

# Second Interim Financial Report

February 26, 2013

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- Current Year
  - Revenue & Expense
  - Cash Flow
- Budget Year (2013-14)
  - Gov.'s Proposed Budget
  - New Expense vs. New Augmentation
- Summary & Recommendation

# Current Year Revenue & Expense Summary



	<u>UnRestricted</u>	<u>Restricted</u>	<u>Gen Fund Total</u>
Beginning Balance	\$5,276,633	\$3,858,975	\$9,135,608
Revenue	\$45,898,651	\$17,703,307	\$63,601,959
Expense	(\$48,525,421)	(\$19,875,307)	(\$68,400,729)
Ending Balance	\$2,649,863	\$1,686,975	\$4,336,838

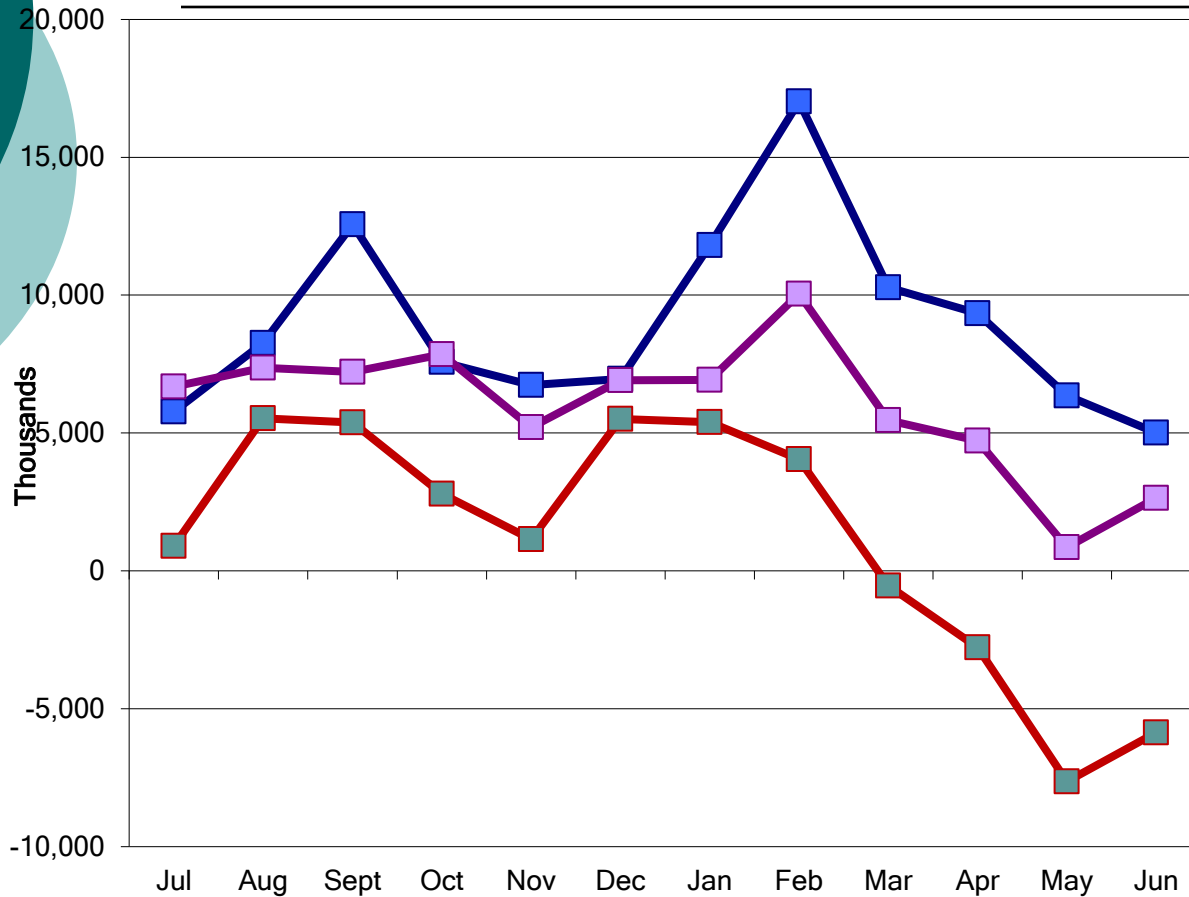
**Revenue minus Expense ---- \$2,627,000** (\$2,715,000 at Adoption)

