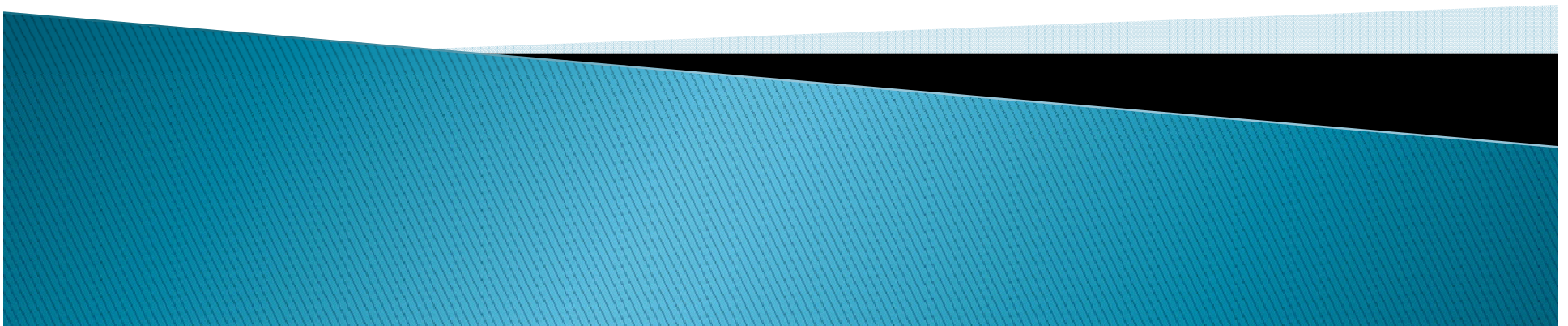


Fullerton School District

First Interim Report

December 8, 2009



Presentation Outline

Review of the State's Finances

A Cogent Look at the District Finances

The Economic Challenge Facing Fullerton School District

Qualified Certification

Investigating Potential Solutions

A Look Ahead

Next Steps

Comments or Questions

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“Unfortunately, we’re approaching the expiration date on most of our quick-fix solutions.”

State Budget Update

Governor & LAO Releases

- ▶ Governor's Press Conference – November 9, 2009
 - California's budget will fall out of balance by an additional \$5 – \$7 billion this fiscal year (2009–10)
 - A total 2-year budget deficit of \$12.4 – \$14.4 billion

State Budget Update

LAO Release

- ▶ Mac Taylor, Legislative Analyst's Budget Report –November 18, 2009:
 - Identified a \$20.7 billion State budget deficit over the next 18 months
 - This is a \$7.3 billion larger deficit than the Governor announced one week earlier
 - “No way that California can avoid reprioritizing its finances”
 - “...no way that the Legislature, the Governor, and voters can avoid making additional, very difficult choices about State priorities”
 - “In the coming years, major State spending programs will have to be significantly reduced”

Recent News on Education Cuts

- ▶ \$32 million deficit projected for Orange Unified School District
- ▶ LAUSD asks teachers for 4 furlough days and a 12% salary reduction
- ▶ \$15 million in cuts is proposed for Anaheim schools
- ▶ Elk Grove Unified School District may cut school sports if employee groups do not take furlough days (\$21 million)
- ▶ Alvord Unified School District cuts 5 days from this school year

Multi-Year Projections

Fiscal Year 2010-11 Projections

Perspective	OCDE	LAO
COLA	0.500%	-0.35%
Deficit	18.355%	18.355%
Other Revenue Limit Adjustments	0.00%	-\$252.83/ADA ongoing
Beginning Balance	\$6,655,597	\$6,655,597
Revenue and Transfers In	\$97,385,067	\$93,403,080
Expenditures and Transfers Out	\$106,830,304	\$106,728,747
Budget Reductions Needed	\$(7,863,661)	\$(11,303,507)
Ending Fund Balance	\$5,074,021	\$4,633,437



Multi-Year Projections

Fiscal Year 2011-12 Projections

Perspective	OCDE	LAO
COLA	2.300%	-3.90%
Deficit	18.355%	18.355%
Other Revenue Limit Adjustments	0.00%	-\$252.83/ADA ongoing
Beginning Balance	\$5,074,021	\$4,633,437
Revenue and Transfers In	\$98,823,639	\$89,110,682
Expenditures and Transfers Out	\$109,790,560	\$107,954,093
Budget Reductions Needed	\$(12,750,000)	\$(18,659,492)
Ending Fund Balance	\$6,857,100	\$4,449,518

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"If they have been 'throwing money away at the schools' they certainly have been missing this place."

