

Orange County Department of Education
2017-18 Budget Study Session

Budget Summary

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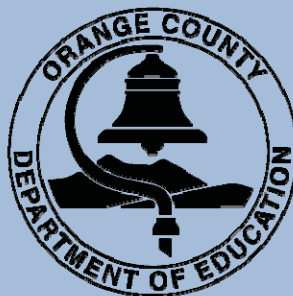
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About OCDE



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, Community and Student Support Services, and Special Education.

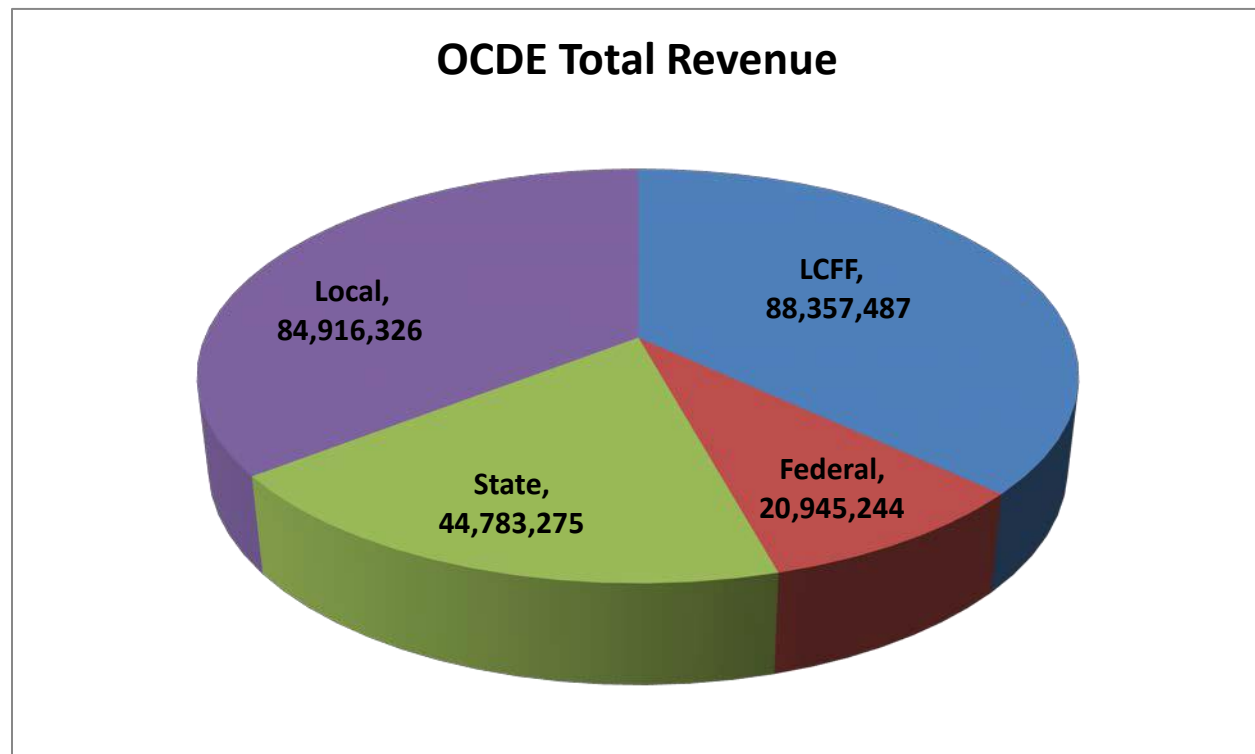
Our vision is that **Orange County students will lead the nation in college and career readiness and success**. We play a supportive role in the fulfillment of this vision in collaboration with educators at all levels of student development, from early childhood through higher education, and in partnership 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 Summary 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. This budget summary is using Projections for 2016-17 that align with the LCAP. 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 this Budget Summary, the Orange County Department of Education is using data from the Projections based on the 2016-17 Second Interim Budget and the Governor's January Budget Proposal. Our proposed General Fund budget is \$232,618,734 and includes negotiated settlements for Certificated (OCSEA) Classified (CSEA), Supervisory, Confidential, and Management. We currently have an excess of \$6,383,598 which is created by a combination of one-time funding that was received in prior years with expenditures in 2016-17 budget and funding received in 2016-17 that will be spent in next year's budget. We have been evaluating our student programs and are in the process of developing a multi-year plan that will use one-time funding for one-time expenditures. Some of the expenditures are included in this budget and accounts for the planned deficit in 2016-17.

Revenue

The Total General Fund Revenue Projections are \$239,002,332



Local Control Funding Formula (LCFF) is \$88,357,487

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 37% of our total revenue. The LCFF formula for County Offices is separated into two major components.

