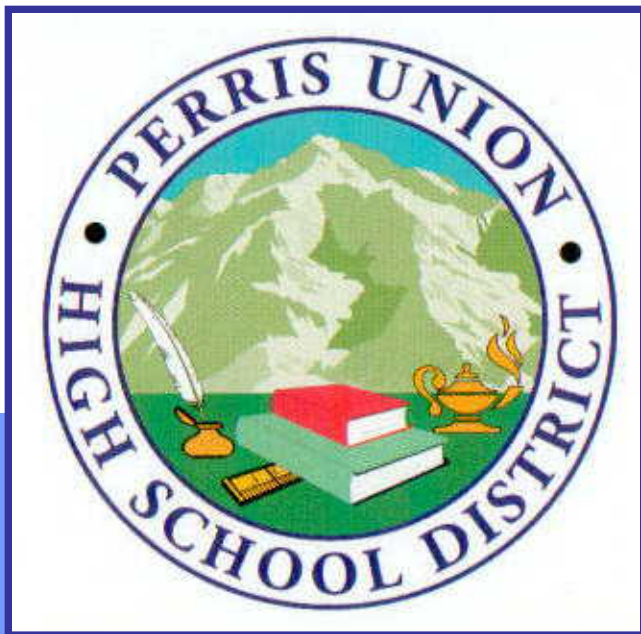


# 2010-2011 Adopted Budget



**June 16, 2010**

# CALIFORNIA STATE BUDGET

- In January, the Governor released his proposed State Budget for 2010-2011
  - Education was somewhat protected, relative to other programs, but still experienced deep cuts
- The May Revision is the Governor's last chance to provide his Budget proposals to the Legislature
  - The best we could have hoped for was no new cuts from January to May, and that is, for the most part, what we got
  - Education continues to be better protected than other programs

# CALIFORNIA STATE BUDGET

- Governor's January Budget
  - State Budget Gap = \$19.9 billion
  - 18.355% Deficit Factor
  - - 0.38% COLA = \$28 per ADA
  - \$1.5 billion in Ongoing Reductions = \$231 per ADA
    - Based on applying a percentage to the already deficated base revenue limit
- Governor's May Revise
  - State Budget Gap = \$19.1 billion
  - 18.355% Deficit Factor
  - - 0.39% COLA = \$29 per ADA
  - \$1.5 billion in Ongoing Reductions = \$285 per ADA
    - Is now based on applying a percentage to the undeficated base revenue limit

# CALIFORNIA STATE BUDGET

- The Governor proposes to close the \$19.1 billion Budget gap with:
  - \$12.4 billion in cuts
  - \$3.4 billion in additional federal funds
  - \$3.4 billion in borrowing fund shifts, asset sales, and surcharges
- The Budget reflects two major unresolved problems:
  - California's finance system serves the state poorly in both good and bad times
  - The current economic woes remain unresolved

# CALIFORNIA STATE BUDGET

- Major Themes of the May Revision
  - Essentially no further cuts to K-12 education
  - The rest of the Budget is absorbing even heavier cuts in order to protect education from deeper cuts
  - But there is no “free ride” – the nearly \$2.5 billion taken from education in January remains unrestored
  - Child care takes a huge cut
  - Social and health programs that serve K-12 students and their families are hit even harder
  - California Work Opportunities and Responsibility to Kids (CalWORKs), which is California’s main avenue to welfare payments, is on the chopping block
  - No new federal dollars
  - No new taxes are proposed

