

# District Budget FAQs

## **What does Conditional Budget Approval mean? (09-27-23)**

This means that Santa Clara County Office of Education has placed conditions on BUSD that must be met for the budget to be approved. If those conditions are not met, then BUSD would have a disapproved budget. The conditions that must be met by October 9, 2023 for the 2023-24 budget to be approved are:

1. Documentation of finalized recommendations from the Budget Stabilization Committee to address the systemic deficit spending and plan to bring expenditures into alignment with revenues.
2. Updated budget to include any increases or decreases to fund balance as a result of 2022-23 year end closing.
3. The Budget Advisory Committee's plan that provides a reserve for economic uncertainty that exceeds the 3% minimum requirement for all three years of the multi-year projection.
4. A revised multi-year projection to include all items above.

The Conditional Budget Approval letter from SCCOE can be found here:

<https://www.berryessa.k12.ca.us/documents/Business%20Services/Berryessa-Final-Letter-8-28-2023.pdf>

## **What happens if a district has a disapproved budget? (09-27-23)**

Local educational agencies (LEAs) are required to adopt a budget by July 1 of each year. County superintendents are required to examine the adopted budget for each school district in the county and the State Superintendent of Public Instruction (SSPI) is required to examine the adopted budget for each county office of education. Budgets are examined for compliance with state-adopted criteria and standards, to identify technical corrections needed, and to determine whether the budget will allow the LEA to meet budget year and multiyear financial commitments. Budgets must be approved or disapproved by specified dates.

By November 8, if a district budget is disapproved, the county superintendent must either call for a budget review committee (BRC) or agree with the district, with the approval of the SSPI, to waive the BRC. If the BRC and SSPI disapprove the budget or the BRC is waived, the county superintendent assumes additional authority and responsibility as specified in Education Code Section 42127.3, including the responsibility to develop a budget plan that will guide the district through the ensuing year.

### **Why is the District required to develop a Fiscal Stabilization Plan?**

In 2021-22, the Santa Clara County Office of Education (SCCOE) mandated the District to develop and approve a Fiscal Stabilization Plan to address and eliminate the structural deficit (deficit spending) in the unrestricted general fund. This is required of districts when the County Office has concerns about overspending. As a result, we had to develop a plan that demonstrates how we will reduce overspending.

### **What would happen if we did not reduce spending?**

If we do not reduce spending and continue to spend more funds than we receive, the District could end up in County Receivership, meaning we would lose local control and SCCOE would hold all decision-making power.

### **If the District is having financial challenges, how was the District able to purchase a new office building? (09-27-23)**

In 2021, the District undertook a rigorous process to evaluate its real estate needs and options. After a comprehensive financial study was conducted, which was closely evaluated by the Board of Trustees, it was determined that repairs to the original District office would be far more costly than purchasing the Ridder building. The District was able to use available restricted funds that could only be used for facility improvements or purchases. The District was not permitted to use these funds for staff salaries, programming or other operational needs. For more information regarding this decision, please see the 2021 FAQs here

<https://www.berryessa.k12.ca.us/documents/Budget%20Committee/Budget%20Stabilization%202022/111021-FAQ-about-Property-Purchase.pdf>.

## **State Funding**

### **What is the Local Control Funding Formula?**

<https://www.youtube.com/watch?v=su3wlGyZSI4>

### **What is a General Fund?**

A General Fund is a district's daily regular operation fund. It consists of two types of funds:

**RESTRICTED:** Funding must be used for specific purposes such as after-school programming, tutoring, summer school, the arts and special education. These revenues have unique restrictions, spending windows and required reporting.

**UNRESTRICTED:** Funding is used for the services and the general operation of a school district, including staff salaries and benefits, books and supplies, student services, utilities, student athletic uniforms and much more.

Within the Unrestricted category, we also have SUPPLEMENTAL AND CONCENTRATION GRANTS: These funds must be used to provide additional support services to special populations – English learners, low-income students, foster youth and students experiencing homelessness.

