

BUDGET UPDATE

2011-12 & 2012-13

November 3, 2011

Board Meeting

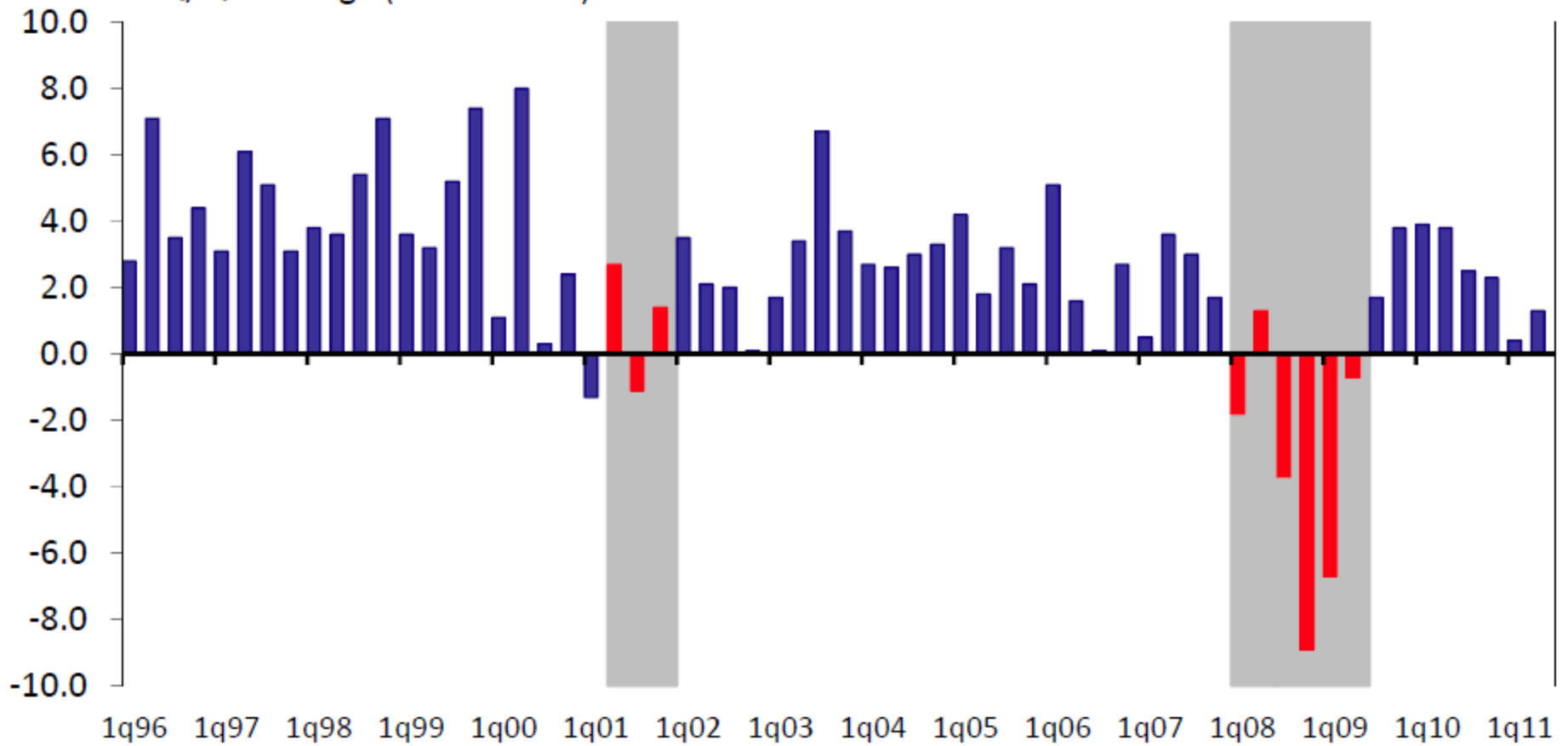
Economic Update

National Economy

- ❑ Consumer confidence in the U.S. economic outlook slumped in October to the lowest level since the recession
- ❑ Volatile stock market
- ❑ Housing continues to suffer with no improvement in sight for the next year
- ❑ Federal Reserve issued slightly better outlook but cut economic growth forecast
 - Down to 1.6% from 2.7%
 - Expects unemployment rate to stay around 9.1% until at least 2013