<u>Causes</u>	<u>Solutions</u>
<ul style="list-style-type: none"> <li>▪ Medical premium</li> <li>▪ Expiration of one-time concession</li> <li>▪ Enrollment trend</li> <li>▪ Loss of Jobs Bill</li> <li>▪ Salary advancements</li> </ul>	<ul style="list-style-type: none"> <li>▪ Partial continuation of one-time concession</li> <li>▪ Reduced reserve</li> <li>▪ RIF</li> <li>▪ Increased K-3 class size</li> </ul>

- Causes outweighs solutions
- Increasing & on-going expense outweighs on-going adjustments

# Current Year Cash Flow

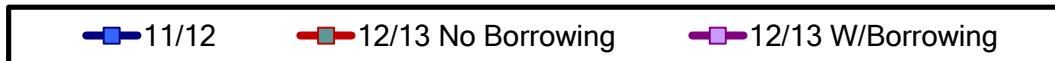
## *Receipts and Disbursements*



*Borrowing is necessary to off-set State deferrals.*

*Borrowed from other funds, TRAN, County advance.*

*Governor committed to buying down the deferrals.*



# Budget Year Outlook

## *Preface*

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Governor's January Budget provides real opportunity to:

- receive increased apportionment to off-set rising and on-going expense
- be less reliant on one-time solutions



# Budget Year

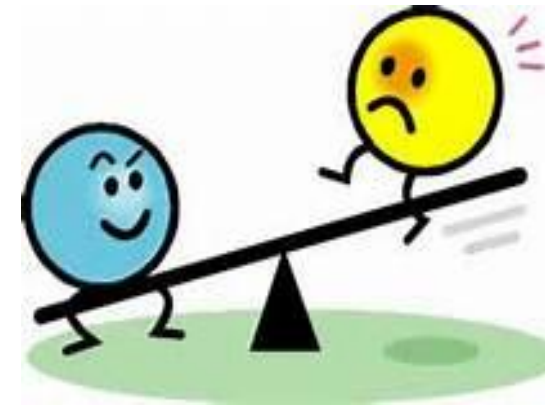
## Cause of Imbalance?

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Really simple: Same causes just different year.

- Medical premium
- Expiration of one-time concession & maintain 28:1 ratio in K-3
- Enrollment trend
- Loss of Jobs Bill
- Salary advancements
- *Loss of Special Education funds*

**\$2,127,000**



# Budget Year - Gov.'s January Budget

## *New Taxes*

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- Prop 30 will raise about \$6B/yr.
  - ↑ sales tax by ¼¢ for 4 years
  - ↑ PIT on “wealthy” for 7 years
- Prop 39 will raise about \$1B/yr.
  - ½ for Clean Energy projects
  - ½ to State General Fund



