

# **BERKELEY UNIFIED SCHOOL DISTRICT**

## **Adopted Budget for FY 2011-2012**

### **INTRODUCTION**

The District's Adopted Budget is being presented to the Alameda County Office of Education with a positive certification that indicates that the District will be able to meet its financial obligations in the current and subsequent two fiscal years. The report demonstrates the District will meet the 3% reserve required by the State of California for Fiscal Year 2011-2012. The State of California requires all Districts reserve 3% of their total expenditures (including transfers out) for economic uncertainties.

The Governor's May Revision contained both good and bad news for schools. The level of cuts to schools remained the same as the prior year. However, the May Revision included cuts to Proposition 98 for childcare programs. The District's childcare program revenue was reduced by \$.9 million. The District made a general fund contribution to the Child Development program budget to mitigate the effects of the State budget cuts. On another note, Berkeley lost about \$1.7 million in one-time federal stimulus dollars in this year's budget, but since the District made cuts in 2010-2011 and state funding cuts were subsequently restored on an ongoing basis, the District only needed to make \$.7 million in this year's budget to offset the loss in federal revenue.

The District reduced its general fund budget by \$.7 million by transferring ULSS intervention program staffing into BSEP/Measure A funds program support budget, reduced the food services budget by \$100,000 and reduced the adult education budget by \$90,000 by increasing adult education fees. The Board approved a one-time general fund contribution of \$.4 million to the Child Development program budget to mitigate the effects of the State budget cuts. Additionally, the Board approved additional staffing and resources for school safety and to improved attendance at Berkeley High School in the amount of \$.2 million.

Although the District is reporting the full state reserve requirement has been met and there is \$3.6 million sitting in the Unrestricted General Fund in excess of the 3% state reserve requirement, the District must continue to monitor its finances very closely since the structural deficit in the State Budget has not been fully addressed and there could be more reductions in the future.

