

Report on Financial Information- Budget

December 12, 2011

Presenter – Julie Chapin



Modesto City Schools

COMMUNICATE • COLLABORATE • CELEBRATE

Tonight's Overview

- Overview of School Finance
- Fiscal Year Factors
- Timeline of Future Events

Overview of School Finance

- Budget Cycle
- Account Code Language
- Types of Revenue
- Types of Expenditure
- Fund Balance

Budget Cycle

- January – Governor announces budget proposal for following fiscal year
 - July 1st through June 30th
- January through May – District begins making budget decisions based on known factors and assumptions
- May – Governor announces budget proposal revisions

Budget Cycle

- June – District obligated to adopt next fiscal year budget and to project current fiscal year ending balance at the same time
- ??? – State adopts its budget
- ??? + 45 days – District required to adopt any necessary changes based on State's adoption

Budget Cycle

- No later than December 15th – District reports 1st Interim
 - October 31st cutoff
- No later than March 15th – District reports 2nd Interim
 - January 31st cutoff
- June – Project estimated closing figures
- No later than September 15th – Prior fiscal year books must be closed

Account Code Language

- Fund
 - Fiscal and accounting entity with a self-balancing set of accounts
 - General Fund (01)
 - Child Development (12)
 - Cafeteria/Nutrition Services (13)

Account Code Language

- Resource
 - Tracks activities that are funded with revenues that have special accounting or reporting requirements or legally restricted
 - **Unrestricted** (0000-1999)
 - Funding is more discretionary in nature and fewer restrictions
 - Represent approximately 74.83% of total revenue in General Fund
 - » General Education
 - » California State Lottery
 - » State Class Size Reduction funding
 - » Tier III Categoricals

Account Code Language

- Resource
 - Tracks activities that are funded with revenues that have special accounting or reporting requirements or legally restricted
 - **Restricted** (2000-9999)
 - Divided into several resources or “sources” of funding
 - » All of which is considered “Categorical” Funding
 - Revenue is derived from Federal, State, Local Grants and Entitlements
 - Expenditures usually target a specific student population or purpose
 - » Title I
 - » Economic Impact Aid (EIA)
 - » Special Education

Account Code Language

- Object
 - Classifies revenue by source and type
 - Revenue Limit (80xx)
 - Federal Revenue (81xx-82xx)
 - State Revenue (83xx-85xx)
 - Other Local Revenue (86xx-87xx)
 - Interfund Transfers In and Out Sources (89xx)