Important Considerations

The State has not solved its structural budget problems, and there may be additional cuts to education.

2010–11 will not be a good economic year

Federal ARRA funding will be expended with no revenue to backfill
Federal ARRA funding will have ended and been expended by
September 30, 2011

2011–12 will be worse as:

Temporary State tax increases of \$10 billion will expire on June 30,
2011

State Funding is not sufficient to support the base “must have” operations of the District.

Important Considerations

89% of the District's unrestricted budget is spent on people (salary and benefits).

Many painful, difficult cuts have been made in past years. Due to continuing State cuts, further reductions will impact the classrooms and the students we serve.

School sites are already funded at the bare minimum level, thus limiting the ability to find additional reductions.

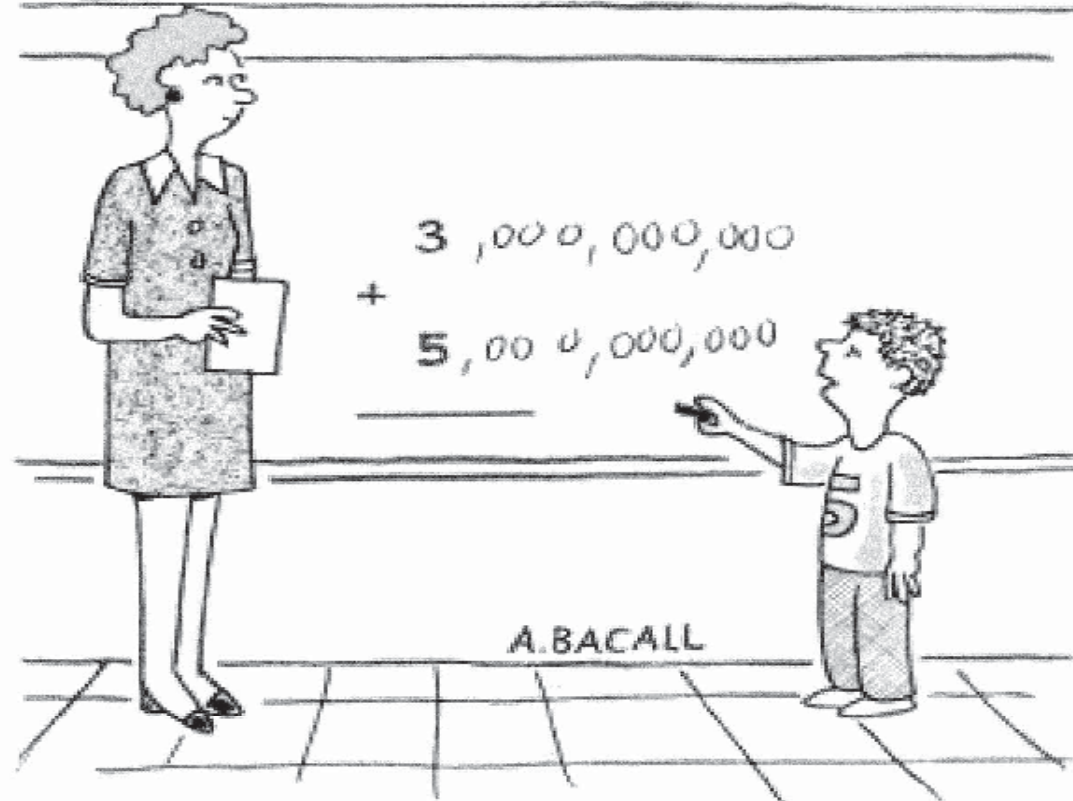
2010–11 Will Be The Worst Year of the Recession

