

# Coffee & Conversation on School Funding

*Cabrillo Unified School District financial outlook*

Last updated: March, 2019

# CA law sets main rules for school funding

➤ **A formula (Proposition 98) sets the minimum level of funding for California Schools.** The funds come primarily from **Property taxes** and , if necessary supplemented by the **State**, comprise main sources of revenues for school district budgets

- Minor contributions from federal government and other sources (e.g., foundations, PTOs)



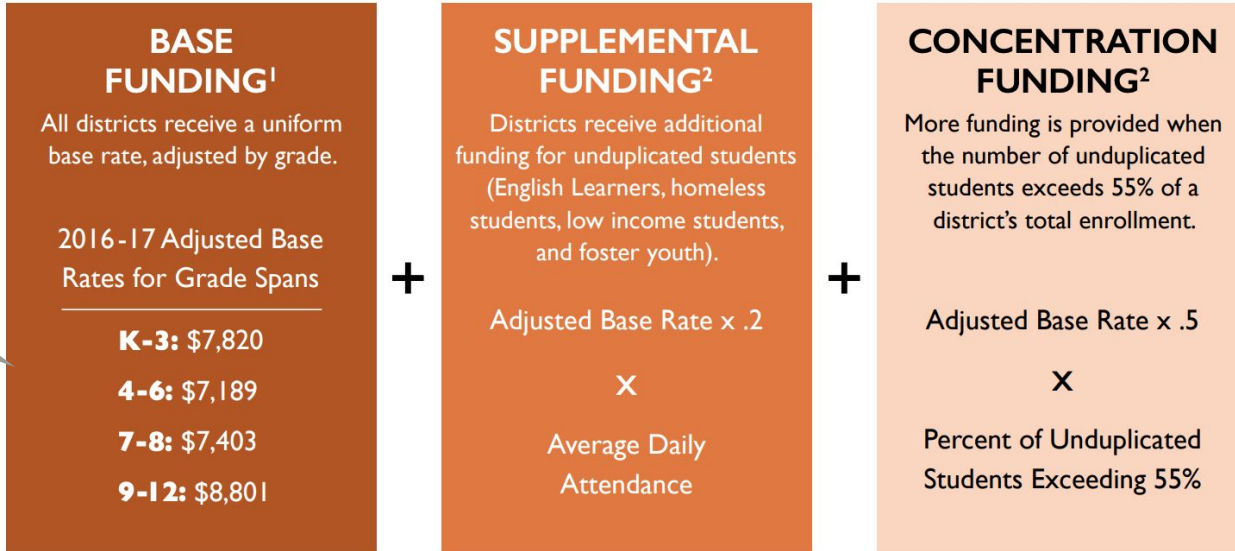
**Key aspects** of school funding are determined and managed **separately**

- **Operational** (general fund) funding (e.g., employee compensation) primarily determined by enrollment, demographics and local property tax levels → *focus of this presentation*
- **Facilities construction and modernization repair** funding attainable only through bond mechanism\*
- Other mechanisms for funding of **other minor, restricted uses** - e.g., food service

# How does CA set *minimum* school funding levels?

*Overall enrollment and demographics set requirements for operating budgets*

Comparable to 2007-2008 levels



✓ **Cabrillo Unified School District**

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Note: Represents Local Control Funding Formula (LCFF). No major actual or planned increases as of most recent state budget updates. Source for figure: [San Mateo County Office of Education Report to the Community 2017, HMB Review Feb 2018](#).

# How does CA set *actual* school funding levels?

*Local property taxes drive actual operating budgets*



Local property tax revenues



More than minimum required



Spend the excess  
(Basic Aid/Locally-Funded)



Less than minimum required



State fills the gap  
(LCFF/State-Funded)

# Implications for Cabrillo Unified - county stats

*Cabrillo Unified funding \$2K less than county average, i.e., \$84 per \$100*

## 2016-17 SAN MATEO COUNTY SPENDING PER STUDENT<sup>1</sup>

Elementary School Districts <sup>1</sup>	Spending per Student
Bayshore	\$13,004
Belmont-Redwood Shores	\$10,307
Brisbane	\$16,726
Burlingame	\$9,894
Hillsborough City	\$18,850
Jefferson	\$10,780
Las Lomas	\$18,022
Menlo Park City	\$15,903
Millbrae	\$9,442
Pacifica	\$ 9,927
Portola Valley	\$ 22,860
Ravenswood City	\$16,282
Redwood City	\$12,315
San Bruno Park	\$10,321
San Carlos	\$11,564
San Mateo-Foster City	\$10,151
Woodside	\$25,385