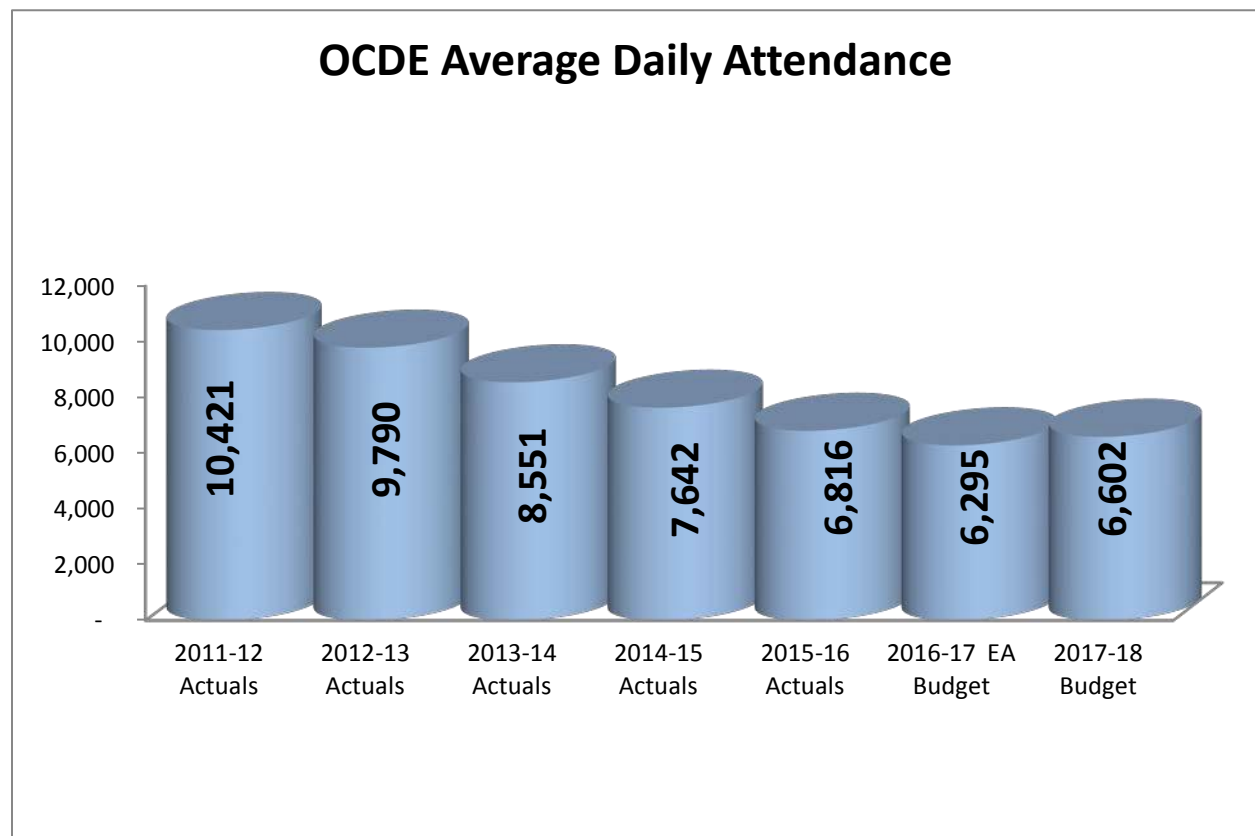
County Operations Grants: This funding is based on the number of students who attend school in the County or Average Daily Attendance (ADA), and the number of school districts we support. This funding is to perform services mandated under the education code such as financial oversight and services to districts. ***Projected funding for 2016-17 is \$25,451,541***

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 2016-17 unduplicated count is 86%.

- Students in Juvenile Court Schools receive base funding and 100% of the students qualify for Supplemental and Concentration funding. ***Projected funding for 2016-17 is \$7,668,562***
- 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 2016-17 is \$30,916,348***

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



	2013-14 Actuals	2014-15 Actuals	2015-16 Actuals	2016-17 EA Budget	2017-18 Budget
Juvenile Court Schools	858	737	519	508	498
Community Schools "C"	2,672	2,079	1,583	1,291	1,169
Community Schools Secondary 1st Semester	462	419	466	551	822
CHEP and PCHS	1,613	1,547	1,321	1,087	1,001
PCHS Secondary 1st Semester "A" & "B"	797	889	911	972	971
Expelled	147	130	132	108	108
County Community "A" & "B"	1,064	874	958	793	735
County Community "A" & "B" Secondary 1st Semester	501	537	467	465	678
College and Career Prep. Charter			41	142	242
Total For ACCESS	8,114	7,212	6,398	5,917	6,224
Special Schools	436	430	418	377.9	378
Total	8,551	7,642	6,816	6,295	6,602
Difference from prior year	(1,239)	(908)	(827)	(521)	307

