



Madera Unified School District

Governor's Budget Update for 2012-13
January 24, 2012



Education Funding Remains At Risk

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- **State funding for education was cut by 16% beginning in 2008-09 – five years ago!**
 - **And education has contributed about \$7 billion per year to help resolve the state's Budget crisis – a total of more than \$35 billion**
 - **No other segment of the Budget has been cut anywhere close to that much and most other segments of the Budget have actually grown over the same five-year period**
- **But the Governor's challenge is increasingly difficult**
 - **Our cyclical economy isn't cycling fast enough**
 - **The state is running out of solutions**
 - **We think the Governor is making the most of a bad situation, but it isn't going to be resolved anytime soon**

Another “Crisis” Budget

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- **The Governor’s Budget Proposals for 2012-13 represent another desperate effort to get through a bad time, not a permanent solution**
 - **The Budget depends on passage of new temporary taxes midway through the year**
 - **The structural imbalance continues to dog the state’s recovery**
- **Specific proposals include:**
 - **100% of home-to-school and special education transportation funding is cut under both alternatives**
 - **Disproportionate effect on districts is a huge problem**

Another “Crisis” Budget

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- **Governor’s Budget: Assumes voters approve a \$6.9 billion tax measure**
 - **Funding the statutory increase in Proposition 98 by manipulating deferrals**
 - **This alternative provides no additional spending for education, but maintains revenue limits at about 2011-12 pre-trigger-cut levels**
- **Alternative: Assumes voters reject the tax measure**
 - **Education is cut \$2.4 billion, about \$370 per average daily attendance (ADA)**
- **The mechanics of the Budget are complex, but this outcome is the bottom line**



Economics Still Drive All Policy Decisions

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- In California, recent policy has been set by Budget decisions
 - The debate is not driven by policy, it is driven by economics – do we have the money?
 - Economic decisions have led to poor policy results for education
 - We need a longer school year – not a shorter one
 - We need lower class sizes – not higher
 - We need more options for students – not fewer
 - We need stability for our professional teachers, administrators, and classified staff – not layoff notices
 - All of these undesirable outcomes are an effort to “do it cheaper,” not “do it better”
- The long-term societal and economic impacts of these short-sighted policies will be profound
 - We will have workforce issues far into the future
 - A sub-optimal workforce leads to more dependence on government, not less

Governor's Temporary Tax Proposal

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- **The Governor's Budget assumes that voters will approve \$6.9 billion in temporary taxes in November 2012**
 - **Of this total, \$2.2 billion would count in 2011-12 and \$4.7 billion would count in 2012-13**
 - **The higher taxes would continue through 2016**
- **The Governor's tax proposal includes the following:**
 - **Income tax increase**
 - **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%**

Contingent Trigger Cuts

- Like the 2011-12 Budget Act, the Governor's Budget Proposal for 2012-13 contains automatic trigger reductions
 - The trigger reductions total \$5.4 billion
 - The cuts are linked to the failure of the proposed temporary tax increases, not a general revenue shortfall
- The trigger reductions hit education the hardest, especially Proposition 98

