

**Huntington Beach City School District**



**Study Session:  
Understanding Community-  
Funded and LCFF State Aid  
School Districts**

**July 20, 2021**





**Understand the Basics of School District Operational Funding**



**Learn Characteristics of State Aid and Community-Funded Districts**



**Determine Whether State Aid or Community-Funded Status is a Choice**



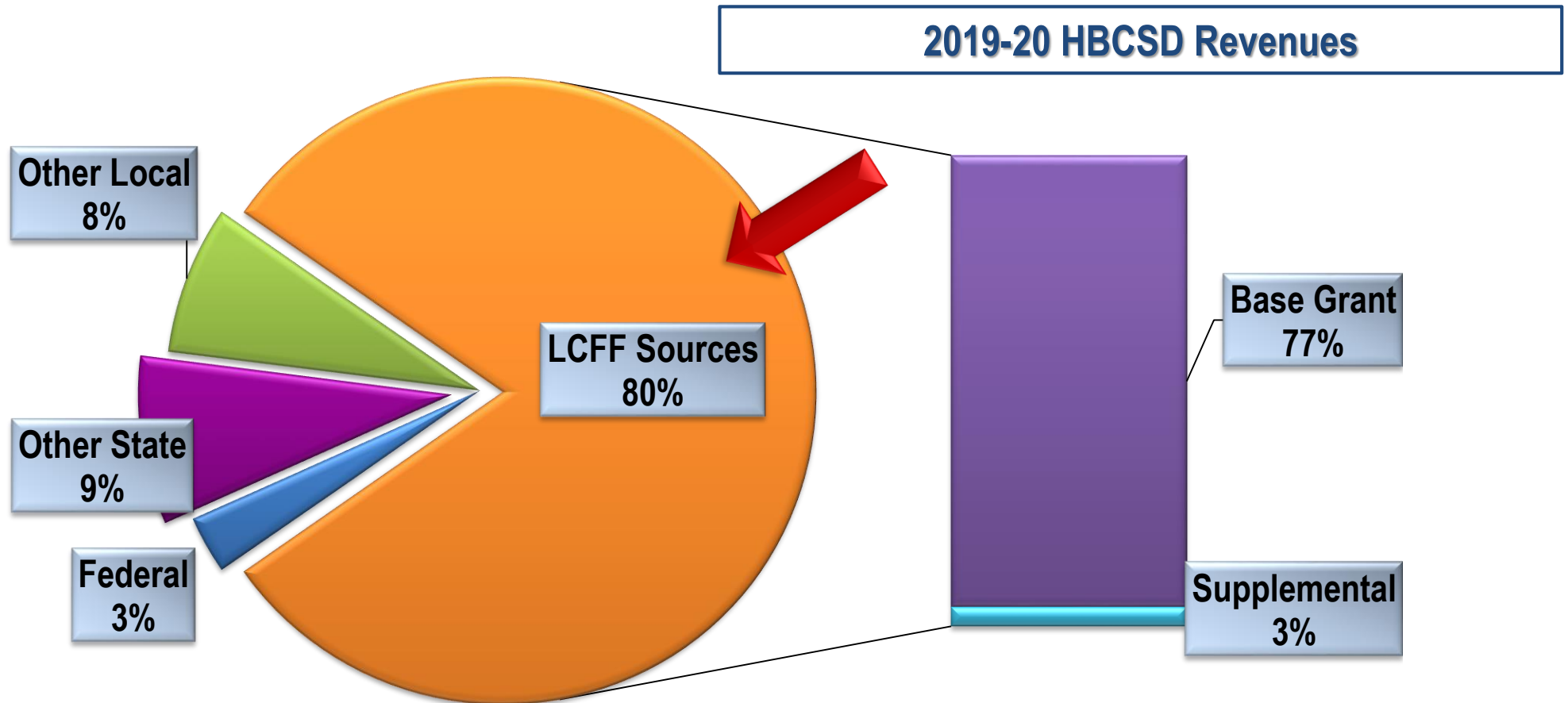
**Consider the Benefits & Challenges of Community-Funded Status**