# Gov.'s January Budget

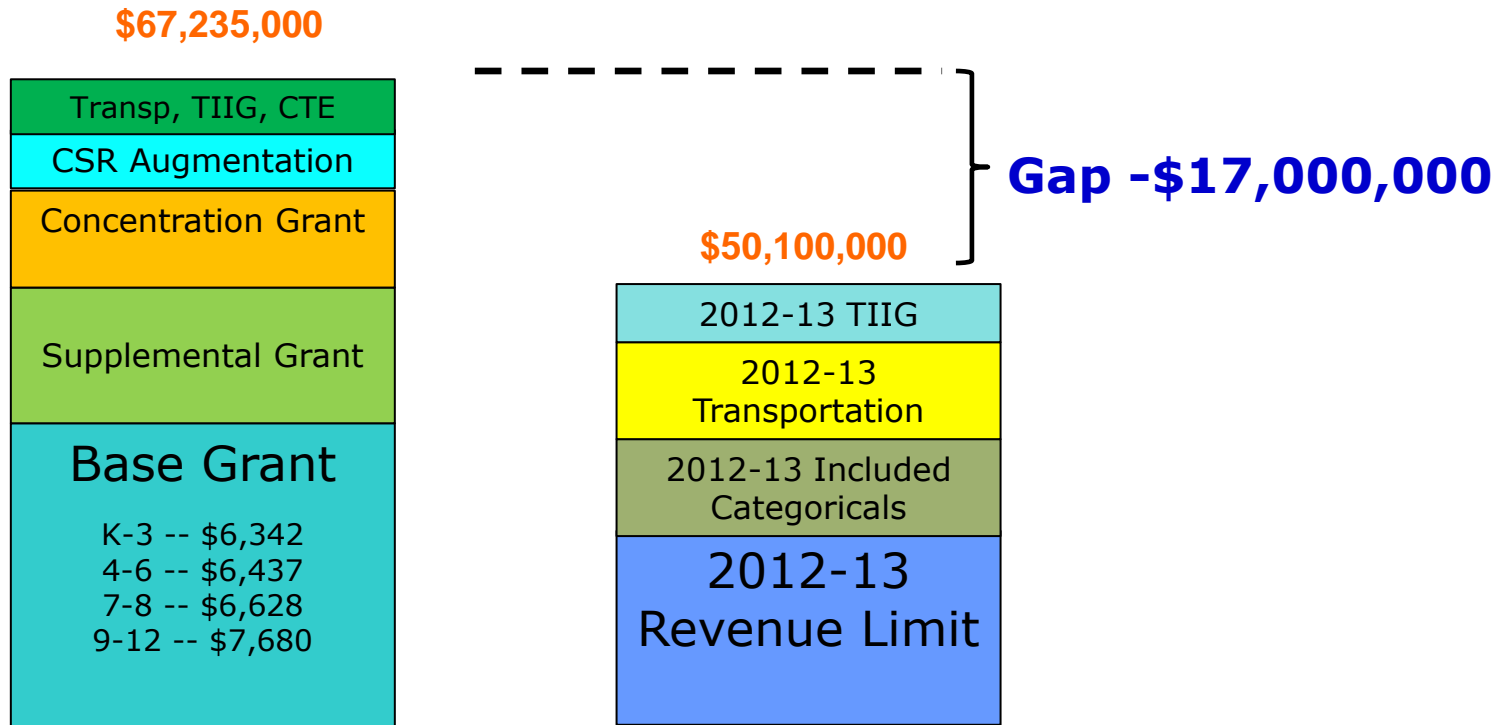
## *Key Education Components*

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- **\$1.8B** to reduce inter-year deferral to \$5.6B
  - Originally \$9.4B
  - Reduced by \$2B in November
- **\$1.6B** of new authorization – Local Control Funding Formula (LCFF)
  - Eliminates Revenue Limit calculation
  - Collapses many State Categorical Programs