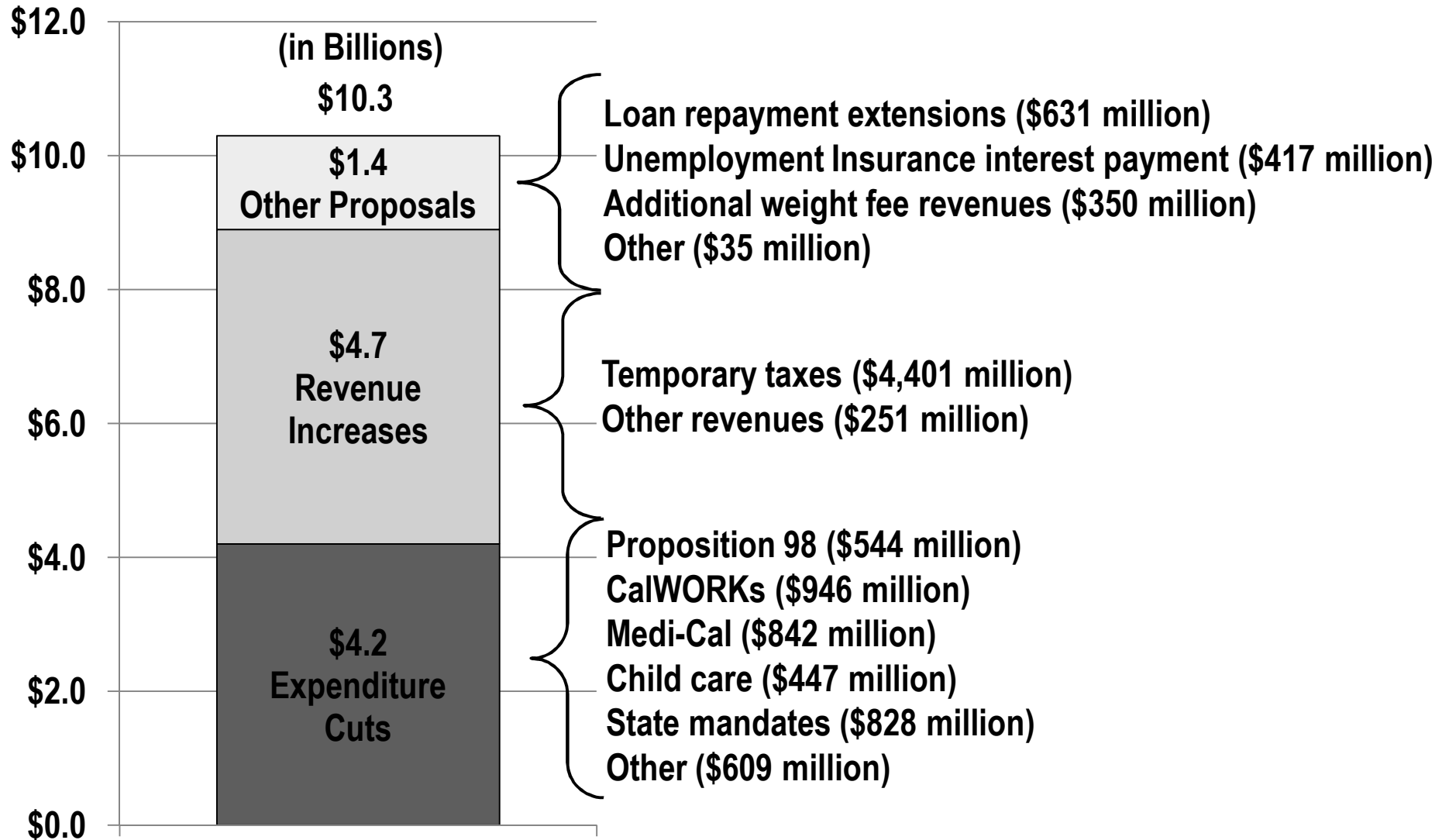
Programs Targeted for Trigger Cuts		
Program	Amount	% Share
Proposition 98	\$4,837 million	89.7%
University of California	\$200 million	3.7%
California State University	\$200 million	3.7%
Courts	\$125 million	2.3%
All Other	\$28 million	0.6%
Total	\$5,390 million	100.0%

Recovery Takes a Long Time

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- Recovery for education funding requires:
 - First, the threat of more current or future cuts must end
 - Then, the state must have the money to begin funding current-year cost-of-living adjustments (COLAs) and other program growth
 - Then, the state must fund at least some portion of the deficit factor, now at 21.666% in addition to funding the current-year COLA
 - Then, the state must deal with restoration of the deferrals
- During the recession of the early 1990s, the deficit was smaller and there were no deferrals, but recovery still took six years
 - So, the state has a lot of work to do and it will take time
- And at the point of full restoration, we would perhaps rise to 46th in the nation again!
 - Only after that would California be in a position to increase its level of effort to begin to match other states

