



Monterey County Office of Education


Leadership, Support, and Service to Prepare All Students for Success

Dr. Nancy Kotowski
County Superintendent of Schools

Finance and Business Services

Bulletin No. 12-013

To: Chief Business Officials, Fiscal Directors, and Business Managers

From: Candi Clark, Executive Director 

Date: November 10, 2011

Re: 2011-2012 First Interim Reports (SACS Form 01I)
Due Date: upon approval, but no later than December 15, 2011

AB 1200 requires local educational agencies (LEAs) to file interim reports of their annual budget as of October 31st and January 31st. LEAs must collect the financial data for these reporting periods and prepare appropriate interim reports for Governing Board review, approval, and submission, within 45 days of the close of these periods. Please note that Education Code sections 42130 and 42131 require that interim reports be submitted to the Governing Board on the SACS forms, the format prescribed by the Superintendent of Public Instruction. Districts should use the California Department of Education's SACS2011ALL Software for the First Interim report. Instruction manuals for the First Interim reports are included in the "Calendars and Manuals" folder downloaded as part of the SACS software.

The key provisions of the 2011-12 Adopted State Budget and recommended assumptions for the multi-year projection are included in Attachment A.

Items Required for First Interim Reports

- **Fund Data.** All districts are required to submit data on the General fund (011), Restricted, Unrestricted, and Combined. In addition, any fund being used by your District.
- **Supplemental Forms.** All districts must submit the following forms:
 - Interim Certifications (CI)
 - Average Daily Attendance (AI)
 - Revenue Limit Summary (RLI)
 - Criteria and Standards (01CSI)
 - Form SIA-Summary of Interfund Activities
- **Cash Flow.** Provide a monthly cash flow estimate for 2011-12 using one of the following:

- Form CASH in SACS software;
 - District-generated format or MCOE cash flow model as of 10/31/11. If you are using the cash flow report from FMS, please update and sign at the bottom to verify that you have reviewed it
- **Board Report.** Provide a copy of the agenda item and the board report.
- **Multi-year projection.** Districts must submit a General Fund multi-year projection for the current year, plus two subsequent years. Projections must separate out restricted and unrestricted General Fund and include a detailed list of assumptions. The base year for the multi-year projection should be the First Interim Projected Year Totals as approved by the governing board. A multi-year projection is also required for any fund projecting a negative ending balance.

Districts have two options for multi-year projections:

- MYPI and/or MYPIO forms in SACS software; or
- District model

Note: Whatever model the district chooses to use, you should consider also inputting the final data into the SACS Form MYPI because this will bring the MYP data into the Criteria and Standards. This will ensure consistency between the Criteria and Standards and the Multi-Year Projection.

The recommended assumptions for use in preparing the district's multi-year projection are in Attachment A.

Charter Schools

Education Code Section 47604.33 requires charter schools to submit their First Interim reports to their chartering agencies by December 15, 2011. Sponsoring school districts are then required to forward the reports to the County Office of Education by the same deadline. Please coordinate with your charter schools to ensure timely submission. Charter schools are not required to use a particular format for First Interim reports but the existing Interim forms in the SACS software are available for their use. Charter schools may also choose to do a multi-year projection. A certification page is not required.

Data Importing Requirements

All districts are required to import fund data into the SACS software for the First Interim report. Once the data has been imported, changes can be made to the Projected Year Totals data using the User Data Input Review screen. All other changes must be made in the district's financial system.

- **Import Data for Prior Periods.** If you have not already done so, please ensure that you have imported the final files for the 2011-12 budget and the 2010-11 unaudited actuals into the SACS2011ALL software. It is important to ensure that the file you are using includes any changes made by MCOE after you submitted your reports.

- **Downloading Data.** Districts have the following options for downloading data:
 - Column A – Adopted Budget – Districts must have their original adopted budget entered into the adopted budget column on FMS.
 - Column B – Board-Approved Operating Budget – Districts can choose from working budget or revised budget.
 - Column C – Actuals to Date – This column will pull actual transactions as of October 31 for First Interim.
 - Column D – Projected Year Totals- Districts can choose from working budget or revised budget and can make changes in SACS using User Data Input Review.
- **Delete funds not being submitted.** Once the download is complete, you have the option to delete fund data not being reported by going to User Data Input Review and selecting Delete Fund Group. Please note that deleting funds may result in TRC exceptions for items that cross funds such as PERS reduction and interfund transfers.

