

# EXECUTIVE SUMMARY

## CONTEXT

San José Unified, like all school districts throughout California, was forced to weather the most drastic cuts to public education funding in the state's history beginning with the 2008-2009 fiscal year. With funding at only 80% of what SJUSD should have received, it was necessary for the district to reduce expenses wherever and whenever possible. Prudent stewardship allowed the district to successfully navigate these unprecedented cuts and, while the reductions were kept away from the classroom to the greatest extent possible, educational experiences for students were negatively impacted throughout California as a result of the state's fiscal crisis.

Due to the passage of California Proposition 30 in November of 2012 and the rebounding state economy, the cuts ended with the 2013-2014 fiscal year and per pupil revenues to the district are now increasing. While revenues have changed dramatically in a short period of time, California remains at the bottom of funding per pupil nationally, which necessitates that the prudent stewardship of the district's resources not change. Rather than simply restoring what was cut, strategic investments are being made in services to students and in the district's workforce to maximize the educational experiences for students, with each investment stemming directly from San José Unified's 2012-2017 strategic plan.

## LOCAL CONTROL FUNDING FORMULA (LCFF) AND LOCAL CONTROL AND ACCOUNTABILITY PLAN (LCAP)

The Local Control Funding Formula (LCFF) represents the biggest change to how California's public schools are funded in forty years. This legislation, which was passed by the legislature and signed into law by the governor on July 1, 2013, creates base, supplemental, and concentration grants in place of most previously existing K-12 funding streams, including revenue limits and most state categorical programs. The LCFF is not scheduled to be fully implemented and funded until 2020-2021, with amendments to the law along the way anticipated. Currently, the LCFF includes the following components for school districts:

- Provides a base grant for each local educational agency (LEA) equivalent to \$7,643 per average daily attendance (ADA). \$6,845 for grades K-3; \$6,947 for grades 4-6; \$7,154 for grades 7-8; and \$8,289 for grades 9-12.
- Provides an adjustment of 10.4%, or \$685, on the base grant amount for grades K-3. SJUSD has a collectively bargained agreement for an annual average class enrollment to ensure receipt of these funds.
- Provides an adjustment of 2.6%, or \$216, on the base grant amount for grades 9-12.
- Provides a supplemental grant equal to 20% of the adjusted base grant for targeted disadvantaged students. Targeted students are those classified as English learners (EL), eligible to receive a free or reduced-price meal (FRPM), foster youth, or any combination of these factors. This combination of factors is referred to as the unduplicated count.

# EXECUTIVE SUMMARY

- Provides a concentration grant equal to 50 percent of the adjusted base grant for targeted students exceeding 55 percent of an LEA's enrollment. San José Unified, based on its district-wide enrollment of 46% targeted students, does not qualify for a concentration grant.

San José Unified works with the County Office of Education and School Services of California to develop multi-year LCFF revenue assumptions. The table below captures current projections.

LCFF	2013-2014	2014-2015	2015-2016	2016-2017
cost-of-living adjustment	1.565%	0.85%	2.1%	2.3%
full funding target per average daily attendance	\$7,769	\$7,827	\$8,000	\$8,193
actual funding per average daily attendance (ADA)	\$6,600	\$7,149	\$7,256	\$7,395
shortfall between target and actual per ADA	\$1,169	\$678	\$744	\$798
total ADA (see page 5 for enrollment details)	31,267	30,851	30,692	30,442
total shortfall (per ADA shortfall times total ADA)	\$36,551,123	\$20,916,978	\$22,834,848	\$24,292,716

Beginning on July 1, 2014, school districts are required to develop, adopt, and annually update a three-year Local Control and Accountability Plan (LCAP) as part of the LCFF. Complete information on San José Unified's LCAP can be found in that section of this document.

## CALIFORNIA STATE BUDGET

On Sunday, June 15, 2014, the California Legislature passed the largest budget in the state's history, approximately \$108 billion, and sent that budget to Governor Brown. At the time this document was published, the governor had not yet signed the budget into law; however, all indications are that he will do so. The state budget contains \$60.9 billion in K-12 education funding for the 2014-2015 fiscal year. Most of the funding will be allocated as expected based on the governor's January budget proposal and his subsequent May revision. Changes that did occur will be reflected when San José Unified reports its unaudited actuals for the 2013-2014 fiscal year in September 2014. Worth noting now are two dramatic changes that will significantly alter the district's financial situation and projections going forward.

