



# **Alum Rock Union Elementary School District**

**2012-13 Proposed Adopted Budget**

**Board Meeting: June 11, 2012**

Presented by: Laura Phan, Assistant Superintendent, Business Services Division



# Overview

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- State Budget
- Key Principles of District Budget
- 2012-13 General Funds Budget
- Multi-year Projections (MYP)
- 2012-13 Midyear Trigger
- District Contingency Plan





# State Budget

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- The May Revision attempts to address the \$15.7 billion State Budget shortfall, grown from \$9.2 billion in January
  - Even if the Governor's tax measure passes in November, there will still be a significant State Budget problem
- As a result, the Governor proposes:
  - More cuts to the non-Proposition 98 side of the Budget
  - More manipulations to reduce Proposition 98 actual funding
- But, in the end, planned K-12 funding is much like the January proposal
  - Flat funding if the taxes pass
  - Big cuts if they don't
- 2012-13 will not be a good year for education funding
  - And failure of the taxes would make it a disaster





# The Governor's Major Proposal

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- Temporary taxes - more reliance on temporary taxes than ever
  - “School and Local Public Safety Protection Act of 2012”
- Cash deferrals - Proposition 98 gains disappear by reducing deferrals
- Redevelopment agencies (RDA) - State counts RDA money as property taxes, offsetting General Fund costs
- Weighted Student Formula (WSF) – replace revenue limits and most state categorical programs
- Transitional Kindergarten (TK) - still proposes elimination of the mandate



# Weighted Student Formula (WSF)

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- The Governor attempts to simplify a school finance system that is “complex, administratively costly and inequitable”
- Total flexibility - eliminate most categorical program requirements
  - Accountability requirements would be implemented at a future date
- Phased in over seven years from 2012-13 to 2018-19
  - Hold harmless provision for 2012-13 only
  - Will not be implemented if November Tax Initiative fails
  - Will have to go through the Legislative approval process if November Tax Initiative passes





# No New Funding for Schools

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- Despite claims of:
  - \$6 billion more for schools!
  - 16% increase for schools!
- Our district, our schools, our classrooms do not get one more dime whether the Governor's taxes pass or not!
  - Our gain is the absence of yet another cut
- The state has not provided a single new dollar to local schools since 2007-08





# 2012-13 District Budget Key Principles

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- Keeping grades K-3 class size at 20;
- Providing choice of instructional programs to families, including small schools, Spanish dual immersion, and visual and performing arts;
- Preserving 180 instructional days;
- Maintaining employment stability with no salary or benefit reductions, and
- Minimizing impact of enrollment decline by reducing teaching positions through attritions and early retirement incentives in 2011-12.





# Other Budget Factors

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- Restoration of State Transportation funding proposed for elimination in January
- Weighted Student Formula – 5% implementation has not been included
- 2012-13 Midyear Trigger is not built into revenue projections
- Transitional Kindergarten budget is included
- Impact of 2011-12 early retirement incentives (SERP) – savings have not been accounted for





# Budget Assumptions

FACTOR	2011-12 Est. Actuals	2012-13 Budget	2013-14 Projections	2014-15 Projections
Revenue Limit Statutory COLA	2.24%	3.24%	2.50%	2.70%
Revenue Limit Deficit	-20.602%	-22.272%	-22.272%	-22.272%
K-3 CSR (per student in class of 20:1)	\$1,071.00	\$1,071.00	\$1,071.00	\$1,071.00
California Lottery (per ADA) Base Proposition 20	\$117.25	\$118.00	\$118.00	\$118.00
	\$23.25	\$23.75	\$23.75	\$23.75
California Consumer Price Index (CPI)	2.30%	2.30%	2.40%	2.60%
Base Revenue Limit (RL) per ADA	\$6,217.48	\$6,420.48	\$6,581.48	\$6,759.48
Funded Revenue Limit (RL) per ADA	\$4,936.55	\$4,990.51	\$5,115.65	\$5,254.01
Net RL Funding Change from Prior Year	-1.80%	1.09%	2.51%	2.70%
Parcel Tax Revenue	\$3,410,980	\$3,482,562	\$3,566,144	\$3,658,864
<b>Total District Enrollment</b>	<b>12,541</b>	<b>12,186</b>	<b>11,656</b>	<b>11,116</b>
Revenue Limit ADA	12,284.75	12,089.26	11,791.66	11,284.24
Average Class Size, District				
Grades K-3	20:1	20:1	20:1	20:1
Grades 4-8	32:1	32:1	32:1	32:1
Small School Grades 4-5	25:1	25:1	25:1	25:1

