

Santa Clara County  Office of Education

BUDGET STUDY COMMITTEE MEETING

January 22, 2016

3:00 - 4:30 p.m.

Campbell Conference Room – 3rd Floor, North Building

AGENDA

1. Call to Order/Roll Call *Superintendent Gundry*
2. Setting the Agenda *Mark Skvarna, Business Services*
3. Review and Approval of Minutes – November 20, 2015 *Mark Skvarna, Business Services*
4. Governor's Budget Proposal *Mark Skvarna, Business Services*
5. Next Meeting – March 9, 2016 *Superintendent Gundry*
6. Adjourn *Superintendent Gundry*

MEMBERS

Jon R. Gundry, Superintendent/Committee Chair
Darcie Green, Board Member
Rosemary Kamei, Board Member
Grace Mah, Board Member
Claudia Rossi, Board Member (Alternate)
Mary Ann Dewan, Deputy Superintendent
Philip Gordillo, Chief Human Resources Officer
Del Mallory, SEIU
Steve Olmos, Chief Schools Officer
Angelica Ramsey, Associate Superintendent
Lesbia Reclosado, SEIU
Mark Skvarna, Interim Chief Business Officer
Earl Thaxton, ACE/CTA
Lisa Vieler, ACE/CTA
David Wu, Chief Technology Officer

RECORDER

Theresa Martinez

**BUDGET STUDY COMMITTEE
UNAPPROVED MINUTES
NOVEMBER 20, 2015**

I. Call to Order/Roll Call

Superintendent Gundry called the meeting to order at 3:12 p.m.

Members Present

Jon R. Gundry, Superintendent/Committee Chair
Darcie Green, Board President
Rosemary Kamei, Board Member
Grace H. Mah, Board Member
Mary Ann Dewan, Deputy Superintendent
Mark Skvarna, Interim Chief Business Officer
David Wu, Chief Technology Officer

Others Present

Jeff Baratta, Piper Jaffray & Co.
Laurie Book, Internal Business Services
Tze-ki Lam, Internal Business Services
Jason List, Isom Advisors
Theresa Martinez, Business Services (recorder)

Superintendent Gundry noted that Mr. Steve Olmos, Chief Schools Officer, is not yet on board as his start date is December 1, 2015.

II. Setting the Agenda

Superintendent Gundry motioned to accept the November 20, 2015 agenda; motion seconded by Board Member Mah; motion carried unanimously.

III. Review and Approval of Minutes – May 28, 2015

Superintendent Gundry motioned to approve minutes of the May 28, 2015 meeting; motion seconded by Deputy Superintendent Dewan; motion carried unanimously.

IV. Refinancing Certificates of Participation

Jason List, Isom Advisors and Jeff Baratta, Piper Jaffray & Co., presented a brief history of the Santa Clara County Office of Education's (SCCOE) Certificate of Participation (COPs) and 2002 refunding of the COPs.

In April 1995, the SCCOE issued a \$16,165,000 Certificate of Participation (1995 COPs) for the purposes of acquiring the land and improving/constructing the office building located at 1290 Ridder Park Drive, San Jose, CA. The term of the 1995 COPs was 30 years with payments through 2025. In June of 2002, the SCCOE refunded the 1995 COPs by issuing a \$15,895,000 Certificate of Participation (2002 Refunding COPs) to reduce debt service.

Mr. List and Mr. Baratta explained that refunding the 2002 COPs would lower the debt service (principal and interest) payments, and save the COE additional dollars. Based on current interest rates, SCCOE savings would equal approximately \$1.26 million by refunding the 2002 COPs. The annual savings to the SCCOE would be approximately \$154,500 through 2024. They reviewed the refunding schedule, including tasks, responsible party and dates.

Mr. Skvarna recommended moving a resolution forward to the full Board of Education to proceed with the refinancing. Committee Board members agreed unanimously.

V. 2015-2016 Board Approved Budget Enhancements/Program Augmentation

Laurie Book, Interim Director for Internal Business Services, presented an overview of the 2015-16 State Budget Act, providing \$5.1 million in state aid.

Ms. Book explained that Branch Chiefs submitted requests with justification to use a portion of this funding for program enhancements and augmentations to existing programs. All program additions and augmentations support the goals of the SCCOE. Ms. Book provided a summary of these requests categorized by branch, program name and the funding amount requested.