U.S. Economic Growth

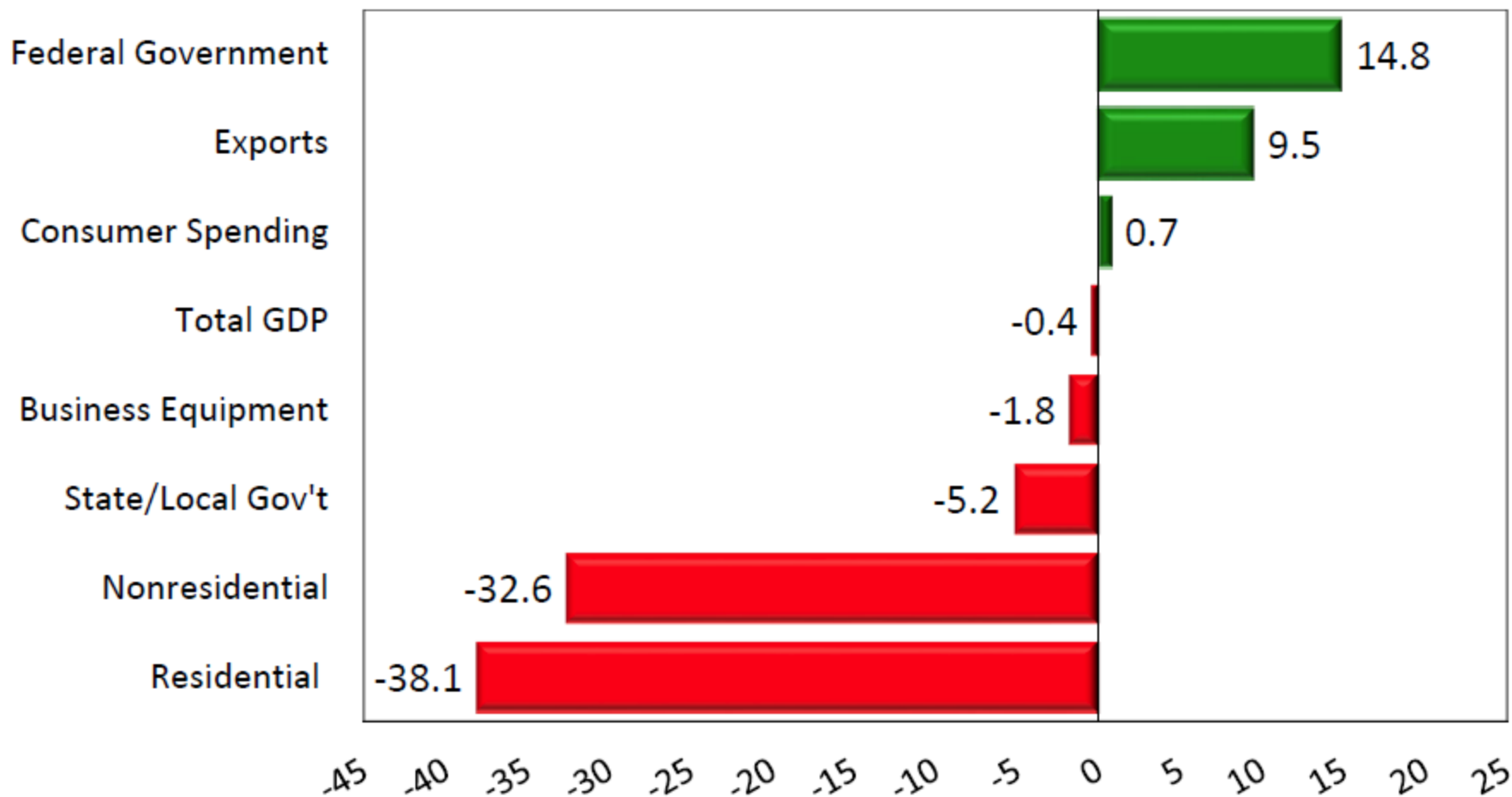
Q/Q %Change (Annual Rate)