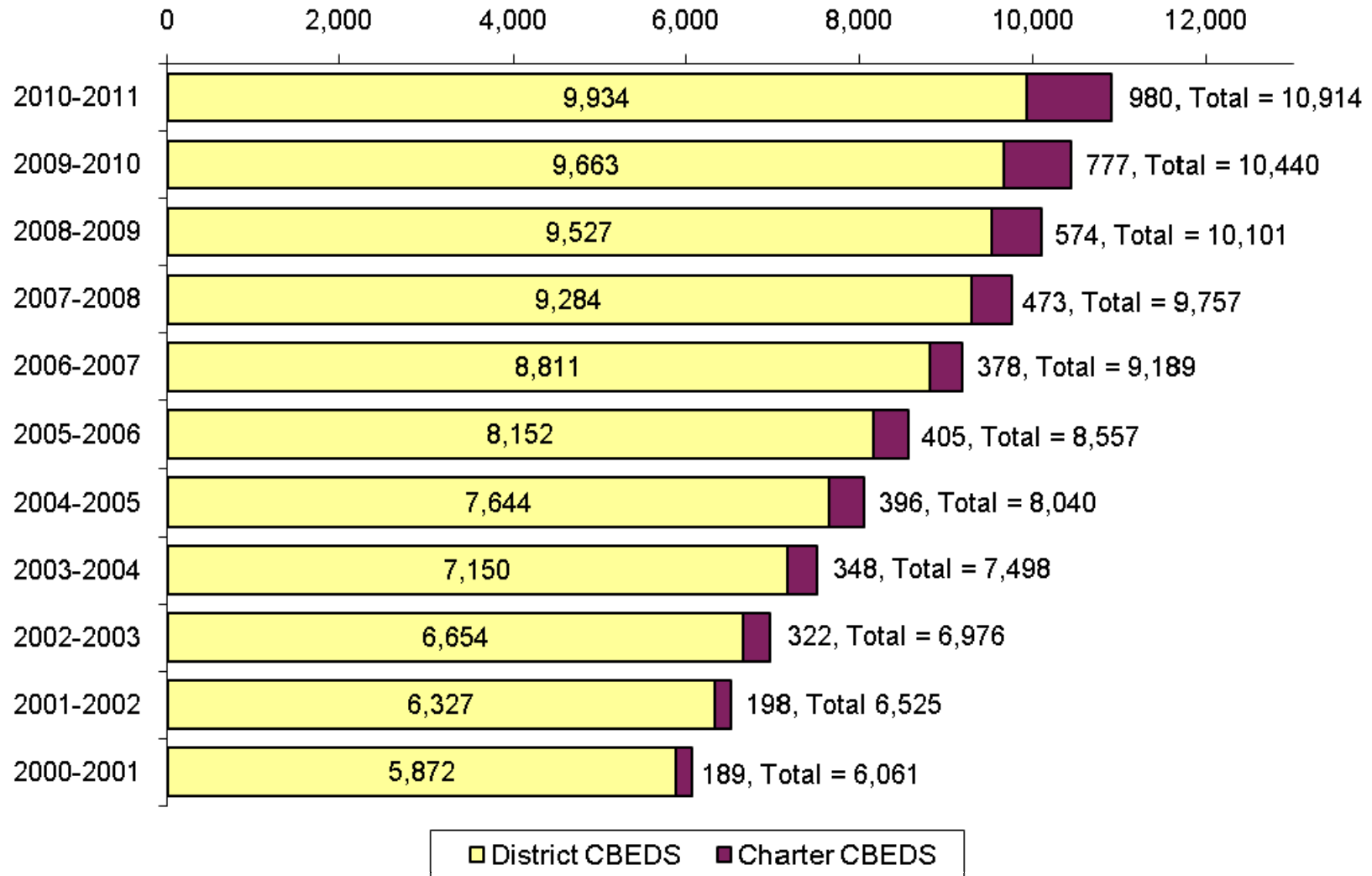
# CALIFORNIA STATE BUDGET

- The May Revision, if enacted as proposed, contains significant risks
  - Court challenges – rebenching Proposition 98, elimination of CalWORKs, state worker pay cuts, health care reductions, and other cuts could face court challenges
  - Late Budget – a late Budget would delay implementation of program reductions, resulting in the loss of budgeted savings
  - Economic and revenue risks – the state and national economies face the possibility of a “double dip” recession, especially in light of the turmoil in overseas economies
- These risks in turn could threaten California’s access to the capital markets, pushing borrowing costs even higher

