

FULLERTON SCHOOL DISTRICT

THIRD INTERIM REPORT



Great Schools
Successful Kids



FULLERTON
SCHOOL
DISTRICT



Report to Board of Education

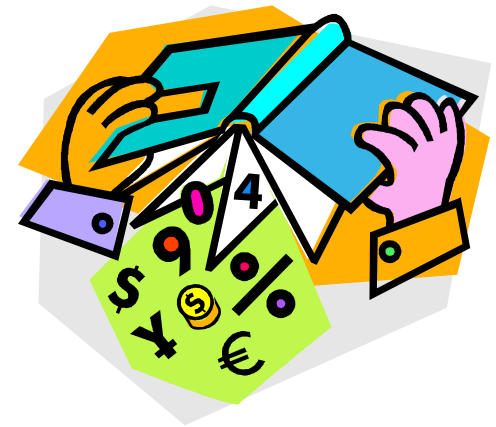
May 22, 2012

Third Interim Report

- Required due to District self-certifying as “Qualified” at Second Interim
- Qualification due to ongoing major uncertainties regarding State budget
- “Qualified” = District may not be able to meet its financial obligations for the current and two subsequent fiscal years

Third Interim Report

- Reports actual financial results through April 30, and projections through 2013-14
- Components of the Report
 - State report
 - ADA report
 - Cash flow projections
 - Three year projection
 - Revenue Limit summary



Multi-Year Projections

- Three year projection is presented through June 30, 2014
- Current variables and assumptions as directed by OCDE
- Based upon Governor's January budget proposal for State 2012-13 budget/May Revise

