

Budget Study Session

*Governor's May Revision &
Budget Development
(2012/13, 2013/14, and 2014/15)*



CHINO VALLEY
UNIFIED SCHOOL DISTRICT

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

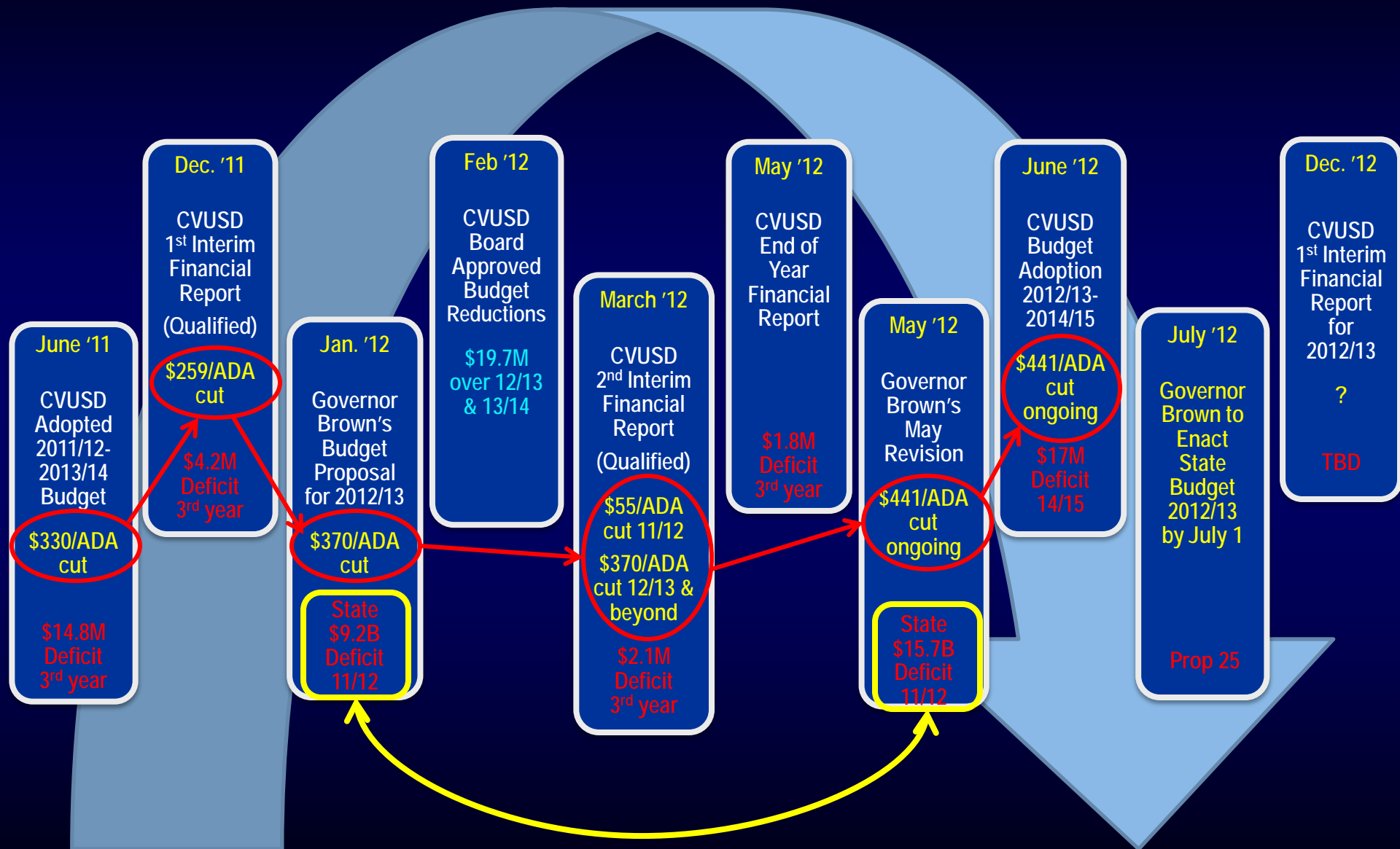
June 21, 2012

Budget Study Session

- **Budget Roller Coaster**
- **Governor's May Revision**
- **Multiyear Budget Projection**
2012/13, 2013/14, 2014/15
- **Cash Shortage**
- **Board Approved Budget Actions**
- **Employee Concessions**



Budget Roller Coaster



Governor's 2012/13 Budget Update

May Revise

- **Best Case (Tax Initiative Passes):**
 - Absence of another cut to education
 - Flat funding for education
 - Zero additional spending authority