- Net 0% increase for Categoricals, Transportation, or Special Education
- Continued reliance on Tier III Categorical flexibility



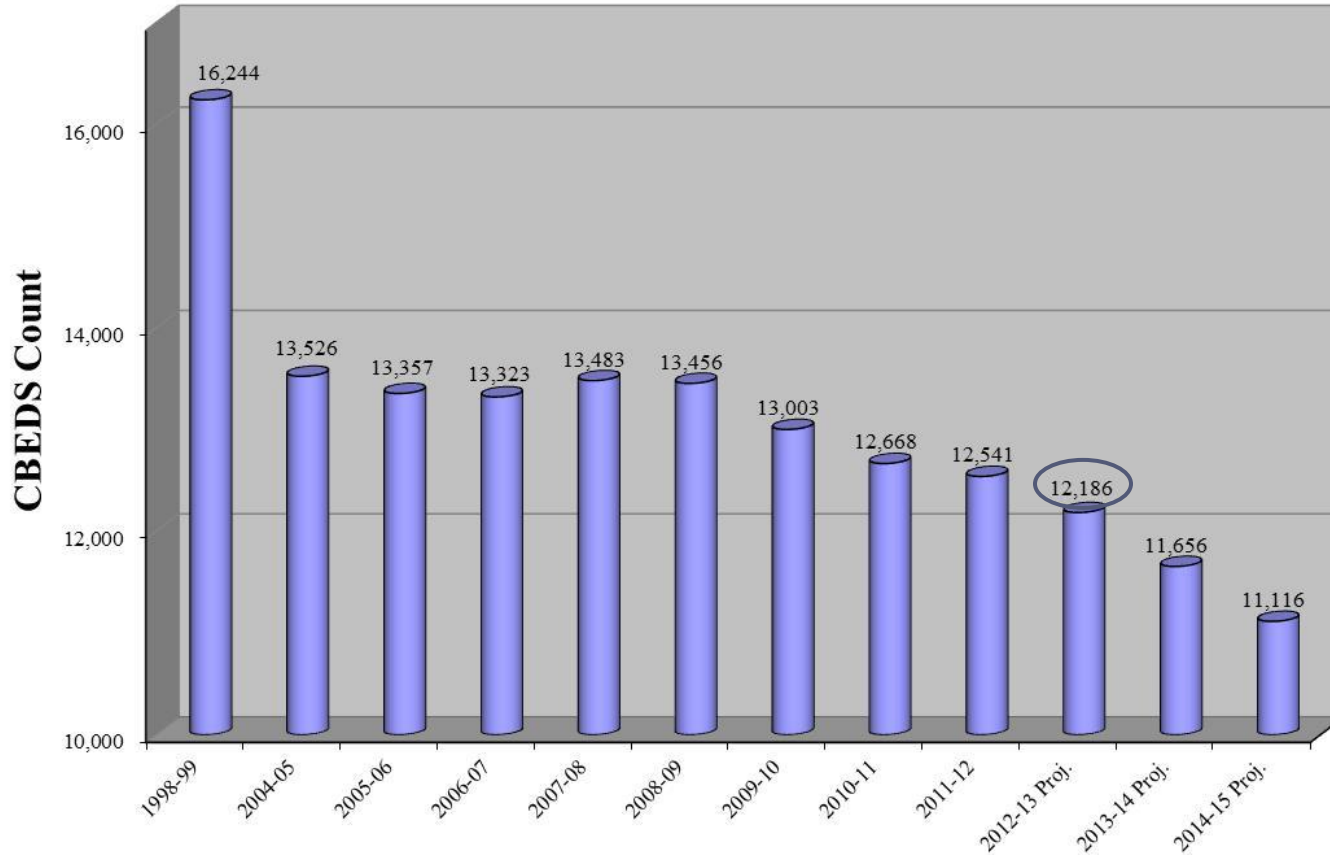
# Base Revenue Limit



2012-13 Unfunded Revenue Limit = \$17,287,279



# Enrollment Trend



2012-13 projected enrollment loss of 355 at 96.18% attendance rate = loss of \$1,703,955





# Staffing

## Combined General Funds Positions Control

	2012-13 Budget	2011-12	FTE Change	% Change
<b>Certificated</b>				
Teachers	653.79	676.49	(22.70)	-3.4%
Cert Supervisors and Admin	45.00	45.00	-	0.0%
<b>Total Certificated</b>	<b>698.79</b>	<b>721.49</b>	<b>(22.70)</b>	<b>-3.1%</b>
<b>Classified</b>				
Instr Aides and Classified Support	167.19	168.29	(1.10)	-0.7%
Class Supervisors and Admin	16.20	17.20	(1.00)	-5.8%
Clerical, Office and Other Classified	103.09	102.09	1.00	1.0%
<b>Total Classified</b>	<b>286.48</b>	<b>287.58</b>	<b>(1.10)</b>	<b>-0.4%</b>
<b>TOTAL FTE</b>	<b>985.28</b>	<b>1,009.08</b>	<b>(23.80)</b>	<b>-2.4%</b>



# Staffing Change in 2012-13

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Positions eliminated or reduced are primarily through attritions and retirements:

Reduce Teachers in the classroom due to enrollment	-5.9 FTE
Reduce Teachers funded by categorical resources	-17.3 FTE