Sources: Bureau of Economic Analysis, forecasts by LAEDC

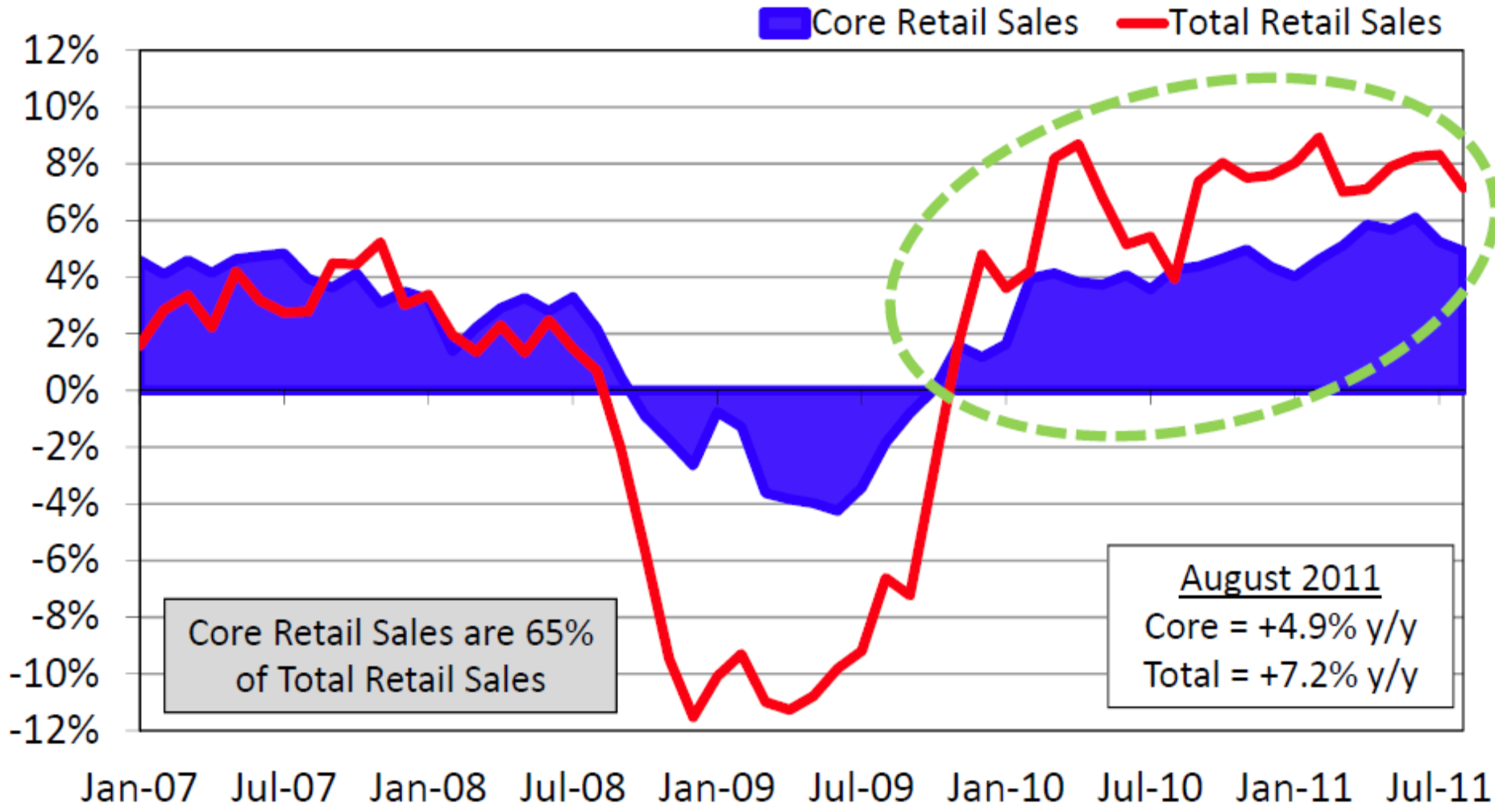
Economic Recovery is Unbalanced

Percent Change , Real \$ (2007Q4-2011Q2)



Source: Bureau of Economic Analysis

U.S. Retail Sales



Economic Update (cont.)