Governor's Budget Solutions



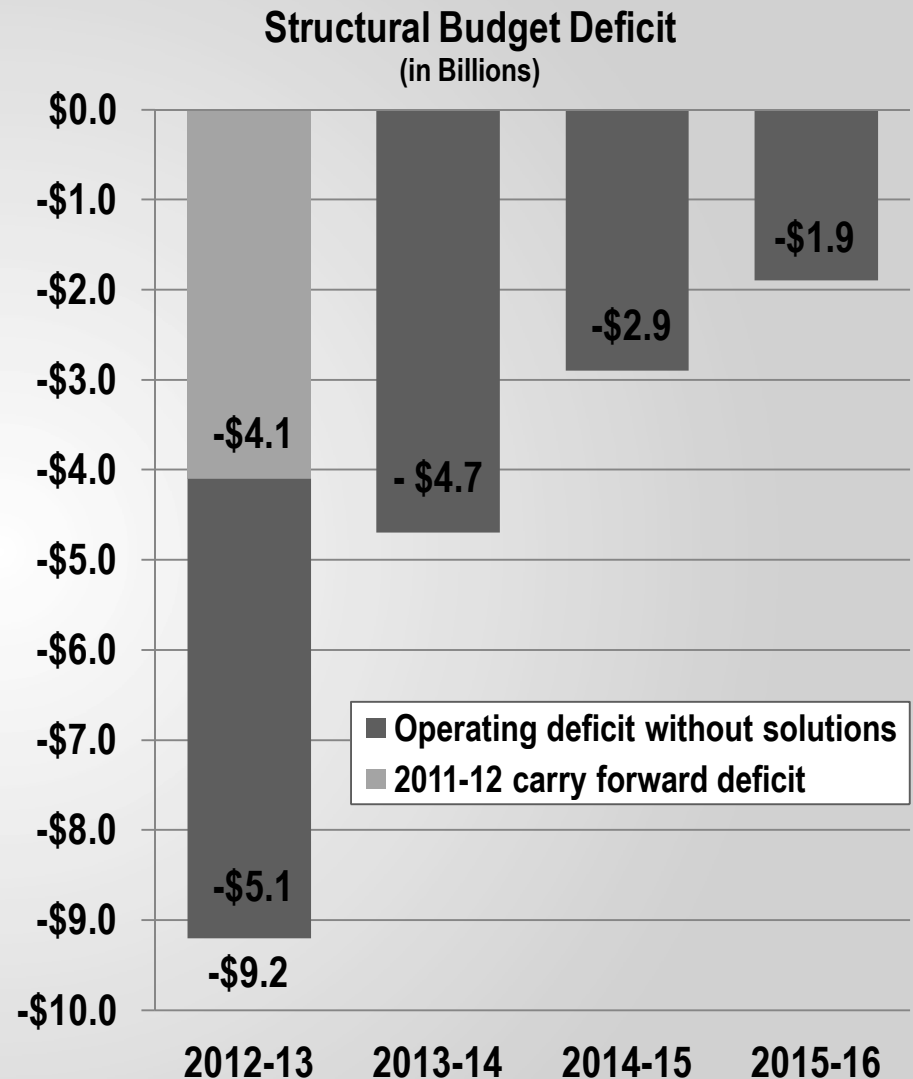
The Structural Budget Gap



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● The 2012-13 Budget has a \$9.2 billion deficit

- The projected 2011-12 Budget deficit is \$4.1 billion and carries forward into 2012-13
- The 2012-13 deficit is \$1.9 billion worse than anticipated in June 2011
- The ongoing Budget deficit has been reduced, but an ongoing mismatch remains



Risks to the Budget Proposal

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- **Flat funding for K-12 education is dependent upon voters approving Governor Brown's initiative authorizing new temporary taxes**
 - **The initiative must qualify for the ballot by gaining the required number of voter signatures on a petition**
 - **Necessary labor support for the initiative has not been secured**
 - **Governor Brown needs to clear the field of other education-funding initiatives**
- **Voter sentiment may not support more taxes, putting a \$6.9 billion hole in the budget as proposed by Governor Brown**
- **Competing initiatives on a ballot may confuse or frustrate voters, causing initiatives with any chance of success to, instead, fail**

Risks to the Budget Proposal

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- **The economic recovery, still slow but gaining some momentum, could stall with state revenues underperforming the forecast**
 - **Continuing economic problems in Europe and growing problems in China could threaten California's export market**
 - **Massive federal deficits could rekindle inflation**
 - **A spike in energy costs may dampen consumer spending**
 - **The recovery could simply be slower than expected**
- **Court challenges could continue to thwart full implementation of program reduction budget solutions**

Budget Contingency Plan

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- **The Governor's Budget assumes that new temporary taxes are approved by the voters for five years at the November 2012 ballot**
- **The Budget also proposes severe additional reductions in funding for schools in the event that the tax extensions are not approved**
- **This leaves schools in a position of needing at least two plans**
 - **Governor Brown's Proposal: Flat funding – continues the funding level contained in the enacted Budget for 2011-12, except for transportation**
 - **Alternative: A \$2.4 billion reduction in K-14 funding – results in a loss of about \$370 per ADA for the average district**
- **Districts will need to plan for both eventualities until the fate of the tax extensions is determined**
- **Additionally, economic changes between now and enactment of the 2011-12 Budget could cause a revision, up or down**

Why is Education Flat Funded?

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- **How does a nearly \$5 billion increase in Proposition 98 provide no real growth in funding for schools? The answer is deferrals.**
 - **\$2.4 billion is used to maintain current-year spending levels – the cost of maintaining existing programs after the 2011-12 deferral**
 - **\$2.5 billion buys down K-14 interyear deferrals by moving the state expenditures back into the current year**
- **Buying down deferrals increases cash available in the budget year, and can reduce borrowing costs, but does not increase spending authority**

Weighted Student Funding Formula

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- **To promote greater local decision-making authority, Governor Brown proposes a weighted student funding formula to replace revenue limits and most categorical program funding formulas**
 - **All of the categorical programs included in the formula “will immediately be made completely flexible” to support any local education priorities**
- **Elements of the formula**
 - **Special education, child nutrition, Quality Education Investment Act (QEIA), After School Education and Safety (ASES), and other federally mandated programs are exempt**
 - **Additional funding is based on the demographics of the schools, including:**
 - **English Learner population**
 - **Pupils eligible for free and reduced-price lunches**
- **Accountability: Qualitative and test-based measures**
- **Timeline: Phased in over five years**