Technical Review Checklist

There is a Technical Review Checklist for each column in the Interim Report. As with other submissions, no fatal exceptions will be accepted and warnings will only be permissible if they are allowable under the California School Accounting Manual.

Procedures for Submitting Reports

After completing all necessary forms, send the SACS file to us via email. In addition, send us hard copies of items not included in the data file and a signed certification page.

All materials should be received by our office on or before December 15, 2011. The First Interim Report is not considered submitted until our office receives all required forms and documents. If you have questions regarding the First Interim report, please contact your Financial Analyst, Karen Deller at 831-755-0376, or me at 831-755-0308.

Assumptions for 2011-12 First Interim and Multi-Year Projection

- Revenue Limits: Based on a COLA of 2.24%, the changes are as follows for 2011-12:

Elementary:	\$137
High School:	\$164
Unified:	\$143

- Revenue Limit Deficit: 19.754%, which is a deficit factor of 0.80246. The net impact of the COLA and Revenue Limit Deficit is no change in funding, but the actual impact will vary by district.
- "Trigger Language": AB 114 enacted "trigger language" that automatically implements reductions to K-12 education if state revenue forecasts of \$88.5 billion are not met. Following is a formula for calculating the reductions implemented by the "trigger language."
- If revenues for the year are estimated to be less than \$1 billion below the forecast (\$87.5 billion), then no changes are required.
 - If revenues fall between \$1 billion (\$87.5 billion) and \$2 billion (\$86.5 billion) lower, then a series of additional cuts are triggered, including a \$23 million across-the-board cut to child care and a \$30 million reduction to community colleges, accompanied by a \$10 increase to student enrollment fees (this is on top of the \$10 increase included in the first Budget bill).
 - If revenues fall more than \$2 billion (\$86.5 billion or less), then the state will impose additional cuts to public education of up to \$1.9 billion: a 4% reduction to revenue limits; a \$248 million cut to school transportation; and a \$73 million reduction to community colleges.
 - In addition, the revenue limit reductions would be proportional to the amount of the revenue shortfall. For example, if the shortfall is \$3 billion, then the revenue limit reduction would be 2% rather than the 4% that would apply if revenues fall \$4 billion or more below estimates.
- Basic Aid Districts: Pursuant to language adopted under SB 70, Basic Aid districts will be subject to an ongoing reduction in categorical funding beginning in 2011-12. This reduction will be calculated by multiplying 8.92% by the prior-year Revenue Limit calculation. Use the CDE certified amount found at:
<http://www.cde.ca.gov/fg/aa/ca/documents/basicaidcut2011.xls>.

This reduction should be included in the 2011-12 First Interim report and in the multi-year projection for 2012-13 and 2013-14. The amount of this cut is capped at the amount of the district's excess taxes in the prior year. In addition, the state constitution requires that the state provide Basic Aid districts with at least \$120 per ADA, so this establishes a maximum amount that can be cut from each district.

As with revenue limit districts, basic aid districts should continue to plan on an additional reduction or reserve based on potential "trigger" cuts. If the district chooses to reserve the reduction in the ending balance, it should be in the

unassigned category "Reserve for Economic Uncertainties" category pursuant to GASB 54.

- Revenue Limit Add-On: The AB 851 add-on is annually increased by COLA.
- One-Time Federal Funding: Because Education Jobs Funds is a one-time funding source, please ensure that revenues are removed from appropriate years in the Multi- Year Projection. If expenditures charged to these funds are ongoing, ensure that the expenses have been moved to other funding sources. Please note that the Education Jobs Funds must be expended by September 30, 2012.
- Categorical Programs: No COLA should be used in 2011-12 for categorical programs.
- Child Development Funding: Utilize an 11% reduction, recognizing that an additional 4% reduction may be imposed if the "trigger" cuts occur.
- Deferred Maintenance Match: The deferred maintenance match is not required. State funding will continue to be provided in Fund 01.
- K-3 Class-Size Reduction: The Proposed Budget would maintain funding for Option One at \$1,071 per pupil and funding for Option 2 at \$535 per pupil. SB70 continues the current penalty structure through fiscal year 2013-14. For schools exceeding the maximum class size under the class size reduction program, penalties would be as follows:
 - 20.45 to 21.44 5%
 - 21.45 to 22.44 10%
 - 22.45 to 22.94 15%
 - 22.95 to 24.94 20%
 - 24.95 and over 30%