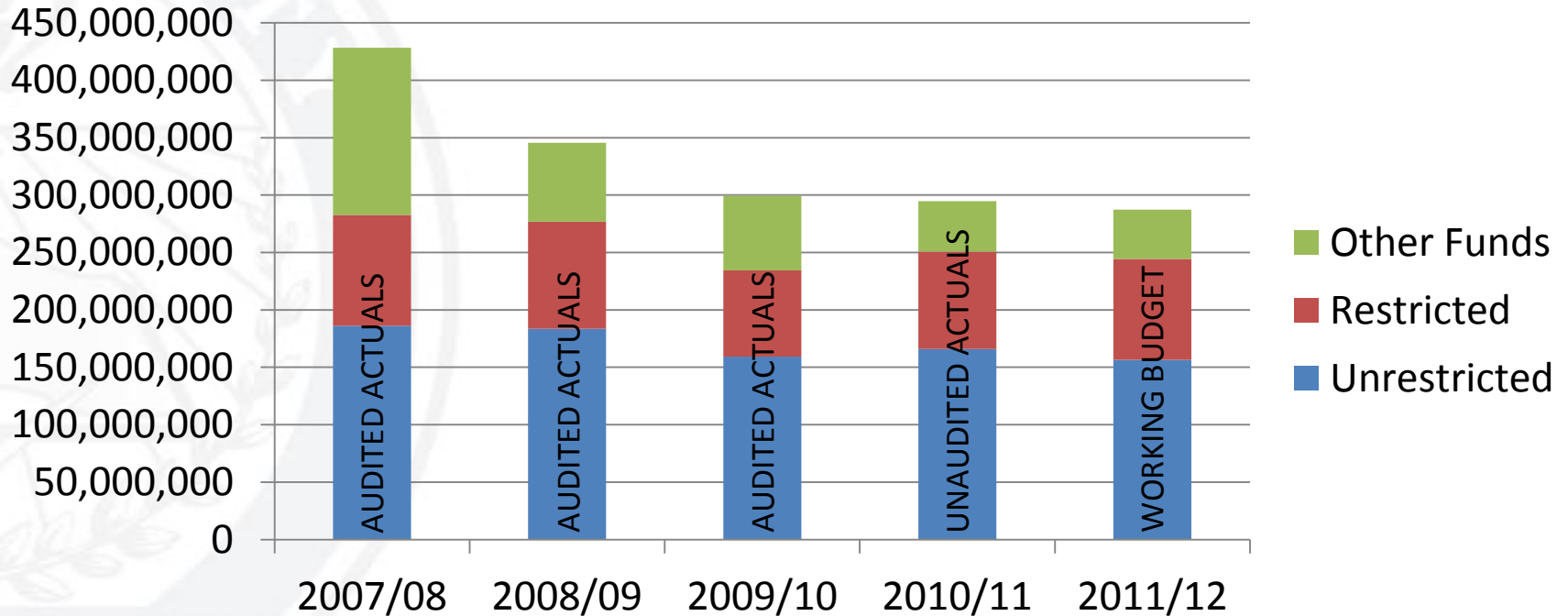
Account Code Language

- Object
 - Classifies expenditures by type of commodity or service
 - Certificated Salaries (1xxx)
 - Classified Salaries (2xxx)
 - Employee Benefits (3xxx)
 - Books and Supplies (4xxx)
 - Services and Other Operating Expenditures (5xxx)