- ▶ One-time money from Feds (Stimulus \$) = gone
- ▶ Categorical Sweeps = 09–10 only
- ▶ Ongoing cuts from 08–09 and 09–10 carried into 10–11
- ▶ In 09–10, California laid off 27,000 teachers

OPTIONS

- ▶ Further ongoing cuts
- ▶ Raise class sizes
- ▶ Compensation roll-backs
- ▶ Once recovery does come, State will not allow local control
- ▶ More categorical programs will emerge
- ▶ More Local Fundraising
- ▶ Other Means of Increasing Revenues

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"When I grow up I want to be an accountant for the government, so I added the zeros to gain some experience."

One-Time Funds as a Reduction

- ▶ Using one-time funds (as a budget cut) only defers the cuts to the following year
 - FSD has used one-time funds to maintain programs
 - Today, ARRA funds are appropriately being used in 2009–10 to save jobs which will delay more cuts to 2010–11

American Recovery & Reinvestment Act (ARRA) Funds

The State is using ARRA Funds for cash flow purposes

Funding for FSD	Total Award	2009 Installments						2010 Installments				
		June	July	Aug	Sept	Oct	Nov	Feb	Apr	June	TBD	
Stabilization	\$4,509,392	\$3,381,243	\$1,128,149									\$ -
Title I	\$971,396	\$0	\$437,128 45%				\$0 15%	\$145,709 15%	\$145,709 15%	\$145,709 15%	\$145,709 15%	\$145,709
McKinney-Vento Homeless Children	\$13,700				\$2,740 20%							\$10,960
IDEA (Special Ed)	\$2,848,607	\$0	\$563,563 20%	\$0 10%	\$0 10%	\$0 10%						\$2,285,044
Total	\$ 8,343,095	\$3,381,243	\$2,128,840	\$0	\$2,740	\$0	\$0	\$145,709	\$145,709	\$145,709	\$2,441,713	

Deferrals

- ARRA IDEA funds for August, September, and October. No timeline for distribution of the remaining balance.
- ARRA Title I funds for November. No timeline for distribution of the remaining balance.

\$2,878,840

What Are ARRA Funds Used For?

Funding for FSD	Funding Amount	Total Received So Far	Amount Used	% Used to Amt Rec'd	Comments
Stabilization	\$4,509,392	\$4,509,392	\$1,264,217	28%	Utilized to reduce class size in Grades 1 and 2 CSR (30.5 FTEs), pay for counselors (3 FTEs), assistant principals (1.5 FTEs), nurses (3.5 FTEs), psychologists (1.80 FTEs), ed media assistants (2.5 FTEs), and clerical staff (1 FTE). Funds will be fully utilized by June 30, 2010.
Title I	\$971,396	\$437,128	\$131,209	30%	Utilized in Title I schools to pay for ed media assistants, extended kindergarten, class size reduction, and instructional support. Funds will be fully utilized by September 30, 2010. Instructional support portion may be extended to September 2011 if the State gets a waiver.
Homeless Children	\$13,700	\$2,740	\$433	16%	To pay for outreach supplies and services for students in need
IDEA (Special Ed)	\$2,848,607	\$563,563	\$475,200	84%	Utilized to reduce general fund contributions to Special Education for one year and to pay for program enhancement for two years.
Total	\$8,343,095	\$5,512,823	\$1,871,059	34%	

Categorical Flexibility Transfer FY 2009-10

Categorical Programs	Estimated Amount
School Library Improvement Block Grant	\$161,441
Supplemental School Counseling Program	\$182,425
Targeted Instructional Improvement Block Grant	\$45,690
Staff Development: Math & Reading AB466	\$43,632
Staff Development: Teacher Language Learning	\$49,186
Supplemental Instruction Programs	\$300,000
Instructional Material Realignment, IMFRP	\$600,000
Total	\$1,382,374

