

**More
Frequently Asked Questions
Updated April, 2010**

1. When will the district receive the final installment of federal stimulus funds and how much is expected?

The district is expecting to receive the final ARRA installment for general purposes (State Fiscal Stabilization Funds SFSF) sometime in 2010. However, last month (March 2010) all districts received notice from the State Department of Education that payments for State Tier 3 categorical programs were being reduced this year and districts were directed to use the future ARRA SFSF installment to backfill the cut. For FCUSD, the amount taken by the state was \$800,000. We can only hope that the final federal stimulus installment received by the district will be at least \$800,000 to make the district whole. The state, once again, has found a way to cut funding intended for education. We had planned to use the ARRA SFSF to restore programs on the 2010-11 cut list, but instead, will have to redirect the funds to backfill the March 2010 cut by the state.

2. Can the district use its 3% reserve to help with the budget gap?

A reserve level of 3% is required by Ed Code, except for 2009-10. The law has been amended to allow 1%; however, the district must have a plan in place to fully repay the reserve by July 1, 2011. Using the reserve in 2010-11 and having to repay it by July 1, 2011, only delays the cuts. 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. When the state hasn't paid the district by the end of the month, we must still pay our employees and use the reserve until the state payment arrives. There is a more complete discussion of the district's ending balances, including the reserve on the website at Budget Central.

3. How does the deferral of monthly state payments affect the district?

The district would normally receive monthly payments from the state on an established schedule. Based on recently enacted legislation, the state may, and 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, four months (November, December, March and June) have had 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.

4. The district is expecting to have a \$16 m balance at the end of the school year. Can we use some to fill the \$13.9 m budget gap projected for 2010-11?

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

3% Required reserve	\$4.5 m	Use .3 towards gap
Legally restricted	4.6 m	Can't use this (Title I, Title II, EIA, IDEA, etc.
Site/dept carryovers	2.3 m	Swept \$1 m in 2009-10
Tier 3 categoricals	1.4 m	Continue to use as original grants intended: ROP, APP, Safety Grants, etc.
Sweep some Tier 3 balances	<u>3.3 m</u>	Use towards gap
	<i>Projected \$16.1 m</i>	<i>June 30, 2010</i>

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

5. The district has \$5 m in the Retiree Benefit Fund. Can we use some to help fill the 2010-11 budget gap?

The Retiree Benefit Fund was established as an irrevocable trust by the Board of Education to pay for retiree medical benefits negotiated by FCEA, CSEA, and FCLA. Based on an actuarial study, there is an unfunded liability of approximately \$17 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.

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

No. Bonds proceeds from Measure M are paying for the entire cost of the Education Services Center. Bonds 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, FLHS, and CEC) where services are currently housed, such as travel time, mail delivery, repairs, and communications. For further information see the previous FAQ at Budget Central on our website.

7. Can the district use any student body funds to help with the budget problem?

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.

8. Why does the district always budget more in the Books/Supplies account than it spends?

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 on September 1 in object codes 4300 and 5800. The principals and dept 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 report in May and again in June with the budget. Final carryover amounts won't be known until August when we close our books on 2009-10.

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

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.

10. Why did the ending balance for last year (2008-09) go up to \$24 m compared to \$19.4 m in the prior year (2007-08)? Employees gave up three furlough days in 2009-10, yet the district had a large ending balance in 2008-09.

Several factors contributed to the larger ending balance. 1) In May of 2009, federal stimulus dollars (ARRA) were received and used in the next school year, 2009-10; 2) Tier 3 program balances rolled to the ending balance in 08-09. Part of the way we filled our budget shortfall was to hold on to Tier 3 balances from 08-09 and use them in 09-10. And we'll reserve any balances in Tier 3 in 09-10 to help with the budget gap in 10-11; 3) We initiated a hiring and spending freeze during 2008-09, even for categorical programs; and 4) The state passed its revised 08-09 budget in July of 2009 and couldn't impose the \$4 million cut in 08-09, so we had to carry the funds over. They took the \$4 million in 09-10.

11. The district has a Special Capital Outlay Fund (Fund 40). Can we use some to fill the budget gap?

Yes. We are using \$600,000 of the Special Capital Outlay Fund 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 erate "credits" (\$660,000) for our wide-area network costs.

12. Are we expecting enrollment growth, decline or status quo next year?

We are expecting stable or 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, but has not been as negatively affected by the housing market changes.

13. The district operates a Student Care program (Other Enterprise Fund in our State Reports). Can we use some to help with the general fund budget gap?

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.

14. Why doesn't the cash flow in the Second Interim Report match the Financial Reports in the Second Interim Report?

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 2009-10 cash transactions. But there will be invoices that come in after June 30 for goods and services for 09-10 that are then recorded as current liabilities yet won't affect 09-10 cash. Payments made after June 30 are recorded as a liability against 09-10 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 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, ARRA, EIA, etc) and Tier 3 accounts. That difference is part of the ending balance, and designated as carryover amounts.