



# 2011-12 Adopted Budget

Folsom Cordova Unified  
School District  
June, 2011

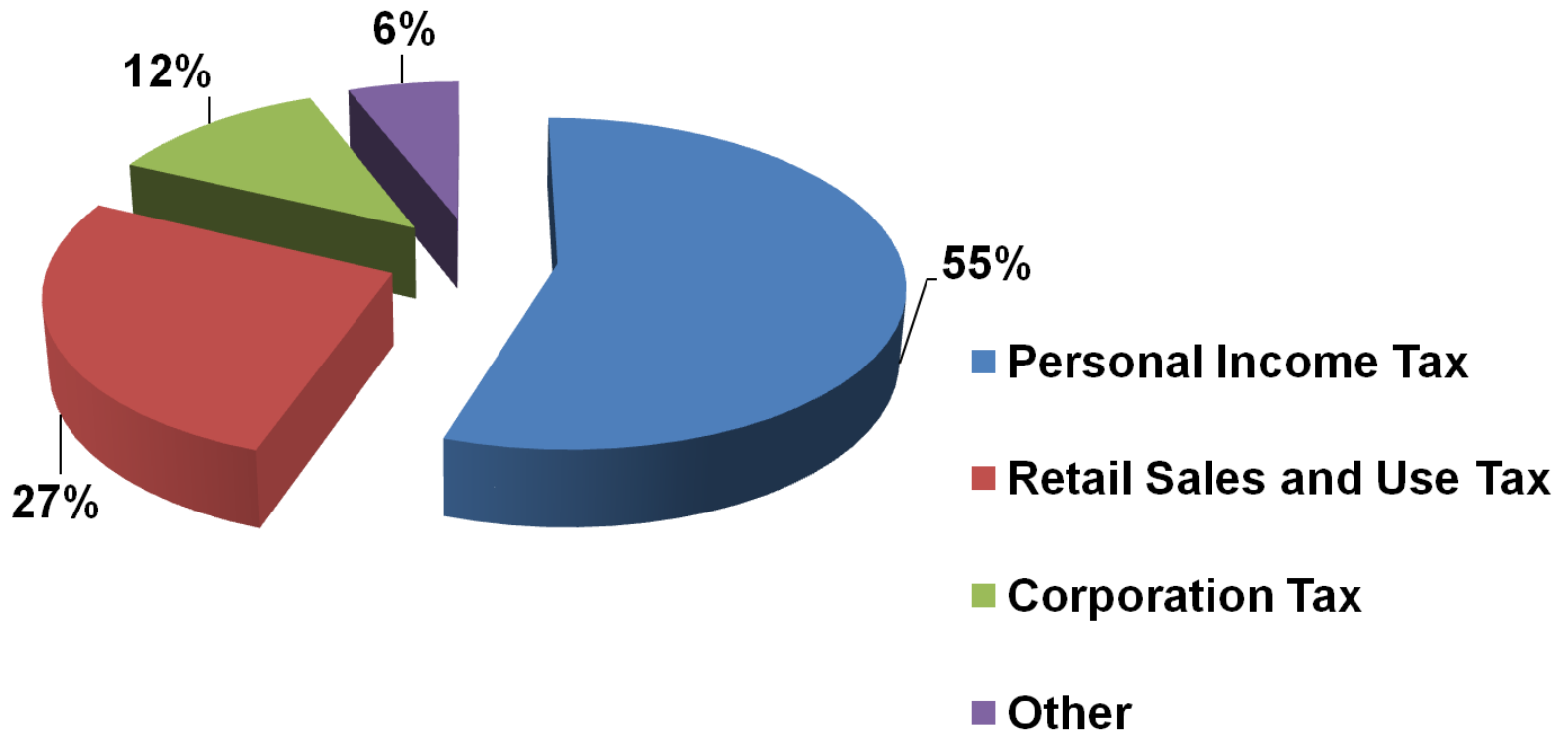
# California Economy

- The pace of the state's economic recovery is picking up
  - 96,500 jobs added in February
  - Personal income and taxable sales up about 3% in 2011, according to the UCLA Forecast
    - Up from 2.8% in 2010 and 2.4% in 2009
- However, the housing market continues to be a drag on the economy
  - Overbuilding during “the bubble”
  - Home foreclosures
  - Tighter credit standards
  - Five straight years of employment losses in the construction industry
  - Impact of Japanese earthquake
  - Global turbulence – oil prices