Average Daily Attendance

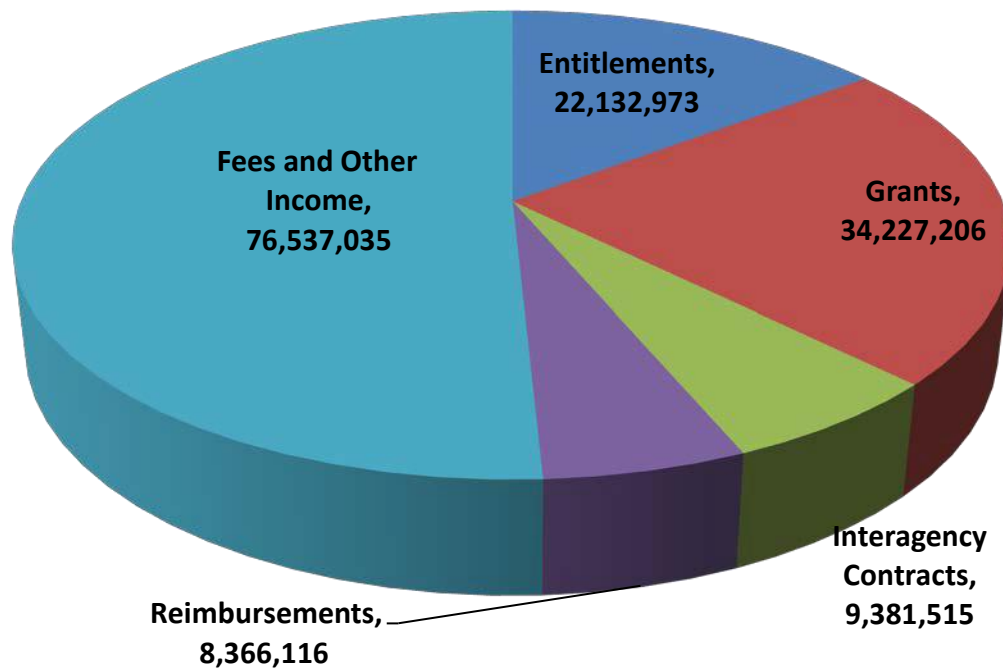
OCDE has been declining in enrollment since 2012-13, with a decline of 521 ADA in 2016-17. The 2017-18 Proposed Budget includes a projected growth of enrollment of 307 ADA from Scholarship Prep Charter and an increase in our S1S program. A change in State and County guidelines regarding alternatives to incarceration means that fewer 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:

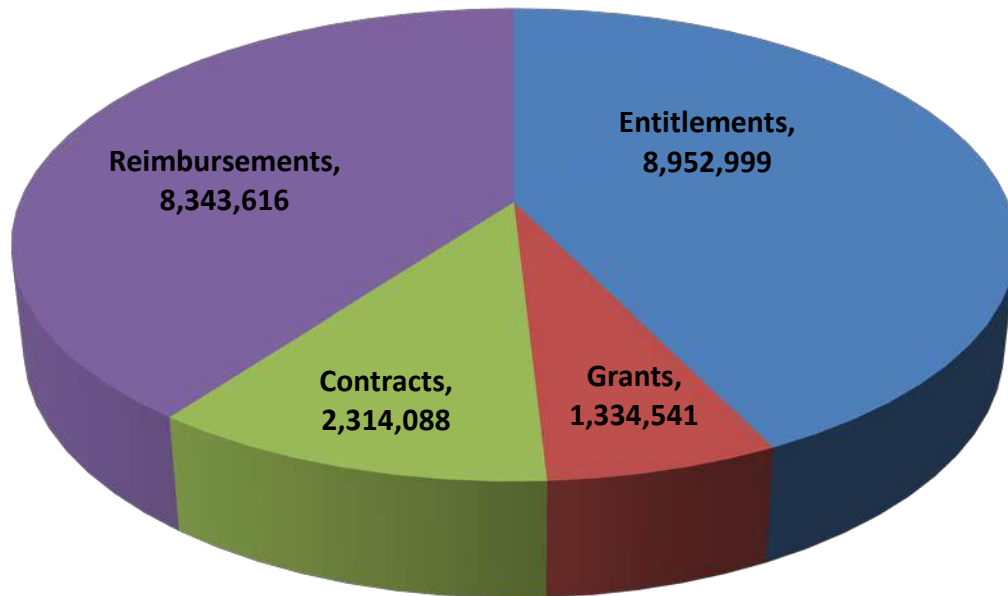
- Entitlements are funding normally received on a per student basis and is either part of the State or Federal Budget authority. Most of these funds are on-going appropriations and may have restricted guidelines for expenditures.
- Grants are projects that OCDE has applied to funding agencies for and 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 is \$150,644,845

Federal Revenue



Total Federal Revenue is \$20,945,244

Federal Entitlements: \$8,952,999

\$6,804,100 for Title I,II,III programs for delinquent and neglected students.
\$1,949,999 for Special Education grants for OCDE students, and \$198,900 for various grants.