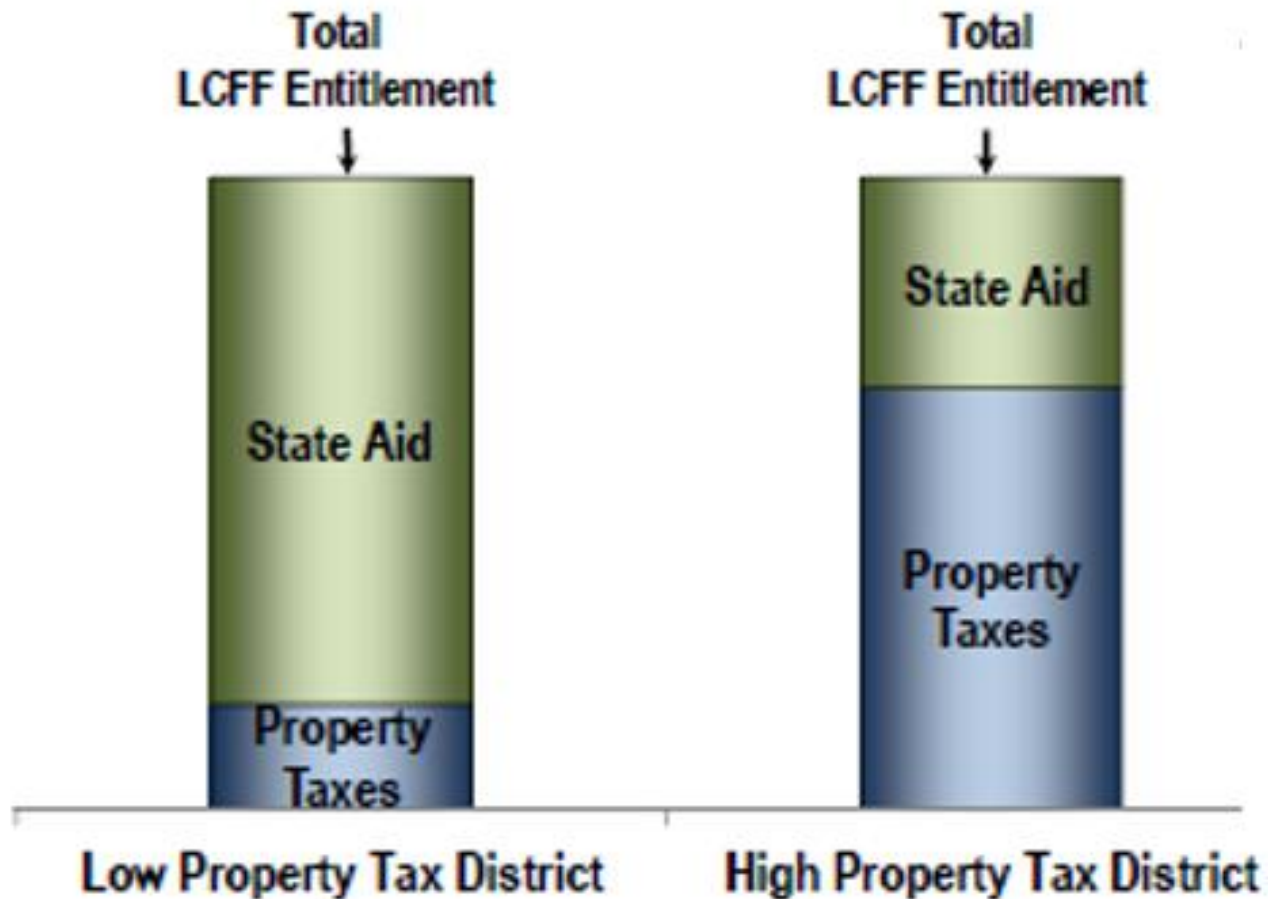
**Envision Next Steps**

# California K- 12 Public School Funding

- Huntington Beach City receives funding from a variety of sources, the largest is the Local Control Funding Formula (LCFF)



