

2010-11 Adopted Budget

**FOLSOM CORDOVA UNIFIED
SCHOOL DISTRICT**

June, 2010

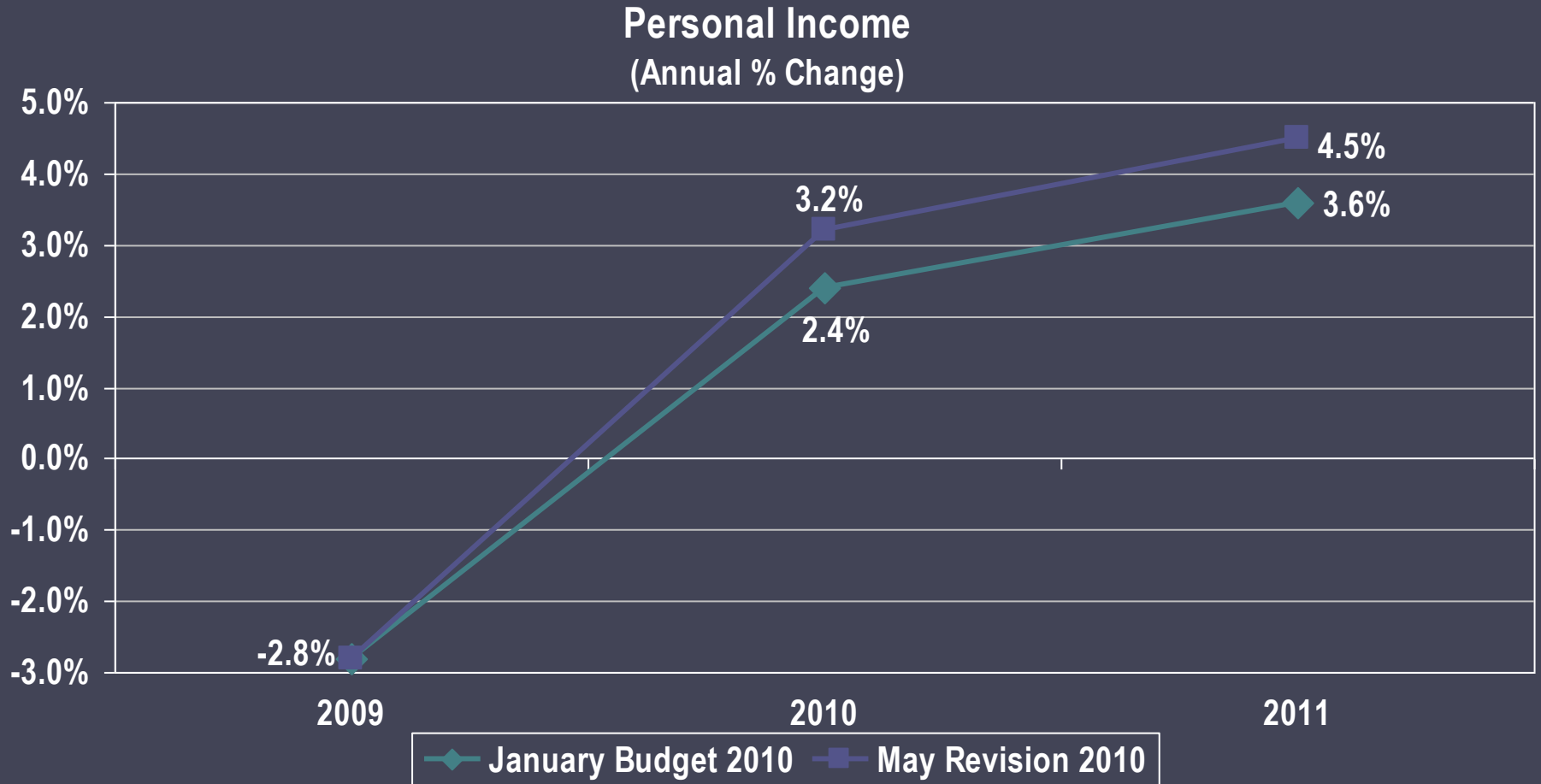
Governor's State of the State Message in January

- Education must be protected
 - Additional cuts to K-12
- Reforms need for flexibility
 - Governor's proposed "changes" have been mostly rejected
- Declared fiscal emergency
 - Timeline for solving emergency follows the election dates