Reimbursements: \$8,343,616

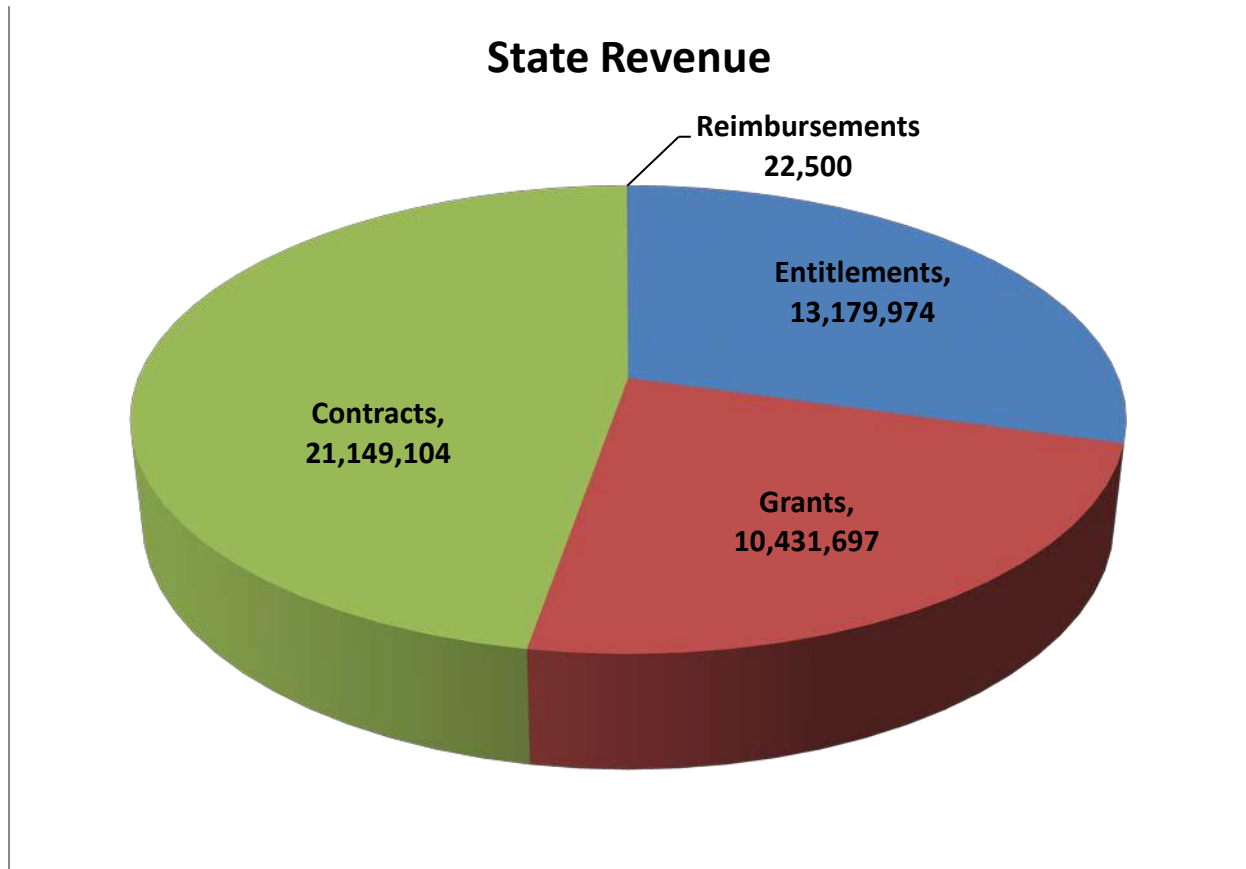
\$7,311,536 Medi-Cal Administrative Activities (MAA) which is passed thru to Orange, Imperial and San Diego County school districts, \$802,080 Medi-Cal, and \$230,000 Federal school lunch program.

Interagency Contracts: \$2,314,088

\$1,139,203 for Nutrition Network pass through from the Orange County Health Care Agency, \$707,703 for various other programs with pass through funding, and \$467,182 for Regional System of District Support pass through from San Diego COE.

Grants: \$1,334,541

\$854,172 for various other programs and \$480,369 for California Math and Science Partnership (see other grants on attachment "A")



Total State Revenue is \$44,783,275

State Entitlements: \$13,179,974

\$4,817,694 for the GASB 68 requirements to recognize STRS paid by the state on behalf of the district [see same entry in benefits], \$2,906,691 for the Mandated Cost Block Grant, \$2,089,072 for Countywide Foster Youth Services, \$1,431,030 for Lottery funds, \$568,275 in various other programs, \$495,900 for CPIN Transitional Kindergarten Professional Development trainings, \$416,483 for Mental Health for ACCESS Special Education students, \$372,676 for College Readiness Block grant, and \$175,153 for countywide unemployment administration.

