

## **Budget issues loom as district closes books on 2014/2015 school year**

Declining enrollment, the possibility of charter schools moving into the area, increased contributions to employee benefits and pensions, and the probability that special taxes will expire within three years could adversely affect Chino Valley Unified School District's long range budget, Assistant Superintendent of Business Services Sandra Chen told the Board of Education at its Sept. 17 meeting.

Chen made her comments during a presentation on closing the financial books for the 2014/2015 school year, prior to an annual audit.

The loss of more students than expected is particularly troublesome, Chen said. The district has experienced a steady decrease in student enrollment by about 500 students annually for several years. The district is down 745 students from the same time last year, Chen reported at the Sept. 17 board meeting. Current enrollment is coming in at approximately 100 students lower than what was projected at budget development, Chen said. "We will have to make adjustments to revenue at the First Interim Report (in December)," she said.

The district receives money from the state, based on student enrollment.

Declining enrollment can also be an open invitation to charter schools, Chen said. The district's enrollment decreased from about 32,000 in 2009 to under 31,000 in 2010 when Oxford Preparatory Academy public charter school opened its doors that fall.

The district, along with others in the state, is responsible for contributing more money to employee pension programs. "We will need to continue to address that in our multi-year budgets," Chen said.

Proposition 30, which provided additional funding to education beginning in 2012, is set to end in the next three years. The 0.25% sales tax portion of the proposition ends in 2016, and the personal income tax in 2018. An initiative, backed by the California Teachers Association, is underway to extend the proposition to 2030, Chen said.

The district is also watching other developments that could affect its finances, including AB 1522 which provides up to three days paid sick leave a year to employees, including those that are temporary and part-time; compliance penalties regarding the Affordable Health Care Act; and a cap on how much districts can keep as reserve for emergencies.

The district's 2014/2015 expenses increased \$14.3 million when compared to the 2007/2008 school year, but revenue has only increased by \$2.1 million, or 1% when compared to the same period, Chen said. The District's expenditures are outpacing the incoming revenues. Chen expects the district will continue its deficit spending trend if no action is taken to adjust its expenditures.

Chen said it is very costly to run a district as large as Chino Valley Unified because employee costs account for \$9 out of every \$10 in unrestricted dollars that the district spends. Costs for employee salaries and benefits average about \$900,000 a day, and about \$19 million a month.

The district does expect to get some one-time funding from Governor Jerry Brown this school year, amounting to about \$600 per student based on 2014/2015 attendance. The funding is part of the Governor's plan to pay back school districts what they were owed by the state for previous mandate

claims. The district has budgeted this funding for use in its continuous effort to implement Common Core state standards.

The district began the 2014/2015 school year with a \$50.7 million balance. It had \$209.8 million in revenue, but nearly \$217.9 million in expenditures, an \$8 million deficit. It ended the year with a \$42.7 million balance. Of that, approximately \$23.1 million is reserved for revolving cash, equity distribution to employees, economic uncertainties, and other costs, leaving an unappropriated amount of \$19,560,793.

The district began the 2015/2016 fiscal year on July 1 with \$42.7 million. Chen expects the district to take in \$249.2 million in revenues, and spend \$241.2 million. Included in the \$249 million revenues is the one-time funds provided by the Governor for mandate claims settlements and implementation of Common Core state standards.

Following an independent audit this fall, the district will file its First Interim financial report with San Bernardino County Superintendent of Schools in December.