



2015-16 Second Interim

March 2016

Second Interim

Slightly Lower Ending Balance for 2015-16

- Our Second Interim projection (2P) shows a slight increase in LCFF revenues due to a change in GAP funding and unduplicated count.
- 2P also shows an increase in projected expenditures due to higher risk management costs. This is partially offset by decreases in contribution to Special Education, Cafeteria, and Early Education Programs.
- The increase in revenue and expenditures translates to a revised 2015-16 unassigned ending balance of roughly \$129.1 million.
 - This is lower than at First Interim by \$17.2 million
 - This balance has been committed to help address the projected out-year deficit.
- Our fiscal outlook shows improvement.

Second Interim

Governor's Budget and Increased Unduplicated Percentages

- The Governor's Proposed Budget provided good news, with roughly \$170 million in additional money for this year and the next two out years.
 - The new monies are primarily for future years.
 - More than \$100 million of these funds are one-time dollars for 2016-17.
- The District's unduplicated count percentage also increased.
 - The increase in the 2015-16 unduplicated percentage from 82.36% to 84.12% translates to a projected revenue increase of almost \$60 million over three years.

Second Interim

Fiscal Outlook Has Improved, But Deficit Remains

- For the first time since 2008-09, the District's first out year (2016-17) is completely balanced without a need for a fiscal plan.
- The second out year (2017-18) is close to being balanced as well.
 - In December, we estimated a net deficit of \$225m for 2017-18
 - Now we estimate a deficit of less than \$100m
- As a cautionary note, we're still relying on one-time funds and reserves to address the structural deficit in all three years.

Ending Balances (in millions)	2015-16	2016-17	2017-18
Non-Cumulative Unrestricted Ending Balance	(-\$59.6)	\$137.4	(-\$338.7)
Cumulative Unrestricted Ending Balance	\$129.1	\$266.5	(-\$72.2)

Components of Ending Balance

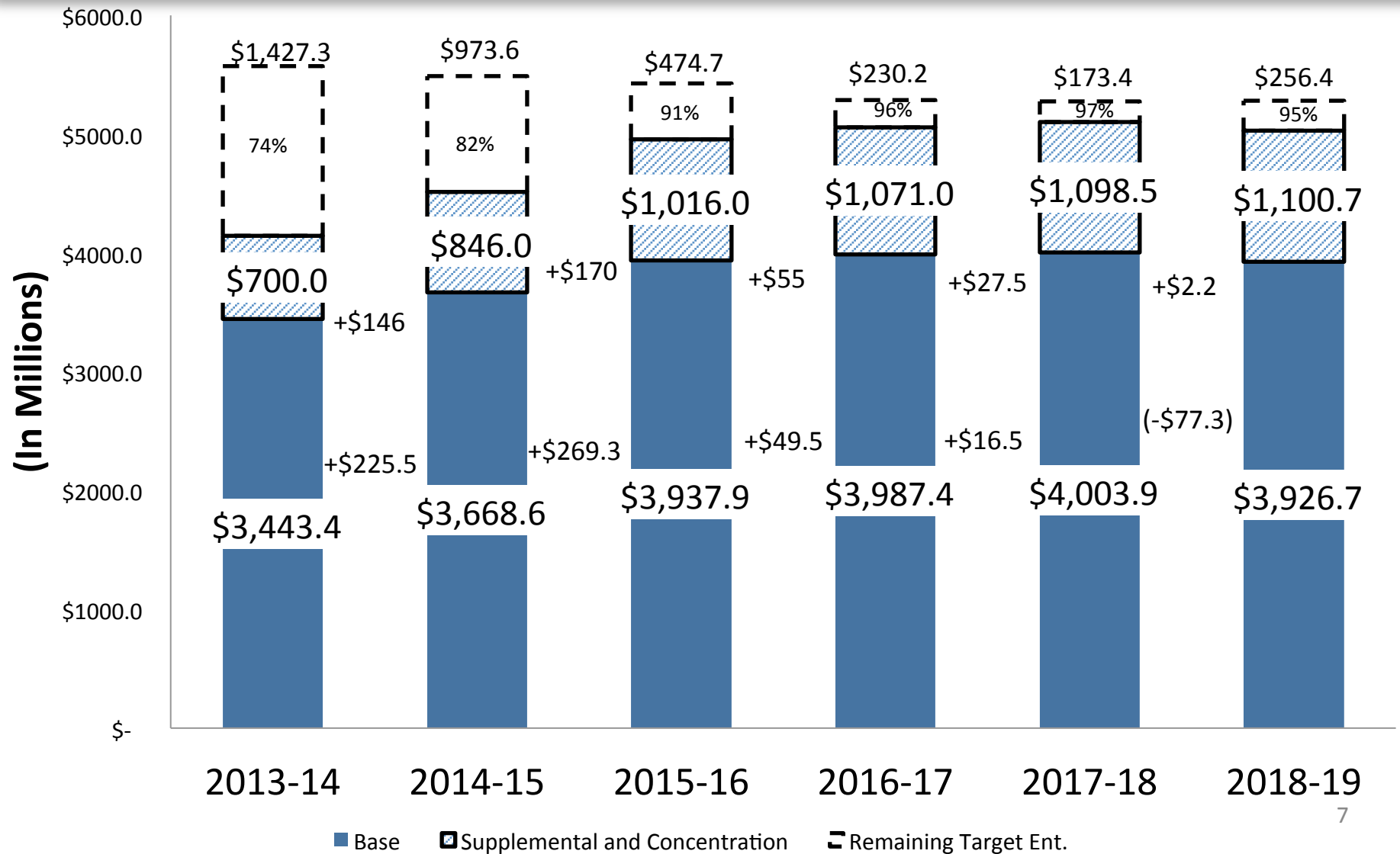
Ending Balance (in millions)	2015-16 2 nd Interim	2016-17 2 nd Interim	2017-18 2 nd Interim
Non-spendable (inherently non-spendable)	\$20.7	\$20.7	\$20.7
Restricted (externally enforceable limitations)	\$137.9	\$105.2	\$91.2
Committed (self-imposed by highest level of authority)	\$218.3	\$0.0	\$0.0
Assigned (limitation resulting from intended use)	\$457.7	\$370.5	\$430.9
Unassigned- (Reserve for Economic Uncertainties)	\$72.4	\$72.4	\$72.4
Unassigned (residual resources for unrestricted use)	\$129.1	\$266.5	(\$72.2)
Estimated Total Ending Balance	\$1,036.0	\$835.2	\$543.0