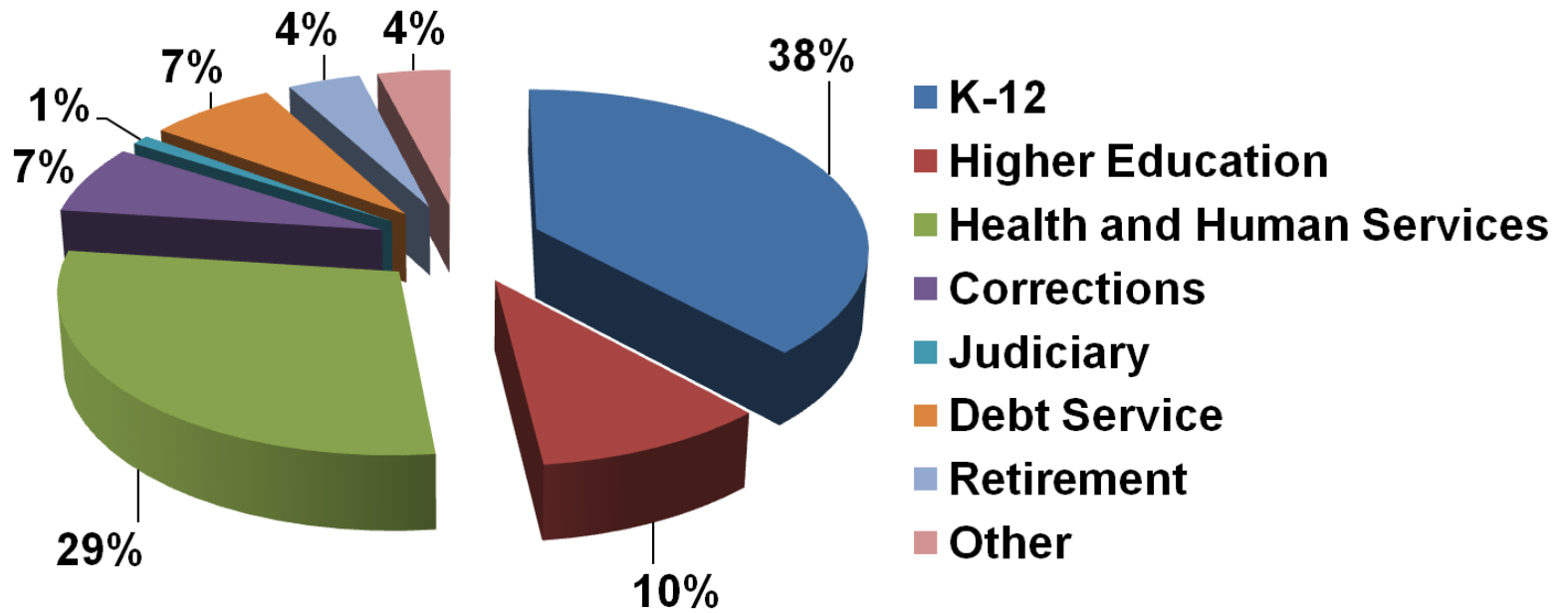
# State General Fund Revenues

- 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 outperforming low projections
  - May Revision adds \$2.8 billion for 2010-11 from the January projection and \$3.5 billion in 2011-12
  - Accruals and other revenues increase total baseline General Fund revenues by \$6.6 billion
    - Can the growth rates be sustained?

