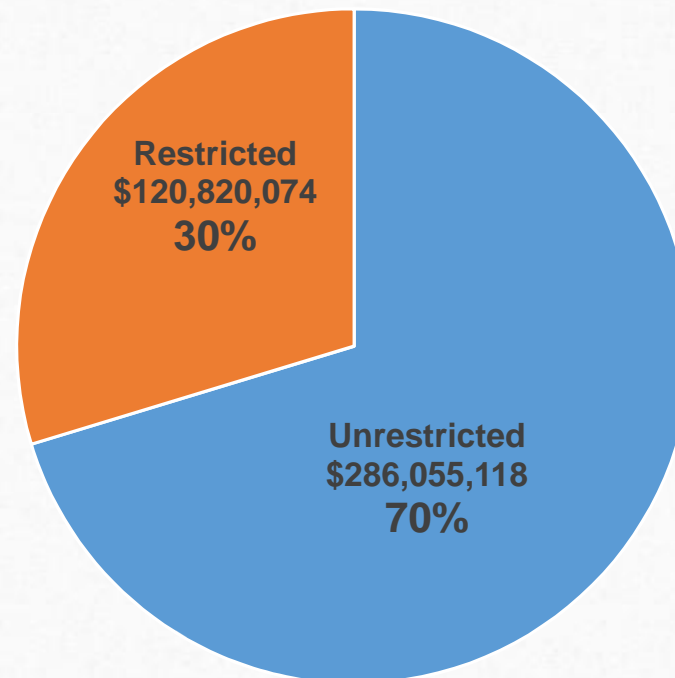
## General Fund Revenues – Unrestricted & Restricted