Local Budget Impact of Weighted Student Funding Formula

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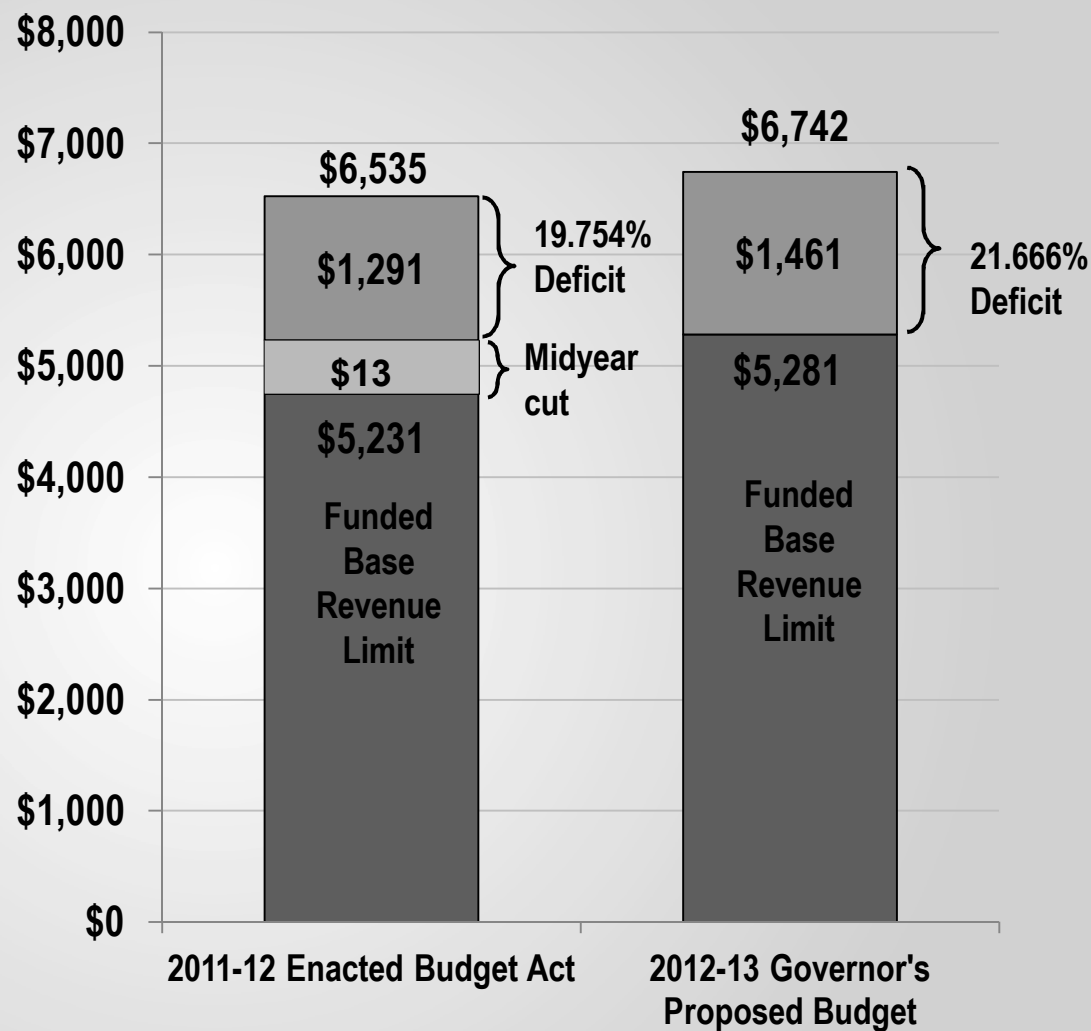
- The Department of Finance (DOF) indicates that for 2012-13, 80% of a district's funding will be based on current law formulas and 20% will be based on the weighted student formula
 - Governor Brown is not proposing a “hold-harmless” provision; therefore, some districts will gain and some will lose under the new formulas
 - In general, districts with high concentrations of English Learners and low income students will gain funding and those with few of these students will lose funding
- There are currently no details that would allow a school district to determine its funding gain or loss for 2012-13, or for any year thereafter
- The Legislature must enact this measure as a change to current school finance statutes
- We will provide more information as the details of this proposal are released

2012-13 Governor's Budget vs. 2011-12 Budget Act for Average Unified School District



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- The 2011-12 “trigger” cut of \$13 per ADA is restored in 2012-13
- The 2012-13 Governor’s Budget provides for a slight increase in funding
- This funding level is contingent upon the enactment of new taxes





- **Balanced budget must be adopted by district prior to June 30, 2013**
 - **State Budget will most likely not be in place by then**
- **Developing the budget requires:**
 - **Clarifying assumptions**
 - **How much revenue?**
 - **How will expenditures change?**
- **Once the State Budget is adopted, the district makes adjustments to its budget within 45 days**

