



**Budget Update**  
**October 21, 2010**

Folsom Cordova Unified  
School District

# 2010-11 Budget



- We have a budget!
  - Latest budget in state history
  - Overall level of cuts to education did not deepen
  - Challenge for California just got worse

# National Economy



- The recession is over?!?
  - The recession began in December 2007
  - It was declared over in June 2009 (as of September 2010)
    - ✦ Longest recession since World War II
- Many economic indicators remain weak
  - U.S. unemployment is at 9.6%
  - Gross Domestic Product (GDP) has slipped
  - Housing remains sluggish
- Economists say the recession is over, which doesn't translate to meaningful recovery until 2012-13

# California Economy



- California's economy remains weak
  - The largest job losses ever recorded in California – leading the nation
  - The state unemployment rate is 12.4%, among the highest in the country
  - Home sales slowed in August, down 2.7% from July and down 14.0% from August 2009
  - Home foreclosures made up more than one-third of the existing homes sold in August

# California Economy



- UCLA forecasts some improvement in 2011
  - Employment will rise 1.90% after three years of decline
  - Personal income is expected to increase 3.70%
  - But the unemployment rate will remain high at 11.0% in 2011

# 2010-11 State Budget



- Improvement from the May Revision
  - Reverses 3.85% cut
  - Holds school districts harmless from negative cost-of-living adjustment (COLA)
  - No supplanting (stealing) the Federal Jobs Bill funding
  - Mandate reimbursements (\$275,000 + \$ to schools)

# 2010-11 State Budget



- Concerns
  - Deferral of 10/11 income/cash in 11/12  
(Will state count that towards 11/12 Prop 98 calculation?)
  - Ongoing deficit factor reductions
  - Will there be midyear cuts?
- We are still at the bottom of the ranking in education spending
- Still using gimmicks to balance the budget