Majority of the District's Assigned Ending Balances are in the General School Allocation and School Site Programs.

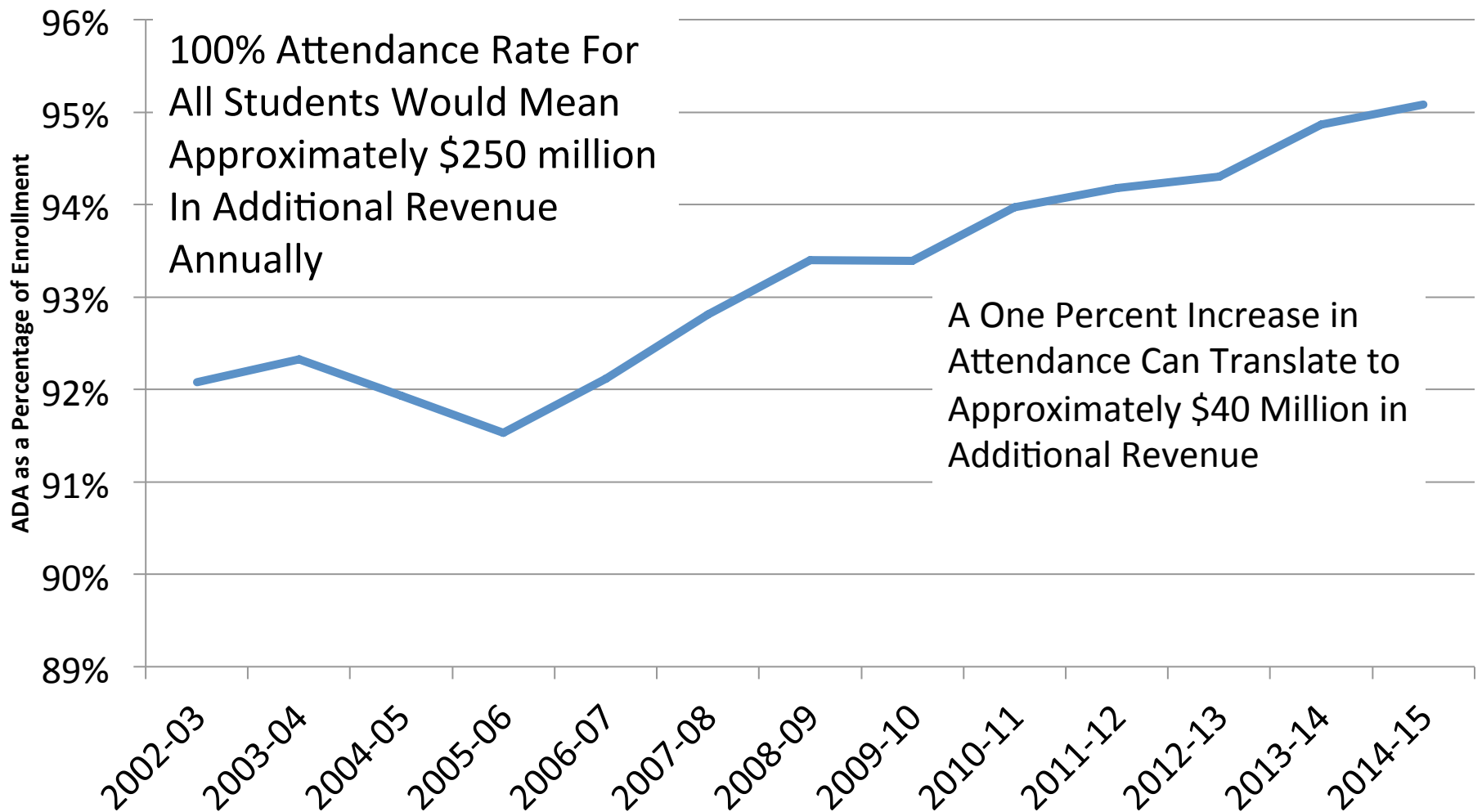
Fiscal Stabilization Plan

	Option 1: Implementation of IFRP Recommendation	Option II: All OPEB Solution
Deficit for 2017-19	\$ (72.20)	\$ (72.20)
Solution		
Implementation of the Independent Financial Review Panel (IFRP) recommendations (15%)	\$102.80	
Zero Out Planned OPEB Trust Contribution		\$101.30
Balance After Implementation of Solution	\$ 30.60	\$ 29.10

LCFF Revenue Will Slow in Future Years



The District's Student Attendance Rate Has Increased Significantly Since 2002-03



In Closing

- As the District continues to face structural challenges, we must focus our energy on additional external sources of revenues.
- We must continue to build on our improved student attendance rates and seek ways to boost enrollment.
- We must also continue to identify our targeted students.
- We need to find sustainable, on-going resources to support a multi-year budget.
- We have liabilities in the near future that we need to keep in mind as we build our budget.
- We must also continue to reassess how existing resources are used to help address the District's priorities and improve graduation rates, A-G course completion, and educational quality.
- This means that we must review all our current programs closely to ensure that we are investing our resources wisely.

Second Interim

Only Slight Change from First Interim

- Our Second Interim Projection shows only a slight increase in expenditures from our First Interim Projection of \$6.7 billion in total General Fund expenditures
 - GF Restricted and Unrestricted expenditures rose by about \$70 million, a 1 percent increase from 1st Interim
- Our fiscal outlook shows improvement.

Note: Interim Projections only cover General Fund Restricted and Unrestricted resources. The Projections do not include revenue or expenditure estimates for other Operating Funds such as Adult Education Fund, Child Development Fund, and Cafeteria Fund. These funds, including the General Fund, total to \$8.1 billion of our operating budget.

Components of Ending Balance

Ending Balance (in millions)	2015-16 1st Interim	2015-16 2 nd Interim
Non-spendable (inherently non-spendable)	\$20.6	\$20.6
Restricted (externally enforceable limitations)	\$136.5	\$137.9