California Economy

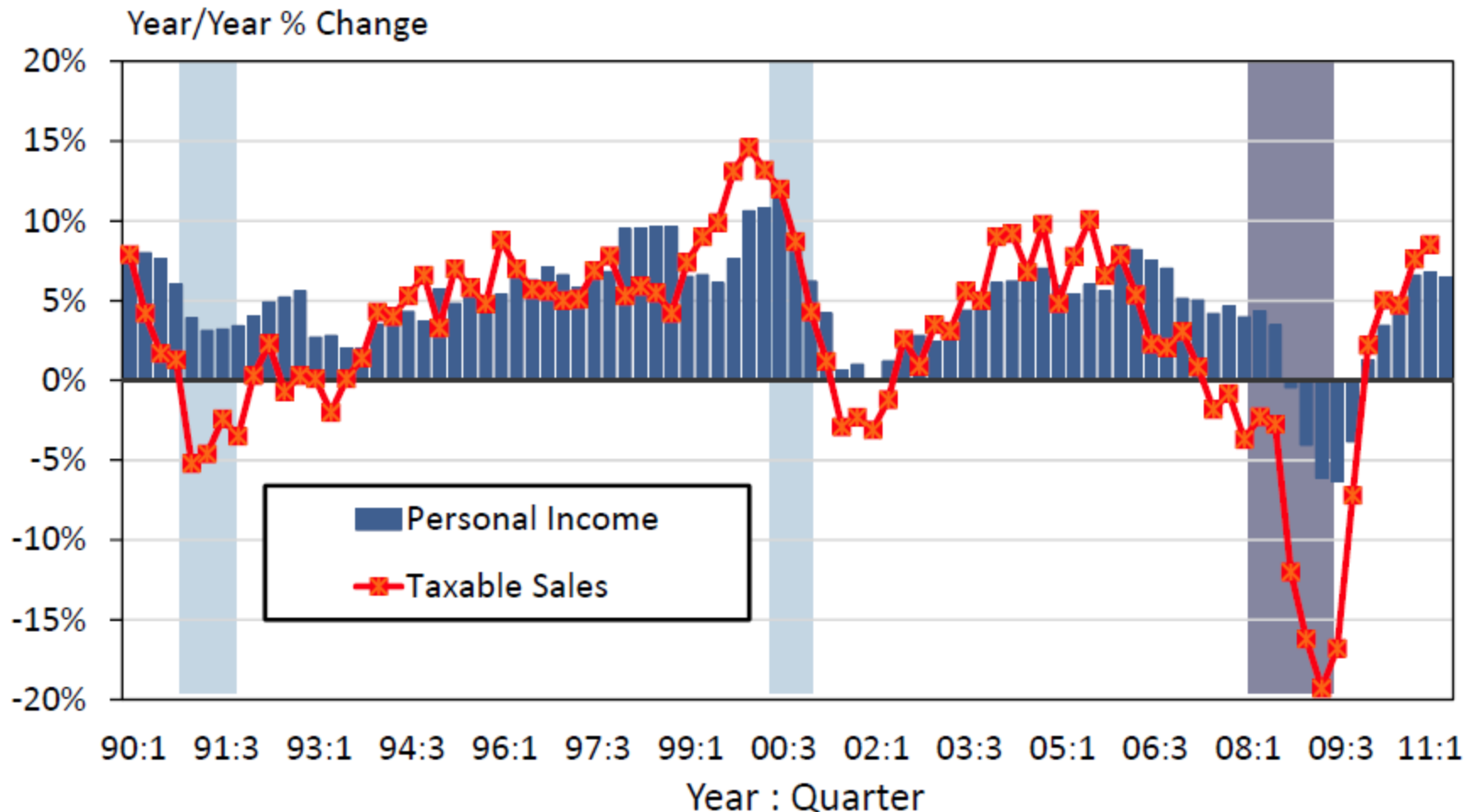
- Department of Finance report concedes that the state's economic recovery "appears to have lost momentum"
- The *Finance Bulletin* shows home construction improved in August but at a subdued rate
- Unemployment rate is at 11.9% (2nd highest)
 - Nevada - 13.4%
 - U.S. - 9.1%
 - In September, California added 11,800 jobs
- Foreclosure rate at 4.18% in September (2nd highest)
 - Nevada at 4.22%

Economic Update (cont.)

