

# Orange County Department of Education

## 2015-16 Proposed Budget

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### *Budget Summary*

Al Mijares, Ph.D., County Superintendent of Schools

Orange County Board of Education

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# About OCDE



The Orange County Department of Education (OCDE) is a public education organization offering support services to 27 school districts and more than 600 schools and 20,000 educators serving over 500,000 students in Orange County. OCDE's personnel offer support, professional development, and student programs through its divisions and departments: Administrative Services, Alternative Education, Business Services, Career and Technical Education, Communication/Media, Information Technology, Instructional Services, Legal Services, School and Community Services, and Special Education.

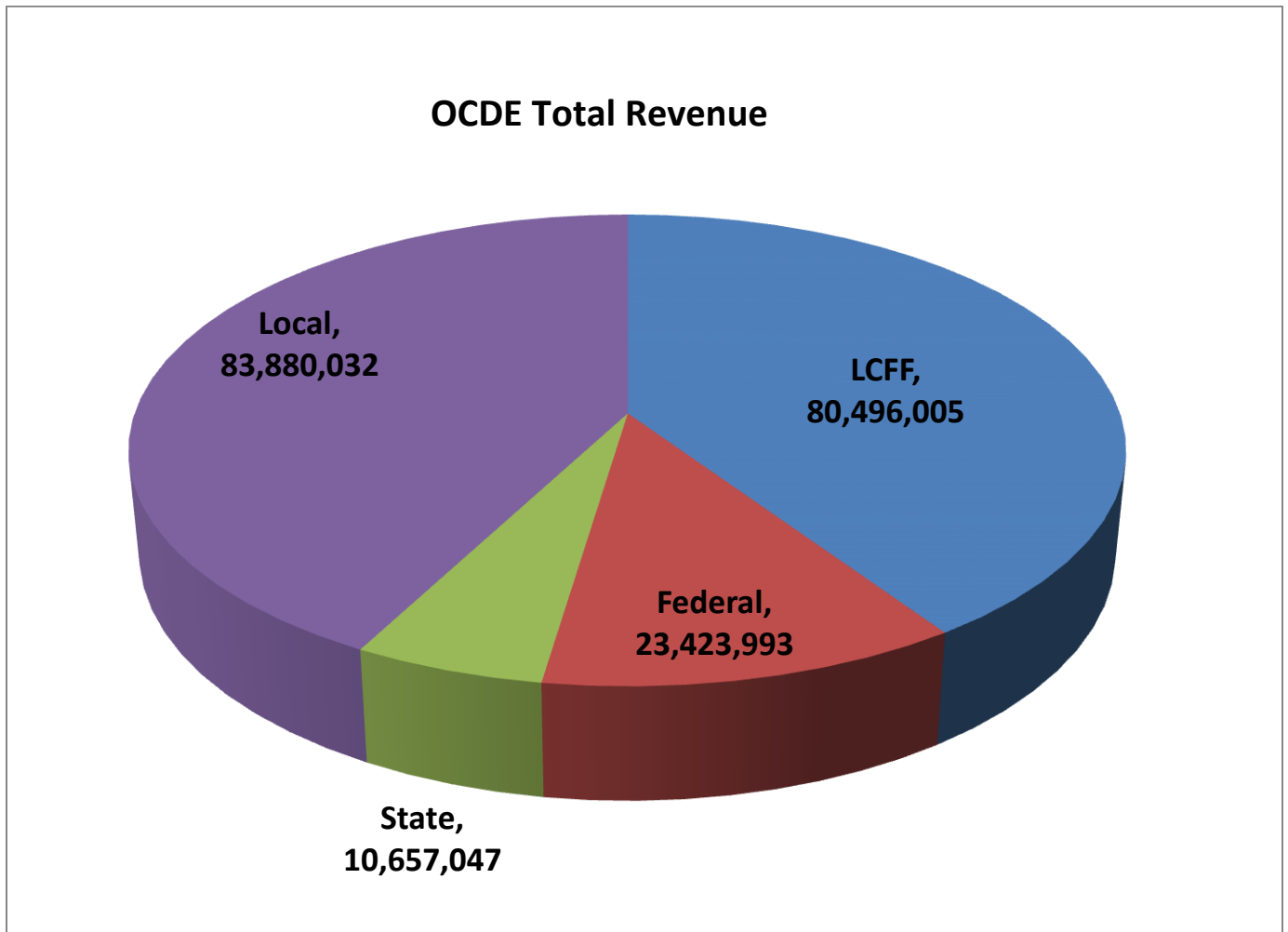
Our vision is that **Orange County students will lead the nation in college and career readiness and success.** We play a supportive role in the fulfillment of this vision in collaboration with educators at all levels of student development, from early childhood through higher education, and in partnership with families, businesses, and community organizations. We believe that to lead the nation in college and career readiness and success is a high ambition, but within the reach of Orange County students.

The Budget Study Session is an overview of the Orange County Department of Education Budget and reflects the goals and priorities of the County Superintendent and Governing Board against the backdrop of the available financial resources. The budget is a complex document that is required to follow state accounting guidelines. 2014-15 was the first year that our budget was aligned with the Local Control Accountability Plan (LCAP) we will continue with a revised plan for 2015-16 and an Annual Update for 2014-15. The LCAP lays out the main objectives for meeting the learning requirements of high need students. The LCAP also identifies the expenditures for meeting the identified objectives, as such becomes a second statement of the Superintendent and Board priorities along with those identified on these pages.

For the purpose of the this Budget Summary the Orange County Department of Education is using data from the 2014-15 Estimated Actuals budget and projections based on the Governor's May Revise budget for 2015-16. Our proposed General Fund budget is \$194,242,544 and current projections do not reflect legislative changes for the State budget or any negotiated settlements. We anticipate closing the 2014-15 year with a deficit of \$2.6 million. The deficit is due to one-time expenditures that are from prior year ending balances and declining enrollment in the Alternative Education program.