- Simplified, the LCFF is equal to the product of a dollar per Average Daily Attendance (ADA) multiplied by the Average Daily Attendance of all students enrolled in HBCSD
- HBCSD LCFF: \$8,653 average dollars per ADA x 6,237 ADA = Approximately \$54 million of LCFF monies
- In other words, the more students that attend and the higher percentage of student attendance per enrollment, the more funds provided through the LCFF to the District
- The dollar per ADA is unique for each District and was determined in 2012-13. It is increased by a Cost Of Living Allowance (COLA) that reasonably reflects a State-wide inflation factor
- The history of funded COLA's have ranged from negative 7.64% to positive 8.6%
- All LCFF Districts are funded on the greater of the current or prior year attendance. This is called the "ADA hold harmless" provision



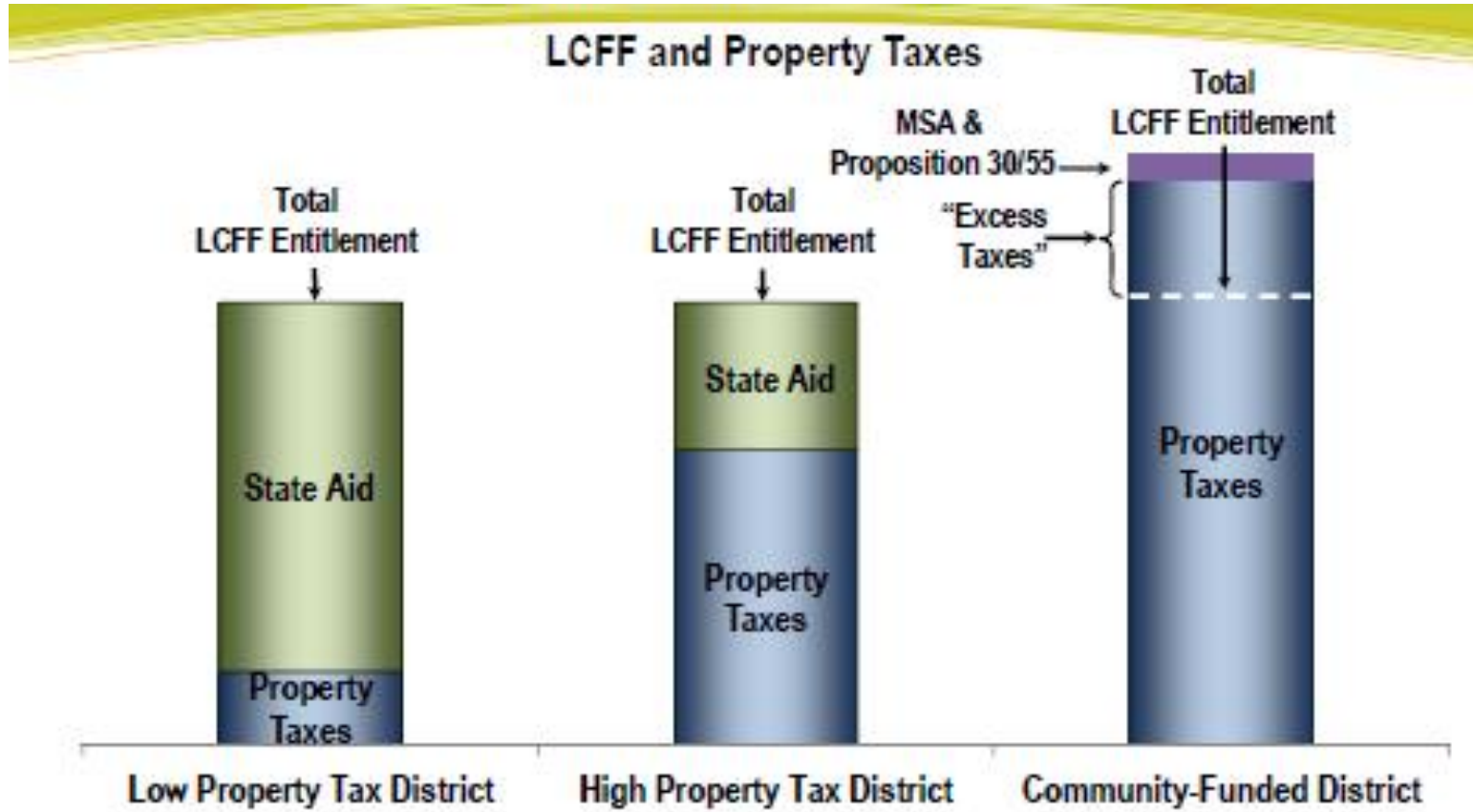
- Under LCFF, two Districts could receive the same \$54 million dollars in funding.
- However, one District could be a “high property tax district,” like HBCSD, and another could be a “low property tax district,” like Barstow USD.
- The difference is not the total dollars, but how the dollars are received.
  - The low property District has a cash flow of almost \$5 million per month.
  - The high property tax district receives the majority of its cash in December and April, coinciding with the property tax payment cycle.

