

**FOLSOM CORDOVA
UNIFIED SCHOOL DISTRICT**

**BUDGET UPDATE &
MULTI YEAR PROJECTIONS**

November 2009

ECONOMIC ISSUES

- ⦿ The international, national, and California economic picture is still volatile
 - The value of almost everything is down - real estate, financial investments, retirement accounts, natural resources
 - Demand for goods and services of all kinds is down
 - Gross domestic product is up
- ⦿ California budget deficit is among the worst of the 50 states
- ⦿ Unemployment is a key factor
 - California at 12% - national average is 9.7%
 - Less payroll = less taxes
 - Strain on reduced governmental services
- ⦿ State resources continue to drop
 - \$1.9 billion off projections
 - LAO identified shortfall is \$21 billion over next 18 months

ECONOMIC ISSUES

- ⦿ Housing prices - stabilized?
- ⦿ Commercial permits lower by 47% than 2008
- ⦿ Unemployment highest in construction and manufacturing
- ⦿ It may take longer for the state's economy to turn around
- ⦿ Categorical flexibility, federal funding, and changes in state law are all intended to provide some relief
- ⦿ Budget solutions are needed for both the long and short term
 - Short term - how do we preserve quality education as we cut?
 - Long term - when will California adequately fund education?

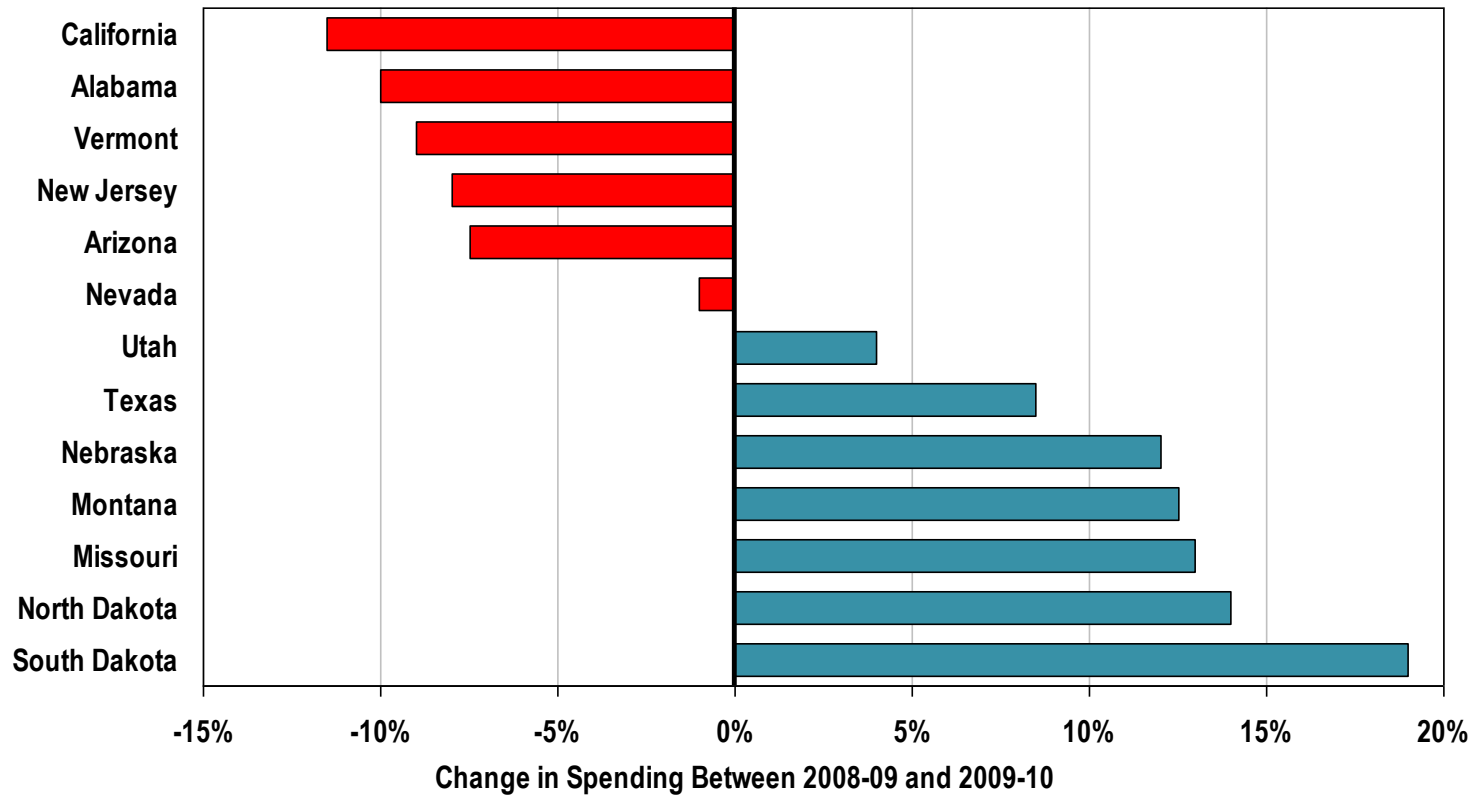
CALIFORNIA CLOSE TO LAST IN PER-STUDENT SPENDING

- Last year, California ranked 46th in the Quality Counts rankings of states based on per-student spending, and California is cutting education spending
 - Utah was last in the rankings and is increasing education spending
 - Texas, Nevada, and Arizona are also in the running for last place in the standings, however Texas is increasing education funding

CALIFORNIA CLOSE TO LAST IN PER-STUDENT SPENDING

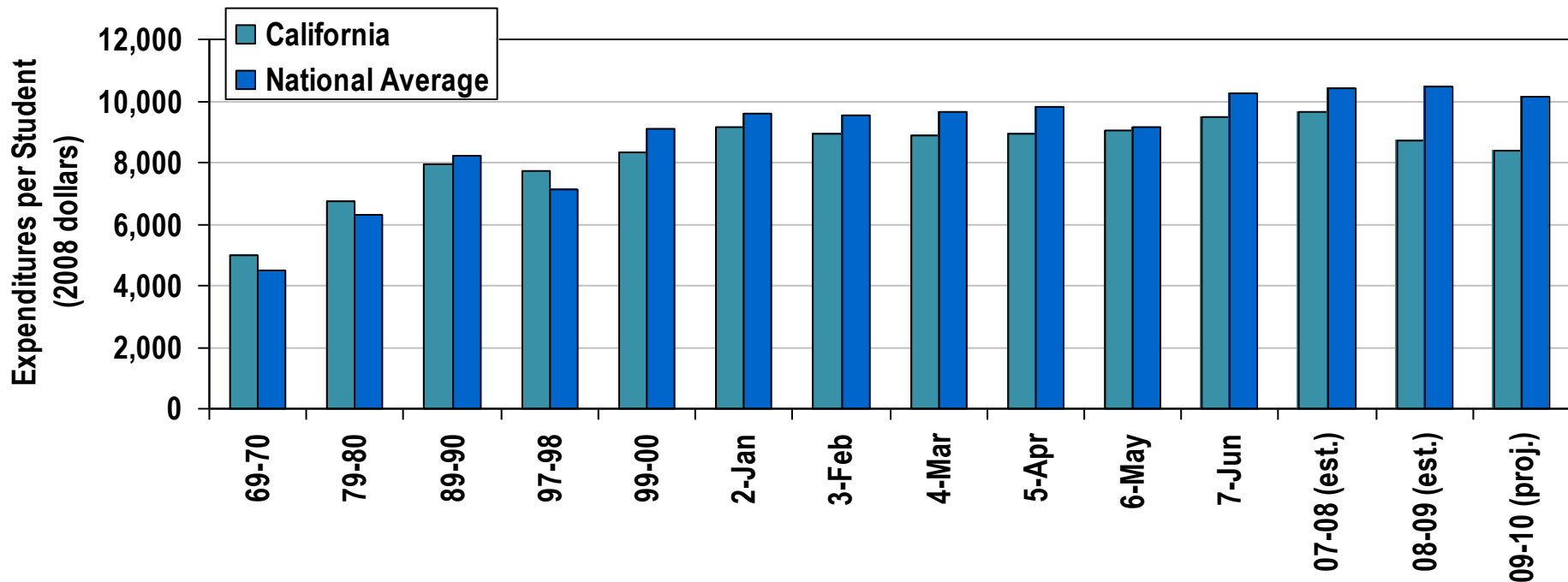
- California is cutting education much more than the other low-ranked states
- We are falling much further below the national average
- What ranking now?
- The state has set the standards and goals for education
 - Where is their obligation to fund what they expect?

