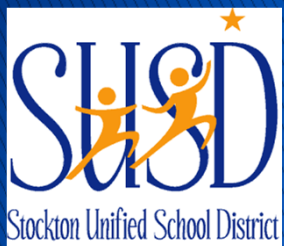


2011–12 Adoption Budget: Summary and Discussion

June 28, 2011



State Budget Update:

Third Time the Charm?

Following a veto on the Legislature's budget by the Governor, another budget goes for a vote today. Details?

- ▶ Will be a majority-vote budget that does not include additional revenue from tax rate increases
- ▶ Does include an additional \$4 billion in tax revenue above Governor's May Revise.
 - It isn't as if its been a cascade of good news since May"
-Jeff Michael, UOP Business Forecast Center
 - "They are out of their minds"
-Chris Thornberg, Beacon Economics
 - LAO's last provided projections for the Governor's May Revise but noted that tax collections have been running well ahead of those estimates.

State Budget Update:

Trigger Language and Impact to Education

Trigger Language

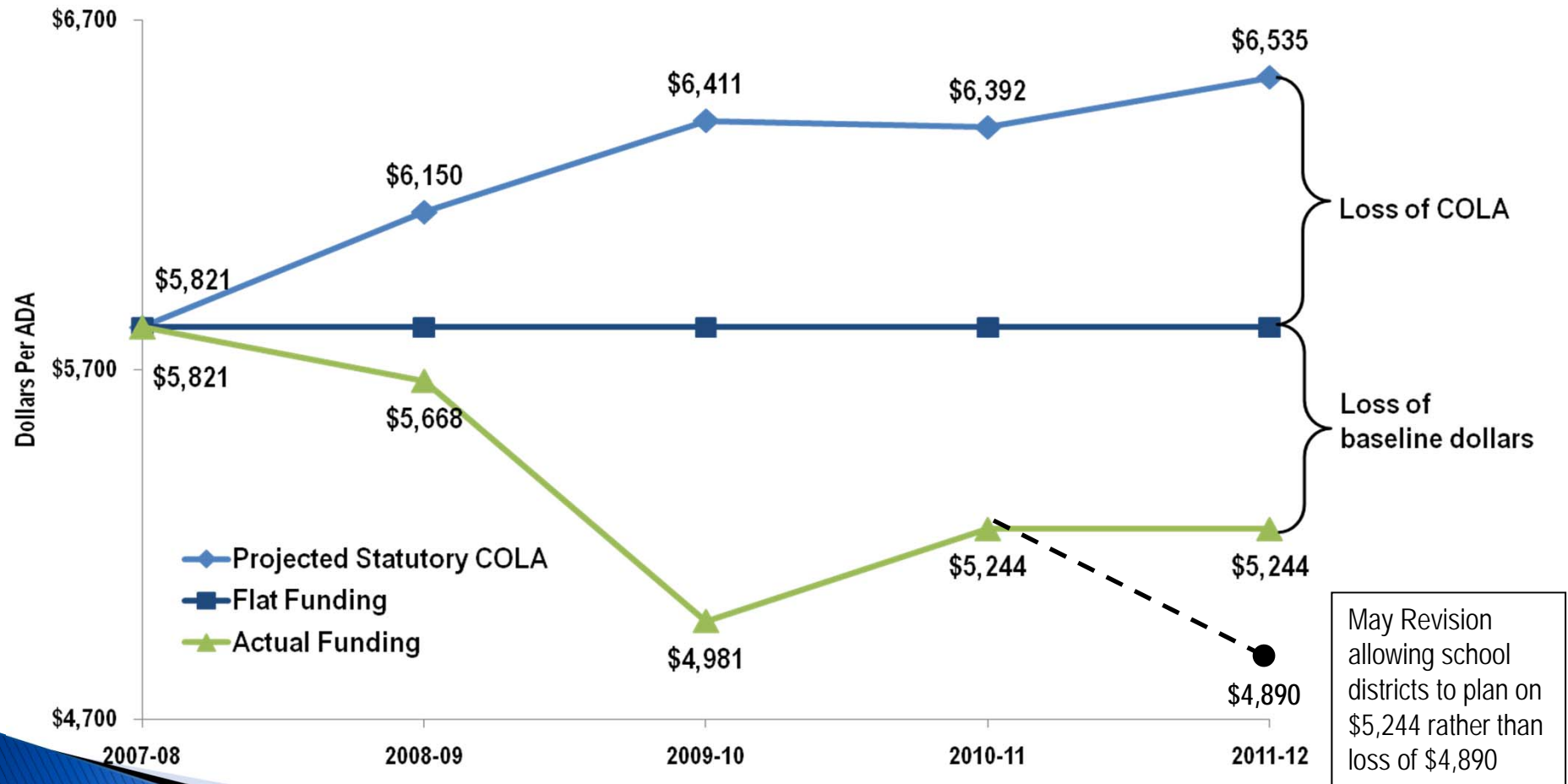
- ▶ Includes a trigger that will apply *midyear reductions* of \$2.5 billion if actual revenues do not meet new estimates
- ▶ Majority of the trigger cuts targeted for education; estimated \$1.5 billion in reductions