## **Revenue**

**The Total General Fund Revenue Projections are \$198,457,077**



## Local Control Funding Formula (LCFF) \$80,496,005

The Local Control Funding Formula (LCFF) for County Offices incorporates funding for Countywide services to districts and direct funding for students in Juvenile Court Schools and referrals from Probation or Social Services this is 45% of our total revenue. The LCFF formula for County Offices is separated into two major components.

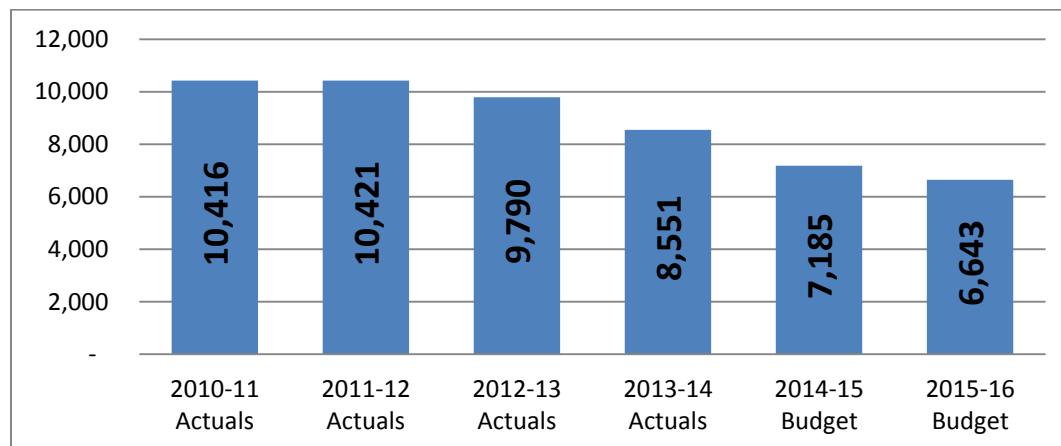
**County Operations Grants:** This funding is based on the number of students who attend school in the County or Average Daily Attendance (ADA) and the number of school districts we support. This funding is to perform services mandated under the education code such as financial oversight and services to districts. **Projected funding for 2015-16 is \$25,548,617**

**Pupil Driven Grants:** Base funding is received per ADA, plus supplemental and concentration grants for students that are one of the following: English Language Learners, Foster Youth or qualify for Free and Reduced Lunch program. Our 2014-15 unduplicated count is 82%, which is a reduction from the 92% in 2013-14.

- Students in Juvenile Court Schools receive base funding and 100% of the students qualify for Supplemental and Concentration funding. **Projected funding for 2015-16 is \$ 11,302,267**
- Students that are considered type “C” probation referred, expelled or social service referred
  - Supplemental is 35% of Base Grant
  - Concentration is 25% of Base Grant for Unduplicated Count over 50%**Projected funding for 2015-16 \$36,691,417**

OCDE serves students that are referred from school districts, this ADA is added to total enrollment for staffing ratios but the funding for district referred students is recognized under Local Revenue.

### Average Daily Attendance for OCDE Programs



## Average Daily Attendance

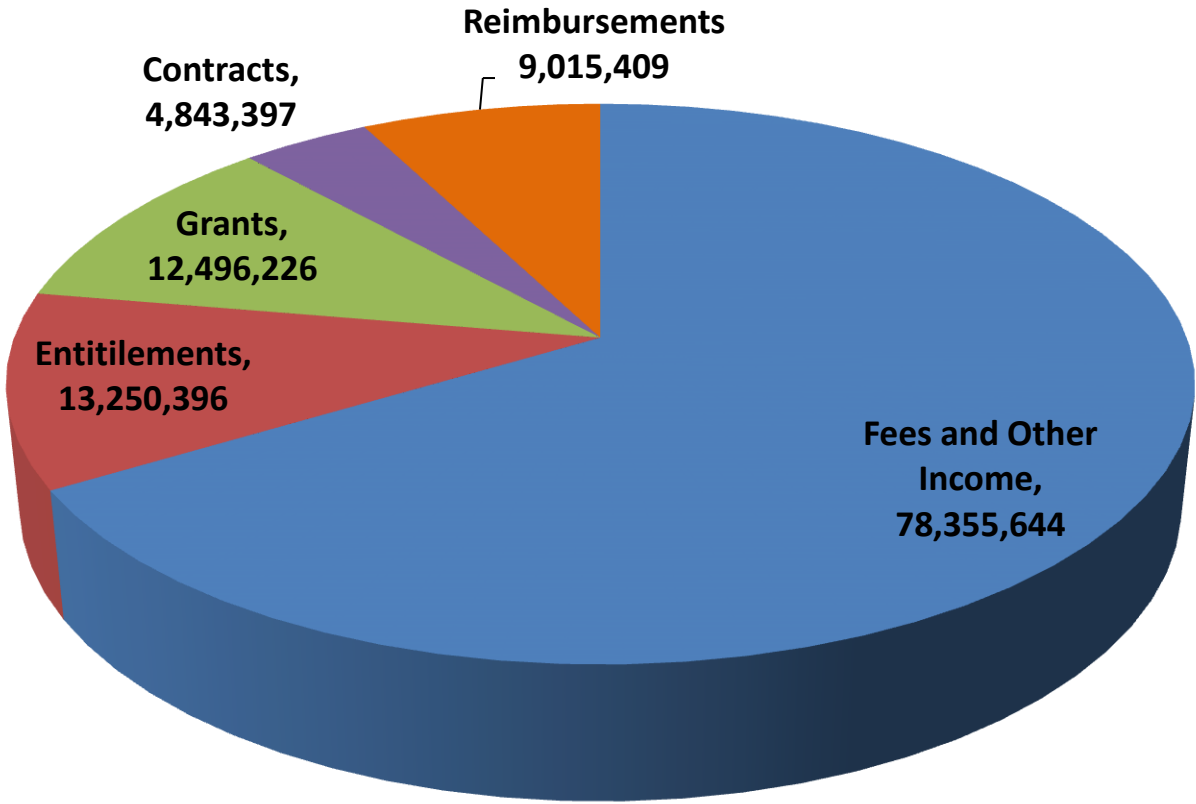
OCDE has been declining in enrollment since 2012-13, with a projected decline of 819 ADA in 2014-15. The 2015-16 Proposed Budget includes an additional decline of enrollment of 406 ADA which is \$6,566,830 reduction in funding. A change in State and County guidelines regarding alternatives to incarceration means that less students are enrolled in our program and stay in their home districts. To adjust to the changing environment we are developing new programs and improving our outreach activities so that we are better able to serve our students. As you may remember some of these services are outlined in our Local Control Accountability Plan (LCAP).