EDUCATION FUNDING IN OTHER STATES



CALIFORNIA CONTINUES TO FALL FURTHER BEHIND

- ◉ We certainly make up no ground in 2009-10 and actually lose some
 - We can expect our 2006-07 gap of \$731 from the national average in per-pupil expenditures to grow to more than \$1,700 (est.) in 2009-10



ECONOMIC ISSUES

- Legislators are short on experience as well as political capital
 - New leaders in both houses
 - Party lines
 - Incumbents recognize the political liability

OUR REALITY

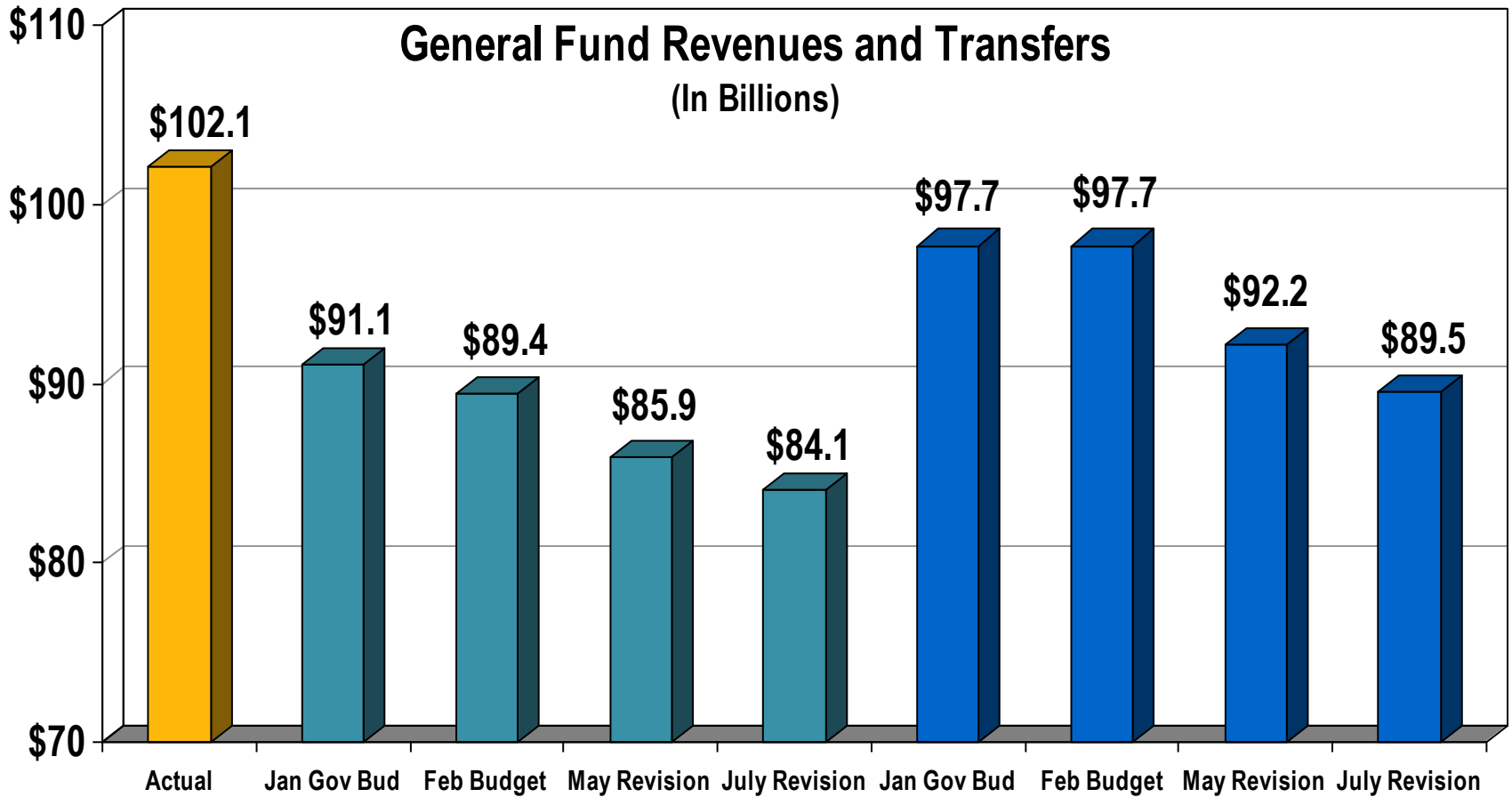
◉ Our Budget

- Managing 2009-10
 - Monitor attendance
 - Strict position control
 - Dollars saved this year roll forward
- Planning for 2010-11 and 2011-12
 - “Qualified” fiscal status
 - Difficult choices
 - Leadership

