

MT. DIABLO UNIFIED SCHOOL DISTRICT
Office of the Chief Financial Officer

REPORT TO THE BOARD

TO: Members of the Board of Education and Superintendent's Council

FROM: Bryan Richards, Chief Financial Officer

DATE: June 11, 2013

SUBJECT: Approval – Resolution 12/13-51 of the Board of Education of Mt. Diablo Unified School District Regarding the Education Protection Account 2013-2014

Background:

Proposition 30, The Schools and Local Public Safety Protection Act of 2012, approved by the voters on November 6, 2012 temporarily increases the states sales tax rate for all taxpayers and the personal income tax rates for upper-income taxpayers.

The new revenues generated from Proposition 30 are deposited into a newly created state account called the Education Protection Account (EPA). EPA funds are based on the proportionate share of the statewide revenue limit amount. A corresponding reduction is made to the local education agency's revenue limit equal to the amount of their EPA entitlement.

The Revenue Limit is now comprised of three funding sources: State Aid, EPA and Property Taxes. The addition of a new funding source does not increase the amount of the revenue limit due to the District. The state aid portion is decreased accordingly.

Discussion/Issues:

At the beginning of each year, the Department of Finance will estimate the amount that will be transferred into the EPA. For 2012-13, each LEA's revenue limit was reduced by 20% at the beginning of the year, and that same amount in EPA cash is scheduled to be distributed at the end of June. For 2013-14, the currently estimate of the EPA is 16%, the funds will be distributed in equal payments quarterly during the last 10 days of September, December, March and June.

EPA revenue funds will be deposited into a new restricted resource 1400, using revenue object code 8012.

Along with the new funding source came additional reporting requirements:

- 1) Each year the Board of Education must approve a spending plan for the EPA money (The attached resolution is the spending plan.)
- 2) The EPA funds cannot be used for the salaries or benefits of administrators or administrative costs.
- 3) The District must publish on its website the amount of EPA money received and how it was spent.
- 4) An annual audit will be required to verify that EPA funds were spent in accordance with the requirements of Proposition 30. The cost of this audit can be paid with EPA funds.
- 5) For fiscal years 2013-14 through 2018-19 the spending plan must be approved at the time the budget is adopted.

The temporary taxes expire in fiscal year 2019-2020, when the Local Control Funding Formula is expected to be fully funded.

Spending Plan:

The District's Revenue Limit entitlement will be reduced by 16%, and this amount will instead be given to the district as revenue for the Education Protection Act funds. The District plans to use 100% of the EPA funding for current certificated teacher salaries and related benefits. The estimated EPA for fiscal year 2013-14 is \$26, 584,782.

Financial Impact:

None

Recommendations:

Approve Resolution 12/13-51 of the Board of Education of Mt. Diablo Unified School District Regarding the Education Protection Account for the portion of the revenue limit identified as the EPA funding, which is approximately 16% of the Districts total revenue limit, and proposes the funds be spent on current certificated teacher salaries and benefits, as presented.