## Revenue Outside of LCFF

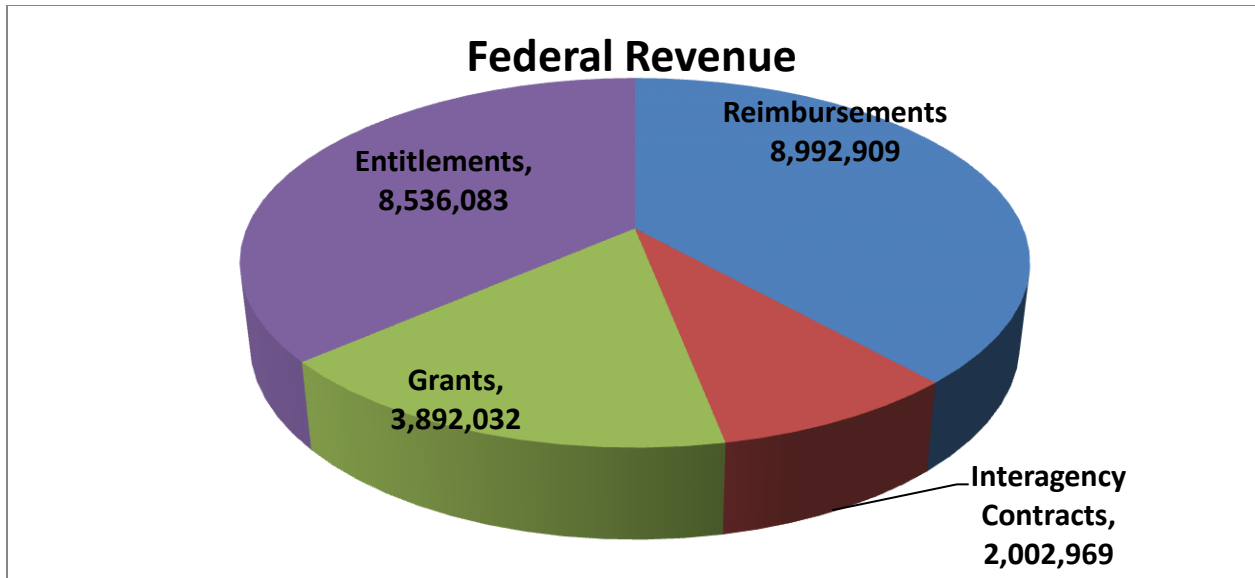
Outside of LCFF we receive income in five different ways from Federal, State or Local resources. Below we will detail examples of the revenue we receive as a County Office

- Entitlements are funding normally received on a per student basis and is either part of the State or Federal Budget authority. Most of these funds are on-going appropriations and may have restricted guidelines for expenditures
- Grants are projects that OCDE has applied to funding agencies for and could come from Federal, State or Local agencies. These are competitive in nature and will require specific expenditures as part of the grant.
- Contracts are services provided to Federal, State or Local agencies that are outlined in a contract.
- Reimbursements: revenue received to reimburse a portion of the cost of providing specific services to students (Medi-Cal Administrative Services (MAA), Medi-Cal billing and Child Nutrition)
- Fee for Service programs: Most of the fees for service are in Local revenue and they include billing to school districts for students they have referred, excess billing for Special Schools, billing for Inside the Outdoors, Professional Development for school districts and various services OCDE provides on a county-wide basis.

### Total Revenue without LCFF



**Total Revenue without LCFF** **\$117,961,072**



**Total Federal Revenue is \$23,423,993**

Federal Entitlements: \$8,536,083

\$6,379,873 for Title I,II,III programs for delinquent and neglected students  
 \$1,953,310 for Special Education grants for OCDE students and \$202,900 for various grants.