Proposed First Interim 2009-10 Budget Assumptions

Factors	2009-10	2010-11	2011-12
Revenue Limit COLA	4.25%	0.50%	2.30%
Deficit Factor	18.355%	18.355%	18.355%
Other Adjustments	-\$252.83/ADA	\$0	\$0
COLA on Major Categoricals	-4.46%	0.50%	2.30%
COLA on Special Education	0.00%	0.50%	2.30%
Revenue Limit Funded ADA (incl. Co. ADA)	13,183.19	13,182.99	13,037.94
P-2 ADA (excluding County ADA)	13,130.89	12,985.84	12,840.79
Growth / (Decline) compared to prior year	8.27	-145.05	-145.05
District Total Enrollment	13,597.00	13,447.00	13,297.00
Growth/(Decline) compared to prior year	139.00	-150.00	-150.00
Health and Welfare Increase	3%	6%	6%
Lottery Funding per ADA			
Unrestricted	\$111.00	\$111.00	\$111.00
Restricted	\$13.25	\$13.25	\$13.50

General Fund Revenue

Revenue Limit	2008-09 Actuals	2009-10 First Interim Budget	% Diff
State Aid ^(a)	\$39,744,848	\$31,274,482	-21%
Property Tax ^(b)	\$31,825,404	\$31,310,182	-2%
Total Revenue Limit	\$71,570,252	\$62,584,664	-13%
Federal Revenue			
IDEA Special Ed	\$2,377,986	\$2,377,786	0%
Title I ^(c)	\$1,810,792	\$1,879,851	4%
ARRA Federal Stimulus ^(d)	\$4,509,392	-	-100%
ARRA IDEA Special Ed ^(d)	-	\$2,848,607	100%
ARRA Title I ^(d)	-	\$971,396	100%
Other Federal Programs ^(e)	\$2,525,106	\$2,112,337	-16%
Total Federal Revenue	\$11,223,276	\$10,112,538	-9%
<p>(a) RL per ADA fell from \$5,412 to \$4,746 (b) Reassessment of home values and refunds (c) Reduce in funding (d) One-time funding (e) Programs such as Medi-Cal Billing, 21st Century Learning, Drug Free Schools, Teacher Quality, etc.</p>			

General Fund Revenue

Other State Revenue	2008-09 Actuals	2009-10 First Interim Budget	% Diff
Class Size Reduction ^(f)	\$4,097,624	\$3,281,000	-20%
Lottery	\$1,667,780	\$1,687,137	1%
Arts and Music ^(g)	\$193,404	\$176,912	-9%
Home To School Transportation ^(g)	\$499,203	\$400,153	-20%
After School Learning ^(g)	\$1,818,224	\$1,763,469	-3%
GATE ^(g)	\$104,614	\$89,212	-15%
Economic Impact Aid	\$1,990,535	\$1,990,535	0%
SBCP School Library Improvement ^(g)	\$1,115,300	\$1,053,108	-6%
QEIA ^(g)	\$496,900	\$465,900	-6%
High Priority School Grant ^(h)	\$491,600	-	-100%
Other State Revenue ⁽ⁱ⁾	\$5,290,653	\$4,717,584	-11%
Total State Revenue	\$17,765,837	\$15,574,995	-12%
(f) Increase in CSR penalties due to increase in class size (g) Reduce in funding or change in funding (h) Funding no longer available (i) Programs such as ELAP, TUPE, TIIBG, BTSA, PAR, etc.			

General Fund Revenue

	2008-09 Actuals	2009-10 First Interim Budget	% Diff
Local Revenue (i)	\$10,063,133	\$8,846,394	-12%
Transfers In			
Child Care Contribution (k)	\$100,000	\$150,000	50%
Textbook money from fd21 (k)	\$300,000	\$200,000	-33%
OPEB Contribution from fd20 (l)	-	\$580,000	100%
IB Contribution from fd21 (k)	\$43,000	\$33,000	-23%
Total Transfers In	\$443,000	\$963,000	117%
Total General Fund Revenue	\$111,065,498	\$98,209,045	-12%
(j) PTA/ASB reimbursements and donations are budgeted when received. Drop in interest earned. (k) Change in contribution (l) To pay for retiree benefits			

