



QUESTIONS AND ANSWERS ON THE SAN BRUNO PARK BUDGET

In the midst of this latest budget crisis, we are receiving many questions from the staff and the public. In an effort to address some of the issues, the following answers were developed.

Q. I thought that the new State funding formula “fixed” everything; why doesn’t all this “new” money fix San Bruno Park’s budget problem?

A. Amazingly enough, all of this new money is really paying back schools for monies that have been withheld for the last six or seven years. By 2012-13, the last year under the prior funding formula, districts were operating with 78% of their entitled funding (a 22% deficit.) When all is done and the Governor’s new LCFF (Local Control Funding Formula) is implemented, the plan is for school districts to be funded at the 2007-08 level, adjusted for inflation! The new money is really just old money, coming years late. That isn’t what is being written in the newspapers.

Q. On top of the “new” LCFF funding announced a year and a half ago, the Governor just stated in January that there is \$7.6 Billion of additional school funding. How much additional funding does this provide?

A. Of all the new dollars outlined in the Governor’s budget proposal for 2015-16, the district is slated to receive less than \$1 million above the anticipated increase calculated last fall. Approximately \$350,000 of **additional** on-going dollars are proposed, along with an additional \$460,000 of **one-time** dollars that, while unrestricted, are intended for one-time common core purposes. As an offset against these new dollars, the district’s budget must also be adjusted downward for a drop in student attendance rates. The net result is practically zero additional on-going funding to help with the on-going budget deficit. The proposed one-time dollars will be added to the projections upon adoption of the State budget. (revised 02.03.15)

Prop 98 New Expenditures			
(in millions)			
One-Time		On-Going	
K-12 Mandate Backfill	\$1,049.9	K-12 Charter School Facilities Grant	\$50.0
K-12 Deferral Repayment	\$807.2	K-12 LCFF Transition Funding	\$4,048.4
K-12 Broadband Infrastructure Grant	\$106.0	CCC Base Allocation	\$125.0
K-12 CTE Incentive Grant Program	\$250.0	CCC Student Success	\$100.0
CCC Mandate Backfill	\$351.3	CCC Restore Apprenticeship Catego	\$14.1
CCC Deferral Repayment	\$94.5	CCC Workforce Development Goals	\$15.0
CCC Career Tech Education	\$48.0	CCC Student Equity Plans	\$100.0
		CCC Adult Education	\$500.0
Total One-Time Spending	\$2,706.9	Total On-Going Spending	\$4,952.5
Total New State Spending	\$7,659.4		

Q. How often do these numbers change and how does the public keep track of the changing financial picture?

A. While there are daily budget adjustments as assumptions, costs and employees change, there are also regular reports to the board each quarter. The assumptions are volatile, changing many times throughout the year – budget numbers are affected by the State Department of Education, Department of Finance, legislative changes and propositions, contractual changes, legal issues, property tax collections, and local decisions. The “First Interim” report is as of October 31 and is presented to the board in December. The “Second Interim” report is as of January 31 and goes to the board in March. The annual budget is presented and adopted each June. And, the books are closed and results presented and evaluated each September (“Unaudited Actuals”). The last five years of audits, budgets and interim reports are on the district’s website at sbpsd.k12.ca.us/budget.htm.

Q. Are there really savings when a school is closed?

A. Yes, some of the costs can be saved. There are costs associated with students no matter where they are housed – teachers, supplies, books. But, there are other costs that are associated with a school site instead – a principal, custodian, utilities, and office staff. With six elementary school sites, there are six principals, six office managers, etc. If the same number of students were in fewer sites, the district could save on most of these site costs (might not save on all custodial) – but the number of teachers and textbooks would remain the same. The students’ education should not be jeopardized. The average cost of operating a school site, over and above the student costs of teachers and books, is estimated to be \$330,000.

Q. Is there space in the remaining schools to house students from a closed school?

A. This is a critical question and is being studied now. Some sites may have to be expanded to fit any newly relocated students, but the on-going cost savings should more than offset those one-time capital costs.