The first is the mandatory increases to the amount the district must contribute for each employee in the California State Teachers' Retirement System (CalSTRS). The district currently contributes 8.25% of the eligible employee's salary to CalSTRS. Those rates are set to increase as follows beginning with the 2014-2015 fiscal year and through the 2020-2021 fiscal year: 8.88%, 10.73%, 12.58%, 14.43%, 16.28%, 18.13%, and 19.1%. CalSTRS does have a

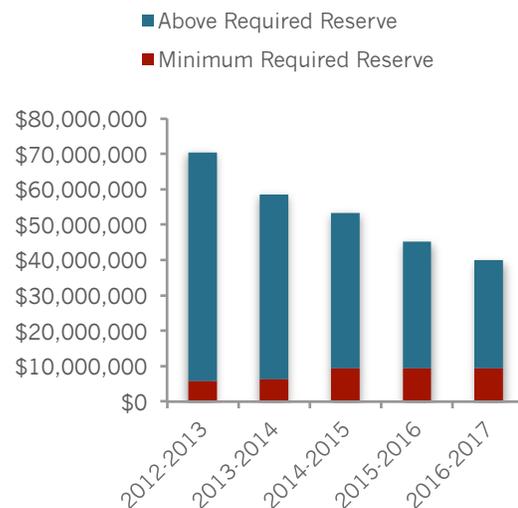
# EXECUTIVE SUMMARY

substantial unfunded liability that needs to be addressed. This approach to addressing the problem will alter how school districts throughout the state compensate CalSTRS eligible employees. The CalSTRS change had been recently raised as a possibility and was not completely unexpected.

The second change worth noting now was completely unexpected. The budget passed by the legislature and awaiting the governor's signature includes, within the education trailer bill, language limiting the ability of school districts to maintain budget reserves. In brief, this new reserve language would place a cap on the amount of reserves for economic uncertainties that a school district could maintain. The full restrictions would commence in the first fiscal year following a state transfer to what is known as the "rainy-day fund". The rainy-day fund is subject to voter approval in November 2014. This change was forcefully opposed by districts throughout the state for being fiscally irresponsible, counter to the principles of the LCFF, and for failing to recognize the importance of prudent planning in maintaining school district solvency. Districts throughout the state, including SJUSD, will be forced to completely change their approach to financial planning as a result of this new reserve language as maintaining prudent reserves to safeguard against fluctuations in state funding will no longer be allowed.

## SPECIAL RESERVES

Districts with more than 30,000 students are required to maintain a reserve for economic uncertainties equal to at least 2% of the general fund and 3% when enrollment is fewer than 30,000 students. Beginning with this fiscal year, the district began projecting for a 3% reserve based on projected enrollment declines. With the state's economic crisis having passed, San José Unified is spending down some of its reserves. As shown in the graph to the right, the district currently has healthy reserves and had projected to maintain them going forward. However, as mentioned in the preceding section, changing the level of reserves for economic uncertainties a school district would be allowed to maintain would markedly alter the district's planning, actions, and resulting projections.



## OPPORTUNITY21

San Jose Unified's 2012–2017 Strategic Plan, OPPORUNITY21, builds on the district's past progress while offering many dramatic changes that are driven by student outcomes, research

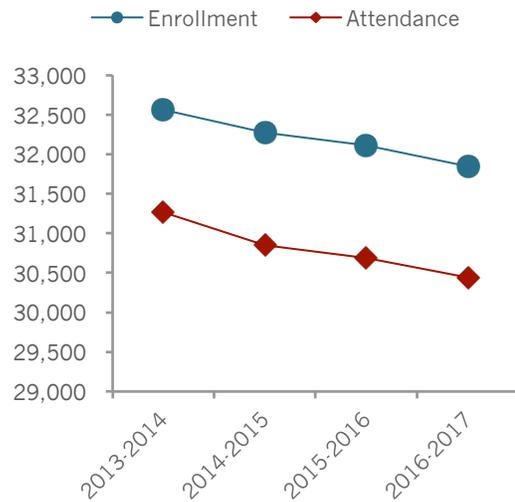
# EXECUTIVE SUMMARY

on effective practices, and a relentless focus on fulfilling the district’s mission and realizing its vision. Anchored by the district’s equity commitment, focused on a 21st century educational experience, using key performance measures for accountability, and built to achieve five key objectives, the strategic plan is the district’s guiding document. For the 2014-2015 fiscal year, the workforce is the priority strategy, due to the fact that student outcomes depend on the District’s ability to attract, recruit, support, and retain a highly effective and diverse workforce.



## ENROLLMENT

Following several years of enrollment declines, San José Unified experienced a 2,000-student enrollment increase between the 2006-2007 and 2011-2012 school years. The district once again began experiencing enrollment declines beginning with the 2012-2013 school year and had been projecting enrollment declines of approximately 400 students annually. The actual decline has not been as steep as projected. The district is now projecting smaller declines, as shown to the right and below. For the 2014-2015 school, the district is budgeting for a 46% unduplicated count of English-language learners, low-income students, and foster youth per the LCFF.