Reimbursements: \$8,992,909

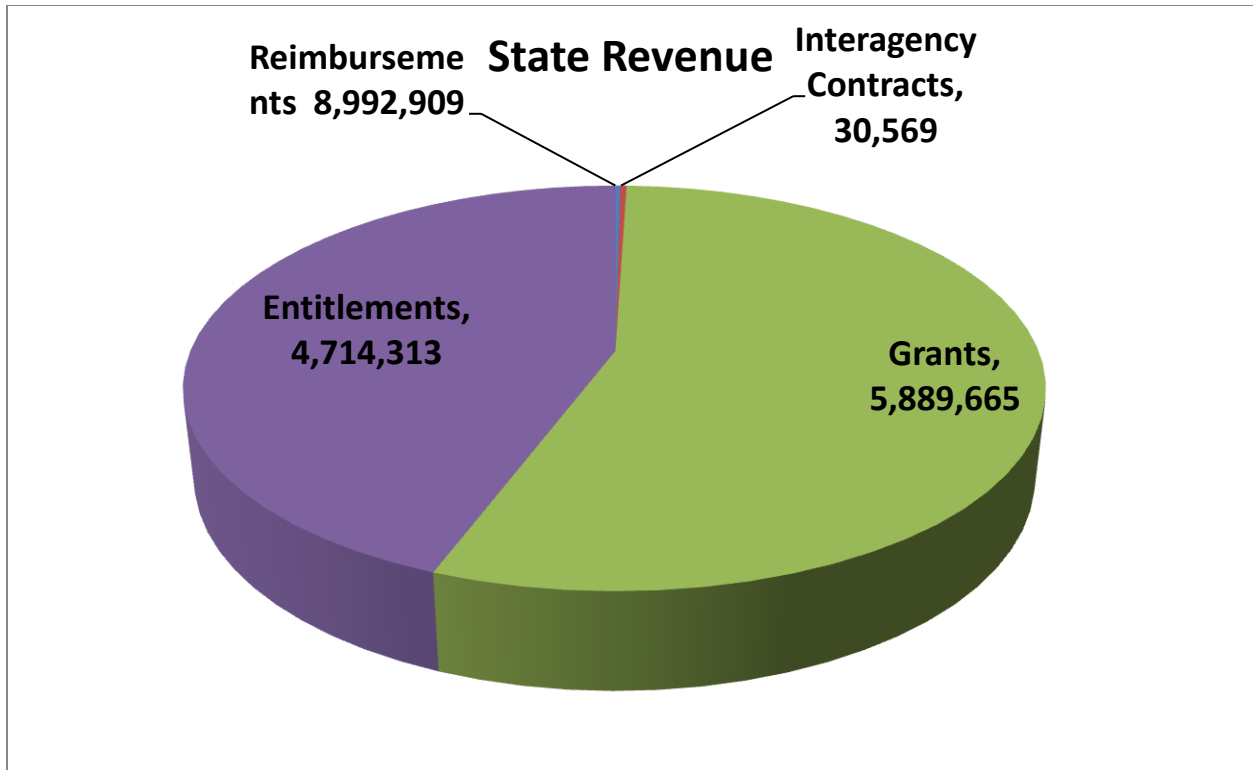
\$1,444,958 Medi-Cal,\$7,277,951 Medi-Cal Administrative Activities (MAA) which is passed thru to Orange, Imperial and San Diego County school districts and \$270,000 Federal school lunch program.

Interagency Contracts: \$2,002,969

\$1,016,165 Nutrition Network pass through from the Orange County Health Care Agency, \$477,620 for Regional System of District Support pass through from San Diego COE and \$509,184 various other programs with pass through funding.

Grants: \$3,892,032

\$2,739,473 for Early Learning Race to the Top (pre-school), \$500,000 for California Math and Science Partnership (see other grants on attachment "A")



**Total State Revenue is \$10,657,047**

State Entitlements: \$4,714,313

\$1,293,084 Lottery funds, \$1,481,386 for the Mandated Cost Block Grant, \$923,132 for Countywide Foster Youth Services, \$520,551 Mental Health for ACCESS Special Education students, \$175,153 for countywide unemployment administration and \$321,007 in various other programs

State Grants: \$5,889,665

\$4,734,150 Career Pathways Trust Grant 1<sup>st</sup> year of 5 years in partnership with school districts, community colleges and community partners, \$586,434 for Tobacco, Drugs and Alcohol intervention grant and \$171,601 for various programs

