



The East Side Budget Communicator

Budget and Finance News

On the Ballot:

- Measure I
 - Prop. 30
- Tuesday
Nov. 6, 2012**

What's inside

Pg. 2

Proposition 30 -
What does it mean
For East Side?

Student Fees -
Don't Get Caught

Medi-Cal Claiming -
Why You Should
Care

Pg. 3

The Budget Killer -
Deficit Spending

PERS & STRS
Update

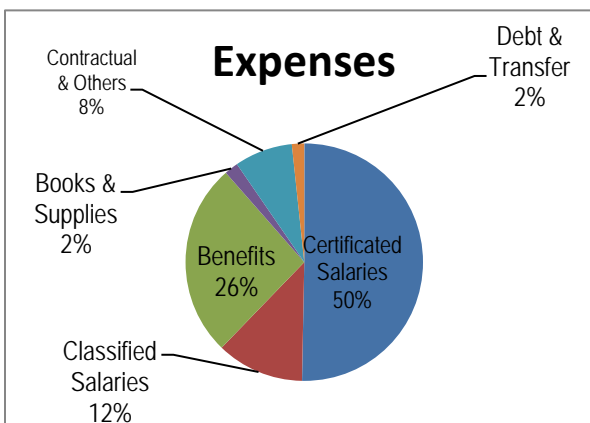
Budget Q & A

Status of the District's Finances as of June 30, 2012

Unaudited Actuals - Year End Review

The 2011-12 Unaudited Actuals Report is the district's final budget report for the fiscal year ending 2011-12 until the Annual Financial Report or audit is presented in December. The Unaudited Actuals Report shows the final revenues and expenditures for the district for the fiscal year. In the 2011-12 Unaudited Actuals report, combined general fund revenues are reported at \$200.7 million, an increase of \$765,000 above June 2012 estimates.

Final expenditures total \$196.2 million, which is \$1 million less than what was anticipated in June. The decrease is a result of a reconciliation of final year-end transactions.

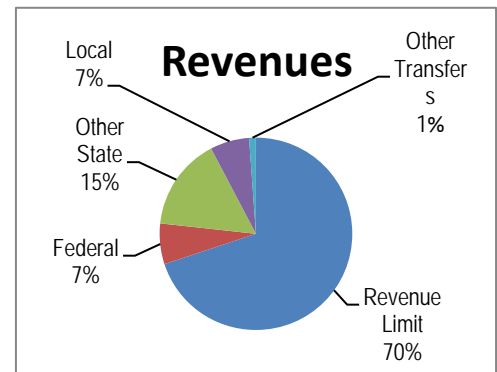


The combined general fund ending balance is reported at \$38.6 million in the 2011-12 Unaudited Actuals Report. This is up \$494,660 from June projections.

Revenues

Revenue Limit	\$140.3M
Federal	\$13.7 M
Other State	\$31.2 M
Local	\$13.2 M
Other Transfers	\$2.3 M

Total Revenue \$200.7M



Expenses

Certificated Salaries	98.70 M
Classified Salaries	23.4 M
Benefits	51.6 M
Books & Supplies	3.7 M
Contractual & Others	15.5 M
Debt & Transfer	3.3 M

Total Expenses \$196.2M

Proposition 30 – What Does it mean for East Side?

Proposition 30 is the Governor's Tax Measure on the Nov. 6 ballot that would raise \$6 billion a year through temporary tax increases to fund education and pay down the state's debt. If the tax measure is successful, the district will not receive any new money from the State. The measure basically allows the district to maintain its current level of funding. If the tax measure fails, the Governor proposes to cut K-14 education by \$4.8 billion. For East Side, this would represent a take-back by the State of almost \$12 million (i.e. represents a take-back of \$507 for a high school district multiplied by the district's projected ADA of 22,690) in the current fiscal year and possibly more going forward. A loss of the Prop 30 initiative would be a game changer. The District currently has enough in reserve to maintain operations through the current year with no mid-year reductions anticipated, however, going forward a loss of Prop. 30 would require "fundamental restructuring" of ESUHSD programs and services to staff and students beginning in FY 2013-14. The Governor's measure would increase the state sales tax by a quarter of a percent to 7.50 percent from 7.25 percent and it would raise income taxes for people making more than \$250,000 a year by 1 percent to 3 percent. The Governor proposed the measure to help close a budget gap of \$16 billion for the current fiscal year.