Ms. Book shared an overview of programs supported by the Santa Clara County Board of Education for ongoing or multi-year additional funding, including contributions to Technology Services for internal services.

Ms. Book will include this overview with the 2015-16 First Interim Financial Report presentation to the SCCOE Board of Education at the December 9, 2015 meeting.

VI. Districts Consolidation

Superintendent Gundry reported on the status of a prior request of several Board members to review the Grand Jury report on District Consolidation and prepare an analysis on what the implications to LCFF would be if the Grand Jury's recommendation to consolidate the districts was followed and how LCFF would affect school district funding.

The Board approved funds for a study and an RFP was initiated. Superintendent Gundry shared that three proposals were received and are available for review:

- The first proposal was incomplete and unresponsive (proposal eliminated);
- The second proposal contained a conflict of interest (proposal eliminated); and
- The third proposal was quite responsive, specific and complete.

There was discussion regarding the expense of the study, including questions if the current Board is interested in moving forward. This will be presented as a future Board agenda item to determine if the majority of the Board wants to have a discussion.

Board President Green thanked Superintendent Gundry for following through with the initial request.

VII. Next Meeting

The next Budget Study Committee Meeting is scheduled for January 22, 2016.

VIII. Adjournment

Board President Green motioned to adjourn; motion seconded by Deputy Superintendent Dewan; meeting adjourned at 4:25 p.m.



Santa Clara County Office of Education

Budget Study Committee Meeting
Internal Business Services
Business Services Branch
January 22, 2016

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Overview of the State Budget and State Economy

Presented by Mark Skvarna

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THE 2016-17 STATE BUDGET PROPOSAL

- Recognize that this is early in the process
- Budget proposal will change any time the underlying factors change – therefore, plan to adjust as conditions change
- The Governor’s 2016-17 proposed State Budget continues to reflect his conservative attitude.
- The state increased its revenue estimates, but continues to underestimate Proposition 98 revenues for 2015-16 and 2016-17

THE 2016-17 STATE BUDGET PROPOSAL

- Economic growth is much stronger than in past years, but Governor Jerry Brown highlights the risk of recession
- Most of the economy has recovered
 - The stock market has hit new highs – but has been shaken by recent events in China and around the world
 - The real estate market has largely recovered
 - California lost jobs during the recession has been restored
- The international economics are affected by the significant and frequent drop in the price of oil

Education Funding

- The State Budget proposal for 2016-17 continues to reflect both stability for and growth in education funding
- The Local Control and Accountability Plan (LCAP) remains a dominant governance document
- State General Fund revenues are higher than projected for 2015-16, which causes:
 - An increase in the Proposition 98 minimum guarantee for 2016-17
 - More one-time money for education
- Much of the growth in Proposition 98 will again be funded by high growth in property taxes – providing flexibility in the rest of the State Budget

What's Not in the State Budget?

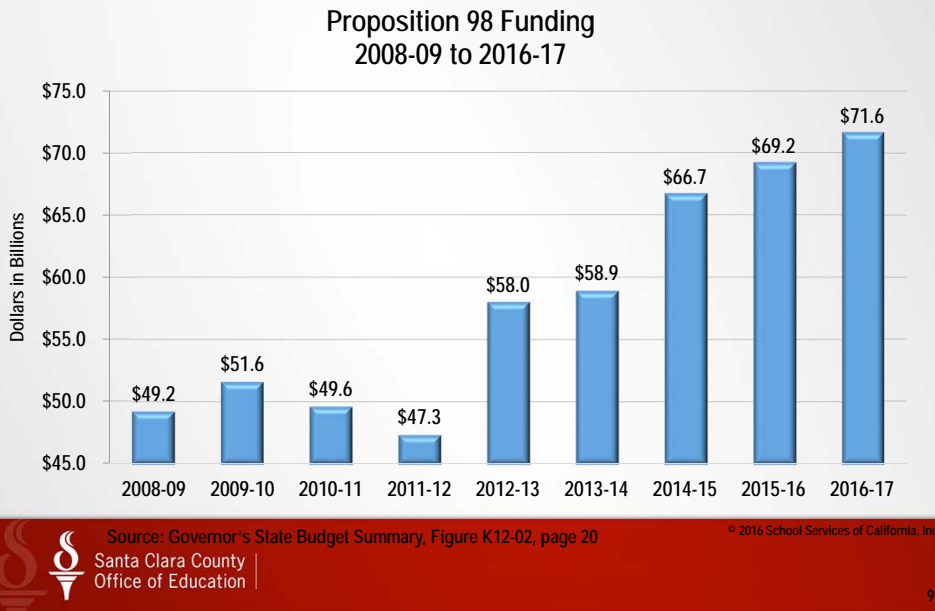
- Unfortunately, many critical issues are missing from the Governor's State Budget proposal:
 - No proposal for a statewide school facilities bond or program, although Governor Brown notes his perceived downsides of the current school facilities program
 - No new funding to address the increased employer contributions to the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS)
 - No new funding for transportation

