

2011/2012

Second Interim Financial Report



CHINO VALLEY
UNIFIED SCHOOL DISTRICT

Student Achievement • Safe Schools • Positive School Climate
Humility • Civility • Service

March 15, 2012

Business Services Division

Second Interim Financial Report

- **Concurrent Budget Cycles**
- **Legal Requirement**
- **Governor's Budget Proposal Recap**
- **Budget Assumptions**
- **Second Interim Financial Report**
- **Next Steps**



Concurrent Budget Cycles

FOR LAST YEAR Close and Audit

AUGUST

Close, define actuals,
determine the ending balance

JULY – DECEMBER

Audit and review (Auditors)

DECEMBER

Receive audit, evaluate
Management letters

JANUARY – FEBRUARY

Follow-up on
Management letters

FOR THIS YEAR Monitor

JULY

Analyze adopted budget

JULY – SEPTEMBER

Amend and revise

DECEMBER – JANUARY

Amend, measure, and
report 1st Interim Financial

FEBRUARY – APRIL

Amend, measure, and report
2nd Interim Financial

MAY

Amend, measure, and report
3rd Interim Financial
(if needed)

FOR NEXT YEAR Developing the Budget

AUGUST – NOVEMBER

Identify goals/cuts for
next year

DECEMBER – JANUARY

Project revenues and
expenses
(Governor's Proposal)

FEBRUARY – MARCH


Complete staffing level
studies and incorporate

APRIL – JUNE

Review, balance, conclude,
adopt budget.
(Governor's May Revision)

Legal Requirement

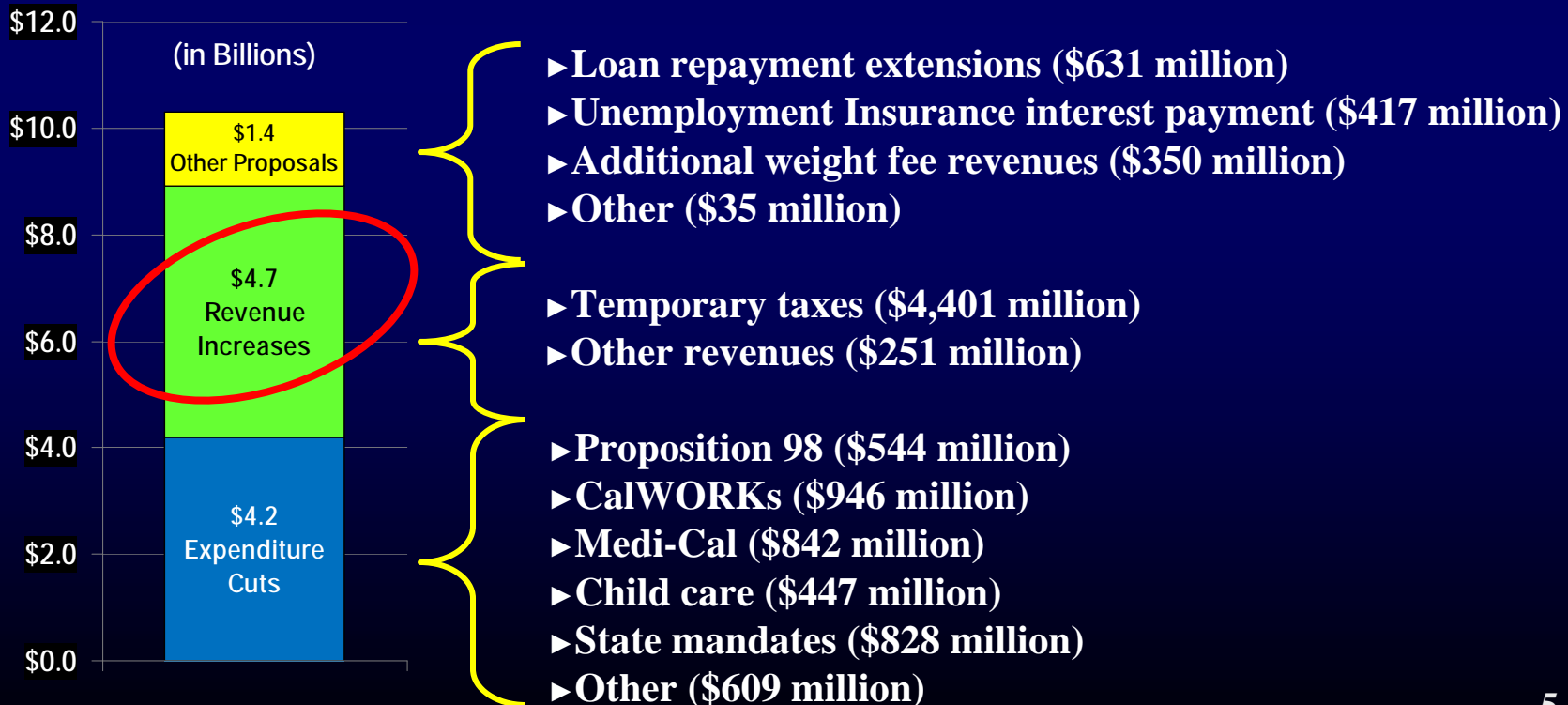
Education Code 42130 requires:

- The superintendent of each school district to submit **two reports** to the governing board of the district during each fiscal year.
- The **first report** shall cover the financial and budgetary status of the district for the period ending **October 31**.
-  The **second report** shall cover the period ending **January 31**.
- Both reports shall be approved by the district governing board no later than 45 days after the close of the period being reported and submitted to the County and State.

Governor's State Budget Proposal

2012/2013

- Projected 2012/13 State Deficit = **\$9.2 Billion**
- Governor's proposed solutions = **\$10.3 Billion**
 - ▶ **Tax Initiative to increase revenue**
 - ▶ **Continued State spending cuts**



Governor's State Budget Proposal

2012/2013

- Governor's Temporary Tax Proposal assumes voters will approve **\$6.9 billion** in temporary taxes in November 2012
 - ▶ **\$2.2 billion** would count in 2011/12
 - ▶ **\$4.7 billion** would count in 2012/13
 - ▶ **807,000 signatures** are needed by June 18
- **Income Tax Increase through 2016 (Retroactive Jan. 2012)**
 - ▶ Single filers tax increase of 1% for income above \$250,000; up to 2% for income over \$500,000
 - ▶ Joint filers tax increase of 1% for income above \$500,000; up to 2% for income over \$1 million
 - ▶ Head of household increase of 2% for income above \$680,000
- **Sales and use tax increase of 0.5% (Starts Jan. 2013)**



Tax Initiatives

November 2012

■ **Governor Brown's Tax Initiative**

- ▶ Temporarily increase sales tax by a half-cent and income tax on upper income Californians
- ▶ Estimated to generate \$6.9 billion annually
- ▶ Backed by California Teachers Association

■ **The Millionaires Tax of 2012**

- ▶ Raise taxes on millionaires making more than \$1 million a year
- ▶ Estimated to generate \$6-\$9 billion in 2012/2013 and annually thereafter
- ▶ Sponsored by California Federation of Teachers

Merged!! Revised Initiative on its way!

■ **The Local Schools and Early Education Act**

- ▶ Raise state personal income tax by one percentage point on a sliding scale
- ▶ Estimated to generate \$5 billion annually in the first four years; \$10 billion annually in the final eight years
- ▶ Co-sponsored by Molly Munger and the State PTA

Governor's State Budget Proposal

2012/2013

- **Other major proposals of the State budget**
 - ▶ **Cost of Living Adjustment is unfunded**
 - ▶ **Additional reductions in funding to the Child Care Programs**
 - ▶ **Elimination of requirement and funding of Transitional Kindergarten**
 - ▶ **Elimination of more than half of existing mandates; with remaining mandates optional for districts and funded with block grants**
 - *▶ **Deferrals – Governor proposes to reduce interyear apportionment deferrals with temporary taxes**
 - ▶ **Elimination of Home-to-School and Special Education Transportation Funding**
 - ▶ **Weighted Student Funding Formula – a single funding formula that combines regular revenue limits and all non-federal mandated categorical funding**



State Budget Timeline

January 2012

- ▶ Governor presents his budget proposal for 2012/13
- ▶ Budget proposal is introduced to Assembly and Senate as identical budget bills

February 2012

- ▶ Legislative Analyst prepares analysis of the budget bills

March 2012

- ▶ Legislative Budget Subcommittee Hearings on budget bills
- ▶ Voting by the Subcommittees and submit to the full Budget committee

April 2012

- ▶ Assembly and Senate Budget Committees vote on its version of the budget bill
- ▶ A joint Budget Conference Committee works out the differences between the Assembly and Senate versions

May 2012

- ▶ Assembly and Senate vote on a single version of the budget bill
- ▶ Governor releases revisions to his January Budget Proposal – **May Revise**

June 2012

- ▶ Governor receives the budget bill and has until **July 1**, to sign or veto the bill
- ▶ The bill becomes law as soon as it is signed by the governor

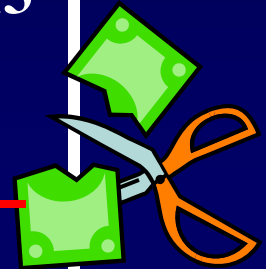


What is the Impact to CVUSD?

Governor's Budget Proposal is predicated upon the successful passage of his \$6.9 billion Tax Initiative, **which has deviated...**

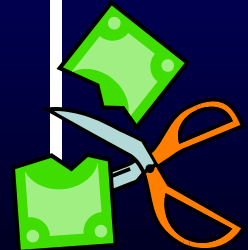
BEST CASE SCENARIO FOR CVUSD – TAXES PASS!