State Grants: \$10,431,697

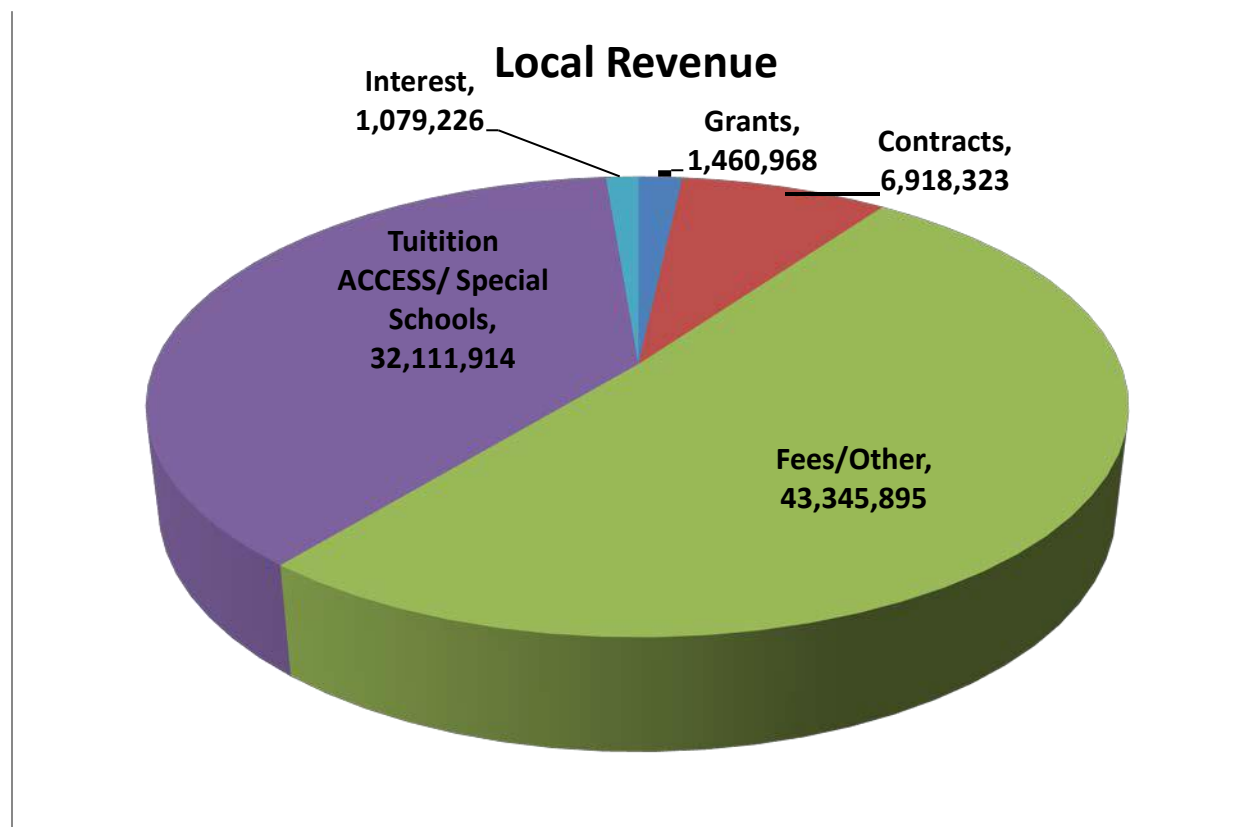
\$4,528,476 Career Pathways Trust Grant 3rd year of 5 years in partnership with school districts, community colleges and community partners, \$4,023,687 for Career Technical Education Incentive Grant (CTEIG), \$936,091 for Prop 39 California Clean Energy Job Act, \$684,854 for Tobacco, Drugs and Alcohol intervention grant and \$258,589 for various programs

State Reimbursements: \$22,500

State Child Nutrition reimbursements

State Interagency Contracts: \$21,149,104

\$21,000,000 for Multi-Tier Support System, \$133,298 for various programs and \$15,806 contract with Fairview Development Center



Total Local Revenue is \$84,916,326

Local Fees \$43,345,895

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 \$1,460,968

\$570,692 local grants from the Outdoor Science Foundation, \$522,055 in partnership with Santa Ana USD to provide mental health services, and \$368,221 in various grants from local agencies

Local Interagency Contracts \$6,918,323

\$3,966,187 for Safe School programs with Santa Ana USD, \$1,872,010 for Impact and Impact Hub contracts with the Orange County Commission, \$734,648 for Educational Support Dependent Youth matching Foster Youth Services. This is pass-through revenue from school districts and Local Agencies (Orange County Health Care and Social Services), and \$345,478 various other contracts,