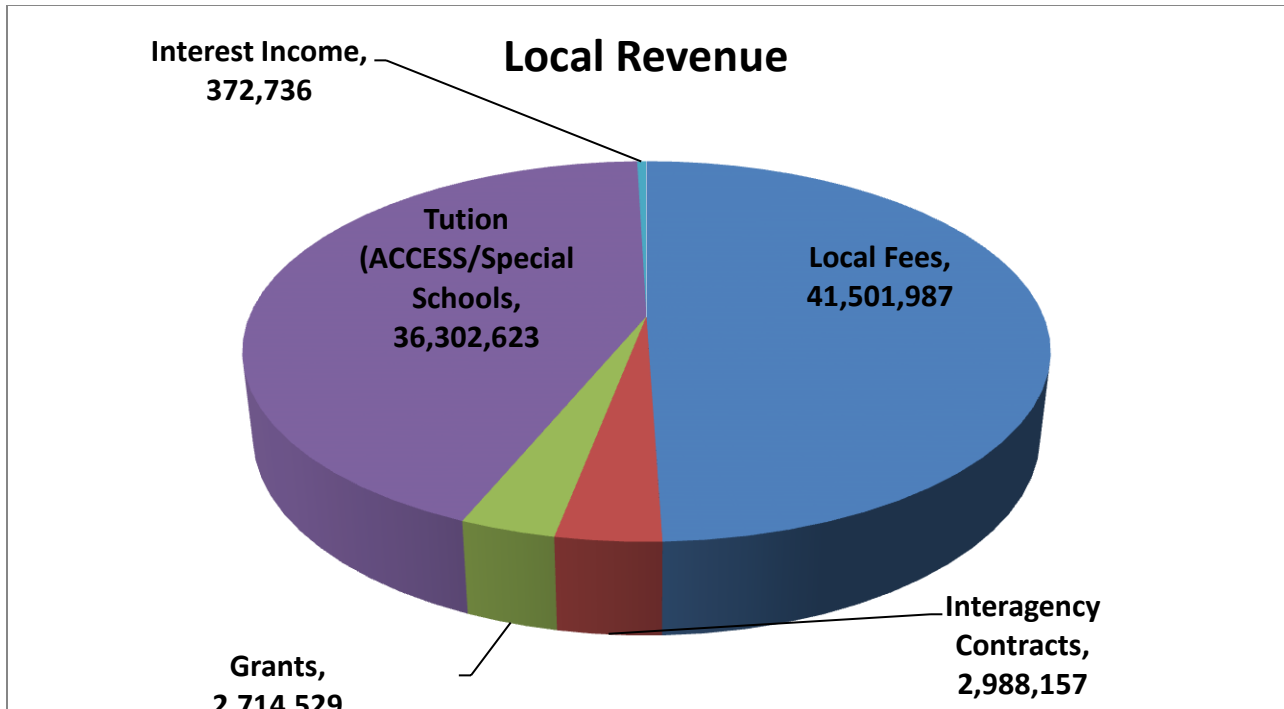
State Reimbursements: \$22,500

State Child Nutrition reimbursements

State Interagency Contracts: \$30,569

\$15,806 contract with Fairview Development Center, \$14,763 Contract with CDE to review textbooks





**Total Local Revenue \$73,454,373**

Local Fees \$41,501,987

Is funding for programs such as billing for Special Schools, Inside the Outdoors, professional development, and other services we provide to school districts

Local Grants \$2,714,529

\$1,277,794 in partnership with Santa Ana USD to provide mental health services, \$175,000 from the Stuart Foundation for matching funds for Foster Youth Services, \$987,210 local grants from the Outdoor Science Foundation, \$204,525 for the Youthful Offender program and \$70,000 in various grants from local agencies

Local Interagency Contracts \$2,988,157

This is pass through revenue from school districts and Local Agencies (Orange County Health Care and Social Services)

Local Interest Income \$372,736

This revenue is interest earnings for the General Fund

Local Tuition: \$36,302,623

We receive this revenue for students in ACCESS and Special Schools programs that are referred from school districts. In 2013-14 the LCFF changed this from state funding to local revenue which now requires us to bill 92 participating school districts

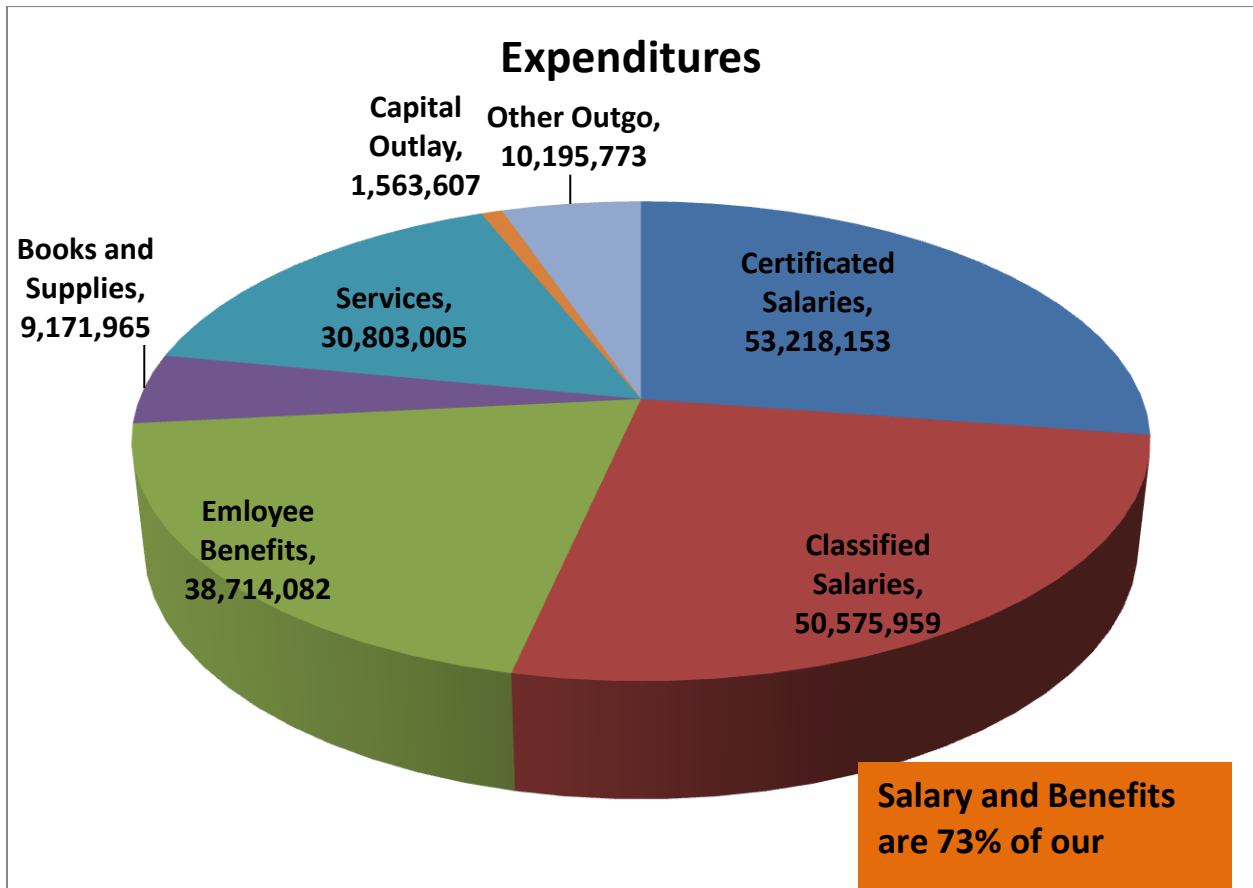
**Revenue Projections for 2015-16**

As of 2014-15 we should be fully funded for the LCFF unlike school districts who receive additional funding through 2020-21. Starting in 2015-16 the County Office LCFF will receive Cost of Living Adjustments (COLA) to base grants. Based on the Governor's proposed budget the COLA is 1.02% which would be an additional amount of \$806,131. We have budgeted to decline an additional 406 ADA for a loss of \$6.5 million. If are not able to start new programs in 2015-16 to increase revenue we will closely monitor and reduce expenditures.