Add Counselor, Renaissance at Mathson	.5 FTE
Reduce District Managers	-2.0 FTE
Add Site Administrator, Renaissance at Mathson	1.0 FTE
Add School Administrative Assistant, Renaissance at Mathson	1.0 FTE
Reduce Community Liaisons funded by categorical resources	-1.6 FTE
<u>Add Special Ed Para due to program needs</u>	<u>.5 FTE</u>
<u>Total staffing change in 2012-13</u>	<u>-23.8 FTE</u>



# Staffing Change since 2008-09

FACTOR	2008-09 Actuals	2009-10 Actuals	2010-11 Actuals	2011-12 Est. Actuals	2012-13 Budget
Total District Enrollment	13,465	13,003	12,668	12,569	12,186
Teachers	751.35	718.65	690.10	676.49	653.79
Classified Employees	323.69	284.72	276.59	270.38	270.28
Site Administrators, Certificated	33.00	33.00	33.00	33.00	34.00
District Administrators, Certificated	27.00	21.00	18.00	12.00	11.00
District Classified Managers	24.25	19.25	18.75	17.20	16.20
<b>Total FTEs</b>	<b>1,159.29</b>	<b>1,076.62</b>	<b>1,036.44</b>	<b>1,009.07</b>	<b>985.27</b>
Ratio, Administrators to Teachers (state standard - 9% maximum)	8%	8%	7%	7%	7%

Aggregated reduction percentage by group in the five year period from 2008-09 to 2012-13 in response to enrollment decline and revenue loss:

	<u>FTE Change</u>	<u>Percentage Change</u>
Teachers	-97.56	-13.0%
Classified Staff	-53.41	-16.5%
Management	-23.05	-27.4%