Key Budget Assumptions if Taxes Fail

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Assumptions:	2010-11 6/30/2011	2011-12 First Interim-Modified	2012-13 Projected Budget	2013-14 Projected Budget	2014-15 Projected Budget
CBEDS Enrollment	18,969	19,341	19,521	19,749	20,064
ADA Projection	17,977	18,181	18,350	18,564	18,860
% CBEDS / ADA	94.77%	94.00%	94.00%	94.00%	94.00%
ADA Increase over Prior Year	140	203	169	214	296
COLA	-0.39%	2.24%	0.00%	2.40%	2.70%
Revenue Limit Reduction Per ADA-Trigger Cut	\$0.00	-\$13.01	-\$370.00	-\$370.00	-\$370.00
Deficit and May Revise Reduction	17.963%	19.754%	19.754%	21.666%	21.666%
Deficited Revenue Limit \$ (includes Trigger Cut)	\$5,221.30	\$5,209.38	\$4,852.43	\$5,017.06	\$5,162.76
New Teachers Due to Growth	-32.31	-1.19	3.8	9.2	12.6
Staffing Ratio *	K-28:1, 1-3, 28:1, 4-12 36:1	K-28:1, 1-3, 28:1, 4-12 36:1	K-28:1, 1-3, 28:1, 4-12 36:1	K-28:1, 1-3, 28:1, 4-12 36:1	K-28:1, 1-3, 28:1, 4-12 36:1
Health & Welfare Rate Increase	12.30%	1.54%	10.00%	10.00%	10.00%
Health & Welfare Increase (impact to Unrestricted)	\$2,231,941	\$268,840	\$1,772,601	\$3,722,462	\$5,867,310
Worker's Comp Rate	1.309%	1.378%	1.378%	1.378%	1.378%
Indirect Rate	5.03%	5.17%	5.17%	5.17%	5.17%
MUTA Salary Increase	6 Day Furlough	6 Day Furlough	No Furlough Days	No Furlough Days	No Furlough Days
CSEA, Confidential Salary Increase	No Furlough Days	No Furlough Days	No Furlough Days	No Furlough Days	No Furlough Days
CMBA Salary Increase	7 Day Furlough	7 Day Furlough	No Furlough Days	No Furlough Days	No Furlough Days
Non Represented (Cert. & Class. Mgmt, Supv.)	7 Day Furlough	7 Day Furlough	No Furlough Days	No Furlough Days	No Furlough Days
SFSF One-time Federal Funds	\$1,026,495.00	No SFSF Funding	No SFSF Funding	No SFSF Funding	No SFSF Funding
ARRA-IDEA One-time Federal Funds	\$539,911.00	No ARRA-IDEA	No ARRA-IDEA	No ARRA-IDEA	No ARRA-IDEA
10-11 ED JOBS FUNDING - Teacher Salaries	\$3,437,562.00	No Ed Jobs Funding	No Ed Jobs Funding	No Ed Jobs Funding	No Ed Jobs Funding
Trigger Cut to Revenue Limit (\$13 to \$370/ADA)	\$0.00	-\$237,373.00	-\$6,789,167.00	-\$6,868,643.00	-\$6,978,200.00
Mid Year 50% to 100% Cut to Transportation	% Cumulative Reduction	-\$1,359,839.00	-\$2,719,678.00	-\$2,719,678.00	-\$2,719,678.00
Transfer In From Fund 17 (GASB 54)	\$267,820.00	\$1,725,991.00	\$0.00	\$0.00	\$0.00
Transfer Out to Fund 14-Deferred Maintenance	\$0.00	-\$658,464.00	-\$658,464.00	-\$658,464.00	-\$658,464.00
Transfer Out to Fund 11 - Adult Education	-\$600,000.00	-\$600,000.00	-\$600,000.00	-\$600,000.00	-\$600,000.00