California Economy

- The state's economy is recovering along with the nation's
 - State personal income grew at 4.1% and taxable sales grew at 1.9% in the 4th quarter of 2009, according to the University of California Los Angeles (UCLA) Forecast
- However, job growth remains a major drag on the economy
 - California added only 2,800 jobs in February and 4,200 jobs in March
 - The state's unemployment rate, at 12.6%, is the third highest in the nation
 - 19.7% nation wide
 - UCLA forecast national unemployment to remain above 8.5% and California above 10% through 2012

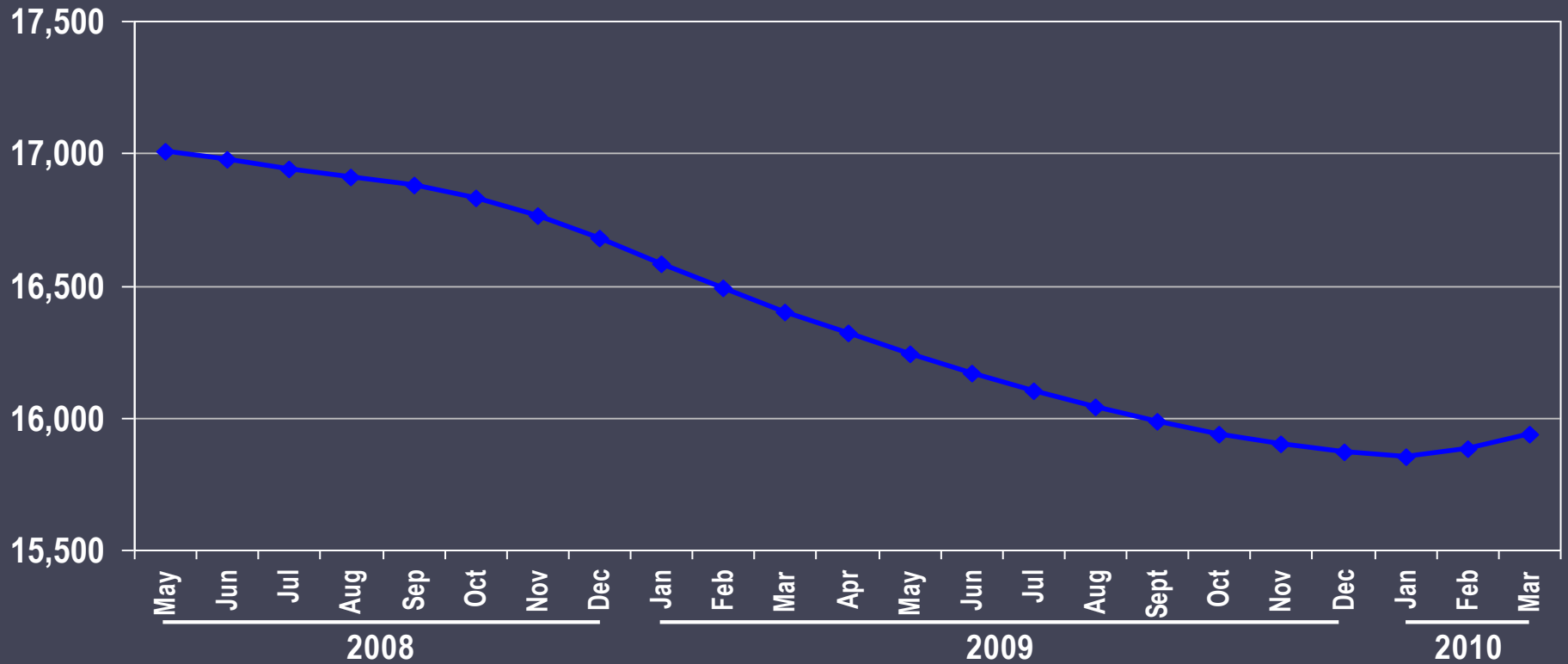
Comparing the Forecasts – Income



Sources: 2010-11 Governor's Budget, January 2010; 2010-11 May Revision, May 2010

California Employment

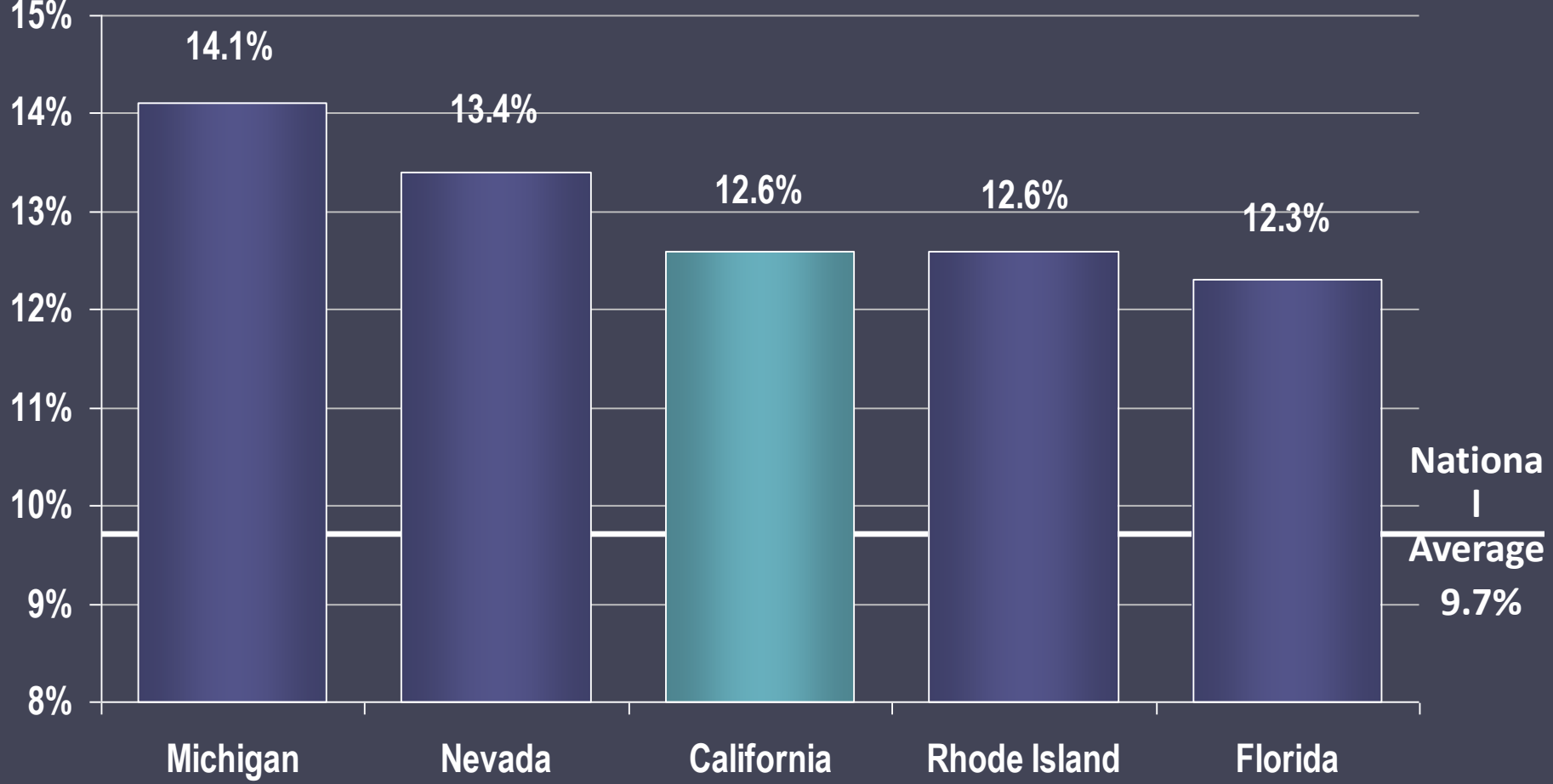
Employment
(In thousands)



Sources: Employment Development Department; Historical Civilian Labor Force, May 2010

California's Unemployment Rate vs. Other States

Highest State Unemployment Rate, March 2010



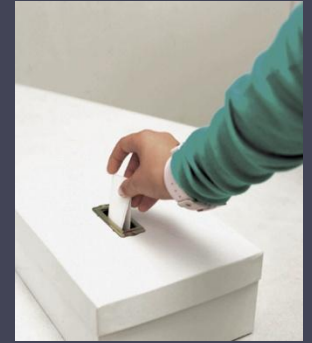
Source: U.S. Bureau of Labor Statistics, April 2010