# DISTRICT BUDGET SUMMARY

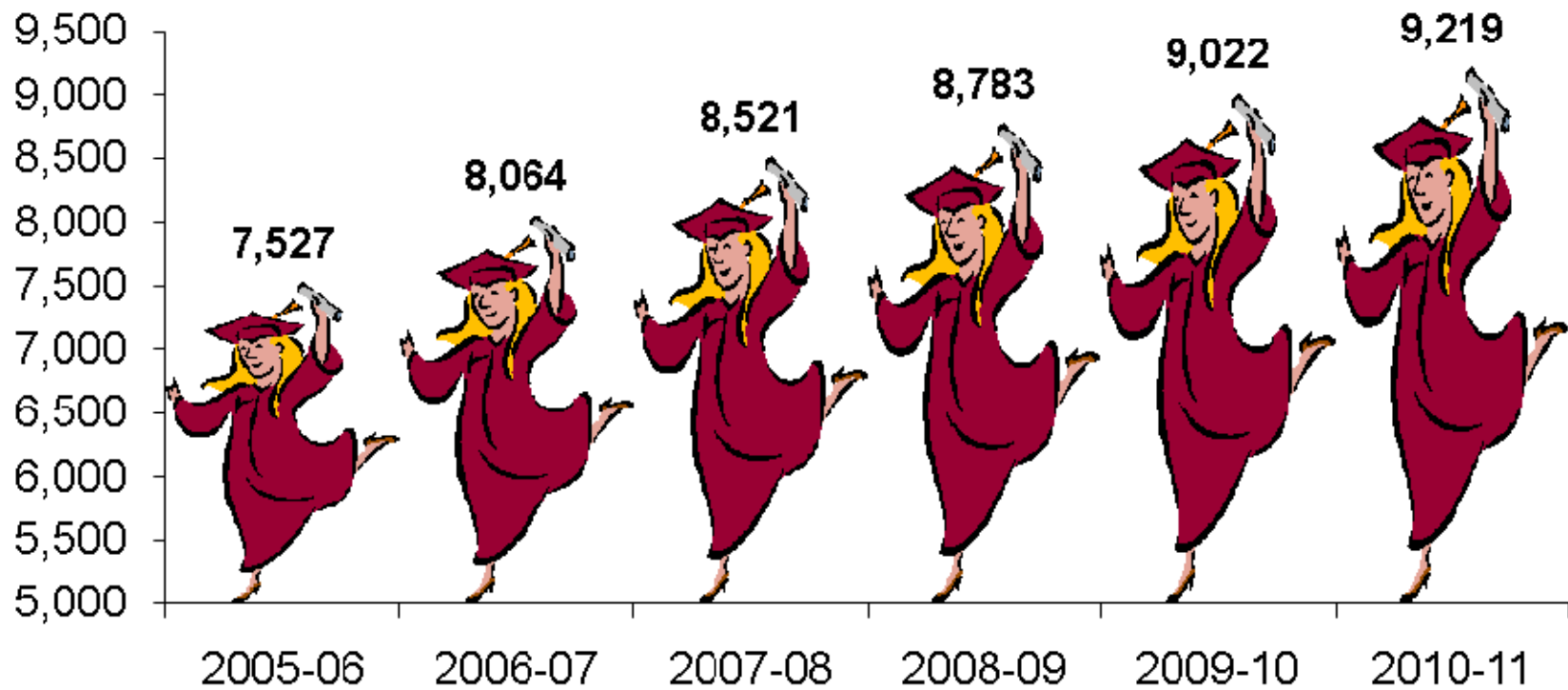
	2009-2010 Estimated	2010-2011 Budget	2011-2012 Projection	2012-2013 Projection
COLA	4.25%	-0.39%	2.10%	2.40%
Deficit Factor	18.355%	18.355%	18.355%	18.355%
<b>Beginning Balance</b>	<b>17,659,921</b>	<b>9,238,617</b>	<b>2,485,433</b>	<b>2,195,030</b>
Revenue	77,898,427	79,901,824	84,027,794	87,242,901
Deficit	(14,699,572)	(15,354,336)	(15,984,207)	(16,689,867)
Transfers In (Fund 40)	0	4,900,000	0	0
Categorical Flexibility	3,265,143	4,215,806	4,000,000	4,000,000
ARRA Funding	4,425,482	1,437,775	0	0
<b>Total Revenue</b>	<b>70,889,480</b>	<b>75,101,069</b>	<b>70,043,587</b>	<b>74,553,034</b>
Expenditures	79,310,784	81,854,253	78,896,425	81,108,999
<b>Required Reductions to Meet 3% Minimum Reserve</b>			<b>(6,562,435)</b>	<b>(6,620,598)</b>
<b>Total Expenditures</b>	<b>79,310,784</b>	<b>81,854,253</b>	<b>72,333,990</b>	<b>74,488,401</b>
Net Increase/(Decrease)	(8,421,304)	(6,753,184)	(290,403)	64,633
<b>Ending Balance</b>	<b>9,238,617</b>	<b>2,485,433</b>	<b>2,195,030</b>	<b>2,259,663</b>