The Governor has proposed \$40 million in one-time funding (to be spent over two years) for COE's to help with additional duties that are required to oversee the Local Control Accountability Plan. This was not included in the budget because it is unclear how it will be allocated statewide.

The Governor has also proposed one-time funding in the 2015-16 but the amount may change during the legislative process. Once we have a signed budget by the Governor we will work on updating our budget.

# Expenditures



Salary and benefits are 73% of the general fund budget. OCDE has 2,230 employees, 1,183 regular employees and 1,047 short term and substitute positions.

Below is a historical look at salary and benefits which reflects the staffing and services reduction over the last few years as funding was decreased. Since 2007-08 we have eliminated 571 regular positions and reduced services to our students and districts. One of the major changes in 2014-15 was the closure of the overnight program for Inside the Outdoors. We are still operating educational outdoor science programs on a daily basis. 2013-14 was the first year we received new funding under LCFF and 2014-15 was the first year since 2007-08 that employees were given an across the board salary increase. The historical data also shows how the cost of health and welfare benefits plays a significant role in our increase expenditures. Since 2007-08 the cost of medical benefits has increased by 143.3%. As you may be aware OCDE collaborates with our collective bargaining units and we add the cost of employee benefits to total compensation when bargaining.

	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Certificated Salaries	67,444,003	64,137,491	59,503,911	57,090,296	56,204,435	55,614,202	52,872,833	52,017,977	53,218,153
Classified Salaries	58,107,426	56,899,830	52,778,851	50,339,085	50,087,581	50,802,178	49,702,071	49,743,318	50,757,959
Employee Benefits	33,782,267	34,154,339	32,196,586	33,398,457	35,663,103	36,744,721	34,589,559	35,740,828	38,714,082
Total Salary and Benefits	159,333,696	155,191,660	144,479,348	140,827,838	141,955,119	143,161,101	137,164,462	137,502,123	142,690,194
Total Regular Employees	1,752	1,623	1,504	1,379	1,303	1,279	1,285	1,181	1,159

AB1200 guidelines require us to project revenue and expenditures for the current and two subsequent years. The chart below is an excerpt from the budget document that shows our projections for salaries and benefits. This is an important budget item to address as it is 70% of our budget.

	Actual 2013-14	Projected 2014-15	Projected 2015-16	Projected 2016-17	Projected 2017-18
Certificated Salaries	52,872,833	52,017,977	53,218,153	55,330,694	58,018,970
Classified Salaries	49,702,701	49,743,318	50,575,959	51,824,472	53,540,931
Employee Benefits	34,589,559	35,740,828	38,714,082	38,714,082	44,696,775

Salaries changes from 2013-14 to 2014-15 included a salary settlement of 2% on-going increase and a 1% one-time salary payment. We also had savings due to retirements and attrition of positions that if filled may be at lower classifications. The 2015-16 and 2017-18 salary increases only reflect step and column costs and does not reflect, retirements and any negotiated salary increase

Employee health and welfare benefits increased by \$1.6 million in 2014-15. The cost increase was due to our experience, trend rates and an additional 4% for costs related to the Affordable Health Care Act. Due to a legislative changes the 2015-16 fiscal year the State Teachers Retirement System (STRS) increased by 1.85% to 10.739%. The Public Employees Retirement System (PERS) increased to 11.847%.

## **Salaries**

As a County Office we have different needs than a regular school district. Our class sizes are smaller due to state regulations and the specific needs of our students. The Education Code and State Accounting Guidelines dictate how we classify positions. Below is a table that shows a summary of our Certificated and Classified positions.

<b>Certificated Salaries</b>	
Teacher's Salaries	36,898,947
Pupil Support Salaries	2,705,185
Supervisors' and Administrators Salaries	11,124,310
Other Certificated Salaries	2,489,711
Total Certificated Salaries	53,218,153
<b>Classified Salaries</b>	
Instructional Salaries	12,863,628
Support Salaries	3,419,039
Supervisors' and Administrators Salaries	19,662,391
Clerical, Technical and Office Salaries	14,310,559
Other Classified Salaries	320,302
Total Classified Salaries	50,575,959

### **Projections for 2015-16 for Salaries**

We have not completed salary negotiations with either bargaining unit at this time. We do anticipate an increase of \$923,135 for Step and Column for all eligible employees and we will have salary savings due to retirements and attrition. We have also added new positions based on services approved in the Local Control Accountability Plan (LCAP). In addition new legislation starting July 1, 2015 provides sick leave benefits to substitute employees and will increase our salary expenditures in 2015-16.

## **Benefits**

Expenditures for Health and Welfare and Statutory Benefits are summarized below: As an educational entity we are required to participate in STRS and PERS for all regular employees. We contribute to an alternative retirement plan (PARS) for any short term or substitute employee instead of social security unless they qualify by statute for mandatory retirement.