Impact to Education

- ▶ Re-instatement of cross-year payment deferrals of \$2.7 billion
- ▶ Trigger cuts: (a) elimination of home-to-school funding in second half of school year and (b) change to state law that will allow districts to shave seven to ten days off the school year
- ▶ Districts are basing their budgets on the expectation of \$4 billion in additional revenue

Impact to K-12 Education: Adjustment to Funding Level

Average Unified District

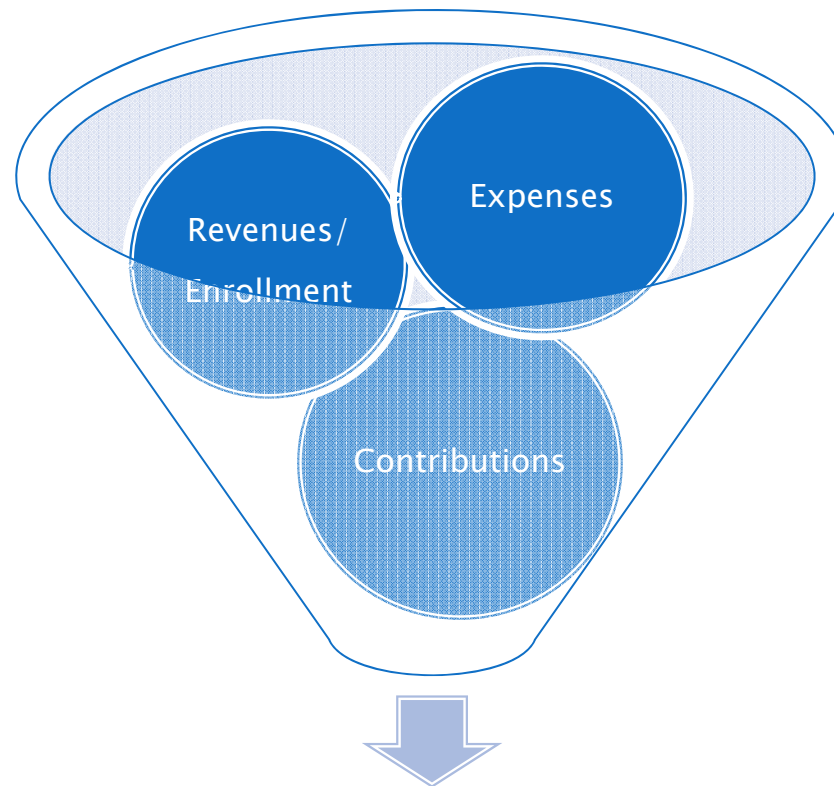


2011–12 Adoption Budget:

County Office of Education Advice

- ▶ Budget flat funding for 2011–12 and outgoing year revenues per School Services of California dashboard.
- ▶ Budget expenditures using 2nd interim assumptions. Resulting fund balance should guard against continued uncertainty in absence of State Budget.
 - If the District has sufficient reserves, designate the loss of \$330 per ADA in ending balances.
- ▶ Maintain flexibility in staff hiring and in negotiations.
- ▶ In all cases, it is important to keep options open to navigate the State Budget until it is enacted.