State General Fund Revenues

- Three major taxes: personal income tax, sales and use tax, and corporation tax
- The recession has driven state tax revenues down, but signs of recovery are emerging
 - Revenues outperformed admittedly low projections from December 2009 through May 2010
 - Sales and corporate earnings are improving, bringing in more tax revenues than expected
 - The new forecast adds \$2.1 billion for 2010-11 from the January projection

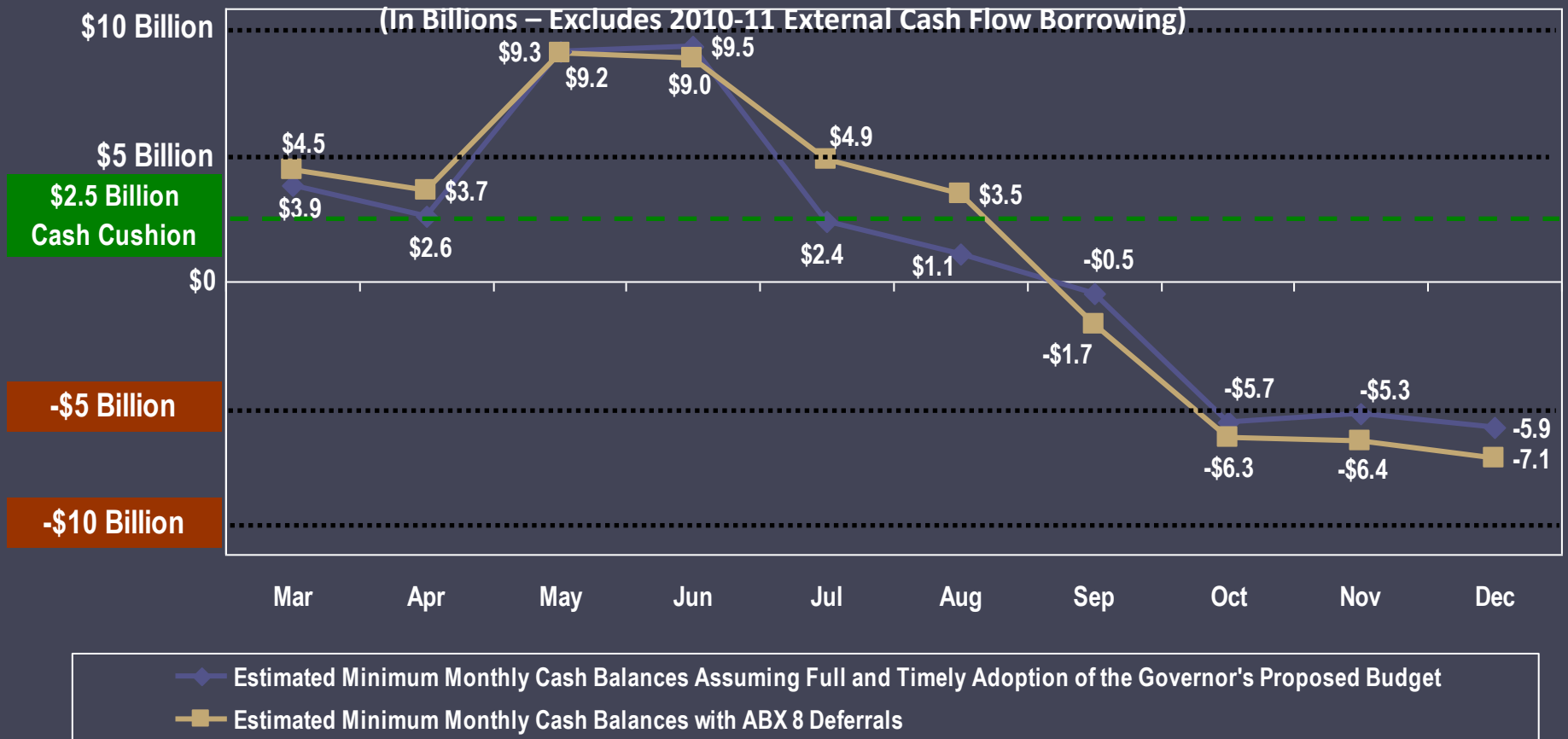
Corporate Tax Loophole Initiative

- The California Teachers Association (CTA) has another ballot initiative aimed at nullifying the corporate tax breaks passed by the Legislature and approved by the Governor as part of last year's Budget
- If qualified for the November ballot and approved by voters, the Repeal Corporate Tax Loophole Act would repeal three corporate income tax breaks scheduled to take effect starting in 2010 or 2011
- A repeal would increase business tax revenues by \$1.7 billion in 2011-12
 - This could increase Proposition 98 funding by approximately \$680 million