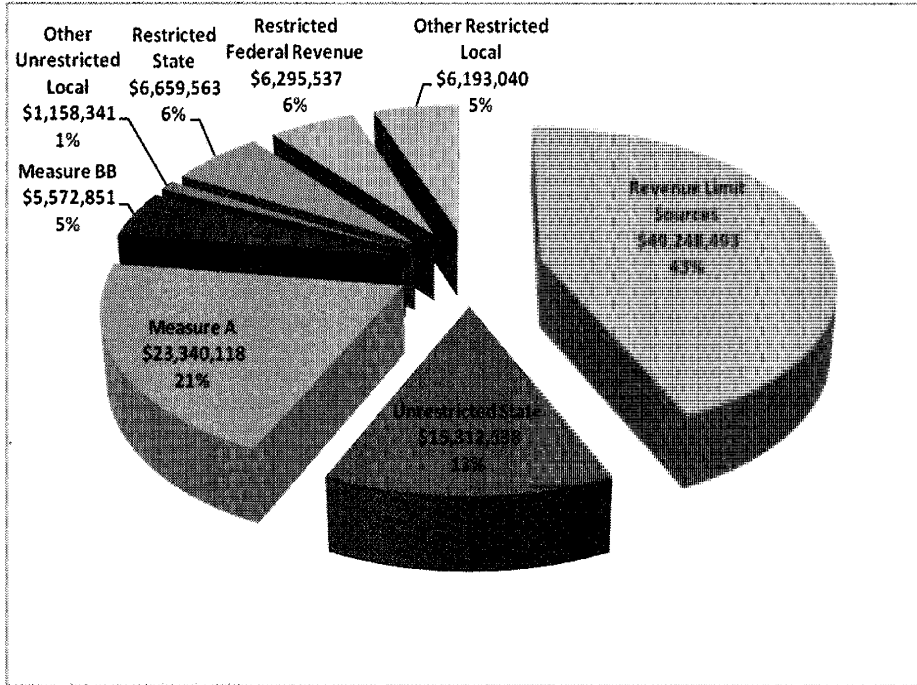
#### **Structural Deficit**

The multi-year projections were calculated based on the Governor's May Revise Budget. The District is projected to deficit spend by approximately \$.4 million in fiscal year 2011-2012, \$1.5 million in Fiscal Year 2012-13 and \$.8 million in fiscal year 2013-14. The reason for the increased deficit in fiscal year 2012-2013 is due to the depletion of the balance of the Federal Jobs Bill funding at the end of this year. Additionally, if the District's Cost-of-Living-Adjustment (COLA) does not materialize, the District will have to address a increase in the structural deficit of \$3 million in fiscal year 2012-13 and \$2.7 million in fiscal year 2013-14. The District has enough ending fund balance above the 3% reserve requirement to absorb the deficit if the District receives the COLA. However, if COLA does not materialize, the District will not be able to balance its budget in fiscal year 2013-2014. Therefore, it is recommended that budget reductions be made in fiscal year 2012-2013 and 2013-2014 to balance the budget.

# COMBINED GENERAL FUND

## Revenues

Revenues projected in the combined General Fund for Fiscal Year 2011-12 total \$113.8 million. Revenue limit funding is projected at \$49.2 million or 43% of all 2011-12 combined General Fund dollars. As of the May Revision, there was no state reduction in revenue limit funding. Restricted revenue is \$19.1 million or 18% of the total. Local Parcel Tax (Measure A) revenue is projected at \$23.3 million and represents 21% of the total. Local Parcel Tax (Measure BB) is projected at \$5.6 million and represents 5% of the total.



## Revenue Limit Funding

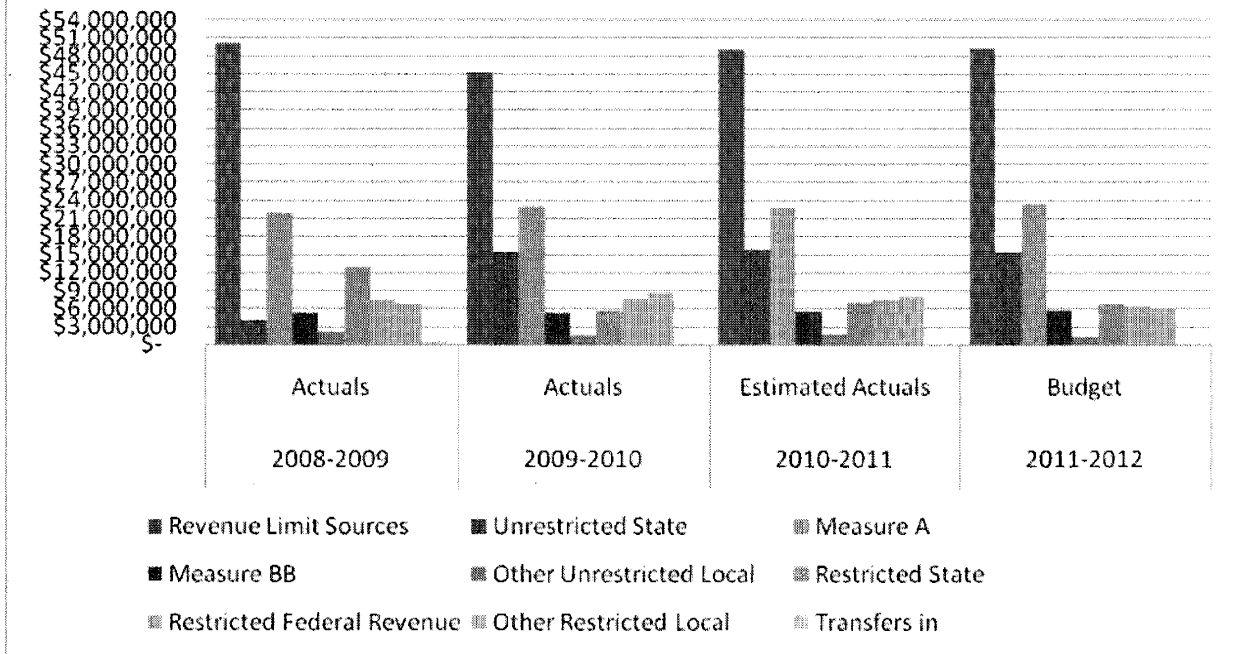
The District receives the majority of its revenue based on attendance multiplied by an amount determined by the State of California called the Revenue Limit. The Revenue Limit calculation also includes other supplemental revenues in addition to revenues based on attendance. The base revenue limit (BRL) amount received per ADA for 2011-12 year for

