

## Tentative budget numbers discussed at special board meeting

Although Chino Valley Unified School District's budget picture appears to be rosy this school year and the next three years, Superintendent Wayne Joseph cautioned board members at a May 28 budget study session to be careful with the money the district has now in preparation for future lean years.

"Be sure to get ready for the famine by putting away money for it in years of plenty," Superintendent Joseph advised the board.

The district is projected to have a positive ending balances of approximately \$38.8 million this year, \$43.4 million in 2016, \$41.6 million in 2017, and \$34.8 million in 2018, according to Sandra Chen, assistant superintendent of business services for the school district.

After setting aside the one time reserve for economic uncertainties of \$20.3 million, \$100,000 for revolving cash, and approximately \$50,000 for equity costs, the district will have unappropriated balances of approximately \$18.3 million this year, \$23 million in 2016, \$21.1 million in 2017, and \$14.4 million in 2018.

Despite the positive numbers, the district is projected to be spending more than it receives each year, Ms. Chen said.

The proposed budget for next school year (2015/2016) includes \$232.4 million in unrestricted revenue and \$227.8 million in unrestricted expenditures. However, the district is deficit spending this school year by approximately \$12 million, and is projected to deficit spend by \$1.8 million in 2016/2017 and by nearly \$7 million in 2017/18. Ms. Chen said the district has avoided being in the hole in the past because the school board made the necessary deep budget cuts. Ms. Chen also noted that this multi-year projection does not include Governor's proposed one-time funding of approximately \$601 per ADA for school Districts. Chino Valley Unified will receive an estimated \$16.7 million in one-time funds if the Governor's proposes passes.

Ms. Chen also cautioned the board that recent developments and factors on the horizon will impact 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, she said. Prop. 30's 0.25% sales tax ends in 2016, and its income tax increase ends in 2018.

The new federal health care act and recently signed California legislation regarding substitute employees could also put a drain on district revenues, Ms. Chen 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 November, caps the amount school districts can put into emergency reserves, possibly affecting Chino Valley Unified School District's budget. The district currently has a reserve of \$20.3 million. Considering that the Chino Valley district spends approximately \$18 million a month for payroll alone, Ms. Chen said it is troubling that the state may require less reserves in the future. She said the current reserve would only equal one month's payroll.

A significant increase in the percentage the school district will have to pay towards employee pensions each year will also affect the budget, as will an estimated, ongoing annual decrease in student enrollment by 500 students, and loss of students to existing or potential charter schools, Ms. Chen said.

The district's expenditures spiked in the 2014/2015 school year, Ms. Chen said because it was the first year of the implementation of the Local Control and Accountability Plan (LCAP) that requires districts to prepare a plan to increase academic achievement of our students, with specific actions and services

targeted for our low-income students, foster youths, and English learners. She also said 2014/2015 was the same year the district had costs related to the new state standards (Common Core) curriculum implementation, and employees received salary increases for 2013/2014 and 2014/2015.

Approximately 87 percent of the district's unrestricted budget goes to employee salaries and benefits, with the other 13 percent going for all other costs, she said.

Governor Jerry Brown's May Revision provides a total of \$6.1 billion in LCFF revenues to close the gap between 2014/2015 funding levels and LCFF full implementation targets by 53.08% in 2015/2016. When combined with 2013/2014 and 2014/2015 funding, implementation progress would close almost 70% of the gap in just three years. "That means revenue will increase very little, if he still funds the budget gap through 2020/2021. Once a school district reaches the target funding level, the State will only fund the Cost of Living Adjustment (COLA) each year."

Growth in this year's state revenues yielded \$3.1 billion in one-time funds for education spending. Chino Valley Unified expects to get additional, one-time discretionary funding of \$601 per student, or \$16.7 million, from that funding, Ms. Chen said. The governor has suggested that districts use that additional funding for professional staff development, instructional materials, and technology. Ms. Chen said the district is planning to do that through the LCAP, with money going for new state standards-aligned materials, upgrades to the district's technology infrastructure, piloting 21<sup>st</sup> Century technology for students and staff members, refinement of English Language curriculum, and professional development.

The district has increased school site budgets by 20 percent to help with basic operation needs, including copy paper, duplicating costs and custodial supplies.

Board President Irene Hernandez-Blair said she is "elated" about the increase, but "disheartened" that only \$7.4 million of the unrestricted general fund was spent on books and supplies.

Trustee Sylvia Orozco said she would like to see summer school for all students restored. The district currently only offers summer school to students who need remedial help or seniors who need credit recovery. The district has partnered with Chaffey College and Cal State San Bernardino for fee-based, online summer school programs.

At the May 28, budget study session, Denise Arroyo, president of the Classified School Employees Association union, asked the board to restore several support staff positions and days that had been reduced since 2008 to help the district get through the recession.

A public hearing on the proposed budget will be held at the 7 p.m. Thursday, June 11 board meeting, along with the public hearing on the LCAP. The board will vote on the LCAP and the budget at its 7 p.m. Thursday, June 25 meeting. Both meetings are open to the public and will be held in the board room at the district office, 5130 Riverside Drive, Chino.

Budget numbers discussed during the study session are tentative. Final numbers will be available at the June 11 board meeting.