The Education Budget and Challenges Ahead

Proposition 98: Cure or Curse?

- Proposition 98 was adopted by state voters in 1988 as a constitutional minimum guarantee in funding for K-12 education and community colleges
 - Purchasing power would be maintained as funding must be adjusted for workload growth and inflation
- As has been said many times before, the minimum guarantee has functioned as a maximum funding level, with the Legislature rarely having passed a budget that appropriated more than the minimum level required by law
- Nevertheless, in recent years, K-14 education has seen unprecedented boosts in funding as the economy has strengthened and the amounts owed to schools have been repaid (i.e., the Maintenance Factor)

Proposition 98 Funding Over Time



One-Time Funds

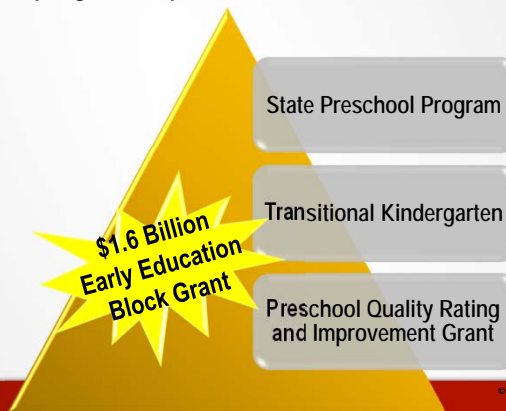
- The Governor's Budget includes \$1.2 billion in discretionary one-time Proposition 98 funding
 - Equal to about \$214 per ADA
- The Governor suggests the one-time funds may be used to support investments in:
 - Content standards implementation, technology, professional development, induction programs for beginning teachers, and deferred maintenance
- This is not a mandate and the funds can be used for any one-time purpose
 - However, any funds received will offset state obligations for any LEA with outstanding mandate reimbursements, consistent with the approach used in the 2014 and 2015 Budget Acts

Special Education

- The Governor's proposed 2016-17 State Budget for special education includes a 0.47% COLA
 - Estimated at \$2.50 per ADA

Preschool/Early Childhood Education

- The Governor's Budget proposes a \$1.6 billion Early Education Block Grant by consolidating various preschool programs and funding sources in an effort to reduce the administrative and programmatic challenges LEAs face when managing the fiscal program requirements



Preschool/Early Childhood Education

- Similar to the LCFF, the Early Education Block Grant intends to mirror the LCFF's core tenets by:
 - Allowing greater financial flexibility and providing for more targeted programs to address the needs of individual communities
 - Providing for the lowest-income and most at-risk children
 - Providing more funding to school districts with higher percentages of disadvantaged students
 - Ensuring that no LEA receives less funding under the block grant than was received under prior funding models
- Program details should be available by the May Revision, after the Administration seeks input from stakeholders

Affordable Care Act – Things to Know

- Effective with the start of the 2016 plan year, all large employers with 50 or more full-time employees must offer health benefits coverage that is affordable and meets minimum value requirements to 95% of full-time employees and their dependents to age 26
 - In 2015, employers with 100 or more full-time employees were required to offer coverage to only 70% of full-time employees – this was transitional guidance effective only for the 2015 plan year
 - Starting in the 2016 plan year, these employers must offer coverage to 95% of full-time employees



SCCOE Local Control Funding Formula (LCFF) and MYP Budget Projections

Presented by Laurie Book

LCFF Funding Calculations

- There are two LCFF funding calculations:
 - County LCFF Transition Calculation
 - County LCFF Target Entitlement
- The SCCOE is funded on the higher amount of the two funding calculations