for Berkeley Unified was \$6,695.83. A COLA has been added to the revenue limit amount, however, due to State budget reductions, two deficit factors are applied to the revenue limit which only gives the District 80.246% of the total calculated revenue limit amount. Therefore, the COLA is a net zero after the deficit factor has been applied and the District is projected to receive the same amount of funding per student as last year of \$5,533.62.

This table reflects the District's prior and current year enrollment and ADA. The District's enrollment is steady and has been increasing slightly. The District's enrollment increased by 305 in Fiscal Year 2010-2011 and is projected to decrease by 38 students in 2011-2012 due to enrollment growth offset by reduction due to new charter school. The District's attendance improved by 199 ADA in Fiscal Year 2010-2011 and is budgeted to decrease by 87 ADA due to conservative projection of ADA growth less impact of charter school.

	<u>2007-08</u>	<u>2008-2009</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
CBEDS Enrollment/October	9,105	9118	9308	9643	9605
Change in Enrollment	17	13	220	305	(38)
Second Period (P-2) ADA	8,413	8,456	8,728	8,927	8840
Change in ADA	190	43	272	199	(87)
Revenue Limit ADA	8,413	8,457	8,692	8,915	8840
ADA Percentage of Enrollment	92.4%	92.8%	93.2%	92.43%	92.04%

## Fund 01-08 Revenue Comparative



### Revenue Limit

Revenue limit funding is \$49.2 million in 2011-12. This funding is relatively flat in comparison to last year. The District's revenue limit was reduced substantially from 2007-2008 through 2009-2010.

### Federal Revenues

Federal revenue is \$6.3 million dollars in 2011-12. 64% of the district's federal revenues come from No Child Left Behind (NCLB) and 27% from Special Education funding. Federal revenues decreased by \$1.1 million since prior year primarily due to the depletion of ARRA stabilization funds. The Jobs Bill revenue in the amount of \$1.7 million is recognized and projected to be fully expended in fiscal year 2011-2012 to prevent layoffs.

### State Revenues

State revenue from combined restricted and unrestricted State sources is \$22 million. \$15.3 million of the funding received from State resources is unrestricted and \$6.6 million is restricted. Unrestricted funds now include \$11.2 million in SBX43 flexibility funds programs (including adult education) that used to be restricted, \$1.2 million in lottery funds, \$2.6 million in K-3 Class Size Reduction (CSR) funds and \$.4 million in supplemental hourly program funding and \$.1 million in other State unrestricted revenue. Restricted State revenue now only includes \$.7 million in home-to-School transportation, \$1.0 million in economic impact aide, \$.4 million in Special Education transportation, \$1.8 million in after-school education and safety, \$1.6 million in California Nutrition Network and \$1.1 million in other restricted State revenue.

### Local Parcel Taxes

Local parcel taxes represent 26% of the combined General Fund revenues. Parcel tax revenue from BSEP/Measure A is \$23.3 million and is budgeted about the same as the prior year. There was a COLA increase for 2011-2012 of 2.24%. Of the BSEP revenue, 66% is designated for class size reduction; 10.25% is designated for school enrichment programs; 6.25% for visual and performing arts programs; 7.25% for school libraries; 1.25% for parent outreach and translation services and 9% for professional development, educational program evaluation, and technology for schools. Parcel tax revenue from Measure BB is \$5.5 million

