

FOLSOM CORDOVA UNIFIED SCHOOL DISTRICT
Frequently Asked Questions
February 9, 2011

Q: How much does Folsom Cordova Unified need to cut from its budget?

A: What we know right now, there are two budget scenarios for which we must plan. Under the best case scenario, we still have to make budget reductions of \$750,000. If the Governor’s proposal for education is not approved by the legislature and the voters in June, we could be faced with an \$11.7 million budget shortfall.

Based on information from the state, the district must plan for two budget scenarios:

Scenario 1	Scenario 2
If the Governor’s proposal to extend the sales tax is <u>approved</u> by voters in June:	If the Governor’s proposal to extend the sales tax is <u>not approved</u> by voters in June:
<ul style="list-style-type: none"> • The district has enough one-time funds (state revenue and federal jobs bill funding) to meet its obligations for 2011-12 	<ul style="list-style-type: none"> • The district will need to make significant budget reductions of \$11.7 million.
<ul style="list-style-type: none"> • Due to declining enrollment, the district will lay off some employees; however, retirements/resignations will reduce that number. 	<ul style="list-style-type: none"> • There will be over 100 fewer positions <i>(In lieu of layoffs beyond those required due to declining enrollment, the district is proposing a contingency plan with the bargaining units)</i>

Q: Is the district considering the closure or consolidation of any schools?

A: Currently, it is not being recommended that any additional schools be closed or consolidated for 2011-12. The district closed two schools for 2010-11 and continued its enrollment study during the year. Enrollments will be reviewed again during the fall of 2011.

Q: Can the district use its 3% reserve to help avoid budget cuts?

A: The projected reserve levels are already based on making \$11.7 million in reductions for the next school year. Making fewer or no reductions will drive the reserve funds lower, likely below the legally required minimum level. The reserve is intended for unforeseen circumstances like a drop in attendance that was not predictable at the beginning of the year. It is also used for cash flow purposes because the state and federal government payments to all districts have been delayed, which makes cash more important than ever. Due to state deferrals, the district will have to borrow up to \$15 million at a cost of \$55,000 in interest, to meet payroll and vendor obligations. Reserves help to minimize the amount borrowed and the related interest costs. The reserve must be replenished by the end of the school year or the district will be out of compliance with the state. There is a more complete discussion of the district’s ending balances, including the reserve on the website at Budget Central.

Q: How much money would the district save through furloughs or an employee pay reduction?

A: Our employee groups have a demonstrated history of working to find solutions to the district's fiscal problems. In 2010-11, the teachers association, Folsom Cordova Education Association (FCEA) and classified employees represented by California School Employees Association (CSEA) took three furlough days. The administrative group, Folsom Cordova Leadership Association (FCLA) took six furlough days. However, the amount of reductions needed is simply too large to realistically find the required savings in one area. Five furlough days for all employees would generate approximately \$2.0 million in savings per year. A five-percent pay reduction for all staff would save \$5.0 million per year. Any reduction in pay or furloughs would be achieved through the collective bargaining process with employee groups. The district is proposing a contingency agreement for concessions that only would be implemented if the Governor's plan for funding education through the sales tax extension fails.

Q: How does the deferral of monthly state payments affect the district?

A: The district would normally receive monthly payments from the state on an established schedule. Based on recently enacted legislation, the state has been postponing payments to school districts for up to six months. In order to meet end-of-month payroll obligations, the district has had to use its 3% reserve. Even after using the reserve, five months in 2010-11 (October, November, December, and projected March and June) had/will have negative cash balances. The district has temporarily borrowed from the Retiree Benefit Fund and Capital Outlay Funds in order to pay employees and vendors on time.

Q: The district is expecting to have a \$10 million balance at the end of the school year. Can some be used to fill the \$11.7 million budget gap projected for 2011-12?

A: The district will be using some of the June 30 ending balance towards next year's budget gap.

3% Required reserve/prepays	\$4.4 m	Use for cash flow purposes
Legally restricted	2.6 m	Can't use this (Titles I/II, EIA, IDEA, etc.)
Site/department carryovers	1.0 m	Swept \$1 million in 2009-10
Tier 3 categoricals	1.5 m	Continue to use as original grants intended: ROP, APP, Safety Grants, etc.
Spending freeze	.3 m	Use towards gap
<i>Projected</i>	<i>\$ 9.9 m</i>	<i>June 30, 2011</i>

Title I – Improving the Academic Achievement of the Disadvantaged

Title II – Higher Education Act

IDEA – Individuals with Disabilities Education Act

EIA – Economic Impact Aid

ROP – Regional Occupation Program

APP – Adolescent Parent Program

For additional explanation, see the Ending Balance memo online at Budget Central.