- **Worst Case (Tax Initiative Fails):**
 - \$441/ADA ongoing cut for education
 - Est. \$37.9 million loss in State revenues over the next three year for CVUSD
 - Reduction of 15 additional school days over next 2 years on top of the existing 5

Governor's 2012/13 Budget Update

January Budget Proposal

- State projected a **\$9.2 Billion deficit** at the end of 2011/12
- 12/13 COLA = 3.17% = \$207/ADA
- 12/13 Deficit Factor = 21.666% = **78.3¢ on the \$1**
- Governor's Initiative Passes = \$2.2 B in 11/12; \$4.7B thereafter ; **No new funding for K-12**
- Governor's Initiative Fails = **\$370/ADA cut**
 - Decreased State revenue projection = Decreased funding to Education = **-\$2.4 Billion**
- Prepare for more immediate budget cuts at the District to balance 3rd year 2013/2014 deficit

May Budget Revision

- State's projected budget shortfall has grown to **\$15.7 Billion** (\$4 B last minute revenue boost never materialized) ✓
- 12/13 COLA = 3.24% = \$212/ADA ✓
- 12/13 Deficit Factor = 22.272% = **77.7¢ on the \$1** ✓
- Governor's Initiative Passes = \$8.5B in 12/13; \$6.5B thereafter; **No new funding for K-12**
- Governor's Initiative Fails = **\$441/ADA cut & Allow for reduction of 15 add'l school days over next 2 yrs**
 - Decreased State revenue projection = Decreased funding to Education = **-\$2.65 Billion** ✓
- Need to prepare for next steps to balance new 3rd year 2014/2015 deficit if the trigger cuts materialize ✓

Governor's 2012/13 Budget Update

May Revise

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



More
details
Next slide

Weighted Student Formula

■ January Budget Proposal:

- Base funding level of \$4,920 per ADA
- Supplemental and concentration grants providing a minimum of 37% more for each unduplicated count of English Learners and pupils eligible for free and reduced-price meals
- A 5 year implementation schedule beginning in 2012-13 with no hold harmless protection
- Qualitative and test-based accountability measures

■ May Revise:

- Increases the base funding level to a statewide average of \$5,421 per ADA, with grade span differentials of:
 - Grades K-3: \$5,466 per ADA
 - Grades 4-6: \$4,934 per ADA
 - Grades 7-8: \$5,081 per ADA
 - Grades 9-12: \$5,887 per ADA
- Reduces the supplemental grant to 20% of the base grant for English Learners and students eligible for free and reduced-price meals
- Reduces the concentration grant to 40% of the base grant for disadvantaged students that exceed 50% of the district's enrollment
- Increases the phase-in period to 7 years, with 2012-13 held harmless