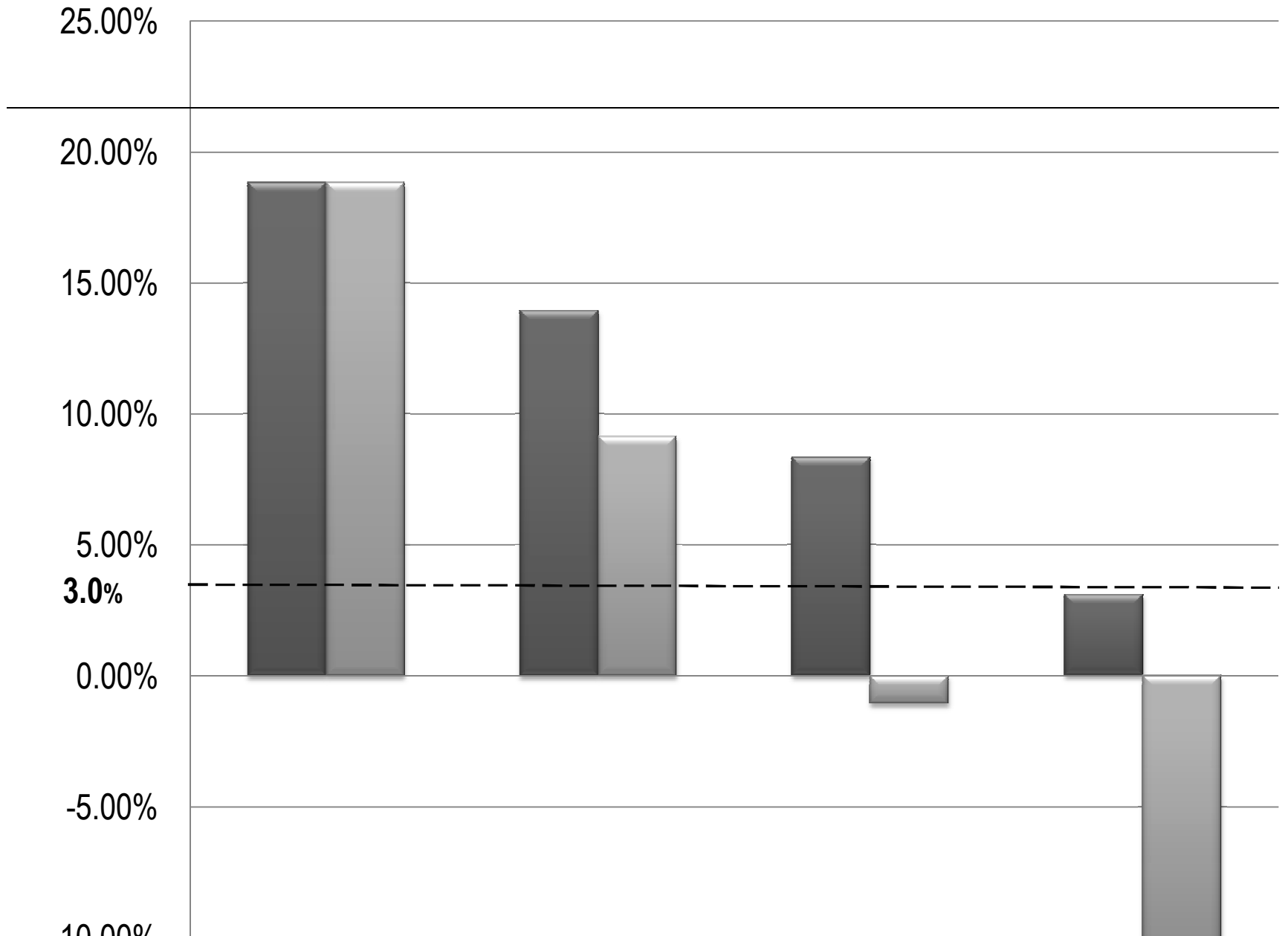
Unrestricted & Restricted - Includes Mid-Year Cut in 2011-12 of \$13/ADA, 2012-13 TAXES FAIL \$370/ADA On-going, Carryover Adjust and -0- COLA + GROWTH in Subsequent Years

	2010-11 6/30/2011	2011-12 First Interim-Modified	2012-13 Projected Budget	2013-14 Projected Budget	2014-15 Projected Budget
REVENUES:					
Revenue Limit	\$94,629,235	\$96,198,717	\$90,428,729	\$94,537,553	\$98,772,344
Federal	\$18,579,175	\$14,943,295	\$10,235,998	\$10,235,998	\$10,235,998
Other State	\$25,699,041	\$23,356,876	\$21,827,696	\$21,827,696	\$21,827,696
Other Local	\$7,407,870	\$5,601,965	\$5,601,965	\$5,601,965	\$5,601,965
TOTAL REVENUES	\$146,315,321	\$140,100,853	\$128,094,389	\$132,203,213	\$136,438,003
EXPENDITURES:	83.67%	82.58%	87.02%	87.51%	87.98%
Certificated Salaries	\$64,417,162	\$65,511,497	\$68,826,066	\$70,292,935	\$71,942,377
Classified Salaries	\$18,360,232	\$17,330,434	\$17,624,037	\$17,888,397	\$18,156,723
Employee Benefits	\$34,143,795	\$35,553,364	\$37,873,473	\$40,570,818	\$43,114,362
Books & Supplies	\$9,198,190	\$11,039,004	\$6,263,662	\$5,821,424	\$5,349,024
Services /Other Operating	\$10,478,521	\$11,088,641	\$9,879,292	\$10,158,129	\$10,454,904
Capital Outlay	\$1,763,438	\$968,694	\$519,667	\$519,667	\$519,667
Other Outgoing	\$1,269,540	\$1,169,727	\$1,169,727	\$1,169,727	\$1,169,727
Direct Support/Indirect	-\$485,778	-\$554,655	-\$554,655	-\$554,655	-\$554,655
TOTAL EXPENDITURES	\$139,145,102	\$142,106,706	\$141,601,269	\$145,866,442	\$150,152,129
EXCESS (DEFICIENCY)	\$7,170,219	-\$2,005,853	-\$13,506,881	-\$13,663,229	-\$13,714,126
OTHER FINANCING SOURCES/USES:					
Interfund Transfers In	\$279,006	\$1,813,730	\$4,898	\$4,898	\$4,898