# Where Do State General Fund Revenues Come From?



# Where Do State General Fund Dollars Go?



# Updated 2011-12 Budget Deficit

<b><u>Budget Deficit in February</u></b>	<b><u>\$26.6 b</u></b>
Cuts and other solutions	<13.4 b>
Higher revenues	< 6.6 b>
Higher spending	2.0 b
Proposition 10 litigation	1.0 b
<b>Remaining deficit</b>	<b>9.6 b</b>
Build reserve	1.2 b
<b>Solutions Needed</b>	<b>\$10.8 b</b>

# State's "Wall of Debt"

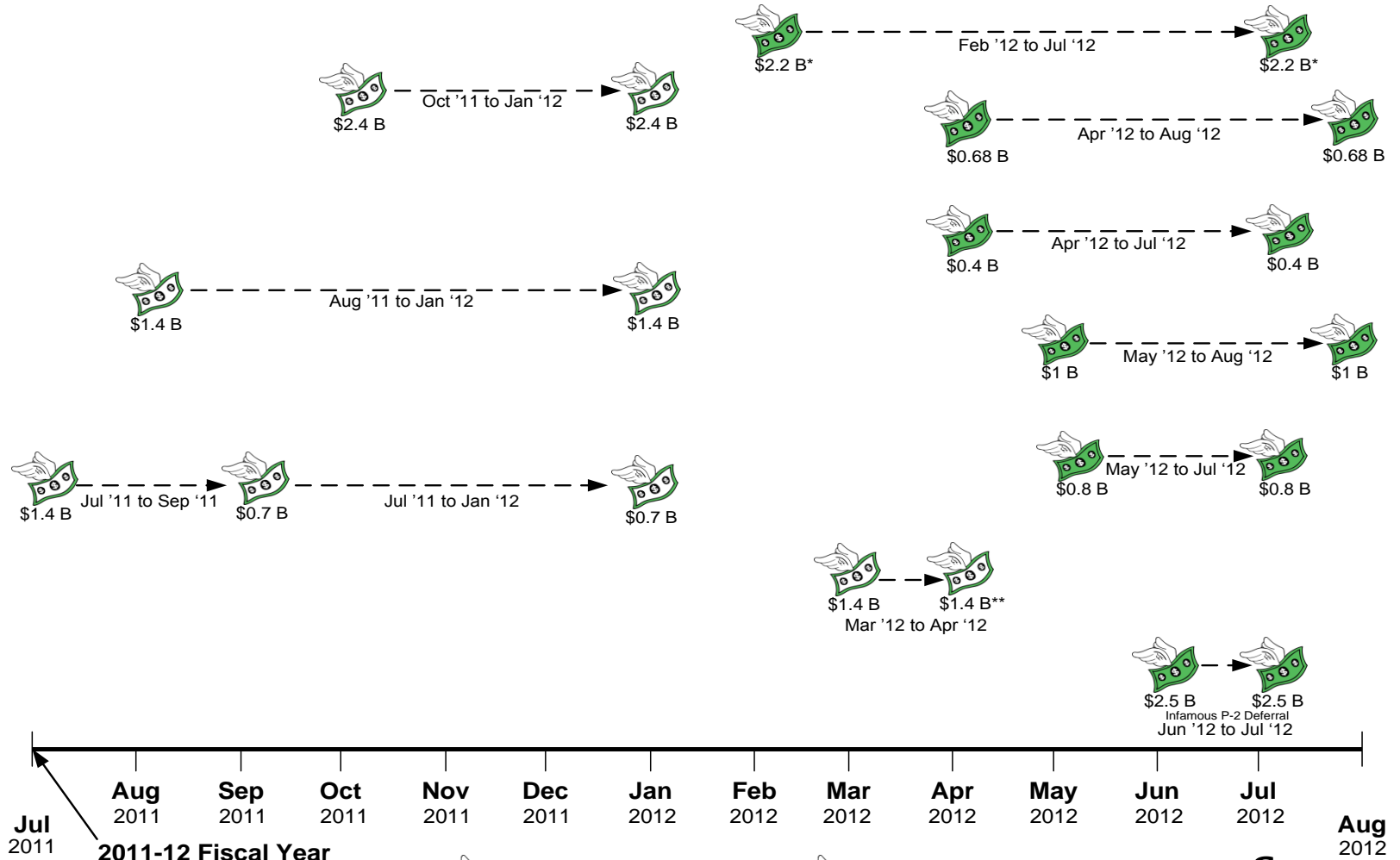
## Outstanding Budgetary Borrowing

Deferred payments to schools & community colleges	<b>\$10.4 b</b>
Economic recovery bonds	7.1 b
Loans from special funds	5.1 b
Unpaid costs to local governments, schools, and community colleges for state mandates	<b>4.3 b</b>
Underfunding of Proposition 98	<b>3.0 b</b>
Borrowing from local government (Proposition 1A)	1.9 b
Deferred Medi-Cal costs	1.2 b
Deferral of state payroll costs from June to July	0.8 b
Deferred payments to CalPERS	0.5 b
Borrowing from transportation funds (Proposition 42)	<u>0.4 b</u>
<b>Total</b>	<b>\$34.7 b</b>

# Past State Budgets Relied on Short-Term Solutions

	Solutions (In Billions)	Short-Term/Did Not Materialize as a Percent of Total
2008-09	\$24.3	<b>75%</b>
2009-10	60.0	<b>84%</b>
2010-11	19.3	<b>85%</b>

# Apportionment Deferrals



\*Includes K-12 CSR Deferral



# Local Economy

- Unemployment – May, 2011
  - California 11.4%
  - Sacramento County 11.8%
  - Folsom 5.4%
  - Rancho Cordova 13.5%
- National Average 9.0%

# Overall Perspective - May Revise

- \$6.6 billion in additional state revenue
- \$3.5 billion in reductions to tax extensions and borrowing proposed in January
- \$3 billion in additional Prop 98 spending to “buyout” some cash deferrals
