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October 21, 2011

To: Assistant Superintendents, Business Services  
Assistant Superintendents, Human Resources  
Assistant Superintendents, Instructional Services  
Directors, Business Services  
Directors, Special Education Services  
ROC/Ps

From: Wendy Benkert, Ed.D., Assistant Superintendent  
Business Services

Subject: **2011-12 First Interim Advisory**

Since May 2008, County Office Chief Business Officials have been working with various statewide educational organizations to craft common messages and to advise school districts on assumptions for budget and interim reports. The attached advisory provides guidance for the development of school districts' First Interim Reports and multi-year projections and is based upon the 2011-12 Enacted State Budget and subsequent legislation.

If you have any questions or concerns regarding this information, please contact me at (714) 966-4229.

cc: Superintendents  
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Enclosures

# **Orange County Budget Advisory**

## **2011-12 First Interim Report and Related Multi-year Projections**

### **October 21, 2011**

#### **BACKGROUND**

Since May 2008, County Office Chief Business Officials have been working with various statewide education organizations to craft common messages and to advise school districts on assumptions for budget and interim reports. Our goal is to have as consistent a county office message as possible to school districts. This edition provides guidance for the 2011-12 First Interim Report and related Multi-Year Projections (MYPs). The advice contained in this version incorporates the changes since the "Enacted State Budget for the 2011-12 Budget Common Message" which was issued on July 13, 2011.

On June 30, 2011, Governor Brown signed the State Budget Act, Senate Bill (SB) 87, Chapter 33, Statutes of 2011, and the Education Trailer Bill, Assembly Bill (AB) 114, Chapter 43, Statutes of 2011. As a reminder, the 2011-12 First Interim Report will continue to include MYP's.

#### **"TRIGGER LANGUAGE"**

- The AB 114 "trigger language" provisions reference Education Code 42127 which specifies requirements for a school district's adoption of the annual budget. The "trigger language" does not reference Education Codes 42130, 42131, 42132 and 42133 which specifies requirements for a school district's interim reports. Therefore, school districts should include the multi-year projections for 2012-13 and 2013-14 with the 2011-12 First Interim Report submission.
- 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), 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.

- Below is the chart that illustrates the implementation of the “trigger language” provisions.

### Summary of Potential “Trigger” Cuts if State Revenue Assumptions Are Not Met



**Note: The Trigger II requires a drop of more than \$2 billion which equals a 2.26% drop in state revenues from \$88.5 billion to \$86.5 billion.**

**Note: Chart and language courtesy of School Services of California.**

- Contingent upon reductions authorized by the “trigger language” being implemented, AB 114 provides the authority for local school boards to negotiate the reduction of the school year by 7 days to a minimum of 168 instructional days.

There are many factors both, economic and others, that will affect the final outcome of the potential implementation of the “trigger language.” Unfortunately, any changes to current law, should the trigger be pulled, will not be known prior to the school district’s submittal of the 2011-12 First Interim Report, due to our office by December 15, 2011. Following are specific economic and other factors that could impact the implementation of the “trigger language.”

## ECONOMIC FACTORS

- Economic forecasts will be released by the Legislative Analyst Office (LAO) in mid-November and the Department of Finance (DOF) by December 15, 2011. The higher of the two agency’s forecasts will be used to determine if the “trigger language” is to be implemented. Absent further enactments that change existing statutes, and if the specified conditions for the “trigger language” provisions are met, the reductions will occur without any further action by the Legislature or the Governor.
- Economists with the UCLA Anderson Forecast released their quarterly forecast on September 20, 2011. This forecast indicates that both the national and state economy has stalled. This forecast is more pessimistic than the previous forecast.

- The Department of Finance reports that the year-to-date (July 2011 through September 2011) state revenues are down 3.4% for a loss of \$654 million from the expected \$19.39 billion. This is the fourth straight month that state revenues fell short of budgeted levels.
- The State's unemployment figures for August 2011 rose to 12.1%, which reflects an increase in the rate for the third straight month. This compares to the national unemployment rate of 9.1%.

