

# Fullerton School District

2010/2011

## SECOND INTERIM FINANCIAL REPORT

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

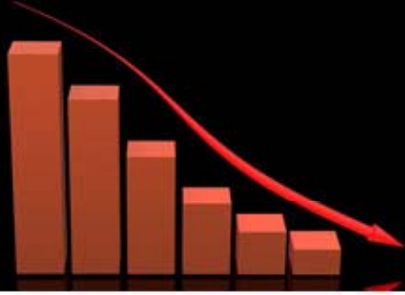
March 8, 2011





# TOPICS TO BE COVERED

- **Governor Brown's – January Budget Proposal Revisited**
- **A Brief Examination of the State and Local Revenue Picture**
- **Second Interim 2010/11 Budget Assumptions**
- **Budget Overview – Based on Governor's 2011/12 Budget Proposals Including Potential Sources for Budget Modifications**
- **Multi-Year Projections: 2011/12**
- **A Look Ahead**



# The Purpose of Second Interim

- **Examine Financial Activity to January 31, 2011**
- **Explain Recommendation of a “Qualified Certification”**
- **Recognize Potential Budget Reductions for 2011/12**
  - **\$3.5 million**
  - **\$8 million**
  - **Some of the Potential Sources of Reductions for 2011/12**
- **Examine Timelines**



## Special thanks to...

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- **Becky Silva**
- **Suwen Su**