Local Interest Income \$1,079,226

This revenue is interest earnings for the General Fund

Local Tuition: \$32,111,914

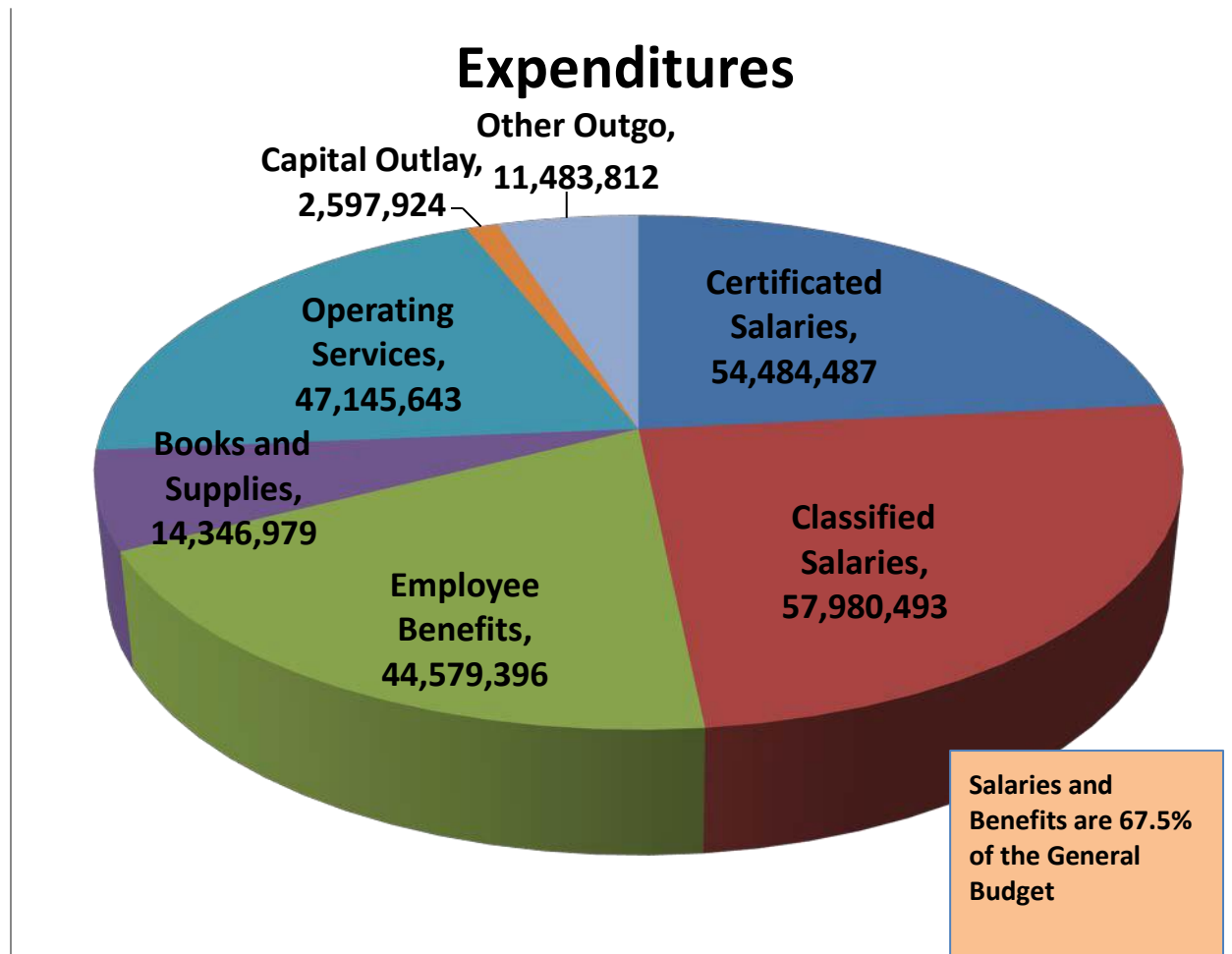
Revenue Projections for 2017-18

As a County Office we are currently at our funding target and due to an increase in local property taxes we will not receive new revenue (including cost of living adjustments) from the Local Control Funding Formula until we move out of the State Minimum Guarantee. We only receive LCFF for Juvenile Court, Probation referred or expelled students; students that are referred from school districts or attend the College and Career Preparatory Academy are outside of the LCFF and may increase our revenue.

We are projecting growth of 307 Average Daily Attendance mostly for CCPA Charter and our Secondary 1st Semester Program.

2016-17 we received discretionary funding \$214 per ADA. The 2017-18 Governor's budget proposal is \$48 per ADA. These are one time funds and should not be spent on on-going expenditures.

Expenditures



Salary and benefits are 67.5% of the general fund budget. OCDE has 1,580 employees, 1,251 regular employees and 329 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 510 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 increased expenditures. Since 2007-08, the cost of medical benefits has increased by 38%. 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.

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Certificated Salaries	59,503,911	57,090,296	56,204,435	55,614,202	52,872,833	51,589,684	52,739,180	54,484,487	57,061,995
Classified Salaries	52,778,851	50,339,085	50,087,581	50,802,178	49,702,071	49,398,889	53,216,797	57,980,493	57,665,714
Employee Benefits	32,196,586	33,398,457	35,663,103	36,744,721	34,589,559	35,757,143	40,951,296	44,579,396	48,031,088
Total Salary and Benefits	144,479,348	140,827,838	141,955,119	143,161,101	137,164,463	136,745,716	146,907,273	157,044,376	162,758,797
Total Regular Employees	1504	1379	1303	1279	1285	1162	1159	1196	

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 67.5% of our budget.

	Actual 2014-15	Actual 2015-16	Projected 2016-17	Projected 2017-18	Projected 2018-19
Certificated Salaries	51,589,684	52,747,679	54,484,487	57,061,995	58,604,316
Classified Salaries	49,398,889	52,645,791	57,980,493	57,665,714	59,537,015
Employee Benefits	35,757,143	40,086,491	44,579,396	48,031,088	51,485,925

Salaries in 2016-17 for all employees include a 1% on-going salary settlement and one-time bonus equivalent to 3% salary. We also have savings due to retirements and attrition of positions that, if filled, may be at lower classifications

Employee health and welfare benefits have a slight increase in the HMO and TRIO plan that is fully paid by the employer with employees paying the increase for the PPO plan. Due to legislative changes the 2016-17 fiscal years, the State Teachers' Retirement System (STRS) increased by 1.85% to 12.58%. The Public Employees' Retirement System (PERS) increased to 13.888% an increase of 2.041%.

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.