**How does student attendance play an important role in the budget?**

When enrollment goes down and attendance is low, school districts receive less money from California, which bases funding on the Average Daily Attendance (ADA) of students. As of the January ADA report, the 2022-23 ADA was at 5,586 despite student enrollment being 5,973. This puts the 2022-23 ADA at 93.5% – reflecting a trend of decreased student attendance – thus, less funding – taking place across the state.

Each drop of one number in ADA results in a loss of approximately \$10,858. ADA is

projected at 96.3% for 2023-24 and the two future years.

This happened previously in Oakland and why their local community has not had control over their schools since 2003.

## **Cost of Living Adjustment (COLA)**

**What is the definition of Cost of Living Adjustment (COLA) and how is it applied to the budget?**

Cost of Living Adjustment (COLA) is an increase in funding for schools from the state or federal government to compensate for inflation. In California, the law states that schools should receive a certain COLA based on the Implicit Price Deflator for State and Local Government Purchases of Goods and Services. COLA is applied to Local Control Funding Formula (LCFF) sources and selected state categorical funds. COLA is sometimes applied to federal revenues. COLA is not applied to local revenues.

**Is there a specific law that requires COLA to go straight to employees' salary increases?**

No, there is no specific law that requires COLA to go straight to employees' salary increases. However, the District and bargaining units or employee organizations enter into salary negotiations each year to discuss and to reach an agreement for a salary increase.

**What is the intended use of COLA?**

COLA is not earmarked for any particular expenses. It is meant to provide additional revenue for the school district to be used to cover any increases in costs of doing business, including but not limited to increases in pension contribution, special education costs, utilities, supplies, step and column increases, salary and benefit, and any other operating expenses. COLA could also be used to rebuild the District's reserve, to designate other one-time expenditures and emergency (unplanned) expenditures.

**If COLA for 2023-24 is 8.22%, why aren't BUSD's revenues increasing by 8.22% from 2022-23? (09-27-23)**

The 8.22% COLA is applied to the base grants by grade span in the LCFF calculation. When a district is experiencing declining enrollment, this means that revenues would be declining as well (in the absence of COLA). Therefore, the increase in revenues from year to year will not equal the increase in COLA percentage. The increase for BUSD is:

Year	Grade Span	Funded ADA	Base Grant Per ADA	Total Funds
2022-23	TK-3	2,889.40	\$9,166	\$26,484,240
2022-23	4-6	2,122.10	\$9,304	\$19,744,018
2022-23	7-8	1,461.76	\$9,580	\$14,003,661
				<b>\$60,231,919</b>
2023-24	TK-3	2,726.20	\$9,919	\$27,041,178
2023-24	4-6	2,030.01	\$10,069	\$20,440,171
2023-24	7-8	1,379.29	\$10,367	\$14,299,099
				<b>\$61,780,448</b>
<b>Percent change Year over Year</b>				<b>2.57%</b>
<b>2023-24 COLA</b>				<b>8.22%</b>

**What will COLA be for 2024-25? (12-12-23)**

The Governor's 2023-24 budget projected the 2024-25 COLA at 3.94%. However, the Legislative Analysts Office (LAO) issued their *Fiscal Outlook* report on December 7<sup>th</sup> and is now projecting COLA to be 1.27%.

**How is it that COLA is only 1% when prices are still high? (12-12-23)**

The answer is simply because COLA is a rate of change from one year to the next, irrespective of how high (or low) prices are. It measures how much prices *change* rather than how much things *cost*. So, yes, the cost index for the goods and services governments consume remains relatively high, but due to slowing inflation and a slowing economy, the year-over-year change is leveling out.

For more context, the cost of goods and services governments buy has increased nearly 22% since 2018, so current prices are still high relative to pre-pandemic levels, they are just not increasing at the rate they were throughout 2021 and the first half of 2022.