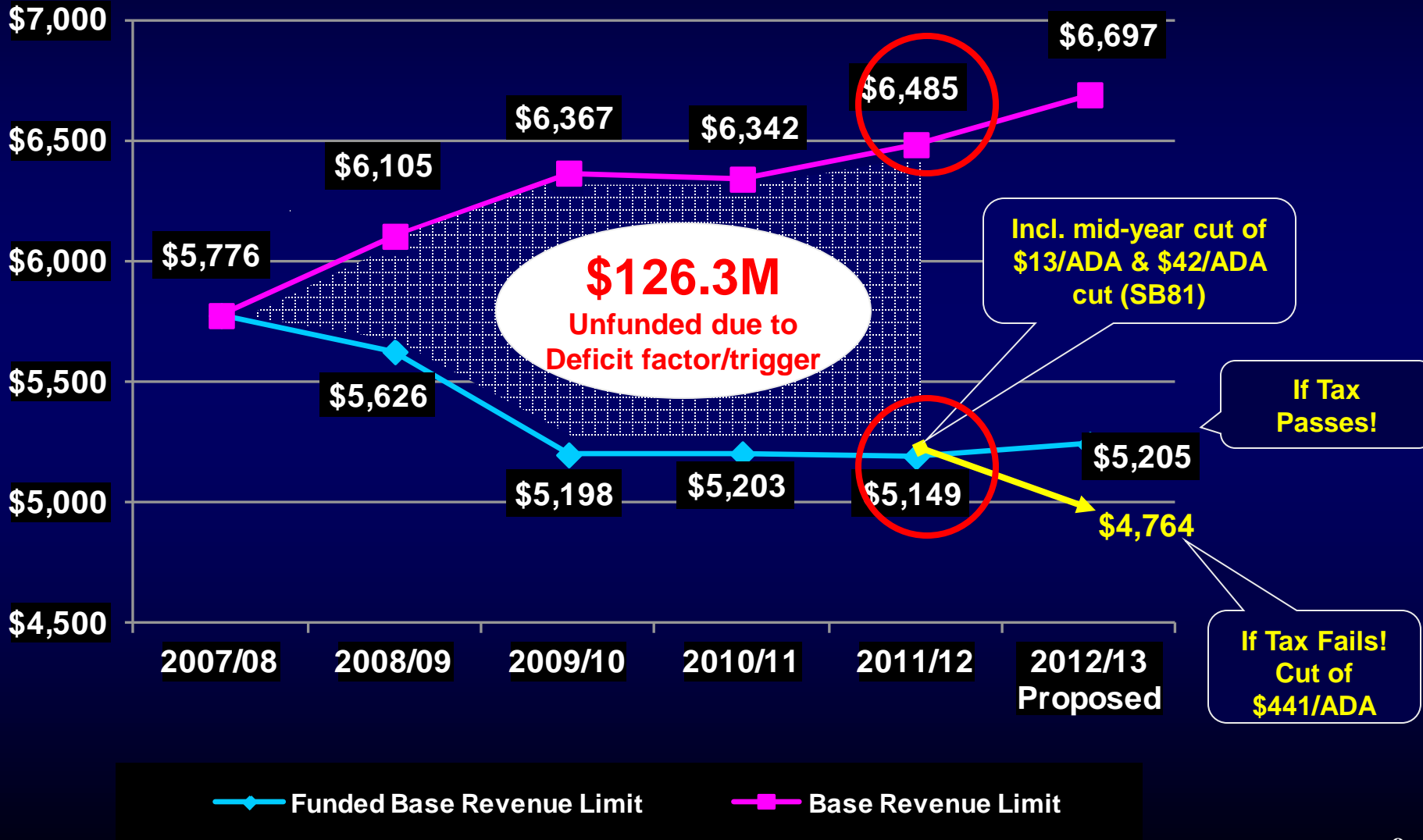
Education Funding Initiatives

Proponent and Title	Total Revenues Generated	Education Revenues Generated	Source of Additional Revenues	Duration
<p><u>Governor Brown</u></p> <p>“The Schools and Local Public Protection Act of 2012”</p>	<ul style="list-style-type: none"> ▪ \$8.5 billion in 2012-13; ▪ \$6.5 billion thereafter 	<p>Limited – additional funds offset State General Fund (GF) obligation; \$2.9 billion increase in Proposition 98 first year</p> <p>(NO add'l spending authority)</p>	<ul style="list-style-type: none"> ▪ Quarter-cent <u>sales tax</u> increase; ▪ <u>Up to 3% increase in personal income tax rate</u> for high-income earners (\$250,000 and above) 	<ul style="list-style-type: none"> ▪ 4 years sales tax; ▪ 7 years income tax
<p><u>Molly Munger</u></p> <p>“Our Children, Our Future: Local Schools and Early Education Investment and Bond Debt Reduction Act”</p>	<ul style="list-style-type: none"> ▪ \$5 billion in 2012-13; ▪ \$10 billion thereafter 	<p>First 3 years:</p> <ul style="list-style-type: none"> ▪ 60% K-12 schools ▪ 10% Early childhood education (ECE) ▪ 30% State GF bond debt <p>Remaining years:</p> <ul style="list-style-type: none"> ▪ 85% K-12 schools ▪ 15% ECE 	<ul style="list-style-type: none"> ▪ <u>Increase in personal income tax for all but low-income earners</u>, from 0.4% for lowest income individuals to 2.2% for individuals earning more than \$2.5 million 	<ul style="list-style-type: none"> ▪ 12 years

* The Munger initiative provides K-12 funds on a school specific, per-pupil basis, subject to local control, audits, and public input. It also prohibits the state from directing or using these funds. (Slide is courtesy of School Services of California)