OUR REALITY

- Each wave of solutions is harder than the one before
 - The “easy solutions” were used up this year
 - Federal stimulus
 - Categorical flexibility
 - Cuts have already resulted in huge negative impacts on the district
 - Class sizes K - 12
 - Less support services
 - Fewer opportunities for students
 - Salary reductions (3 furlough days)

GENERAL FUND REVENUE TRENDS



CURRENT YEAR BUDGET RISKS

- The 2009 state budget reflects a \$500 million reserve - 0.56% of expected revenues and transfers
- Budget is already out of balance
 - \$21 billion shortfall over next 18 months
 - Major state budget solutions challenged in the courts
 - Caregivers for disabled and elderly
 - \$2.0 billion in redevelopment agency (RDA) fund shifts
 - Revenue is coming in at lower rate
 - Numerous state budget assumptions haven't materialized
 - \$1 billion in savings in corrections
 - \$1 billion from the sale of the State Compensation Insurance Fund
- There is no significant upside potential to offset the downside risks
- Two year budget adoption plan

STATE BUDGET

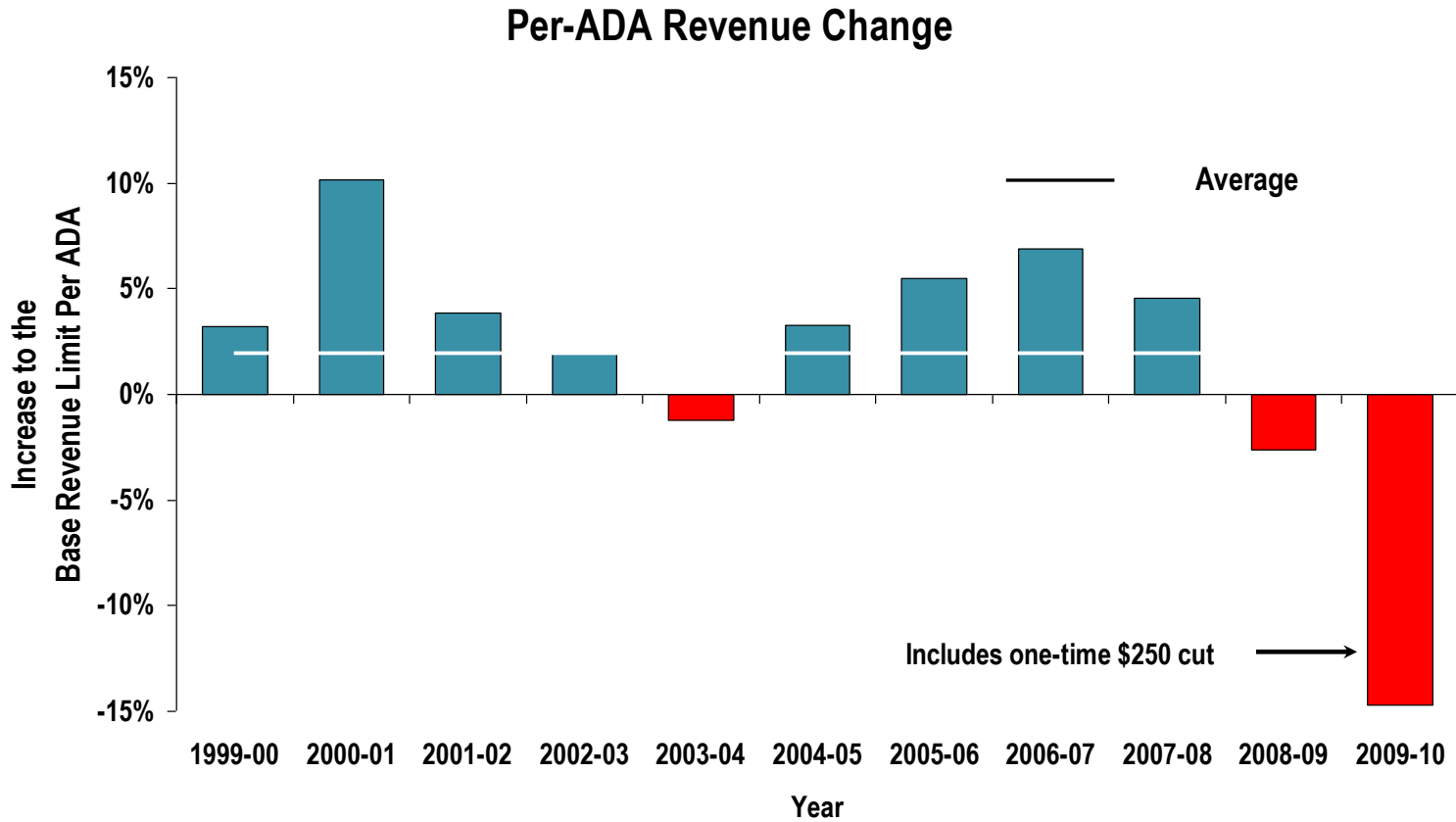
○ Special sessions

- Race to the Top
- Water Deal
- Tax Reform
 - Redistribute personal income tax
 - Eliminate corporate tax
 - Eliminate sales tax
 - New business tax applied to net receipts (not to exceed 4%)
 - Rainy Day Reserve from 5% to 12.5%
 - If agreed, implement all in 2012
 - Lukewarm reception...

STATE EDUCATION BUDGET

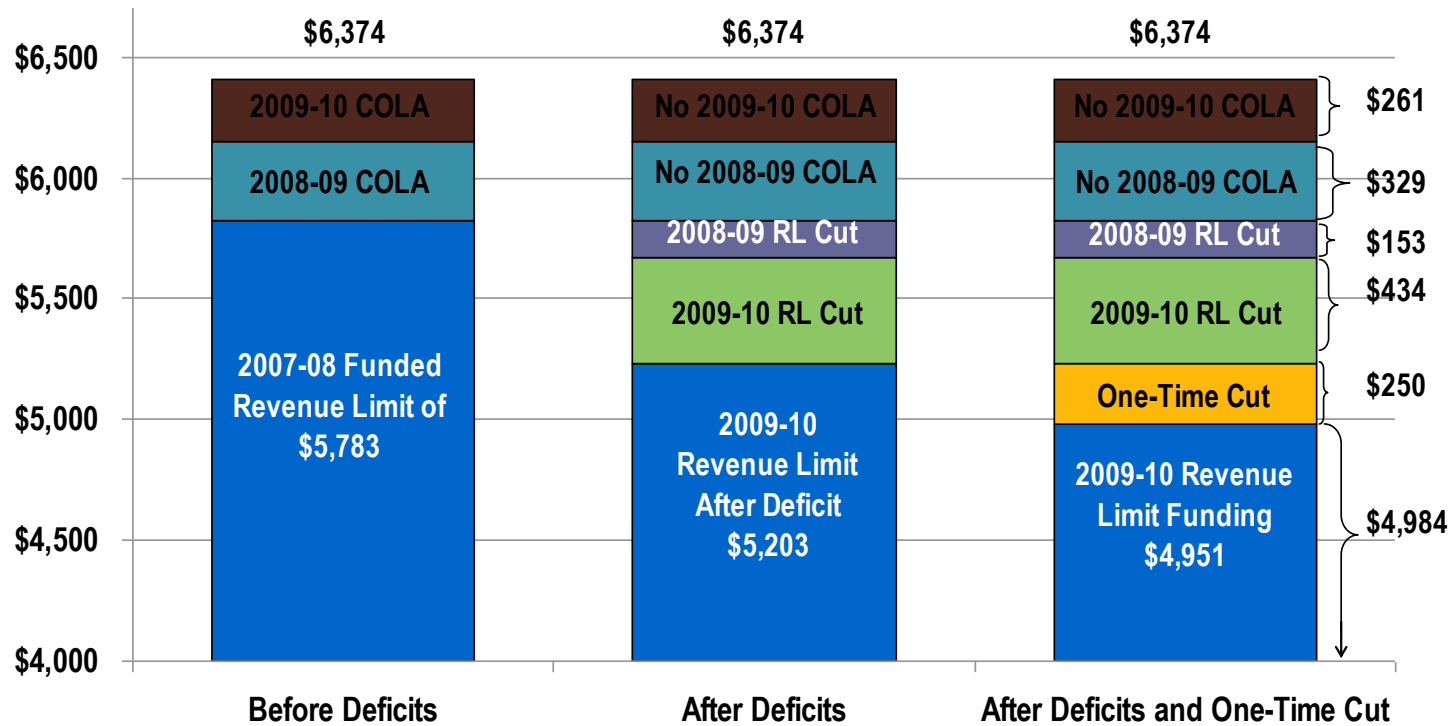
- Mandates reimbursement “deferrals”
 - Determined illegal by court
 - State appealed decision
- Prop 98 obligation of \$16 billion (up from \$15b)
 - Deferrals
 - Mandates reimbursement
 - Revenue deficit factors
 - Doesn't include restoration of 20% categorical cut
- Property taxes could fall in 2010/11
 - Requires state to backfill
- LAO forecasts Prop 98 declining in 2010-11 and 2011- 12
- Returning to pre-recession Prop 98 levels by 2013-14