2011-12 Adoption Budget: Major Budget Assumption “Buckets”



2011-12 Adoption Budget

2011–12 Adoption Budget:

Major Budget Assumptions for Revenues

- ▶ **Enrollment** – Continued decline in student population; corresponding average daily attendance (ADA) reductions; District ADA percentage = 94%
- ▶ **Revenue Limit** – Planning on ‘flat funding’; significant change from January Governor’s proposal
- ▶ **State Revenue** – Largest decreases in K–3 CSR revenue and mandated cost reimbursements
- ▶ **Local Revenue** – Modest overall increase expected with major contributions from interagency services

2011-12 Adoption Budget:

Major Budget Assumptions for Enrollment

Our Students

Actual 2010-11 and Projected 2011-12

	Actual Enrollment October 2010	Projected Enrollment October 2011	Projected Enrollment Change
Student in Grades K-8	25,051	24,383	(668)
Students in Grades 9-12	8,755	8,019	(736)
Students in Specialized & Alternative Schools	322	307	(15)
Special Education Students	1,311	1,339	28
District Charters	1,431	2,314	883
Totals	36,870	36,362	(508)

NOTE: This table also appears in the 2011-12 Adoption Budget Book on page A-6 along with other complementary data and charts.

2011–12 Adoption Budget:

Major Budget Assumptions for Revenues

▶ Enrollment

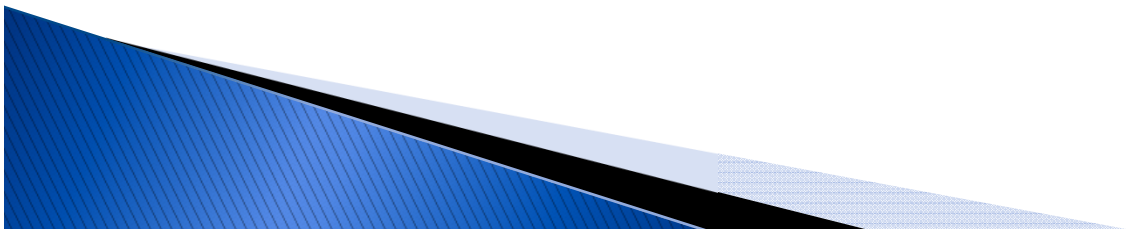
- Continued decline in student population;
- Corresponding average daily attendance (ADA) declines

▶ Revenue Limit

- Per County Office advice, budget reflects ‘flat funding’ scenario;
- Significant change from January Governor’s proposal

▶ Federal Revenue

- Budget includes transfer of expenses onto Ed Jobs Fund to relief General Fund expenses on a one-time basis
- Projected reductions in Title I (10% less) and Title II (18% less)



2011–12 Adoption Budget:

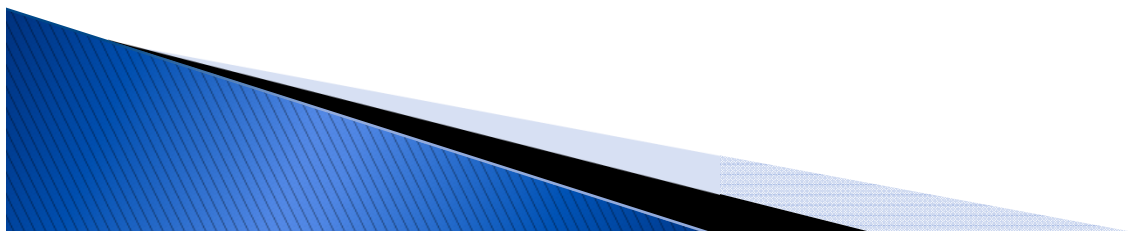
Major Budget Assumptions for Revenues (cont.)

