
North Monterey County Unified
School District
Budgeting 101
Presented to Budget/Program Review Committee
A Superintendent's Advisory Committee
By: Liann Reyes,
Asst. Supt. Business Services
Jan 10, 2018

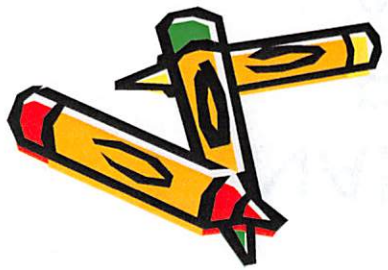
GLOSSARY and ACRONYMS

- Supplemental handout will be provided with key terms to familiarize committee with terminology
- If at any time a term is used that you don't know, please ask for clarification!





THE ACCOUNTING CYCLE AND REPORTING



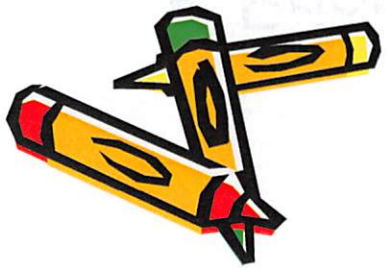
FINANCIAL REPORTING CALENDAR
Fiscal Year July 1 - June 30
(Note: Federal Calendar is Oct 1 - Sept 30)



Item	Description	Date Due
Annual Budget	District adopts budget	Before Jul 1
First Interim	Status of District's financial health as of Oct 31; must be able to certify if financial obligations can be met for current and two subsequent fiscal years	Dec 15
Second Interim	Status of District's financial health as of Jan 31; must be able to certify if financial obligations can be met for current and two subsequent fiscal years	Mar 15
Unaudited Actuals	District unaudited actual data, including Gann Limit	Sept 15
Audit	District audit due to COE & State Controller	Dec 15

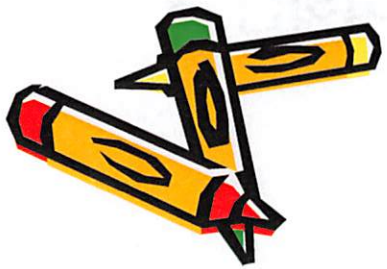
SACS

- District's official financial statements are produced from the State approved software called Standardized Account Code Structure ("SACS")
- SACS is a statewide, uniform financial reporting format
- The district uploads from its financial software system (Escape) in to the State approved SACS software



SACS

- Prior to SACS, California was one of a few states that could not report properly to the Federal Government
- Each district had its own individual accounting structure, so reported data was not uniform, and timely information was not available
- California struggled with producing a multitude of detailed reports required by state and federal government

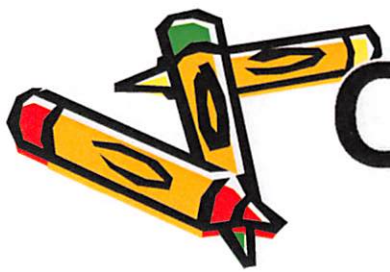


SACS



- At risk was Federal funding!
- Statute was passed in 1993 and 1995 calling for:
  - Development of a model accounting and budget structure
  - Plan for conversion statewide
- The accounting firm of Ernst & Young developed the structure and prepared a plan for statewide conversion

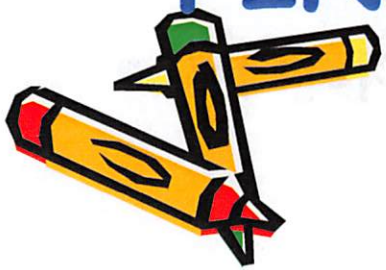
..... During this time, many seasoned business folks retired and left the industry as the task seemed

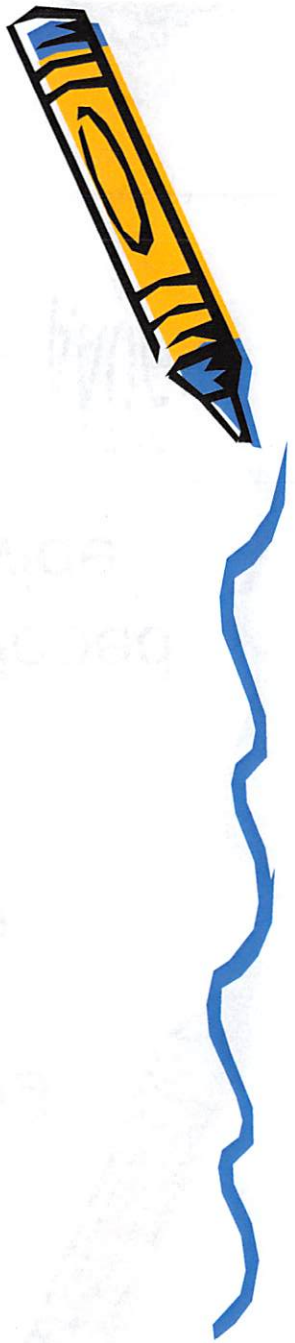


OVERWHELMING!



HISTORY OF SCHOOL FINANCE

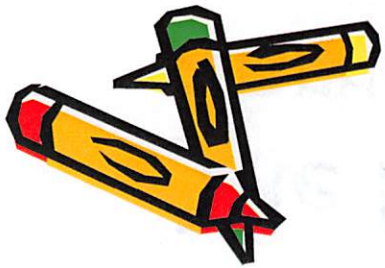




The History of School Finance



- School finance in California has largely been shaped by lawsuits and initiatives, starting in the late 1960's.
- Four major legal and initiative-driven forces that shaped past and future funding for schools:
    1. Serrano Decision
    2. Proposition 13
    3. Proposition 4
    4. Proposition 98

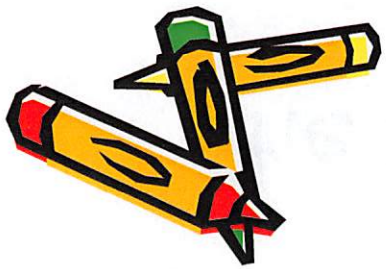




The History of School Finance
Serrano: 1968



- Most K-12 revenues were generated from property tax revenue. As property values rose, so did revenue for schools.
  - FANTASTIC IF… you lived in an area where property values were high.
  - NOT SO GREAT IF… you lived in an area where values were low, thereby generating modest funding levels for your schools.





