Fist to Five

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

<table>
<thead>
<tr>
<th>Year</th>
<th>CalPERS</th>
<th>CalSTRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010-2019</td>
<td>18.00%</td>
<td>16.28%*</td>
</tr>
<tr>
<td>2019-2020</td>
<td>20.8%</td>
<td>18.13%*</td>
</tr>
<tr>
<td>2020-2021</td>
<td>23.5%</td>
<td>19.10%*</td>
</tr>
<tr>
<td>2021-2022</td>
<td>24.6%</td>
<td>18.6%</td>
</tr>
<tr>
<td>2022-2023</td>
<td>25.3%</td>
<td>18.1%</td>
</tr>
<tr>
<td>2023-2024</td>
<td>25.8%</td>
<td>18.1%</td>
</tr>
<tr>
<td>2024-2025</td>
<td>26.0%</td>
<td></td>
</tr>
</tbody>
</table>

*In statute
Large increases in pension contribution rates

A majority of 55 sample districts did not expect revenues to cover expenditures over the period of 2017/18 to 2019/20.

Districts report large increases in pension contributions

Per-ADA Revenues vs. Expenditures

Source: Authors’ analysis of annual budget reports from sample districts

53% of sampled districts expected expenditures to exceed revenues in all three years

15% of sampled districts expected expenditures to exceed revenues in 2 budget years

17% of sampled districts expected expenditures to exceed revenues in 1 budget year

Expenditures not projected to exceed revenues during this time period

Large increases in pension contribution rates

$334/student $1,106/student $180/student $382/student $382/student

25.0% 20.0% 15.0% 10.0% 5.0% 0.0%

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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)

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.

Framework for Budget Strategies

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

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
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