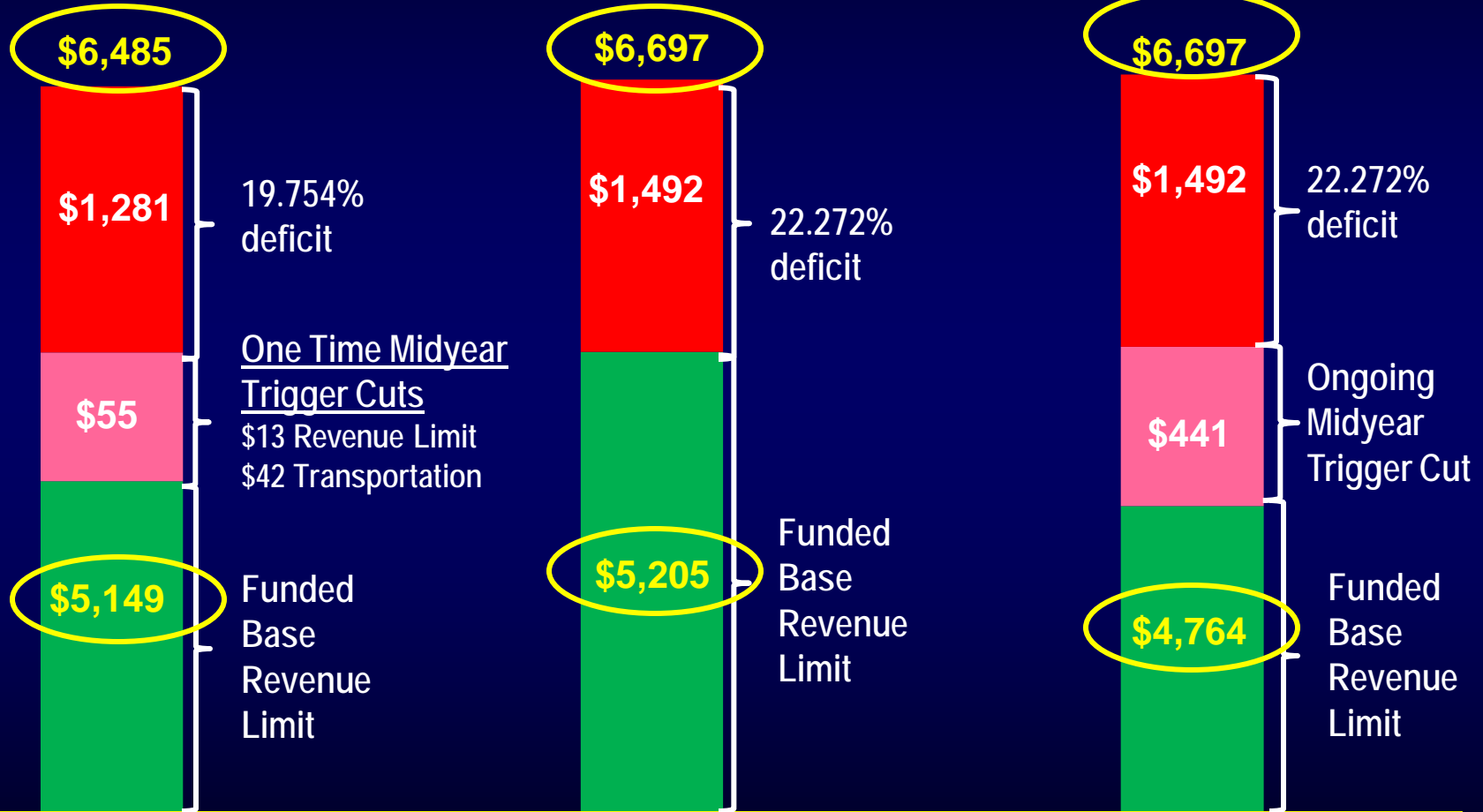
CVUSD Historical Funded Revenue Limit

Per Average Daily Attendance



Funded Revenue Limit

2011/12 vs. 2012/13



2011/12 Budget Act After Midyear Cuts

2012/13 May Revision Tax Passes

2012/13 May Revision Tax Fails

CVUSD Budget Major Assumptions

General Fund

REVENUE

2012/2013

- Estimated average daily attendance = **29,163**
- COLA: **3.24%**; Deficit Factor: **22.272%**
- 2011/12 Restricted carryover revenues
- Decrease of \$441/ADA ongoing cut
- Removal of all one-time revenues
- Declining enrollment

2013/2014

- Estimated loss of 500 ADA
- COLA: **0%**; Deficit Factor: **22.272%**
- Decrease of \$441/ADA ongoing cut
- Declining enrollment

2014/2015

- Estimated loss of 500 ADA
- COLA: **0%**; Deficit Factor: **22.272%**
- Decrease of \$441/ADA ongoing cut
- Expiration of Class Size Reduction Flexibility
- Declining enrollment



EXPENDITURE

2012/2013

- Step/Column increases for all groups
- A.C.T. furlough salaries restored
- Decrease in 4-12 class size by 2
- Positions funded with Federal Jobs Money in 2011/12 revert back to General Fund
- 2011/12 Restricted carryover expenditures
- Utility cost adjust. to include rate increase
- Previous Board approved budget reductions
- Declining enrollment