The History of School Finance
Serrano: 1968



- In 1968, a parent of a student from a low-property-wealth school district in Los Angeles initiated a lawsuit against Ivy Baker Priest, the State Treasurer. The parent's name was John Serrano, and the landmark case of ***Serrano v. Priest*** came in to being.





The History of School Finance
Serrano: 1968



- In 1976, the Supreme Court finds for Serrano, declaring that the dependency on local property wealth to drive a school's financing violated "equal protection" rights of pupils in low wealth districts, as they were denied an equal educational opportunity.
- Equalizing pre-existing differences was not easy -- the complications of school finance were born!



Serrano v. Priest (1976) 18 Cal. 3d 728.



The History of School Finance
Serrano: 1968



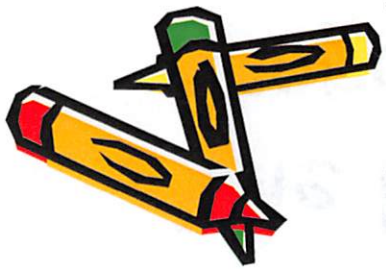
- In 1973-74, base Revenue limits are adopted. Revenues are derived by taking a base revenue amount per unit of average daily attendance (ADA).

- General purpose revenue formula multiplied ADA* by the base revenue limit amount, and then funded as follows:

  \+ Local Property Taxes

  + State Aid

  Total Funding



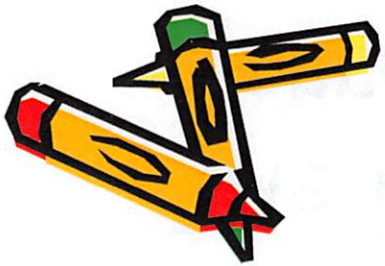


*Average Daily Attendance

The History of School Finance
Proposition 13: 1978-79



- Also known as The People's Initiative to Limit Property Taxation (also, The Jarvis-Gann Amendment), Prop 13 results in an average cut of 60% in property taxes by limiting the general purpose tax rate to 1%.
- School districts must now rely heavily on the State Aid component of funding and are not allowed to increase their property tax rates for general purpose or operational revenues.





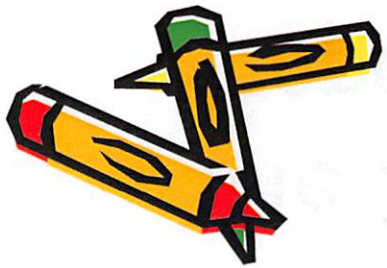
The History of School Finance
Proposition 13: 1978-79



- Consequences of Prop 13:
  - **Inflation Increases** –

    State pays 100% of marginal cost of an inflation increase; also known as cost-of-living adjustments (COLA)
  - **Dependent on State's Economy** –

    K-12 funding now impacted by fluctuations in State tax collections. Prior to Prop 13, schools could depend on the steadiness and certainty of property taxes.





The History of School Finance
Proposition 13: 1978-79



- Consequences of Prop 13:
  - **Mandated Cost Reimbursement** – Legislature and Governor must approve supplemental state funding for court-ordered and federal mandates. Prior to this, local property taxpayers footed the bill.
  - **Limited Local Revenue Options** – Ability to raise discretionary revenues severely limited.





The History of School Finance
Proposition 4: 1979



- Prop 4 was established to place constitutional limits on government spending.
- These limits are commonly called Gann Limits (after initiative author Paul Gann), and allow government spending to grow at a rate no faster than inflation and the change in population.
- The limits are tied to either the percent change of the U.S. Consumer Price Index (CPI) ***or*** percent change in California per capita personal income, whichever is ***less.***

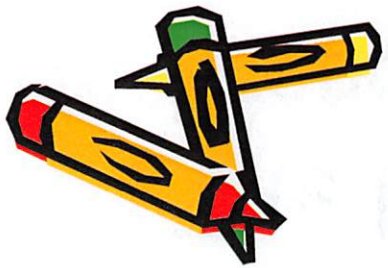


The History of School Finance
Proposition 4: 1979



- From 1978-79 base year, per capita personal income grew at 113%, but Prop 4 allowed growth of only 84% over this period.
- Prop 4 was not a "status quo" limitation, but rather served to ratchet down government spending.
- During this period of politics, the tax initiatives that were being brought forward were referred to as "The Taxpayer's Revolt!"





The History of School Finance
Proposition 4: 1979

- Gann limits constrained state spending only once, in 1986-87.
- A $1.1 billion excess due to favorable capital gains tax rates resulted in high state income tax revenues. The state, under Gov. George Deukmejian, rebated that amount to taxpayers.
- The long term economic forecast indicated that the budget would require cuts, despite available state taxes that could be used to avoid the cuts.





The History of School Finance
Proposition 98: 1988



- Education community places Prop 98 on the ballot to provide constitutional protection of funding for K-12 and community colleges.
- Prop 98 nullified the constraints of the Gann limit, and Prop 111 re-established realistic Gann spending limits, so districts ***are*** still subject to the Gann Limit and report out on these limitations once per year.