There are still need two more quarters to calculate the official COLA for 2024-25, and when Governor Gavin Newsom releases his 2024-25 Governor's Budget proposal on January 10, 2024, he will benefit from having another data point (the fourth of 2023).

# BUSD 2023-24 Budget

## What are the sources of Berryessa Union School District's (BUSD) general fund revenue?

The District's general fund revenue is \$93.0 million. They are made up of the following:

Description	Amount (in millions)	Percent
Local Control Funding Formula (LCFF)	\$72.1	77.5%
Federal Revenue	2.5	2.7%
Other State Revenue	11.4	12.3%
Local Revenue and Other Sources	7.0	7.5%
<b>Total Revenue</b>	<b>\$93.0</b>	<b>100%</b>

## What are the uses (expenditures) of BUSD's general fund?

The District's general fund expenditure is \$100.4 million. They are made up of the following:

Description	Amount (in millions)	Percent
Certificated Salaries	\$42.9	42.7%
Classified Salaries	14.0	13.9%
Employee Benefits	25.3	25.2%
STRS on Behalf Amount	3.8	3.8%
Books and Supplies	1.5	1.5%
Services and Operating Expenses	11.7	11.6%
Capital Outlay	1.2	1.2%
Other Expenditures	0.0	0.0%
<b>Total Expenses</b>	<b>\$100.4</b>	<b>100.0%</b>

## What is BUSD's projected general fund ending fund balance (EFB) for 2023-24?

The District's projected EFB for 2023-24 is \$2.95 million, which is the total of the prior year EFB plus the surplus/(deficit) for the current year.

Description	Amount (in millions)
Revenues	\$93.0
- Expenditures	100.4
= Surplus/(Deficit)	(7.4)
+ Ending Fund Balance 2022-23 (EA)	10.3
= Ending Fund Balance 2023-24	\$2.9

**How much of the District’s general fund budget goes to salaries and benefits of each bargaining unit or employee organization?**

As illustrated on Question 7, the total general fund budget is \$100.4 million. The breakdown of the budget by bargaining unit or employee organization is as follows:

<b>Description</b>	<b>Amount (in millions)</b>	<b>Percent</b>
California Teachers Association Berryessa (CTAB) Salaries and Benefits	\$51,546,049	59.88%
California School Employees Association (CSEA) Salaries and Benefits	12,305,027	14.29%
Teamsters Salaries and Benefits	6,362,546	7.39%
Management Salaries and Benefits	9,771,612	11.35%
STRS on Behalf	3,799,449	4.41%
Other Expenditures*	2,301,294	2.67%
<b>Total Expenditures</b>	<b>\$86,085,977</b>	<b>100.00%</b>

\*Other expenditures are for extra duty and substitute costs

**What is the average salary and employee benefit of a teacher?**

The average annual salary and employee benefit of a teacher in the District is **\$159,904** (Average salary is \$113,493 and average employee benefit is \$46,411).

**How much revenue per student does BUSD receive compared to other Santa Clara County School Districts?**

Palo Alto Unified \$23,785\* Santa Clara Unified \$20,440\* Campbell Union \$14,360\* Franklin McKinley Elementary \$14,247 Alum Rock Elementary \$13,958 Mt. Pleasant Elementary \$13,316 Oak Grove Elementary \$11,965 Berryessa Union \$11,347

\*Basic Aid/Community Funded District

# Budget Reserve Requirements

## **What is BUSD's Reserve and what is the required level of Reserve?**

The State requires that the District maintain a 3.0% reserve. School Services of California (SSC) recommended to maintain at least 10% reserve. Further, SSC explained that the average reserve of an elementary school district in California is nearly 20%. The District's reserve is 3.25% or \$3.26 million.