2013/2014

- Step/Column increases for all groups
- CHAMP furlough salaries restored
- Utility cost increase
- Board approved budget reductions
- Declining enrollment

2014/2015

- Step/Column increases for all groups
- Utility cost increase
- Board approved budget reductions
- Declining enrollment

CVUSD Multiyear Budget

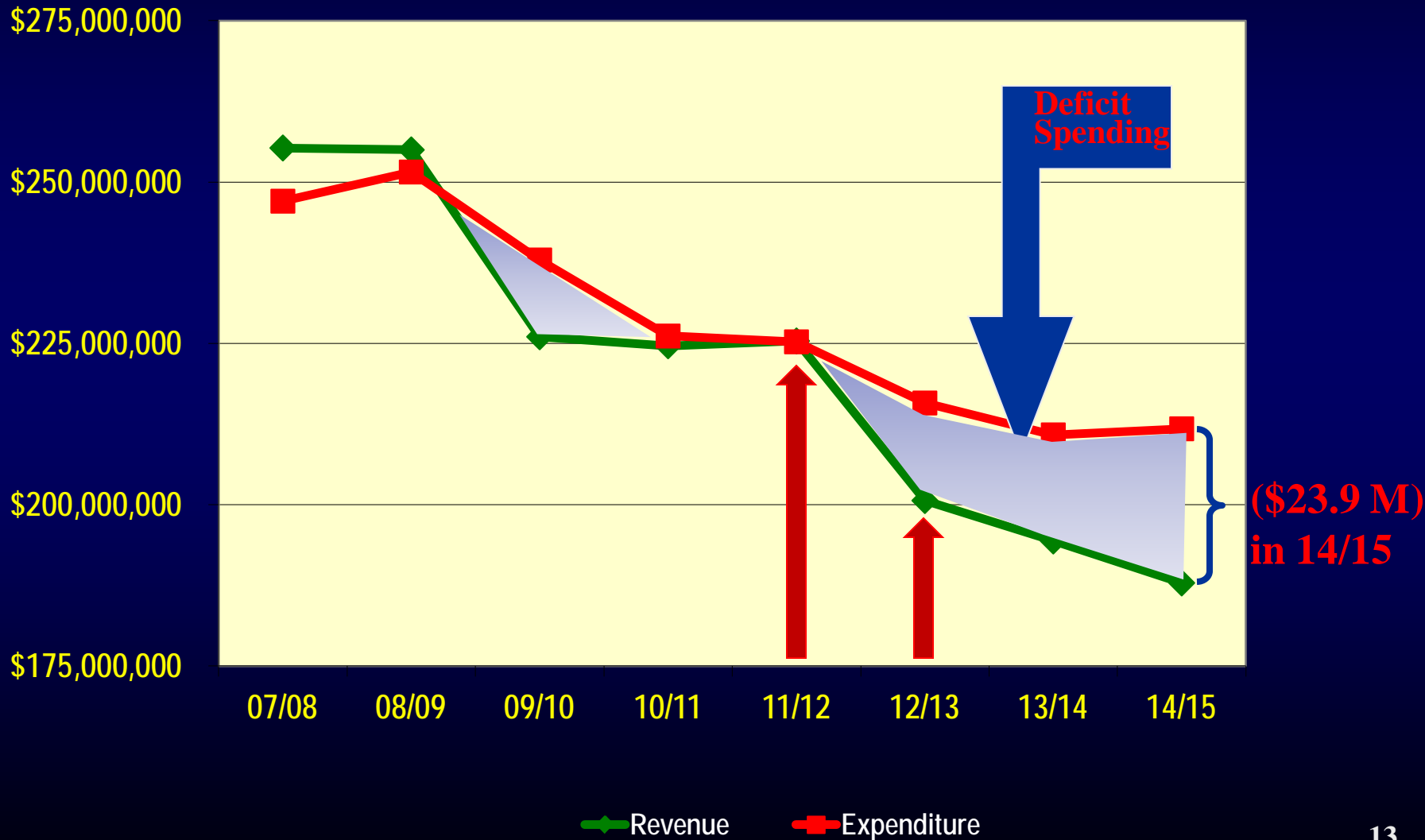
General Fund

	2012/13 Estimated Budget	2013/14 Estimated Budget	2014/15 Estimated Budget
BEGINNING BALANCE	\$44,921,594	\$29,809,515	\$13,367,707
Revenue	\$200,650,084	\$194,383,818	\$187,885,945
Expenditure & Other Sources/Uses	\$215,762,163	\$210,825,626	\$211,766,964
Net Inc./ <i>(Dec.)</i> in Fund Balance	<i>(\$15,112,079)</i>	<i>(\$16,441,807)</i>	<i>(\$23,881,019)</i>
ENDING BALANCE	\$29,809,515	\$13,367,707	<i>(\$10,513,312)</i>
Components of Ending Balance:			
-Revolving Cash	\$100,000	\$100,000	\$100,000
-Reserve for Economic Uncertainty 3%	\$6,472,865	\$6,324,769	\$6,353,009
-Equity Distribution	\$15,559	\$15,559	\$15,559
-UNAPPROPRIATED ENDING BALANCE	\$23,221,091	\$6,927,380	<i>(\$16,981,880)</i>

Note: Numbers may not add up due to rounding

Revenues vs. Expenditures

2012/2013 General Fund Budget



Budget Scenarios

\$441/ADA Cut vs. \$0/ADA Cut (Flat Funding)

Deficit Spending

	2011/12	2012/13	2013/14	2014/15