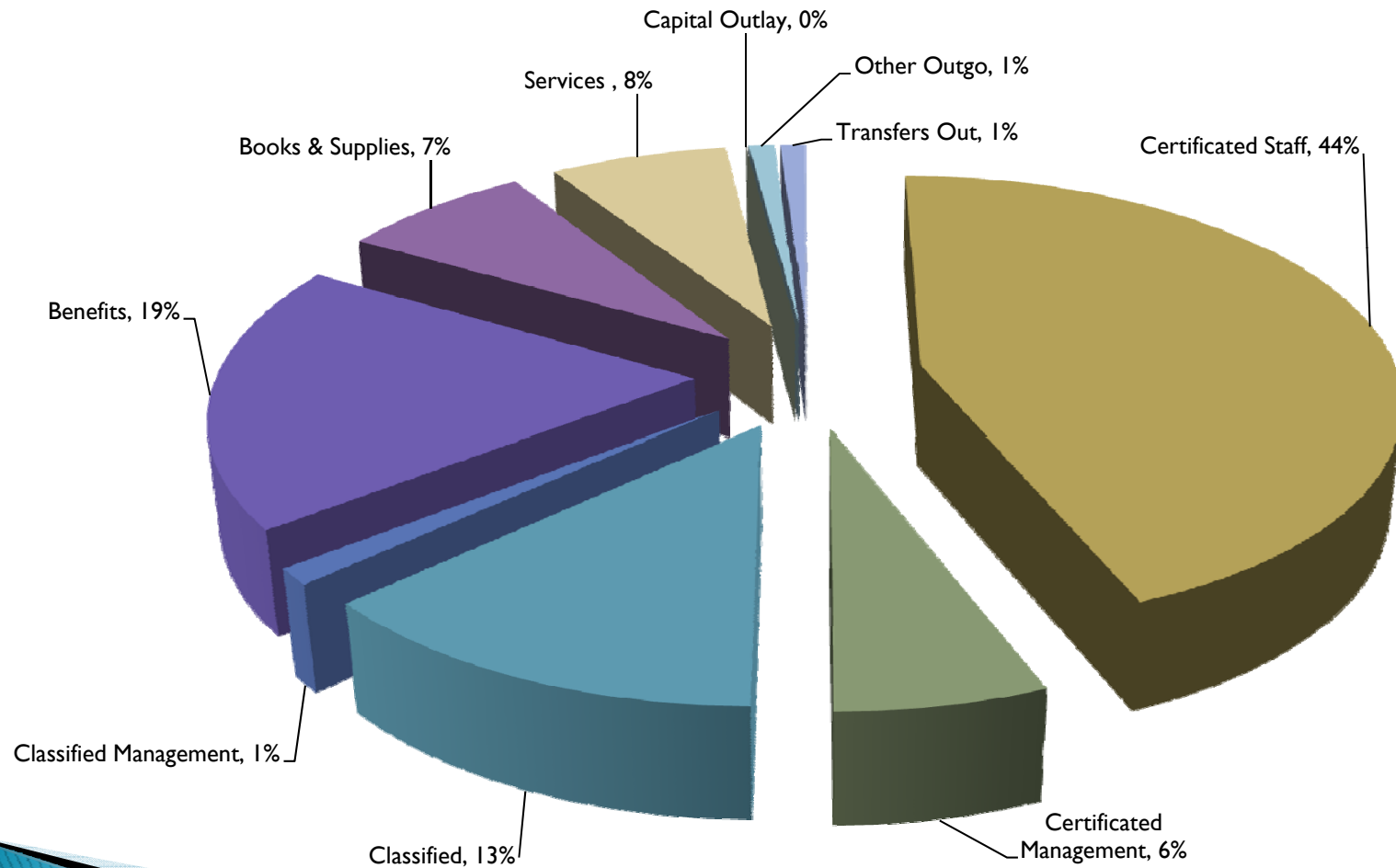
General Fund Expenditures (Restricted & Unrestricted)