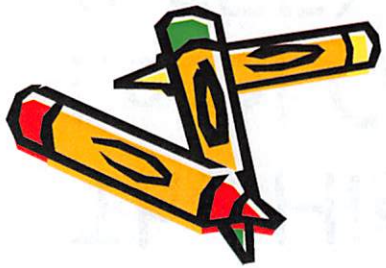




The History of School Finance
Proposition 98: 1988



- The inflation factor was now defined as tied to the CPI, therefore removing the ratchet down effect.
- Gann limits can now grow with overall state economy.





The History of School Finance Local Control Funding Formula: 2013 (LCFF)



- Replaced K-12 finance system which had been in place for roughly 40 years.
- LCFF establishes base, supplemental, and concentration grants in place of Revenue Limit, block grants, and 50-plus state categorical programs
- Intent was to put spending control in to the hands of local districts (LCAP), and to simplify the process





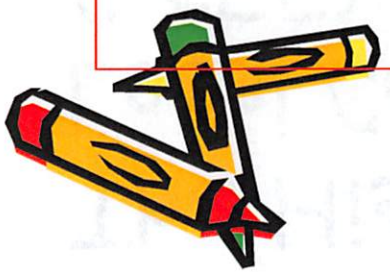
The History of School Finance
Local Control Funding Formula: 2013 (LCFF)



#1: BASE GRANT

Formula is driven by uniform base grant times ADA by the following grade spans:

- Grades K-3
- Grades 4-6
- Grades 7-8
- Grades 9-12



#2: GRADE SPAN ADJUSTMENTS

A 10.4% on base amount adjustment for K-3, but required to have avg K-3 class enrollment of no more than 24:1

---- and ----

A 2.6% on base amount adjustment for 9-12

The History of School Finance Local Control Funding Formula: 2013 (LCFF)

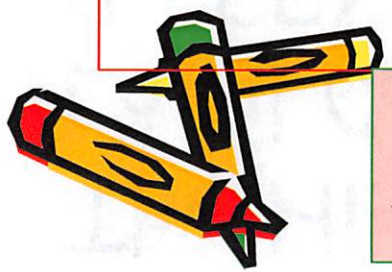


#3: SUPPLEMENTAL GRANT

Equal to 20% of adjusted base grant x ADA of the % of unduplicated targeted* pupils

#4: CONCENTRATION GRANT

Equal to 50% of adjusted base grant x ADA of the % of targeted pupils that exceed 55% of total enrollment



*English Learners (EL), Free & Reduced Meal (FRPM), and Foster Youth

The History of School Finance
Local Control Funding Formula: 2013 (LCFF)

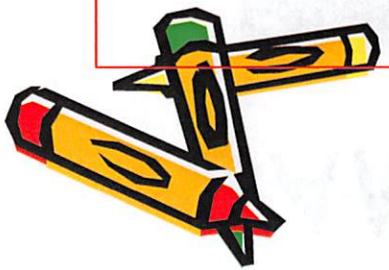


#5: TRANSPORTATION

"Add on" equal to amounts received in 2012-13, and requires that 2012-13 expenditure levels continue to be maintained (MOE)

#6: TARGETED INSTR. IMPROVEMENT

"Add on" equal to amounts received in 2012-13



SAMPLE CALCULATION

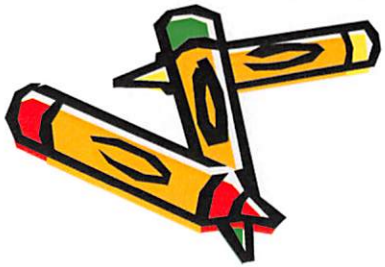
#1 Base Grant	Year 2017-18 TARGET	ADA
Grades TK-3	$7,193	1367.70
Grades 4-6	$7,301	995.65
Grades 7-8	$7,518	650.47
Grades 9-12	$8,712	1283.99

#2 Grade Span Adjustment	Year 2017-18 TARGET	ADA
Grades TK-3 10.4% of Base $7,193	$748	1367.70
Grades 9-12 2.6% of Base $8,712	$227	1283.99

Subtotal Adjusted Base Grant	Year 2017-18 TARGET	ADA
Grades TK-3	$7,941	1367.7
Grades 4-6	$7,301	995.65
Grades 7-8	$7,518	650.47
Grades 9-12	$8,939	1283.99

SAMPLE CALCULATION

#3 Supplemental Grant		Year 2017-18 TARGET	ADA
Grades TK-3	20% of ABG $7,941	$1,588	1367.70
Grades 4-6	20% of BG $7,301	$1,460	995.65
Grades 7-8	20% of BG $7,518	$1,504	650.47
Grades 9-12	20% of ABG $8,939	$1,788	1283.99
#4 Concentration Grant if > 55% Population		**Year 2017-18 TARGET**	**ADA**
Grades TK-3	50% of ABG $7,941	$3,971	1367.70
Grades 4-6	50% of BG $7,301	$3,651	995.65
Grades 7-8	50% of BG $7,518	$3,759	650.47
Grades 9-12	50% of ABG $8,939	$4,470	1283.99



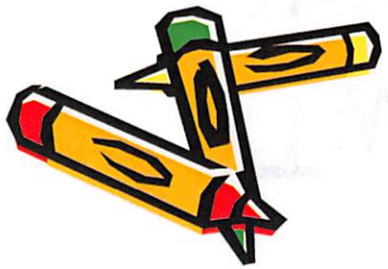
UNRESTRICTED AND RESTRICTED BUDGETS: HOW BUDGETS ARE CATEGORIZED



The Overall Budget

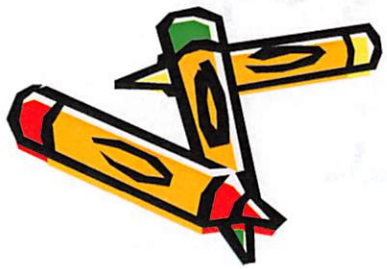
The budget is first tracked by Fund; below is a listing of the funds currently used by NMCUSD:

Fund Name	Fund #	Fund Name	Fund #
General	01	Building	21
Adult Education	11	Capital Facilities	25
Child Development	12	Debt Service	56
Cafeteria	13	Self Insurance	67
Deferred Maintenance	14		



Two Major Categories

- Next, revenue is recorded in to two major categories in each of the previously mentioned funds:
  - Unrestricted
  - Restricted



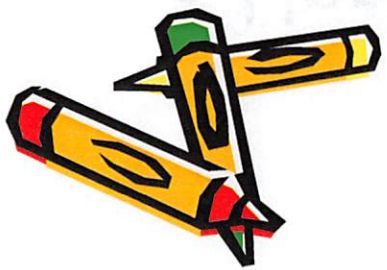
Unrestricted

- Unrestricted revenues are funds that can be used by the District in almost any manner they see fit to provide education to children.
- LCFF has, however, slightly modified this description as several sources of unrestricted dollars are actually restricted (targeted) for the population that generates those dollars.



Unrestricted

- Targeted unrestricted dollars must be spent according to the district's Local Control Accountability Plan (LCAP), a three-year plan that describes the goals, actions, services, and expenditures to support positive student outcomes that address state and local priorities.



Unrestricted



- The unrestricted budget is further tracked by specific Resource codes
- Each Resource must be kept in balance and acts like its own checkbook
- The following table is a listing of all the unrestricted resource codes in the general operating Fund 01 currently in use:

Resource Name	Res #	Resource Name	Res #
Unrestricted	0000	9-12 Grade Span Adj	0930
ROC/P CTE Pgm	0350	Suppl / Conc Grant	0940
Credit Recovery	0390	State Lottery	1100
K-3 Grade Span Adj	0920	Education Protection Acct	1400



Restricted

- Restricted budgets are funds that are provided by the State or Federal government or donor, and must be used exclusively in the program in a manner in which the entity has directed.
- The following table is a listing of all the restricted resource codes in the general operating Fund 01 currently in use:

Federal Resource Name	Res #	State/Local Resource Name	Res #
Title I	3010	After School Ed & Safety	6010
Title I, Migrant Ed	3060	CA Clean Energy (Prop 39)	6230
Title I, Migrant Summer	3061	Educator Effectiveness	6264
Special Ed IDEA Basic	3310	Lottery: Instr Materials	6300
Special Ed Inclusive Pract	3386	CTE Incentive Grant	6387
Carl Perkins Voc Prog	3550	Special Ed	6500
Title II Improv Teach Qual	4035	Tobacco Use Prevention TUPE 6-12	6690
Title III English Learner	4203	College Readiness Block Grnt	7338
DHCS Medi-Cal	5640	STRS On Behalf Pension	7690
		Ongoing & Major Maint aka Routine Rest Maint	8150
		Other Local	9010

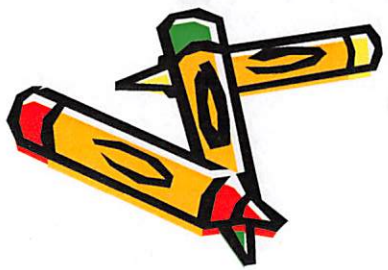
One Time Money

- District can receive grants or other sources of one time revenue
- Often times this is part of the Restricted budget
- The assumption is that those funding sources will not repeat
  - One time money is only spent on one time costs
- Examples of one time money received in the past is School Improvement Grant (SIG), Mandated Cost Reimbursement, College & Career Readiness, Educator Effectiveness….



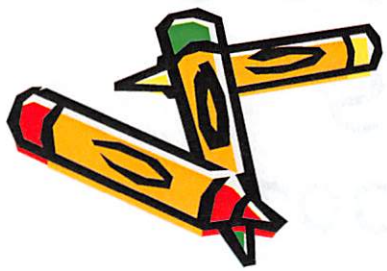
Object Classification

- So far we have discussed the funds and resources that make up the budget
- Next we will begin the discussion on Object codes in the budget
- OBJECT codes are used to classify expenditures according to the types of items purchased or services obtained



Year, Goal & Function Classification

- The project YEAR field is used to distinguish grants whose "project year" is different the the District's fiscal year (ex. Federal fiscal year is Oct thru Sept, the district's is July thru June)
- GOAL defines a set of objectives and provides the framework for charging costs to the same instructional and support goal
- FUNCTION field groups together related activities