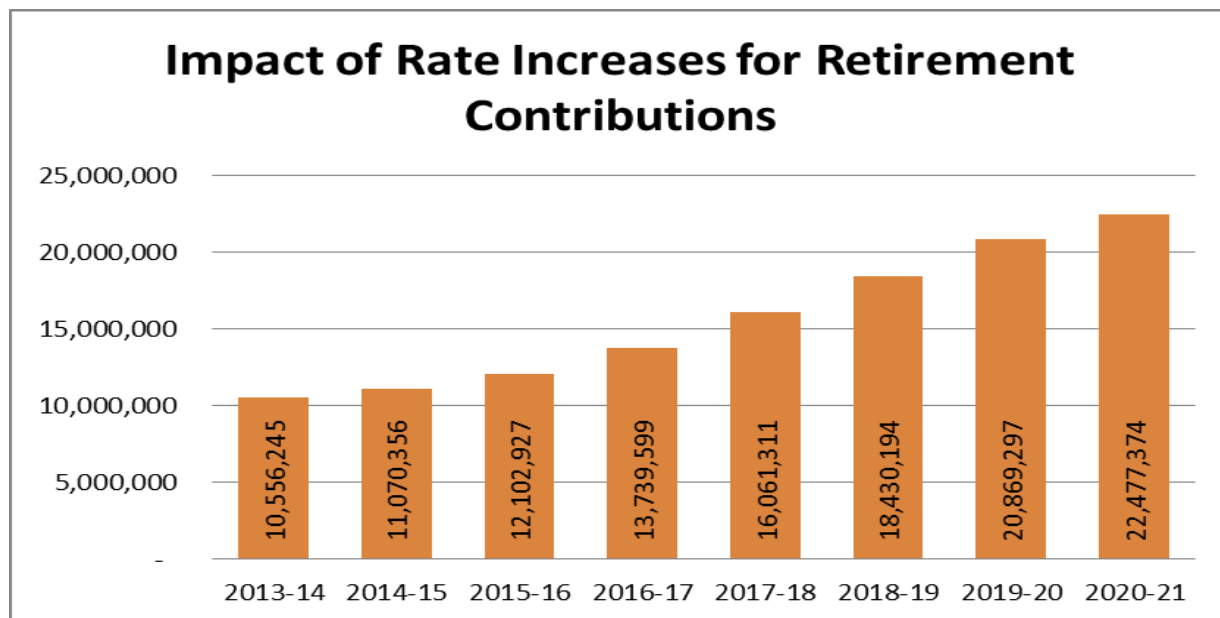
Certificated Salaries	
Teacher's Salaries	36,429,557
Pupil Support Salaries	3,061,233
Supervisors' and Administrators' Salaries	12,471,342
Other Certificated Salaries	2,522,355
Total Certificated Salaries	54,484,487
Classified Salaries	
Instructional Salaries	13,820,641
Support Salaries	4,304,512
Supervisors' and Administrators' Salaries	23,718,309
Clerical, Technical and Office Salaries	15,571,081
Other Classified Salaries	565,950
Total Classified Salaries	57,980,493

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. In 2015-16, we recognized the requirements of GASB 68 to recognize the STRS contribution made by the state on behalf of the district [see same entry in state revenue]. 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)	11,130,935
Public Employers' Retirement (PERS)	7,941,482
Medicare/PARS	1,745,407
Health and Welfare Benefits	21,604,366
Unemployment	57,872
Workers' Compensation	1,964,862
Other Employee Benefits	134,472
Total Employee Benefits	44,579,396

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
STRS Rate	8.25%	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	18.13%
STRS Employer Contributions	4,423,038	4,760,797	5,752,630	6,744,462	7,736,295	8,728,128	9,719,960	9,719,960
PERS Rate								
PERS Employer Contributions	11.442%	11.771%	11.847%	13.050%	15.531%	18.100%	20.800%	23.800%
	6,133,207	6,309,559	6,350,297	6,995,136	8,325,016	9,702,067	11,149,336	12,757,414
Total Employer Contributions	10,556,245	11,070,356	12,102,927	13,739,599	16,061,311	18,430,194	20,869,297	22,477,374
This scenario does not include projected changes to salaries								



Projection for 2017-18

Salaries: We have completed negotiations with OCSEA for 2017-18 which includes a 2% on-going and 2% one-time salary adjustment which is included in our projections. We did not include increases for other groups since we have not started negotiations with CSEA to date.

We continue to evaluate open or new positions and have reduced 11 teaching positions through attrition.

Medical Benefits: We continue to meet with our Health Benefits Review Committee regularly and based on our current utilization we anticipate some increase in rates for 2017-18. We are currently reviewing possible plan design changes to help reduce any increases.

Retirement Benefits: STRS will increase by 1.85% to 14.43% and PERS will increase from 13.888% to 15.531% for 2017-18.

Books and Supplies

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

	2014-15	2015-16	2016-17	2017-18
Textbooks/ Instr. Materials	323,238	746,898	301,851	908,676
General Supplies	4,175,877	5,047,377	5,194,064	7,156,302
Equipment	559,677	1,548,397	579,737	1,155,011
Total	5,058,792	7,342,672	6,075,652	9,219,989

Projections 2017-18

We continue to increase spending for Instructional Materials, including new educational software, digital devices (chrome books or laptops) and internet connection devices to enhance our instructional delivery. Adoption of Science Textbooks is delayed from 2016-17 to 2017-18.

Services and Other Operating Expenditures:

Subagreements: \$21,632,432

These are contracts with other agencies for services they provide on our behalf. Career Pathways partners is \$3.1 million, Multi-Tiered Support Services (MTSS) is \$13.2 million, \$4.3 million for Transportation and we have various other subagreements with local agencies for \$874 thousand.

Travel and Conferences: \$2,210,746

All travel is approved and is required to follow OCDE procedures. This expenditure has increased by \$15,111 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 object 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 \$225,720. 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.

