

REVISED BUDGET UPDATE

PRESENTATION TO THE BOARD OF TRUSTEES

November 16, 2010

Gary Cardinale, Ed.D.
Assistant Superintendent, Business Services

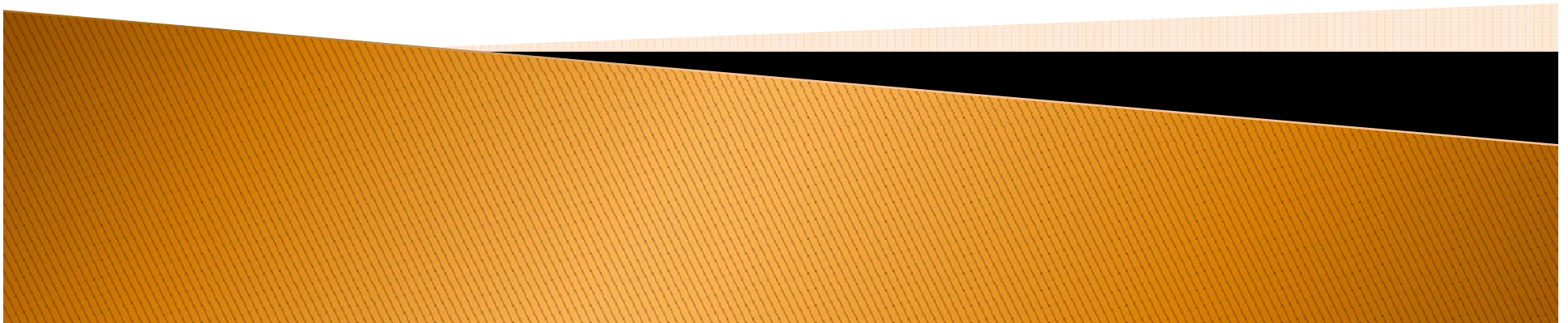


Table of Contents

- ❖ Budget Calendar 2011/12
- ❖ Budget Overview
- ❖ Major Changes from May
- ❖ A Look at the Base Revenue Limit
- ❖ Revenue Limit Deferrals
- ❖ FSDs General Fund Revenue Profile
- ❖ Components of the Ending Balance
- ❖ Multi-Year Projections
- ❖ More Uncertainty
- ❖ What Others Are Saying
- ❖ Next Steps
- ❖ Questions

With Special Thanks To...

Suwen Su

Donna Schnars

Budget Calendar 2010/11

June 30, 2010

Adopted Budget FSD

(Projected Cuts 2011/12 \$8.6 Million)

October 8, 2010

State Budget Passed

(Latest in California History)

(Projected Cuts 2011/12 \$4.2 Million)

November 8, 2010

Legislative Analyst Report on State
Budget 2010/11

November 10, 2010

Governor Calls Special Legislative Session

Budget Calendar 2010/11

November 16, 2010	Revised Budget 2010/11
December 14, 2010	First Interim Report (All Fiscal Activity July 1, 2010 – October 31, 2010)
December 15, 2010	First Meeting Budget Advisory Committee
January 10, 2011	Governor's Budget for 2011/12 Released
January 18, 2011	School Services Workshop on State Budget 2011/12

Budget Calendar 2010/11

January 18, 2011	Audit Report for 2009/10
January 19, 2011	Second Meeting of Budget Advisory Committee
January 26, 2011	Third Meeting of Budget Advisory Committee
February 2, 2011	Fourth Meeting of Budget Advisory Committee
February 16, 2011	Fifth Meeting of Budget Advisory Committee

Budget Calendar 2010/11

February 22, 2011

Recommendation to Board
Budget Advisory Committee

March 8, 2011

Second Interim Report
(All Financial Activity July 1, 2010 –
January 31, 2011)