### Examples of Unrestricted Revenues

- LCFF funds
- Rent/ Lease of Facilities
- Interest
- Bus Passes
- Lottery funds

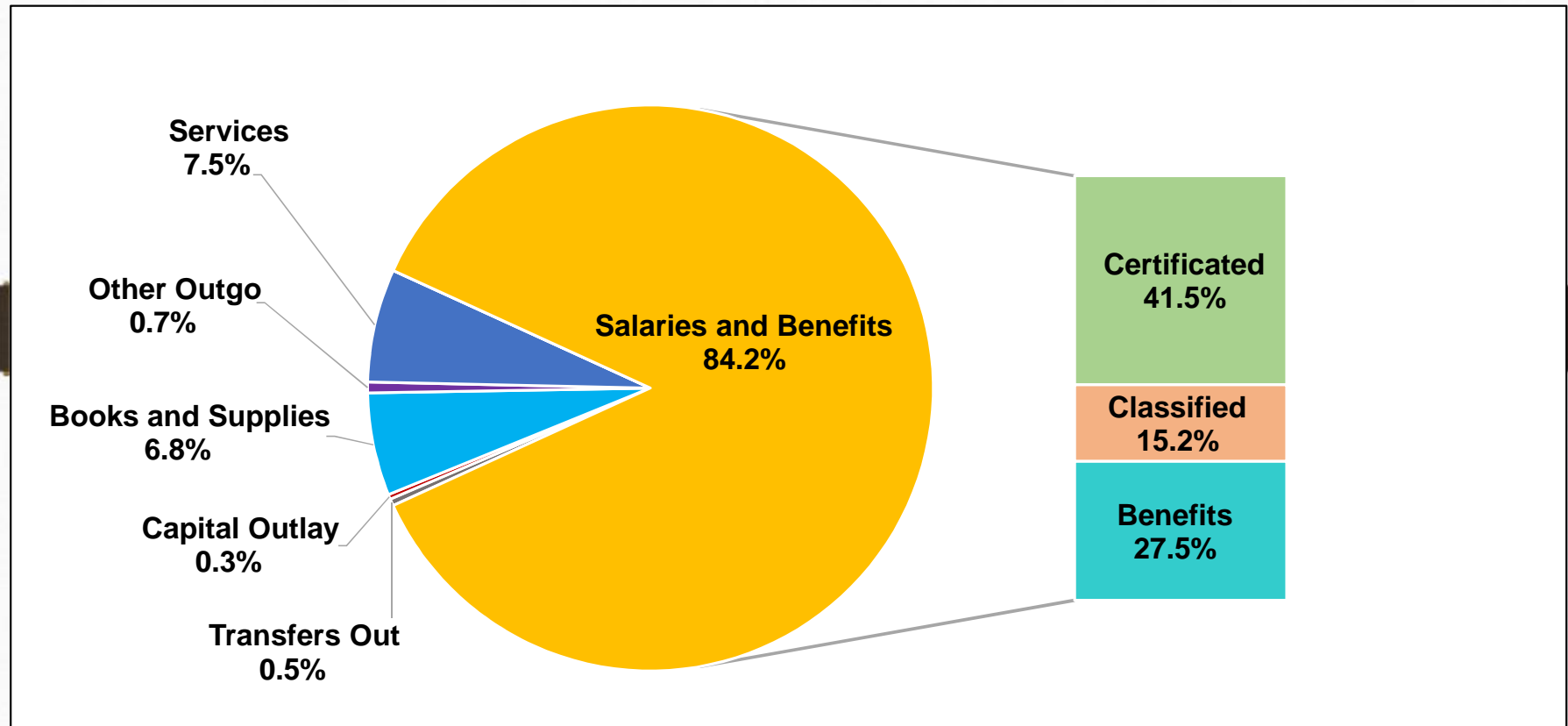
### Examples of Restricted Revenues

- Title I
- Individuals with Disability Education Act (IDEA)
- Title II Teacher Quality
- Title III LEP Student Program
- Special Ed Mental Health Services
- Workability
- Lottery funds





## General Fund Expenditures



Most school districts expend 85 to 87% of resources on staffing. Many of our neighboring districts exceed 90%.



## **General Fund Support of Restricted Programs Due to Insufficient Funding**

- Ø Special Education - \$47,854,382
- Ø Routine Restricted Maintenance Account - \$12,400,714
- Ø Transportation
  - Special Ed - \$5,871,343
  - Regular Ed - \$2,688,942
- Ø Career, Technical Education - \$2,813,562



## General Fund Reserves/ Fund Balances

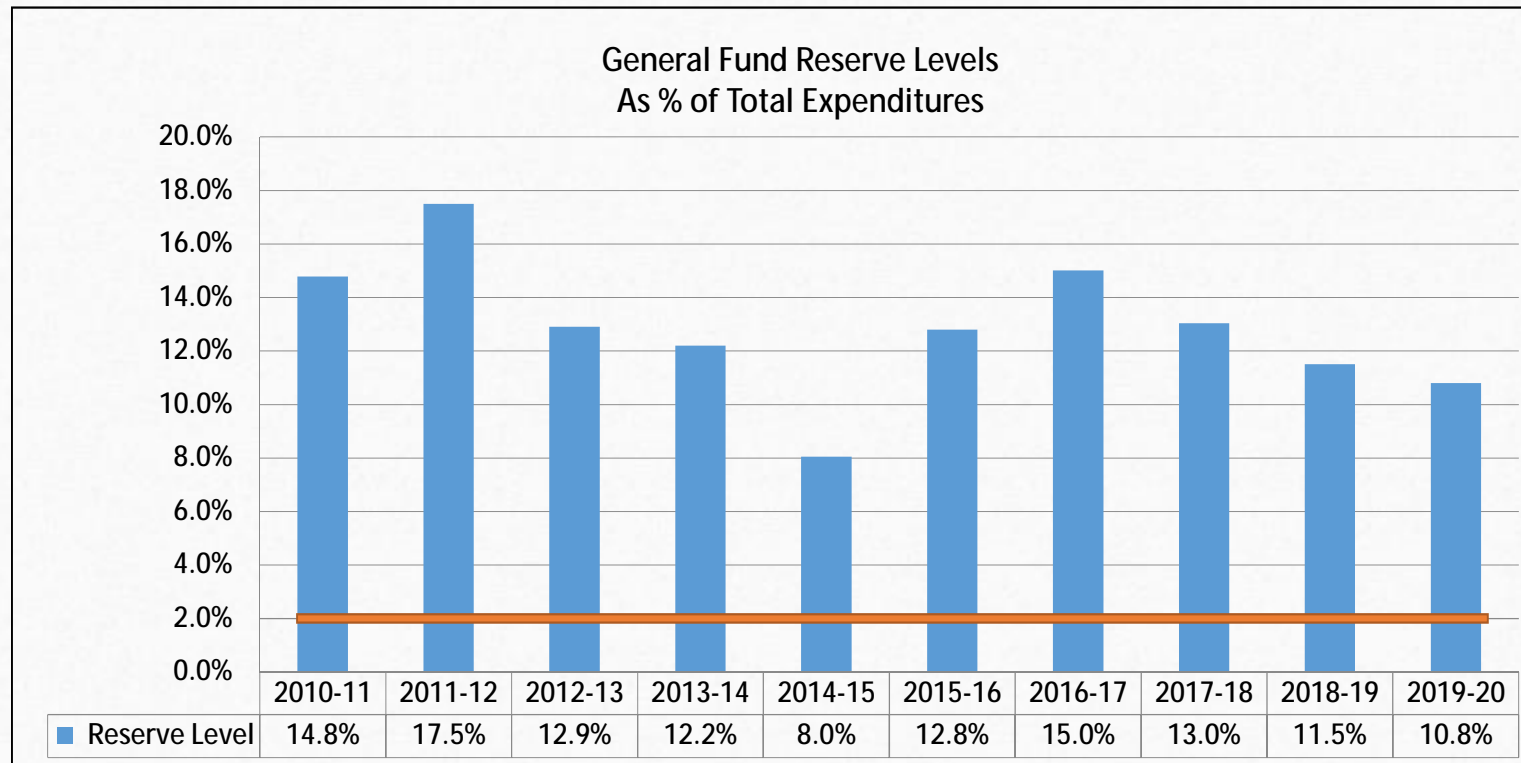
Available reserves for any of the budget year or two subsequent fiscal years are not less than the following percentages or amounts as applied to total expenditures and other financing uses.