High School Districts <sup>1</sup>	Spending per Student
Jefferson Union High	\$11,901
San Mateo Union High	\$16,990
Sequoia Union High	\$16,658

Unified School Districts <sup>1</sup>	Spending per Student
Cabrillo Unified	\$10,747
La Honda-Pescadero Unified	\$18,615
South San Francisco Unified	\$11,027

County-Level Data <sup>1</sup>	Spending per Student
County Average	\$12,773

Cabrillo Unified funding  
**6th lowest overall**  
(out of 22) and **lowest**  
among Unificds

# Implications for Cabrillo Unified - example

*Cabrillo Unified funding low within the county; comparable to lower-cost districts*



Woodside Elementary  
**\$25K/student/year**



San Mateo County  
**\$13K**  
**avg./student/year**



Cabrillo Unified  
**\$11K/student/year**



Barstow Unified  
**\$11K/student/year**

**Very high cost of living**  
**(\$117K/year cutoff**  
**= 'low' family income)**

**Low cost of living**  
**(\$35K/year cutoff**  
**= 'low' family income)**

Note: \$ figures represent operating budget excluding additional funding (e.g., federal, other local tax sources). Sources: [San Mateo County Office of Education Report to the Community 2017](#), [HMB Review Feb 2018](#), [Census.gov](#), [Ed-data.org](#).

# How is this formula insufficient and inequitable?

*Cabrillo Unified vulnerable to all of the following factors*



Are you in an area with a *current* high cost of living?

**No adjustments for geographic differences in cost of living**

*County 'poverty line' defined as \$117K/year family income → high employee/other costs*



Are you in an area where the cost of living has *increased significantly* over the past 10 years?

**Funding recently restored to pre-recession levels (2007-2008)**

*Coastside housing prices continue to rise (+25% since 2013) → high employee/other costs*



Are your enrollment demographics *below the 55% threshold* required for "concentration" funding'?

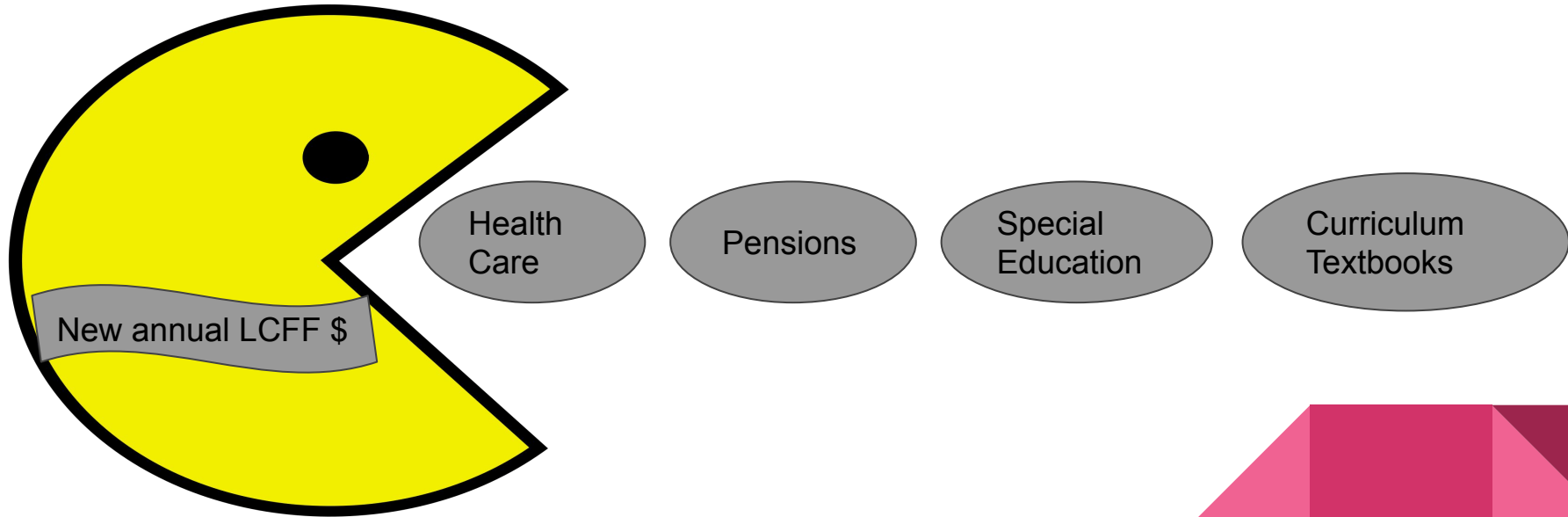
**Threshold requirement arbitrarily differentiates districts' ability to qualify for significant additional funding**