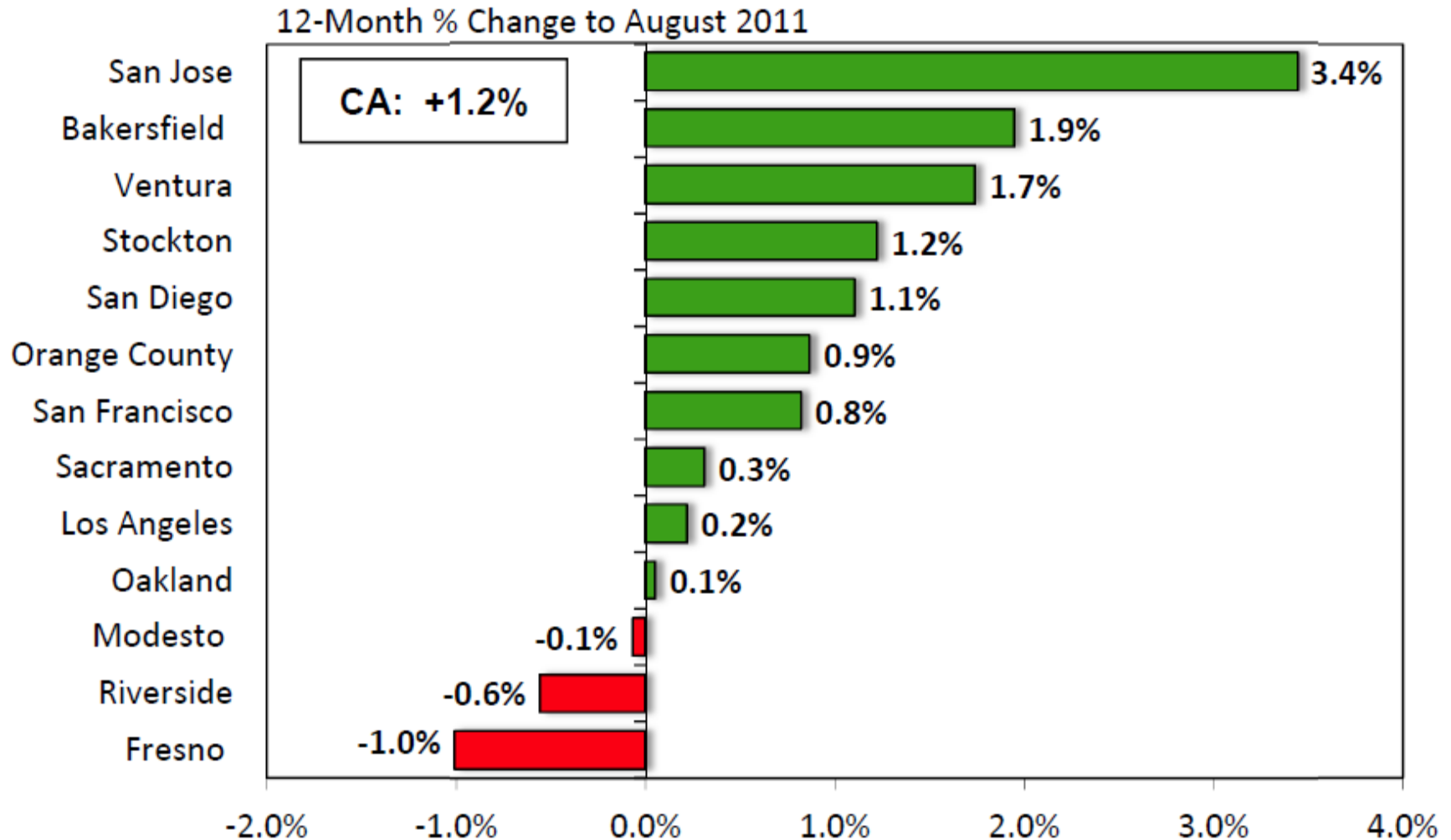
UCLA Forecast

- ❑ The economy is growing at such a slow pace that “any modest shock can trigger a full-blown recession”
- ❑ Growth in the gross domestic product (GDP) is now forecast to be only 1.5% for 2011, compared to 2.5 %, which was forecast just three months ago.
 - Growth for 2012 was revised down from 2.9% to 1.4%
- ❑ The national unemployment situation will get worse before it improves
 - The September forecast indicates that the U.S. unemployment rate will rise from its current level of 9.1% to 9.5% before slowly falling to 8.9% in 2013