- Temporary 0.25% increase in personal income taxes effective 2012-13
- Assumes \$9.321 billion in tax extensions with possible vote by June 30, 2012

# K – 12 Overview – May Revise

- If the tax extensions fail, Prop 98 guarantee drops by at least \$2 billion
- Dept. of Finance estimates \$5 billion cut to education would be needed (\$649/student)
- No “Plan B” for education from the Governor

# Latest Budget Update

- Legislature passed gimmicky, “magical” budget
  - Prop 25 impact?
  - Deferrals back in place
  - Tax measures that would have faced legal challenges
  - Sold/leased state buildings (again)!
- Governor vetoed within hours

# Bills Update

- AB 18 – Categorical Restructuring
- AB 89
- AB 165
- AB 344
- AB 654
- AB 1184
- AB 1320
- SB 27
- SB 322

# Folsom Cordova 2011-12 Budget


- Legally obligated to submit to the State July 1
- \$21 - 24 million budget gap – worst case
  - Deficit Factor increases to 19.754%
  - Loss of ARRA-SFSF (federal stimulus funds)
  - Step/column salary increases
  - Implemented Superintendent recommended reductions
  - Declining enrollment
  - Furlough days not included, pending Board approval and implementation

# Folsom Cordova 2011-12 Budget

- Even after reductions are implemented, structural deficit continues
  - Section C and E on Form 01
- Mitigate structural deficit by using Tier 3, ARRA-IDEA, and Education Jobs Bill (one-time funds)
- District still in “qualified” status
  - Currently on County watch list
  - Structural deficit of major concern for County

# Enrollment Trend

	2009-10	2010-11	2011-12
Enrollment	19,250	18,859	18,544
ADA	18,241	17,900	17,600
Funded ADA	18,241	18,241	17,900