- HBCSD's payroll is coincidentally \$54M, almost the same number as the budgeted LCFF
- District monthly payrolls range from \$4.5M to \$5.4M
- The current 3% required reserve approximates \$2M, or about 1/3 to less than 1/2 of monthly payroll
- Therefore, many experts, like the Government Finance Officers Association (GFOA) and School Services of California (SSC), recommend 15% to 20% unrestricted reserve, or 3 payrolls to minimize borrowing and provide adequate cash flow



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# LCFF Funding verses Community Funded (Basic Aid)

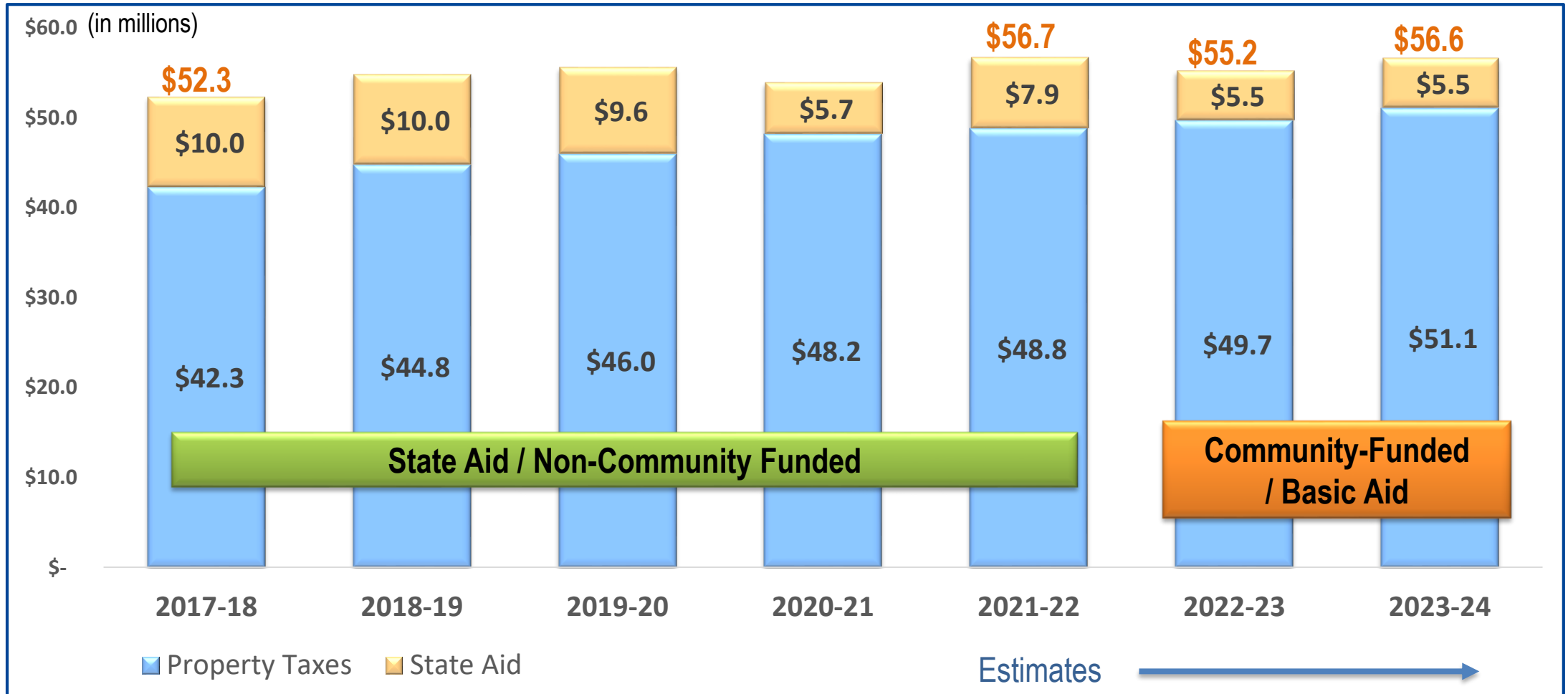


# How Does A District Become Community Funded?

- Three characteristics can lead to a school district being community funded:
  - 1) A low LCFF entitlement, thus property tax income exceeds the state LCFF threshold
  - 2) A decline in the district's attendance and moderate growth in district property tax
  - 3) High property values or historically high proportions of local property taxes dedicated to schools
- Fewer than 100 community funded districts exist statewide:
  - Comprise less than 4% of the state's average daily attendance (ADA)
  - Range in size from fewer than 100 students to the largest district, Newport Mesa USD, with approximately 20,000 students



# HBCSD LCFF Historical Comparison



# Comparison of State Aid to Community Funded Districts

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## State Aid

- Student attendance generates revenue
- Cash flow is less volatile
- State holds the District “harmless” for student attendance
  - Revenue projections are more predictable
- District-sponsored Charter ADA negatively affects the “hold harmless” calculation

## Community-Funded

- Property taxes generate revenue
- Cash flow more volatile
- No revenue “hold harmless”
  - Revenue projections less predictable
  - Less time to adjust expenses, therefore, must maintain higher reserves
