



Los Angeles County Office of Education

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Debra Duardo, M.S.W., Ed.D.
Superintendent

August 25, 2017

Los Angeles County
Board of Education

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Mr. Christopher Apodaca, Board President
ABC Unified School District
16700 Norwalk Blvd.
Cerritos, CA 90703

Dear Mr. Apodaca:

Under Education Code (EC) Section 52070(d), the Los Angeles County Superintendent of Schools (County Superintendent) has completed the review of the ABC Unified School District's (District) Local Control and Accountability Plan (LCAP) for fiscal year 2017-18. The three criteria for LCAP approval per EC Section 52070(d) include:

1. Adherence to the State Board of Education (SBE) Template
2. Sufficient Expenditures in Budget to Implement LCAP
3. Adherence to SBE Expenditure Regulations

Through the review and oversight process, it has been determined that your District's LCAP has met all three criteria. **This letter serves as your District's notification of approval.**

We remind districts that Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula to increase and/or improve services to targeted student populations. It may be difficult for a district to meet the Minimum Proportionality Percentage at full implementation if S&C grant dollars were not fully expended each fiscal year to serve the targeted students who generated the funding.

BUDGET APPROVAL

Under EC Section 42127, the County Superintendent has completed the review of your District's budget for fiscal year 2017-18. **That review has resulted in approving the District's budget** with the following comments and concerns.

LABOR CONTRACT NEGOTIATIONS

According to the information provided in the District's budget, labor contract negotiations for 2017-18 remain unsettled and potential increases have not been calculated and incorporated into budgeted salary and benefit expenditures. Because labor costs make up a large portion of the District's budget, we are concerned that any salary and benefit increase, if paid from reserves or other one-time resources, could adversely impact the fiscal condition of the District.

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This letter is a reminder that, before the District's Board of Education takes any action on a proposed collective bargaining agreement, the District must meet the public disclosure requirements of Government Code Section 3547.5 and the California Code of Regulations Title V, Section 15449. The document used for this analysis was included in Informational Bulletin (IB) No. 4619, dated July 11, 2017, and is titled "2017-18 Forms for Assembly Bill (AB) 1200: Public Disclosure of Proposed Collective Bargaining Agreements." This document can be found at the following website:

<https://www.lacoe.edu/BusinessServices/DocumentsForms.aspx>

2017-18 BUDGET REVISIONS AFTER STATE BUDGET ADOPTION

Since the District's budget assumptions may have changed from the Board adopted budget as a result of the State Adopted Budget and trailer legislation, this is a reminder that EC 42127(i)(4) states:

"Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act"

Districts should take steps to make any necessary adjustments to their adopted budget. The adjustments should be submitted to the Los Angeles County Office of Education upon Governing Board approval. Please refer to IB No. 4620 titled "Budget and 45 Day Revision Process for 2017-18" dated July 11, 2017, for additional information. This bulletin can be found at the following website:

<https://www.lacoe.edu/Bulletins.aspx>

LOCAL CONTROL FUNDING FORMULA (LCFF) GAP FUNDING FOR 2018-19 AND 2019-20

During the anticipated eight-year transition to fully fund LCFF, there is no statutory guaranteed increase in any given year until full implementation is reached. Uncertainty regarding the continued recovery of the State's economy results in uncertainty regarding future years' increases in LCFF funding. Therefore, our IB No. 4605, dated June 8, 2017, and titled "2017-18 Budget Development and Financial Reporting Software: Assumptions and Instructions" recommended that districts assign, reserve or otherwise set aside any projected increase in LCFF revenue as a result of Gap Funding in 2018-19 and subsequent years.

We noted in our review that the District included an LCFF gap funding increase in its projections of approximately \$6.0 million for 2018-19 and \$4.9 million for 2019-20 but did not assign or restrict these amounts in the ending fund balance. We are concerned by the potential impact on the District's fiscal solvency should the increases not materialize and recommend that the District use caution in budgeting these funds.

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CONCLUSION

We wish to express our appreciation to the District's staff for their cooperation during the review of the District's LCAP and budget for fiscal year 2017-18. If you have questions regarding your District's LCAP approval, please call Dr. Mirna Miranda-Welsh at (562) 922-6354. If you have questions regarding your District's budget approval, please call Vo Chan at (562) 922-6226.

Sincerely,



Keith D. Crafton, Director
Business Advisory Services

KDC/VC:lc

cc: Mary Sieu, Ed.D., Superintendent
Toan Nguyen, Assistant Superintendent-Business Services/Chief Financial Officer
Priscilla Thantrong, Director, Fiscal Services
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