Q: The district has \$5 million in the Retiree Benefit Fund. Can some be used to help fill the budget gap?

A: The retiree Benefit Fund was established by the Board of Education as an irrevocable trust to pay for retiree medical benefits negotiated by the employee organizations, Folsom Cordova Education Association (FCEA), California School Employees Association (CSEA), and Folsom Cordova Leadership Association (FCLA). Based on an actuarial study, there is an unfunded liability of approximately \$26 million that will need to be funded over the next 15 years in order to meet our obligations. Once money is placed in the Retiree Benefit Fund, it cannot be transferred back to the general fund. For 2010-11, the district will not be paying any money towards the unfunded liability, but will be paying only for the current year benefits for existing retirees. This fund has also been used to help with cash flow issues in the general fund when state payments are late.

Q: Are there any general fund costs associated with the construction or furnishing of the new Education Services Center (district office)?

A: No. Bond proceeds from Measure M are paying for the entire cost of the Education Services Center. Bond funds can't be used for general operating costs and the general fund will not be used for any of the costs related to the new district office. There will be some efficiencies in consolidating resources from the various locations (district office, Granite, Sutter, Facilities and Technology Departments on Folsom Lake High School campus, and the Community Education Center) where services are currently housed, such as travel time, mail delivery, repairs, and communications.

The district's current central administrative facilities are extremely inefficient and are scattered over five separate locations. It is not unusual for parents with multiple needs to have to travel to more than one facility to complete their business. Similarly, staff members that are scattered in various places lose time due to travel and other inefficiencies caused by being spread over several locations in two communities.

Building a district office is never popular, and at some point it becomes necessary in a growing school system. While this may not be a "politically correct" time to build a new office, it is a very good time in terms of economics. With the slowing of construction, the district expects to construct the building at a lower cost. Several civic leaders have encouraged the district to proceed because the construction will generate local jobs.

Q: The district is building a new Educational Services Center to house the central administration. Can that money be used to solve our current budget crisis?

A: No. Money from a facilities bond may only be used for the purposes stated in the bond, and cannot legally be used for any other general purpose such as paying teacher salaries or buying books. The Measure M bond approved by voters in 2007 included funding for a new Education Services Center. Additionally, the state does not provide matching funds for office space, so there is no reason to wait for the potential availability of additional state infrastructure funds.

Q: Can the district use any student body funds to help with the budget problem?

A: No. Funds raised by students cannot be used for expenditures that are the responsibility of the district. Teacher salaries, repair and maintenance of district-owned equipment, staff workshops, etc. are general fund expenditures, and would be prohibited under Associated Student Body regulations referenced in Education Code and audit guidelines.

Q: Why does the district always budget more in the books/supplies account than it spends?

A: The books/supplies account (object code 4300) and other operating expenses (object code 5800) are used to record carryover amounts from the prior year. In the accounting cycle, the carryover amounts are moved from the ending balance on June 30 back into the school site budgets in September to object codes 4300 and 5800. The principals and department managers move funds as needed during the school year. Starting in March, the district reviews the spending trends and starts identifying amounts that will not be spent by the schools and moves them to the ending balance as designated for sweep or school site carryovers. All of the carryovers and sweep estimated amounts are updated with the third interim fiscal report in May and again in June with the adopted budget. Final carryover amounts won't be known until August when we close our books for the year ending June 30.

Q: The district became its own Special Education Local Plan Area (SELPA) three years ago. Was there an advantage in doing this?

A: Yes. By forming our own SELPA, the district gained \$2 million in special education revenue. This new revenue allowed us to open new classrooms and programs for the increased number of special education students without impacting the general fund.

Q: The district has a special Capital Outlay Fund (Fund 40). Can some be used to fill the budget gap?

A: Yes. We did use \$600,000 of the special Capital Outlay Fund in 2010-11 to help with the budget gap, which will need to be paid back over the next six years. The fund includes cell tower rental proceeds, which have been earmarked for the replacement of synthetic turf at the high schools, proceeds from Certificates of Participation (\$1.5 million) for payment on construction projects, and federal e-rate "credits" (\$660,000) for our wide-area network costs.

Q: Is the district expecting enrollment growth, decline, or status quo next year?

A: We are expecting declining enrollment next year. Rancho Cordova is experiencing a decline in student enrollment based on three factors: 1) the number of vacant homes; 2) the reduced immigrant population; and 3) a decline in kindergarten registrations for 2010-11. Folsom is also experiencing some reduction in kindergarten registrations and has recently been negatively affected by the housing market changes.

Q: The district operates a student care program (Other Enterprise Fund in our state reports). Can some be used to help with the general fund budget gap?