Interfund Transfers Out	-\$600,000	-\$1,267,799	-\$1,267,799	-\$1,267,799	-\$1,267,799
Other Sources/Uses	-\$1,300	\$0	\$0	\$0	\$0
Transfer of Restricted Balances	\$0	\$0	\$0	\$0	\$0
TOTAL FINANCING SOURCES/USES	-\$322,294	\$545,931	-\$1,262,901	-\$1,262,901	-\$1,262,901
NET INCREASE IN FUND BALANCE	\$6,847,926	-\$1,459,922	-\$14,769,781	-\$14,926,130	-\$14,977,027
BEGINNING FUND BALANCE, JULY 1	\$28,470,055	\$35,317,981	\$33,858,059	\$19,088,277	\$4,162,147
Adjustments for Prior Year Appropriations	\$0	\$0	\$0	\$0	\$0
ENDING BALANCE, JUNE 30	\$35,317,981	\$33,858,059	\$19,088,277	\$4,162,147	-\$10,814,880
COMPONENTS OF ENDING BALANCE					
Nonspendable (Stores, Rev Cash, Prepd)	\$538,720	\$522,232	\$522,232	\$522,232	\$522,232
Restricted-Carryover Grants (Deferred @ Year End)	\$0	\$1,126,735	\$1,126,735	\$1,126,735	\$1,126,735
Restricted-Carryover Entitlements	\$2,956,625	\$2,230,968	\$2,230,968	\$2,230,968	\$2,230,968
Restricted-Carryover Other Local	\$109,183	\$0	\$0	\$0	\$0
Assigned-Carryover Lottery, Other	\$2,384,448	\$580,000	\$60,000	\$40,000	\$20,000
Assigned-Carryover Tier III	\$724,853	\$100,000	\$100,000	\$100,000	\$100,000
Assigned-Equipment Repl. (Previously FN 17)	\$0	\$1,293,067	\$993,067	\$693,067	\$393,067
Assigned-GASB 16 Vacation Accrual	\$1,018,730	\$1,018,730	\$1,018,730	\$1,018,730	\$1,018,730
3% Required Reserve	\$4,192,392	\$4,301,235	\$4,286,072	\$4,414,027	\$4,542,598
Undesignated Reserve	\$23,393,030	\$22,685,092	\$8,750,473	-\$5,983,612	-\$20,769,210
3% + Undesignated	\$27,585,422	\$26,986,327	\$13,036,545	-\$1,569,585	-\$16,226,612
% of Total Expenditures	19.74%	18.82%	9.12%	-1.07%	-10.72%