Description	2008-09 Actuals	2009-10 First Interim Budget	% Diff
1000 Certificated Salaries	\$54,978,923	\$53,861,316	-2%
2000 Classified Salaries	17,161,775	15,610,749	-9%
3000 Employee Benefits	20,065,329	20,331,793	1%
4000 Books and Supplies	5,704,482	7,977,897	40%
5000 Services/Other Expenditures	7,535,965	8,349,704	11%
6000 Capital Outlay	51,039	27,073	-47%
7000 Other Outgo	1,736,727	1,416,549	-18%
Interfund Transfers Out	1,090,706	578,366	-47%
Total Expenditures	\$108,324,946	\$108,153,447	0%

General Fund Expenditures 2009-10 First Interim

Budget Total: \$108,153,447

83%, or \$89,803,858 of General Fund money goes toward total compensation.



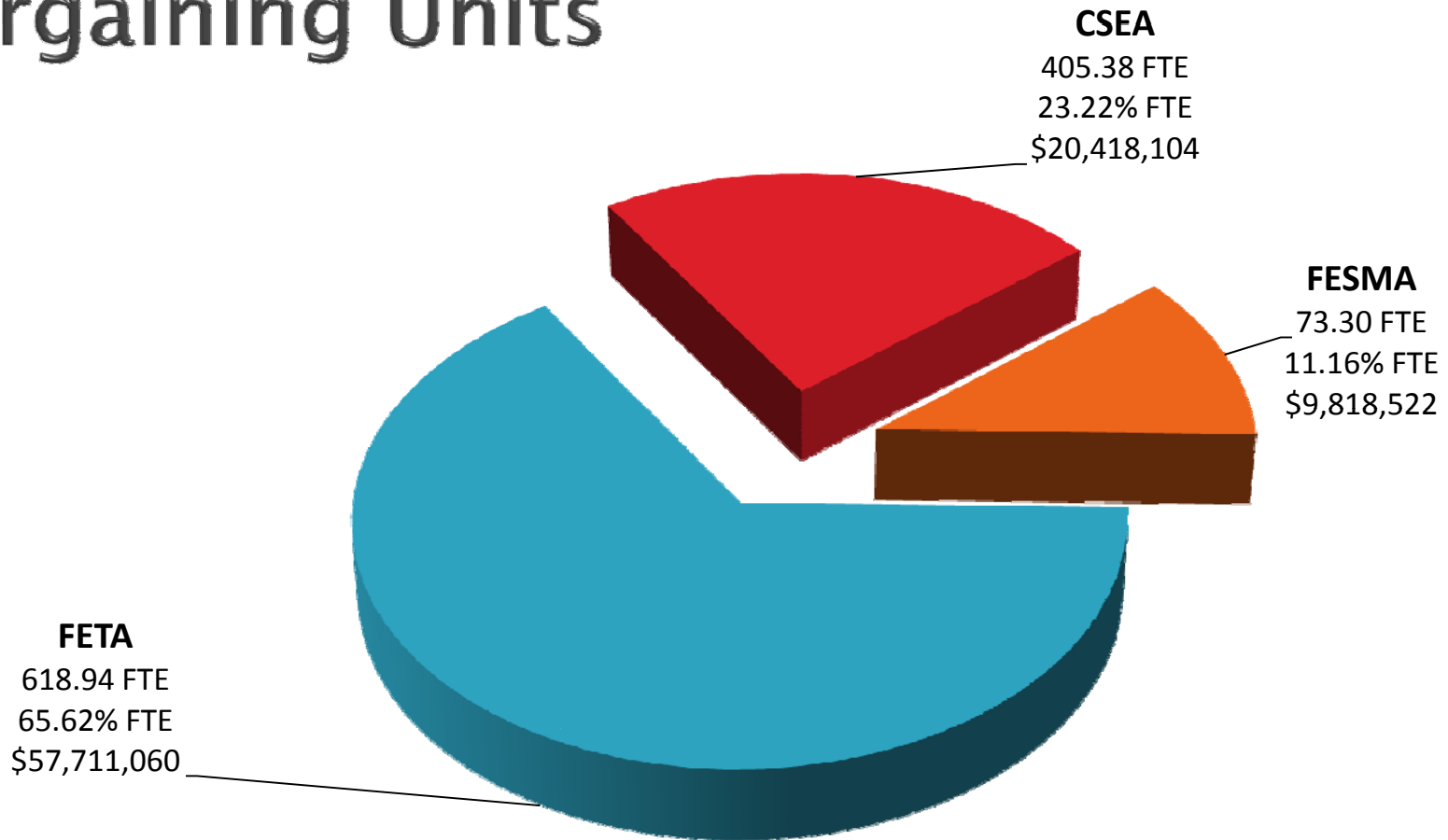
Ending Fund Balance for General Fund 2009-10