## **OTHER FACTORS**

- The "trigger language" applies to 2011-12. There continues to be a structural deficit that the State needs to address for 2012-13.
- While the Governor has expressed a clear intention to implement the "trigger language" if the required criteria is met, the Democrats have concerns about the implementation of the "trigger language."
- A Field Poll released September 19, 2011, reflects disapproval of the "trigger language" by the public.
- Education organizations continue to lobby the Legislature and Governor to not implement the "trigger language." School districts do not have the necessary tools to implement mid-year cuts due to actions taken by the Legislature and Governor.

### **Based on the uncertainty of the implementation of the "trigger language," we recommend the following guidance:**

- It is expected that school districts will maintain "best fiscal practices."
- MYPs are required with the First Interim Report.
- School districts should "plan for the worst case scenario and hope for the best." Financial projections should consider contingency plans for the possible implementation of the "trigger language."
- School districts should begin or continue negotiations in order 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 tax revenue anticipation notes (TRANS) and the cost of any borrowing will likely increase.

## **THE FOLLOWING SECTIONS PROVIDE MORE DETAILED ADVICE RELATIVE TO CHANGES SINCE THE ENACTED STATE BUDGET COMMON MESSAGE DATED JULY 13, 2011:**

### **Revenue Limit and Cost of Living Adjustments (COLAs)**

AB 114 added Education Code Section 42127(a)(1)(A) which includes a requirement that “each school district shall project the same level of revenue per unit of average daily attendance as it received in the 2010-11 fiscal year.” This applied only to the 2011-12 annual budget and not to the 2011-12 interim reports. We recommend that school districts use the School Services of California (SSC) Dartboard (see Attachment A), which was updated September 12, 2011 based on the 2011-12 post AB 114 prohibitions in the development of their 2011-12 First Interim Report and the related MYPs for 2012-13 and 2013-14. Please note the information relative to the “trigger language.” Also note footnote 1 relative to the statutory COLA, which reads, “While a positive statutory COLA is projected for 2012-13, the State’s ability to fund it is suspect. Districts should have a contingency plan if the state decides not to fund the COLA.”

### **Special Education Maintenance of Effort**

The Special Education Maintenance of Effort (SEMOE) reports are required to determine if a special education local plan area (SELPA) or a local educational agency (LEA) met the maintenance of effort (MOE) required by the federal Individuals with Disabilities Education Act (IDEA).

First Interim provides an opportunity for LEAs to determine compliance with this requirement. The Standardized Account Code Structure (SACS) software includes the ability to test for MOE during the fiscal year on projected expenditures versus 2010-11 actuals. There are two planning opportunities; verify MOE for the upcoming year end for 2011-12 actuals versus 2010-11 actuals, and a required update if the most recent MOE compliance was not met for the 2011-12 budget versus 2010-11 actuals. For example, an adjustment in the 2011-12 budget to ensure compliance. Non-compliance with MOE is an impact on federal funding through a reduction of funds. This check and update affords a chance to remedy the situation to reduce the risk of a loss in funding.

### **Child and Adult Care Food Programs**

The California Department of Education (CDE) Nutrition Services Division issued Management Bulletin NCD-CACFP-04-2011, dated June 2011 relative to contracting out for management functions in the Child and Adult Care Food Program. The Management Bulletin reminds all institutions participating in the Child and Adult Care Food Program (CACFP) that institutions may not contract with another company for all management functions. This includes a school district contracting with another school district or county office for these functions.

### **Transportation**

The Statutes are not clear relative to any formula to be used for the “trigger language” cuts to transportation, both regular education and special education transportation. A formula will be determined by the Department of Finance should the “trigger language” be implemented. As a way of estimating the impact, a school district could calculate the potential cuts by the following formula:

- 2011-12 transportation apportionment times 50% divided by 2011-12 estimated second period (P-2) average daily attendance (ADA) equals potential loss per ADA.