May 9, 2011

May Revise 2011/12 State Budget

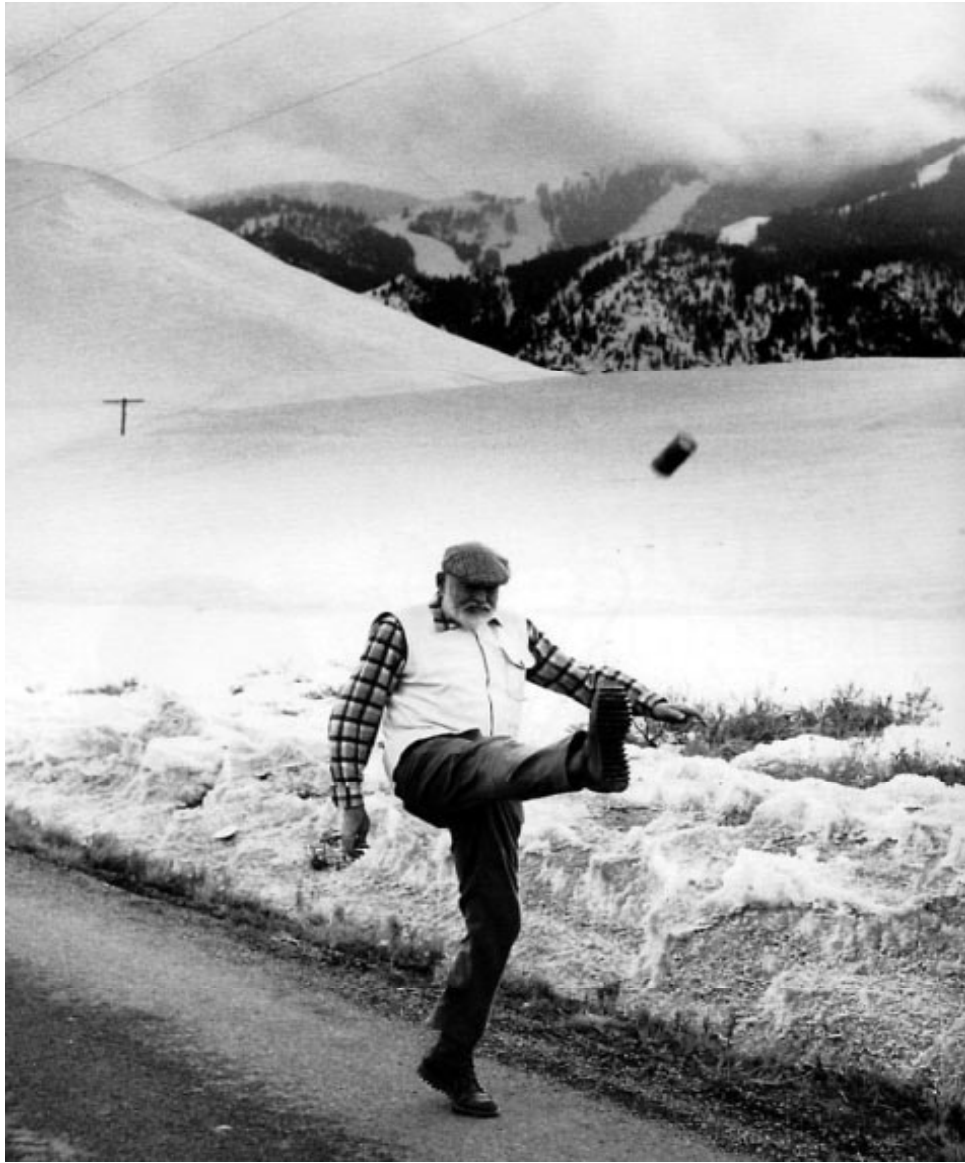
June 28, 2011

Adopted Budget FSD 2011/12

Budget Overview



OCT BUDGET 10/11 ONLY	STATE ASSUMPTIONS	JANUARY
BRL \$3.2M (\$5,003/ADA) FED JOBS 2.1M SFSF .244 <hr/> \$5.54 Million	FED \$5.3B STATE REV 1.4B SALE PROP 1.2B <u>STATE CUTS</u> 7.5B \$15.4B	FED \$1.4B STATE REV 0.0 STATE PROP 1.2B STATE CUTS 2.0B <hr/> \$4.6B \$15.4 \$10.8B Hole in January ∴ Mid-Year Cuts <u>< 4.6 ></u> \$10.8B**
		Est. to save in 10/11* 1/3 of year gone
		*Darrell Steinberg says \$1B in social programs will be added to the budget after new session starts. **With \$1B addition, deficit grows to \$11.8B.