 - Capital Outlay (6xxx)
 - Other Outgo/Interfund Transfers In and Out Sources (7xxx)

Account Code Language

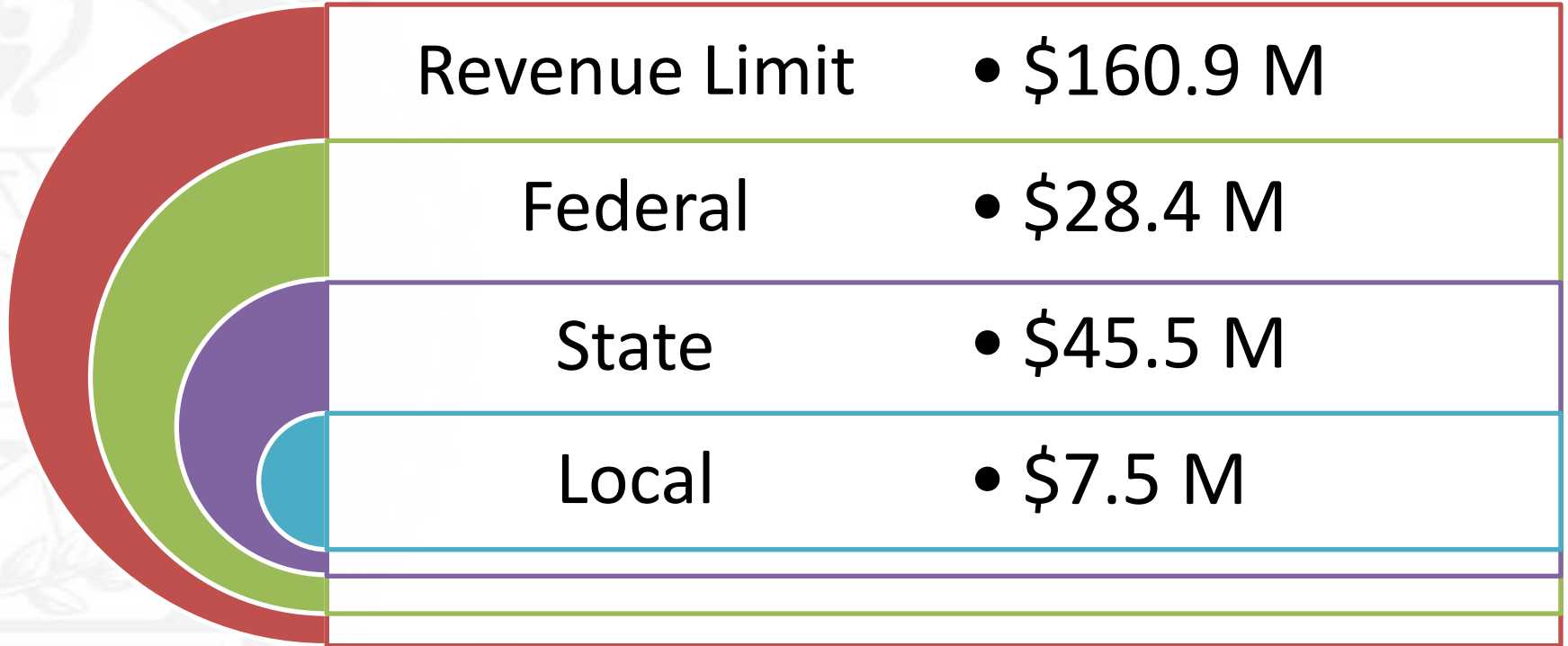
- Object
 - Classifies balance sheet accounts as assets, liabilities or fund balance
 - Assets (91xx-94xx)
 - Liabilities (95xx-96xx)
 - Fund Balance and Reserves (97xx-98xx)