California's General Fund Cash Outlook For the Months of March 2010 – December 2010

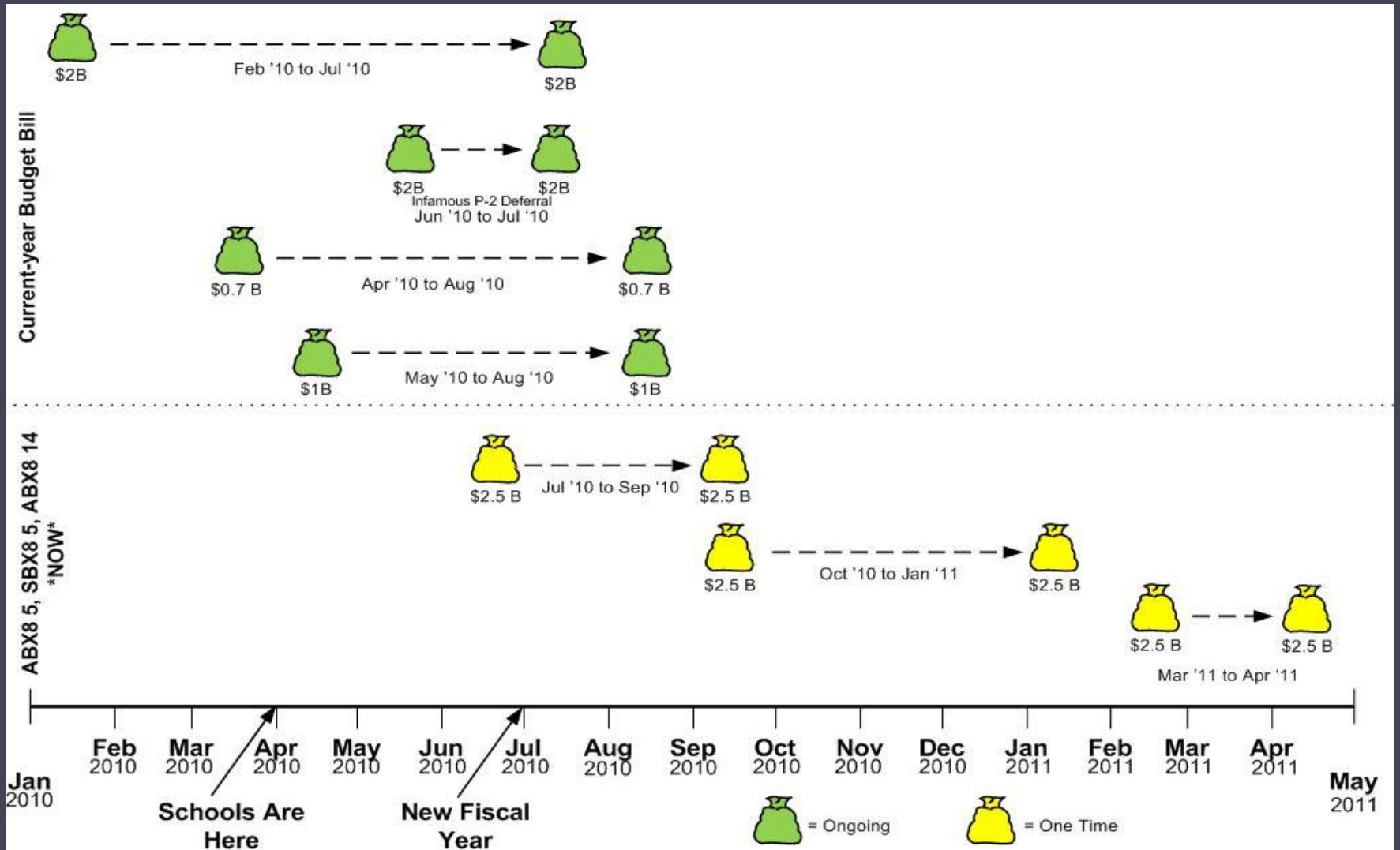
Based on the Department of Finance January 2010 Budget Data and Actual Receipts Through February