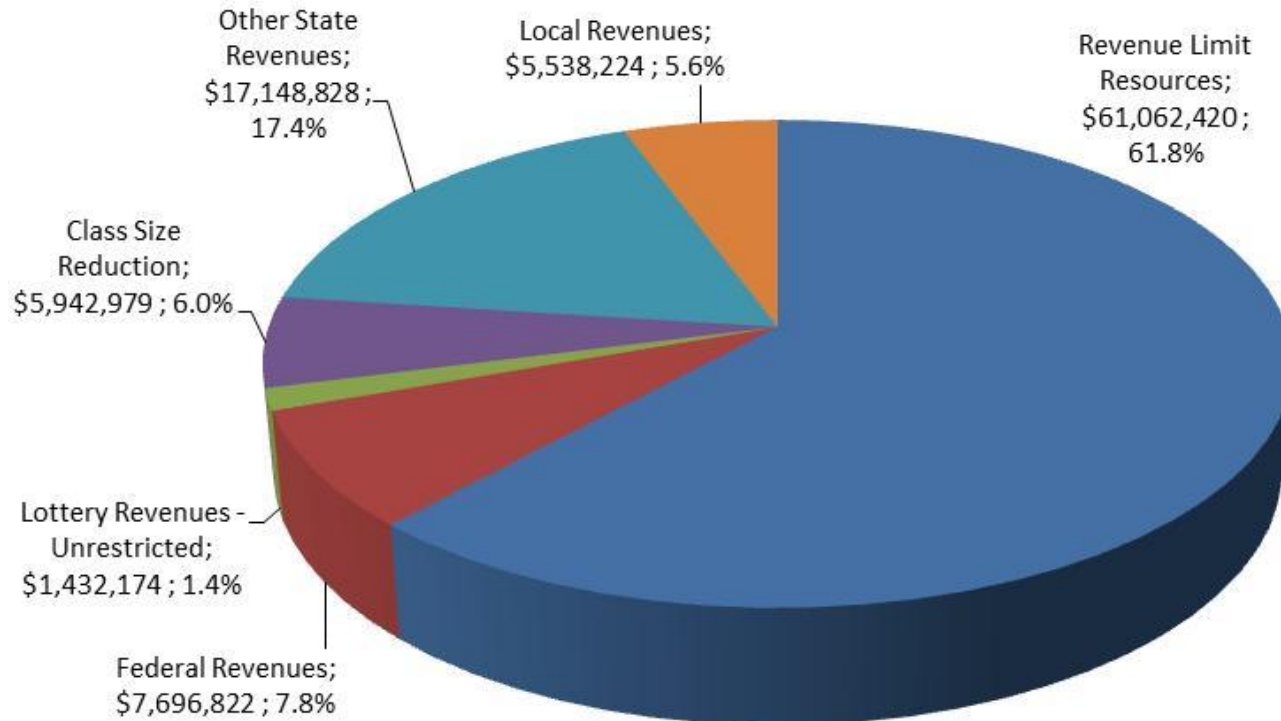
# Tier III Categorical Flexibility

SBX3-4 Programs and Flexibility for 2008-09 to 2014-15		
	2011-12 <u>Revenues</u>	2012-13 <u>Proj. Revenues</u>
Art & Music Block Grant	183,193	183,193
Gifted and Talented Education (GATE)	84,411	84,411
Targeted Instructional Improvement Block Grant	2,568,978	2,568,978
Peer Assistance Review (PAR)	57,849	57,849
Professional Development Block Grant	504,431	504,431
School Safety Block Grants (Carl Washington)	48,100	48,100
School and Library Improvement Block Grant	1,351,015	1,351,015
Alternative Credentialing	76,189	76,189
Math & Reading Training (SB472)	138,287	138,287
Supplemental Hourly Programs	1,276,316	1,276,316
Child Oral Health Assessments	12,264	12,264
Administrator Training Program (AB 430)	12,123	12,123
Community Based English Tutoring (CBET)	209,093	209,093
Instructional Materials Realignment Program	745,434	745,434
Counselors, Grades 7-12	165,935	165,935
National Board Certification Incentive	3,555	3,555
Deferred Maintenance	465,599	465,599
<b>Total Budgeted</b>	<b>7,902,772</b>	<b>7,902,772</b>
Projected Program Expense	2,103,504	1,637,905
<b>Estimated Retention in Unrestricted General Fund</b>	<b>5,799,268</b>	<b>6,264,867</b>