Types of Revenue



Types of Revenue

General Fund Breakdown by Source



Types of Revenue

- General Purpose (Revenue Limit) – approx 66%
 - Each District varies in per student revenue limit formulas –
 - Elementary district projects to receive \$5,006.58 after deficit is applied
 - ($\$6,239.03 \times .80246 = \$5,006.58$)
 - High School district projects to receive \$6,038.51 after deficit is applied
 - ($\$7,524.99 \times .80246 = \$6,038.51$)
 - Allows the greatest flexibility in spending.

Types of Revenue

- Federal and State Categorical Aid – approx 31%
 - Must be spent on purpose for which they were intended
 - Title I
 - Lottery
 - EIA
 - Special Education

Types of Revenue

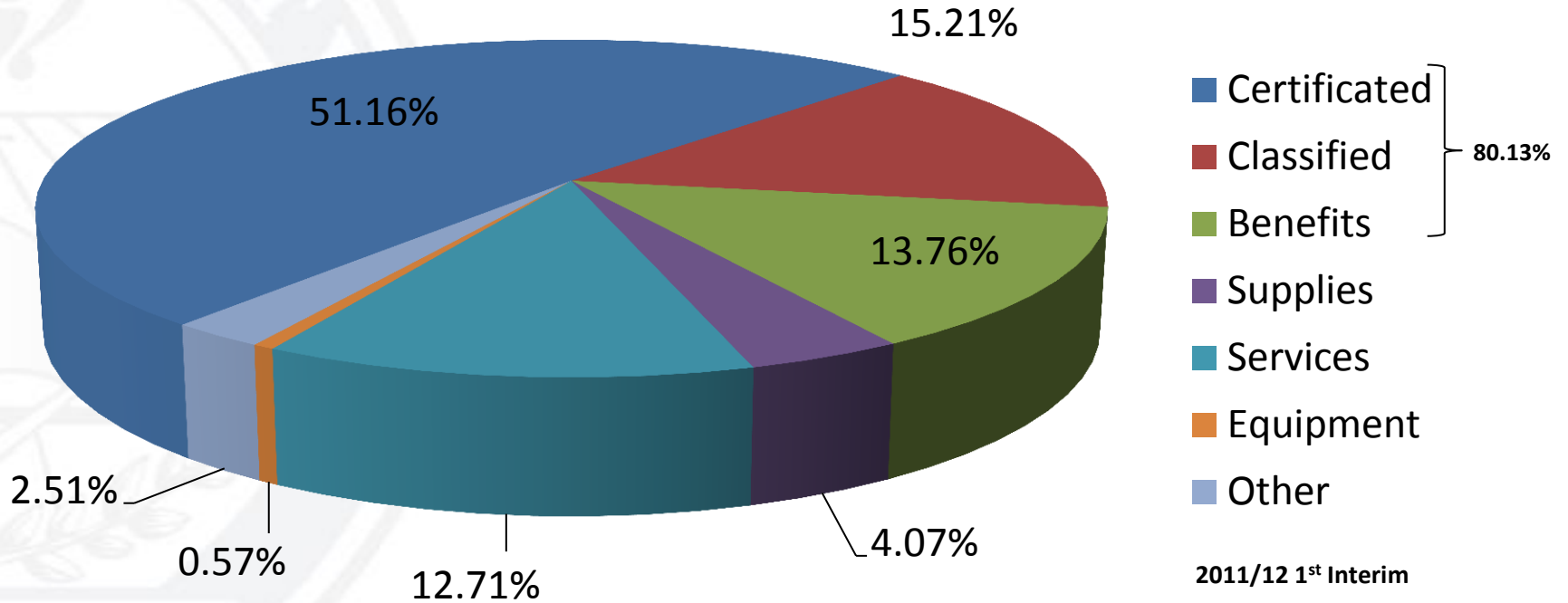
- Local Miscellaneous Funds – approx 3%
 - Very few sources of funding
 - Interest Revenue
 - Local contributions
 - Facility rental fees
 - Other small local grants
 - Mix of Restricted vs. Unrestricted spending ability.

How does the District earn revenue?

- Enrollment
 - Number of total pupils
- Average Daily Attendance (ADA)
 - Three reporting periods
 - Period 1 – December
 - Period 2 – April
 - Period-Annual – June 30
- General Ed Revenue Limit derived from Period 2 attendance
 - Number of children attending in one year drives revenue limit for the following year