Q. The state pays for smaller class sizes in grades K-3; is the district participating in that funding?

A. The district did not meet the required class sizes in the current year and must forego the funding. However, the plan for 2015-16 is to reduce class sizes as required and take advantage of the additional funding opportunity. The district would be able to take advantage of hundreds of thousands of dollars of foregone revenue starting with this year if the district and teachers could come to an agreement that would provide an exception to the requirements of the State. (revised 02.03.15)

Q. We sold the Sandberg site for a lot of money; where did that money go?

A. *When the site was sold, the district submitted a plan to the State of California regarding spending the proceeds of \$31.7 million. \$12.1 million was allowed for “One-time Expenditures” and the remaining \$19.6 million was to be used for Deferred Maintenance, capital projects. The district has spent all but the final \$1.6 million allocated for OPEB, the balance in Fund 20. This money is scheduled to be transferred to the general fund each year to cover the annual cost of retiree benefits. All of the capital expenditures have been made except for the remaining \$2 million in Fund 40. These remaining dollars must be used for capital improvements. Transfers into the General Fund over the years have occurred in accordance with the State-approved plan to cover one-time spending on Special Education, solar energy improvements, OPEB, and technology.*

Q. Can we raise money through a Parcel Tax?

A. That is an option, but until a parcel tax passes, it can’t be counted on to fix our budget problem. Parcel taxes are different from General Obligation bonds; a parcel tax can be used for any operating

costs of the district rather than for building facilities. A parcel tax is a flat dollar amount per parcel, not an ad valorem or based-upon-value tax. Staff is currently researching how much money could be generated from a Parcel Tax.

Parcel taxes can be on the ballot at specific times:

- Per the Elections Code Section 1000, established **polling place election dates** include:
Even years – April, June, November
Odd years – March, June, November
- Per the Elections Code Section 1500, **all-mail ballots** may be conducted:
Even years – March, May, August
Odd years - May, August

Q. We have additional revenue coming in now from LCFF; are there also additional costs?

A. Yes, unfortunately. While the district is receiving dollars under the new Local Control Funding Formula, there are new cost increases, too. In addition to the annual increases in on-going costs such as scheduled salary step increases and cost of living changes, there is a new skyrocketing cost in the mix. Based upon poor performance and old actuarial assumptions for the State Teachers Retirement System and the Public Employees Retirement System, the employer’s share of costs will be increasing drastically over the next six years. Approximately 25% of the “new” LCFF dollars in the next six years will go toward increased retirement payments for employees.

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
CalSTRS Employer Rate	11.77%	11.77%	12.60%	15.00%	16.60%	18.20%	19.90%
CalPERS Employer Rate	8.25%	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%

Q. How big is our budget problem?

A. The district is required by the State to maintain a minimal 3% fund balance reserve at the end of each year. The district has set a guideline of a 7% minimum reserve, a much more prudent number. However, even with the slated \$2 million in cuts for the 2015-16 budget year, the district is projected to barely maintain a positive reserve this year and isn’t slated to regain the required 3% reserve level until 2016-17.

Q. Would there be savings if the District Office were closed, leased out, and staff moved to a school site?

A. There are currently 20 employees working in the district office, working in about 8,440 square feet, not counting the large open area and board meeting spaces. This is equivalent to approximately 9 classroom spaces on a school site. Annual utility costs are estimated at \$20,000. The other half of the Acacia Street space is leased out for \$19,000 per year, basically a wash. Most importantly, 8,500 square feet of space would need to be found within the district, and a study by the District’s architects a few years ago resulted in a projected cost of \$4-4.5 million to build the space. The district does not have the facilities funds available to make that kind of investment in buildings. As a result of the above, it doesn’t appear to be a cost-saving effort to relocate the district office, especially given the low rental revenue that could be expected. (revised 02.03.15)

Q. Has the district asked for a share of the PG&E dollars?

A. The multi-million dollar settlement from PG&E to the City of San Bruno has an express purpose of investment into the City’s infrastructure. The City has appointed a specific board that will determine the process of proposal submission, and the criteria for consideration and making awards.