# 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	5,235 (deficited)	6,382
2011-12	5,235 (deficited)	6,525

\$1,290 less than law requires

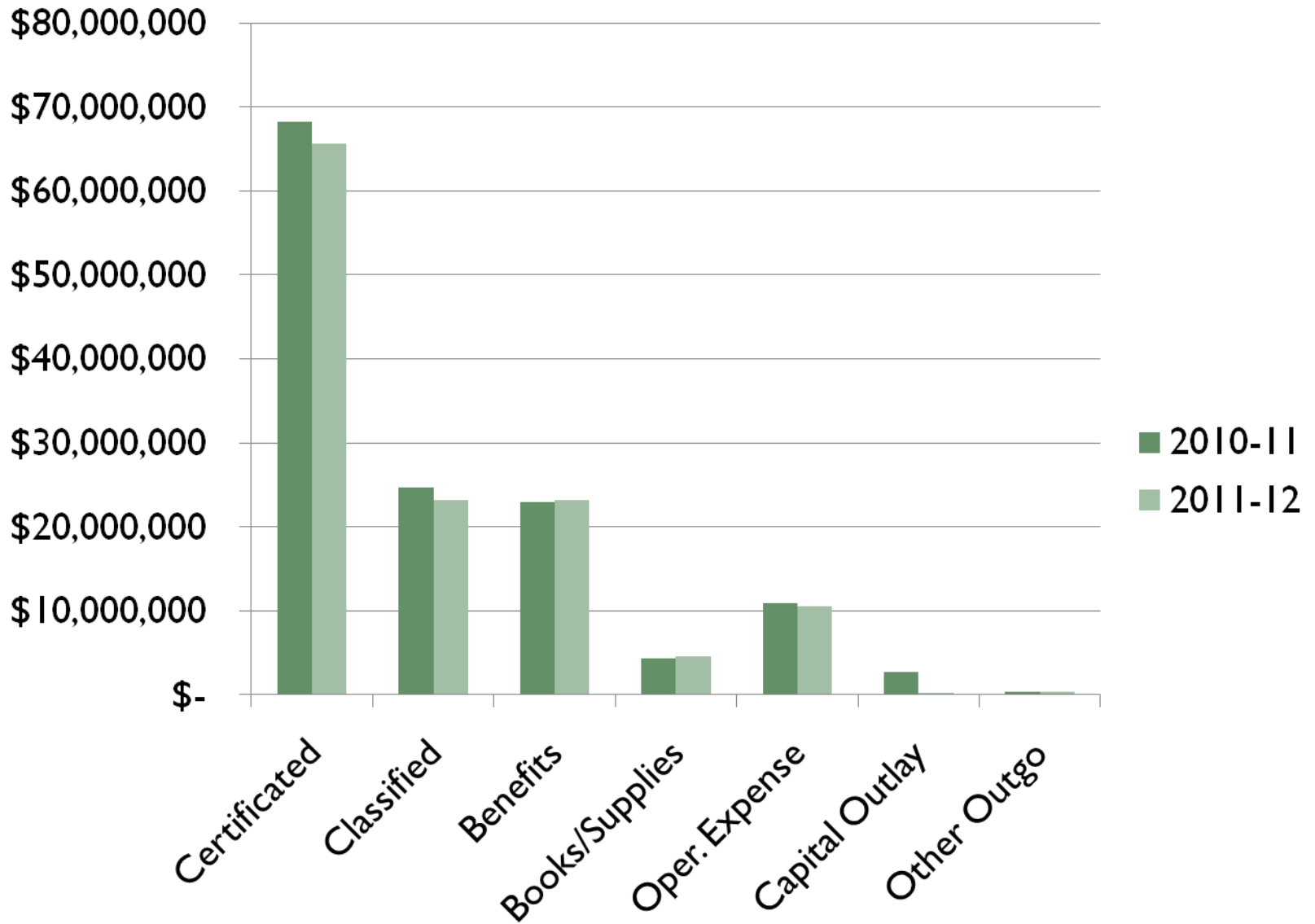
# Reductions/Solutions

- Reduced services/opportunities
  - Counseling                      Increased class sizes
  - Health Services                Grounds/maintenance
  - Special Education            Clerical
  - Libraries                        Administrative
  - Athletics                        Summer school & interventions
- Used other resources (mostly one-time)
  - Tier 3 program redirection
  - Federal ARRA-IDEA
  - Federal Jobs Bill (remaining)