❖ Increased reliance on categorical flexibility



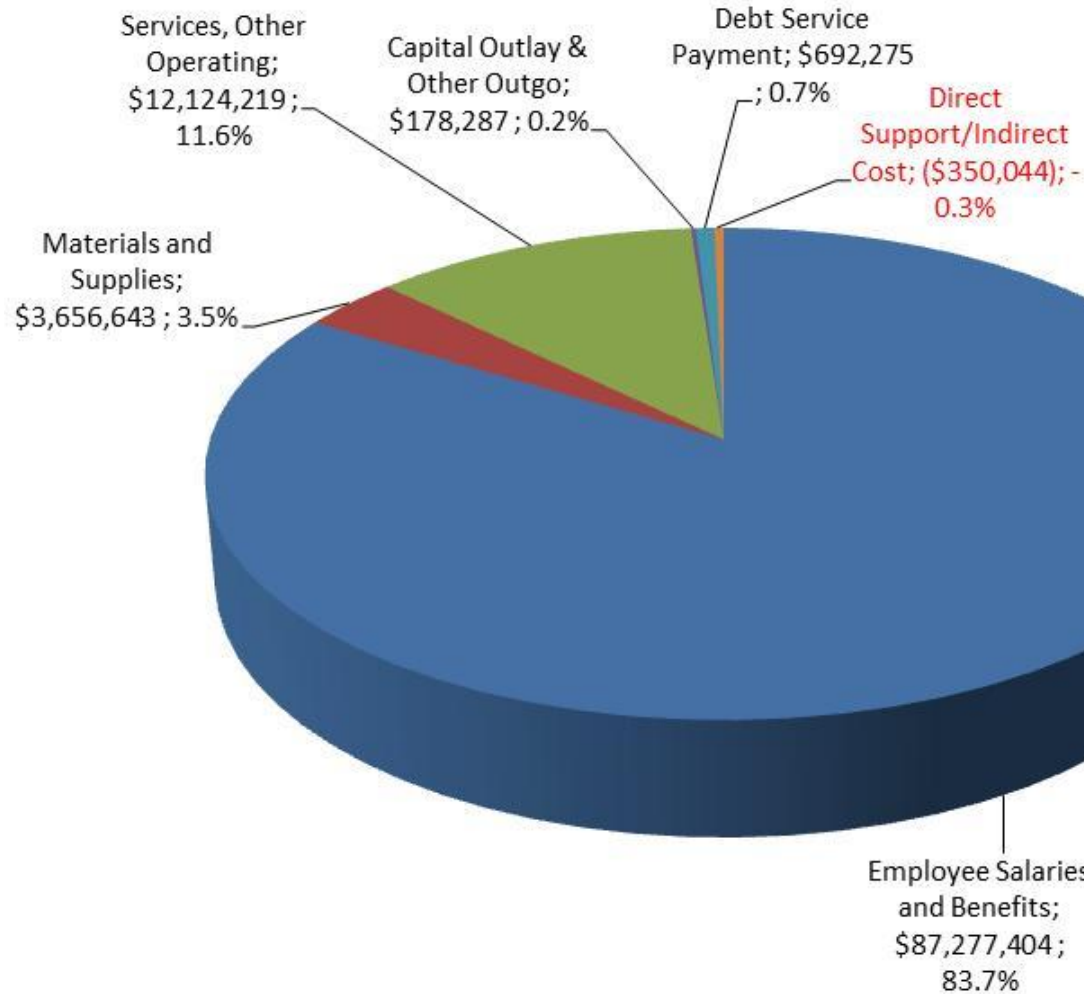
# 2012-13 Budget Combined G/F Revenues







# 2012-13 Budget Combined G/F Expenditures





# Multi-Year Projections – Combined General Fund

	2011-12 Est. Actuals	2012-13 Budget	Year 2 2013-14 Projected	Year 3 2014-15 Projected
<b>Beginning Fund Balance</b>	\$ 18,453,048	\$ 12,665,719	\$ 7,908,380	\$ 3,279,778
Revenues, Unrestricted	\$ 80,016,184	\$ 79,150,658	\$ 78,527,038	\$ 76,828,353
Revenues, Restricted	24,755,004	19,670,789	19,000,880	19,074,444
<b>Total Revenues</b>	\$ 104,771,188	\$ 98,821,447	\$ 97,527,918	\$ 95,902,797
Total Unrestricted G/F Expenditures	(71,316,467)	(71,357,540)	(70,340,473)	(69,661,481)
Total Restricted G/F Expenditures	(39,242,050)	(32,221,244)	(31,816,047)	(31,983,728)
<b>Total Expenditures/Other Uses</b>	<b>(110,558,517)</b>	<b>\$ (103,578,784)</b>	<b>\$ (102,156,520)</b>	<b>\$ (101,645,209)</b>
<b>Surplus/(Deficit)</b>	<b>\$ (5,787,329)</b>	<b>\$ (4,757,337)</b>	<b>\$ (4,628,602)</b>	<b>\$ (5,742,412)</b>
<b>Ending Fund Balance</b>	\$ 12,665,719	\$ 7,908,382	\$ 3,279,778	\$ (2,462,634)
Legally Restricted	286,990	(0)	(0)	(0)
Non-Spendable (reserve for unencumbrances)	20,000	20,000	20,000	20,000
Committed - Reserve for Economic Uncertainties	3,316,756	3,107,364	3,064,696	3,049,356
<b>Ending Fund Balance, Unassigned</b>	<b>\$ 9,041,973</b>	<b>\$ 4,781,018</b>	<b>\$ 195,082</b>	<b>\$ (5,531,990)</b>
Possible 2012-13 Midyear Cuts, December 2012 Revenue Limit reduction (estimated -\$441 per ADA ongoing)		(5,331,364)	(10,531,486)	(15,507,836)
<b>Unassigned Fund Balance, adjusted for 2012-13 midyear triggers</b>	<b>\$ 9,041,973</b>	<b>\$ (550,346)</b>	<b>\$ (10,336,404)</b>	<b>\$ (21,039,826)</b>