Q. Why is the district asking for cuts from the teachers?

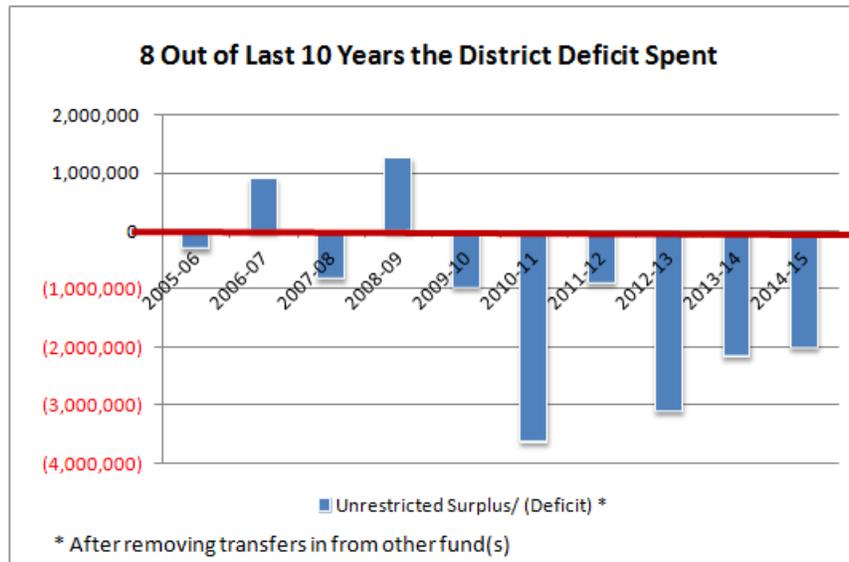
A. As a service “business”, most of the district’s expenditures are people. People costs are based on the **number** of employees and **how much** each employee makes. To significantly impact spending, one of those two factors must be decreased. A 1% change in all salaries and related benefits, either up or down, is valued at \$150,000. i.e. a 5% change equals 5 x \$150,000, or \$750,000.

Q. We are supposedly in another budget crisis – is there mismanagement? Did the money “disappear”?

A. There has been consistent, planned deficit spending for most of the last ten years. (Deficit spending is spending more than the revenues coming in.) And, in order to avoid large budget cuts and to preserve programs, the board has deliberately continued the programs and transferred in available cash from other funds to balance out the general fund and maintain programs. That available cash, after years of use to offset deficits, has now dried up.

Q. Why is this happening all of a sudden?

A. It isn’t all of a sudden. The district has had an underlying structural budget deficit for years. If the district had not had the Sandberg money and other available fund balances to plug the gap, the district’s deficit spending would have been painfully clear and could not have continued this long:



Q. What about Prop 30 and the Education Protection Account (EPA)?

A. For LCFF-funded districts, the EPA dollars are part of the total State Aid received; they are not additional dollars. There is additional tracking required, and instructional costs are required to be attached to this portion of state funding – but, no additional resources are generated.

Q. How do we know the numbers that the district is presenting to the board and to the public are accurate? Shouldn’t we have someone else take a look at the financials?

A. The district currently has an interim CBO with over 25 years of school finance experience, which is lucky for the district. However, there is always room for another set of eyes.