# California's Spending Lags the National Average

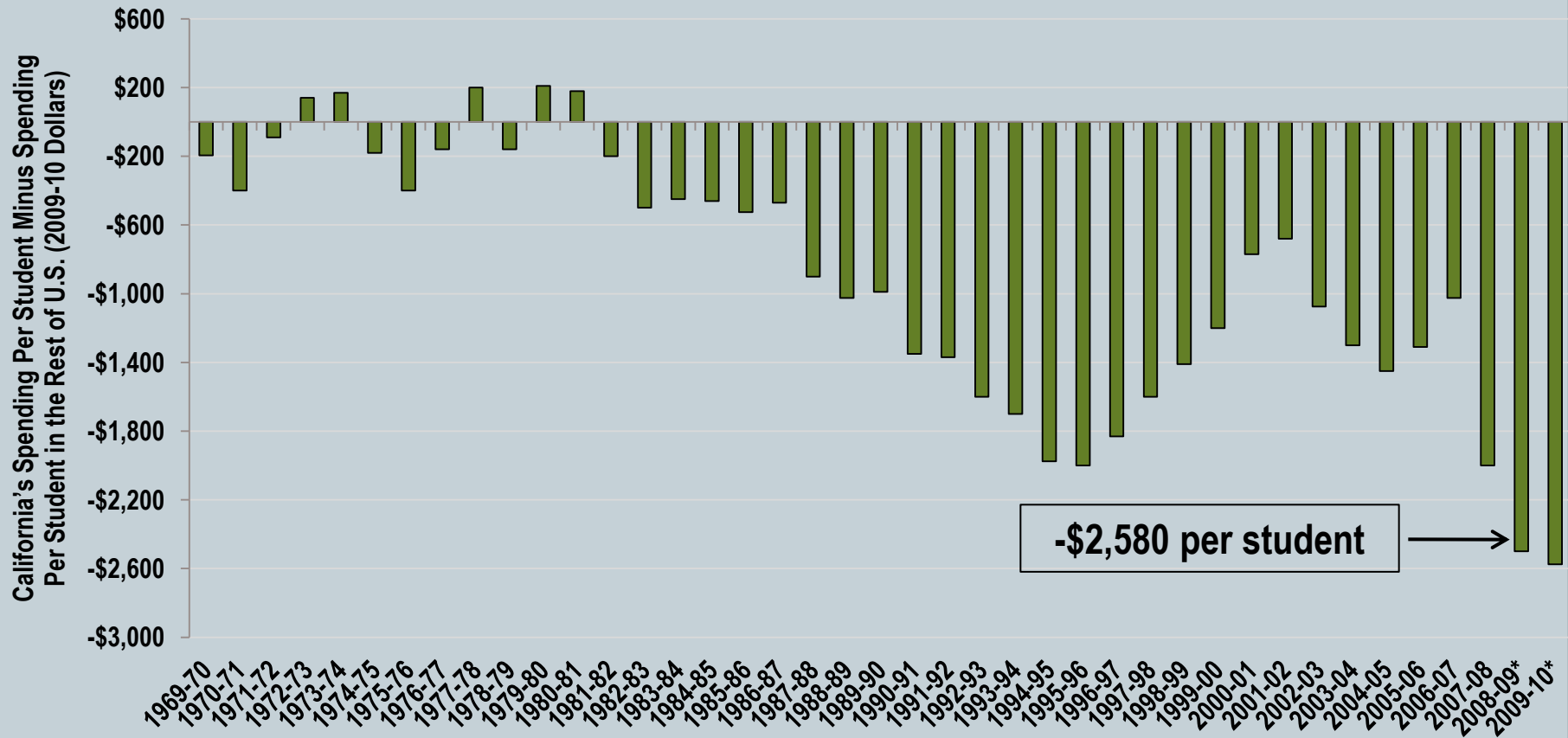


- Ranked 44<sup>th</sup> in the nation for K-12 Spending per Student (2009/10)
  - \$2,580 less than the national average
- Ranked 46<sup>th</sup> in the nation for K-12 Spending as a Percentage of Personal Income (2008/09)