# Multi-Year Projections - Unrestricted G/F

	2011-12 Est. Actuals	2012-13 Budget	2013-14 Projected	2014-15 Projected
<b>BEGINNING FUND BALANCE</b>	\$ 15,926,226	\$ 12,378,729	\$ 7,908,380	\$ 3,279,778
Revenue Limit	59,802,778	59,078,132	59,097,222	57,999,581
Other Revenues	20,213,406	20,072,526	19,429,816	18,828,772
<b>Total General Fund Revenues</b>	\$ 80,016,184	\$ 79,150,658	\$ 78,527,038	\$ 76,828,353
<u>Contribution to Restricted Programs:</u>				
Routine Restricted Maintenance	(2,112,125)	(2,088,063)	(2,061,394)	(2,051,788)
Transportation (program encroachment)	(1,520,297)	(1,273,688)	(1,287,868)	(1,307,296)
Special Ed (program encroachment)	(8,614,792)	(8,901,716)	(9,465,905)	(9,550,200)
<b>Total Contributions</b>	\$ (12,247,214)	\$ (12,263,467)	\$ (12,815,167)	\$ (12,909,284)
Indirect Costs	1,912,630	1,823,021	1,857,062	1,866,634
<b>TOTAL RESOURCES</b>	\$ 69,681,600	\$ 68,710,212	\$ 67,568,933	\$ 65,785,703
Salaries and Benefits	(64,122,195)	(65,138,787)	(64,378,568)	(63,696,522)
Supplies, Operating & Other Expenditures	(8,593,356)	(7,349,499)	(7,420,182)	(7,498,594)
Other Debt Service Payments	(513,546)	(692,275)	(398,785)	(333,000)
<b>TOTAL EXPENDITURES</b>	\$ (73,229,097)	\$ (73,180,561)	\$ (72,197,535)	\$ (71,528,116)
<b>Net Change to Fund Balance</b>	\$ (3,547,497)	\$ (4,470,349)	\$ (4,628,602)	\$ (5,742,413)
<b>ENDING FUND BALANCE</b>	\$ 12,378,729	\$ 7,908,380	\$ 3,279,778	\$ (2,462,635)
Accounting Restriction	20,000	20,000	20,000	20,000
Committed for Economic Uncertainties	3,316,756	3,107,364	3,064,696	3,049,356
<b>Unassigned Fund Balance</b>	\$ 9,041,973	\$ 4,781,016	\$ 195,082	\$ (5,531,991)