Beginning Balance	\$44,784,840	\$44,921,594	\$29,809,515	\$13,367,707
Revenue	\$225,376,069	\$200,650,084	\$194,383,818	\$187,885,945
Expenditure	\$225,239,315	\$215,762,163	\$210,825,626	\$211,766,964
Net Increase	\$136,754	(\$15,112,079)	(\$16,441,808)	(\$23,881,019)
Ending Balance	\$44,921,594	\$29,809,515	\$13,367,707	(\$10,513,312)
Revenue	\$100,000	\$100,000	\$100,000	\$100,000
Economic Uncertainty	\$6,757,179	\$6,472,865	\$6,324,769	\$6,353,009
Restricted Ending Balance	\$2,454,233			
SCSEBA/REEP Equity	\$15,559	\$15,559	\$15,559	\$15,559
Unappropriated Amount	\$35,594,623	\$23,221,091	\$6,927,379	(\$16,981,880)

\$441/ADA Cut

	2011/12	2012/13	2013/14	2014/15
Beginning Balance	\$44,784,840	\$44,921,594	\$42,670,213	\$38,868,603
Revenue	\$225,376,069	\$213,510,782	\$207,024,016	\$200,305,643
Expenditure	\$225,239,315	\$215,762,163	\$210,825,626	\$211,766,964
Net Increase	\$136,754	(\$2,251,381)	(\$3,801,610)	(\$11,461,321)
Ending Balance	\$44,921,594	\$42,670,213	\$38,868,603	\$27,407,282
Revenue	\$100,000	\$100,000	\$100,000	\$100,000
Economic Uncertainty	\$6,757,179	\$6,472,865	\$6,324,769	\$6,353,009
Restricted Ending Balance	\$2,454,233			
SCSEBA/REEP Equity	\$15,559	\$15,559	\$15,559	\$15,559
Unappropriated Amount	\$35,594,623	\$36,081,789	\$32,428,275	\$20,938,714

