

## **BERKELEY UNIFIED SCHOOL DISTRICT**

**TO:** Donald Evans, Superintendent  
**FROM:** Javetta Cleveland, Deputy Superintendent  
**DATE:** August 6, 2013  
**SUBJECT:** 45 Day Revise to the California State Budget

### **BACKGROUND INFORMATION**

Education Code Section 42127(i)(4) specifies that no later than 45 days after the Governor signs the annual Budget Act, the District shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.

On June 27, 2013, the Governor signed the 2013-14 Budget (AB 110) and on July 1, he signed the education trailer bill AB 97 (and clean-up bill SB 91) which establishes the Local Control Funding Formula (LCFF).

The LCFF is a new funding formula for school districts that addresses the inequitable distribution of resources and ensures student needs drive the allocation of resources. The LCFF replaces revenue limits and most categorical program funding, and will restore the significant funding reductions (deficit factor) made to general purpose school funding over the last five years. Under the formula, each school district will receive a per pupil base grant based on per student funding for each grade span, K-3, 4-6, 7-8 and 9-12. Each district will receive 35% in supplemental grade funding for targeted students based on the number of English learners, pupils eligible for free and reduced-price meals, and foster youth pupils they serve. The supplemental funding will be restricted to provide supplemental services for these targeted students.

In the District's Adopted Budget, staff incorporated revenue projections based on the Governor's May revise which included an additional \$1.8 million in state funding based on LCFF. However, the enacted budget contained significant changes which increased the base grant and reduced the supplemental grant in the LCFF. The result of these changes is a net increase of \$22,785. In addition, several unrestricted and restricted programs are now rolled into the LCFF including AB 851 funding for Meals for the Needy and beginning teacher salaries that came in as part of the revenue limit. The Governor's enacted budget also includes clarification of funding that Districts will receive for Common Core State Standards (CCSS). In addition, the California Public Employees' Retirement System (CalPERS) rate increased after the District's budget was adopted.

Staff has estimated the financial impact on the Unrestricted and Restricted General fund and has provided the following information for the Board's review.

### **BUDGET REVISIONS**

- A.** Unrestricted general fund revenue will increase by \$22,785 due to revisions in the calculation of the LCFF.
- B.** As a result of the LCFF, three state programs that were restricted will be rolled into LCFF. These programs are California Health Science Capacity, California Partnership Academies, and Partnership Academies Program and total \$560,964. As a result of this reclassification the general fund lost \$33,692 in indirect cost revenue.
- C.** There was an increase in the CalPERS rate which will result in an increase of \$2,086 and \$1,931 in the Unrestricted and Restricted General Fund respectively.
- D.** Under the prior formula, the revenue limit was reduced/offset by part of the PERS retirement rate called the PERS Reduction. Years ago, the California Department of Education (CDE) reduced what it owed to Districts as part of Revenue Limit calculation by a PERS reduction. This happened when CalPERS reduced the retirement rate charged to school districts. Instead of the District getting a savings from the reduced PERS rate, the State of California took the savings by reducing the District's State revenue and the District continued to charge the old higher rate towards its payroll. The difference between and the amount due to PERS at the new reduced rate and the higher rate that the District continued to charge to payroll was used to backfill the State Revenue Limit. Under LCFF, the PERS reduction offset was rolled into LCFF as a permanent offset, therefore, there is no need to charge a PERS reduction rate to payroll to replenish the revenue limit. The net effect is zero on the overall budget because Revenue has been reduced in LCFF and expenditures likewise have been reduced. As a result, there was a decrease in PERS cost in the amount of \$87,049 and \$80,618 in the Unrestricted and Restricted General Fund respectively. The State Revenue was already permanently reduced through LCFF calculation at adoption.
- E.** The State Budget provides one-time funds for the implementation of CCSS estimated to be \$200 per student. As a result, restricted state funding will increase by \$1.8 million.

The fiscal impact of the final budget is summarized on the attached tables.

**DISTRICT GOAL**

V. Resources: Generate and equitably allocate resources for programs and services that enable every student to succeed

**POLICY/CODE**

Education Code Sections 42127(2) and 42127 (i) (4)

**FISCAL IMPACT**

Unrestricted general fund balance will increase by \$141,440 and Restricted general fund will increase by \$1,858,887 as indicated in the attached tables.

**STAFF RECOMMENDATION**

Accept this report as information.