# MYP Budget Uncertainties

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- California's budget is volatile
  - Last year - \$26.6 billion deficit
  - January, 2012 - \$9.2 billion deficit
  - May, 2012 - \$15.7 billion deficit
- COLAs projected for 2013-14 and 2014-15 are subject to change and may not be funded
- Enrollment projections are not predictors
  - Population/demographic change
  - Effect of charter schools
- Board policies and decisions





# Risk to the Budget

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- Competing Tax Initiative
  - The Munger Initiative, backed by the PTA, 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.
- California Legislative Process
  - The Legislature may not approve the new Weighted Student Formula even if the Governor's November Tax Initiative passes
  - The Legislature may not support the proposed expenditure reductions to the health and human services areas as proposed in the May Revision
- Big Unknown
  - What happens to K-12 Education if the Governor's Tax fails and the Munger Initiative passes?



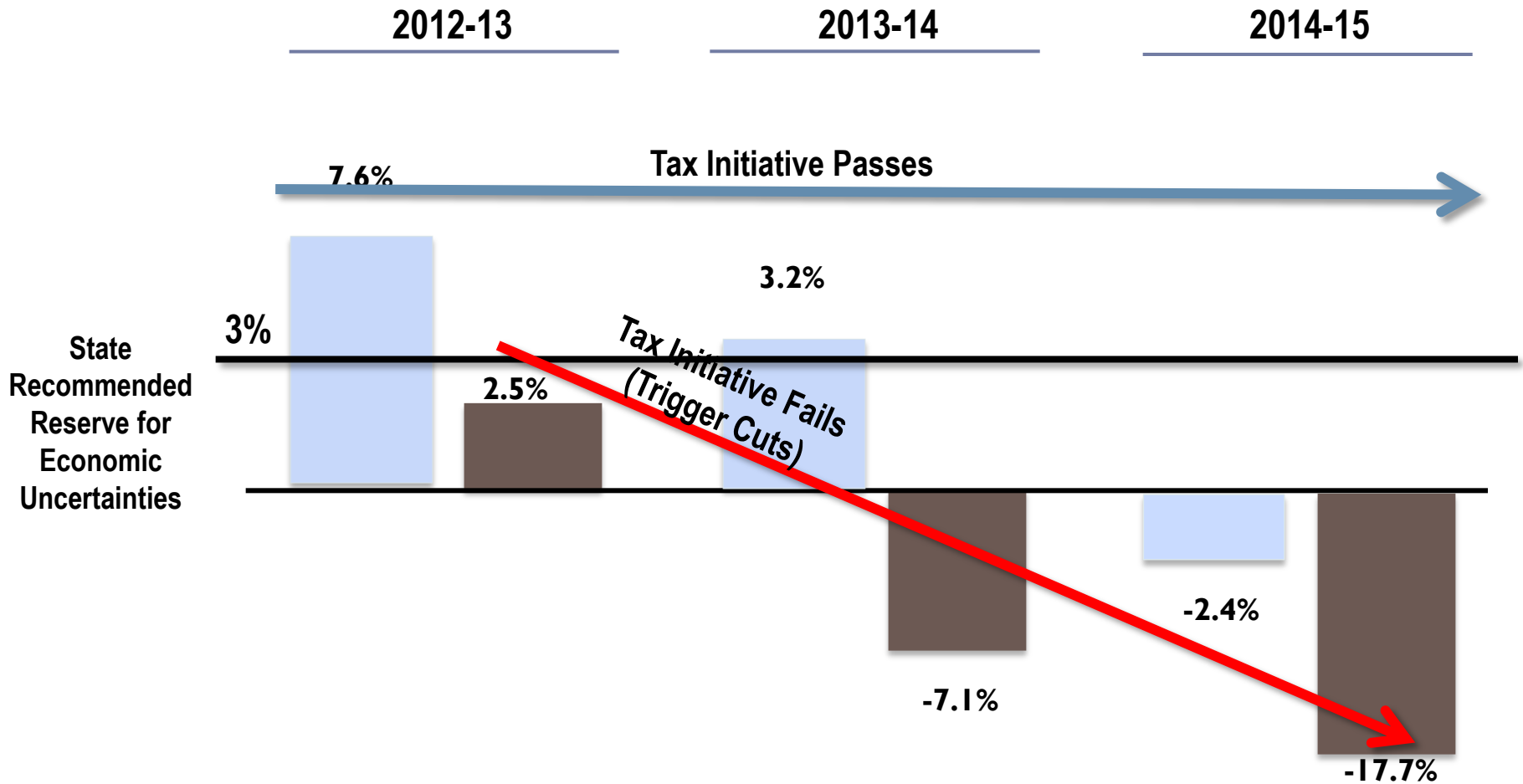
## 2012-13 Midyear Trigger

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- Ongoing cut to K-12 Education of \$441 per ADA effective January 1, 2013
- Schools will be provided flexibility to reduce the school year by a combined total of 15 days in 2012-13 and 2013-14.
- The May Revision expects schools to use a combination of reserves, reductions in the school year and other savings options to absorb this cut over a two year period.
- However, fund balance reserves and the additional reduction in the school year are one-time solutions for an ongoing problem.