*At ~44.51%, Cabrillo Unified does not meet the 55% threshold requirement → no additional "concentration" funding*

**Important!** *Additional district revenues and student/family resources typically mirror these inequities (e.g., parcel taxes, PTO financial support)*

New & ongoing must fund expenses

The big four mandates that LCFF dollars must pay for, yet no additional funding for rising costs





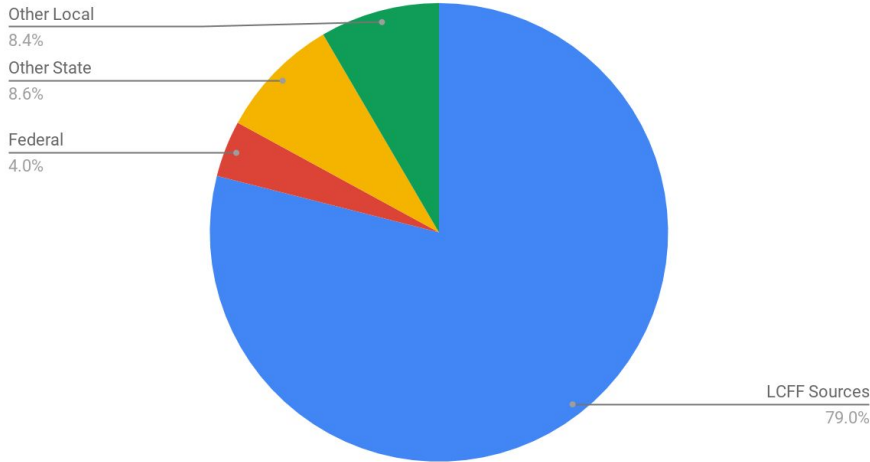
# Cabrillo Unified operating budget snapshot

*Heavy reliance on community support; bulk of budget to employee costs*

## MONEY IN

*8.4% of funding comes in from 'other local sources' including parcel tax, PTOs and foundations*

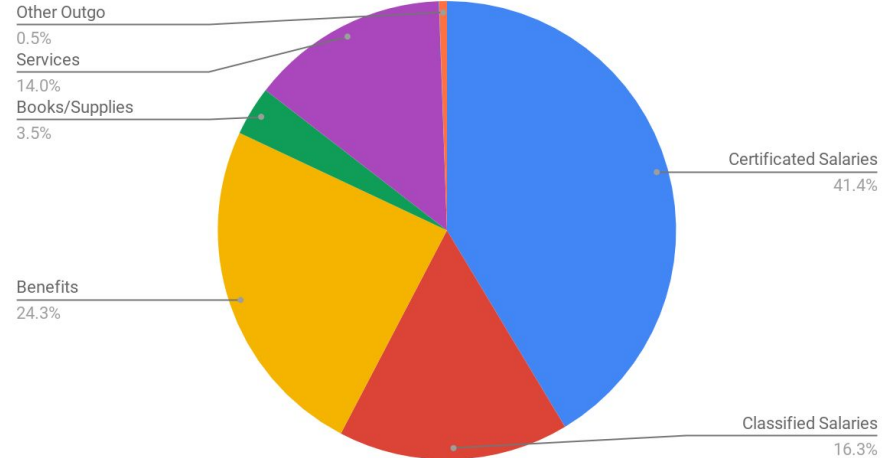
Revenues Total \$36,135,265



## MONEY OUT

*82% of funding is spent on employee salaries and benefits*

Expenses Total \$37,446,184



# Cabrillo USD operating budget, 1st Interim

	2018-2019	2019-2020	2020-2021
<b>Revenues</b>	37,664,688	37,184,682	36,275,012
<b>Expenses</b>	(38,106,995)	(39,756,562)	(40,696,538)
<b>Interfund transfers/other</b>	(179,918)	(179,918)	(179,918)
<b>Beginning balance</b>	4,662,179	4,219,872	1,647,992
<b>Ending balance</b>	4,219,872	1,647,992	(2,773,534)
<b>Cash/inventory/prepaid</b>	35,500	35,500	35,500
<b>Restricted/committed/assigned</b>	363,214	363,214	363,214
<b>Minimum reserve (3%)<sup>1</sup></b>	1,143,210	1,192,697	1,220,897
<b>Budget gap<sup>2</sup></b>	2,677,948	56,581	<b>(4,393,145)</b>

Note: General Fund, as reported at CUSD Governing Board Meeting December 13, 2018. <sup>1</sup>Reserve for Economic Uncertainty (9789); <sup>2</sup>Unassigned (9790)