\$0/ADA Cut
Flat Funding

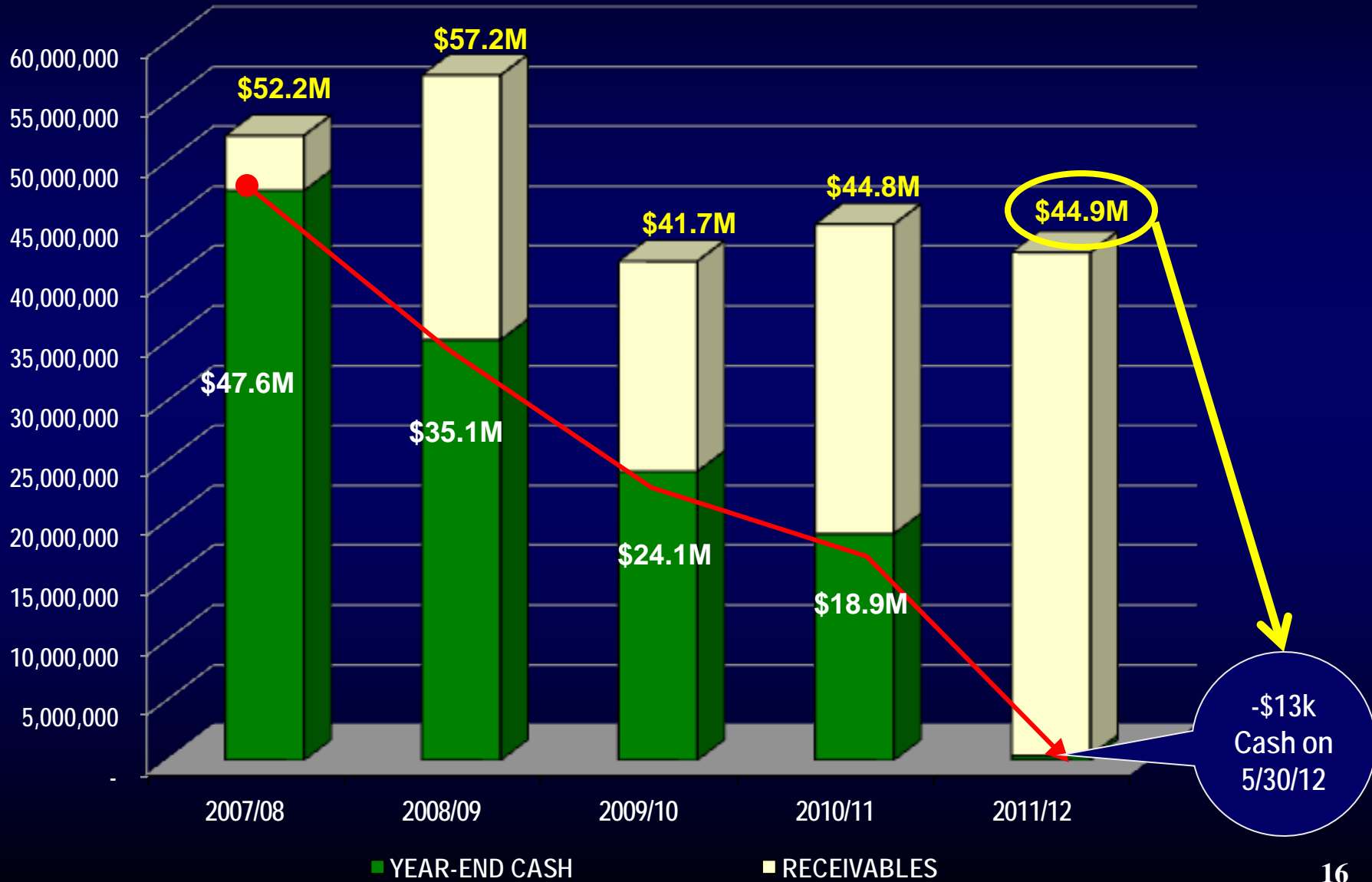
Deficit Spending

Budget vs. Cash

- **Budget:**
 - Ability to Spend
- **Cash:**
 - Ability to Pay
 - **Due to cash shortage, District has exhausted internal borrowing of \$13 million**

Ending Balance vs. CASH

As a Result of State Deferrals & Deficited Apportionments



Concurrent Budget Cycles

FOR LAST YEAR Close and Audit

AUGUST AND NOVEMBER

Close, define actuals,
determine the ending balance

JULY – DECEMBER

Audit and review

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 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.
(Governor's May Revision)

All Funds

- Each fund is a separate checkbook with its own set of rules and restrictions.

FUND 01 1001
PAY TO THE ORDER OF **Restricted & Unrestricted** \$
DOLLARS
MEMO _____ AUTHORIZED SIGNATURE(S) _____
01001 1111222333 444555*

General Fund

FUND 14 1001
PAY TO THE ORDER OF _____ \$
Restricted DOLLARS
MEMO _____ AUTHORIZED SIGNATURE(S) _____
01001 1111222333 444555*

Deferred Maint. Fund

FUND 35 1001
PAY TO THE ORDER OF _____ \$
Restricted DOLLARS
MEMO _____ AUTHORIZED SIGNATURE(S) _____
01001 1111222333 444555*

County School Fac Fund

FUND 11 1001
PAY TO THE ORDER OF _____ \$
Restricted DOLLARS
MEMO _____ AUTHORIZED SIGNATURE(S) _____
01001 1111222333 444555*

Adult Ed Fund

FUND 21 1001
PAY TO THE ORDER OF _____ \$
Restricted DOLLARS
MEMO _____ AUTHORIZED SIGNATURE(S) _____
01001 1111222333 444555*

Building Fund (Measure M)

FUND 51 1001
PAY TO THE ORDER OF _____ \$
Restricted DOLLARS
MEMO _____ AUTHORIZED SIGNATURE(S) _____
01001 1111222333 444555*