# CBEDS ENROLLMENT

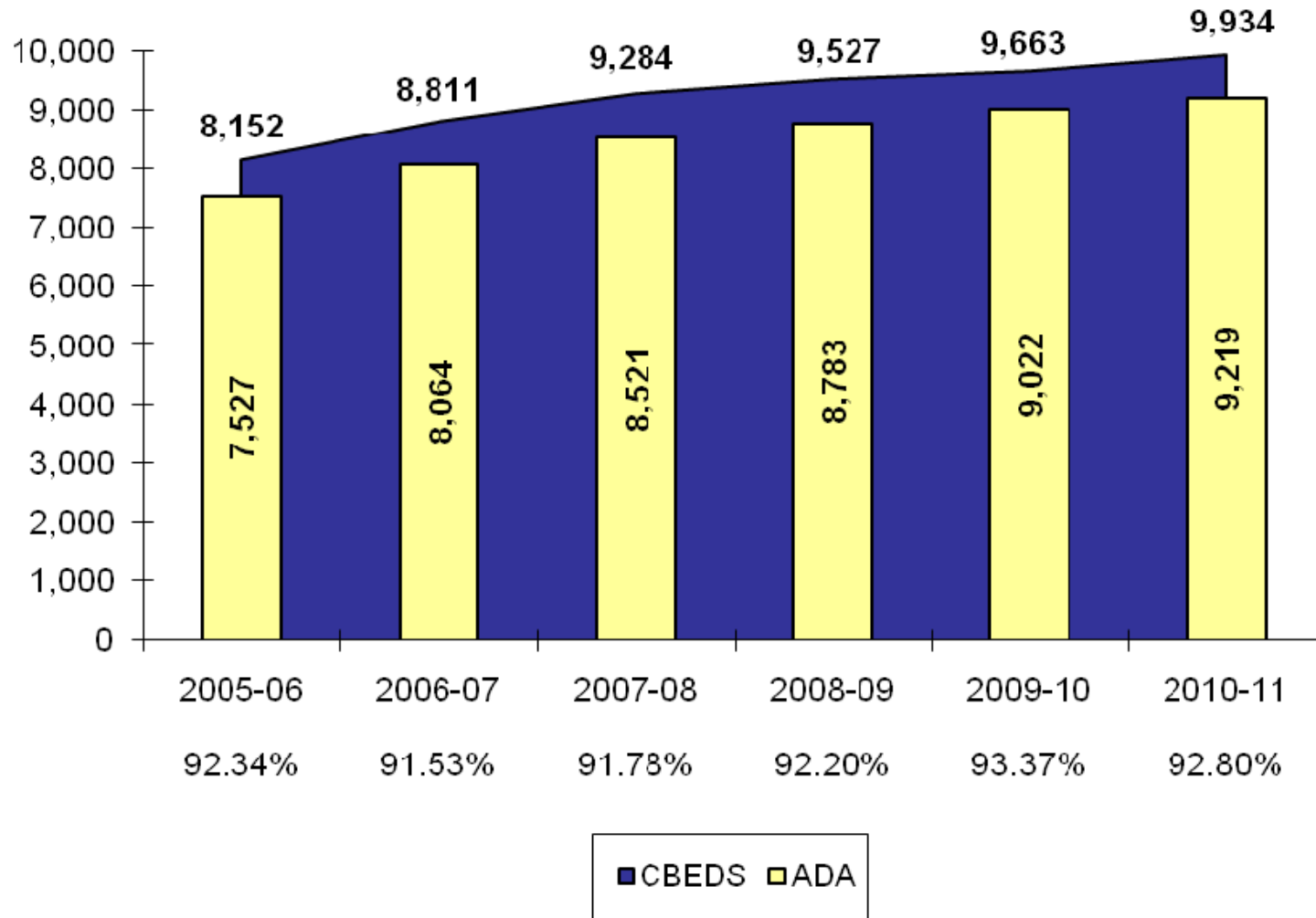




# AVERAGE DAILY ATTENDANCE



# ADA TO ENROLLMENT



# REVENUE

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- Funding has been reduced dramatically from 2007-2008 levels
- One-time dollars existed from the state and the federal government in the past 2 years
- Little of these one-time dollars remain in 2010-2011
- The District will be using the 2009-2010 ending balance and a contribution from Fund 40 to help narrow the 2010-2011 budget shortfall