# Cabrillo USD operating budget, 2nd Interim

	2018-2019	2019-2020	2020-2021
<b>Revenues</b>	37,900,448	36,881,217	36,034,387
<b>Expenses</b>	(38,154,059)	(39,147,740)	(39,543,325)
<b>Interfund transfers/other</b>	(179,918)	(179,918)	(179,918)
<b>Beginning balance</b>	4,662,179	4,408,569	2,142,046
<b>Ending balance</b>	4,408,569	2,142,046	(1,366,892)
<b>Cash/inventory/prepaid</b>	35,500	35,500	35,500
<b>Restricted/committed/assigned</b>	655,311	154,747	196,636
<b>Minimum reserve (3%)<sup>1</sup></b>	1,144,662	1,174,433	1,186,300
<b>Budget gap<sup>2</sup></b>	2,573,136	777,366	<b>(2,785,328)</b>

Note: General Fund, as reported at CUSD Governing Board Meeting March 14, 2018. <sup>1</sup>Reserve for Economic Uncertainty (9789); <sup>2</sup>Unassigned (9790)

# 5 year Budget Projection

5 Year Look	18/19	19/20	20/21	21/22	22/23
Revenue	37,900,448	36,881,217	36,034,387	36,892,485	37,769,849
Expense	(38,154,059)	(39,147,740)	(39,543,325)	(40,053,342)	(40,636,883)
Minimum reserve (3%)	1,144,662	1,174,433	1,186,300	1,206,998	1,224,505
Budget gap	2,573,136	777,366	<b>(2,785,328)</b>	<b>(6,188,690)</b>	<b>(9,295,038)</b>

# October/November 2018 Headlines

"**Sacramento City Unified** school board grapples with massive budget shortfall"

"**Four Redwood City schools will close...** School District officials seeking to mend a fractured budget."

"Cuts likely in **Burbank Unified's** future after parcel tax defeat"

"**Vallejo** school district to make \$12 million cuts, name budget committee"

"**Oakland** and **Inglewood** among four financially distressed California districts seeking state relief"

"**Pasadena Unified** school board votes to cut \$3.1 million, bringing them closer to the \$10.1 million needed...**three school closures still on the table**"

"**Manhattan Beach** asks parents to donate \$47 for each student absence"

"In a cost-savings move... 140 employees in **Tamalpais** Union are being offered retirement incentive "

# What are the implications for CA?

*CA ranks among 10 lowest states on all key school funding metrics*

## CALIFORNIA RANKINGS IN EDUCATION SPENDING

Though California has the fifth-largest economy in the world, the state falls in the nation's bottom quintile on nearly every measure of public K-12 school funding.

California has consistently underfunded public education while adding new requirements and raising standards. Adequate funding is especially an issue in San Mateo County, where districts struggle due to the high cost of housing, goods, and services.

SMCOE firmly believes that districts must receive full and fair funding to prepare students for college, career, and civic life.

**41st** in per-pupil funding<sup>2</sup>

**45th** in percentage of taxable income spent on education<sup>3</sup>

**45th** in student-to-teacher ratio<sup>2</sup>

**48th** in student-to-staff ratio<sup>3</sup>

# Pride in ongoing success despite challenges

*Cabrillo Unified schools and students defy the odds, thanks to community support*



- ★ 2nd highest **graduation rate\***
- ★ 3rd highest % graduates achieving **state university entrance requirements\***
- ★ 2nd highest % of our graduates earned **Golden State Seal Merit Diploma\***

- 6th lowest **per student funding level** (84% county average)\*\*
- Significant **student opportunity gap** driven by vastly differing socioeconomic and parent education levels (41% students' families 'low income')\*\*

Note: HMB High School (\*) or CUSD (\*\*) rankings compared to other schools or districts, respectively, in San Mateo County.. Sources: [CUSD State of the District Sep 2018](#), [San Mateo County Office of Education Report to the Community 2017](#), [HMB Review Feb 2018](#).

## In sum...

- In the US, **states set the key guidelines** for school funding
- In CA, **local property tax revenues** and **school district enrollment** are basis for school operational budget funding, placing state **among 10 lowest** on all key school funding metrics
- CA formulas for school funding result in **significant inequities** among districts, in particular, disadvantages for low-income districts in high cost areas which do not meet demographic criteria for 'concentration' funding
- Strong outcomes at Cabrillo Unified students generally defy these vulnerabilities -- **continued community support is key**
- **Community discussions will be ongoing** as district prepares for significant upcoming budget gaps