PER-ADA REVENUE VOLATILITY



REVENUE LIMIT

District 2009-10 Revenue Limit Funding



REVENUE LIMIT FUNDING

- ◎ 2007/08 \$5,784/student
 - ◎ 2008/09 \$5,633/student
 - ◎ 2009/10 \$4,951/student
- \$833 less than 2007/08 - 15% reduction, yet expenses have increased

FEDERAL STIMULUS AND CATEGORICAL FLEXIBILITY

- Unprecedented flexibility in categorical funding
 - We are in the second of five years of flexibility
 - 20% of the funding has been cut
- How do we continue to provide services for students who need them?
- Federal stimulus funds
 - Important
 - Temporary, one-time solution
 - Title I stimulus dollars used to offset cuts to regular Title I dollars
 - IDEA dollars helped to maintain programs for special education students and reduce encroachment
 - Stabilization funds helped maintain programs for this year
 - Not a substitute for an adequately funded state program

SHORTER SCHOOL YEAR

- ⦿ School districts may reduce their school year to 175 days
- ⦿ The education trailer bill makes adjustments to minimum day and minute requirements to allow for this adjustment
- ⦿ Exercising this option does not trigger a further cut to the revenue limit in the form of lost ADA

CALCULATION OF AN ADEQUATE RESERVE

- The required Reserve for Economic Uncertainties (REU) has been relaxed to allow:
 - 2009-10 - one-third of the percentage for a reserve adopted by the State Board of Education (SBE)
 - 2010-11 - progress must be made toward returning to compliance with the minimum REU
 - 2011-12 - the reserve must be restored to the required percentage adopted by the SBE
- The required REU is just a minimum
 - In uncertain economic times, the reserve level should be higher than it is in stable economic times
 - Would need clear plan to restore by 2011/12
 - Reserve is used to offset slow state cash payments
 - Protects against unforeseen

MULTI YEAR PROJECTIONS

- “Qualified” Financial Status
- Additional Reporting and Oversight
- Assumptions
 - No enrollment growth (decline is possible)
 - No State COLA
 - No State cuts
 - Identify one-time federal revenue
 - Identify one-time categorical transfers
 - Include step and column for 10/11 and 11/12
 - Assume no furlough days in 10/11 or 11/12
 - Assume State restores \$250/ADA cut
 - Receive second half of federal IDEA funds

ONGOING REVENUE

Revenue available this year

(Includes encroachment programs - i.e. spec. ed., spec. ed. transportation, CDS, continuation ed., but not other restricted categoricals)

121,130,337

- 4,935,677 ARRA stimulus general purpose
- 1,613,581 ARRA stimulus categorical
- 995,478 ARRA stimulus IDEA (spec. ed.) 09/10
(net available after new classes)
- + 2,275,955 ARRA stimulus IDEA 10/11
(final installment)
- + 4,000,000 State restoration of
_____ \$250/ADA cut from 09/10
- 119,861,556 Ongoing general revenue for 2010/11

ONGOING EXPENSES

Current Year Expenditures

(Includes encroachment programs - i.e. spec. ed., spec. ed. transportation, CDS, continuation ed., but not other restricted categoricals)