# REVENUE LIMIT

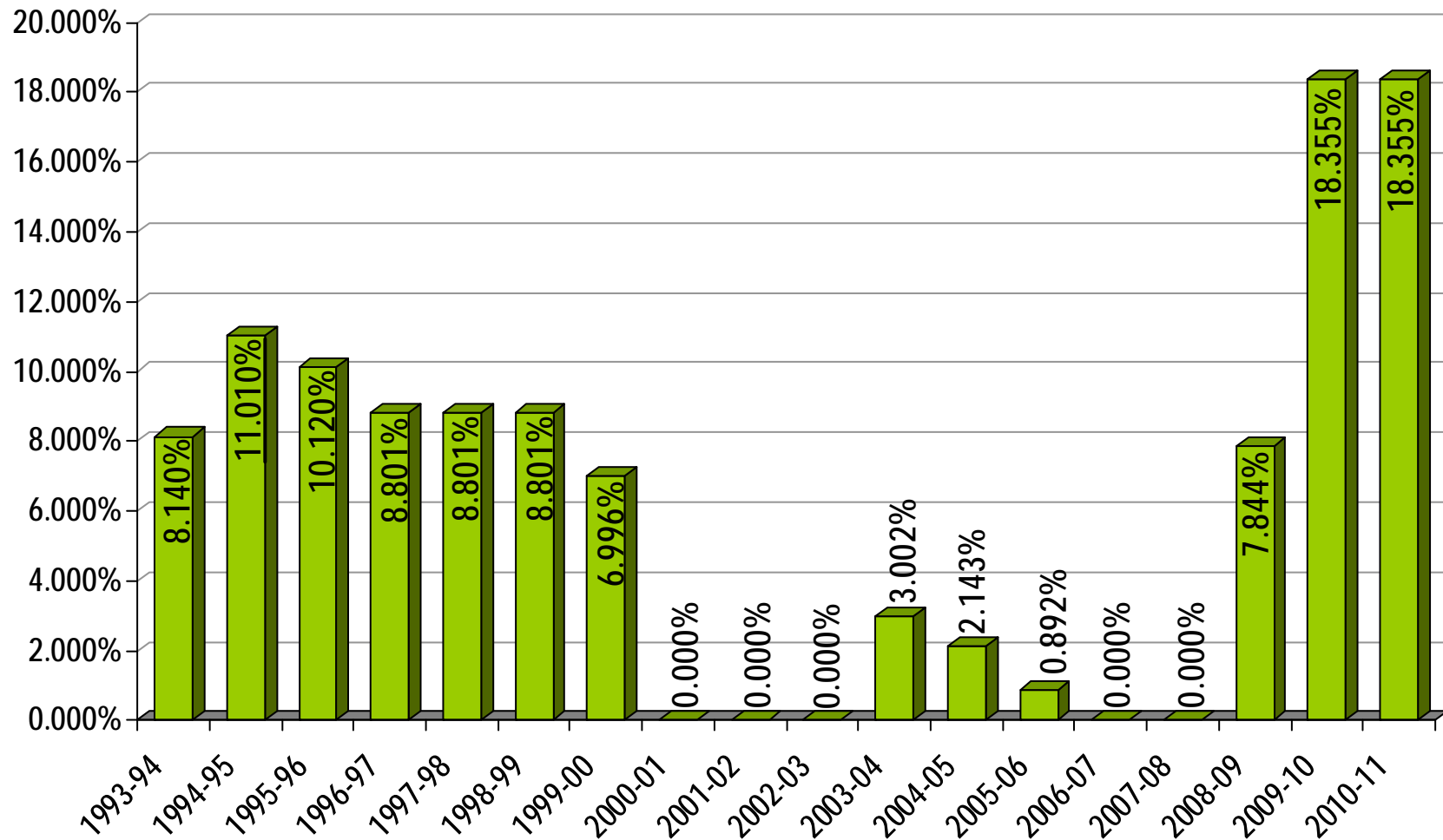
- Each year the District's Revenue Limit entitlement is increased by the cost-of-living adjustment (COLA) in accordance with State laws
- The District's Base Revenue Limit could then be adjusted by one or more of the following:
  - COLA elimination/negative
  - Equalization
  - Deficit factor
  - Additional one-time per ADA reductions