California's Budget Solutions

11/16/10

Major Changes from May Revision to the Final Budget

Category	May Revision	October Final Budget
Revenue Limit	Reduced revenue limits by \$1.5 billion	Fully restores revenue limit cut
COLA	“Fully funded” negative 0.39% COLA	Holds school agencies harmless from negative COLA
Mandates	No funding for prior-year mandates	\$300 million in one-time mandate funds, of which \$100 million is for 2010/11 claims, and \$200 million is for prior year claims allocated on a per-ADA basis
Child Care	Eliminated child care programs	Funding fully restored for licensed care providers
Mental Health	Suspended existing AB 3632 special education county mental health mandate	No suspension of mandate to county mental health

Courtesy SSC

Revenue Limit Calculation Update for 2010/11

Final Budget (October '10)	FSD	Statewide Average		
	Elem	Elem	Unified	H.S.
Base Revenue Limit	\$6,122	\$6,134	\$6,417	\$7,376
Negative COLA (.39%)	-24	-24	-25	-29
Revised Base Revenue Limit	\$6,098	\$6,110	\$6,392	\$7,347
Less Deficit (17.963%)	-1,095	-1,098	-1,148	-1,320
Net Funded Revenue Limit	\$5,003	\$5,012	\$5,244	\$6,027
May Revise	FSD	Statewide Average		
	Elem	Elem	Unified	H.S.
Base Revenue Limit	\$6,122	\$6,134	\$6,417	\$7,376
Negative COLA (.39%)	-24	-24	-25	-29
Revised Base Revenue Limit	\$6,098	\$6,110	\$6,392	\$7,347
Less Deficit (18.355%)	-1,119	-1,121	-1,173	-1,349
Net Funded Revenue Limit	\$4,979	\$4,989	\$5,219	\$5,998
Less 3.85% Reduction*	-235	-235	-246	-283
Net Funded Revenue Limit	\$4,744	\$4,754	\$4,973	\$5,715
Net Increase	\$259	\$258	\$271	\$312

**Latest Budget Act rejects the Governor's proposed \$1.5 billion cut to the Revenue Limit (approximately a 3.85% reduction to the Undeficitated Base Revenue Limit). The elimination of this cut increases District funding above the May Revision.*

Monthly Payment Schedule with Deferrals Compared to Normal Cycle

Normal Cycle 2007/08 (EC Section 14041(a)(2)(3) & 14041.5)

July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July
13.00%	12.00%	8.00%	8.00%	8.00%	8.00%	8.00%	14.00%	7.00%	7.00%	7.00%	0.00%	13.00%

2010/11*

July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.
0.00%	5.00%	5.00%	9.00%	9.00%	18.00%	9.00%	1.00%	0.00%	13.60%	1.90%	0.00%	21.90%	6.60%

**The State's \$17.5 billion cash deficit is being covered by \$10.8 billion of internal borrowing and \$6.7 billion in external borrowing.*

Subsequent Year

July	August
21.90%	6.60%

➤ Total 28.50%, or \$9.8 million for FSD

Multi-Year Projections (Preliminary)

	2009/10 Actuals	2010/11 Projected	2011/12 Projected	2012/13 Projected
Funded COLA	-12.07%	5.17%	0%	1.90%
Total Revenues and Transfers In	\$98,117,999	\$101,086,318	\$95,478,608	\$94,462,299
Total Expenditures* and Transfers Out	\$99,709,503	\$106,055,115	\$98,782,791	\$95,018,362
Net Increase/Decrease()	(\$1,591,504)	(\$4,968,797)	(\$3,304,183)	(\$556,063)
Projected Ending Balance	\$14,993,815	\$10,025,018	\$6,720,834	\$6,164,771
Budget Reductions Needed (Preliminary)			(\$4.2 million)	(\$8.5 million)