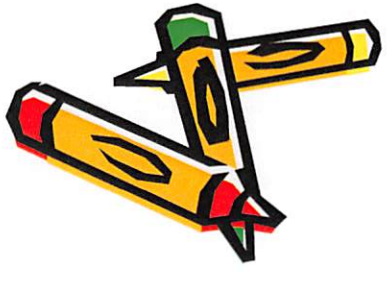


Locally Defined Classifications Sub Obj, Site, Local, Mgmt

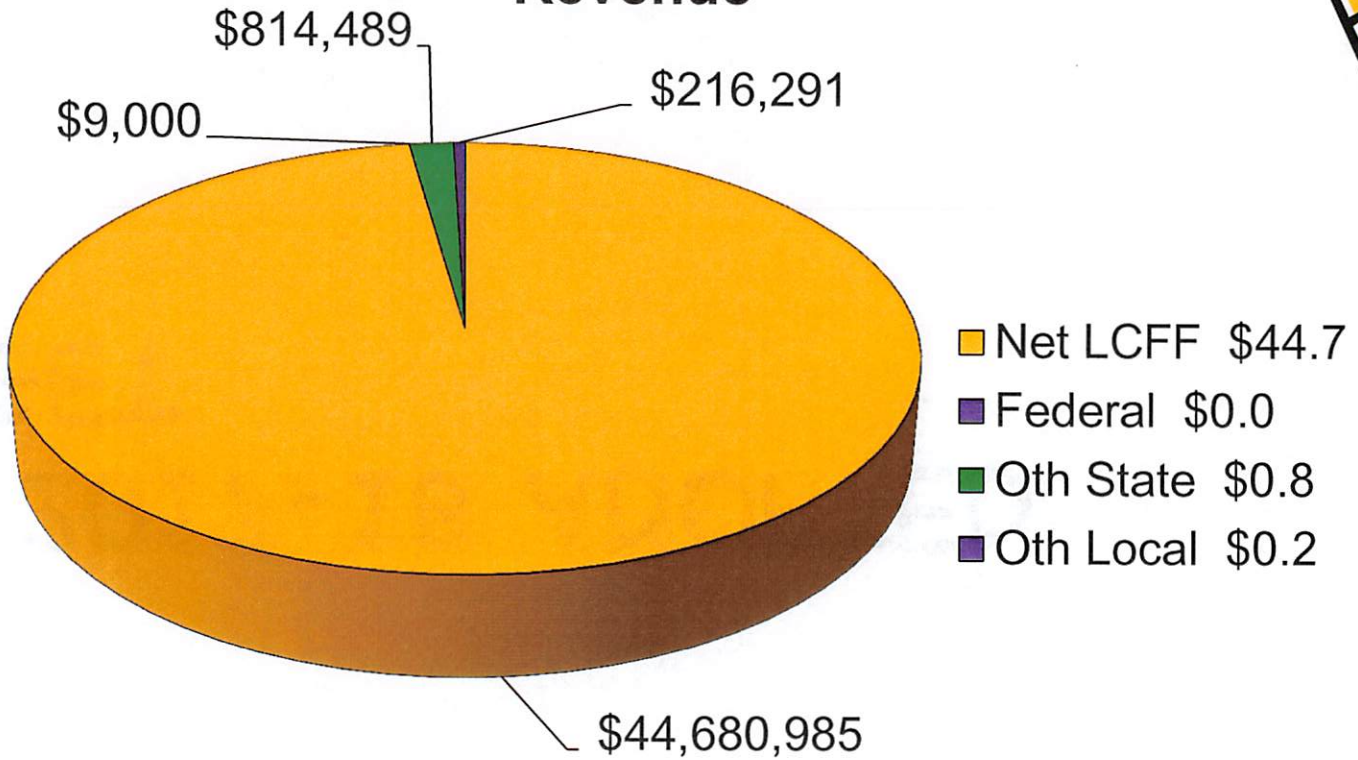
- SUB OBJECTs greater than "00" are used to further clarify types of payroll (Hourly Pay, Stipends, etc.)
- SITE defines a physical structure and refers to the physical location of the building where students attend class
- LOCAL is used and defined according to the district's needs; it is used to track specific programs or projects (like bond projects)
- MANAGEMENT used to track each site and budget managers' LCAP goals



THE 2017-18 ADOPTED BUDGET



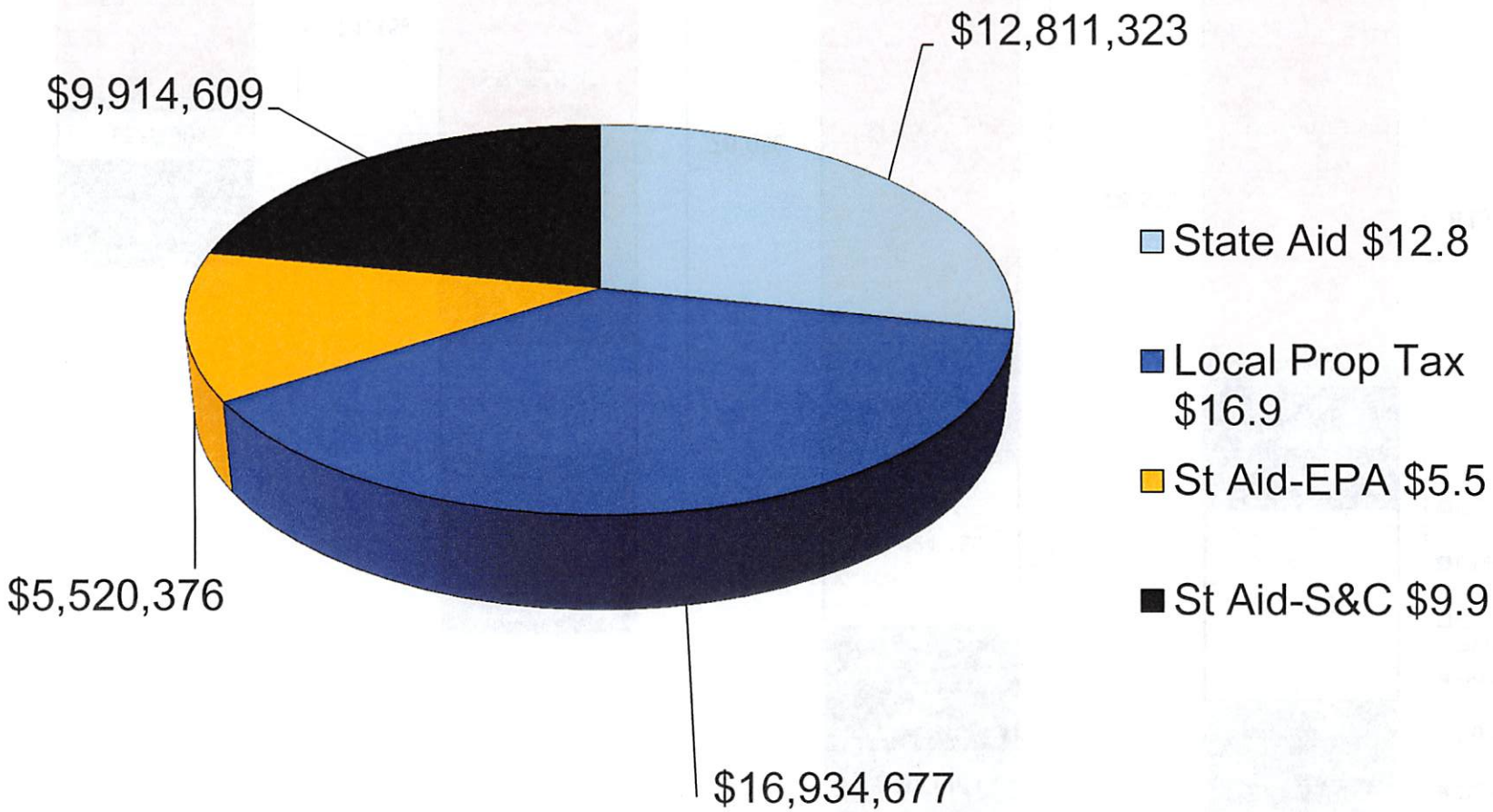
Total 2017-18 Adopted Unrestricted Revenue