- A minimum of 5% for districts with 0 to 300 ADA
- A minimum of 4% for districts with 301 to 1,000 ADA
- A minimum of 3% for districts with 1,001 to 30,000 ADA
- **A minimum of 2% for districts with 30,001 to 400,000 ADA**
- A minimum of 1% for districts with 400,001 and over ADA

**2% minimum for PUSD represents approximately \$8.5 million enough for 1/4 month of payroll**



## General Fund Reserves/ Fund Balances



The PUSD Board of Education has set 10% as the “target” minimum reserve level

## Why Maintain Adequate Reserves



Manage Cash Flow



Mitigate Volatility in Funding or Expenditures



Address Unexpected Costs



Save for Large Purchases



Reduce Costs of Borrowing Money

*Source: Legislative Analyst Office*

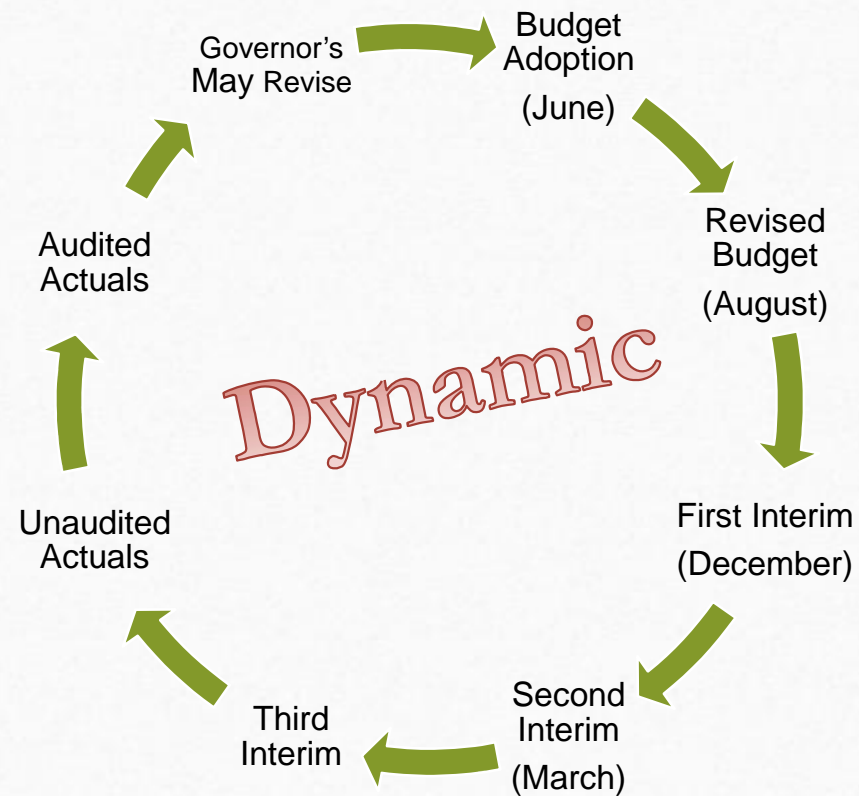




## Budget Cycle in CA K12 School Districts

At each period, we:

- Ø Update the budget
- Ø Certify the District's fiscal health
- Ø Present fiscal and other data to the Board of Education
- Ø Submit copies to County Office of San Diego and CA Department of Education



## Impacts of State Deferrals

The following illustrates the effects of these cash deferrals on the typical apportionment schedule for February through June 2021:

Month	Normal Share of Annual Apportionment	Proportion Deferred	Resulting Share of Annual Apportionment
February 2021	9%	53%	4.23%
March 2021	9%	82%	1.62%
April 2021	9%	82%	1.62%
May 2021	9%	82%	1.62%
June 2021	Balance	100%	0%

Therefore, LEAs will receive only about 64% of the state aid apportionment during the year



## One-Time COVID Mitigation Funds

CARES Act	\$18.9 million
SB117 COVID Relief	\$0.6 million
ESSER I	\$1.5 million
ESSER II	\$7.5 million
ESSER III	\$16.6 million
Extended Learning Opportunities	\$22.7 million
<u>In Person Learning Grant</u>	<u>\$10.6 million</u>
<b>TOTAL ONE-TIME COVID FUNDING</b>	<b>\$78.4 million</b>



