



SAN DIEGO COUNTY OFFICE OF EDUCATION

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San Diego County Superintendent of Schools Dr. Paul Gothold

June 1, 2017

To: County Board of Education
From: Paul Gothold
County Superintendent of Schools
Re: 2017-2018 Recommended Budget

You have received the earlier Recommended Budget in a balanced condition which was approved for publication at the Board meeting on May 10. Attached is the 2017-18 Recommended Budget as previously approved. There have been no additional changes to the 2017-18 budget. We ask that the Board conduct a public hearing and adopt the 2017-18 Recommended Budget.

We are providing the overall County Office Budget which consists of three parts:

1. The 2017-2018 Recommended Budget includes the three customary program groups with summary and detail pages. We have also included a page showing revenues and expenditures by major object categories.
2. The 2017-2018 Special Projects Budget includes summary and detail pages of special projects programs.
3. The 2017-2018 Special Funds Budget includes all of the other funds (outside the County School Service Fund) operated by the County Office.

On May 11, 2017, the Governor released the May Revise which proposes to provide \$1.4 billion to close 43.97% of the gap remaining to full implementation of the Local Control Funding Formula (LCFF) for school districts. The statutory cost-of-living adjustment (COLA) is revised upward from 1.48% in January to 1.56% in May which impacts the County Office's state categorical programs including Special Education. The May Revise also proposes to provide one-time discretionary funds to offset outstanding mandate reimbursement claims. However, these funds are not scheduled to be disbursed until May 2019.

Staff is preparing for these proposed changes and as they are finalized at the State level, any changes to the budget will be forwarded to the governing board as part of a regularly scheduled budget revision or the First Interim report.

Service and leadership that maximize the success of all students

San Diego County Board of Education
Paulette Donnellon Guadalupe González Alicia Muñoz Mark Powell Rick Shea

San Diego County Office of Education
ASSUMPTIONS FOR 2017-2018 RECOMMENDED BUDGET

UNRESTRICTED FUND PROGRAMS:

Revenues

1. **Local Control Funding Formula (LCFF) sources** are projected at the 2012-13 funding level but adjusted for ADA decline and a 1.48% COLA. The LCFF consists of the former Revenue Limit funding for both unrestricted and restricted programs, former Categorical Flexibility funding and Economic Impact Aid (EIA) funding and is estimated at \$103,528,036.
 - a) The **General Operating LCFF allocation** is estimated at \$98,071,510.
 - b) The **Regional Occupational Program (ROP) transition allocation** is estimated at \$5,456,526 which is the pass-through amount to the school districts.
 - c) The **Education Protection Account (EPA)** funding is projected at \$200 per budgeted ADA for a total of \$320,000.
 - d) **Momentum Learning Court and Community Schools** ADA is projected at 1,600, which includes 140 ADA of Special Day Class.
2. **Mandated cost** receipts are estimated at zero for 2017-18.
3. Projections for lottery revenue are in consideration of state requirements to set aside specified amounts for restricted purposes. The **lottery revenue** is computed at \$144 per ADA for unrestricted programs and \$45 per ADA for restricted sources.
4. The **interest income** for the general operating funding is budgeted at \$750,000.
5. **Contract revenues** are as submitted by the various program managers and reviewed by the Strategic Leadership Team. Fees for contracted services reflect the rates approved by the Board at the March 8th meeting.
6. **Income Driven** revenues are budgeted at \$17,029,156 which includes estimated carryover from 2016-17 and contributions from the unrestricted General Fund in the amount of \$415,481.
7. Further revenue details are shown on page 6 of the Unrestricted Programs (including the General Operating and Income Driven programs) section in the 2017-18 Recommended Budget document.

Expenditures

1. The **salaries** for all unrestricted programs shown for 2017-18 are reflective of the 2016-17 salary schedule amounts extracted from PeopleSoft/Human Capital Management (HCM) system, but adjusted for regular step advances and stipends. **Statutory benefits** are based on actual rates for 2017-18 except for Unemployment Insurance and Workers' Compensation.
2. **Employee health and welfare benefit costs** have been increased by 8%, for half a year.
3. **Other Post-Employment Benefits** are based on the normal cost plus the unfunded actuarial accrued liability (after application of the Actuarial Standard of Practice No. 6).
4. A \$25,000 **Lottery budget** continues to be set aside to allow Momentum Learning teachers additional resources to augment classroom instructional activities.
5. A **general contingency** of \$1,500,000 is budgeted as well as a contingency in the amount of \$250,000 for changes in the law related to expanded leaves.
6. Because the County Office has been a recipient of State School Facilities funding for the South County facility, the **routine restricted maintenance account** is included with a contribution to restricted programs in the amount of \$2,384,224. This contribution represents 2% of the 2017-18 budgeted unrestricted General Fund expenditures as allowed per current legislation. The funding change effective with 2017-18 resulted in a \$562,484 higher contribution.

7. Local **Income Driven** expenditure accounts in the amount of \$17,029,156 are reflected in the unrestricted General Fund.
8. The Unrestricted General Fund continues to support the South County Regional Center in the amount of \$95,481.
9. Further expenditure details are shown on pages 7-277 of the Unrestricted Programs section in the 2017-18 Recommended Budget document.

The Unrestricted Fund is in balance at this time after application of the beginning balance amount of (\$6,948,779).

RESTRICTED FUND PROGRAMS:

Revenues/Expenditures

1. The **Special Education revenues** are estimated according to the provisions of AB 602. Estimates for AB 602 funds are based on prior year receipts with a COLA of 1.48%. HOPE Infant revenues funded under the J-50 funding model are projected with a 0% COLA. Friendship Home and Momentum Learning funds are estimated based on South SELPA Local Allocation Plan for AB 602 funding and the LCFF funding is based on the school districts' LCFF rate. SELPA estimated revenues are provided by each SELPA region and for 2017-18 they are based on current year AB 602 entitlements with a 1.48% COLA. Provisions of AB 602 require that the County Office as the fiscal agent for the SELPA regions include all state AB 602 funds in our budget and allocate each K-12 districts' share as pass-through in accordance with SELPA allocation plans. Effective 2011-12, the Special Education Pass-Thru Fund (Fund 10) was established for this purpose and for 2017-18 the budget includes an estimated \$139.1 million of state funds being pass-thru to school districts. Further revenue details are shown on page 280 of the Special Education Operating and page 298 of the Special Education Master Plan sections in the 2017-18 Recommended Budget document.
2. The **Special Education expenditures** for salaries and benefits have been adjusted for regular step advances, stipends and changes in employee benefit rates. Further expenditure details are shown on pages 281-295 of the Special Education Operating and pages 299-336 of the Special Education Master Plan sections in the 2017-18 Recommended Budget document.
3. The **Special Projects revenues and expenditures** are based on current information and projections. Salary and benefits have been adjusted for regular step advances, stipends and changes in employee benefit rates. All of the restricted programs operate in a **balanced condition** without subsidy from the Unrestricted Budget with the exception of the routine restricted maintenance account and business support to the SELPAs. Further expenditure details are shown on pages 6-221 in the 2017-18 Special Projects Budget document.
4. The **Special Funds revenues and expenditures** are based on current information and projections. Salary and benefits have been adjusted for regular step advances, stipends and changes in employee benefit rates. Further expenditure details are shown on pages 2-74 in the 2017-18 Special Funds Budget document.