

MT. DIABLO UNIFIED SCHOOL DISTRICT
Office of the Director of Fiscal Services

REPORT TO THE BOARD

TO: Members of the Board of Education and Superintendent's Council

FROM: Nance Juner, Director of Fiscal Services

DATE: June 1, 2015

SUBJECT: Approval – Resolution 14/15-53 of the Board of Education of Mt. Diablo Unified School District Regarding the Education Protection Account 2014-15

Background:

Proposition 30, The Schools and Local Public Safety Protection Act of 2012, approved by the voters on November 6, 2012 temporarily increases the states sales tax rate for all taxpayers and the personal income tax rates for upper-income taxpayers.

The revenues generated from Proposition 30 are deposited into a state account called the Education Protection Account (EPA). With the enactment of the Local Control Funding Formula (LCFF) in fiscal year 2013-14, EPA funds will continue to be calculated based on the proportionate share of the statewide revenue limit amount. A corresponding reduction is made to the local education agency's revenue limit equal to the amount of their EPA entitlement.

The Revenue Limit is now comprised of three funding sources: State Aid, EPA and Property Taxes. The addition of this funding source does not increase the amount of the revenue limit due to the District. The state aid portion is decreased accordingly. These funding elements continue as components of the LCFF.

Discussion/Issues:

At the beginning of each year, the Department of Finance will estimate the amount that will be transferred into the EPA. For 2015-16, the current estimate of the EPA entitlement is 23% based on the 2014-15 P2 statewide total of revenue limits. The funds will be distributed in equal payments quarterly in September, December, March and June each year.

EPA revenue funds will be deposited into restricted resource 1400, using revenue object code 8012.

Along with this funding source came additional reporting requirements:

- 1) Each year the Board of Education must approve a spending plan for the EPA money (The attached resolution is the spending plan.)
- 2) The EPA funds cannot be used for the salaries or benefits of administrators or administrative costs.
- 3) The District must publish on its website the amount of EPA money received and how it was spent.
- 4) An annual audit will be required to verify that EPA funds were spent in accordance with the requirements of Proposition 30. The cost of this audit can be paid with EPA funds.
- 5) For fiscal years 2013-14 through 2018-19 the spending plan must be approved before expenditures are recorded for each applicable fiscal year.

The temporary taxes expire in fiscal year 2019-2020, when the Local Control Funding Formula is expected to be fully funded.

Spending Plan:

The District's State Aid entitlement will be reduced by 22%, and this amount will instead be given to the district as revenue for the Education Protection Act funds. The District plans to use 100% of the EPA funding for current certificated teacher salaries and related benefits. The estimated EPA for fiscal year 2015-16 is \$37,341,662.

Financial Impact:

None

Recommendations:

Approve Resolution 14/15-53 of the Board of Education of Mt. Diablo Unified School District Regarding the Education Protection Account for the portion of the revenue limit identified as the EPA funding, which is approximately 23% of the Districts total revenue limit, and proposes the funds be spent on current certificated teacher salaries and benefits, as presented.