# California's Spending Lags the National Average



**California's K-12 Spending Per Student Lags Behind  
That of the Rest of the U.S. More Than at Any Time in 40 Years**



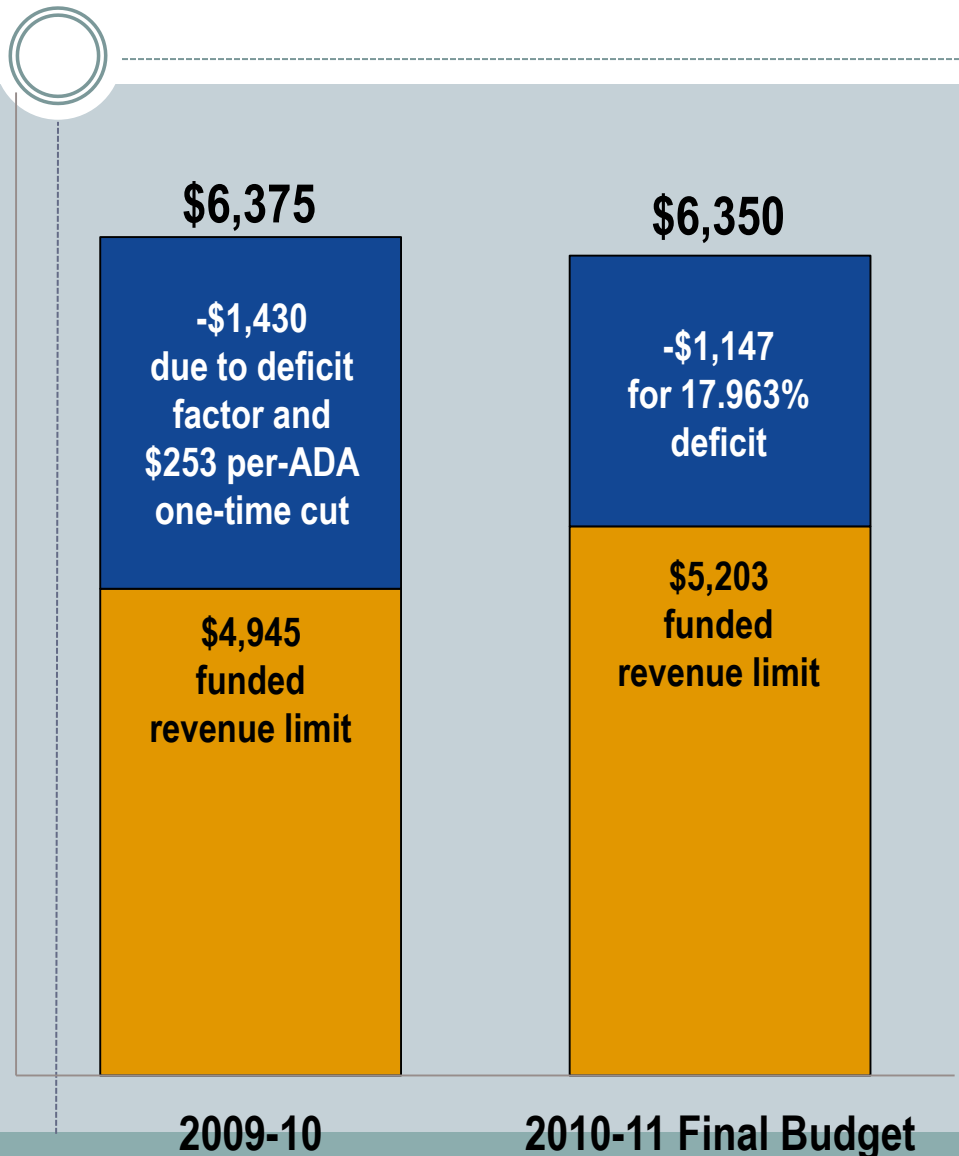
\*2008-09 and 2009-10 estimated.

