



Cisneros Financial Analysis March 2014

State Budget Update

Even as California's economy improves only moderately, funding for education increases significantly in Governor Brown's recently released 2014-15 Budget Proposal. Due to strong tax revenues, the K-14 Proposition 98 minimum funding guarantee grows to \$61.6 billion in the Governor's budget proposal, a \$6.3 billion increase. Combined with one-time increases of \$3.4 billion for 2012-13 and 2013-14, there is an additional \$9.7 billion available for K-14 education. In the governor's proposal, a large portion of this increase would go toward providing additional funding for the implementation of Local Control Funding Formula (LCFF). The new funding, coupled with this year's funding would bring schools over a third of the way to their school-specific LCFF target rates. Another big chunk would go to ending revenue deferrals, which at their peak pushed 45% of state revenue earned in one year into the next.

Recognizing that California's tax structure results in significant volatility in state funding for education and the rest of the state budget areas, the Governor proposed changes to the existing rainy day fund, which voters approved in 2004, and the creation of a new rainy day fund specifically for education. These proposals will require voter approval as they would amend the state constitution.

In addition to the Governor's budget proposal, the other big news coming out of Sacramento is the State Board of Education's action to approve LCFF spending regulations and the template for the Local Control and Accountability Plan (LCAP). The spending regulations detail a formula to determine how much of a school's LCFF allocation must be spent to "increase or improve services" for low income students, English learners, and foster youth as compared to the entire student population. The regulations also clarify that the funds may be used on a charter-wide basis but that additional explanation will be required in the LCAP. ExED will provide additional information and guidance on LCAP development in the very near future but, in the meantime, charter schools are strongly encouraged to review the LCAP template (available here: <http://www.cde.ca.gov/be/ag/ag/yr14/documents/jan14item21a3.doc>) and to review the California Charter Schools Association FAQ on the LCAP (available here: http://www.calcharters.org/131121_LCAP_FAQs_CCSA.pdf). Remember: charter school boards are expected to approve an LCAP and submit it to their charter authorizer by July 1 of each year, which means the window for this year is severely shortened.

Net Income

Cisneros is projected to achieve a net income of \$155k in FY13-14 compared to \$38k in the board approved budget. Reasons for this variance are explained below in the Income Statement section of this analysis.

This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$20,000 and 10%.



Balance Sheet

As of March 31, 2014, the school’s cash balance was \$1.34MM. By June 30, 2014, the school’s cash balance is projected to be \$648k.

As of March 31, 2014, the Accounts Receivable balance was \$ 0, down from \$44k in the previous month, due to the receipt of revenue earned in FY12-13.

As of March 31, 2014, the Accounts Payable balance, including payroll liabilities, totaled \$102k.

Income Statement

Revenue

Total revenue for FY13-14 is projected to be \$4.94MM which is \$134k or 3% over budgeted revenue of \$4,808MM.

- Due to implementation of the Local Control Funding Formula (LCFF), Revenue Limit Source revenue is projected to be over budget by \$725k. However, State Income is projected to be \$585k under budget. This totals to \$140k in additional funding for Cisneros.
- Due to LCFF implementation, CNCA Cisneros should realize a 7.66% increase in Revenue for FY13/14 over that received in FY12/13. Due to the conservative ADA estimates budgeted for CNCA Cisneros for FY13/14, the percentage is currently coming in lower. In FY12/13 CNCA Cisneros had a 95% ADA rate with enrollment of 649 (as of P2 616.95). We are forecasting at a 95% ADA rate with enrollment of 626 (603.52) in order to maintain a safe cushion for variances that may occur throughout the year.
- **Object Code 8291:** Title I revenue is forecasted to be (\$37k) less than budget based on revised entitlement schedule posted February 2014.
- **Object Code 8294:** Title III revenue is forecasted at \$21k over budget based on entitlement schedule posted February 2014.

Expenses

Total expenses for FY13-14 are projected to be \$4.79MM which is \$18k or 0% over budgeted expenditures of \$4.77MM.

- **Object Code 2000-2900:** Classified Salaries are projected to be \$22k under budget. Reasons for this variance:
 - Two Teachers Aides were added after the budget approval for an additional \$24k in Object Code 2100 salaries.
 - Cisneros’ Office Manager (Object Code 2400) was promoted to Operations Manager (Object Code 2300) generating an increase of \$45k in Classified Supervisor salaries and a decrease of (\$40.8k) in Clerical Staff.
 - The Mental Health Technician position was budgeted as Classified Object Code 2900 but hired as Certificated Object Code 1200 bringing the 2900 forecast in about (\$33k) under budget. Also, (\$15k) has not been spent on two new Campus Supervisors who are being forecasted. As of 03/2014 only one had been hired.

This report will discuss revenue and expenditure variances from the Board-approved budget that are above \$20,000 and 10%.



- **Object Code 3401:** Health & Welfare expense is projected to total \$56k under budget due to billing realities in FY13/14.
- **Object Code 4110, 4210, 4310:** Books/Other Reference Material is projected to total \$61k over budget for the following reasons:
 - \$22k FY12/13 Library Purchases not received until FY13/14
 - \$39k in additional book purchases not budgeted
- **Object Code 4400:** Non Capitalized Equipment is projected to be over budget by \$57k. This expense is for the purchase of computers and is offset by Common Core Revenue.
- **Object Code 5500:** Electricity, Gas and Water is projected to come in at approximately \$75k total for the year. This is well under the \$200k originally budgeted based upon the realities of FY12/13 total annual costs.
- **Object Code 5550:** Housekeeping Services Expense is forecasted to be (\$30k) under budget partially due to the removal of Deferred Maintenance from the income statement section of Cisneros' financials. Deferred Maintenance will continue to be restricted at 1% of total expenses; this will be reflected as an additional \$43k in Cisneros' restricted ending fund balance.

ADA

Budgeted average ADA for FY13-14 is 609.90 based on an enrollment of 642 students and a 95% attendance rate.

The forecast assumes an ADA of 603.52 based on an enrollment of 626 students and a 95% attendance rate.

In Month 7, ADA was 600.24 with 625 students enrolled at the end of the month and a 95.6% ADA rate.

Average ADA for the year (through Month 7) is 604.46 (a 95.3% ADA rate for the year to date).

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