**BERKELEY UNIFIED SCHOOL DISTRICT  
GENERAL FUND 01 - UNRESTRICTED  
45 DAY BUDGET REVISION**

	A	B	C	D		
Fund 01 Unrestricted General Fund	Revision to LCFF	Restricted Programs Rolled Into LCFF	Increased PERS Rate	Eliminate PERS Reduction	Total Adjustments	Revised Fund 01 Unrestricted
<b>REVENUES:</b>						
Revenue Limit Sources	48,321,070			-	-	48,321,070
Local Control Funding Formula	1,829,965	22,785			22,785	1,852,750
Federal revenues	-				-	-
Other State Revenues	13,022,351	560,964			560,964	13,583,315
Local Revenues	1,309,642				-	1,309,642
<b>TOTAL REVENUES:</b>	<b>64,483,028</b>	<b>560,964</b>	<b>-</b>	<b>-</b>	<b>583,749</b>	<b>65,066,777</b>
<b>EXPENDITURES:</b>						
Certificated Salaries	36,522,906	142,792			142,792	36,665,698
Classified Salaries	9,067,579	2,000			2,000	9,069,579
Employee Benefits	12,734,276	30,722	2,086	(87,049)	(54,241)	12,680,035
Books and Supplies	1,656,544	119,043			119,043	1,775,587
Services & Operating Expenses	6,545,318	232,715			232,715	6,778,033
Capital Outlay	65,994				-	65,994
Direct Support/Indirect Cost	(3,071,409)				-	(3,071,409)
<b>TOTAL EXPENDITURES</b>	<b>63,521,208</b>	<b>527,272</b>	<b>2,086</b>	<b>(87,049)</b>	<b>442,309</b>	<b>63,963,517</b>

**BERKELEY UNIFIED SCHOOL DISTRICT  
GENERAL FUND 01 - UNRESTRICTED  
45 DAY BUDGET REVISION**

	A		B		C		D	
	Fund 01 Unrestricted General Fund	Revision to LCFF	Restricted Programs Rolled into LCFF	Increased PERS Rate	Eliminate PERS Reduction	Total Adjustments	Revised Fund 01 Unrestricted	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	961,820	22,785	33,692	(2,086)	87,049	141,440	1,103,260	
<b>OTHER FINANCING SOURCES AND USES:</b>								
<b>TOTAL OTHER FINANCING SOURCES /USES</b>	(2,890,723)	-	-	-	-	-	(2,890,723)	
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	<b>(1,928,903)</b>	<b>22,785</b>	<b>33,692</b>	<b>(2,086)</b>	<b>87,049</b>	<b>141,440</b>	<b>(1,787,463)</b>	
<b>BEGINNING FUND BALANCE</b>	4,520,811						4,520,811	
<b>ENDING FUND BALANCE</b>	<b>2,591,908</b>						<b>2,733,348</b>	

**BERKELEY UNIFIED SCHOOL DISTRICT  
GENERAL FUND 01 - RESTRICTED  
45 DAY BUDGET REVISION**

	<b>B</b>		<b>C</b>	<b>D</b>	<b>E</b>
	Fund 01 Restricted	Restricted Programs rolled into LCFF	Increased PERS Rate	Eliminate PERS Reduction	Common Core Funding
			Adjustments		Revised Fund 01 Restricted
<b>REVENUES:</b>					
Revenue Limit Sources	\$ 1,634,493		-		1,634,493
Federal revenues	\$ 4,011,630		-		4,011,630
Other State Revenues	5,605,583	(560,964)		1,219,236	6,824,819
Local Revenues	8,033,080			-	8,033,080
<b>TOTAL REVENUES:</b>	<b>19,284,786</b>	<b>(560,964)</b>	<b>-</b>	<b>-</b>	<b>1,780,200</b>
			<b>1,219,236</b>		<b>20,504,022</b>
<b>EXPENDITURES:</b>					
Certificated Salaries	9,122,602	(142,792)		(142,792)	8,979,810
Classified Salaries	8,397,674	(2,000)		(2,000)	8,395,674
Employee Benefits	6,383,983	(30,722)	1,931	(80,618)	6,274,574
Books and Supplies	1,667,974	(119,043)		(119,043)	1,548,931
Services & Operating Expenses	8,507,617	(232,715)		(232,715)	8,274,902
Capital Outlay	108,554			-	108,554
Direct Support/Indirect Cost	513,603	(33,692)		(33,692)	479,911
<b>TOTAL EXPENDITURES</b>	<b>34,702,007</b>	<b>(560,964)</b>	<b>1,931</b>	<b>(80,618)</b>	<b>34,062,356</b>
			<b>0</b>	<b>(639,651)</b>	<b>34,062,356</b>

**BERKELEY UNIFIED SCHOOL DISTRICT  
GENERAL FUND 01 - RESTRICTED  
45 DAY BUDGET REVISION**

	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>			
	Fund 01 Restricted	Restricted Programs rolled into LCFF	Increased PERS Rate	Eliminate PERS Reduction	Common Core Funding	Total Adjustments	Revised Fund 01 Restricted
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(15,417,221)	-	(1,931)	80,618	1,780,200	1,858,887	(13,558,334)
<b>TOTAL OTHER FINANCING SOURCES /USES</b>	14,927,477	-	-	-	-	-	14,927,477
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>	(489,744)	-	(1,931)	80,618	1,780,200	1,858,887	1,369,143
<b>BEGINNING FUND BALANCE</b>	1,424,214						1,424,214
<b>ENDING FUND BALANCE</b>	934,470						2,793,357