- Area charter schools have a larger negative impact on District revenue than the hold harmless penalty

## Community-Funded Benefits:

- The district is funded above its computed state aid level
- Loss in student enrollment result in more dollars per student
- Growth in property taxes could yield meaningful increases in revenues



## Community Funded Challenges:

- It is hard to accurately project property tax growth, making long-term forecasts unreliable
- Increases to enrollment reduce dollars per student
- Property taxes do not always increase. The past does not predict the future
- The community-funded status may create higher expectations from stakeholders



# Similarities between State Aid and Community-Funded

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- The State focus on meeting the needs of English Learners, foster youth, and low-income students applies to all school districts
- The Local Control and Accountability Plan demands the same actions from community-funded as it does for state-funded districts
- Requirements associated with the categorical programs apply to all school districts receiving the funding
  - Special Education, Title I, Learning Loss Mitigation, etc.

- Join Schools for Sound Finance Association, a coalition for Community-Funded Districts
- Develop communication tools to inform stakeholders
- Maintain higher-than-normal reserves to protect against:
  - Property tax fluctuations
  - Enrollment increases
  - Changes in state law
- Conduct an assessment of redevelopment agencies (RDA) entitlements, a component of property tax revenues

July 19

- Attend Schools for Sound Finance Association Meetings

August 17

- Revise board policy to increase reserve for economic uncertainties / Commit fund balance for cash flow

On-going

- Chief Business Official updates at every budget deadline

School Services of California (SSC) <https://www.sscal.com/>  
Schools for Sound Finance (SF)2 – [Fall 2020 Presentation](#)

**Presenters:**

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