Types of Expenditures

General Fund Breakdown of Expenses



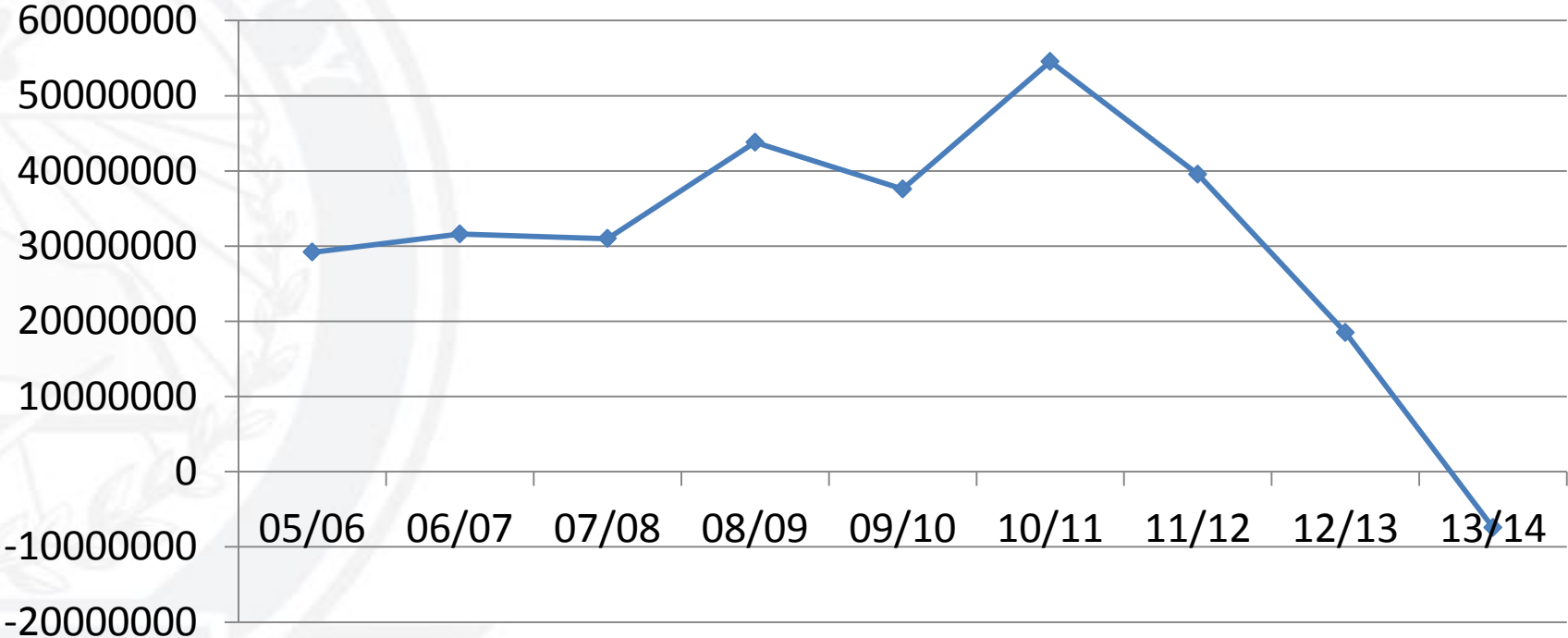
2011/12 1st Interim

Fund Balance

- Ending Fund Balance is the final calculation after close of fiscal year – approximately September 15th of each year
 - Beginning fund balance – July 1st
 - Add revenue dollars
 - Minus expenditures
 - Equal new fund balance – June 30th
- Projections/calculations constantly changing throughout the fiscal year
- Fund Balance are generally “one-time” dollars, the same as a savings account

Fund Balance

2011/12 1st Interim Unrestricted General Fund



Components of Ending Fund Balance

- Nonspendable
 - Revolving Cash
 - Stores
 - Prepaid Expenditures
- Assigned
 - Board approved
- Reserve for Economic Uncertainties
 - State required percentage (%) of total expenditures based on ADA
 - Currently 3%
- Unassigned

Future Fiscal Year Factors

- State Economic Recovery
- Unemployment Factor – impact of statutory benefit
- Cash Flow – Impact of deferrals
- Pension Reform
- Enrollment projections

2011/12 Fiscal Year Factors

- AB 114 enacted “trigger” language that automatically implements a reduction to K-12 education if state revenue forecasts of \$88.5 billion are not met
 - Less than \$1 billion below forecast – no change
 - Between \$1 billion and \$2 billion below forecast – series of cuts are triggered including child care by January 1, 2012
 - More than \$2 billion below forecast – additional cuts to public education up to \$1.9 billion by February 1, 2012
 - 4% reduction to Revenue Limit
 - 51.6% reduction to Home-To-School Transportation

Future Fiscal Year Factors

- 2012/13
 - Federal Education Job Bill Funds exhausted
 - Class Size Reduction flexibility expire
 - Categorical programs can not sustain current expenditures
 - Decrease by \$9.3 million
 - CSEA Salary/furlough concessions expire

Future Fiscal Year Factors

- 2013/14
 - Categorical programs can not sustain current expenditures
 - Decrease by additional \$3.4 million
 - Tier III Categorical flexibility expire
 - Routine Restricted Maintenance flexibility expire
 - MTA salary/furlough concessions expire
 - Management salary/furlough concessions expire

Timeline of future events

- December 12, 2011
 - 1st Interim presented
- December 15, 2011
 - Department of Finance announces possible mid-year trigger
- January 10, 2012
 - Governor's Proposed 2012/13 budget

Timeline of future events

- February/March 2012
 - Budget assumptions presented
 - Establish factors necessary to create 2012/13 budget
- March 19, 2012
 - 2nd Interim presented
- May 29, 2012
 - May Revise presented
- June 18, 2012
 - 2012/13 Budget adoption