Also note that a school district must expend 100% of the 2011-12 transportation entitlement (the amount before the 19.84% cut is applied) on transportation during 2011-12 in order to receive the same amount of funding for future years. The CDE is aware of this provision and is reviewing the possibility of a waiver should there be reductions due to the “trigger language” implementation.

## Basic Aid School Districts

For 2011-12 and 2012-13, the State Budget provides for a reduction to state categorical funds provided to a basic aid school district in an amount equal to 8.92% of its revenue limit, commonly known as the “fair share” cut. A school district receives a fair share cut based on the district’s basic aid status at the Second Principal Apportionment in the prior year. This means that for a school district to be subject to the 8.92% cut in 2011-12, it must be a basic aid district in 2010-11. If a school district becomes basic aid in 2011-12, it will be “subject” to the fair share cut in 2012-13. However, in no event would that reduction be more than the amount of local revenues that exceed the district’s revenue limit.

Additionally, basic aid school districts should also be prepared to take their share of any “trigger language” reductions and should develop contingency plans accordingly.

## Property Taxes

The initial 2011-12 secured tax levy for your school district is available at the Orange County Auditor-Controller’s web site: <http://www.ttc.ocgov.com/acledger/index.asp>. We expect to receive the 2011-12 P-1 property tax estimates in mid-November.

## Interest Yield Projections

The current interest yield projection for 2011-12 is 0.40%. This projection is provided by the Orange County Treasurer-Tax Collector and is based on the current yield environment taking into account any possible action from the Federal Open Market Committee. This information is updated throughout the year by the Orange County Treasurer.

## Cash Related to Redevelopment Agencies (RDAs)

Assembly Bill 26 of the 2011–12 First Extraordinary Session (ABX1 26) eliminated redevelopment agencies. The budget assumes that payments to schools will total \$1.7 billion in 2011–12 reflecting an offset to the General fund and comes to LEAs as property tax payments. The shift in the funds from Proposition 98 (Prop 98) through this re-benching mechanism reduces the availability of the cash to flow through as apportionments to LEAs. The current apportionment schedule incorporates the loss of the \$1.7 billion in Prop 98 funds. This shift in the funds should be taken into consideration for cash flow projections. Please note that there is pending litigation in the courts on this issue.

## CASH MANAGEMENT

### Intra-Year Principal Apportionment Deferrals

#### 2011-12

SB 82 was chaptered on March 24, 2011 and allows for intra-year deferrals in the 2011-12 fiscal year. The intra-year deferrals from SB 82 are as follows:

Timeframe	Deferral Amount
July 2011 to September 2011	\$700 million
July 2011 to January 2012	\$700 million (\$541 million was actually deferred)
August 2011 to January 2012	\$1.4 billion (\$1.2 billion was actually deferred)
October 2011 to January 2012	\$2.4 billion (\$2.2 billion from Principal Apportionment and the difference is a 100% deferral of the October consolidated categoricals payment plus a 7% deferral of the October Instructional Materials Realignment Program (IMFRP) payment)
March 2012 to April 2012	\$1.4 billion (\$837 million from Principal Apportionment and the difference will come from a 100% deferral of the March consolidated categoricals payment plus a 100% deferral of the March Economic Impact Aid (EIA) payment)

## Inter-Year Principal Apportionment Deferrals

Please refer to the table below for a list of principal apportionment inter-year deferrals. The percentage of principal apportionment funds deferred across fiscal years in 2011-12 is 39%. **See Attachment B for a graphic illustration of all principal apportionment deferrals both intra-year and inter-year.**

2011-12	
Deferral Amount	Timeframe
\$2.0 billion	February 2012 to July 2012
\$1.3 billion	March 2012 to August 2012
\$763.8 million	April 2012 to August 2012
\$419 million	April 2012 to July 2012
\$678.6 million	April 2012 to August 2012
\$800 million	May 2012 to July 2012
\$1.0 billion	May 2012 to August 2012
\$2.5 billion	June 2012 to July 2012
<b>\$9.4 billion</b>	<b>Deferred across fiscal years</b>