California Personal Income & Taxable Sales



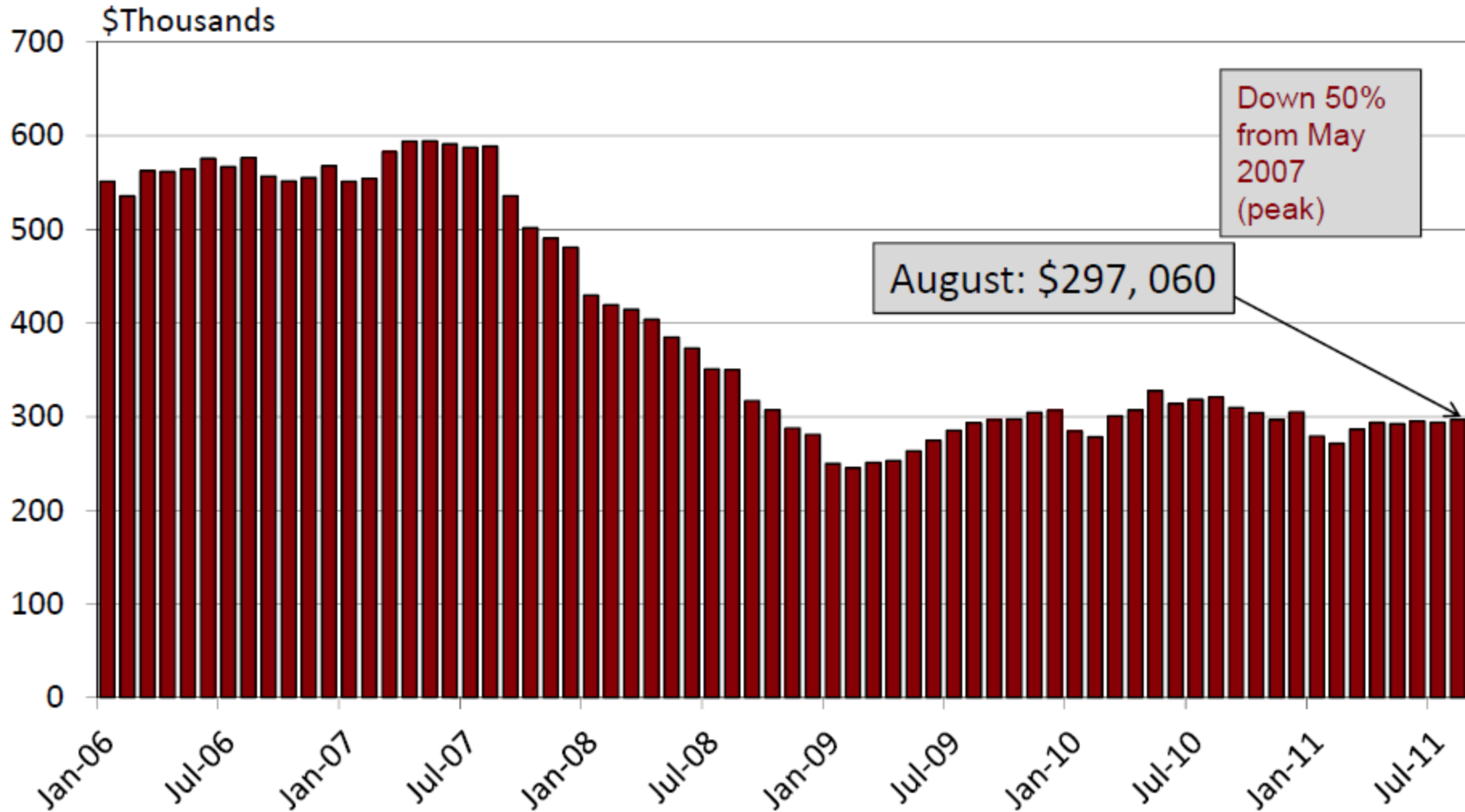
Job Trends by Metro Area



California Economic Forecast

| | 2008 | 2009 | 2010 | 2011f | 2012f |
|--|------|-------|------|-------|-------|
| Nonfarm Jobs (Annual % Change) | -1.3 | -6.0 | -1.3 | 1.2 | 1.7 |
| Unemployment Rate | 7.2 | 11.3 | 12.4 | 11.8 | 11.1 |
| Personal Income (Annual % Change) | 1.4 | -3.2 | 2.0 | 3.8 | 4.5 |
| Taxable Retail Sales (Annual % Change) | -7.7 | -12.9 | 6.1 | 7.5 | 6.3 |
| Housing Unit Permits (Thousands of Units) | 65.0 | 36.4 | 44.8 | 46.0 | 60.0 |

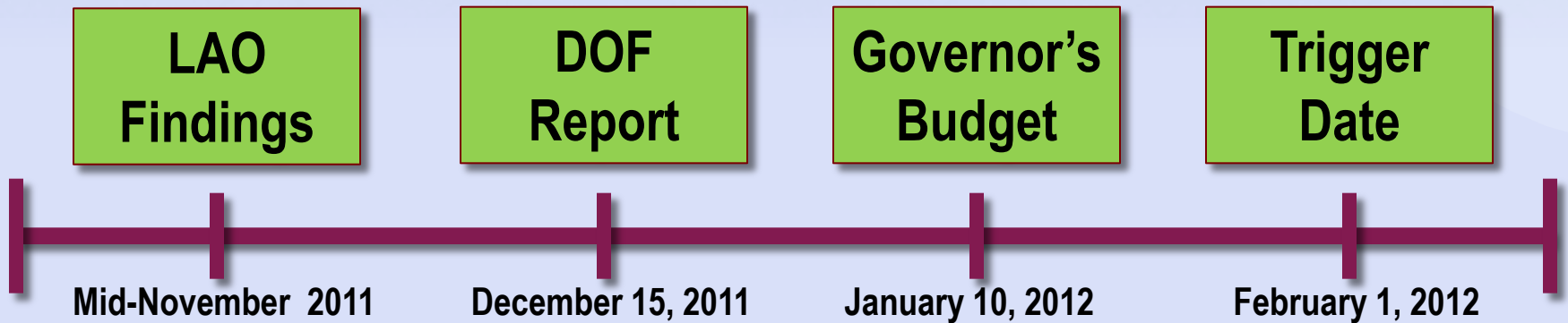
California Median Home Price



Triggers

- ❑ Less than \$1 billion below projection
 - No impact to K-12 Education
- ❑ Between \$1 billion and \$2 billion below projection (Tier 1)
 - Reductions to Community Colleges, Child Care
- ❑ More than \$2 billion below projection (Tier 2)
 - Proportional reduction to revenue limits - 4%
 - Approx. \$260 per ADA
 - 50% of transportation revenue
 - Potential \$5.2 million revenue reduction for FCUSD

Trigger Timeline



Triggers

- Will the Mid-year “Trigger” be Pulled?
 - Opinions vary
 - State Controller’s Office, Department of Finance
 - Interpretation of information
 - Through September - \$654 million below projection
- Sacramento County Office of Education is recommending its districts to budget for triggers at 1st Interim and to include in Multi-year Projections

What's Next

- ❑ First Interim Financial Report as of October 31, 2011
 - Board meeting December 8, 2011
 - Cash flow
 - Multi-year projections
 - Structural deficit
- ❑ Second Interim Financial Report as of January 31, 2012

What's Next

- Start Discussions and Planning now
 - Budget Communication Committee
 - Budget updates to staff and parents
- Next Steps
 - Legislative Analyst Office projections – Mid November
 - Department of Finance projections – December 15
 - Governor's budget proposal – January 10

Planning for 2012-13

- ❑ The economy is not recovering fast enough
 - 2012-13 is expected to be yet another bad year for funding
- ❑ Loss of one-time funding
- ❑ Deficit spending (expenditures greater than revenue)
- ❑ Eventual loss of categorical flexibility
- ❑ Decreasing cash due to one-time funding and continued deferrals