SJUSD STUDENTS	2013-2014	2014-2015	2015-2016	2016-2017
total enrollment and change from prior year	32,565 (57)	32,275 (290)	32,109 (166)	31,847 (262)
average daily attendance and change from prior year	31,267 (53)	30,851 (416)	30,692 (159)	30,442 (250)
average daily attendance as a percentage of enrollment	96.01%	95.59%	95.59%	95.59%

## CHARTER SCHOOLS

The district is continually monitoring enrollment patterns at charter schools. Charter school enrollment directly impacts the overall student enrollment patterns for San José Unified and, therefore, the district’s revenue and expenses. Currently, the number of SJUSD students

# EXECUTIVE SUMMARY

enrolled at district-authorized charter schools, specifically Bachrodt Elementary School and Downtown College Prep High, is 805 students. This will increase in the next couple of years with the opening of Downtown College Prep Middle School in 2014-2015 and ACE Middle School in 2015-2016. Charter schools authorized by the Santa Clara County Office of Education and operating within San José Unified boundaries are projected to have steady enrollment, with no additional schools opening in 2014-2015.

## STAFFING AND CLASS SIZE

Consistent with the Local Control Funding Formula (LCFF) and the district's strategic plan, total allocated staffing for the 2014-2015 fiscal year will increase over the prior fiscal year. The table below summarizes total full-time equivalent (FTE) positions:

FTE POSITIONS	2013-2014	2014-2015	2015-2016	2016-2017
certificated	1883.29	1896.60	1891.60	1883.60
classified	1117.88	1132.27	1132.27	1132.27
grand total	3001.17	3028.87	3023.87	3015.87

Teacher-to-student regular classroom ratios are set as follows for 2014-2015:

- Transitional Kindergarten through Third = 30 to 1
- Fourth Through Eighth = 31 to 1
- Ninth Through Twelfth = 33 to 1

Sites will be receiving amended staffing allocations for the 2014-2015 fiscal year driven by the LCFF and the district's strategic plan. Most notable are dedicated positions based on a site's population of English learners, low-income students, and foster youth; the doubling of academic counselors at the secondary level; and the continued and increased investment in the Teacher Quality Panel (TQP). Consistent with the priority strategy of attracting, recruiting, supporting, and retaining a highly effective and diverse workforce, San José Unified has made, and continues to make, a significant financial commitment to ensuring that there is high-quality teaching in every classroom. Administrators and consulting teachers (CTs), with district-wide support, utilize the recently overhauled teacher evaluation system to monitor and enhance teaching.

## EMPLOYEE BENEFITS

During the 2013-2014 school year, San José Unified and the exclusive unions/associations representing all district employees engaged in coordinated bargaining to overhaul employee health and welfare benefits. The resulting agreement covers all aspects of health and welfare benefits, including plan design and costs. Beginning with the 2014-2015 fiscal year, each full-time employee will be allocated \$13,259 for health and welfare benefits. This amount will automatically adjust to reflect increases or decreases in state funding. The Health and Welfare

# EXECUTIVE SUMMARY

Benefits Board (HWBB), which is comprised of up to three representatives from the District and up to three representatives from each of the collective bargaining units, will use oversee these funds. The HWBB is charged with designing health and welfare benefit plans and setting employee contribution rates for all employees at a total cost that is within the annually allocated amount. For the 2014-2015 fiscal year, the HWBB will offer employees a choice of a HMO medical plan, Kaiser, or a PPO medical plan, Foundation. In addition, employees receive dental coverage and life insurance. The cost of health and welfare benefits to a full-time employee in 2014-2015 will be \$0 annually; the cost to a full-time employee with a dependent will be \$1,200 annually; and the cost to a full-time employee with family coverage will be \$2,400 annually, with each of those amounts prorated based on the employees full-time equivalent status.

## COMMON CORE STATE STANDARDS (CCSS)

San José Unified has been working on its implementation of the Common Core State Standards (CCCS) for several years and is well ahead of most districts in California. Teachers throughout the district are implementing the standards and providing input on lessons and assessments developed by their peers. Teachers have also spent time collaborating with their grade-level or same-subject colleagues and are sharing best practices. This effort has been supported by the one-time CCSS implementation funds the district has received. Per its spending plan for these funds, the district will spend \$3,281,420 on instructional materials, \$1,721,780 on professional development, and \$1,530,000 on technology, specifically a district-wide upgrade of the current wireless network. The total \$6,533,200 the district has received will be encumbered by the close of the 2014-2015 fiscal year.

## 1% STATISTICS

The following table highlights a selection of measures that reflect the impact of a 1% change.

DESCRIPTION	2013-2014	2014-2015	2015-2016	2016-2017
revenue from a 1% cost-of-living adjustment (COLA)	\$2,063,700	\$2,205,675	\$2,227,074	\$2,251,055
1% increase in average daily attendance (ADA)	326 students	323 students	321 students	318 students
LCFF change for 1% increase in ADA	\$2,149,362	\$2,307,485	\$2,329,871	\$2,354,958
LCFF change per ADA from 1% COLA increase	\$66	\$71	\$73	\$74
1% general fund salary increase	\$1,951,573	\$1,991,002	\$2,019,291	\$2,043,481
1% of the general fund for special reserve	\$3,194,631	\$3,124,655	\$3,151,149	\$3,158,103