**...for their work on this project.**

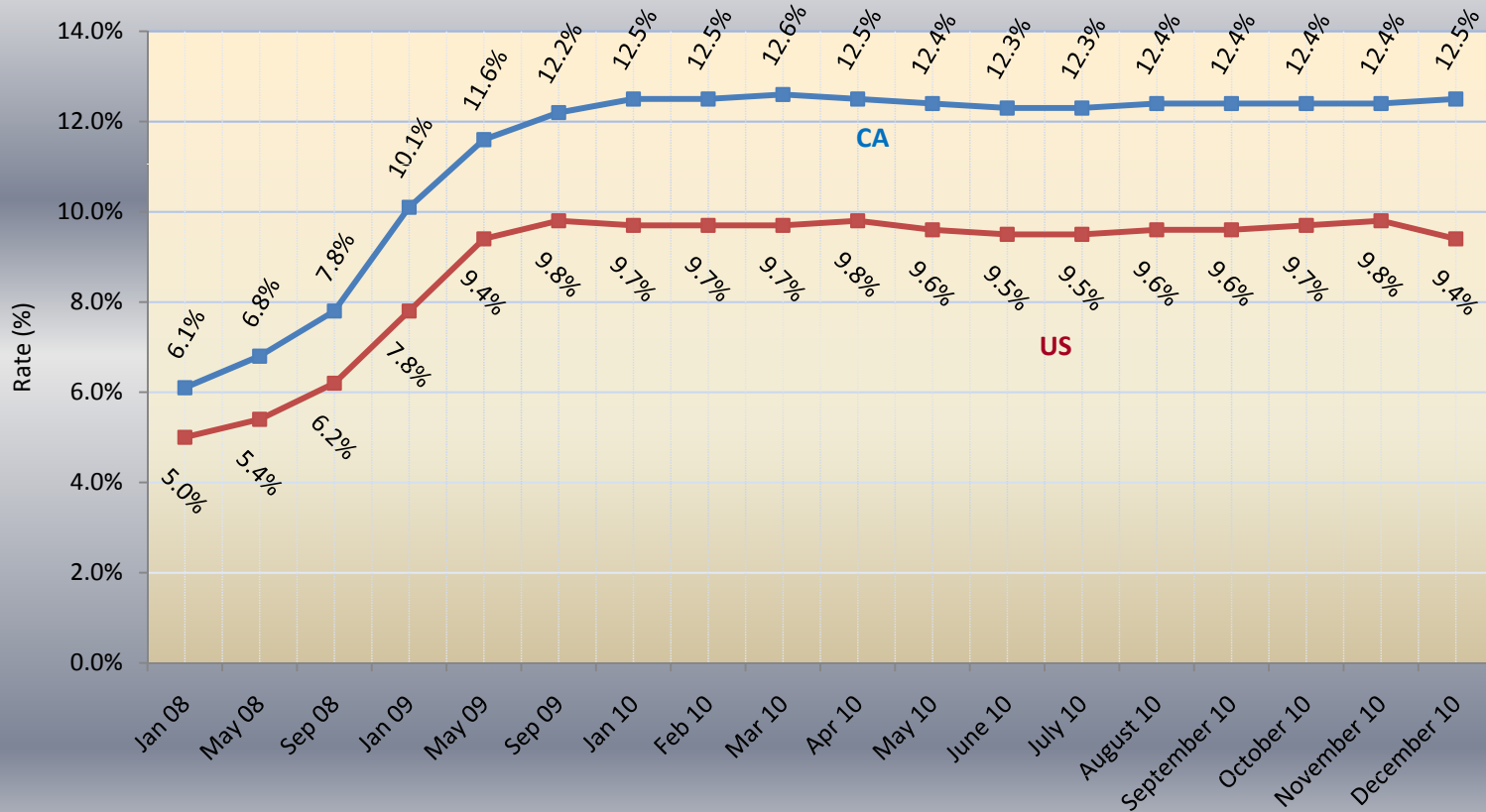


# Governor's January Budget Proposal for 2011/12

- **State budget gap approximately -\$25.4 billion**  
2010/11: \$8.2 billion shortfall  
2011/12: \$17.2 billion shortfall
- **-\$330 / ADA cut to elementary school districts if tax extension fails in June**
- **Under current law, minimum guaranteed funding (Prop 98) for schools is reduced from \$49.7 billion in 2010/11 to \$47.3 billion in 2011/12**
- **Governor's January Proposal is the best-case scenario**  
- predicated on voters' approval to extend temporary taxes

# Three-Year Trend in California and U.S. Unemployment Rates

Seasonally Adjusted Data



Source: California Employment Development Department

CA - % Rate US - % Rate



# Budget Assumptions Second Interim 2010/11

Factors	2010/11 May '10	2010/11 October '10	2010/11 January '11	2011/12 Projected	2012/13 Projected
Revenue Limit COLA	-0.39%	-0.39%	<b>-0.39%</b>	1.67%	1.80%
Deficit Factor	18.355%	17.963%	<b>17.963%</b>	19.608%	19.608%
Other Adjustments	3.85% reduction to undeficit BRL	n/a	<b>n/a</b>	-\$330/ADA*	-\$330/ADA*
COLA on Major Categoricals	-0.38%	0.00%	<b>0.00%</b>	0.00%	1.80%
COLA on Special Education	-0.38%	0.00%	<b>0.00%</b>	0.00%	1.80%
Revenue Limit Funded ADA (incl. Co. ADA)	13,264	13,276	<b>13,315</b>	13,315	13,315
P-2 ADA (excluding County ADA)	13,219	13,231	<b>13,265</b>	13,265	13,216
Growth / (Decline) compared to prior year	0	0	<b>34</b>	0	<b>-49</b>
District Total Enrollment	13,617	13,616	<b>13,661</b>	13,661	13,611
Growth/(Decline) compared to prior year	0	0	<b>45</b>	0	<b>-50</b>
Health and Welfare Increase				6%	6%
Lottery Funding per ADA	\$125.50	\$130.00	<b>\$130.00</b>	\$128.50	\$127.20
Unrestricted	\$111.00	\$112.50	<b>\$112.50</b>	\$111.00	\$110.00
Restricted	\$14.50	\$17.50	<b>\$17.50</b>	\$17.50	\$17.20

\*School Services of California and OCDE recommended planning COLA



# General Fund Revenues – Second Interim 2010/11 Changes from First Interim

<b>REVENUES</b>	<b>Governor's January Proposal 2010/11 Second Interim</b>	<b>October Budget Act 2010/11 First Interim</b>	<b>% Change</b>
Funded COLA	5.17%	5.17%	0%
Revenue Limit <sup>(a)</sup>	\$66,904,141	\$66,663,303	0%
Federal <sup>(b)</sup>	\$12,153,513	\$11,404,618	7%
State <sup>(c)</sup>	\$15,966,273	\$15,195,915	5%
Local <sup>(d)</sup>	\$8,869,587	\$8,374,381	6%
Other Financing sources	\$33,000	\$33,000	0%
<b>Total</b>	<b>\$103,926,514</b>	<b>\$101,671,217</b>	<b>2%</b>

(a) Slight increase in projected P2 ADA

(b) New and additional federal fundings such as ARRA, SFSF, ARRA EETT grant, and increase in MediCal billing reimbursement