# Local Control Funding Formula

*Simplifies distribution & provides more flexibility*



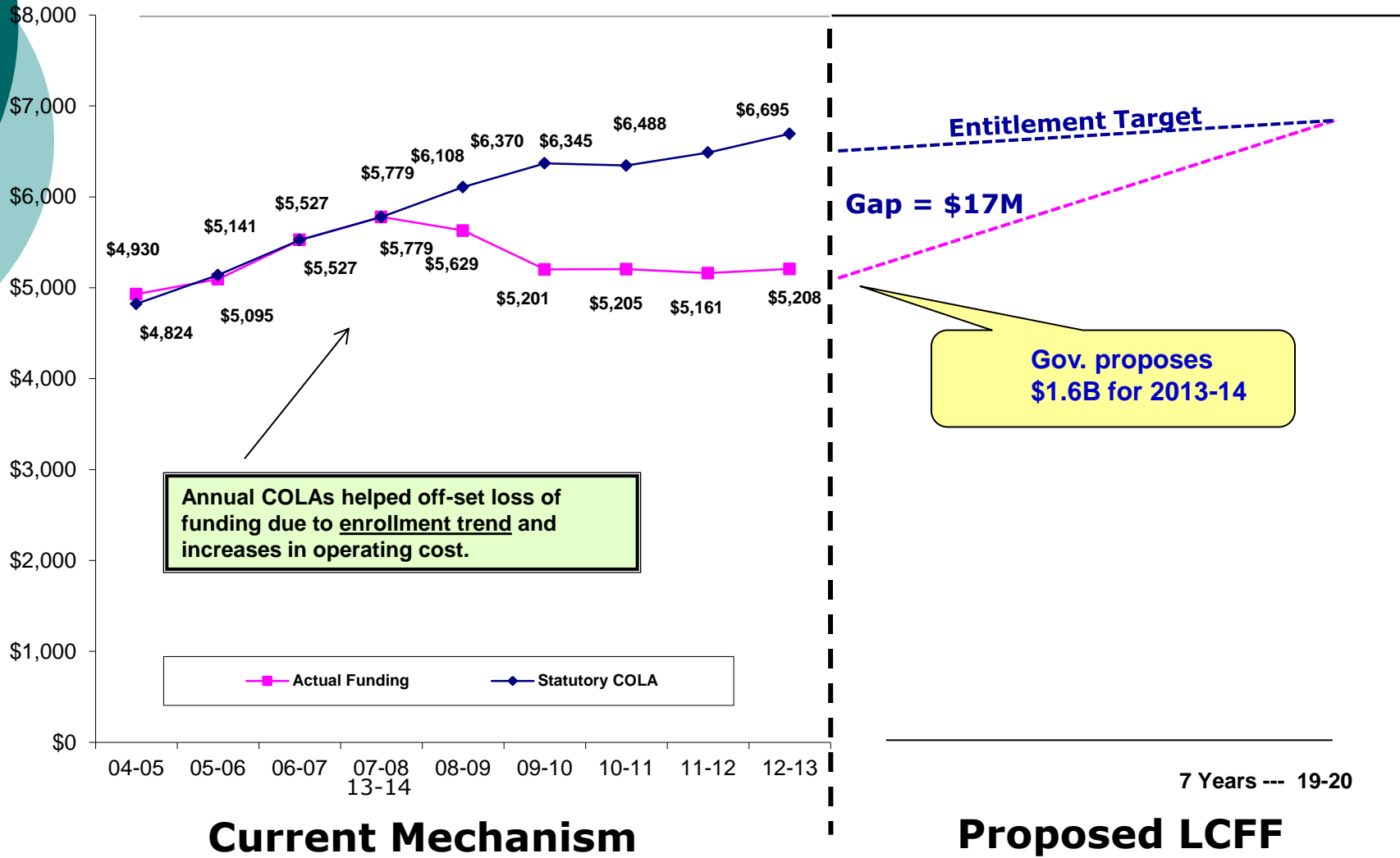
**Entitlement Target**

**Hold Harmless Funding**



# LCFF Replaces Revenue Limit

(per ADA)



# Outlook for 2013-14



<b>Causes of Imbalance</b>	
Dental & Vision	\$42,000
Reduction in Special Ed Funding	\$484,000
Loss of Jobs Bill	\$350,000
Sunset furlough (maintain 28:1 in K-3)	\$470,000
Salary Advancements	\$440,000
Enrollment Trend	\$240,000
Miscellaneous	\$100,000
<b>Total</b>	<b>\$2,127,000</b>

<b>Potential Solutions</b>	
LCFF (10% of Gap)	<b>\$1,700,000</b>
Text book Reserve	\$296,000
<b>Total</b>	<b>\$1,996,000</b>

# Other Factors

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- Preparation for Common Core
  - Staff dev., technology, inst. mat'l, etc.
- Infrastructure repair or necessary upgrades
  - Technology & facility
- STRS/PERS increased contribution
- Federal Sequestration
- Medical Premium
  - 1/1/14 rates
  - Health Care Reform
- Attrition
- Enrollment
- Use of Reserve
- Excess at Year's end

# Summary & Recommendation

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- Causes of imbalance will persist
  - On-going expense requires on-going augmentation
  - Other causes possible
- Passage of Prop 30 and improving economy improves financial outlook
- Governor's LCFF proposal presents real opportunity to:
  - off-set rising and on-going expense
  - be less reliant on one-time solutions



**Recommendation: Approve Qualified 2<sup>nd</sup> Interim Report**