Total Unrestricted Revenue = $45,720,765

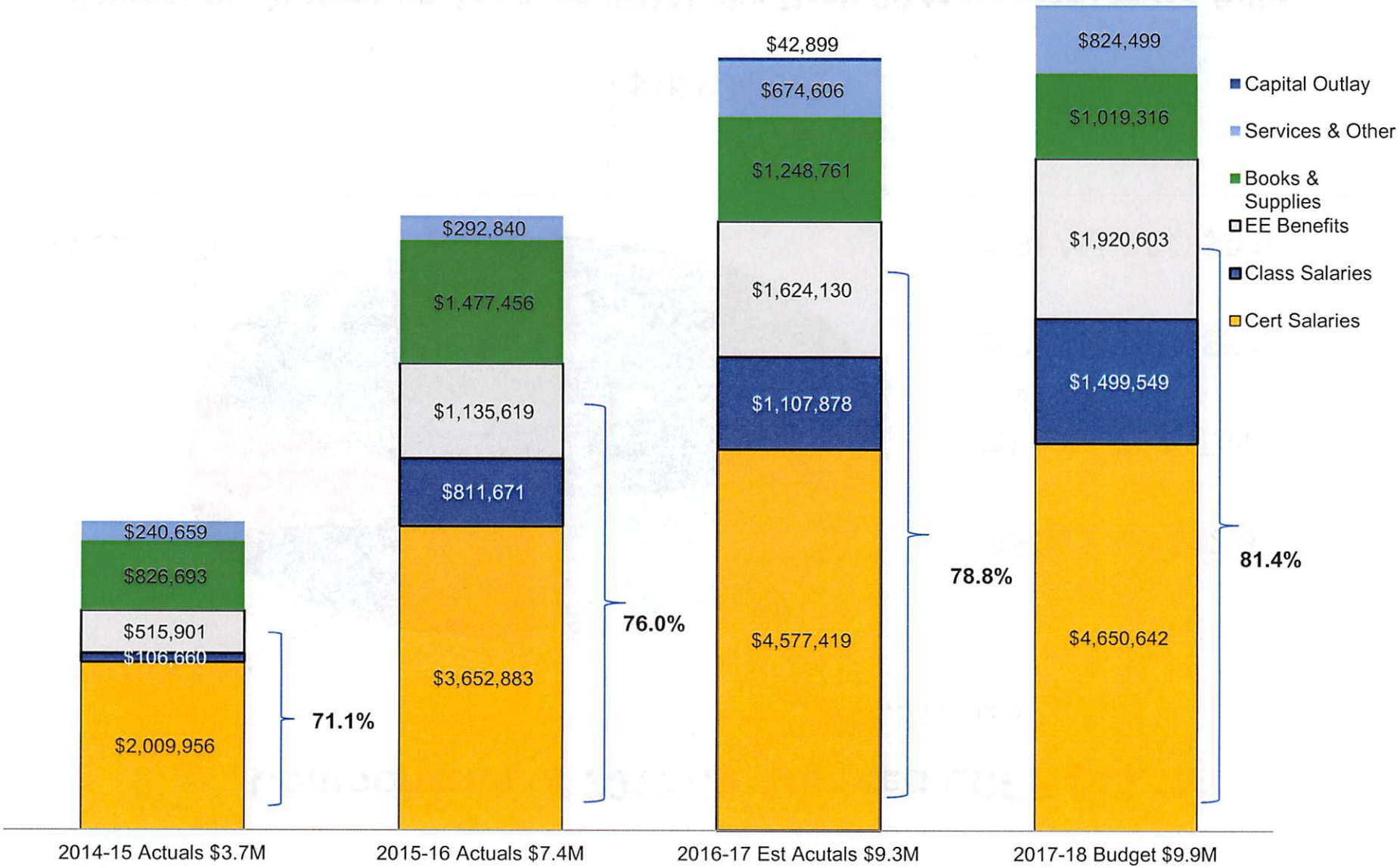
+ Other State primarily includes Mandated Block Grant and Lottery
+ Other Local primarily includes interest, rents, and salary reimbursements.