County LCFF Transition Calculation

Illustration Only

2012-13 County Revenue Limit (funding held constant as of 2012-13 Annual)	\$19,532,160
2012-13 County Funded Alternative Education per ADA	\$8,768.84
Total Alternative Education ADA	356.12
Total Alternative Education Revenue	\$3,122,759
Total Adjusted Revenue Limit Funding	\$22,654,919
2012-13 Categorical Programs	\$5,168,697
2012-13 Annual Excess Taxes Applied for ROC/P	\$5,386,110
LCFF TRANSITION ENTITLEMENT	\$33,209,726
Local Revenue (Total Property Taxes Less Allocation to Special Education)	\$45,507,032
Excess Tax Amount (Returned to CDE)	-\$12,297,306
LCFF STATE AID, ADJUSTED FOR MINIMUM STATE AID GUARANTEE	\$5,168,697

County LCFF Transition Calculation

- Under the Transition Calculation, all components of the calculation remain static year-to-year except:
 - Alternative Education ADA
 - Property taxes
 - Excess Tax Amount
 - The LCFF Transition Calculation does not receive a COLA

County LCFF Target Entitlement

Illustration Only

County Base Amount		\$671,383
District Allowance	\$111,897	
Number of School Districts in County	31	
Total District Allowance		\$3,468,807
County Operations ADA Grant (based on total county wide ADA)		\$13,233,921
Total Operations Grant		\$17,374,111
Total Base Grant (\$11,482.26 x 356.12 ADA)	\$4,089,062	
Total Supplemental Grant (\$4,018.79 x 157.85 ADA x 88.4%) + (\$4,018.79 x 198.27 ADA x 100%)	\$1,357,585	
Total Concentration Grant (\$4,018.79 x 157.85 ADA x 38.4%) + (\$4,018.79 x 198.27 ADA x 50%)	\$642,000	
Total Alternative Education Grant (356.12 ADA)		\$6,088,647
2012-13 Targeted Instructional Improvement Block Grant	\$13,184	
2012-13 Home-to-School Transportation	\$977,663	
Total Add-on Amounts		\$990,847
LCFF TARGET ENTITLEMENT		\$24,453,605



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County LCFF Target Entitlement

- Under the Target Entitlement, all components increase by COLA year-to-year except:
 - Add-on amounts remain static
 - Alternative Education ADA changes year-to-year
 - Unduplicated Pupil Count for County Funded Community Schools also changes year-to-year
 - “Unduplicated count” means that each pupil is counted only once even if the pupil meets more than one of these criteria:
 - English Learners
 - Free & Reduced Meals
 - Foster Youth



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County LCFF Target Entitlement

- The Unduplicated Pupil Count (Percentage) is used to calculate the supplemental and concentration grants
- COE's receive a supplemental grant equal to 35 percent of the base grant multiplied by ADA and the unduplicated percentage of targeted disadvantaged pupils
- COE's also receive a concentration grant equal to 35 percent of the base grant multiplied by ADA and the unduplicated percentage of targeted students exceeding 50 percent of enrollment
- The local control accountability plan (LCAP) demonstrates how services are provided to meet the needs of unduplicated pupils and improve the performance of all pupils in the state priority areas

The SSC Financial Dartboard: Multiyear and State Lottery Projections

- MYPs are required by AB 1200 (Chapter 1213/1991) and AB 2758 (Chapter 52/2004)
- Recognize that MYPs are projections, not forecasts
- Projections will change any time the underlying factors change
- State Lottery Projections for current year and the out years:
 - \$181 per ADA
 - \$140 for unrestricted Lottery revenue
 - \$41 for Proposition 20 revenues
- The Lottery Commission will provide updated projections for the 2016-17 fiscal year in June 2016

SSC Financial Projection Dashboard

Factor	2015-16	2016-17	2017-18	2018-19	2019-20
Statutory COLA	1.02%	0.47%	2.13%	2.65%	2.72%
COLA on state and local share only of Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers/American Indian Early Childhood Education	1.02%	0.47%	2.13%	2.65%	2.72%
California Consumer Price Index	1.90%	2.22%	2.52%	2.62%	2.52%
California Lottery	Base	\$140	\$140	\$140	\$140
	Proposition 20	\$41	\$41	\$41	\$41
Interest Rate for Ten-Year Treasuries	2.21%	2.40%	2.75%	2.80%	2.70%
CalPERS Employer Rate (projected)	11.847%	13.05%	16.60%	18.20%	19.90%
CalSTRS (Employer Rate (statutory))	10.73%	12.58%	14.43%	16.28%	18.13%