**Also note that changes in property valuations can significantly affect cash flow. Also, the change in status from a Revenue Limit school district to a Basic Aid school district will impact the receipt of cash from monthly to primarily December and April.**

## Other Inter-Year Payment Deferrals

In addition to the inter-year principal apportionment payment deferrals, there are three inter-year deferrals applicable to K-3 Class Size Reduction, School Safety Violence Prevention, and Targeted Instructional Improvement Grant. The deferral amounts are listed below:

- \$550 million for K-3 Class Size Reduction (CSR)
- \$38.7 million for School Safety Violence Prevention
- \$100.1 million for the Targeted Instructional Improvement Grant

## Apportionment Schedules

In addition to apportionment deferrals, the State of California modified the principal apportionment payment schedules in 2009-10 to enhance the State's cash position in future years. In light of the reduced and deferred apportionments and change in timing of distribution of funds from the State, a great deal of emphasis must be placed on cash flow analysis and monitoring.

Please note that the principal apportionment deferrals will impact each school district differently depending upon: (1) the amount of State Aid revenue limit funding that each district receives and (2) the principal apportionment schedule that is dictated by Education Code Section 14041. There are three separate principal apportionment schedules outlined in Education Code Section 14041(a). Most LEAs in California receive apportionments that are in accordance with Education Code Section 14041(a)(1)(2)(3)(4). However, there are a small number of districts in California that receive apportionments in accordance with Education Code Section 14041(a)(7) or Education Code Section 14041(a)(8). The Education Code Section 14041(a)(7) principal apportionment schedule applies to school districts that reported less than 5,000 units of average daily attendance in the 1979-80 fiscal year and that received 39 percent or more, but less than 75 percent, of their total revenue limits from local property taxes in that fiscal year. In Orange County, most LEAs are paid on the Education Code 14041(a)(1)(2)(3)(4) schedule (see attachment C-1) and three school districts (Buena Park Elementary,



Brea Olinda Unified, and Laguna Beach Unified) are paid according to Education Code 14041(a)(7) (see attachment C-2).

We have always stressed the importance of maintaining appropriate reserves. **These cash management challenges make it even more imperative that we consider reserve levels greater than the minimums required within the State's Criteria and Standards.** Reserves are especially critical in order to meet cash flow needs that guarantee the ability to adequately meet payrolls and other obligations.

## **RESERVE FOR ECONOMIC UNCERTAINTIES**

The revised 2009-10 Enacted Budget lowered the minimum reserve requirement levels for economic uncertainties to 1/3 the percentage level adopted by the State Board as of May 1, 2009. SB 70 extended this provision for both 2010-11 and 2011-12. However, school districts are required to make progress in the 2012-13 fiscal year to return to compliance with the specified standards and criteria adopted by the State Board. By fiscal year 2013-14, school districts must meet compliance and restore the reserves to the percentage adopted by the State Board as of May 1, 2009. We believe that the percentages established in the Criteria and Standards for reserves prior to the current Enacted Budget are the BARE MINIMUM. Moreover, once the minimum reserve levels are reduced, it would take budget reductions of twice the amount of the lowered reserve levels to fully restore the reserve by June 30, 2014. With the continued deferral of apportionments, it is more critical than ever to maintain higher levels of reserves for cash flow purposes. Remember that a school district needs a state loan when they run out of cash and do not have any other borrowing options even if the school district has a positive fund balance.

County offices of education and basic aid school districts are advised to maintain reserves much greater than the State required minimum because they do not have the prior year ADA protection provided to school districts under Education Code 42238.5, whereby revenue limit funding is based on ADA for either the current or prior fiscal year, whichever is greater.

## **NEGOTIATIONS**

When considering a multi-year contract, school districts need to be very flexible and have appropriate contingency language, such as basing compensation increases on actual ending balance, "funded COLA" or "effective COLA." Also recognize that there may be different COLAs and deficits for revenue limits versus categorical programs and this should be considered during negotiations.