A: The student care fund is a self-supporting fund. It pays for all salaries, benefits, and expenses related to the student care program. It reimburses the district for utilities, custodial time, supplies, and indirect costs such as payroll, purchasing, and fiscal services.

Q: Why doesn't the Cash Flow Projection in the Interim Report match the Financial Reports in the Interim Report?

A: The difference between the cash flow and budget document occurs in two ways. First, cash flow is a sub-ledger of the general fund. On June 30, we stop issuing checks against 2010-11 cash transactions. But there will be invoices that come in after June 30 for goods and services for 2010-11 that are then recorded as current liabilities yet won't affect 2010-11 cash. Payments made after June 30 are recorded as a liability against the

2010-11 financial statement, even if the cash wasn't affected until after June 30. Think of reconciling your checking account. You write checks that may not have affected your cash balance (district cash flow) yet, but you have recorded and subtracted the amounts from your checkbook balance (district general fund) to reflect the current balance (district ending balance). The second part of the explanation is that there is a difference between 4000s object codes in cash versus financial statements because there will be amounts not spent from site carryovers, legally restricted (Title I, Title II, American Recovery and Reinvestment Act (ARRA), Economic Impact Aid (EIA), etc.) and Tier 3 accounts. That difference is part of the ending balance, and designated as carryover amounts.

Q: Why doesn't our district offer a real "golden handshake" for a teacher earning over \$80K/year and hire a new teacher for half that price (\$40K) and pay the senior teacher \$27K to buy the extra year? The district is still ahead by \$13K and the next year by \$40K.

A: We would love to offer a retirement incentive if the numbers worked out. Here are some of factors that are considered:

Since we have laid off teachers over the past three years, we no longer have the ability to hire brand new (less expensive) teachers. All of the teachers on the rehire list have 3-6 years of experience in our district and sometimes experience in other districts. They are definitely not the less expensive teachers. The good news is that they have lots of experience and we'd be getting great teachers for our students. The other factor is that our average number of retirees each year ranges between 7 and 15. So we have immediate savings to the district for those first 15 and don't have the expense of a retirement incentive. So let's say we offer an incentive of \$20,000 and can garner an additional 10 teachers above the 15. Then assume the additional 10 are retiring 2 years earlier than without the incentive. So we will gain the "savings" for 2 years, or about \$30,000 each year $\times 2 \times 20 = \$600,000$. But we would have to give all 25 teachers the incentive ($25 \times 20,000 = \$500,000$) and rehire experienced, but only somewhat less expensive replacements. Add to that the cost of retiree benefits for those 2 additional years ($475 \times 12 \times 10$ retirees = \$57,000). It usually doesn't save the district any money because not all retirees are at the top end of schedule.

Q: Cuts call for 8 special education teacher positions from a total of 125 positions when cuts from elementary and secondary teachers call for only 11 for over 600 teachers. Why such a disproportionate cut in special education teachers?

A: Special education teacher reductions are based on declining enrollment in special education.

Q: What is meant by lower enrollment? Are the parents not enrolling their children because they are placing them in private school or something else?

A: There are several factors that play into declining enrollment. Home foreclosure is having the greatest impact on our district.

Q: Will every school be hit equally or will Rancho Cordova Schools feel the worst of it?

A: Reductions are made based on district-wide services and will be equalized across the district.

Q: What about possibly moving school to a year-round schedule?

A: Changing to a year-round schedule does not save the district any money.

Q: What will budget reductions do to the students who have challenges with English as a Second Language (ESL)?

A: Special purpose/categorical funding are designated for English Language Learners and is not being redirected for other purposes.

Q: When the school goes through budget cuts, what is normally first on the list of cuts? How high on the list are the AP classes?

A: The budget reduction process includes brainstorming with various groups (i.e. principals, classified employees, budget committee, Board of Education, etc.). The ideas are then evaluated to see if they can be implemented. At the high school level, classes with the lowest enrollment are the first to be considered for reduction, but we try not to eliminate the only opportunity for high achieving students.

Q: Could a fee per student be suggested to be paid by parents to increase funds?

A: We can solicit for donations but it is against the law to charge for education. We have a new district foundation, Folsom Cordova Education Foundation that has begun the solicitation process.

Q: Why continue to fund the 4x4 schedule at Vista del Lago HS instead of spending those funds on other options?

A: The Board of Education wants to maintain as many opportunities for students as possible. They will consider changing Vista's schedule for the 2012-13 school year if economic conditions don't improve.

Q: What is the rationale for spending money to advertise in the *Sacramento Bee* for new students to come to the district when class sizes, electives, and sports programs are at risk for further cuts?

A: We spent less than \$5,000 on an advertisement campaign. To date, we have received nine new student enrollments from private schools. This generates \$45,000 in new revenue... not a bad return on investment.