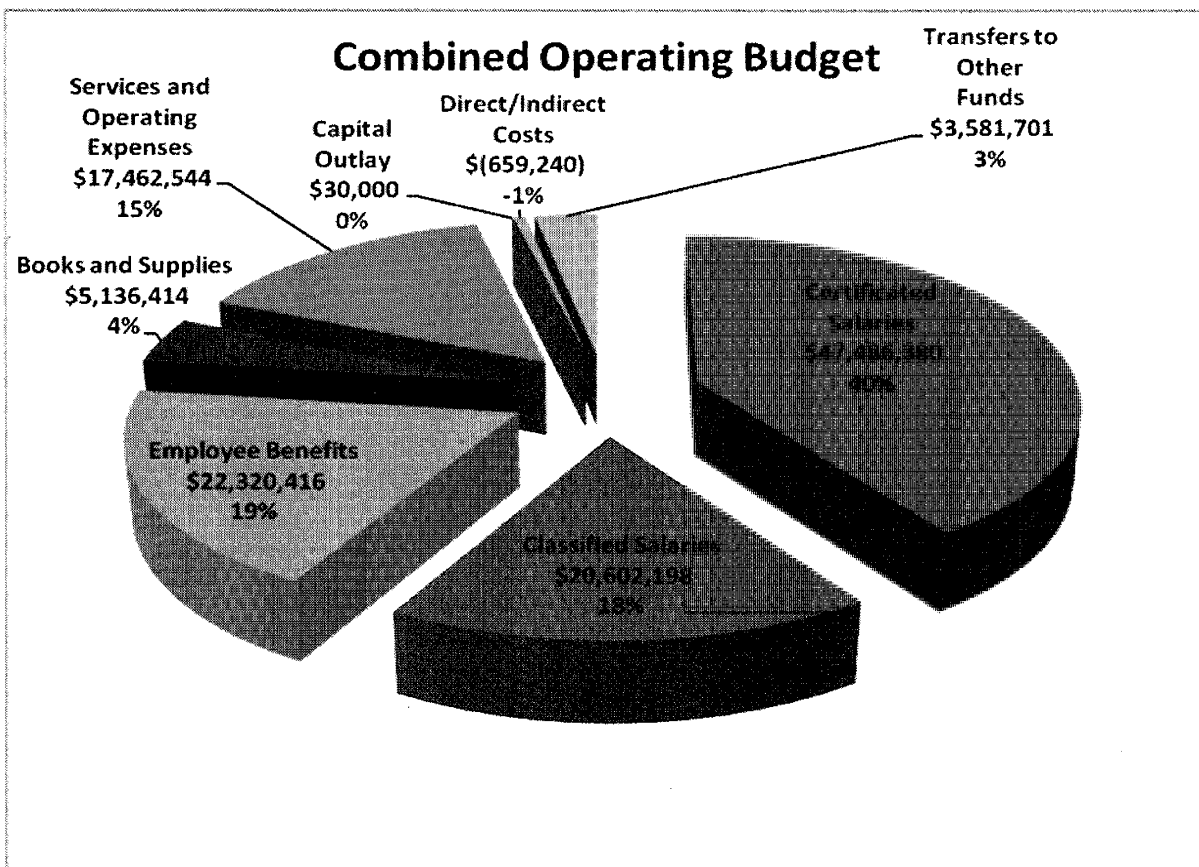
and remains relatively flat over the prior year. The COLA for Measure BB is based on prior year and was calculated at zero percent.

**Other Local Revenues**

Other combined local revenues for 2011-12 totaled \$7.4 million. Unrestricted local revenues are projected at \$1.2 million and include interest earnings, leases and rental revenue, and interest earned on the District’s tax revenue anticipation note (TRANS). Restricted local revenues is projected at \$6.2 million and includes parent fees for after school programs, Special Education revenues received from local SELPA, local donations and grant funds.