Please remember that when the ratio of 20:1 is exceeded, the revenue is calculated based on 20 students minus the penalty. In addition, the number of classes that can be claimed is capped at the number of classes that the district had applied for as of January 31, 2009. The district cap is applied to the total number of classes, not the total number of Option One classes separate from the total number of Option Two classes. As such, LEAs may consider switching between options to maximize revenue.

- Mandates: Districts should not budget funding until it has been received.
- Routine Restricted Maintenance: Districts that maintain their facilities in good repair are exempt from this requirement. Otherwise, the contribution requirement is 1% of total General Fund expenditures plus transfers out and uses.
- State Lottery: 2011-12 through 2013-14: \$111.75/ annual ADA for unrestricted and \$17.00/ annual ADA for Prop. 20.

- Reserve for Economic Uncertainties: We believe that the percentages established in the Criteria and Standards for reserves are the BARE MINIMUM. With the continued deferral of apportionments, it is more critical than ever to maintain higher levels of reserves for cash flow purposes. It is important to remember that a school district needs a state loan when it runs out of cash and does not have any other borrowing options, even if the school district has a positive fund balance.
- Cash Deferrals:
 - Deferrals that will cross fiscal years (inter-year):
 - o February to July 92%
 - o March to August 60%
 - o April to July & Aug. 86%
 - o May to July & Aug. 83%
 - o June to July 100%
 - Deferrals within the 2011-12 fiscal year (intra-year):
 - o July to Sept & Jan. 100%
 - o August to January 100%
 - o October to January 100%
 - o March to April 40%

Budget Reductions:

If unapproved budget reductions are needed in 2012-13 and/or 2013-14, clearly identify the amounts in the multi-year projection on a separate line such as the Other Adjustments line.

- Remember to add back any budget reductions, and/or collective bargaining agreements that sunset in 2011-12 or 2012-13.
- Districts that are currently staffing class sizes in accordance with a state- approved waiver will need to accommodate the changes in staffing or penalties in the year the waiver expires.

Assumptions for 2012-13 & 2013-14:

- Future Revenue Limit COLA Increases:
 2012-13: 3.1% for Revenue Limit and categorical programs*
 2013-14: 2.8% for Revenue Limit and categorical programs*
 No change in the revenue limit deficit, which results in an increase in funding in the amount of the COLA in both years.

*While a positive statutory COLA is projected for 2012-13 and 2013-14, the State's ability to fund it is questionable. Districts should have a contingency plan if the state decides not to fund the COLA.

- K-3 Class Size Reduction: The multi-year projection for 2013-14 should assume a return to the previous statute and penalty structure.

Summary

Based on the uncertainty of the implementation of the "trigger language" and the fiscal oversight responsibilities of the County Office of Education, we recommend the following guidance:

- If your district was required to provide additional information as part of the First Interim submission, that requirement is still in effect.
- It is expected that school districts will maintain "best fiscal practices." Districts should continue with prudent fiscal management as provided through continuing AB 1200 statutes.
- School districts should plan for the worst case scenario while hoping for the best.

Districts will need to provide detailed contingency plans for the possible implementation of the "trigger" language, as well as unfunded COLA's in future years.

Contingency plans should address:

- A full 4% revenue limit reduction in 2011-12
- 50% loss of home-to-school and special education transportation in 2011-12. Districts wishing to maintain their current entitlement amounts will need to maintain expenditure levels equal to that amount; districts should estimate the potential trigger impact on your program by applying a 50% reduction against the 2011-12 state aid currently received by your agency—not your entitlement level
- Zero COLA

Note that while the trigger language applies to fiscal year 2011-12, there continues to be a structural deficit that the State needs to address for 2012-13 and beyond. Districts should take this into consideration when preparing for all scenarios.