## One-Time COVID Mitigation Expenditures

Technology and Virtual Learning	\$23.1 million
Additional Social Emotional Support	\$20.1 million
Additional Teachers / Classroom Support	\$19.7 million
Support for Student Meals Program	\$4.8 million
Other	\$4.2 million
Personal Protection Equipment, Safety and Facilities Upgrades	\$3.4 million
<u>Extended Learning Opportunities</u>	<u>\$3.1 million</u>
<b>TOTAL ONE-TIME EXPENDITURES PLANNED</b>	<b>\$78.4 million</b>

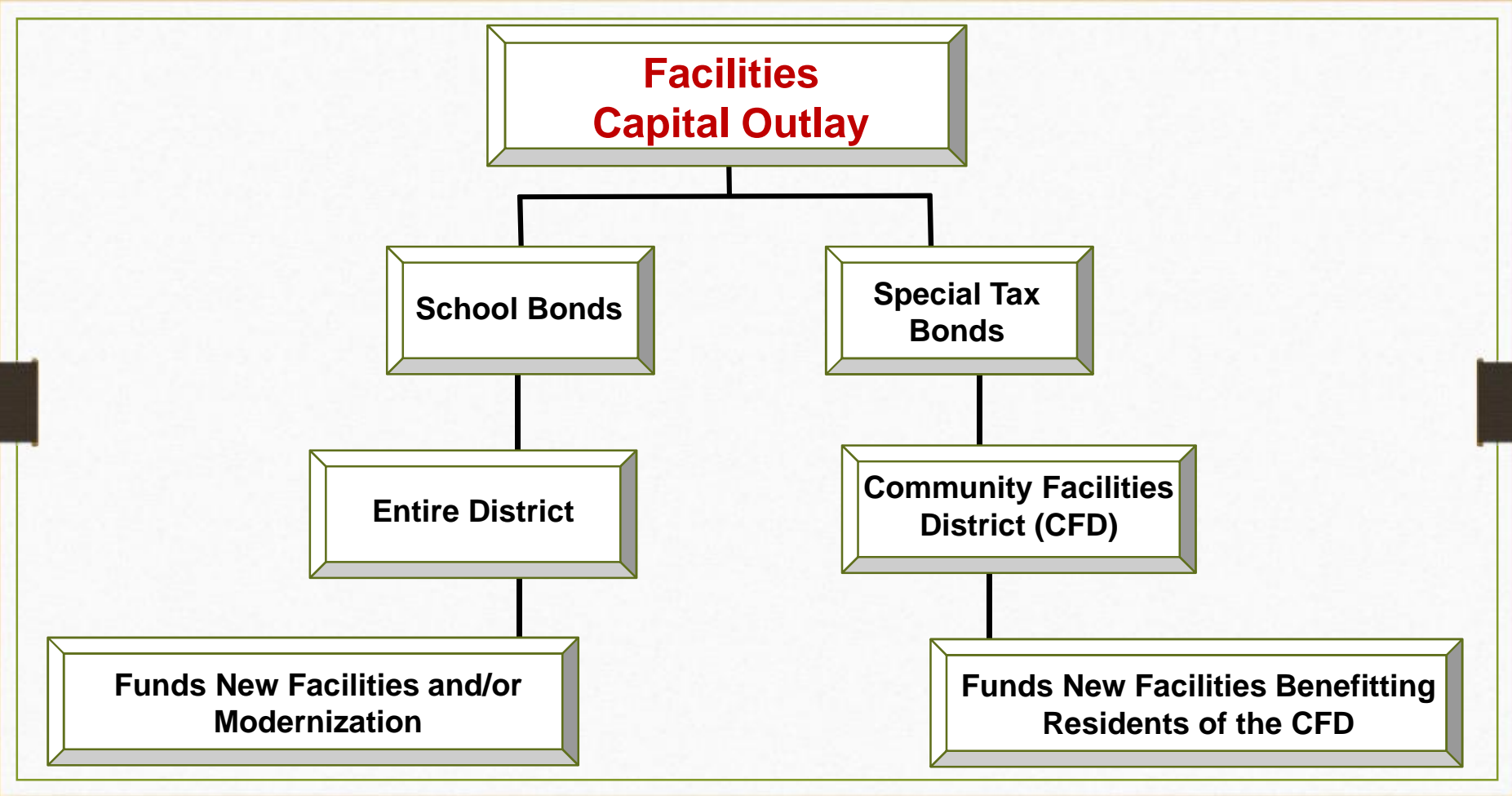
Sound Fiscal Practice

**One-Time Funds**

should not be used for

*Ongoing Expenditures*

# Capital Funds





**Q & A**