2011/2012
Second Interim Financial Report

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

- Loan repayment extensions ($631 million)
- Unemployment Insurance interest payment ($417 million)
- Additional weight fee revenues ($350 million)
- Other ($35 million)

- Temporary taxes ($4,401 million)
- Other revenues ($251 million)

- Proposition 98 ($544 million)
- CalWORKs ($946 million)
- Medi-Cal ($842 million)
- Child care ($447 million)
- State mandates ($828 million)
- Other ($609 million)
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

- 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

Merged!! Revised Initiative on its way!
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

(70% of all revenue sources)

<table>
<thead>
<tr>
<th>REVENUE LIMIT</th>
<th>= PROPERTY TAXES</th>
<th>+ STATE AID</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(20%)</td>
<td>(80%)</td>
</tr>
</tbody>
</table>

**Funding Breakdown**

- **20.602% is deficited, leaving 79¢**
- Of the 79¢, 16¢ is rec’d thru property taxes
- Of the 63¢, 38% is deferred, leaving 39¢
- 39¢ is rec’d thru State Aid
- 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

<table>
<thead>
<tr>
<th>Year</th>
<th>Funded Based Revenue Limit</th>
<th>Base Revenue Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007/08</td>
<td>$5,198</td>
<td>$5,203</td>
</tr>
<tr>
<td>2008/09</td>
<td>$5,626</td>
<td>$5,149</td>
</tr>
<tr>
<td>2009/10</td>
<td>$6,367</td>
<td>$5,203</td>
</tr>
<tr>
<td>2010/11</td>
<td>$6,342</td>
<td>$5,242</td>
</tr>
<tr>
<td>2011/12</td>
<td>$6,485</td>
<td>$5,776</td>
</tr>
<tr>
<td>2012/13</td>
<td>$6,692</td>
<td>$6,105</td>
</tr>
</tbody>
</table>

Unfunded Due to Deficit Factor

- $126.3M
- Incl. mid-year cut of $13/ADA & SB81 cut

$3,584 rec'd in current year

Incl. mid-year cut of $370/ADA
## CVUSD 2nd Interim Budget Major Assumptions

### General Fund

#### REVENUE

<table>
<thead>
<tr>
<th>2011/2012</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>▪ Estimated average daily attendance = 29,603</td>
<td></td>
</tr>
<tr>
<td>▪ COLA: 2.24%; Deficit Factor: 20.602%</td>
<td></td>
</tr>
<tr>
<td>▪ Reduction of $42/ADA (in lieu of transp. cut)</td>
<td></td>
</tr>
<tr>
<td>▪ Reduction of $13/ADA (Midyear Trigger)</td>
<td></td>
</tr>
<tr>
<td>▪ Increase in restricted Federal revenue for DAIT and Title I</td>
<td></td>
</tr>
<tr>
<td>▪ One-time refund of Special Ed contribution from SELPA</td>
<td></td>
</tr>
<tr>
<td>▪ Misc. donations/grants adjustments</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>2012/2013</th>
<th></th>
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<tbody>
<tr>
<td>▪ Estimated loss of 500 ADA</td>
<td></td>
</tr>
<tr>
<td>▪ COLA: 0%; Deficit Factor: 21.666%</td>
<td></td>
</tr>
<tr>
<td>▪ Removal of all 2011/12 one-time funds</td>
<td></td>
</tr>
<tr>
<td>▪ Declining Enrollment</td>
<td></td>
</tr>
<tr>
<td>▪ Reduction of $370/ADA midyear trigger</td>
<td></td>
</tr>
<tr>
<td>▪ Elimination of 100% transportation funds</td>
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#### EXPENDITURE

<table>
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<th>2011/2012</th>
<th></th>
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<tbody>
<tr>
<td>▪ Step/Column increase for all groups</td>
<td></td>
</tr>
<tr>
<td>▪ 2010/11 restricted carryover expenditures</td>
<td></td>
</tr>
<tr>
<td>▪ CSEA furlough salaries restored</td>
<td></td>
</tr>
<tr>
<td>▪ Increase in grades 4-12 class size by 2</td>
<td></td>
</tr>
<tr>
<td>▪ Previous Board approved budget reductions</td>
<td></td>
</tr>
<tr>
<td>▪ Corresponding increase in restricted expend.</td>
<td></td>
</tr>
<tr>
<td>▪ Reconciliation of position control/benefits</td>
<td></td>
</tr>
<tr>
<td>▪ Estimated decrease in utilities cost avoidance</td>
<td></td>
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<td>▪ Step/Column increase for all groups</td>
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<tr>
<td>▪ A.C.T. furlough salaries restored</td>
<td></td>
</tr>
<tr>
<td>▪ Decrease in grades 4-12 class size by 2</td>
<td></td>
</tr>
<tr>
<td>▪ Positions funded with Federal Jobs Money in 2011/12 revert back to General Fund</td>
<td></td>
</tr>
<tr>
<td>▪ Utility cost adj. to include rate increase</td>
<td></td>
</tr>
<tr>
<td>▪ CHAMP furloughs extended</td>
<td></td>
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<td>▪ Previous Board approved budget reductions</td>
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# Second Interim Multiyear Budget

*Activities as of January 31, 2011*

<table>
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<tr>
<th></th>
<th>2011/12</th>
<th>2012/13</th>
<th>2013/14</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Second Interim</td>
<td>Estimated Budget</td>
<td>Estimated Budget</td>
</tr>
<tr>
<td>BEGINNING BALANCE</td>
<td>$44,784,841</td>
<td>$42,646,533</td>
<td>$16,109,762</td>
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<tr>
<td>Revenue</td>
<td>$226,215,568</td>
<td>$193,107,521</td>
<td>$190,562,721</td>
</tr>
<tr>
<td>Expenditure &amp; Other Sources/Uses</td>
<td>$228,353,876</td>
<td>$219,644,292</td>
<td>$221,677,351</td>
</tr>
<tr>
<td>ENDING BALANCE</td>
<td>$42,646,533</td>
<td>$16,109,762</td>
<td>($15,004,868)</td>
</tr>
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</table>

### Components of Ending Balance:

- Revolving Cash: $100,000
- Reserve for Economic Uncertainty 3%: $6,850,616
- Equity Distribution: $15,559
- Board approved reduction plan 2/2/12: ($9,353,518)
- UNAPPROPRIATED ENDING BALANCE: $35,680,358

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