(An example of a contingency plan would be a narrative specifically detailing how the district will cover the possible reduction in funding detailed above. Another example would be a second MYP form using revised revenue projections based on the above scenarios. Districts should also be prepared to provide additional supporting documentation should it be needed to determine the districts fiscal solvency.)

Attachment B details the estimated cuts that each district may utilize in scenario projections.

- School districts should begin or continue bargaining unit negotiations to develop contingency language in the event that the imposition of mid-year cuts necessitates reducing the instructional year.

- School districts should consider waiting to restore any expenditure cuts until after a final decision on mid-year reductions and the Governor's 2012-13 Proposed Budget.
- School districts must carefully review their MYPs for one-time revenues and note the ending date of the revenues to avoid over projecting those revenues.
- Cash flow becomes a critical consideration. School districts may find it more difficult to issue TRANs and the cost of any borrowing will likely increase. While we aren't requesting multiyear cash flows with this submission, districts might want to start looking at their numbers now rather than later.

If you have questions regarding the First Interim report, please contact your Financial Analyst, Karen Deller at 831-755-0376, or me at 831-755-0308.

2010-11 REVENUE LIMIT FUNDING INFORMATION

DIST. NO	DISTRICT NAME	2011-12 BASE REVENUE LIMIT Undeficitied Col A	Potential Trigger Revenue Limit Reduction PER ADA Col B B = A x .04	2010-11 REVENUE LIMIT ADA Col. C	Potential Trigger Revenue Limit Reduction Col. D D=B X C
02	ALISAL UNION	\$6,206.88	\$248.28	7,531.30	\$1,869,835.01
06	BRADLEY UNION	\$7,212.23	\$288.49	74.05	\$21,362.63
12	CARMEL UNIFIED	\$6,497.75	\$259.91	2,145.51	\$557,639.50
14	CHUALAR UNION	\$6,239.14	\$249.57	338.18	\$84,398.09
17	GONZALES UNIFIED	\$6,875.13	\$275.01	2,201.34	\$605,379.95
20	GRAVES	\$7,223.17	\$288.93	39.12	\$11,302.82
22	GREENFIELD UNION	\$6,234.80	\$249.39	2,729.59	\$680,737.91
26	KING CITY UNION	\$6,203.66	\$248.15	2,089.64	\$518,536.64
28	KING CITY JOINT UNION HIGH	\$7,501.34	\$300.05	1,831.78	\$549,632.18
30	LAGUNITA	\$7,219.26	\$288.77	89.14	\$25,740.99
34	MISSION UNION	\$7,241.10	\$289.64	115.89	\$33,566.84
39	MONTEREY PENINSULA UNIFIED	\$6,490.35	\$259.61	10,302.82	\$2,674,756.31
43	NORTH MONTEREY COUNTY UNIFIED	\$6,492.05	\$259.68	4,264.68	\$1,107,460.63
45	PACIFIC UNIFIED	\$6,799.96	\$272.00	13.46	\$3,661.10
46	PACIFIC GROVE UNIFIED	\$6,470.94	\$258.84	1,746.23	\$451,989.98
58	SALINAS CITY	\$6,221.24	\$248.85	7,809.87	\$1,943,483.03
60	SALINAS UNION HIGH	\$7,461.73	\$298.47	12,626.75	\$3,768,695.97
62	SAN ANTONIO UNION	\$6,201.24	\$248.05	189.51	\$47,007.88
64	SAN ARDO UNION	\$6,294.81	\$251.79	107.44	\$27,052.58
66	SAN LUCAS UNION	\$6,466.51	\$258.66	55.11	\$14,254.77
68	SANTA RITA UNION	\$6,208.88	\$248.36	2,900.34	\$720,314.52
71	SOLEDAD UNIFIED	\$6,538.69	\$261.55	4,361.52	\$1,140,745.09
72	SPRECKELS UNION	\$6,188.16	\$247.53	953.41	\$235,994.15
74	WASHINGTON UNION	\$6,193.15	\$247.73	950.83	\$235,545.31

Excludes County Office ADA

As of 8/18/11