(c) Mainly Mandated Cost reimbursement

(d) Increase in interest earned, PTA/ASB reimbursements, donations, and local school site grants





## General Fund Expenditures – Second Interim 2010/11 Changes from First Interim

<b>EXPENDITURES</b>	<b>2010/11 Second Interim</b>	<b>2010/11 First Interim</b>	<b>% Change</b>
Operating Expenditures <sup>(a)</sup>	\$105,391,739	\$104,935,989	0%
Other Outgo/Financing Uses <sup>(b)</sup>	\$2,649,289	\$1,973,737	34%
<b>Total</b>	<b>\$108,041,028</b>	<b>\$106,909,726</b>	<b>1%</b>

(a) Increase in insurance premiums and information service budget

(b) Mainly one-time Mandated Cost reimbursement transfer out to Special Reserve Fund 17

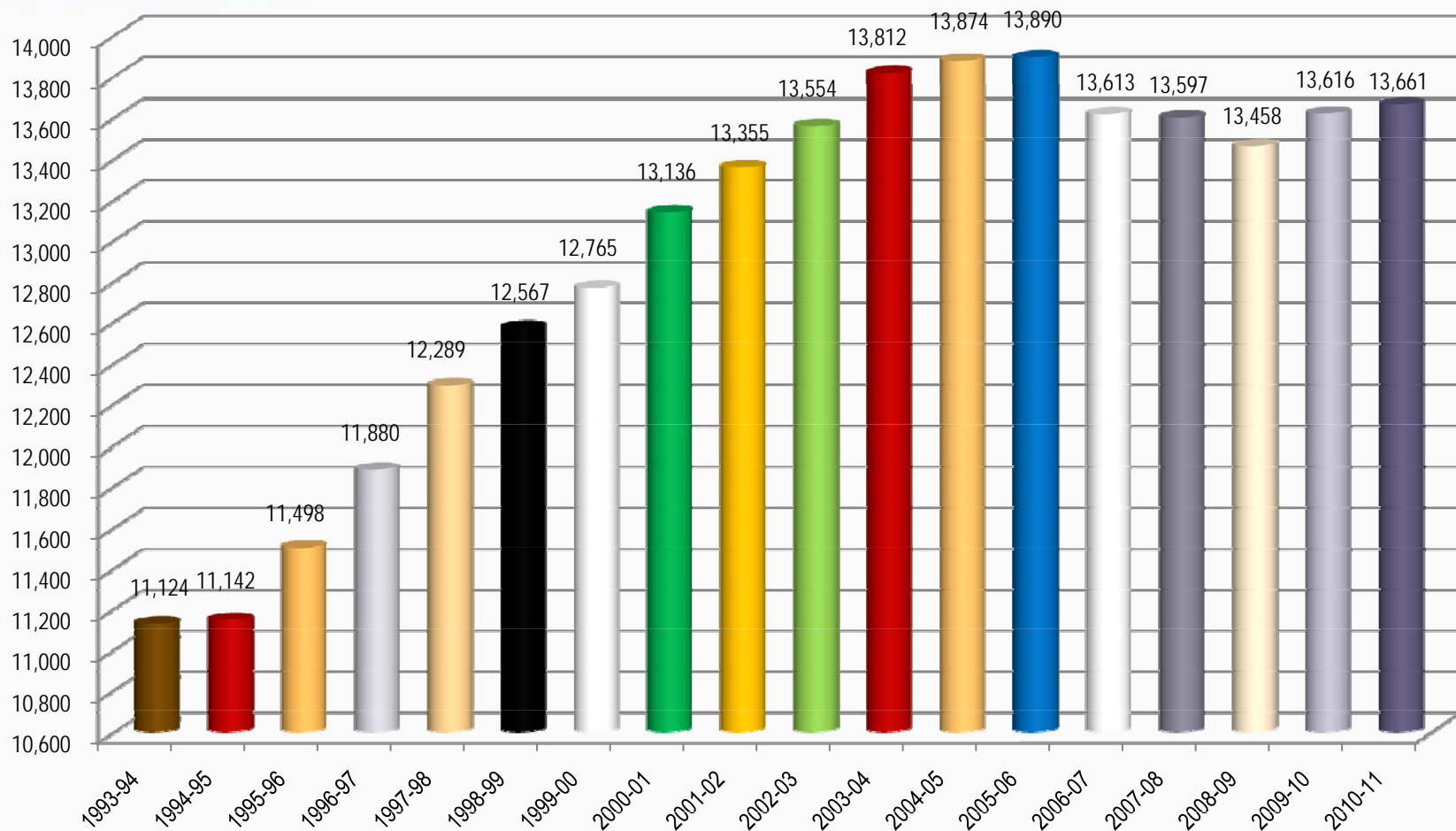


# Ending Fund Balance for General Fund 2010/11

	2010/11 Second Interim Budget	2010/11 First Interim Budget	%Change
<b>Beginning Fund Balance</b>	<b>\$14,993,815</b>	<b>\$14,993,815</b>	<b>0%</b>
<b>Components of Ending Fund Balance:</b>			
Revolving Cash/Stores/Prepaid Expenditures	\$1,669,000	\$1,630,000	2%
Reserve for SERP	\$1,774,492	\$1,774,492	0%
Reserve for FTE's	\$375,000	\$420,000	-11%
<b>Designated for Economic Uncertainties</b>	<b>\$7,060,809</b>	<b>\$5,930,814</b>	<b>19%</b>
<b>Ending Fund Balance<sup>(a)</sup></b>	<b>\$10,879,301</b>	<b>\$9,755,306</b>	<b>12%</b>

(a) Increase in Ending Fund Balance is mainly due to the following: Increase in projected P2 ADA, and interest income; Unrestricted General Fund expenses cost shifting to new SF5F and existing ARRA; and reduction to Routine Maintenance and Transportation budgets.