- ▶ Revenue limit funding remains **“FLAT”** for 2012/13 and beyond – same funding level as current year
- ~~▶ **100% elimination** of regular and special education transportation funding for 2012/13 and beyond~~



WORST CASE SCENARIO FOR CVUSD – TAXES FAIL!

- ▶ Revenue limit funding reduction of **\$370/ADA** for 2012/13 and beyond
- ▶ **100% elimination** of regular and special education transportation funding for 2012/13 and beyond



Budgeting for Second Interim Financial

- The District is required to budget with a **CONTINGENCY PLAN** that addresses the impact of a failed tax initiative.
- **WORST CASE SCENARIO FOR CVUSD – TAXES FAIL!**

▶ Revenue limit funding reduction of **\$370/ADA** for 2012/13 and beyond

= \$10.7 million in 2012/13

= \$10.5 million in 2013/14

▶ **100% elimination** of regular and special education transportation funding for 2012/13 and beyond

= \$796,170 in 2012/13

= \$796,170 in 2013/14



\$22.8 million reduction in funding over 2 years!

What's Happening to Education Funding?

REVENUE LIMIT = **PROPERTY TAXES** + **STATE AID**
 (70% of all revenue sources) (20%) (80%)



COLA

20.602% is deficited, leaving 79¢

Of the 79¢, 16¢ is rec'd thru property taxes

39¢ is rec'd thru State Aid

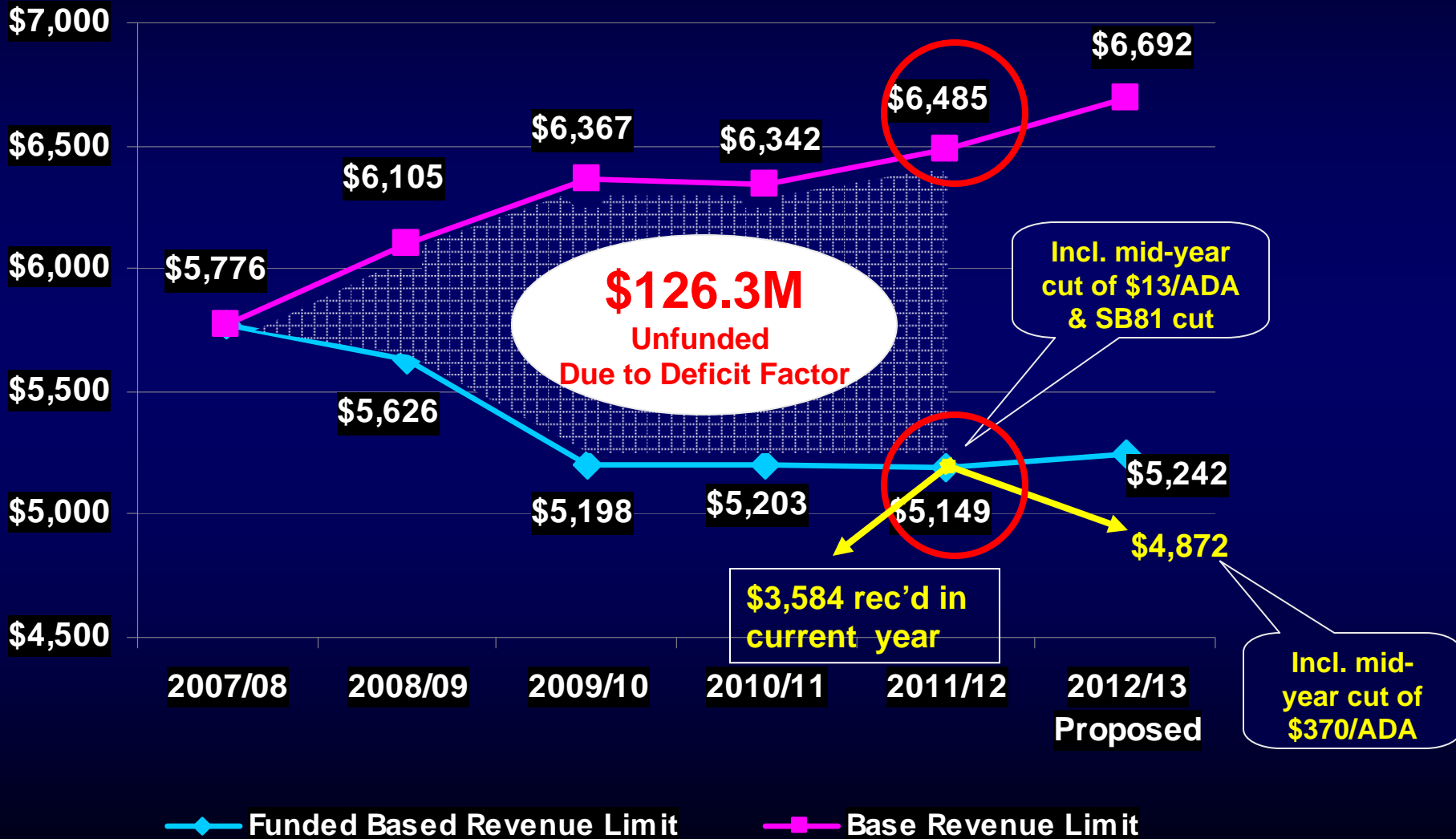
Of the 63¢, 38% is deferred, leaving 39¢