Committed (self-imposed by highest level of authority)	\$218.3	\$218.3
Assigned (limitation resulting from intended use)	\$485.5	\$457.7
Unassigned- (Reserve for Economic Uncertainties)	\$72.4	\$72.4
Unassigned (residual resources for unrestricted use)	\$146.3	\$129.1
Estimated Total Ending Balance	\$1,079.6	\$1,036.0

Components of Assigned Balance

Assigned Ending Balance (in millions)	2015-16 1st Interim	2015-16 2 nd Interim
General Fund School Allocation (Program 3027)	\$169.2	\$177.3
School Site Programs (i.e. Targeted Student Population, Donation, Filming, Regional Occupational Center Programs)	\$108.4	\$125.5
Proportionality -Portion of LCFF revenue set for Targeted Student Population (i.e. EL, Foster, F&RP)	\$96.0	\$79.3
Districtwide (i.e. Fee for Service Accounts, Energy Rebates, Audit Findings and Benefit Audit Reconciliation)	\$103.2	\$65.8
Central Office	\$8.7	\$9.8
Total Assigned Ending Balance	\$485.5	\$457.7

What's Next?

Declining Enrollment vs Increasing Fixed Costs.

- The District must continue to actively manage increasing fixed costs
 - Pension costs, legal liability increases, and other post-employment benefits (OPEB) in a declining enrollment environment.

Adequacy in Education Funding.

- We must advocate that the State provide “adequate” levels of funding for our students.
- The State must also fund the additional bills that the State has imposed on the District, such as pension increases.
- Unless Proposition 30 is extended past the current 2018 sunset date, the State’s education funding outlook remains stagnant.

What's Next?

Addressing Out Year Deficit.

We estimate a \$450 million deficit in 2018-19.

- The District will need to decide whether to address the deficit now or make difficult budget decisions later.
- If we plan for the pending deficit now, we can minimize disruption to the District's educational programs in the future.

We Must Continue to Identify Our Targeted Students

- Recent improvements in the identification of unduplicated students have translated into almost \$60m in additional revenue for the District over the next three years
- A one percent increase in identifying unduplicated students can translate to approximately \$12 million in additional revenue

	2015-16	2016-17	2017-18
Percent increase in the identification of unduplicated students, from 1P to 2P	+0.56%	+1.15%	+1.76%
Corresponding Revenue Change, 1P to 2P	\$8.1M	\$19.5M	\$32.2M