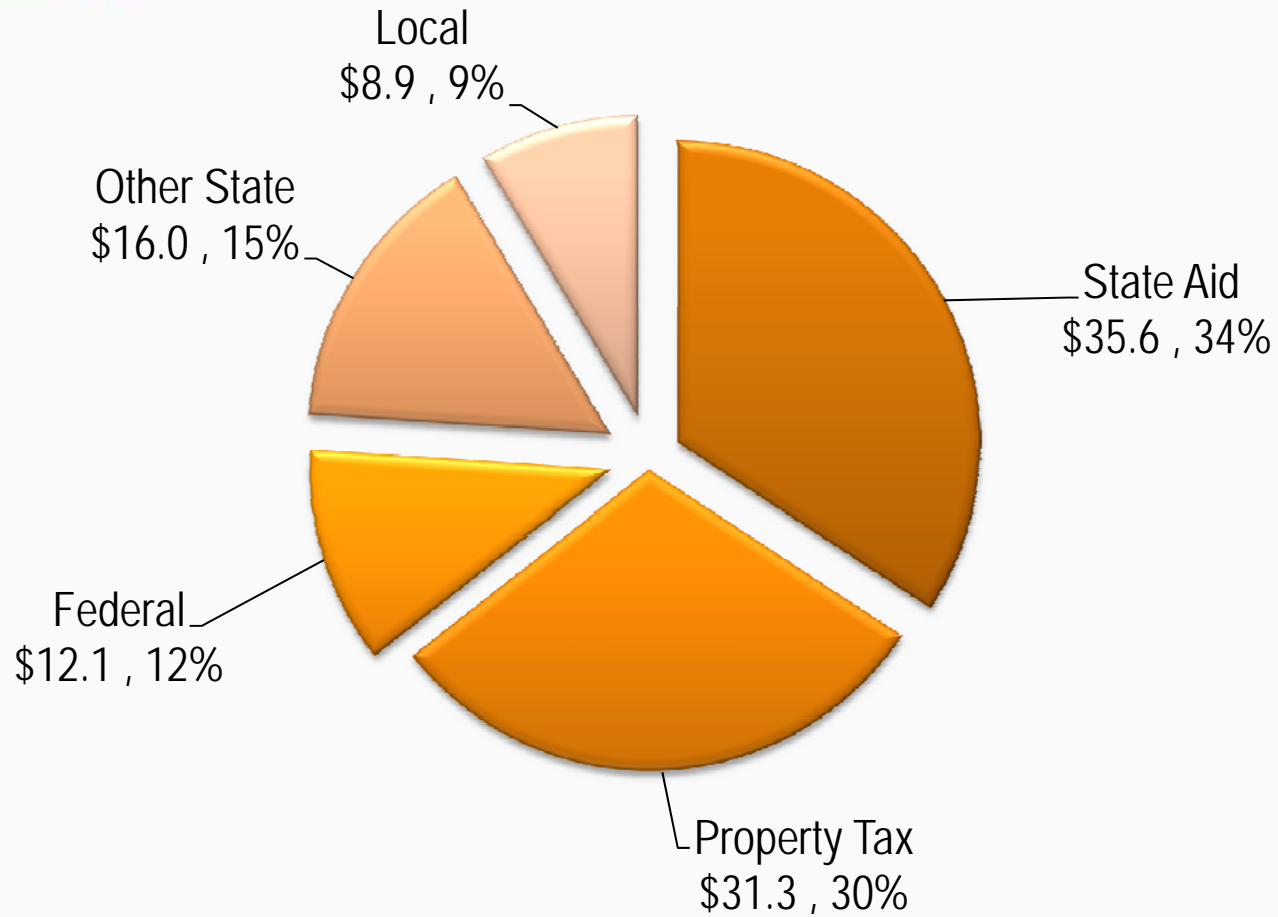
# Fullerton Historical Enrollment



Source: California Department of Education, Educational