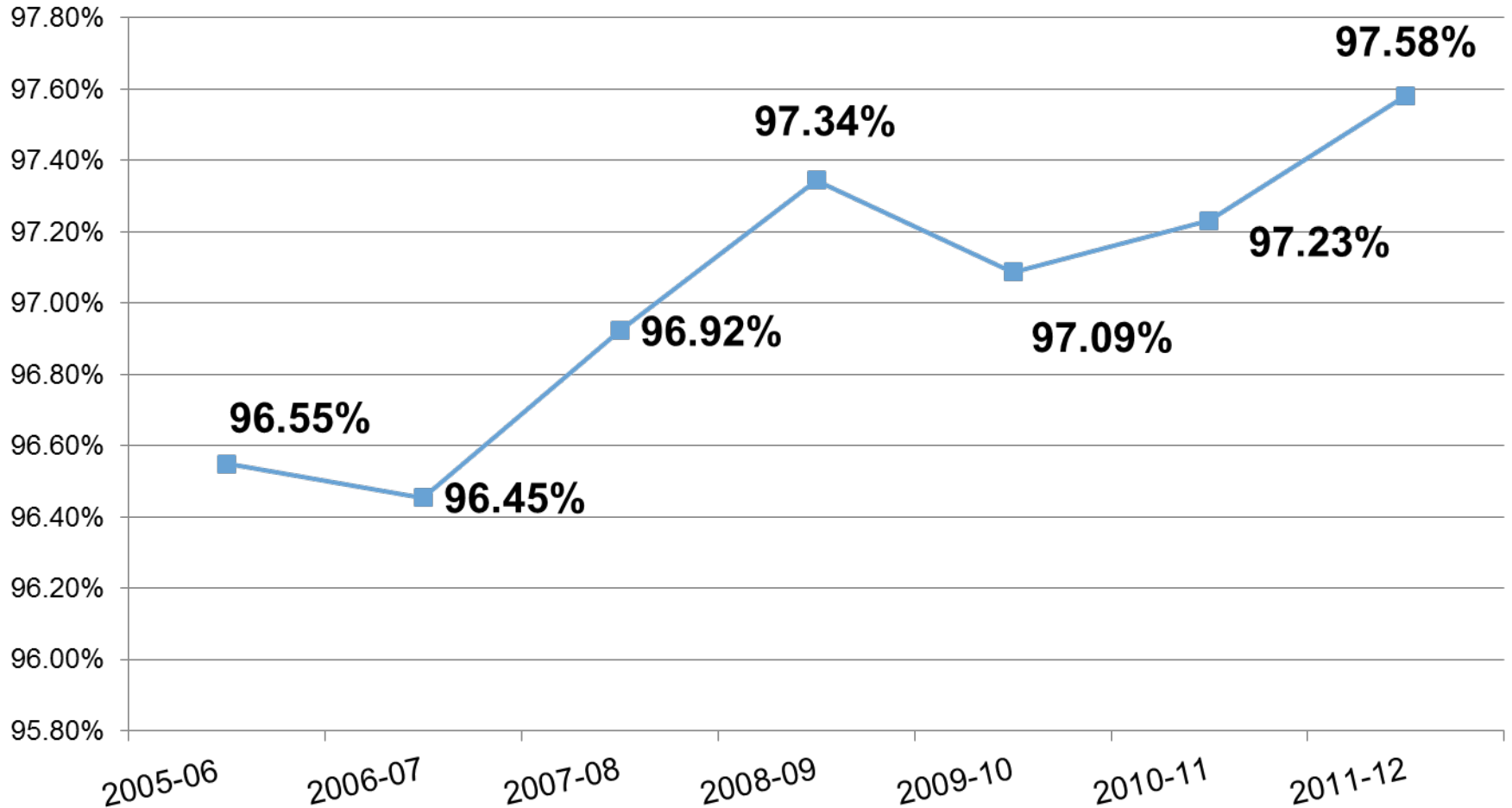


Material Changes since Second Interim

- Increase in Revenue Limit due to increased ADA (+50)
- Increase in estimated costs of health insurance
- No other material changes in major assumptions from Second Interim



FSD ADA Percent



Multi-Year Projections – Other Factors

- ❑ Includes Items to be negotiated:
 - Adjustments to salaries and benefits - \$2,288,000
 - Increased Class Size - \$1,500,000
- ❑ Assumes Governor's fall initiative passes

State Budget – Governor's Proposal

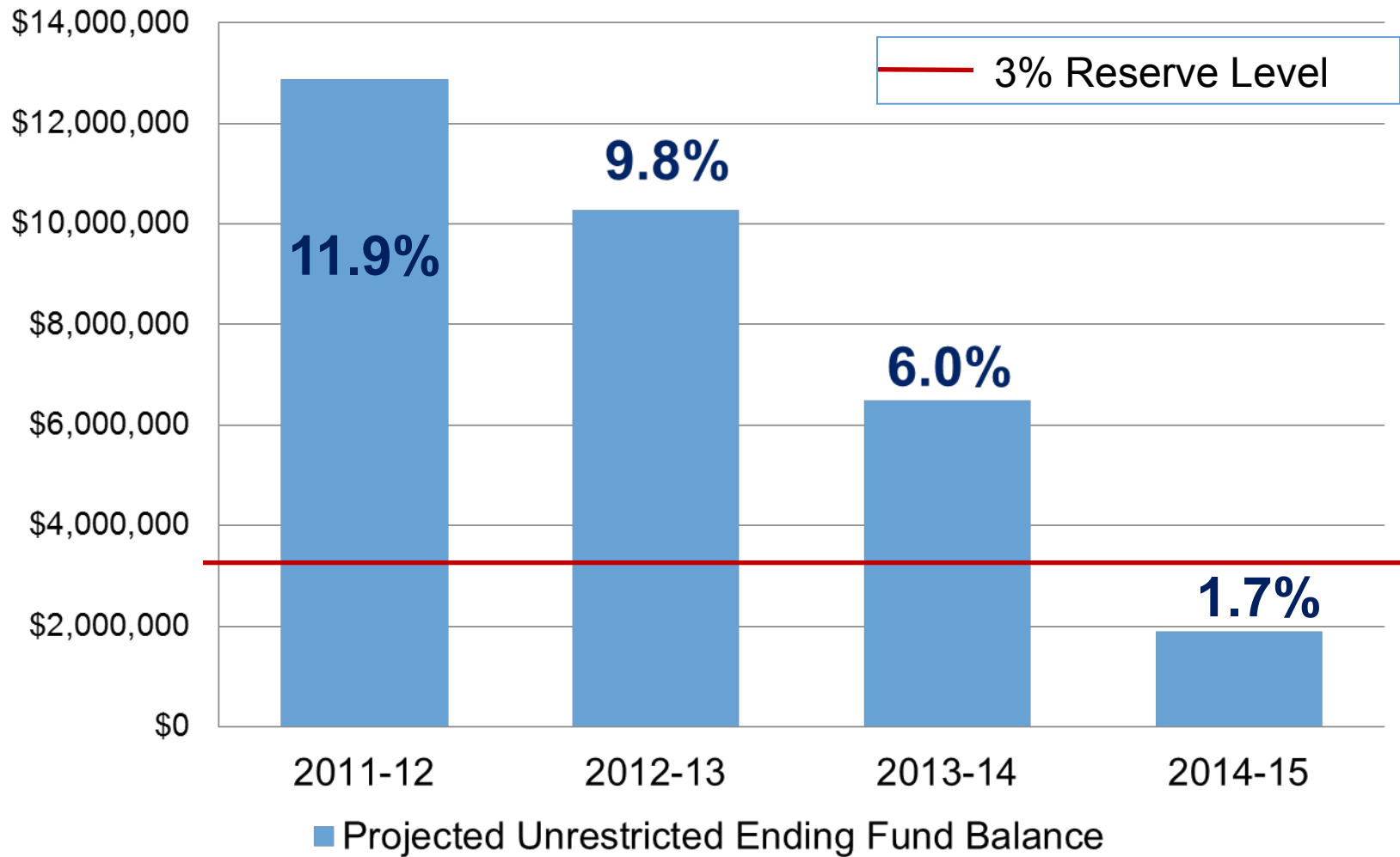
- Governor's proposed budget for 2012-13 based on revenues from fall tax initiative
- If passed, District is flat-funded
- If the Governor's tax initiative does not pass in November, the State will impose mandatory mid-year trigger cuts on K-12 education
- \$441/student
- \$5,901,000 total cut to FSD