State Teachers Retirement (STRS)	5,297,963
Public Employers Retirement (PERS)	6,211,481
Medicare/PARS	1,531,080
Health and Welfare Benefits	23,270,280
Unemployment	101,578
Workers Compensation	2,064,529
Other employee benefits	232,171
Total Employee Benefits	38,714,082

### **Projections for 2015-16 for Benefits**

We incorporated the additional statutory benefits for step and column and the expected increase in STRS to 12.58% and PERS to 13.05%. The employer contribution costs for both CalSTRS and CalPERS are projected to double over the next several years which will have an impact on our finances

CalSTRS – From 8.25% in 2013-14 to 19.1% in 2020-21

CalPERS – From 11.442% in 2013-14 to 20.4% in 2020-21

We are negotiating with our broker for health and welfare benefits but anticipate a significant increase due to the enactment of the mandatory health care coverage for employees who average over 30 hours a week. Currently our experience rate is not trending well for a portion of our employees so we are anticipating a sizable increase in health costs. We have also not factored in any salary and benefit savings for positions that will be eliminated through attrition.

## **Books and Supplies**

Expenditures in this category are specific to books, supplies and non-capitalized equipment (equipment under \$5,000).

Textbooks	495,591
Books and referenece materials	186,169
Materials and Supplies	7,140,535
Noncapitalized Equipment	841,659
Food for Nutrition Program	508,011
Total	9,171,965

Incorporated in the Materials and Supplies category is a holding account of \$2,628,891 that has not been allocated yet.

The change from the 2014-15 estimated budget to the 2015-16 Proposed Budget is an increase of \$1,405,668 for instructional materials that are aligned with state standards.

### ***Projections for 2015-16 Books and Supplies***

We expended \$1.4 million in 2014-15 for technology needs outlined in our Common Core Implementation and there is additional instructional material costs for plans detailed in the LCAP.

## **Services and Other Operating Expenditures:**

Below is a detail of the service and operating expenditures for 2015-16 and we are anticipating a decrease of \$1.3 million in expenditures.

<b>Services and Other Operating Expenses</b>		2015-16
Category	Object code	Budget
Subagreements	5100	8,849,555
Travel and Conference	5200	1,570,138
Dues and Membership	5300	335,268
Insurance	5400	500,000
Operations	5500	1,327,083
Rentals, Leases	5600	8,940,574
Transfers of Direct Cost	5700	(80,600)
Professional Services	5800	8,387,752
Communications	5900	973,235
Total		30,803,005

**Subagreements:** \$8,849,555

These are contracts with other agencies for services they provide on our behalf. Transportation is \$4.7 million, Career Pathways partners is \$3.07 million and we have various other subagreements with local agencies for \$1 million.

**Travel and Conferences** \$1,570,138

All travel is approved and is required to follow OCDE procedures. This expenditure has increased by \$138,684 from the prior budget due to an increase in staff development activities, most notably in ACCESS and Special Education in accordance with the LCAP guidelines. Major objects codes for travel and mileage are below:

Object Code 5210 is for local travel, conferences and mileage. As a county-wide agency we pay mileage to employees who travel between worksites which to date is \$310,937. Local conference registrations for local staff development opportunities are included in this budget category.

Object Code 5220 is for travel and conferences that are outside of the area and may require an overnight stay.

Below is 2014-15 travel and conference year to date expenditures by division

Detail Summary by Division/R&U	Unrestricted	Restricted	Total	% of total
Superintendent's Office	69,632		69,632	8.9%
Communications	125		125	0.0%
Information Technology	70,474		70,474	9.0%
Legal	27,823		27,823	3.5%
Administrative Services	47,730		47,730	6.1%
Alternative Education	53,264	52,222	105,486	13.4%
Business	38,705	515	39,220	5.0%
Special Education		52,678	52,678	6.7%
School & Community Services	33,400	101,308	134,708	17.2%
Instruction	121,507	115,345	236,852	30.2%
<b>Total</b>	<b>462,660</b>	<b>322,067</b>	<b>784,727</b>	<b>100%</b>

**Dues and Memberships:** \$335,268

Existing policy on dues and memberships states that we do not pay personal dues for employees (see exceptions) unless the dues reduce the cost of a conference or subscription that will create a savings for the organization. We pay for one organizational membership for an association unless OCDE receives a benefit and there may be a cost savings.

\$147,398 is for participation dues for Region 9 for the MAA program.



**Pupil Insurance** : \$500,000

This is liability insurance for OCDE programs

**Utilities:** \$1,327,083

Water, Natural Gas, Electricity, Waste Disposal, Pest Control and Sweeping services:

**Rentals and Leases:** \$8,940,574

Cost of leasing school sites is \$6,336,718 this category also includes equipment maintenance agreements for all of our sites.

**Professional Services:** \$8,387,752

This group includes expenditures for maintenance and service contracts, custodial contracts, Instructional Consultants, Consultants non-instructional, hearings and legal costs, Data processing contracts, contract for fingerprinting services

**Communication:** \$973,235

This category includes: Internet services at sites, postage, cell phones, telephones and emergency radios.

### ***Projections for 2015-16 Services and Other Operating Expenditures***

We are anticipating increases in various utilities. We are also concerned that some of our maintenance costs for facilities will increase due to new legislation that requires contractors to register with the Department of Industrial Relations for any services over \$1,000. (air conditioning repair, painting, plumbing and landscaping) we anticipate that this will increase costs.

### **Capital Outlay**

These are expenditures for land, building improvements, capitalized (over \$5,000) equipment or replacement equipment. We have budgeted \$1.3 for new equipment in the 2015-16 year that will be reduced in 2016-17.

### ***Projections for 2015-16 Capital Outlay***

We are still evaluating technology infrastructure but anticipate a reduction of expenditures. We have major facility maintenance costs for next year but the majority will be paid from our Deferred Maintenance Fund 14.

### **Other Outgo**

These are expenditures to other school districts or agencies. The Central County Career Technical Education Program will decrease \$8.4 million due to changes in the LCFF funding model. We have committed to contribute funds to the participating school districts as they transition to the LCFF targets.