# REVENUE SUMMARY

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- The District would be receiving \$1,655 per ADA more in 2010-2011 if beginning with 2008-2009
  - COLA had been funded (no negative COLA)
  - Deficit factors had not been applied
  - There were not additional per ADA reductions
- The amount of additional revenue the District would have received in 2010-2011 alone is \$15.4 million
- This is compounded to a total loss of \$35.1 million when added to the loss of revenue in 2008-2009 and 2009-2010

# REVENUE LIMIT DEFICIT FACTOR



# ONE-TIME REVENUES

	2009-2010 Estimated Actuals	2010-2011 Adopted Budget	2011-2012 Projected	2012-2013 Projected
Tier III Flexibility Revenues	\$3,265,143	\$4,215,806	\$4,000,000	\$4,000,000
ARRA	\$4,425,482	\$1,437,775	\$0	\$0
Fund 40 Transfer In	\$0	\$4,900,000	\$0	\$0
<b>TOTAL</b>	<b>\$7,690,625</b>	<b>\$10,553,581</b>	<b>\$4,000,000</b>	<b>\$4,000,000</b>

# 2009-2010 TIER III CATEGORICAL FLEXIBILITY

Program Name	Estimated Actuals
Instructional Materials Funding Realignment Program	514,651
National Board for Professional Teaching Standards (NBPTS)	4,708
School Safety & Violence Prevention	194,975
Arts and Music Block Grant	77,018
CAHSEE Intensive Instruction & Services	217,384
Middle and High School Supplemental Counseling	19,835
GATE	35,907
AB466/AB472 Math/Reading & Math/Reading ELL	56,302
Administrator Training Program	-
Pupil Retention Block Grant	51,098
Professional Development Block Grant	108,466
Targeted Instructional Improvement Block Grant (TIIBG)	203,210
School Library & Improvement Block Grant	126,021
Community Based Tutoring Grants	42,374
Teacher Credentialing Block Grant (BTSA)	103,275
Supplemental Hourly Instruction	803,560
Adult Education	181,066
Community Day School	-
Deferred Maintenance (Estimated District Match)	296,696
Morgan Hart - Class Size Reduction Grade 9	228,597
<b>Total Tier III Funds Available for Flexibility (Estimate)</b>	<b>\$3,265,143</b>



# 2010-2011 TIER III CATEGORICAL FLEXIBILITY

Program Name	Adopted Budget
Instructional Materials Funding Realignment Program	512,644
School Safety & Violence Prevention	270,200
Arts and Music Block Grant	137,583
CAHSEE Intensive Instruction & Services	216,536
Middle and High School Supplemental Counseling	557,353
GATE	55,689
AB466/AB472 Math/Reading & Math/Reading ELL	49,904
Administrator Training Program	-
Pupil Retention Block Grant	50,899
Professional Development Block Grant	108,043
Targeted Instructional Improvement Block Grant (TIIBG)	202,417
School Library & Improvement Block Grant	125,530
Community Based Tutoring Grants	42,209
Teacher Credentialing Block Grant (BTSA)	50,625
Supplemental Hourly Instruction	800,425
Adult Education	255,951
Community Day School	-
Deferred Maintenance (Estimated District Match)	295,539
Morgan Hart - Class Size Reduction Grade 9	484,259
<b>Total Tier III Funds Available for Flexibility (Estimate)</b>	<b>\$4,215,806</b>

## USE OF TIER III CATEGORICAL FLEXIBILITY

- Offset State Budget reductions
- Maintain the District's core programs
- Employee costs including step, column, and health and welfare increases
- Maintain class sizes
- Professional Development
- Provide trainings
- Purchase instructional materials
- Purchase textbooks (ELA)
- Other Program Improvement/DAIT related professional services

# GENERAL FUND EXPENDITURES

- Projected to increase \$2.5 million
  - \$4.3 million increase attributed to Redevelopment Agency funds & major repair and maintenance projects
- Employee Costs = 89.3% Unrestricted General Fund and 77.5% Combined General Fund
- Automatic Step/Column Increases = \$850,559
- Health & Welfare Costs = 7.4%
  - Increased by \$442,041
- Other Employee Benefits = 10.4%
- Unemployment Insurance Increase = 140%
- PERS Increase = 1%
- Utilities Increase = 5%