# Expenditures

	Projected 2010-11	Budget 2011-12	Change
Certificated	\$68,289,384	\$65,638,414	
Classified	24,678,028	23,250,363	
Benefits	22,904,760	23,235,865	
Books/supplies	4,365,474	4,581,138	
Operating Expense	10,886,800	10,596,517	
Capital outlay	2,721,340	189,962	
Other Outgo	<u>416,695</u>	<u>400,057</u>	
	134,262,481	127,892,316	<4.7%>

# Expenditures



# Standards and Criteria

- Not Met
  - Unrestricted deficit spending will exceed the standard for two or more years
  - Ongoing expenditures are funded with one-time resources
  - Contributions to restricted have changed more than the standard deviation permitted
  - Retiree benefits obligation is under-funded
- Fiscal Indicators
  - Declining enrollment
  - Personnel's position control system is separate from the payroll system

# Multi-Year Projections

- 2012-13 Assumptions

- 3.2% COLA (**\$1.7 m may not get funded!**)
- But deficit factor continues
- No repayment of state cuts/deficit factor
- Loss of ARRA-IDEA, Jobs Bill, SFSF
- Cost of step/column
- Assumed declining enrollment effects

Shortfall (ongoing structural deficit) \$14.8 m

TOTAL SHORTFALL (Worst case) \$10.9 m

# Multi-Year Projections

- 2013-14 Assumptions
  - 2.7% COLA (**\$3.1 m may not get funded**)
  - But deficit factor continues
  - Cost of step/column

Shortfall (ongoing structural deficit)	\$17.3 m
<b>TOTAL SHORTFALL</b>	<b>\$26.6 m</b>

# Other Funds

- Charter School
  - Self-sufficient
  - 3% reserve
- Adult Education
  - Tier 3 program
  - Deficit spending
  - Fee-based
- Child Development (State Preschool)
  - Funding reduced

# Other Funds

- Cafeteria
  - Self-sufficient
  - Deficit spending
- Deferred Maintenance
  - State and district funds
  - Reduced funding
  - Reduced projects
  - Deficit spending

# Other Funds

- Bond Funds
  - Measure N
    - Cordova High School
    - Technology
    - Misc. Improvements
  - Measure M
    - Education Services Center
    - Design Process
      - Mather/Morrison
      - Maintenance Building
    - Master Planning

# Other Funds

- Developer Fees

- Outstanding loan for Vista del Lago HS
  - Future developer fees
- Misc. small projects
- Fewer building permits being issued

- State Building Fund

- Tracking accounts for all projects that may receive future state construction funds
- Lack of matching funds is an issue for Folsom projects

# Other Funds

- **Special Reserve for Capital Outlay**
  - Cell tower revenue
    - Athletic fields maintenance/replacement
  - Federal Erate Revenue
    - WAN infrastructure
- **Enterprise Fund**
  - Student Care
    - Replace portables
  - Fee-based Preschool
- **Retiree Benefit Fund**
  - Continues to be underfunded
  - Needs to be addressed soon
  - New actuarial required

# Action Today

- Adopt tentative budget and Tier 3 Transfers with qualified fiscal status
- Acknowledge additional budget cuts will be necessary for 2012-13 and 2013-14

# Next Steps

- 2011-12
  - Revised budget 45 days after final state budget
    - August board meetings
- 2010-11
  - Unaudited Actuals
    - September, 2011