▶ State Revenue

- Largest decrease in K–3 CSR revenue (approx. \$1.1 million)
- One-time 10–11 revenue for mandated cost reimbursements was removed for 11–12 budget
- Categorical flexibility continues to significantly assist core instructional needs, e.g. classroom teachers, by flexing \$16.4 million

▶ Local Revenue

- Modest overall increase expected
- Large increase in interagency services and leases/rentals



2011–12 Adoption Budget:

Major Budget Assumptions for Expenses

▶ **Certificated and Classified Staff**

- Assumes step and column increases for certificated staff of 1.68% and classified staff of 1.34%
- Revised staffing ratios generally increase the number of students per school staff position (full detail listed in 2011–12 Adoption Budget Book, page B–10)
- Includes all position reduction measures approved by the Board on February 22, 2011 to balance budget

▶ **Benefits (Health/Welfare & Statutory)**

- District continues to see hikes in health/welfare benefit costs;
- Impact to District budget is approximately 8.5% cost increase or \$386,000 for those bargaining units without District caps

2011–12 Adoption Budget:

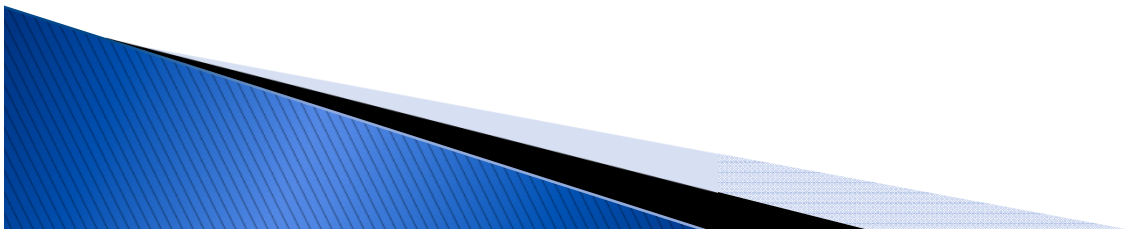
Major Budget Assumptions for Expenses (cont.)

▶ Non-Labor Expenses

- Adjustments to expected utility expenses (slightly lower over the prior year)

▶ Contributions

- Overall increase in contributions of approximately \$2 million for the 2011–12 fiscal year
- Primarily attributable to:
 - Increased special education costs,
 - Repayment of CPM finding (Success for All)



2011-12 Adoption Budget: Unrestricted General Fund (GF)

		10-11 Est Actuals	11-12 Adopted Budget	Difference
A	Beginning Fund Balance	\$25,077,284	\$31,128,553	\$6,051,269
B	Revenue Limit	\$169,274,548	\$164,919,008	(\$4,355,540)
C	Other Revenue	\$35,805,839	\$32,967,221	(\$2,838,618)
D	Total Revenue	\$205,080,387	\$197,886,229	(\$7,194,158)
E	Salaries, Benefits, Books, Supplies, Services, Capital, Other Outgo, Indirect	\$177,236,766	\$167,573,611	(\$9,663,155)
F	Transfers In, Sources	\$2,705,446	\$0	(\$2,705,446)
G	Transfers Out, Contributions	\$24,497,798	\$26,309,899	\$1,812,101
H	Total Expenditures	\$199,029,118	\$193,883,510	(\$5,145,608)
I	Net Increase/ (Decrease)	\$6,051,269	\$4,002,719	(\$2,048,550)
J	Ending Fund Balance	\$31,128,553	\$35,131,272	\$4,002,719

2011-12 Adoption Budget:

Unrestricted GF Ending Balance Components

	10-11 Est Actuals	11-12 Adopted Budget	Increase/ (Decrease)
Ending Fund Balance	\$31,128,553	\$35,131,272	\$4,002,179

Components of Ending Fund Balance	10-11 Est Actuals	11-12 Adopted Budget	Increase/ (Decrease)
Revolving Cash	\$70,000	\$70,000	\$0
Stores	\$1,200,000	\$1,200,000	\$0
All Others (SFA CPM Finding)	\$1,000,000	\$0	(\$1,000,000)
Reserve for Economic Uncertainty (2%)	\$6,629,931	\$5,589,567	(\$1,040,364)
Reserve for Deficit Spending	\$22,228,622	\$28,271,705	\$6,043,083

Multi-Year Budget Projection:

Continued Challenges Starting in 2012-13

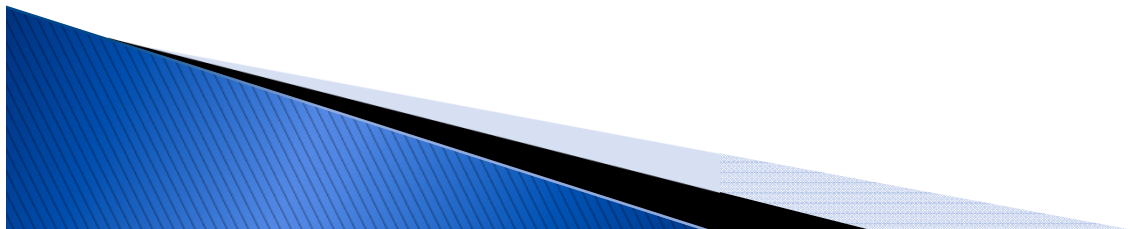
	2011-12	2012-13	2013-14
REVENUE			
Revenue Limit	\$164,919,008	\$159,770,070	\$154,669,005
Other Revenue	\$32,967,221	\$32,840,809	\$32,777,782
Contributions	(\$25,981,180)	(\$26,476,160)	(\$26,673,924)
Total Revenue	\$171,905,049	\$166,134,719	\$160,772,863
EXPENDITURES			
Salaries, Benefits, Books/Supplies, Services, Capital Outlay, Outgo	\$167,902,330	\$175,353,127	\$175,957,504
Total Expenditures	\$167,902,330	\$175,353,127	\$175,957,504
Net Increase/ (Decrease)	\$4,002,719	(\$9,218,408)	(\$15,184,641)
FUND BALANCE			
Beginning Fund Balance	\$31,128,553	\$35,131,272	\$25,912,864
Ending Fund Balance	\$35,131,272	\$25,912,864	\$10,728,223
COMPONENTS OF ENDING BALANCE			
Revolving Cash & Stores	\$1,270,000	\$1,270,000	\$1,270,000
Economic Uncertainty (2%)	\$5,589,567	\$5,615,628	\$5,636,576
Reserve for Deficit Spending	\$28,271,705	\$19,027,236	\$3,821,647

Multi-Year Budget Projection: Ending Balance Components

Difference: Actual Reserve Available versus Loss of \$330 per ADA	2011-12	2012-13	2013-14
Reserve for Deficit Spending*	\$28,271,705	\$19,027,236	\$3,821,647
Loss of \$330 per ADA**	\$11,000,000	\$22,000,000	\$33,000,000
Difference	\$17,271,705	(\$2,972,764)	(\$29,178,353)

* Remaining reserve for the District after revolving cash, stores, and 2% for economic uncertainty are accounted for.

** Per guidelines from the County Office of Education, if a school district has sufficient reserves they should designate the loss of \$330 per ADA due to continued uncertainty about the final outcome of a State budget and assumptions underlying that budget.



Apportionment Deferrals:

Borrowing Options

State of California continues to defer significant amount of payments to school districts (30%+). District has following options:

- ▶ Temporary interfund transfer – General Fund borrows cash from other funds and repays within the fiscal year.
- ▶ Tax and Revenue Anticipation Note (TRAN) – School district borrows cash from bond market; repaid based on terms of agreement.
- ▶ County Treasurer – County Office temporarily transfers funds

Next Steps:

Cautiously Optimistic

- ▶ Board approval of 2011–12 adopted budget based upon:
 - May Revision revenue forecast, advice of County Office of Educ
 - Once the State Budget is adopted, District has 45 calendar days to make adjustments and resubmit
- ▶ Effectuate all layoffs approved by Board on February 22nd
 - With exception of teachers above class size max (proposed 36:1)
 - These position reductions are critical to ensuring the District meets the minimum requirements articulated in Education Code

Next Steps:

Cautiously Optimistic

- ▶ The District should wait until the 2011–12 enacted State budget to make any changes to staffing funded on General Purpose funds.
 - NOTE: Human Resources may be calling people back based upon the availability of site-based funds and/or categorical funds (e.g. QEIA)
 - The District should continue with process to prioritize positions to reinstate in the event that the State budget picture continues to improve.