Unrestricted & Restricted - Includes Mid-Year Cut in 2011-12 of \$13/ADA, 2012-13 TAXES PASS, Carryover Adjust and -0- COLA + GROWTH in Subsequent Years

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Federal	\$18,579,175	\$14,943,295	\$10,235,998	\$10,235,998	\$10,235,998
Other State	\$25,699,041	\$23,356,876	\$21,827,696	\$21,827,696	\$21,827,696
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3% + Undesignated	\$27,585,422	\$26,986,327	\$19,915,800	\$12,268,400	\$4,679,661
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Reserve Levels

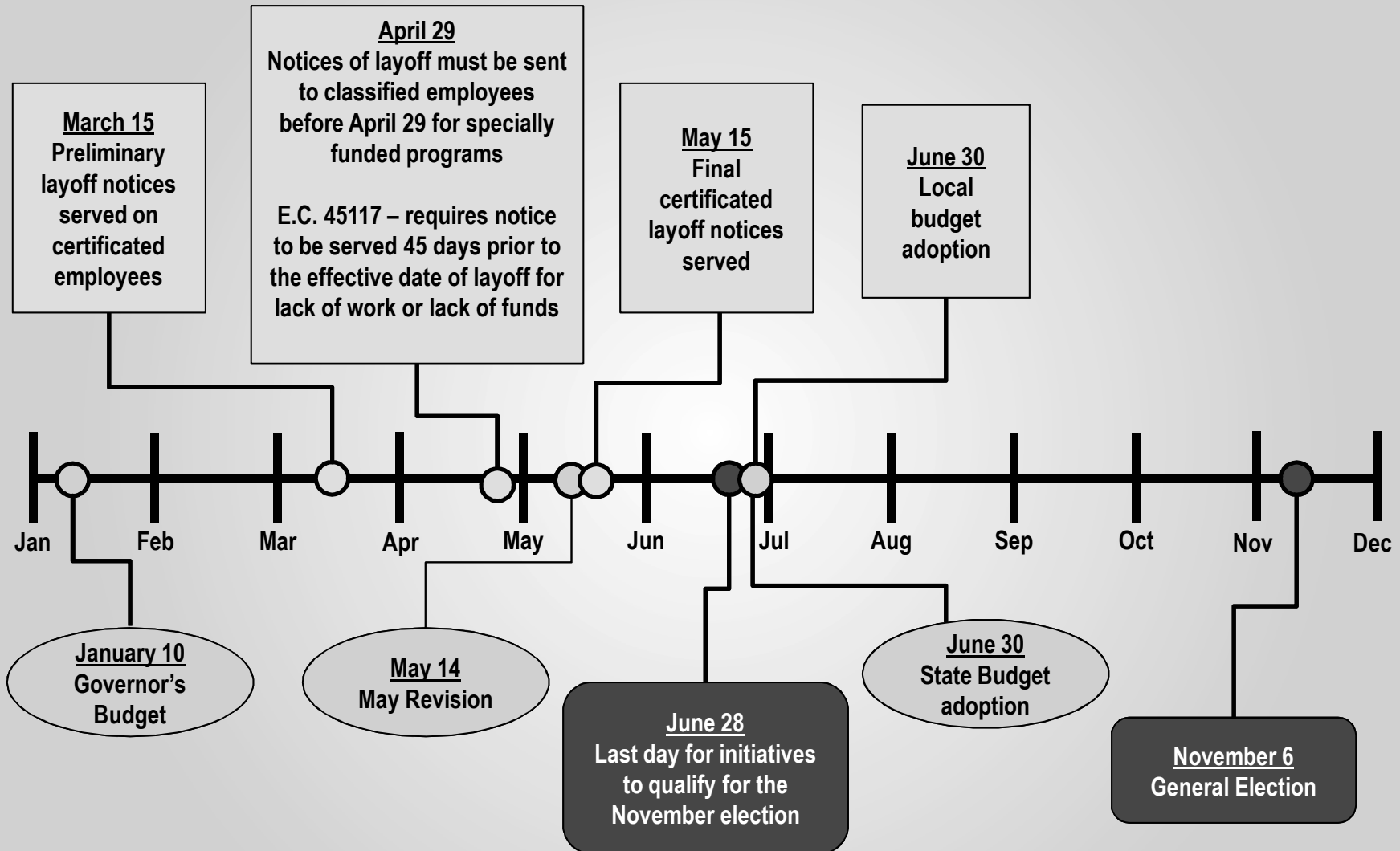


■ Plan A - Taxes Pass	18.82%	13.94%	8.34%	3.1%
■ Plan B - No New Taxes	18.82%	9.12%	-1.07%	-10.72%

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Direct Support/Indirect	-\$485,778	-\$554,655	-\$554,655	-\$554,655	-\$554,655
Required Reductions			-\$5,784,260	-\$6,734,121	-\$8,878,969
TOTAL EXPENDITURES	\$139,145,102	\$142,106,706	\$135,817,009	\$139,132,321	\$141,273,160
EXCESS (DEFICIENCY)	\$7,170,219	-\$2,005,853	-\$7,722,621	-\$6,929,108	-\$4,835,157
OTHER FINANCING SOURCES/USES:					
Interfund Transfers In	\$279,006	\$1,813,730	\$4,898	\$4,898	\$4,898
Interfund Transfers Out	-\$600,000	-\$1,267,799	-\$1,267,799	-\$1,267,799	-\$1,267,799
Other Sources/Uses	-\$1,300	\$0	\$0	\$0	\$0
Transfer of Restricted Balances	\$0	\$0	\$0	\$0	\$0
TOTAL FINANCING SOURCES/USES	-\$322,294	\$545,931	-\$1,262,901	-\$1,262,901	-\$1,262,901
NET INCREASE IN FUND BALANCE	\$6,847,926	-\$1,459,922	-\$8,985,521	-\$8,192,009	-\$6,098,058
BEGINNING FUND BALANCE, JULY 1	\$28,470,055	\$35,317,981	\$33,858,059	\$24,872,537	\$16,680,528
Adjustments for Prior Year Appropriations	\$0	\$0	\$0	\$0	\$0
ENDING BALANCE, JUNE 30	\$35,317,981	\$33,858,059	\$24,872,537	\$16,680,528	\$10,582,470
COMPONENTS OF ENDING BALANCE					
Nonspendable (Stores, Rev Cash, Prepd)	\$538,720	\$522,232	\$522,232	\$522,232	\$522,232
Restricted-Carryover Grants (Deferred @ Year End)	\$0	\$1,126,735	\$1,126,735	\$1,126,735	\$1,126,735
Restricted-Carryover Entitlements	\$2,956,625	\$2,230,968	\$2,230,968	\$2,230,968	\$2,230,968
Restricted-Carryover Other Local	\$109,183	\$0	\$0	\$0	\$0
Assigned-Carryover Lottery, Other	\$2,384,448	\$580,000	\$60,000	\$40,000	\$20,000
Assigned-Carryover Tier III	\$724,853	\$100,000	\$100,000	\$100,000	\$100,000
Assigned-Equipment Repl. (Previously FN 17)	\$0	\$1,293,067	\$993,067	\$693,067	\$393,067
Assigned-GASB 16 Vacation Accrual	\$1,018,730	\$1,018,730	\$1,018,730	\$1,018,730	\$1,018,730
3% Required Reserve	\$4,192,392	\$4,301,235	\$4,112,544	\$4,212,004	\$4,276,229
Undesignated Reserve	\$23,393,030	\$22,685,092	\$14,708,261	\$6,736,793	\$894,509
3% + Undesignated	\$27,585,422	\$26,986,327	\$18,820,805	\$10,948,796	\$5,170,738
% of Total Expenditures	19.74%	18.82%	13.73%	7.80%	3.63%

State Budget, Layoff, and Initiatives Timeline



Questions?



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