Source: California State Controller's Office

Principal Apportionment Deferrals

2009-10 to 2010-11



Official Budget Timeline

May	<p>Budget subcommittees in each house complete hearings on the Governor's Proposed Budget, including changes in the May Revision, vote on their recommendations, and send a report to the full Budget Committee.</p>
Late May	<p>The full Budget Committee considers these reports and sends the revised Budget bill to the full body. Each house votes on its version of the Budget bill, which requires a two-thirds super majority in each house.</p>

Official Budget Timeline

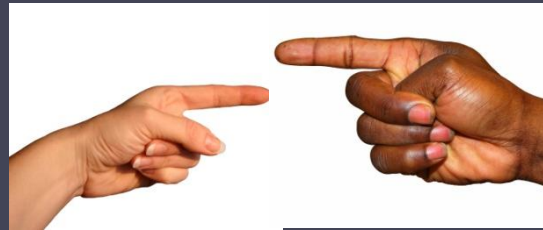
June	<p>The differences between the two houses are worked out by a six-member Conference Committee, three from each house. After the differences are worked out, a single version is sent to both houses. Each house must pass the bill with a two-thirds super majority.</p>
June 15 – June 30	<p>The bill is sent to the Governor for signature and any line-item vetoes.</p>
July	<p>The bill becomes law.</p>

Budget Timeline - The Real Story

July

August

Who Knows?



Job Bills

- Federal Harkin Bill (Education Jobs Bill for \$23 b) appears to be dead
- California Jobs Bill (\$10.1 b) to fully fund Prop 98 and start repaying what state owes education
 - Delay the start of corporate tax breaks
 - New oil severance tax
 - Borrow from the California Beverage Recycling Fund
 - Borrow from the Disability Insurance Fund
 - Accept LAO higher revenue estimates

Class Size Reduction Bills

- Killed AB 2272
 - This bill would have, for the 2010-11 and 2011-12 fiscal years, modified Class Size Reduction program funding penalties as follows: 1) no penalty for 1:24, 2) a 30% reduction between 24.1 up to 30; and 3) no funding if 30:1 or higher
- Still alive in committee
 - Proposal to add CSR and Transportation to Tier 3 flexibility
 - Additional 20% reduction (but \$1 million more for FCUSD)

Folsom Cordova 2010-11 Budget

- \$15 million budget gap
 - Prior year's 18% deficit factor continues
 - Negative .39% COLA
 - 3.85% additional reduction since May
 - Loss of ARRA-SFSF (federal stimulus funds)
 - Step/column salary increases
 - Implement Superintendent recommended reductions
- Even after reductions are implemented, structural deficit continues (\$5.5 million)
- Mitigate structural deficit by using Tier 3, ARRA-IDEA, take school carryover/department balances, and reduce reserve

Revenue Limit Funding (base funding per student)

	<u>Actual</u>	<u>Statutory</u>
• 2005/06	\$5,077 (deficited)	
• 2006/07	5,445	
• 2007/08	5,784	\$5,784
• 2008/09	5,633 (deficited)	6,110
• 2009/10	4,951 (deficited)	6,342
• 2010/11	4,963 (deficited)	6,350

- \$1,387 less than law requires (\$25 m more if funded)
- Plus 20-30% reduction in categorical funding (\$3.5 m less funding)

Reductions/Solutions

- Six furlough days for management
- Three furlough days for teachers' bargaining unit
- Reduced services/opportunities
 - Counseling
 - Health Services
 - High school electives
 - Special Education
 - Libraries
 - Increased class sizes (grades 1 & 2)
 - Campus security
 - Athletics
 - Grounds/maintenance
 - Clerical
 - Administrative
 - Summer school and interventions

Reductions/Solutions

- Closed two elementary schools
- Used other resources (mostly one-time)
 - Cell tower revenue
 - Athletic fee increase
 - Tier 3 program redirection
 - Food Services
 - Retiree Benefit Fund
 - Deferred Maintenance Fund
 - School allocations/carryovers
 - Reserves
 - Federal ARRA-IDEA

Expenditures (in millions)

