Silent Recession
Effective Use of Resources to Mitigate Challenging Budget Times

ACSA Leadership Summit 2018
San Diego, CA
Fist to Five

How familiar are you with the current cost pressures facing school districts, e.g., pension obligations, special education cost, etc.?
Budget challenges

- Expenses are growing at a faster rate than revenues for most districts.

- Major budget challenges include: pensions, special education, aging facilities, declining enrollment, healthcare costs, teacher recruitment and retention.

- LCFF includes COLA adjustment each year; increases aren't based on actual increases in costs of operations.
# CalPERS and CalSTRS Employer Contribution Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>Employer Contribution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-2019</td>
<td>18.062%</td>
</tr>
<tr>
<td>2019-2020</td>
<td>20.8%</td>
</tr>
<tr>
<td>2020-2021</td>
<td>23.5%</td>
</tr>
<tr>
<td>2021-2022</td>
<td>24.6%</td>
</tr>
<tr>
<td>2022-2023</td>
<td>25.3%</td>
</tr>
<tr>
<td>2023-2024</td>
<td>25.8%</td>
</tr>
<tr>
<td>2024-2025</td>
<td>26.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Employer Contribution Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-2019</td>
<td>16.28%*</td>
</tr>
<tr>
<td>2019-2020</td>
<td>18.13%*</td>
</tr>
<tr>
<td>2020-2021</td>
<td>19.10%*</td>
</tr>
<tr>
<td>2021-2022</td>
<td>18.6%</td>
</tr>
<tr>
<td>2022-2023</td>
<td>18.1%</td>
</tr>
<tr>
<td>2023-2024</td>
<td>18.1%</td>
</tr>
</tbody>
</table>

*In statute
Per-ADA Revenues vs. Expenditures

- S/C Growth $41
- PERS Increase $59
- STRS Increase $143
- Special Education Contribution ?

2017-18:
- LCFF Growth Revenues $235
- Expenditures

2018-19:
- LCFF Growth Revenues $666
- Expenditures

2019-20:
- LCFF Growth Revenues
- Expenditures

2020-21:
- LCFF Growth Revenues
- Expenditures

© 2018 School Services of California, Inc. Used with Permission from School Services of California, Inc.
Large increases in pension contribution rates

Source: http://www.lao.ca.gov/Education/EdBudget/Details/82
Districts report large increases in pension contributions

Nearly every district sampled is expecting substantial increases in **STRS** and **PERS** expenditures between 2016-17 and 2017-18.

Source: Authors’ analysis of annual budget reports from sample districts
A majority of 55 sample districts did not expect revenues to cover expenditures over the period of 2017/18 to 2019/20.
AB 1840: increased fiscal oversight

Historically, FCMAT had not engaged directly with a district showing fiscal distress until it had been invited by the district or the county superintendent.

Under the 2018-19 Budget Act, FCMAT will now offer more proactive and preventive services to fiscally distressed school districts by automatically engaging with a district under the following conditions:

- Disapproved budget
- Negative interim report certification
- Three consecutive qualified interim report certifications
- Downgrade of an interim certification by the county superintendent
- “Lack of going concern” designation

Under these conditions, FCMAT will perform a fiscal health risk analysis reviewing 20 areas to determine the level of fiscal risk. [http://fcmat.org/fiscal-health-risk-analysis-for-k-12-school-districts/](http://fcmat.org/fiscal-health-risk-analysis-for-k-12-school-districts/)
Framework for Budget Strategies

- Local control, higher budget impact
- State/federal control, higher budget impact
- Local control, lower budget impact
- State/federal control, lower budget impact

Locus of Control

Budget Impact

Local

State/Federal

High

Low
Expenditures

- Use data to measure the effectiveness of investments.
- Streamline administrative operations.
- Focus on high-leverage budget decisions.
- Reduced costs for utilities, transportation, health care.

Solvency

- Transparency
- Informed input process
- Partnership with the Board
- Partnership with unions
- Budget monitoring
- Proactive communication
- Fiscally conservative mindset

Revenues

- Increase attendance.
- Publicize school offerings.
- Rent out facilities.
- Draw on community support.
Table discussion: Sharing promising practices

1. **Identify the problem.** Write down a specific budget challenge your school or district is currently facing that you could benefit from help from your colleagues.

2. **Talk through possible strategies with an elbow partner.**

3. **Share at your table group.**
Full Group Discussion

1. What budget development processes and stakeholder engagement strategies are you employing that are effective in helping to mitigate these challenges?
2. What additional questions do you have?
Thank you!

Sheldon K. Smith  
Assistant Superintendent  
San Luis Obispo County Office of Education  
ssmith@slocoe.org

Kelsey Krausen  
Senior Research Associate  
WestEd  
kkrausen@wested.org