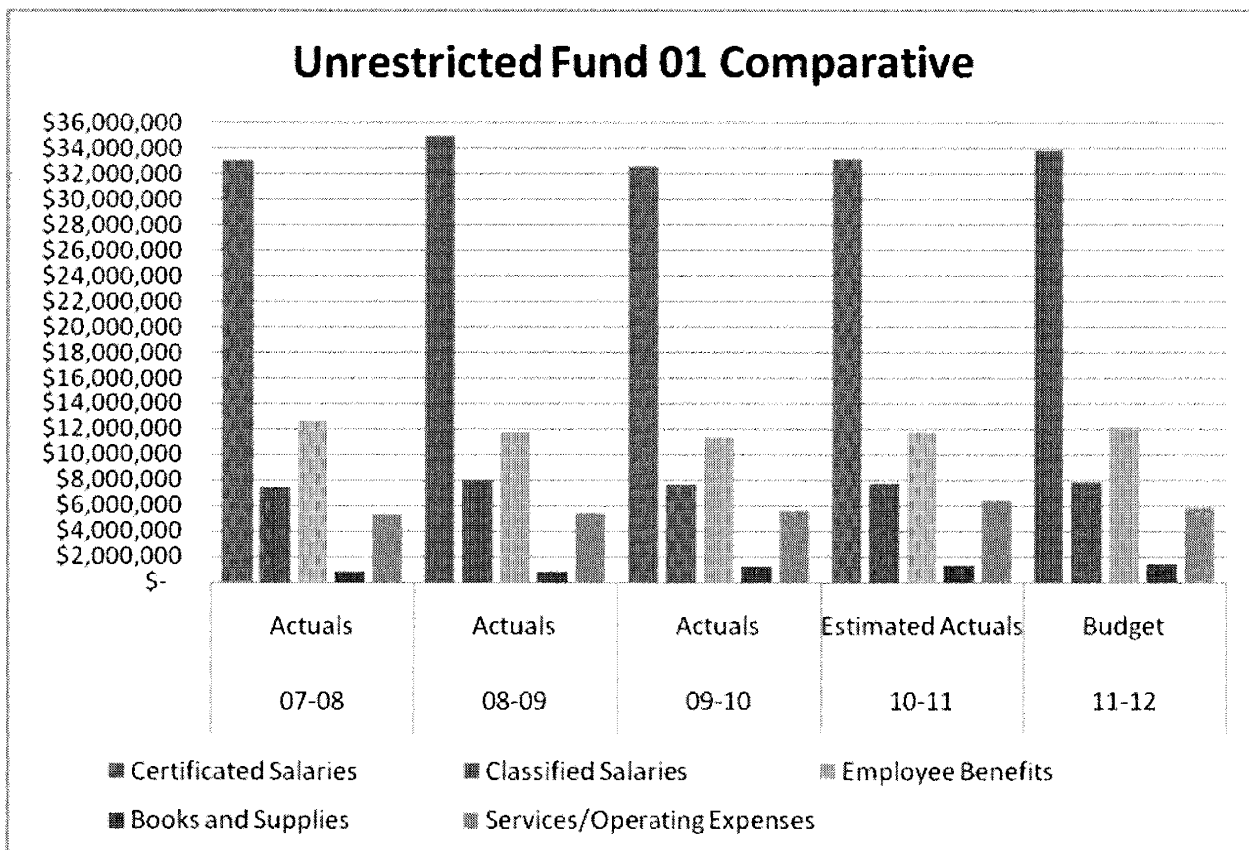
**Expenditures**

The Combined General Fund includes expenditures for the unrestricted and restricted State, Federal and local funds. Combined General Fund expenditures for the 2011-12 Fiscal Year is \$115.9 million. Unrestricted General Fund expenditures (Fund 01) are \$61.4 million or 53% of the combined General Fund expenditures.



**Salaries and Benefits**

Salaries and benefits total \$90.4 million and are 77% of all combined General Fund expenses. Unrestricted General Fund (01) salaries and benefits are \$53.7 million or 86% of unrestricted expenditures. General Fund 01’s year to year expenditure comparative which represents the District’s Unrestricted General Fund only is shown on the next page. Unrestricted salary and benefits increased by \$1.2 million primarily due to the transfer back of salaries and benefits that were funded in ARRA federal stimulus funds depleted last year. The increase also includes additional safety officers and attendance support staff for Berkeley High School.