Note: Rest of U.S. excludes the District of Columbia

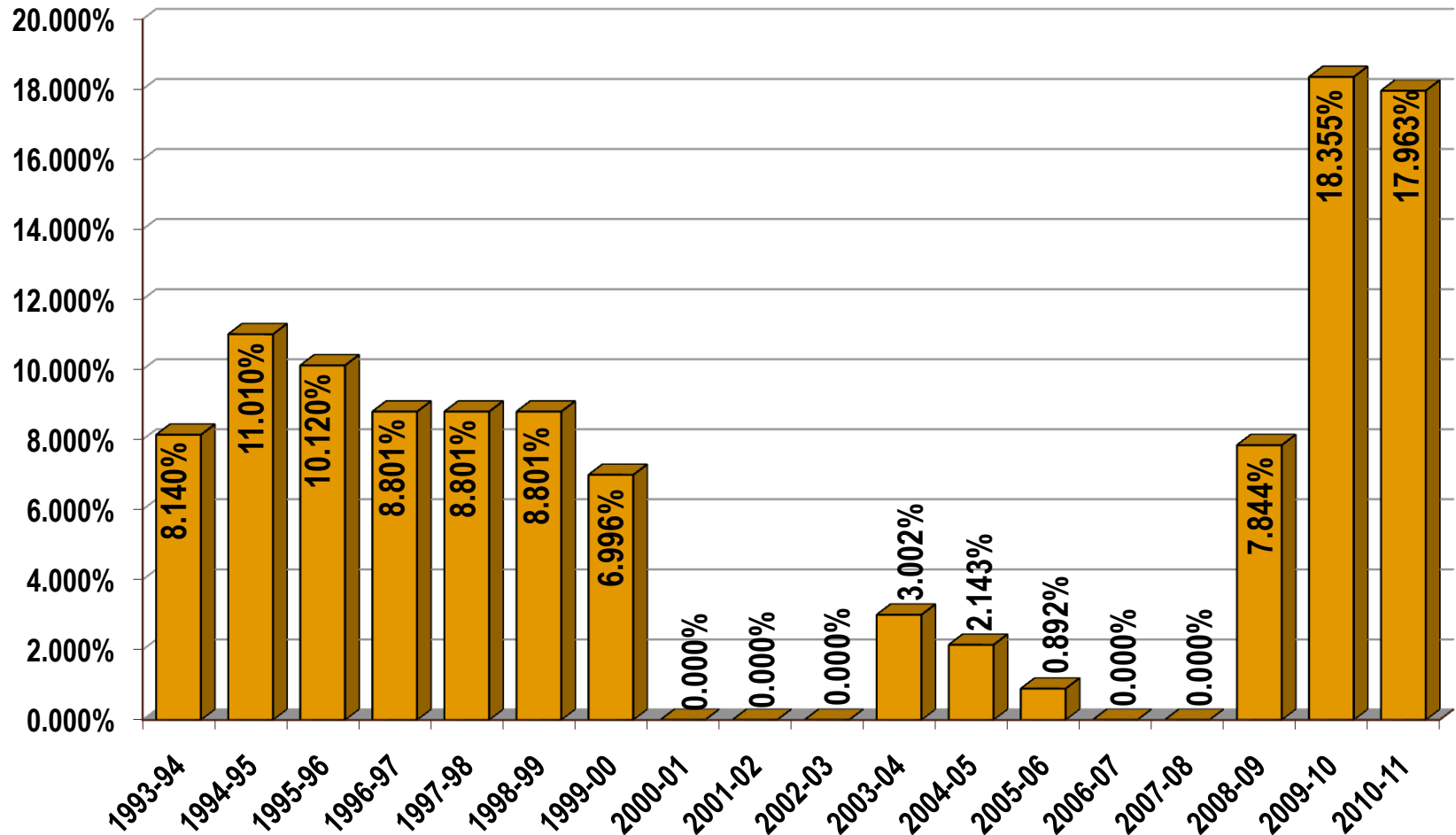
Source: National Education Association

# 2010-11 Final Budget vs. 2009-10 Funding

- 2009-10 revenue limits were reduced by the 18.355% deficit factor and the \$253 per-ADA one-time reduction
- 2010-11 revenue limits were reduced by 17.963% deficit factor (helped negate negative COLA)
- Restored \$258/ADA over 2009/10
- Still only getting 81 cents on the dollar