It is also important to note that the 2011-12 Enacted State Budget provides flat funding, but AB 114 incorporated "trigger language" reducing revenue limit apportionments if state revenues do not reach a specified level. School districts need to consider this as they negotiate changes to collective bargaining agreements.

## **SUMMARY**

We recognize that these are extraordinary economic times and it is difficult to gauge the future. School district budgets should be managed with an eye to the significant downside risk created by the State's ongoing structural deficit. In these times of great economic and budgetary uncertainty, school districts need reserves that are much greater than the minimum.

It is recommended that school districts continue to be cautious and focus on a multi-year strategy when recommending decisions and obtaining agreements. Attention should be focused on the multi-year projections for 2012-13 and beyond. School districts should "plan for the worst, but hope for the best", and develop financial projections accordingly.

We understand how difficult it is for school districts to deal with the increased pressures, significantly reduced funding, apportionment deferrals, and the uncertainty associated with a volatile economy. It is important that school districts be proactive through developing contingency plans that allow the most flexibility possible.



## SSC School District and County Office Financial Projection Dartboard Post AB 114 Prohibitions (September 12, 2011)

This version of SSC's Financial Projection Dartboard is based on the Adopted 2011-12 State Budget. The provisions of Assembly Bill (AB) 114 that prohibited school districts from budgeting for possible midyear trigger reductions applied to only district budget adoptions—they do not apply to the interim reports. We have, therefore, updated the planning factors accordingly. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are, at best, general guidelines.

Factor	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Statutory COLA (applies to K-12 and COE Revenue Limits)	-0.39%	2.24%	3.10% <sup>1</sup>	2.80%	3.00%	3.20%
K-12 Revenue Limit Deficit %	17.963%	19.754%	19.754%	19.754%	19.754%	19.754%
COE Revenue Limit Deficits %	18.250%	20.041%	20.041%	20.041%	20.041%	20.041%
Revenue Limit Trigger Cuts (one-time) <sup>2</sup> : Elementary Unified High	—	-\$250 per ADA -\$260 per ADA -\$300 per ADA	—	—	—	—
Home-to-School and Special Education Transportation Trigger Cuts (one-time) <sup>3</sup>	—	-50%	—	—	—	—
Net Revenue Limit Change: K-12 COEs	5.17% 5.17%	0.00% 0.00%	3.10% 3.10%	2.80% 2.80%	3.00% 3.00%	3.20% 3.20%
Special Education COLA (on state and local share only)	0.00%	0.00%	3.10%	2.80%	3.00%	3.20%
State Categorical Funding (including adult education and ROC/P) Tier I Tier II Tier III	0.00% 0.00% 0.00%	0.00% 0.00% 0.00%	3.10% 3.10% 3.10%	2.80% 2.80% 2.80%	3.00% 3.00% 3.00%	3.20% 3.20% 3.20%
California CPI	1.80%	3.20%	2.80%	3.00%	3.10%	3.30%
California Lottery	Base	\$111.75	\$111.75	\$111.75	\$111.75	\$111.75
	Proposition 20	\$17.00	\$17.00	\$17.00	\$17.00	\$17.00
Interest Rate for Ten-Year Treasuries	3.10%	3.50%	4.00%	4.10%	4.20%	4.40%

### ESTIMATED STATEWIDE AVERAGE BASE REVENUE LIMITS PER ADA "UNDEFICITED"

Year	Elementary	High School	Unified
2010-11 Statewide Average (est.)	\$6,110	\$7,340	\$6,392
2011-12 Inflation Increase @ 2.24% COLA	\$137	\$164	\$143
2011-12 Statewide Average (est.)	\$6,247	\$7,504	\$6,535

### 2011-12 BUDGET ACT ESTIMATED CHARTER SCHOOL RATES

	K-3	4-6	7-8	9-12
General Purpose Block Grant (will change at each apportionment)	\$5,077	\$5,153	\$5,306	\$6,148
Categorical Block Grant (est.) <sup>4</sup>	\$410	\$410	\$410	\$410
Total	\$5,487	\$5,563	\$5,716	\$6,558

<sup>1</sup> While a positive statutory COLA is projected for 2012-13, the state's ability to fund it is suspect. Districts should have a contingency plan if the state decides not to fund the COLA.