Multi-Year Projections

	<u>11-12</u>	<u>12-13</u>	<u>13-14</u>
Projected Unrestricted Income (Loss)	\$221,000	(\$3,042,000)	(\$4,216,000)
Projected Unrestricted Ending Fund Balance	\$12,871,000	\$10,271,000	\$6,497,000
Fund Balance Percent	11.9%	9.8%	6.0%

Projected Ending Fund Balance



General Fund Balance Reserves

- District's projections are based upon successful multi-year negotiated agreements
- District's projections are based upon Governor's projected budget
 - Potential of mid-year cuts from State
 - COLA for 2013-14



Themes for the May Revision

1-2

● It's all about the economics

- Revenues are improving at a much slower rate than expected in January
- Immense pressure on the State Budget and competition for limited resources
- The revised Budget has a lot of moving parts again this year
- Bottom line: Best case is flat funding for education – and maybe a lot worse

● In January, the Governor's tax initiative was expected to fill the revenue gap

- In May, revenues have fallen, and, if the initiative passes, it fills only half the gap

● Education policy, expectations for student performance, and funding for schools are not aligned

● Today's funding level may be our new reality for the foreseeable future



The May Revision

1-3

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- **The May Revision first recognizes that January's projected \$9.2 billion State Budget shortfall has grown to \$15.7 billion in May**
 - **Even if the Governor's tax measure passes in November, there will still be a significant State Budget problem**
- **As a result, the Governor proposes:**
 - **More cuts to the non-Proposition 98 side of the Budget**
 - **More manipulations to reduce Proposition 98 actual funding**
 - **But, in the end, planned K-12 funding is much like the January proposal**
 - **Flat funding if the taxes pass**
 - **Big cuts if they don't**
 - **2012-13 will not be a good year for education funding**



The Governor's Major Proposals

1-4

● Temporary taxes

- More reliance on temporary taxes than ever

● Cash deferrals

- Deferrals are the balancer; Proposition 98 gains disappear by reducing deferrals

● Redevelopment agencies (RDA)

- State counts RDA money as property taxes, offsetting General Fund costs

● Weighted Student Formula (WSF)

- 2012-13 “hold harmless; still a work in progress

● Flexibility proposals

- Still alive – no changes from January

● Transitional Kindergarten (TK)

- Governor reduces savings estimate, but still proposes elimination of the mandate



No New Funding for Schools

1-5

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- **Despite claims of:**
 - **\$6 billion more for schools!**
 - **16% increase for schools!**
- **Your district, your schools, your classrooms do not get one more dime whether the Governor's taxes pass or not!**
- **Our gain is the absence of yet another cut**
- **The public is confused**
 - **The state says Proposition 98 is growing**
 - **But local schools are making massive cuts and affirming layoffs**
- **The state has not provided a single new dollar to local schools since 2007-08**



What Happens if the Governor's Initiative Fails?

2-8

- **\$5.5 billion in spending reductions taken by:**
 - **Reversing the deferral buy back – \$2.5 billion**
 - **Reducing apportionments for K-14 – \$3.0 billion**
- **K-12 share is 89% of the \$3.0 billion apportionment cut, or about \$2.65 billion**
- **DOF projection = \$441 per ADA mid year cut (ongoing)**