Components of 2017-18 Adopted LCFF $45.1M

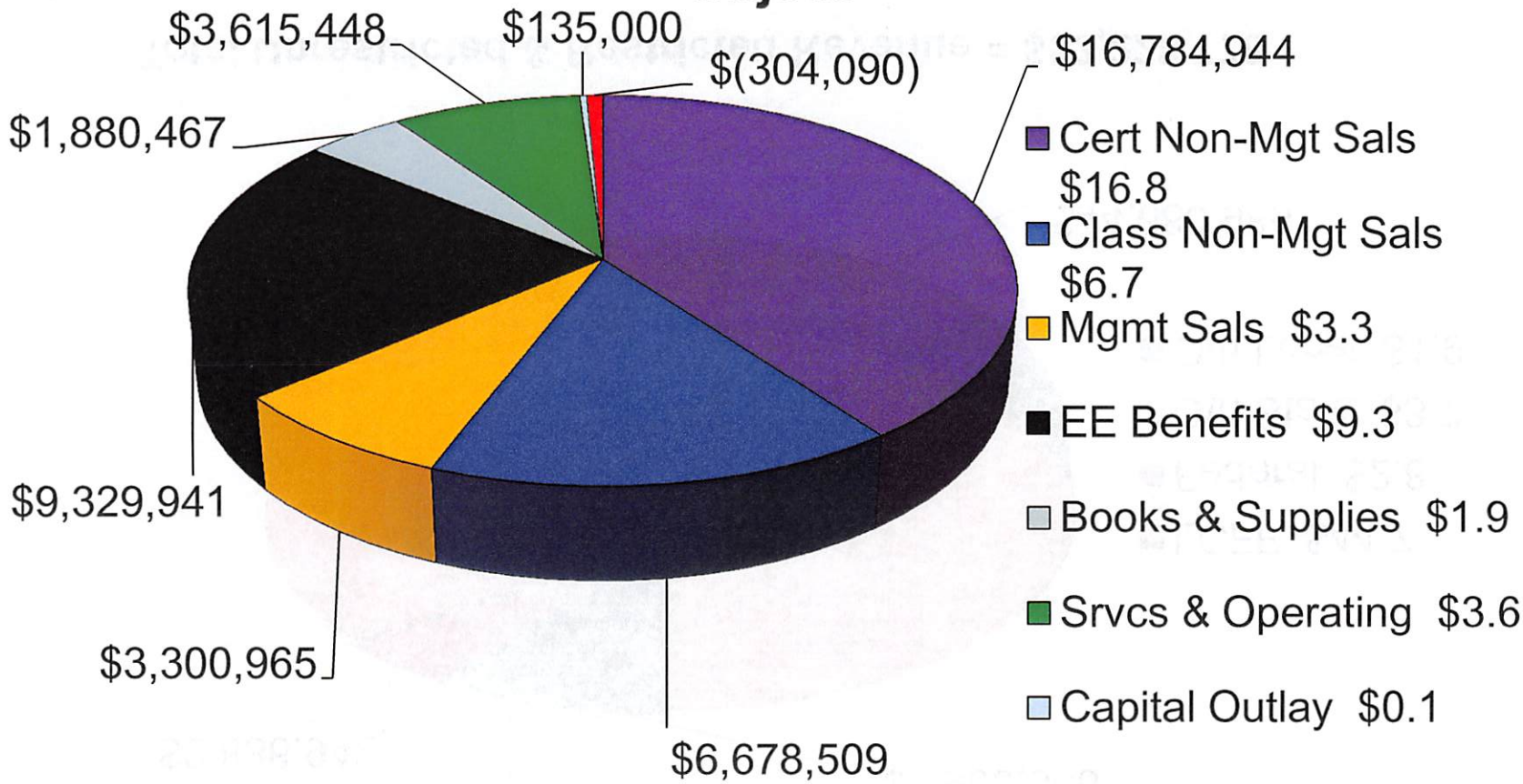


+ Education Protection Account (EPA) aka Prop 30 temporary taxes fully expires Dec 2017; however, Prop 55 takes effect January 1, 2018, with the full statutory reporting requirements of Prop 30.

TARGETED Supplemental & Concentration Grant Expenses by Object



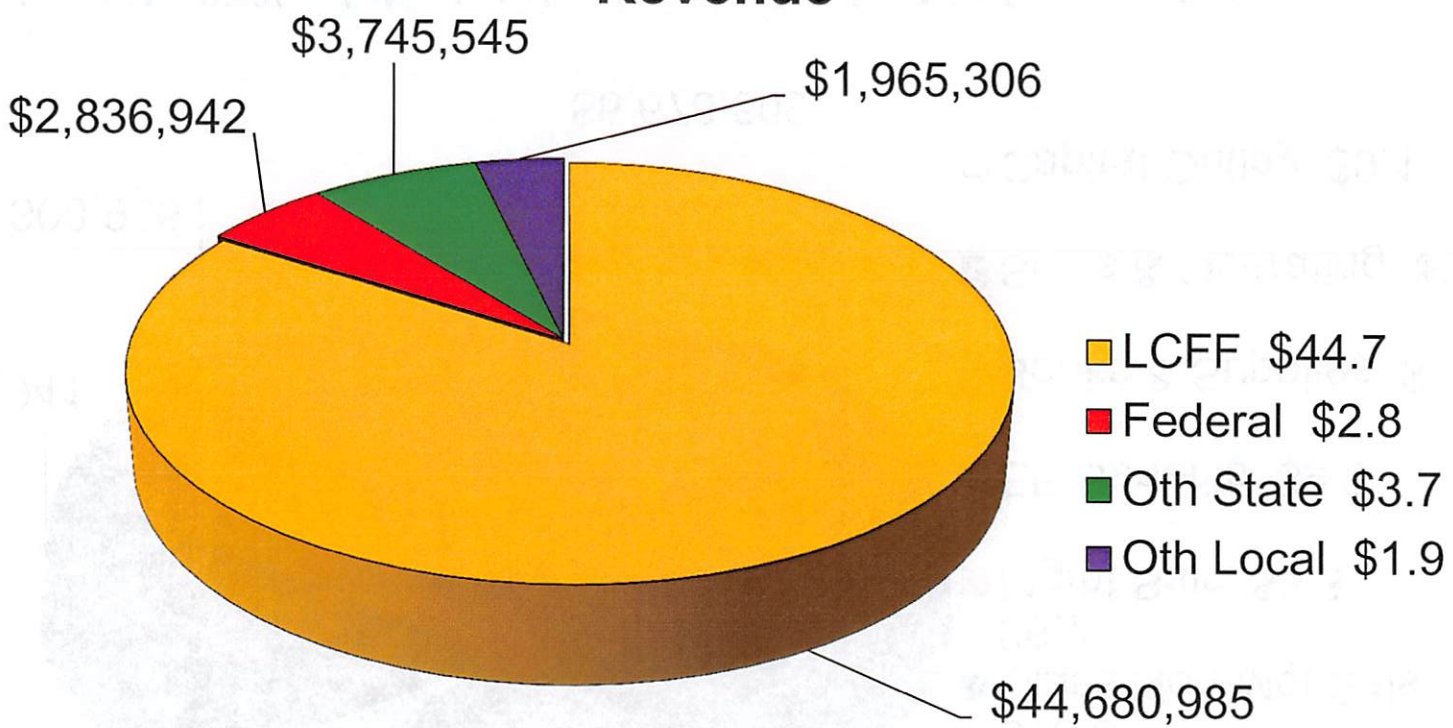
Total 2017-18 Adopted Unrestricted Expense By Object