Debt Service Fund

FUND 12 1001
PAY TO THE ORDER OF _____ \$
Restricted DOLLARS
MEMO _____ AUTHORIZED SIGNATURE(S) _____
01001 1111222333 444555*

Child Dev Fund

FUND 25 1001
PAY TO THE ORDER OF _____ \$
Restricted DOLLARS
MEMO _____ AUTHORIZED SIGNATURE(S) _____
01001 1111222333 444555*

Capital Facilities Fund

FUND 93 1001
PAY TO THE ORDER OF _____ \$
Restricted DOLLARS
MEMO _____ AUTHORIZED SIGNATURE(S) _____
01001 1111222333 444555*

Cafeteria Fund

Budget Approval Process

- Budget due to County within 5 days of the District Board adopting budget or July 1, which ever comes first
- County to notify District by August 15 of approval status

- **Approved**
- **Conditionally Approved**
- **Disapproved**



- A budget with a **3rd year deficit** is required to have a **resolution** adopted by the Board identifying amount of necessary ongoing reductions and to implement **prior to First Interim Financial Report**

Board Approved Budget Actions

Unrestricted General Fund

BOARD DATE	2010/11	2011/12	2012/13	2013/14	2014/15
Board Action 1/20/11	\$609,685	\$6,157,508	\$4,406,108	\$3,822,230	\$3,822,230
Board Action 2/3/11	\$268,135	\$5,009,509	\$3,392,604	\$3,392,604	\$3,392,604
Board Action 2/17/11	(\$306,342)	(\$131,413)	\$63,261	\$63,261	\$63,261
TOTAL	\$571,478	\$11,035,604	\$7,861,973	\$7,278,095	\$7,278,095
Board Action 2/2/12			\$9,353,518	\$10,325,015	\$10,325,015
TOTAL	\$571,478	\$11,035,604	\$17,215,491	\$17,603,110	\$17,603,110

**Est. \$64 million in budget reductions
over 5 years**

Employee Group Concessions

	2008/09	2009/10	2010/11	2011/12	2012/13
A.C.T.		<ul style="list-style-type: none"> ▪ Increase K-3 class size from 20 to 25 ▪ Layoff of 70 FTE 	<ul style="list-style-type: none"> ▪ Increase K-3 class size from 25 to 31 ▪ 5 Furlough days 	<ul style="list-style-type: none"> ▪ Increase 4-12 class <p><u>To Restore</u></p> <ul style="list-style-type: none"> • Nurses (15 FTE) • Counselors (22 FTE) • Music (4 FTE) • Adult Ed 	<ul style="list-style-type: none"> ▪ Layoff of 59.5 FTE <p><u>Tentative Agreement</u></p> <ul style="list-style-type: none"> ▪ Continue the increase in 4-12 class size by 2 ▪ 3.02% salary reduction/5.5 furlough
CSEA		<ul style="list-style-type: none"> ▪ Elim. 17 FTE (3 schools closed) ▪ 6, 7, or 8 Furlough days 	<ul style="list-style-type: none"> ▪ Elim. 12.625 FTE vacancies ▪ Reduce work year of 12 FTE (Wickman) ▪ 6, 7, or 8 Furlough days 	<ul style="list-style-type: none"> ▪ Elim. 41 FTE ▪ Reduce work year and/or hours of 133 positions 	<ul style="list-style-type: none"> ▪ Elim. 63.54 FTE
CHAMP	<ul style="list-style-type: none"> ▪ Freeze 6 FTE 	<ul style="list-style-type: none"> ▪ Elim. 15 FTE ▪ Reclass. 2 FTE ▪ Reduced work year of 4 HS Principals 	<ul style="list-style-type: none"> ▪ Reclass. Assoc. Supt. of HR to Asst. Supt. ▪ 7 Furlough days 	<ul style="list-style-type: none"> ▪ Elim. 7 FTE ▪ Reduce work year of 47 FTE ▪ 7 Furlough days ▪ Asst. Supts. – 10 furlough days 	<ul style="list-style-type: none"> ▪ Elim. 13 FTE ▪ 3.02% salary reduction/ 7 furlough ▪ Asst. Supts. – 4.63% salary reduction/10 furlough days

Superintendent's Recommendation

- **Continue to budget conservatively**
(Budget \$441/ADA in ongoing reduction in Revenue Limit)
- **Continue to allocate scarce resources responsibly**
- **State Budget Enactment – July 1, 2012 Anticipated**
 - **Amend budget if A.C.T. approves Tentative Agreement with District and Board ratifies agreement**
 - **Conduct Budget Study Sessions September ~ November**
 - **Incorporate changes at First Interim**



Discussions & Questions