Student Fees – New California Law AB 1575

Governor Jerry Brown recently signed a new California law called AB 1575 "free school guarantee" resulting from an ongoing lawsuit with the ACLU. As a result of this legislation, the ACLU has dropped their lawsuit against the State. The law specifically prohibits school districts from charging illegal fees and provides a modified uniform complaint process at schools so parents and students can resolve the issue locally. The new complaint process must be in place by March 1, 2013. Please check with your site Principal before imposing any fees or charges to students to ensure that your activities are legal and in line with California Ed Code and Board policy. Some of the more prevalent areas where violations are occurring are as follows:

Textbooks and workbooks – Items must be furnished without charge by elementary and high school districts except for classes for adults. A charge may not be made for their use. (Education Code Sections 60070 and 60410)

School Supplies – Fees may not be imposed for supplies that are necessary for participation in the class including paper, pencils, pens, crayons, art supplies, cloth for dressmaking classes, wood for carpentry, etc.

Extracurricular Activities – The Courts have upheld that a public school district may not charge fees for educational programs simply because they are denominated "extracurricular," even when a fee waiver was available (includes cheerleading, uniforms, and related activities).



Medi-Cal Administrative Activities Program (MAA) – Why You Should Care About This Program?

The MAA program allows school districts and county offices to be reimbursed federal dollars for costs incurred while performing certain administrative activities. In Fiscal year 2008-09, the district was able to claim almost \$2.5 million dollars in reimbursement. For FY 2010-11, the level of claim activities declined by \$1 million dollars to \$1.4 million. The dollars reimbursed assist in funding campus monitors, counselors, MST Coordinators, and student advisors. We need your help to ensure that the District captures every dollar of claim possible in order to protect general fund reserves. Our reserves are critical to preserving district programs, services, and positions as we continue to wrestle with State budget reductions.

The Budget Killer – Deficit Spending

The State Fiscal Crisis Management Assistance Team (FCMAT) stated that one of the primary reasons a school district becomes insolvent is related to “Deficit Spending.” Deficit spending occurs when you are spending or projecting to spend more in expenses than you receive in revenues. This situation is particularly acute to ESUHSD because in the district’s adopted budget for FY 2012-13, the district is projected to deficit spend by almost \$23 million over a 3 year period. Since no new revenues are projected in the foreseeable future, the district’s reserves provide a means for the district to continue providing a sustained level of programs and services to staff and students. The district has made great efforts to reduce deficit spending by reducing the budget by almost \$51 million since FY 2008-09, however, these efforts have not been enough. Low or negative cost-of-living adjustments (COLAs), declining enrollment, rising health care costs, and a myriad of other factors have forced districts to choose between cutting programs for children and staff today or funding their continuation by drawing down reserves. Currently, the district is projecting that our reserves will be exhausted by FY 2015-16 if the district takes no actions. Deficit spending is and will continue to be a threat to the district’s financial future.

New Legislation Which May Impact Your PERS & STRS

On September 12, 2012, Governor Jerry Brown signed Assembly Bill (AB) 340. AB340 significantly changes public pensions for new employees hired after January 1, 2013, and makes other modifications that will affect retirement for current participants in the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS).

The following changes will effect CalSTRS and CalPERS, on January 1, 2013:

- Requires all new public employees to pay for at least 50% of their pensions
- Bans abusive practices used to enhance pension payouts
- Increases the retirement age for new public workers
- Caps the salary amount that can go toward pensions
- Prohibits the purchase of AIR time
- Prohibits Retroactive Retirement Formula or Benefit Enhancements
- Prohibition of Supplemental Benefits
- Felons Forfeit Benefits



Budget Questions and Answers

Question 1. What is Measure I?

Answer. Measure I is a local bond measure on the November Ballot that will allow ESUHSD to continue facility improvements and modernization projects that our schools need and our students deserve.

Question 2. If Proposition 30 passes, can we expect a raise?

Answer. Proposition 30 only allows the district to maintain the status quo with respect to State revenues. The district will not receive any new dollars. As a result of projected deficit spending, the district will be looking for ways to reduce on-going expenses to protect district reserves.

Question 3. Does the District have a contingency plan, if proposition 30 fails?

Answer. If Prop 30 fails, the district will lose almost \$12 million annually beginning in the current fiscal year. The district would have to make a series of one-time adjustments and additional on-going reductions to prevent a total erosion of our fund balance and potential insolvency.

Major Upcoming Trainings and Workshops!

- Finance Clerk Quarterly Mtg. – 10/18/12
- Attendance Accounting Refresher – 10/23/2012
- Student Fees- 11/13/2012 (Cabinet Meeting)
- Cash Control & Handling – 11/27/2012
- QCC Financial Refresher – 1/23/2013