+ Approximately 87% of the total expense budget is for employee salaries and benefits

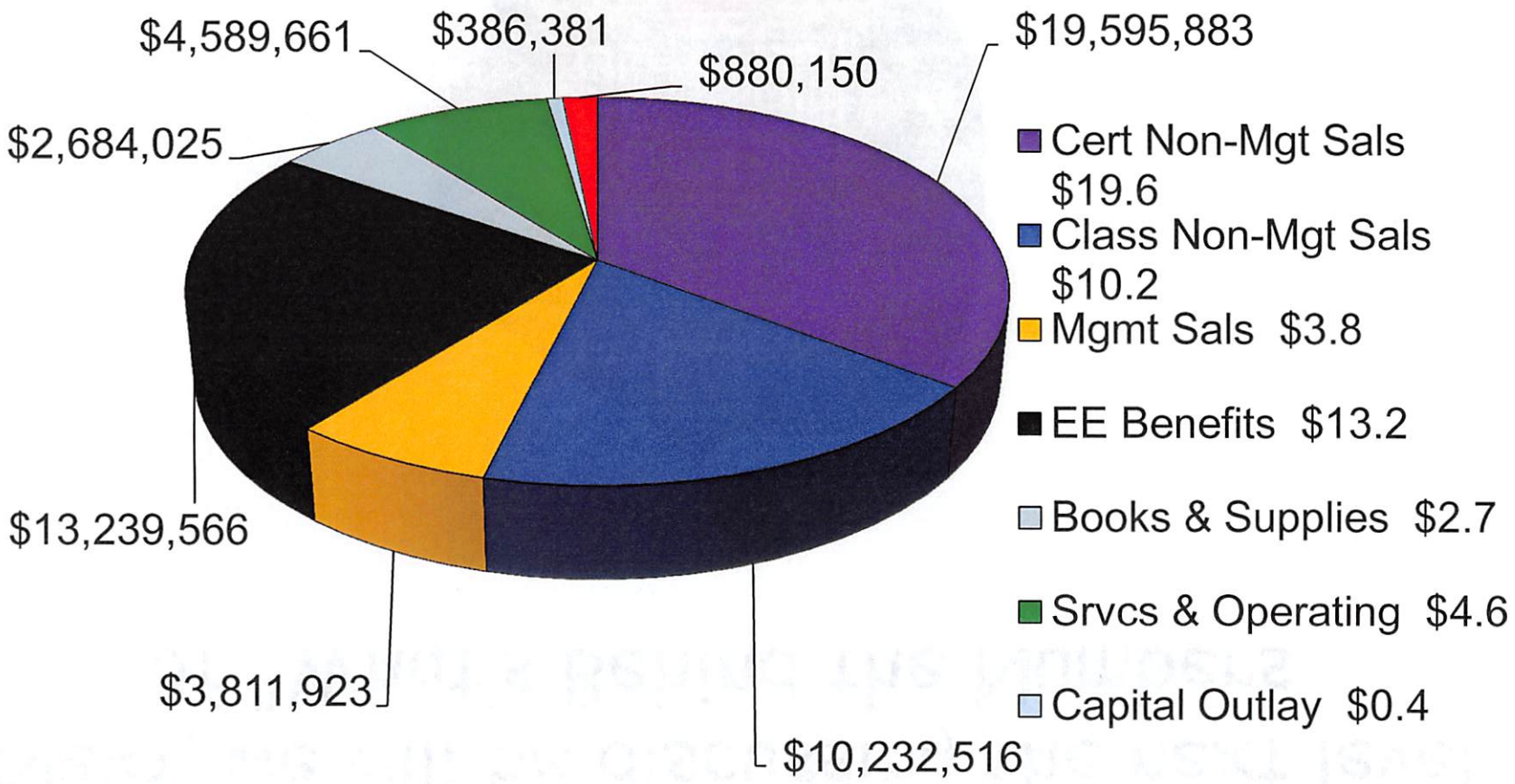
Note that Other Outgo is a negative expense due to Indirect Charges

Total 2017-18 Adopted Combined Revenue



Total Unrestricted & Restricted Revenue = $53,228,778

Total 2017-18 Adopted Combined Expense By Object



Total Combined Expenses = $55,420,105

Next, we will be discussing the next level of "What's Behind the Numbers"