	2008-09	2009-10 First	
	Actuals	Interim Budget	%Diff
Ending Fund Balance	\$16,585,319	\$6,655,597	-60%
Components of Ending Fund Balance:			
Revolving Cash/Stores/Prepaid Exp.	\$1,370,355	\$1,411,000	3%
Local School Donations/Foundations/Grants	\$556,981	\$0	-100%
Restricted - Categorical Carryover	\$6,675,083	\$0	-100%
Categorical Year-End Balances (Sweeps/Tier III)	\$2,302,792	\$0	-100%
Reserve for 2009-10 Revenue Limit to Fund QEIA	\$551,849	\$0	-100%
Reserve for 2009-10 RL One-time Deficit \$253/ADA	\$3,320,028	\$0	-100%
Reserve for 2010-11 (Sweeps/Tier III/SFSF)	\$0	\$1,448,463	100%
Reserve for 5 FTEs	\$0	\$345,000	100%
Designated for Economic Uncertainties	\$1,808,231	\$3,451,134	91%

Proposed First Interim 2009–10 Budget Reduction Summary

General Fund	2010-11	2011-12
Target Budget Reduction	-\$7,863,661	-\$12,750,000
Reduce Certificated Staff		
Raise Class Size From 24:1 to 30:1	\$1,400,000	\$1,400,000
Revenue Enhancement		
CSR Revenue From Prior Year	\$296,000	\$296,000
Sub Total	\$1,696,000	\$1,696,000
Negotiable Items		
I.E., Salary Rollback, H&W Change, etc.	\$6,167,661	\$6,167,661
Additional Needed for 2011-12		\$4,886,339
TOTAL	\$7,863,661	\$12,750,000

2009-10 Total Compensation for Bargaining Units



Total Compensation = \$87,947,686
Total FTE = 1,097.62

(Includes All funds)

FETA Includes Speech Therapist & Preschool Teachers

How Do We Cut \$7.9 Million?

Options For Budget Reduction:

Program reductions, funding changes, and use one-time funding, i.e., use categorical flexibility for general fund unrestricted expenditures

Negotiating with Bargaining Units

Reduce Employee Compensation	1%	\$777,755
Freeze Step & Column	Estimated	\$1,000,000
Implement Furlough Days	1 Day	\$388,878
Change in Health & Welfare Plan (calendar year)	A to B	\$500,000
Estimated Savings		\$2,666,633

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Definition of Certification Options

A positive certification shall be assigned to any school district that, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

A qualified certification shall be assigned to any school district that, based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

A negative certification shall be assigned to any school district that, based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

A Look Ahead

January 10, 2010	Governor's Budget for 2010-11 Released
January 2010	Special Session of the Legislature ???
February 2010	Budget Advisory Committee Report to the Board
March 9, 2010	Second Interim Report to Board
March 15, 2010	Certificated Job Action Notices
May 2010	May Revise of Governor's Budget
May-June	Projected Cash Shortage

Next Steps

File Qualified First Interim Report with OCDE

Appointment of a Financial Advisor for FSD

Conclude Negotiations with FETA

Budget Advisory Committee Meetings

Review Revenue Projections in light of Governor's 2010-11 Budget

Continue to Refine Revenue Enhancement/Expenditure Reduction
Lists for Board Consideration

Continue to Monitor News from the State