Does not include carryover amounts/entitlements

126,859,314

+ 1,875,000 Agreement on furlough days
sunsets in 2009/10

+ 1,784,854 Cost of step/column

130,519,168 Ongoing costs for 2010/11

<10,657,612> Shortfall for 2010/11 * over 8.2%

* No provision made for utility, health benefit, property/liability rate increases

ONGOING REVENUE/ONGOING EXPENSES

◎ Following Year, 2011/12

10,657,612 Ongoing deficit

1,784,854 Cost of step/column for 11/12

<12,442,466> Shortfall in 11/12

<10,657,612> Shortfall in 10/11 if not addressed

<23,104,078> Fiscal insolvency

Action must be taken in 2009/10
to insure a balanced budget
In 2010/11

FISCAL CRISIS

Previous (2009-10) Major Reductions

Eliminate administrative positions	\$ 691,000	
Increase class sizes		
• 1 st and 2 nd grade to 25-to-1		\$ 925,000
• Other class size increases	\$ 1,390,000	
Various other staff reductions	\$ 390,500	
Reduce library services	\$ 227,000	
Reduce custodial services	\$ 335,000	
Subtotal		\$ 3,958,000
One-time savings/revenue		
• Categorical carry-over	\$ 2,420,000	
• Site carryover	\$ 480,000	
• Federal categorical backfill stimulus funds	\$ 1,600,000	
• Federal general purpose stimulus funds	\$ 4,900,000	
• Federal special education stimulus funds	\$ 990,000	
Subtotal		\$ 10,390,000

Budget Reduction Ideas

Revenue Generating Ideas

Charge for summer school

Use in-house suspension

Require Saturday school

Provide student attendance incentives

Increase student care fees

Facility leases

Cell tower rental proceeds

Increase independent study

Consider a parcel tax

Donations from parents (19,000 x \$550 = \$10.6 million)

Administration

High school/alt ed vice principals 7.5 FTE = 800,000 1 FTE = 106,000 (.5 serves as Music/PE coordinator)

Middle school vice principals 4.5 FTE = 500,000 1 FTE = 110,000

Principals 30 FTE plus 2.0 FTE funded by special programs including .5 student care, .5 preschool, .5 Adult Ed, .5 ADP 3,900,000 1 FTE = 130,000

District administration 29.5 FTE with 11.5 categorically funded

Alternative Education Programs

Continuation ed. encroachment 530,000

Community day school encroachment 290,000

Combine Kinney and Folsom Lake 50,000 savings

Athletics

Keep only baseball, basketball, football, volleyball, softball, and cheer advisors (150,000 savings)

Eliminate Freshman Sports (160,000 savings)

Athletic Directors

Campus Monitors (450,000 annual cost)

Categorical Flex Transfers

PDA/SPA/Transitional English (redirect where possible)

Tier 3 Programs

Sweep some 6/30/09 balances approx. 450,000

Sweep SLIP 6/30/09 balance approx. 300,000

Sweep all **remaining** program revenues

Cal Safe (Adolescent Parent Program) 150,000

PE Teacher Grant (adaptive PE teacher for spec needs 1.0 FTE) 95,000

ROP (supports Career Technical Ed classes) 270,000

Categorical Programs (continued)

Adult Ed (ELL, high school completion, parenting)	590,000
School Safety (pays for campus monitors and SRO)	200,000
Arts and Music Grant (lead teachers including PE)	60,000
CAHSEE (high school exit exam intervention program)	99,000
GATE (Gifted and Talented Ed)	115,000
Instructional Materials (state textbook funds)	940,000
Peer Assistance (BTSA)	20,000
Professional Development (training for teachers)	120,000
School and Library Improvement Program (SLIP)	680,000
Academic Intervention and Summer School Programs	850,000

Class size

Grades 1 & 2	Increase class size
28:1	924,000 savings
30:1	1,379,000 savings
32:1	1,769,000 savings