Demographics Office

# General Fund Revenues for 2010/11

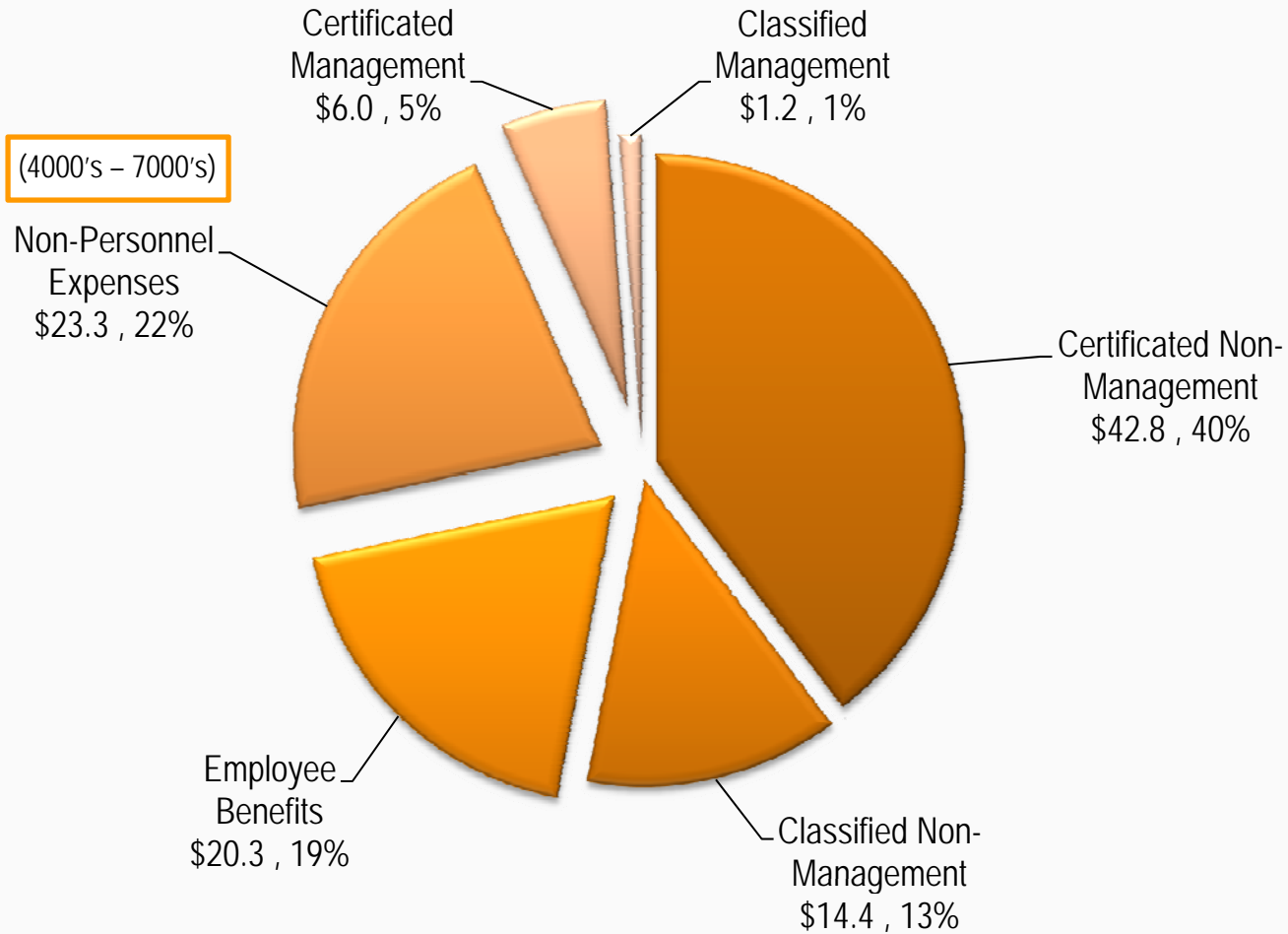
## \$103.9 (in millions)