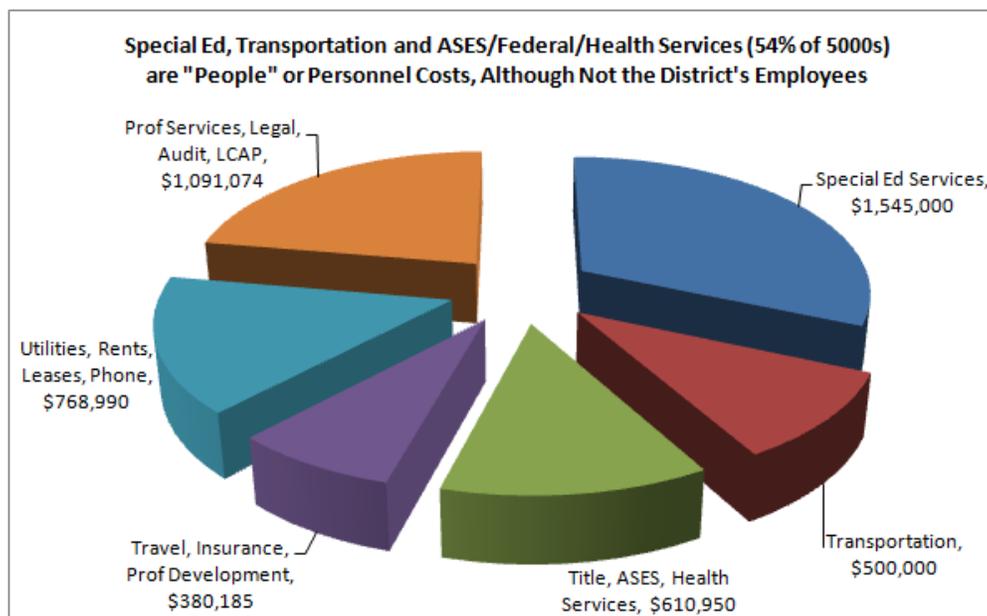
- Over the last five or so years, the district has changed auditing firms, so that has provided a different view of the district’s reported spending at the end of each year.
- In 2012, the California Teachers Association (CTA) sent their financial expert in to review the district’s budget and found that everything was in order and the numbers were sound.
- The district takes accuracy and transparency very seriously, and as each of the past chief business officials (CBOs) have started at the district, School Services of California, the foremost school finance consulting firm in the state, has come in and reviewed the budgets to give the new CBO direction, background and support.
- At each of the four reporting periods, Adopted Budget and two or three interim reporting periods, the County Office of Education goes through a detailed and thorough review of the district’s budgets as submitted, asking questions, preparing their own analyses, and reporting back to the district their comments and concerns. Their letter summarizing their review will be presented to the school board at the February 11, 2015 meeting.
- The other option would be to have an outside agency, FCMAT, the Fiscal Crisis Management Assistance Team, come in and do a detailed review of the budget. This review would be similar to what our current interim CBO has done, and would come with a hefty price tag.

Q. We hear a lot about the costs of special education, especially in the area of transportation costs. What can be done to reduce these costs?

A. The district is currently working with an expert in student transportation to evaluate all available options and work to decrease costs while providing all needed services to our students.

Q. How can the district spend so much on Professional Services? Are those expenses all consultants?

A. Many types of expenses are charged to the other Professional Services category. The following chart shows the types of costs that are included in this catch-all bucket:



Q. Instead of reducing wages, why can't the district just have employees take furlough days?

A. First, each furlough day does come with a prorated reduction in salaries; if fewer days are worked, less wages are earned. Second, the flexibility for reducing the school year below 180 days expires this year, so furlough days are no longer an option.

Q. The board keeps telling the public that they can't talk about salary cuts to teachers and classified staff. But, they clearly identified a 3-day salary reduction for management and administrators as an option. Why are they allowed to talk about that cut?

A. There are two organized labor unions within the district – the San Bruno Educators Association (SBEA) represents the certificated teachers and the California School Employees Association (CSEA) represents most non-certificated employees. However, the managers, principals and supervisors are not represented by a union, so the collective bargaining process does not apply. There is an informal “meet and confer” process, but the school board can make changes to non-represented employees' compensation without working through the same formal processes.

Revised 03/11/15 (page 2, changes in italics)