Clerical (1 FTE=50,000)
Combine schools (300,000 per elementary/600,000 total)
Computer aides (5 FTE SLIP 214,000; .5FTE Title I (WR); .6FTE Trans English)
Counseling Services 23.3=2,090,000 1 FTE=85,000 average Provide 2 each high school, 1 each middle and .5 FTE each alt ed savings would be 857,000
Custodians (night custodians 50.7 FTE @,770,986--1 FTE=45,000)
Elementary Opportunity program (encroachment 70,000)
Eliminate Department Chairs at elementary
Eliminate Division Leaders - replace with 4 or 5 "coordinators" at each HS
ETIS 8 FTE = 500,000 serves 5,000 PCs (1 FTE=60,000)
Grounds workers (8 district/.5 Mills/.5 Sutter/2 FHS/2 VdL 1 FTE = 45,000)
High School Staffing (12 FTE @ 65,000=780,000)
In-school Suspension (4.3 FTE=140,000)
Lead Teachers (6.83 FTE = 644,000) redirect categorical funding
Library Services (current 11.1 FTE - 517,000 3 days a week)
Maintenance (14.6 FTE = 860,000 includes 1.0 categorically funded) 1 FTE=60,000
Middle School Electives (17 FTE @ 65,000=1,105,000)
National Board Teacher Certification program (encroachment 53,000)

Negotiable Items

K-12 Prep Time

Step & Column (1,700,000)

Staffing ratios and student contacts (increase class sizes)

Overall salary reduction (1% = 1,030,000 all groups)

Work year reduction 1 day = 580,000 6 days = 3,480,000

No district subsidy for union presidents & subs (20,000-40,000)

Noon Duty/Extra Supervision (270,000 noon/170,000 extra)

Nursing Services (8.85 FTE/1 FTE=63,000)

Other Funds (food services and student care-charge more direct costs)

Reduce Reserves (payback by 2011-12)

Site Allocation

Reduce (10% reduction = 120,000)

Sweep Carryovers

Special Education

Behavior services (15 FTE = 857,000 1 FTE ranges include 25,000, 70,000, 80,000 and 130,000)

CEC program reduction (18-22 yr old) encroachment 94,000

Occupational Therapists

NPS/NPA contract reduction

Physical Therapists

Program Coordinators (3.0 FTE/1 FTE = 120,000)
Program Specialists (6.0 FTE = 640,000/1 FTE = 102,000)
Psychologists (14.7 FTE 1,530,000/1 FTE = 87,000)
Special Ed aides
Speech services (29.5 FTE 2,640,000 1 FTE = 72,000)
Increase class sizes in special ed
Schools Resource Police Officer (RC) Folsom already eliminated (125,000)
Starbase Science Program (encroachment 37,000)
Summer School
Regular (eliminate grades 6-8 = 40,000 eliminated grades K-5 in 2009)
Special Ed extended school year
Non Public Schools (reduce required number of days in SELPA agreement)
Theater specialist (1 FTE = 75,000) Currently limited to theater rentals. Could restructure to include oversight of other facility rentals to be self supporting
Transportation
Increase walking distance (1-2 routes = 30,000)
No high school transportation (except Mather to CHS and Sundahl to FHS 50,000 savings)

Utilities

Turn irrigation water off

Sites turn off half of lights, beginning at 9:00 a.m. could be savings of over \$100k

School sites to turn off gym, multi, library lights when not in use

Adjust HVAC set points 1-2 degrees

Close schools in summer-don't turn on HVAC

Start school year two weeks later (or after Labor Day) possible 60,000 savings

Warehouse closure (2.5 FTE currently 1 FTE=60,000 would need 1.0 for mail and print shop deliveries)

Would Require Change in the Law

Fine parents of truant students

Reduce testing

Contract out for food services, transportation, print shop, tech services, maintenance, etc.

FISCAL CRISIS

○ What 2010-11 Might Look Like

Reduce administration	\$ 1,000,000	
Reduce school and/or work year		
• Savings for one day	\$ 580,000	
• Savings for six days	\$ 3,480,000	
Reduce counselors by 50%	\$ 1,045,000	
Eliminate library services	\$ 517,000	
Eliminate middle school electives	\$ 1,430,000	
Eliminate RC school resource officer	\$ 125,000	
• Folsom's eliminated 2008-09		
Raise class sizes		
• 1 st and 2 nd grade to 28-to-1	\$ 924,000	
Eliminate nursing services	\$ 744,000	
Eliminate athletics	\$ 450,000	
 Total		\$9,715,000

NEXT STEPS

- ◉ Inform stakeholders
- ◉ Discuss with employees and representative groups
- ◉ Brainstorm ideas
- ◉ Solicit public input through Budget Central and eNews
- ◉ Discuss at board meetings
- ◉ Hold public forums in January and February
- ◉ Adopt final plan by Second Interim Report in March