\* Percentages are rounded up

# General Fund Expenditures 2010/11

## \$108 (in millions)



\* Percentages are rounded up

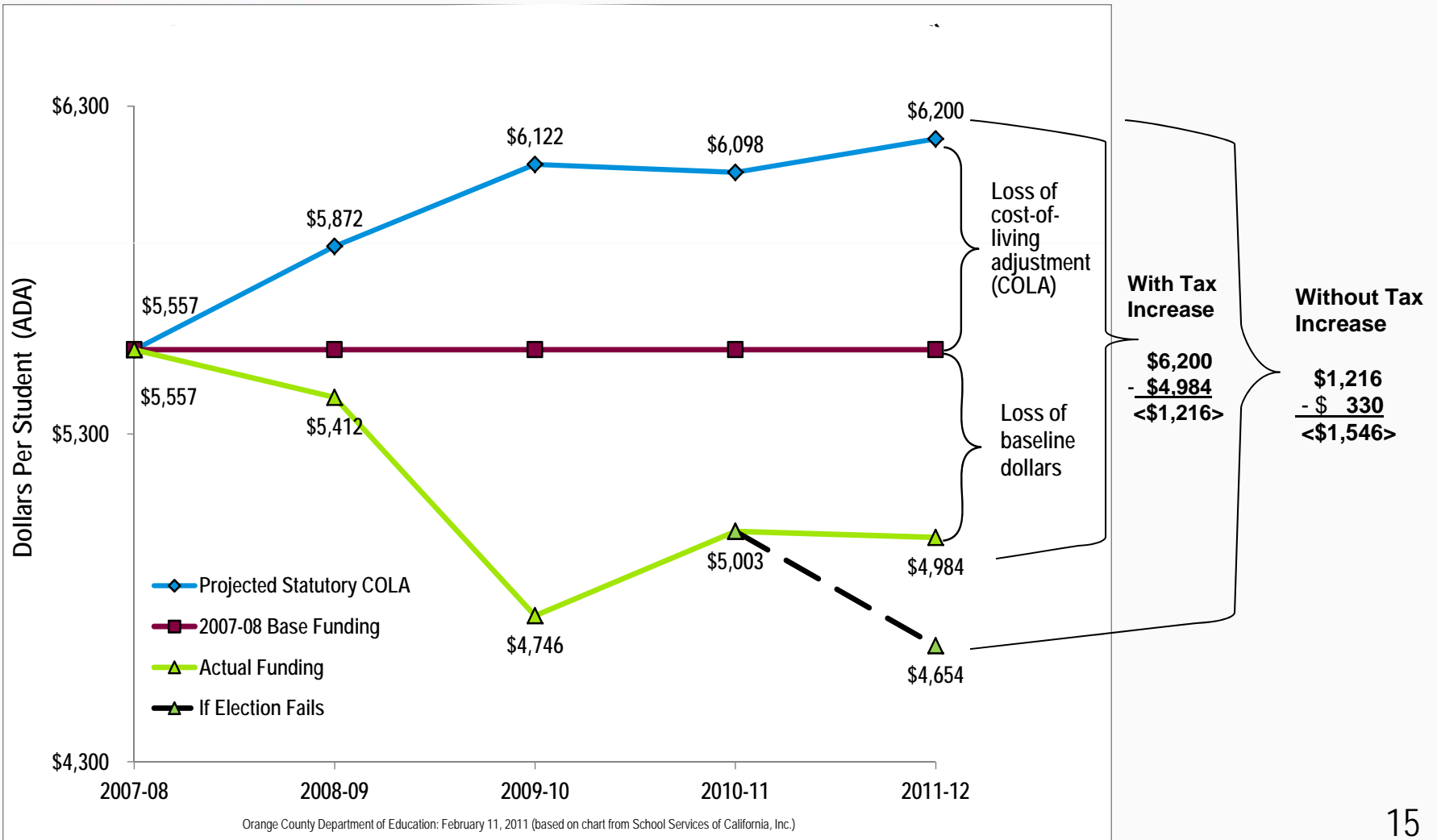


# Budget Projections – FSD 2011/12

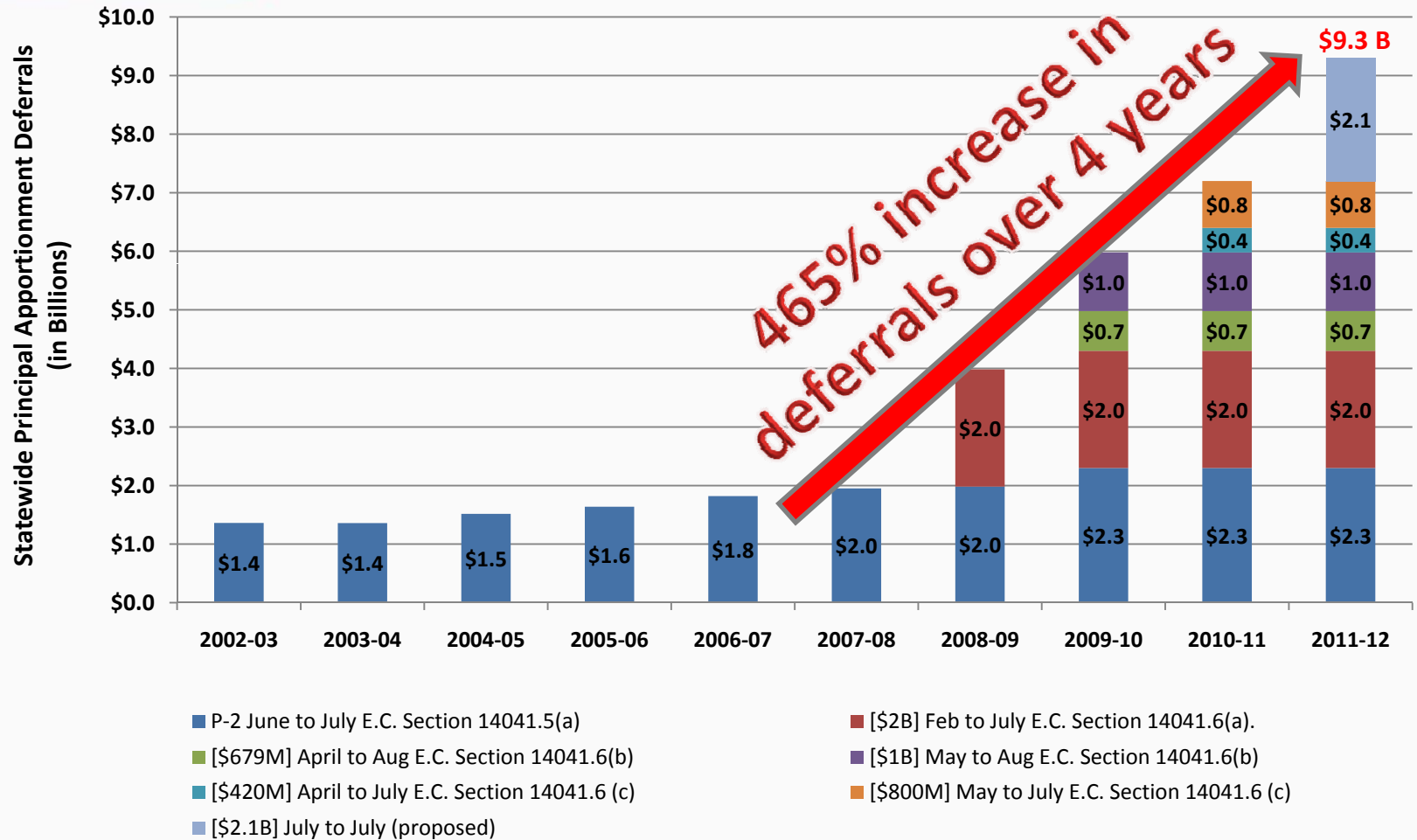
Perspective	2nd Interim	1st Interim	% Change
COLA	1.670%	1.700%	-2%
Deficit	19.608%	17.963%	9%
Other Revenue Limit Adjustments	-\$330/ADA ongoing	n/a	
Beginning Balance	\$10,879,300	\$9,755,306	12%
Total Revenue and Other Financing Sources	\$91,356,289	\$95,902,347	-5%
Total Expenditures and Other Outgo/Financing Uses	\$103,963,610	\$103,277,366	1%
<b>Budget Reductions Needed</b>	<b>*-\$8,072,506</b>	<b>-\$4,017,114</b>	<b>101%</b>
Ending Fund Balance	\$6,344,485	\$6,397,401	-1%