# EXPENDITURE REDUCTIONS

Board Approved Budget Reductions	2010-11 Net Savings (with 2009-10 Savings)
Adult Ed - consolidate 2009-10 classes and limit 2010-11 classes to federal funded ELD and prior year seniors	(\$142,000)
Summer School - limit to 3 labs/6 hours each of A+ at each comprehensive high school & 2 labs/6 hours of A+ at PLHS (11 sections total)	(\$412,000)
Eliminate The Academy Extended Year Program	(\$75,000)
The Academy Extended Year Transportation	(\$25,000)
Certificated Sub Costs - Reduce sub pay to \$125 per day and \$150 for long term subs with no retro (Effective July 1, 2010)	(\$231,000)
Eliminate 3 School Resource Officers at comprehensive high schools (1 will remain at The Academy)	(\$325,000)
Eliminate Data Lead Positions	(\$72,272)
Eliminate Sending of Holiday Cards to Employees	(\$1,288)
Eliminate Printing of Community Newsletter	(\$33,200)
Eliminate District Paid ACSA Dues - non-Cabinet	(\$28,696)
Athletic Reductions as Proposed by AD's & Principal's - reduce number of assistant coaching positions by 55 (from current 199 positions)	(\$143,380)
Allow Athletic PE only with 55:1 ratio or higher	(\$75,000)
Eliminate After School Transportation at Paloma & Heritage	(\$91,700)
Categorical Realignment/Reductions	(\$469,768)
Academic Coaches – 6.0 FTE (reduction of 3.0 FTE)	\$542,040
Management/Confidential Furlough Days (4)	(\$122,168)
Other Employee Concessions – to be negotiated	(\$685,023)
<b>Total Reductions</b>	<b>(\$2,390,455)</b>

# CASHFLOW

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- Cashflow is crucial in determining the fiscal health of the District
- Factors affecting PUHSD's Cash balances
  - Dwindling reserves
  - Use of Facilities dollars on upcoming construction projects
  - Additional/Increased deferrals from the State

# CASHFLOW

- State Apportionment Deferrals
  - Continuing
    - February to July (75%) & Sept (25%)
    - June to July (75%) & Sept (25%)
    - April to August
    - May to August
  - One-Time
    - July to September
    - October to January
    - March to April

# CASHFLOW

- Borrowing options
  - Temporary loan from another fund within the District
    - April 2010, the Board approved a Resolution for a Temporary Loan from Fund 25 to General Fund not to exceed \$6 million for the 2010-2011 fiscal year
  - Borrowing from a County Office of Education
    - No funds available to loan
  - Tax Revenue Anticipation Notes (TRANS)
    - External source of borrowing
- If state deferrals continue, the District will need to borrow cash by July 2011 to meet basic expenditure demands

# BUDGET WATCH LIST

- California State Budget
  - Until the state adopts a final budget, and in the longer term, the state and local economies improve, RCOE has cautioned districts to use conservative budget assumptions and establish contingency plans to address future funding uncertainties
- Multi-Year COLA Projections
  - The state's ability to fund future COLAs remains questionable
  - 2011-2012 COLA is projected at 2.1% - potential revenue loss of \$1.5 million if COLA is unfunded/reduced to 0%
  - 2012-2013 COLA is projected at 2.4% - potential revenue loss of \$1.7 million if COLA is unfunded/reduced to 0%
- Chapter 374, Statutes of 2009 (AB851)
  - Would convert the meals for needy pupils and beginning teacher salary incentives, currently with the base revenue limit, into a per ADA amount using 2007-2008 as a base year.
  - If approved, a revenue loss of \$152,197 could be seen in 2010-2011



# NEXT STEPS FOR PUHSD

- Balanced budget must be adopted by the Board prior to June 30, 2010
- Adopt Resolution 30:09-10
  - Implement the 2010-2011 Budget, including Board approved budget reductions
  - Approve the use of categorical funding
  - Maintain a 3% reserve
  - Specify, approve and implement further budget reductions in 2011-2012 and 2012-2013
- After the California State Budget is adopted, the District's budget will be revised and presented to the Board for approval