55¢ is funded in current year

This causes a severe “budget” problem, and “cash” shortage for school districts!!

CVUSD Historical Funded Revenue Limit

Per Average Daily Attendance



CVUSD 2nd Interim Budget Major Assumptions

General Fund

REVENUE

2011/2012

- Estimated average daily attendance = 29,603
- COLA: 2.24%; Deficit Factor: 20.602%
- Reduction of \$42/ADA (in lieu of transp. cut)
- Reduction of \$13/ADA (Midyear Trigger)
- Increase in restricted Federal revenue for DAIT and Title I
- One-time refund of Special Ed contribution from SELPA
- Misc. donations/grants adjustments

2012/2013

- Estimated loss of 500 ADA
- COLA: 0%; Deficit Factor: 21.666%
- Removal of all 2011/12 one-time funds
- Declining Enrollment
- Reduction of \$370/ADA midyear trigger
- Elimination of 100% transportation funds

2013/2014

- Estimated loss of 500 ADA
- COLA: 0%; Deficit Factor: 21.666%
- Declining enrollment
- Reduction of \$370/ADA midyear trigger
- Elimination of 100% transportation funds

EXPENDITURE

2011/2012

- Step/Column increase for all groups
- 2010/11 restricted carryover expenditures
- CSEA furlough salaries restored
- Increase in grades 4-12 class size by 2
- Previous Board approved budget reductions
- Corresponding increase in restricted expend.
- Reconciliation of position control/benefits
- Estimated decrease in utilities cost avoidance

2012/2013

- Step/Column increase for all groups
- A.C.T. furlough salaries restored
- Decrease in grades 4-12 class size by 2
- Positions funded with Federal Jobs Money in 2011/12 revert back to General Fund
- Utility cost adj. to include rate increase
- CHAMP furloughs extended
- Previous Board approved budget reductions

2013/2014

- Step/Column increase for all groups
- CHAMP furlough salaries restored
- Utility cost adj. to include rate increase
- Previous Board approved budget reductions 14

Second Interim Multiyear Budget

Activities as of January 31, 2011

	2011/12 Second Interim	2012/13 Estimated Budget	2013/14 Estimated Budget
BEGINNING BALANCE	\$44,784,841	\$42,646,533	\$16,109,762
Revenue	\$226,215,568	\$193,107,521	\$190,562,721
Expenditure & Other Sources/Uses	\$228,353,876	\$219,644,292	\$221,677,351
Net Inc./ <i>(Dec.)</i> in Fund Balance	<i>(\$2,138,308)</i>	<i>(\$26,536,771)</i>	<i>(\$31,114,631)</i>
ENDING BALANCE	\$42,646,533	\$16,109,762	<i>(\$15,004,868)</i>
Components of Ending Balance:			
- Revolving Cash	\$100,000	\$100,000	\$100,000
- Reserve for Economic Uncertainty 3%	\$6,850,616	\$6,589,329	\$6,650,321
- Equity Distribution	\$15,559	\$15,559	\$15,559
- Board approved reduction plan 2/2/12		<i>(\$9,353,518)</i>	<i>(\$19,678,533)</i>
- UNAPPROPRIATED ENDING BALANCE	\$35,680,358	\$13,720,200	<i>(\$2,092,215)</i>

Note: Numbers may not add up due to rounding

Types of Interim Report Certifications

- Positive Certification

District **WILL MEET** its financial obligations for the current **and** two subsequent fiscal years

- Qualified Certification

District **MAY NOT MEET** its financial obligations for the current **or** two subsequent fiscal years

- Negative Certification

District **WILL BE UNABLE TO MEET** its financial obligations for the remainder of the current or subsequent fiscal year based upon current projections



Require the filing of an
End of Year Report

Next Steps



- Continue to closely monitor budget and cash flow
- Prepare End of Year Financial Report
- Anticipate changes in Governor's May Revise Budget
- Prepare for new Multi-Year Budget

May 24, 2012 Board Meeting – End of the Year Report Presentation

June 28, 2012 Board Meeting – Budget for 12/13, 13/14, 14/15

Discussions & Questions