\* Budget reductions needed have been lowered from \$9 million to \$8 million due to reductions in Special Education contribution (shifting cost to ARRA) and new money from SFSF,  $\approx$  \$1 million in savings to the Unrestricted General Fund

# Per Student Revenue Limit Funding (Statutory vs. Actual) Fullerton Elementary School District



# State Increasingly Relying on K-12 Payment Deferrals to Balance Budget



OCDE Business Services. 2/28/11. Based on LAO's chart in the "To defer or not to defer" report.





# Cash Deferral Across Fiscal Years

- 2010/11: 28.5% or \$9.6 million to 2011/12
- 2011/12: 33.5% or \$10.4 million to 2012/13

# Potential Budget Balancing Solutions for 2011/12

<b>Plan A</b>	<b>Plan B</b>
-\$18/ADA Tax Extension	Additional -\$330/ADA No Tax Extension
<b>\$3,500,000</b>	<b>\$8,072,506</b>

- Federal Jobs Bill
- Swap IMF with Lottery
- Class Size Reduction Revenue from 2010/11
- Categorical Flexibility
- General Fund Fallout from 2010/11
- Salary Shift from Unrestricted to QEIA 2010/11
- Class Size
- Step and Column freeze

# Potential Budget Balancing Solutions for 2011/12

<b>Plan A</b>	<b>Plan B</b>
-\$18/ADA Tax Extension	Additional -\$330/ADA No Tax Extension
<b>\$3,500,000</b>	<b>\$8,072,506</b>

- Fund 14 - Deferred Maintenance
- Fund 17 - Special Reserve (Mandates)
- Fund 20 - OPEB
- Fund 40 - Special Reserve for Capital Outlay
- Furlough Days/Salary Reduction
- Health and Welfare change from Plan A to Plan B



# Three Possible Certifications:

## ★ Positive

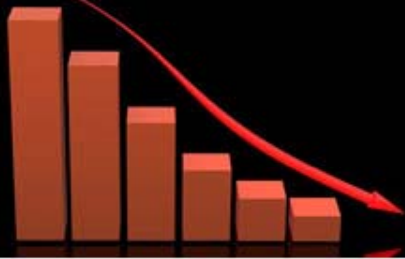
LEA will be able to meet its financial obligations for the current and two subsequent fiscal years.

## ★ Qualified

LEA may not be able to meet its financial obligations for the current and/or two subsequent fiscal years.

## ★ Negative

LEA will not be able to meet its financial obligations for the current or for the subsequent fiscal years.



# **District Recommends a Second Interim Certification of “Qualified”**



# Summary

**Fiscal/Budget crisis was not created by the District**

**It is due to several external factors:**

- **Worldwide Recession**
- **California Budget situation**
- **High unemployment at State and Federal levels**
- **Declining enrollment**
- **State Tax Review decrease**
- **Slower than expected recovery**
- **One-time Federal Money is exhausted**
- **State has failed to make the necessary cuts**



# A Look Ahead

- March**
- Resume Negotiations with Associations for 2011/12
  - Budget Approval?
  - Tax Extension on Ballot?
  - Ongoing Work of Board and Cabinet
- April**
- Property Tax and Income Tax Receipts
- May**
- Revise of January Budget
  - 3<sup>rd</sup> Interim Report
- June**
- Adopted Budget for Fullerton School District
  - Tax Extension on Ballot?
- July/Aug**
- Tentative Budget Approval for State of California



# Between Now and Third Interim We Need to Look at:

- ✓ **State Budget**
- ✓ **Tax Enhancement Legislation**
- ✓ **Internal work between the Cabinet and the Board**
- ✓ **Negotiations**
- ✓ **Other**