**Expenditures (including budget reductions)*

Components of Ending Fund Balance

	2009/10 Actuals	2010/11 Projected	2011/12 Projected	2012/13 Projected
Reserve for Revolving Cash/Stores/Prepaid Expenses	\$1,741,842	\$1,668,231	\$1,668,231	\$1,668,231
Designated for Restricted Fund Balance	\$2,216,724	-	-	-
School Site Carryover	246,597	-	-	-
Categorical Carryover	\$558,648	\$337,757	\$337,757	\$337,757
Categorical Year-End Sweeps/Tier III	\$1,189,401	-	-	-
Reserve for FTEs	-	\$420,000	\$420,000	\$420,000
Supplementary Retirement Plan	\$2,218,115	\$1,774,492	\$1,331,362	\$888,232
Designated for Economic Uncertainties	\$6,402,488	\$5,824,538	\$2,963,485	\$2,850,552
% Reserve	6.4%	5.5%	3.0%	3.0%
Total	\$14,993,815	\$10,025,108	\$6,720,834	\$6,164,771

State Budget – More Uncertainty

- ❖ 2010/11 budget is highly uncertain
 - Will we see a \$1.7 billion deferral?
 - State still in economic slump, but phantom funding for education goes up
- ❖ 2011/12 outlook...things to consider:
 - Little evidence of economic expansion
 - Approximately \$8 billion in temporary State taxes expires
 - One-time Federal solutions gone
 - * \$2.92 billion in ARRA for 2009/10
 - * \$271 million in ARRA for 2010/11
 - * \$1.2 billion in Federal Jobs money for 2010/11
 - * \$400 million in State Incentive Grants (for use over three years)
 - * While these funds helped, they may have just delayed the problem