# Ending Fund Balance





# District Contingency Plan

	2012-13 Budget	Year 2 2013-14 Projected	Year 3 2014-15 Projected	Total
2012-13 Mid-Year Trigger (-\$441/ADA ongoing)	(\$5,331,364)	(\$5,200,122)	(\$4,976,350)	(\$15,507,836)
Budget reductions needed due to structural deficits				(\$5,531,990)
<b>Total savings needed over 3-years to maintain 3% required reserve in 2014-15</b>				<b>(\$21,039,826)</b>
<u>Options:</u>				
Reduce school year to 175 days per current law *	\$1,712,220	\$1,712,220	\$1,712,220	\$5,136,660
15 Furlough Days allowed in May Revision (5 in 2012-13 & 10 in 2013-14) *	\$1,712,220	\$3,424,440		\$5,136,660
Increase K-3 Class Size to 24 *	\$819,413	\$819,413	\$819,413	\$2,458,239
School office assistants (11.84 FTEs)	\$652,568	\$652,568	\$652,568	\$1,957,704
Library aides (7.25 FTEs)	\$405,954	\$405,954	\$405,954	\$1,217,862
School consolidation (2 sites)		\$724,106	\$724,106	\$1,448,212
VAPA and Music program		\$985,514	\$985,514	\$1,971,028
Mariachi program	\$161,659	\$161,659	\$161,659	\$484,977
Reduce district office managers (1 FTE) **		\$148,144	\$148,144	\$296,288
Counselors (8 FTEs) *			\$717,010	\$717,010
Reduce discretionary allocations to all departments/sites			\$231,052	\$231,052
<b>Total Realized Savings</b>	<b>\$5,464,034</b>	<b>\$9,034,018</b>	<b>\$6,557,640</b>	<b>\$21,055,692</b>

<b>Net impact to unassigned fund balance</b>	<b>\$15,866</b>
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\* option subject to collective bargaining

\*\* option is in addition to management reductions already included in the 2012-13 Budget





# Recommendation

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Board approval of the proposed  
2012-13 Budget and Contingency Plan





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# Thank You