**Books and Supplies**

Unrestricted General Fund expenditures for books and supplies total \$1.3 million and the combined General Fund expenditures for books and supplies total \$5.1 million. Books and supplies cost funded with unrestricted general funds are relatively the same as last year.

**Services and Other Operating Expenses**

Unrestricted General Fund expenditures for services and other operating expenses total \$5.8 million and the combined General Fund expenditures for services and other operating expenses total \$17.5 million. Services and other operating cost funded with unrestricted general funds are relatively the same last year.

**Capital Outlay**

Expenditures in the combined General Fund total \$30,000 for capital outlay in the 2011-12 Fiscal Year. This is a 50% decline from 2010-11 due primarily to use of these funds for one-time costs in prior year that are not budgeted in the current year.

**Transfers to other funds**

The combined General Fund budget shows a \$3.5 million transfer to other funds. The District is transferring \$2.9 million to the Adult Education fund and \$.2 million to the self insurance fund for the self funded portion of property and liability and \$.4 million to Child Development to support program due to state budget cuts to child care. Under the State flexibility option SBX 3, Adult Education fund revenue of \$3.8 million is now unrestricted and recorded in the General Fund instead of the Adult Education fund. Since the District opted to eliminate a portion of its Adult Education programs but continue its core programs, a transfer of \$2.9 million of these funds is being transferred to the Adult Education fund. The other \$.9 million of this funding is retained in the Unrestricted General Fund to offset State budget reductions.

### Indirect/Direct costs

The indirect percentage is calculated each year by a formula established by the California Department of Education. Berkeley Unified's indirect rate for Fiscal Year 2011-12 is 6.7%. Restricted programs and special funds are charged indirect costs for support provided by central services. Other funds such as the Adult Education, Cafeteria and Child Development funds are budgeted to contribute \$.6 million to the Unrestricted General Fund for support services. The Restricted General Fund contributed \$2.5 million in indirect costs to the Unrestricted General Fund for support services, which has a zero net effect to the combined General Fund.

### Contribution History

Other Financing Sources/Uses category is made up of transfers between the Unrestricted General Fund, the restricted General Fund and other District funds. It also is where revenues are contributed from and to other programs or funds.

### Contributions to the Unrestricted General Fund from Other Programs and Funds

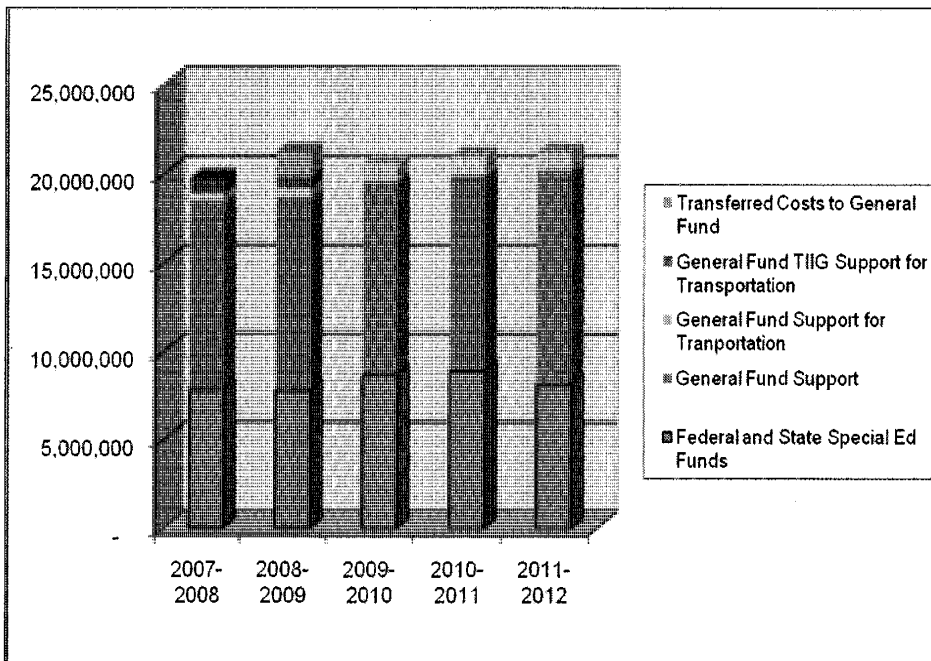
The Unrestricted General Fund is budgeted to receive a contribution of \$12.4 million from BSEP/Measure A parcel taxes to maintain class size reduction as stipulated in the Measure.