Object Code 5230 is for registrations for conference and workshops.

Below is 2016-17 travel and conference expenditure budget by division

Summary by Division	Unrestricted	Restricted	Total	% of Total
Superintendent's Office	114,520		114,520	5.2%
Information Technology	131,745		131,745	6.0%
Legal	69,900		69,900	3.2%
Administrative Services	100,264	1,700	101,964	4.6%
Alternative Education	344,131	293,854	637,985	28.9%
Business	102,936		102,936	4.7%
Special Education	4,269	200,845	205,114	9.3%
Community & Student Support Services	66,828	27,030	93,858	4.2%
Instruction	382,659	370,065	752,724	34.0%
Total	1,317,252	893,494	2,210,746	100.0%

Dues and Memberships: \$309,864

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.

Pupil Insurance: \$500,000

This is liability insurance for OCDE programs.

Utilities: \$1,414,334

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

Rentals and Leases: \$9,070,707

Cost of leasing school sites is \$6,625,5397. This category also includes equipment maintenance agreements for all of our sites.

Professional Services: \$11,032,503

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: \$1,243,221

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

2017-18 Projections: We have increased our investment in staff development and anticipate continuing to focus on instructional strategies that will improve our students' college and career readiness.

Major Projects funding for marketing plans for the CCPA charter school.
Redesign of the payroll and retirement portion of the financial system.

Capital Outlay

These are expenditures for land, building improvements, capitalized (over \$5,000) Equipment or replacement equipment. We have budgeted \$2.6 for new equipment in the 2016-17 year that will be reduced in 2017-18.

2017-18 Projections

We are in the process of bidding numerous projects. Update lighting fixtures internally and externally. New air conditioning for server rooms in building A. Replace exterior doors and windows at Kalmus. Update animal trailers and vehicles for Inside the Outdoors. Some of these items will be reimbursed by grants or deferred maintenance funds.

Other Outgo

These are expenditures to other school districts or agencies. The Central County Career Technical Education Program continues to receive support through the transition of the LCFF until 2020-21.

Interfund Transfers:

We are budgeting to transfer \$336,612 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 as required by the State.

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 2016-17 reflects an excess of \$6.3 million, \$4.7 million is for one-time discretionary funds that were received in 2015-16 and planned to spend in the next fiscal year. We also have other projects that we reserved funding for in 2014-15 that are being spent this year to help implement items in our LCAP.

Fund Balance

The 2016-17 Fund Balance is projected to be \$134,777,691

\$57,647,647 is committed for specific program needs

\$16,028,454 is reserved for Lottery funds that have been reserved for contingencies.

\$14,933,647 is reserved for ACCESS expenditures to serve our students that we receive supplemental and concentration grants for.

\$7,743,593 is reserved for mandated cost funding that has yet to be allocated to specific programs.

\$6,322,814 is reserved for ACCESS for identified LCAP services that will be spent in subsequent years.

\$3,005,065 is reserved for One-Time Discretionary funding that is from prior years.

\$2,425,128 is reserved for E-rate funding that is used to reimburse technology expenditures. This funding is to help with technology infrastructure and equipment replacement.

\$1,465,114 is reserved for various programs that are budgeting to spend the funding in the next year.

\$1,284,030 is reserved for Categorical programs ending balances that will be used in subsequent years.

\$1,119,701 is reserved for Career Technical Education programs. This is funding for participating districts.

\$976,032 is reserved for the Instructional Services workshops that will occur in the subsequent year.

\$765,645 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.

\$647,264 is reserved for Information Technology for projects that we anticipated in 2015-16 but will not occur until 2016-17.

\$593,848 is reserved for Medi-Cal Administrative Activities (MAA) for technology upgrades.

\$337,312 is reserved for the Special Education Alliance that has funds for specific trainings and legal costs.

\$38,057,127 is designated for carryover for specific programs

\$15,532,340 restricted for Multi-Tiered Support Systems.

\$9,816,202 is restricted for Routine Maintenance and is required by state statute.

\$6,838,010 is restricted to be spent on facility or health and safety related items.

\$1,034,799 restricted for Lottery materials for Central County CTEp.

\$843,502 restricted for rebate for Special Schools bill back.

\$834,998 Prop 39 California Clean Energy Job Act.

\$659,240 restricted for the North Orange County SELPA.

\$636,284 restricted for various Special Education program ending balances

\$487,959 restricted for Educator Effectiveness

\$422,094 restricted for various ACCESS program ending balances.

\$378,676 College Readiness

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

\$252,183 restricted for various income accounts

\$39,002,917 is designated for Reserve for Economic Uncertainties

Required by AB1200 guidelines

\$70,000 is designated for district revolving fund

Summary

We continually monitor our budget and reduce expenditures to balance OCDE's budget. For 2016-17 we appear to have an excess but it is due to funds being received in 2016-17 that will be expended in future years. We have expenditures for one-time projects that are being funded from ending balances. 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 which is allocated in our LCAP. We need to focus on aligning our staffing ratios for instructional delivery to the number of students we are now serving. We will not receive new funding in 2017-18 for LCFF but expenditures are increasing due to STRS and PERS contributions and potential increases for health and welfare benefits. OCDE's philosophy is 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: 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 but not received claims.