## **For BUSD, is the general fund Ending Fund Balance (EFB) the same as the Reserve Amount?**

No, the EFB is composed of the unrestricted and restricted components of the general fund. Only the unrestricted general fund EFB is included in the Reserve Amount. The Reserve Amount also includes funds set aside in Fund 17 (Special Reserve Fund).

## **What is the equivalent of a 3% reserve as it relates to the Districts overall financial commitments?**

A 3.0% reserve could cover approximately two weeks of the District's overall financial commitments

# Pensions

## **What are the pension systems in the District?**

There are two (2) pension systems in the District

- State Teachers Retirement System (STRS) and Public Employee Retirement System (PERS). STRS is the pension system for certificated staff (e.g. teachers, counselors, nurses, program specialists, psychologists, and speech language pathologist).
- PERS is the pension system for classified staff (e.g. clerical, para-educator, custodian, maintenance and ground staff).

**Please explain the increasing cost of pension.**

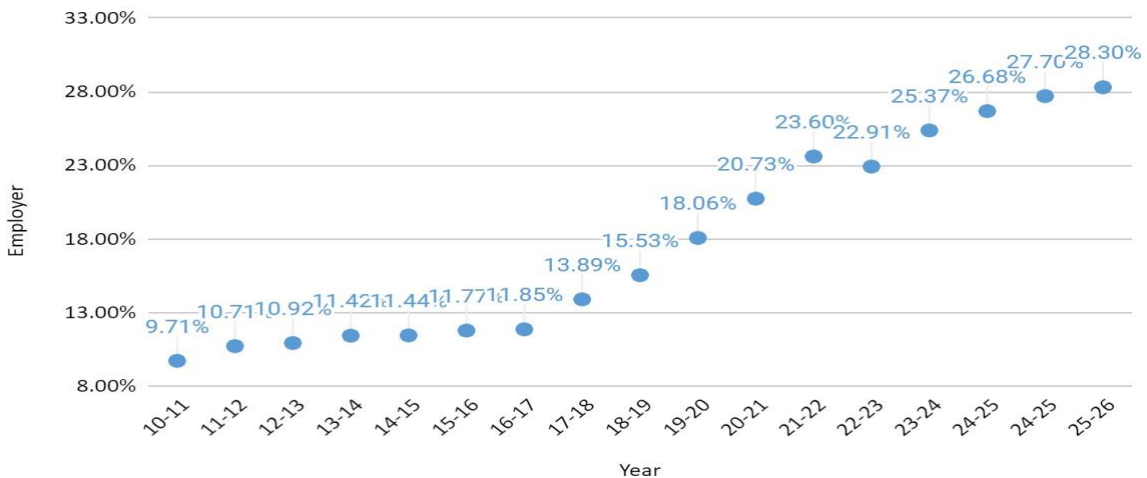
STRS - For many years prior to 2014-15, certificated staff contributed 8.0% of their gross pay towards STRS while the District contributed 8.25%. Starting in 2014-15, the State mandated annual increases in contributions from both employees and employers. The employees' contribution increased to 10.25% in 2016-17, while the District's contribution increased to 19.10% in 2022-23 and is expected to continue at that level. Below is a chart of the annual increases in STRS contribution:

**STRS Employer Contribution**



PERS - Historically, classified staff contributed 7.0% of their gross pay towards PERS while the District contributed 9.71%. Starting in 2010-11, the State mandated annual increase in contribution from the employers. The District's contribution increased from 9.71% in 2009-10 to 26.68% in 2023-24 and will continue to increase to 28.3% in the next two years. The contribution from the employees remained the same at 7.0%. Below is a chart of the annual increases in PERS contribution:

**PERS Employer Contribution**



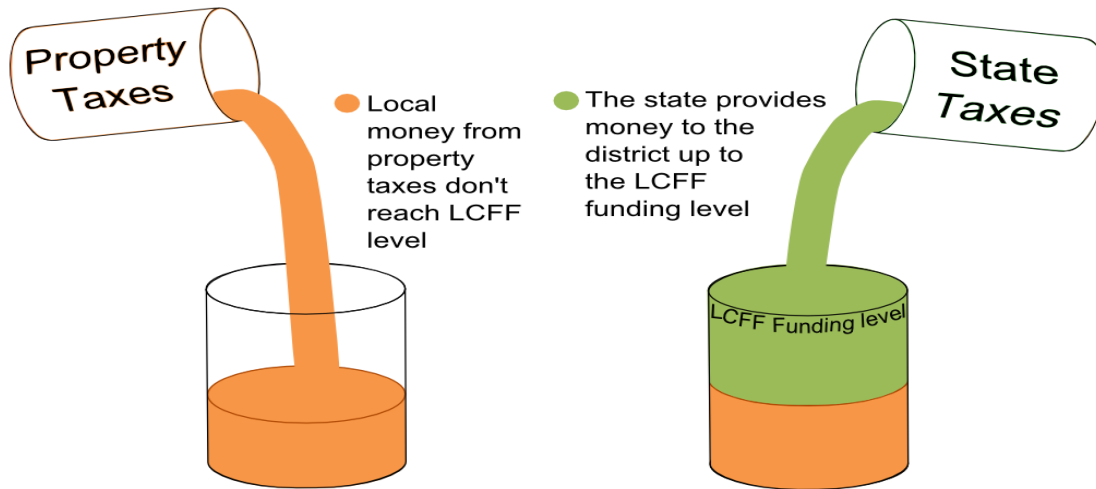


# Basic Aid

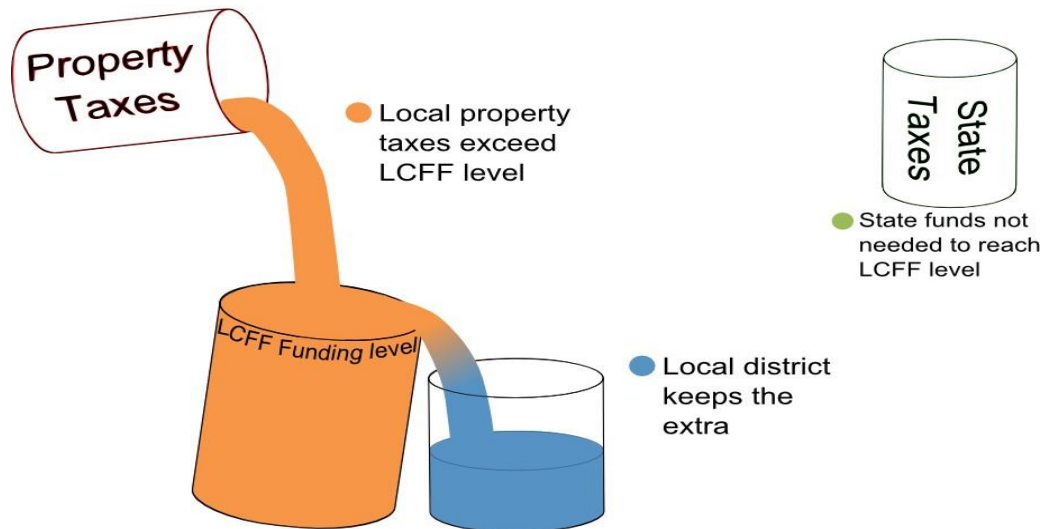
## What is a Basic Aid/Community Funded District?

There are two ways that a school district can be funded: fully funded through LCFF (combination of property taxes and state funding) or funded solely by local property taxes (Basic Aid). Property tax revenue in Basic Aid districts exceeds what the State allocates to them under LCFF and the district is able to keep the excess revenue over and above their LCFF calculation.

### District Funding Under LCFF =



### "Basic Aid" District Funding



See video from Silicon Valley Education Foundation for more detail:

<https://www.svefoundation.org/zip-code-code-red>