### **Interfund Transfers:**

We are budgeting to transfer \$691,370 to the Child Development Program located in Fund 12 because their state and federal entitlements cap our indirect cost rate at 8%. We are also budgeting to transfer \$980,735 for contributions to the Deferred Maintenance Program – Fund 14 for future facility maintenance needs.

### **Excess/Deficiency :**

This is the difference between revenue and expenditures. If we have more revenue than expenditures it is an Excess. Less revenue than expenditures is a deficiency.

Our estimate for 2014-15 reflects a deficit of \$2.6 million, \$1.4 million is for common Core Implementation funds that were received in 2013-14 but not expended until this year. We also have other projects that we reserved funding for in 2013-14 that is being spent this year to help implement items in our LCAP.

### ***Projections for 2015-16***

We are finalizing our budget projections but at this time we project we will have an excess of \$4 million before we have increased expenditures for salaries or benefits. We will continue to monitor programs and assess each position vacated by attrition. If we are able to increase ADA (average daily attendance) then the increased revenue will offset future year deficits. Without increased revenue we will need to start planning for staffing reductions in the 2016-17 year. We do anticipate that the State Budget will include additional one-time revenue that has not been included in this budget but we will need to be very conservative in funding only one-time expenditures.

## **Fund Balance**

The 2015-16 Fund Balance is projected to be \$99,140,229

### **\$66,805,552 is committed for specific program needs**

\$28,317,691 reserved ACCESS expenditures to serve our students that we receive supplemental and concentration grants for.

\$14,697,930 is reserved for Lottery funds that have been reserved for contingencies

\$6,322,826 is reserved for ACCESS for identified LCAP services that will be spent in subsequent years

\$6,361,959 is reserved for mandated cost funding that has yet to be allocated to specific programs

\$2,711,695 is reserved for Career Technical Education programs this is funding for participating districts

\$1,792,487 is reserved for Categorical programs ending balances that will be used in subsequent years.

\$2,795,588 is reserved for E-rate funding that is used to reimburse technology expenditures. This funding is to help with technology infrastructure and equipment replacement.

\$ 507,667 is reserved for various workshops that we will receive the revenue in 2014-15 but the expenditures will be in subsequent year.

\$429,086 is reserved for services for English Language Learners in Juvenile Hall, this will be used in the following year.

\$605,293 is reserved for Overage Payroll/Warrant checks that have not been cashed and funds have been returned to the general fund. The reserve is to issue payment as requests are made.

\$567,084 is reserved for various programs that are budgeting to spend the funding in the next year.

\$314,566 is reserved for the Special Education Alliance that has funds for specific trainings and legal costs.

\$386,000 is reserved for Information Technology for projects that we anticipated in 2014-15 but will not occur until 2015-16

\$185,197 is reserved for the Instructional Services workshops that will occur in the subsequent year.

\$310,149 is reserved for upgrades to the county-wide Payroll system

\$242,499 is reserved for Instructional Services AVID workshops funding in the subsequent year

\$100,908 is reserved for the College and Career Readiness Consortium that will be used in the subsequent year.

\$156,927 is reserved for Medi-cal Administrative Activities (MAA) for technology upgrades

**\$18,041,608 is designated for carryover for specific programs**

\$7,099,183 is restricted to be spent on facility or health and safety related items

\$5,551,300 is restricted for Routine Maintenance is required by state statute

\$ 465,706 Medi-Cal Billing to be spent in accordance with the Medi-cal collaborative

\$1,129,784 restricted for the North Orange County SELPA

\$1,013,440 restricted for rebate for Special Schools bill back

\$ 603,536 restricted for Lottery materials for Central County CTEp

\$ 698,178 restricted for various Special Education program ending balances

\$ 367,290 restricted for various ACCESS program ending balances

\$ 241,906 restricted for Stuart Foundation Foster Youth Program

\$ 320,840 restricted for Lattner donation for Special Schools

\$550,445 restricted for various income accounts

**\$14,223,069 is designated for Reserve for Economic Uncertainties**

Required by AB1200 guidelines

## **Summary**

During the financial crisis we continually monitored our budget and reduced staffing and expenditures to balanced OCDE's budget. For 2014-15 we are deficit spending as a result of one-time projects that are being funded from ending balances and a larger decline in enrollment than originally budgeted. We anticipate that for 2015-16 we will not be deficit spending. Due to the requirements under the Local Control Accountability Plan and the Local Control Funding Formula we must show increased or improved services to our students who receive Supplemental and Concentration funding. We are still in the process of negotiations so no increase for salary or benefits have been incorporated into this budget. It is the Departments philosophy that ending balance reserves should only be spent on one-time expenditures since it is not an on-going stream of revenue.

**Other Funds** : OCDE has additional operating funds listed below. The California Department of Education requires accounting in accordance to State Account Code Structure and Generally Approved Accounting Principles. Expenditures in these funds are restricted to the funds use. See the All Funds Statement in the Second Interim Budget for detail.

**Fund 10:** Special Education Pass-Through Funds for the North Orange County SELPA (no salaries)

**Fund 12:** Child Development these funds are specific for our Alternative Payment program for child development programs (only fund outside of Fund 01 that has salaries included)

**Fund 14:** Deferred Maintenance Fund is for facility repairs and requires a deferred maintenance plan for participation in the School Facility Reimbursement Program

**Fund 17:** Special Reserve Fund: This is our contingency fund for unforeseen events

**Fund 35** is the State Facilities Fund. This is for approved school planning, design, purchase and construction.

**Fund 40:** Capital Outlay Fund is our operating fund for the Esplanade Project

**Fund 56:** Debt Service Fund is the fund we pay the principal and interest payments for the Esplanade Project

**Fund 67:** Dental Self-Insurance Fund, this fund is for payments for employee dental benefits. We have an actuarial study every three years and are required to keep reserves for incurred by not received claims.