<sup>2</sup> The Budget Act provides for trigger reductions if state revenues are projected to fall short of the budgeted level. The average maximum reductions to revenue limit funding are about \$260 per ADA for unified school districts, \$300 per ADA for high school districts, and \$250 per ADA for elementary school districts.

<sup>3</sup> The Budget Act provides for trigger reductions if state revenues are projected to fall short of the budgeted level. These reductions include cuts of up to 50% of a district's Home-to-School and special education transportation funding.

<sup>4</sup> The Charter School Categorical Block Grant rates do not include Economic Impact Aid funding, which is provided separately. In addition, for charter schools that began operation in or after 2008-09, there is an additional amount per ADA in supplemental categorical block grant funding.

# Delayed Principal Apportionment Funding

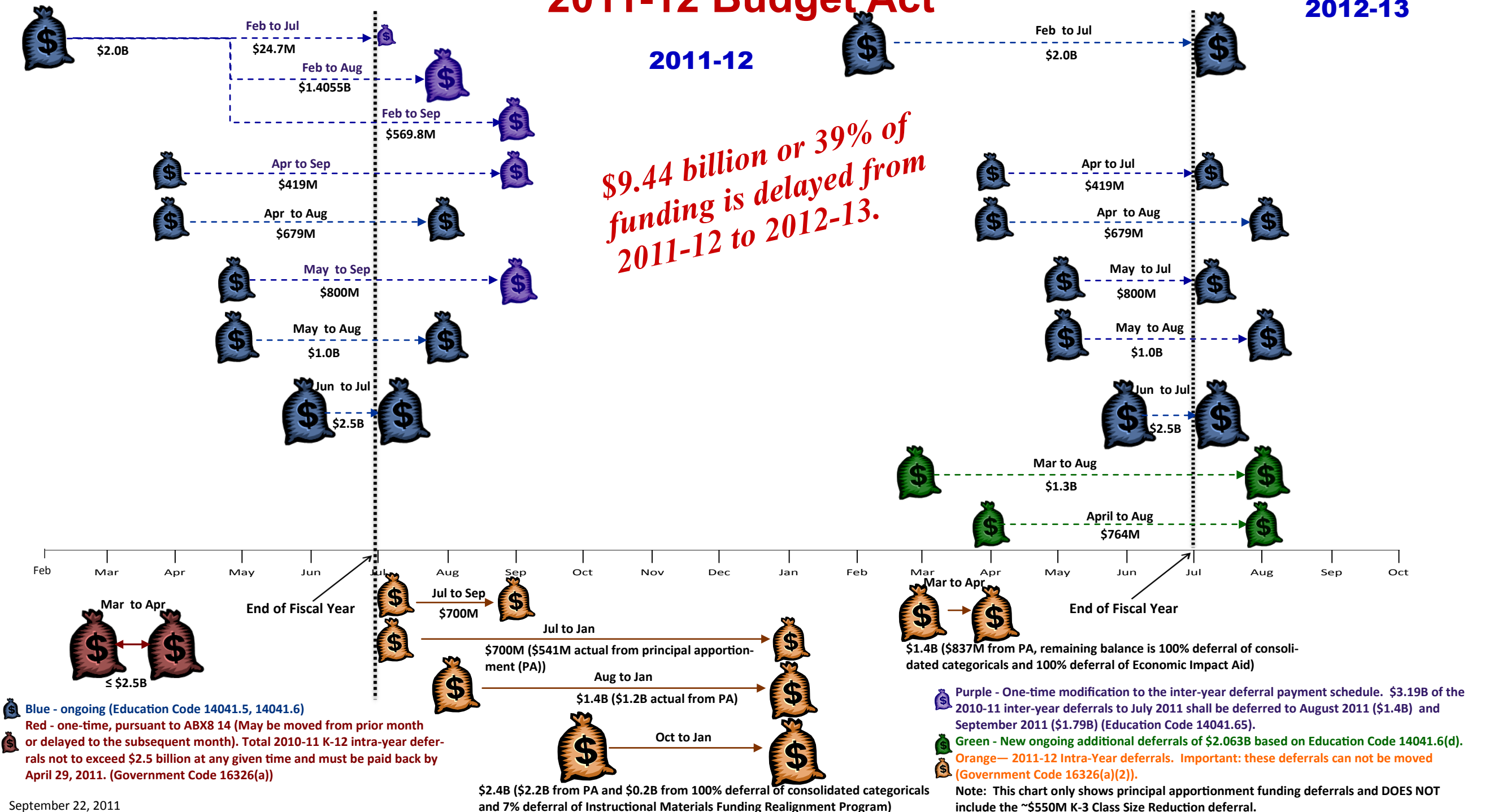
## 2011-12 Budget Act

2010-11

2012-13

2011-12

*\$9.44 billion or 39% of funding is delayed from 2011-12 to 2012-13.*



## Principal Apportionment Schedule - EC 14041(a)(1)(2)(3)(4)

ATTACHMENT C-1

	2011-12												2012-13	
	Advance							P-1				P-2	Advance	
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
E.C. Section 14041(a)(1)(2)(3)(4)	5.00%	5.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	5.00%	5.00%
Percentage Paid in Current Month	0.00%	0.00%	9.00%	0.00%	9.00%	9.00%	9.00%	0.50%	0.00%	1.09%	1.50%	0.00%	5.00%	5.00%
Deferred from July Advance			2.70%				2.30%							
Deferred from August Advance							5.00%							
Deferred from October Advance							9.00%							