### Contributions to Other Programs and Funds from the Unrestricted General Fund

Programs that received a contribution from the Unrestricted General Fund include Special Education program, Special Education transportation, and Continuation Education program. The District is budgeted to contribute a total of \$11.9 million to Special Education program. This amount is \$.8 million more than prior year due to depletion of ARRA Federal stimulus funds in prior year. The District is also budgeted to contribute \$1.1 million to Special Education transportation, \$1.3 million to Home-to-school transportation, and \$.6 million to continuation education. The contribution to continuation education includes their share of BSEP/Measure A funds in addition to a general fund contribution needed from the unrestricted general fund.

### Special Education Contribution History

Under the state's maintenance of effort (MOE) requirement, the District is required to expend at least \$1 over the prior year. For 2011-12, The District Special Education cost is projected to exceed the prior year by at least \$1.



Reserve for Economic Uncertainty

The District has fully met the 3% State required reserve for economic uncertainty. The District has set aside 3% of total General Fund expenditures (including transfers out) for economic uncertainties. The total amount of the District's required reserve is \$3,478,812. As of the Adopted Budget, the State required reserve is set aside in the following funds:

Measure BB (Fund 02)	\$ 192,500
BSEP/Measure A (Fund 04-08)	\$ 734,922
Special Reserve – (Fund 17)	\$ 2,538,367
Balance- (Fund 01)	\$13,023
Total	\$ 3,478,812
Required 3%	<b>\$3,478,812</b>
Backfilled with Parcel Tax	\$0

## FISCAL STATUS OF THE DISTRICT OTHER FUNDS

### 1. Parcel Tax Funds – Fund 02 – 08

The Parcel Tax revenue is the largest percentage of the District revenue other than State funds received for revenue limit sources. These revenues are recorded in Funds 02 through Funds 08. The ending fund balance is as follows for the Measure A/BSEP programs.

Fund 02	Facilities Safety and Maintenance	\$ 383,660
Fund 04	BSEP/Measure A of 2006	
	Class Size Reduction	1,209,398
	Other BSEP Programs	616,408
	Reserve for Economic Uncertainty	751,595
Fund 05	BSEP Site Administered Enrichment	50,368
Fund 06	BSEP Instructional Materials	167,088
Fund 07	BSEP Buildings and Grounds	0
Fund 08	BSEP Measure B of 2004	17,065
	<b>Total</b>	<b>\$ 3,195,582</b>

### 2. Adult Education Fund – Fund 11

The Adult Education Fund is used to account separately for Federal, State and local revenues for Adult Education programs. The enacted State Budget allowed school districts to eliminate their Adult Education programs in 2008-2009 and four subsequent fiscal years and transfer funds to the Unrestricted General Fund to mitigate the effect of State reductions to General Fund revenues. Under the State flexibility option SBX 3, Adult Education fund revenue of \$3.8 million is now unrestricted funds and recorded in the General Fund instead of the Adult Education fund. Since the District opted to eliminate a portion of its Adult Education programs but continue its core programs, a transfer of \$2.9 of these funds is being transferred to the Adult Education fund. The other \$.9 million of this funding is retained in the Unrestricted General Fund to offset State budget reductions. This Fund has a projected ending fund balance of \$117,039.