Source: SI&A

***THIS IS AS
GOOD
AS IT GETS...***



What Others Are Saying About State Budget 2010/11

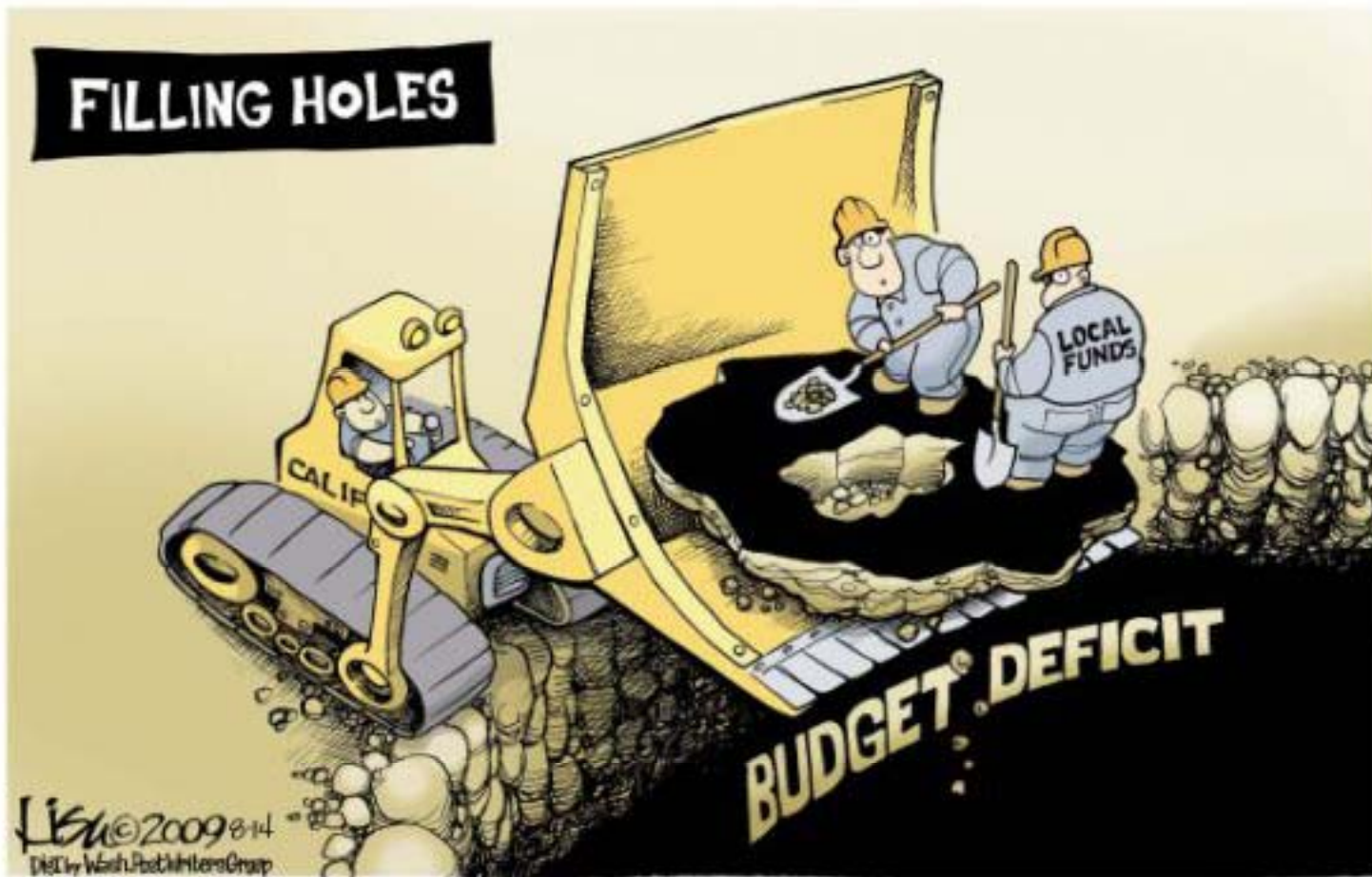
- ▶ Bill Habermehl
Superintendent, Orange County Department of Education
“...house of cards”
- ▶ State Senator Joe Simitian
Palo Alto District
“...gimmicks”
- ▶ Tom Meyer
CEO, Fullerton Community Bank
“...slow recovery.” “Neither the State or Feds have any long term plans to address debt...”

What Others Are Saying About State Budget 2010/11

- ▶ Los Angeles Times 11/11/10
“...billions of dollars in phantom savings approved by the legislature and Governor Schwarzenegger last month...”
- ▶ School Services of California
“Exercise extreme caution in budgeting in 2010/11.”
- ▶ Moody’s Credit Rating Agency 10/19/10
“California’s next budget deficit (2011/12) is expected to be at least \$12 billion.”

What Others Are Saying About State Budget 2010/11

- ▶ Legislative Analyst 11/10/10 “California’s Fiscal Outlook”
“...The enacted budget is likely to be out of balance by \$6 billion, in large part due to unrealistic assumptions about the receipt of Federal funds (\$5.3 billion) and the inability of the State to secure budgeted savings.
The 2-year budget deficit will be \$25 billion.”
- ▶ School Services of California 11/11/10 Fiscal Report
“Unlike those who have loudly proclaimed that the recession is over, we think the economic manipulations that reach that conclusion do not reflect the reality of conditions here in California.”
- ▶ Mike Kilbourn, Legislative Advocate 11/11/10 “Capitol News”
“The LAO is projecting an operating shortfall of about \$20 billion annually until 2015/16.”



Next Steps

- ▶ Actively monitor revenue and spending trends in Sacramento
- ▶ Create several budget scenarios for 10/11 and 11/12
- ▶ Actively monitor FSDs student attendance and spending
- ▶ Recommend extreme caution in the management of the District's budget, pending an improving economy

Questions?