Deferred from February P-1	0.10%	5.73%	2.32%										8.50%	
Deferred from March P-1										3.51%				5.49%
Deferred from April P-1		2.77%	1.71%										1.79%	6.12%
Deferred from May P-1		3.61%	3.07%										3.31%	4.19%
Deferred from June P-2	9.00%												9.00%	
Total Received from Current Year	0.00%	0.00%	11.70%	0.00%	9.00%	9.00%	25.30%	0.50%	0.00%	4.60%	1.50%	0.00%	5.00%	5.00%
Total Received from Prior Year	9.10%	12.10%	7.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	22.60%	15.80%
Grand Total Received	9.10%	12.10%	18.80%	0.00%	9.00%	9.00%	25.30%	0.50%	0.00%	4.60%	1.50%	0.00%	27.60%	20.80%

Cumulative E.C. Section 14041 5/5/9

2010-11 Cumulative Principal Apportionments	80.79%	92.90%	100.00%
Difference			

Cumulative E.C. Section 14041	5.00%	10.00%	19.00%	28.00%	37.00%	46.00%	55.00%	64.00%	73.00%	82.00%	91.00%	100.00%		
2011-12 Cumulative Principal Apportionments	0.00%	0.00%	11.70%	11.70%	20.70%	29.70%	55.00%	55.50%	55.50%	60.10%	61.60%	61.60%	84.20%	100.00%
Difference	-5.00%	-10.00%	-7.30%	-16.30%	-16.30%	-16.30%	0.00%	-8.50%	-17.50%	-21.90%	-29.40%	-38.40%		

## Assumptions:

(1) For 2011-12, we assume that your 2011-12 Advance Apportionment is fixed for the entire 2011-12 fiscal year.

## Legend:

Red: one-time 2010-11 Intra-year Deferrals (ABX8 14, Government Code Section 16326(a))

Orange: one-time 2011-12 Intra-Year Deferrals (SB82, Government Code Section 16326(a)(2))

Blue: ongoing Inter-Year Deferrals (Education Code Sections 14041.5, 14041.6)

Green: one-time modification of Inter-Year Deferrals (SB 70, Education Code Section 14041.65)

Yellow Highlight: Percentage of Principal Apportionment payments deferred across fiscal years.