### 3. Child Development Fund – Fund 12

The Child Development Fund is used to account separately for Federal, State, and local revenues to operate Child Development programs. Funds may be used only for expenditures for the operation of Child Development programs. The Governor's May Revision reduced Child Development program funding by 15%. The Board approved a general fund contribution of \$385,942 to mitigate the impact of the state budget reduction. The ending fund balance for the Child Development Fund is \$89,578

### 4. Cafeteria Fund – Fund 13

The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program. The Cafeteria Fund generates part of its revenues from federal, state, and a la carte sales. As part of budget reductions for fiscal year 2011-12, a total of \$100,000 of the meals for the needy transfer was held to support the Unrestricted General Fund. The Cafeteria Fund revenue is projected to cover all expenses for Fiscal Year 2011-2012 and have a projected ending fund balance of \$676,036.

### 5. Deferred Maintenance Fund – Fund 14

The Deferred Maintenance Fund is used to account for the State's Deferred Maintenance apportionment and the District's matching share that is made on a dollar for dollar basis. Due to Tier III State flexibility this funding has been swept and the remaining ending fund balance of \$41,470 is being retained in Fund 14.



6. Pupil Equipment Transportation Fund – Fund 15

The Pupil Equipment Transportation Fund is used to replace buses for the District. This fund is projected to have an ending fund balance of \$8,167.

7. Special Reserve for Non Capital Outlay Fund – Fund 17

The Special Reserve for Non-Capital Outlay Fund reflects an ending fund balance of \$2,538,367. The amount held in this special reserve fund represents the General Fund's share of the 3% State required reserve. The parcel tax's share of the reserve requirement is \$927,422 and Fund 01 is \$13,023 to meet the state required 3% of combined general fund expenditures of \$3,478,812.

8. Bond Fund – Fund 21

The Building Fund exists primarily to account separately for proceeds from the sale of bonds. On November 7, 2010, voters approved Measure I, a school bond in the amount of \$210 million. Therefore, the building fund individually accounts for the new Measure I and the previous measure under separate resource codes. The proceeds from Measure I may only be used for the projects listed in the Measure. In May, the District issued bonds in the amount of \$35 million to provide upfront money to begin project outlined in Measure I. The proceeds from the sale of the bond was rolled into fiscal year 2011-12 adopted budget. Expenditures for capital outlay are budgeted at \$21.4 million and services and other operating expenses at \$3.4 million. This fund is projected to have an ending fund balance of \$29.6 million.

9. State School Building Fund – Fund 30

The State School Building Lease-Purchase Fund is used primarily to account separately for State apportionment as provided by *Education Code* sections 17000-17080. The principal revenues are school facilities apportionments and interest income. This fund has no budgeted activities in FY 2011-2012.

10. County School Facilities Fund – Fund 35

The County School Facilities Fund is used primarily to account separately for State apportionments from the State School Facilities Program. This fund is also used to account for funds received from the State that reimburse expenditures previously made from the Building Fund. This fund has a projected ending fund balance of \$264,765.

11. Bond Interest and Redemption Fund – Fund 51

The Bond Interest and Redemption Fund is used for the repayment of bonds issued for an LEA. The premiums or accrued interest received from the sale of the bonds must be deposited in this fund.

The principal revenues in this fund are State Subventions for Homeowners' Exemptions, Other Subventions/In-Lieu Taxes, Secured Roll Taxes, Unsecured Roll Taxes, Prior Years' Taxes and Interest. Expenditures in this fund are limited to bond interest, redemption, and related costs and are reported by the Alameda County Office of Education (ACOE) to the District.

12. Tax Override Fund – Fund 53

The Tax Override Fund is used for the repayment of voted indebtedness tax levies to be financed from the ad valorem tax levies. This fund has a projected ending fund balance of \$59,364.

13. Self Insurance Fund – Fund 67

Self Insurance Funds are used to separate moneys received for self-insurance activities from other operating funds of an LEA. Separate funds may be established for each type of self-insurance activity, such as workers compensation, health and welfare, and deductible

property loss. This fund has a projected ending fund balance of \$1.5 million. This is in addition to the amount reserved in accounts payable to fully fund workers' compensation and general property liability based on actuarial report dated June 2, 2009 in the amount of \$3 million.