Q: Administration is still not cut to the levels of others. A 1% rollback for all employees should be considered.

A: Under the worst case scenario, there will be a 5% reduction in teaching staff, a 10% reduction in support staff, and a 7.5% reduction in administrative staff. We have proposed to all groups furlough days and/or salary rollbacks.

Q: Has the district considered shifting more medical costs to employees including pension?

A: Our employees currently contribute over \$500/month for family medical coverage. That is a large amount for an employee to pay out of their salary each month. I don't know how we can increase it any further. Currently employees pay 8% of their salary towards their pension and the district contributes 8.25%. Those amounts are fixed by Education Code. Districts, unlike cities or other governmental agencies, do not pick up the employee's share of the pension costs.

Q: Are all school districts equally impacted by the budget crisis in California? Is there any additional opportunity to share the pain?

A: All schools are receiving the same reduction per student, however, some districts have higher reserves than others and also may have local parcel taxes to help fix their budget gap.

Q: If, in any scenario, the district cuts the 4x4 block schedule at Vista del Lago, would the district allow the schedule to continue for the current classes until they graduate or would it be cut for the whole school?

A: The Vista del Lago High School schedule cannot be different for each grade level.

Q: What is the absolute minimum number of learning days or hours that are being looked at under the worst case scenario? Will online courses aid in the process?

A: The legislature will allow districts to reduce from 180 to 175 days for the next two years. However, we would have to negotiate the change with our bargaining groups as it affects our salary and working conditions.

Q: Are medical benefits required to be paid? Many private sector employers are dropping medical benefits.

A: All compensation, including medical benefits are negotiable items. Additionally, we believe that our employees and their families need medical coverage to be healthy employees.

Q: What are districts doing to advocate for themselves with the state government regarding the severe cuts to education?

A: Our educational organizations, including California Teachers Association (CTA), California School Employees Association (CSEA), California School Boards Association (CSBA), Parent Teacher Association (PTA), and Association of California School Administrators (ACSA) have joined the Education Coalition and meet regularly with the governor's staff. Our own local school board members are communicating regularly with our representatives in the legislature. There are also grassroots efforts, like "Educate our State" that advocate for education. Check out their website! <http://www.educateourstate.org/>

Q: Would supporting charter schools within the district help the budget?

A: Charter schools withdraw students from our district and cause declining enrollment. This takes revenues away from Folsom Cordova.

Q: Why is the district expanding to include a Gifted and Talented Education (GATE) magnet school at Theodore Judah and another one in Rancho in a time of fiscal crisis?

A: There is no additional cost for adding these programs, other than teacher training, which is a long-term investment. In fact, these new programs are attracting students back into the district which will increase revenues.

Q: Do district online courses cost the district money?

A: Yes. Online courses cost the district money, but it provides an alternative delivery method for students.

Q: Why not assume the district has to go to 175 days next year and issue Reduction in Force (RIF) notices to all certificated staff. The affects of the layoffs have to be bargained, not the actual layoffs.

A: A neighboring district tried issuing RIF notices to all employees and was found by Public Employees Retirement Board (PERB) to be out of compliance. Why put employees through that when we should be bargaining at the table?

Q: What are the chances that Folsom High will start an International Baccalaureate (IB) program in the next two years?

A: District staff is looking at an IB program for a high school in our district. The actual location of the school has been discussed at the board level.

Q: To avoid unilateral action, why isn't the district and its bargaining units at the table on a regular basis? It doesn't meet again with California School Employees Association (CSEA) until early March.

A: We will meet as regularly as the bargaining units are available. We will all need to work together diligently.

Q: What is the total amount of federal one-time dollars received (or will be received when cash arrives?)

A: State Fiscal Stabilization Fund (SFSF)	\$4,935,667
Title I - Improving the Academic Achievement of the Disadvantaged (AARA)	1,241,222
Individuals with Disabilities Education Act (IDEA)	3,535,172
Education Jobs Bill	<u>3,538,745</u>
Total One-Time Funds	\$13,250,546

Q: Has the final State Fiscal Stabilization Fund (SFSF) installment been received?

A: No. The total estimated amount of \$800,000 has been deferred.

Q: What is the total amount of cash deferred by the state?

A: 25% of state apportionment deferred until next year, 2011-12. \$15 million annually.
23% deferred month-to-month. \$12 million annually.

Q: How much will the district need to borrow for General Fund cash flow?

A: This is discussed on page 1 in the question, "Can we use 3% reserve for gap?"

Q: What is the amount of state categorical dollars redirected to general operating expenses (flexed)?

A: 2009-10 - \$4.1 million
2010-11 - \$3.7 million.

Q: Is the district open to business sponsorships for facilities, i.e., naming the stadiums?

A: Yes