# Principal Apportionment Schedule - EC 14041(a)(7)

ATTACHMENT C-2

*This applies to Buena Park, Brea Olinda Unified, and Laguna Beach Unified.*

	2011-12												2012-13	
	Advance						P-1				P-2		Advance	
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Education Code Section 14041(a)(7)	15.00%	15.00%	15.00%	15.00%	0.00%	0.00%	6.00%	6.80%	6.80%	6.80%	6.80%	6.80%	15.00%	15.00%
Percentage Paid in Current Month	0.00%	0.00%	15.00%	0.00%	0.00%	0.00%	6.00%	0.41%	0.00%	0.82%	1.09%	0.00%	15.00%	15.00%
Deferred from July Advance			8.10%				6.90%							
Deferred from August Advance							15.00%							
Deferred from September Advance														
Deferred from October Advance							15.00%							
Deferred from February P-1	0.08%	4.33%	1.75%										6.39%	
Deferred from March P-1										2.65%				4.15%
Deferred from April P-1		2.09%	1.29%										1.36%	4.62%
Deferred from May P-1		3.08%	2.46%										2.52%	3.20%
Deferred from June P-2	6.80%												6.80%	
Total Received from Current Year	0.00%	0.00%	23.10%	0.00%	0.00%	0.00%	42.90%	0.41%	0.00%	3.47%	1.09%	0.00%	15.00%	15.00%
Total Received from Prior Year	6.88%	9.50%	5.51%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	2.65%	0.00%	0.00%	17.07%	11.97%
Grand Total Received	6.88%	9.50%	28.61%	0.00%	0.00%	0.00%	42.90%	0.41%	0.00%	6.12%	1.09%	0.00%	32.07%	26.97%

Cumulative E.C. Section 14041				
2010-11 Cumulative Principal Apportionments	84.99%	94.49%	100.00%	
Difference				

Cumulative E.C. Section 14041	15.00%	30.00%	45.00%	60.00%	60.00%	60.00%	66.00%	72.80%	79.60%	86.40%	93.20%	100.00%		
2011-12 Cumulative Principal Apportionments	0.00%	0.00%	23.10%	23.10%	23.10%	23.10%	66.00%	66.41%	66.41%	69.88%	70.96%	70.96%	88.03%	100.00%
Difference	-15.00%	-30.00%	-21.90%	-36.90%	-36.90%	-36.90%	0.00%	-6.39%	-13.19%	-16.52%	-22.24%	-29.04%		

## Assumptions:

(1) For 2011-12, we assume that your 2011-12 Advance Apportionment is fixed for the entire 2011-12 fiscal year.

## Legend:

Red: one-time 2010-11 Intra-year Deferrals (ABX8 14, Government Code Section 16326(a))  
Orange: one-time 2011-12 Intra-Year Deferrals (SB82, Government Code Section 16326(a)(2))  
Blue: ongoing Inter-Year Deferrals (Education Code Sections 14041.5, 14041.6)  
Green: one-time modification of Inter-Year Deferrals (SB 70, Education Code Section 14041.65)  
Yellow Highlight: Percentage of Principal Apportionment payments deferred across fiscal years.

## **Attachment D – Fiscal Solvency Statement**

In submitting the 2011-12 First Interim Report, the Board understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years.

Due to the volatility of California's economic recovery and uncertainty with education funding, it is recognized that, if necessary, the school district plans to implement between \$(\_\_\_\_\_) and \$(\_\_\_\_\_) in ongoing budget reductions in 2012-13 and an additional \$(\_\_\_\_\_) reductions in 2013-14 to maintain fiscal solvency.

With the 2011-12 Second Interim Report submission, the Board will provide a detailed budget reduction plan along with an implementation timeline.