	2009-10	2010-11	Change
Certificated	71.4	69.6	<2.5%>
Classified	25.5	24.5	<4.1%>
Benefits	23.6	24.5	<2.8%>
Books/supplies	5.5	5.2	<5.2%>
Operating expense	12.7	12.6	<.5%>
Capital outlay	3.9	.3	<93.0%>
Other outgo	<hr/> 143.3	<hr/> 135.8	<hr/> <5.2%>

Expenditures (in millions)

	2009-10	2010-11	Change
Other Financing Sources/Uses	1.6	<.6>	
Deficit Spending	<u>8.0</u>	<u>5.5</u>	<30%>
Ending Balance	16.23	10.7	<34%>

Ending Balance (in millions)

	2009-10	2010-11	Change
Revolving Cash Fund	.08	.08	
Legally Restricted	2.60	2.72	
Reserve	4.50	4.20	
Tier 3 Programs	1.27	.92	
Tier 3 Sweep	3.51	.13	
School Carryover	1.39	.89	
Departments/grants	2.26	1.76	
Undesignated	<u>.62</u>	<u>0</u>	
Total Ending Balance	16.23	10.70	<34%>

Standards and Criteria

- Not Met
 - Unrestricted deficit spending has exceeded the standard for two or more years
 - Ongoing expenditures are funded with one-time resources
 - Contributions to restricted (special ed) have changed more than the standard deviation permitted
 - Retiree benefits obligation is under-funded
 - District will end the fiscal year with negative cash balance before transfers from other funds
 - Personnel's position control system is separate from the payroll system
 - There has been a change in the superintendent and/or CBO

Multi-Year Projections

- 2011-12 Assumptions
 - 2.1% COLA (**\$1.8 m may not get funded!**)
 - No repayment of state cuts/deficit factor
 - Loss of ARRA-IDEA
 - Loss of some one-time revenue (Tier 3, cell tower, use of reserve, etc.)
 - Cost of step/column

Shortfall (ongoing structural deficit) \$4.1 m

Plus loss of one-time agreement for furlough day \$1.1 m

TOTAL SHORTFALL \$5.2 m

Multi-Year Projections

- 2012-13 Assumptions
 - 2.4% COLA (**\$2.1 m may not get funded**)
 - No repayments of state cuts/deficit factors
 - Loss of all class size reduction revenue
 - Cost of step/column
 - Assume reductions of \$5.2 m were made in 2011-12

Shortfall \$3.1 m

Other Funds

- Charter School
 - Self-sufficient
 - 3% reserve
- Adult Education
 - Tier 3 program
 - Deficit spending
 - Fee-based
- Child Development (State Preschool)
 - Self-sufficient
 - Reserve for operations and new portables

Other Funds

- Cafeteria
 - Self-sufficient
 - Reserve for operations and kitchen improvements
 - Deficit spending
- Deferred Maintenance
 - State and district funds
 - Reduced funding
 - Reduced projects
 - No reserves

Other Funds

- Bond Funds
 - Measure N
 - Mills Middle School
 - Cordova High School
 - Technology
 - Misc. Improvements
 - Measure M
 - Education Services Center
 - Design Process
 - Mather
 - Morrison
 - Maintenance
 - Elementary School #1
 - Master Planning

Other Funds

- Developer Fees

- Folsom balance \$1.3 m

- Outstanding loan for Vista del Lago HS
 - Future developer fees

- Rancho Cordova balance \$3.3 m

- Mather/Morrison
 - Misc. small projects

- State Building Fund

- Tracking accounts for all projects that may receive state construction funds

Other Funds

- Special Reserve for Capital Outlay
 - Cell tower revenue
 - Athletic fields maintenance/replacement
 - Federal Erate Revenue
 - WAN infrastructure

Other Funds

- Enterprise Fund
 - Student Care
 - Self-sufficient
 - Healthy reserve
 - Replace portables
 - Fee-based Preschool
 - Start-up costs
 - Revisions at First Interim
- Retiree Benefit Fund
 - \$23 m liability
 - \$5.6 m on-hand
 - Grand Jury report

Action Today

- Adopt tentative budget and Tier 3 Transfers with qualified fiscal status
- Acknowledge additional budget cuts will be necessary for 2011-12 and 2012-13
- Direct staff to develop timeline for approval of reductions by First Interim (December 15)