# Revenue Limit Deficit Factors

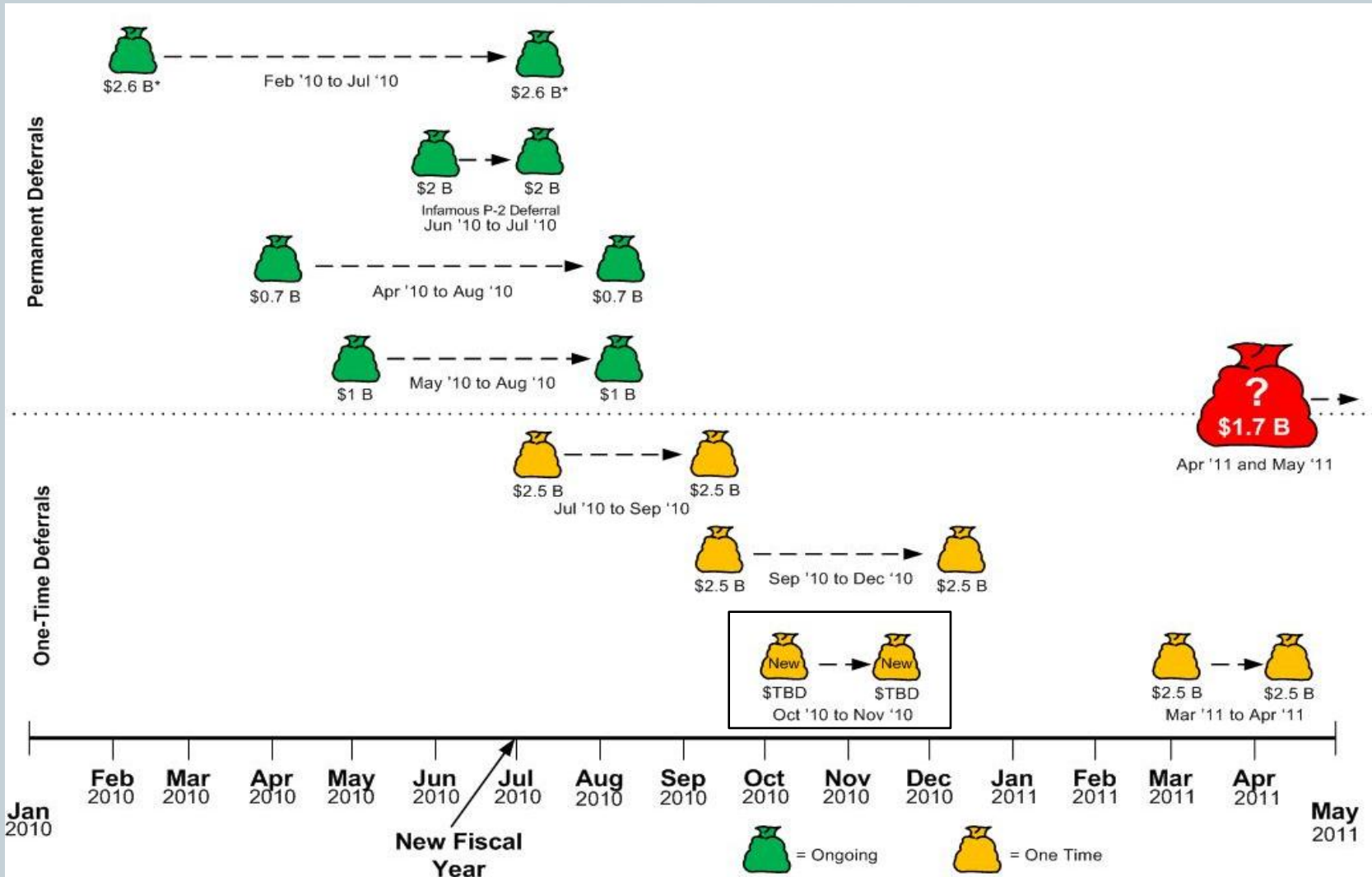


# 2010-11 Apportionment Deferrals



- Apportionment deferrals continue to be the state's solution to its own cash flow problems and structural deficit
- The state has added \$1.7 billion to the list of deferrals
  - Approximately \$275 per ADA (FCUSD \$5.2m)
  - Education will now be spending **\$7.3 billion of the 2011-12 revenue** in 2010-11 based on the total deferrals (approximately 33% delayed until next year)
    - ✦ Permanent deferral of April/May 2011 apportionment to July 2011
    - ✦ One-time deferral from October 2010 to November 2010 (amount still to be determined)
- How do we spend without the cash?
  - Cost of borrowing continues to increase

# Deferrals 2010-11



\* Inclusive of categorical funds

Note: An additional deferral for K-12 of \$1.7 billion from 2010-11 into 2011-12 fiscal year

# Risks to the 2010-11 Budget



- Federal funds: \$5.4 billion are assumed
  - \$2-3m over LAO's projections
- Expenditure cuts: \$7.8 billion are assumed
  - However, one-third of the fiscal year has already elapsed without these reductions
- The economy: Assumes personal income growth of 3.2% in 2010 and 4.5% in 2011
  - UCLA forecasts weaker growth: 1.9% in 2010 and 3.7% in 2011
  - Missed by that much....

# Risks to the State Budget



- **One-time** loans, transfers and funding shifts of \$2.7 billion
- Higher state revenues estimated by the LAO of \$1.4 billion
- Corporation tax reductions were deferred for **two years**, generating \$1.2 billion annually
- Eleven state properties are assumed sold in 2010-11, adding \$1.2 billion in **one-time** General Fund revenues

# Risks to the State Budget



- Temporary revenue enhancements expire in 2011-12
  - One-cent increase in the sales tax
  - Higher personal income tax rates
  - 0.50% increase in the Vehicle License Fee rate
- Ongoing structural deficit  $\checkmark$  not addressed  
still

# Risks to the State Budget



- New governor
- New legislators
- New economic projections
- New political priorities
- Relies heavily on an improved economy – any downturn would lead to another crisis and more cuts
- Higher risk to education's budget because we were kept at 09/10 funding level

# Looking Ahead



- One-time federal dollars will be spent by 2011-12
- CSR flexibility expires in 2011-12
- Categorical flexibility expires in 2012-13
- Kindergarten Age change starting in 2012-13
- Continued deficit factor of 17.963% (81¢ on the dollar)
- Declining enrollment for FCUSD (loss of \$1.9m in 11/12)

# 2011/12 Known Factors



Declining enrollment/state revenue	\$1.9m
Step/Column	1.7m
Restore furlough days	1.5m
Loss of one-time revenues (cell tower and categorical ending balances)	<u>1.0m</u>
	GAP \$6.1m
Use balance of federal jobs bill	3.0m
Final SFSF (10%)	.7m
One-time mandate reimbursements	<u>.3m</u>
	Gap still to fill \$2.1m

# 2011/12 Unknown Factors



- Will we get to allocate July 11/12 deferral towards 10/11 or 11/12?
- Cuts to education by new Governor or legislators?

# 2012/13



- Same issues
- Larger unknowns