



Fullerton School District

**2009/2010 SECOND
INTERIM FINANCIAL
REPORT**

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Assistant Superintendent,
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March 9, 2010

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Governor's January 2010 Budget Proposal

- **State Budget Gap -\$19.9 Billion**
 - 2009/10: \$6.6 Billion shortfall
 - 2010/11: \$13.3 Billion shortfall
- **-0.38% Cost of Living Adjustment (-\$23 / ADA)**
- **Per student funding is deficiated 18.355%**
- **-\$191 / ADA cut to Elementary School Districts**
- **Governor proposes to lower the minimum funding guarantee for schools from \$49.1B to \$46.8B**
- **Governor's January Proposal is best case scenario**

Uncertain State Budget Assumptions

- **Optimistic revenue forecast**
- **Not realistic to expect \$6.9 billion in Federal funding**
- **Significant legal risks associated with some proposals (funding shifts)**
- **Some proposals might not generate level of savings assumed in the Governor's plan**
 - **\$1.6B Employee Compensation Savings**
 - **\$1.1B Medi-Cal changes**
 - **\$811M inmate Medical Care costs**



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California Unemployment Remains High

Three-Year Trend in California and U.S.
Unemployment Rates
September 2009; Seasonally Adjusted Data



FSD Three Year Cumulative Loss on Revenue Limit Funding (Unrestricted)

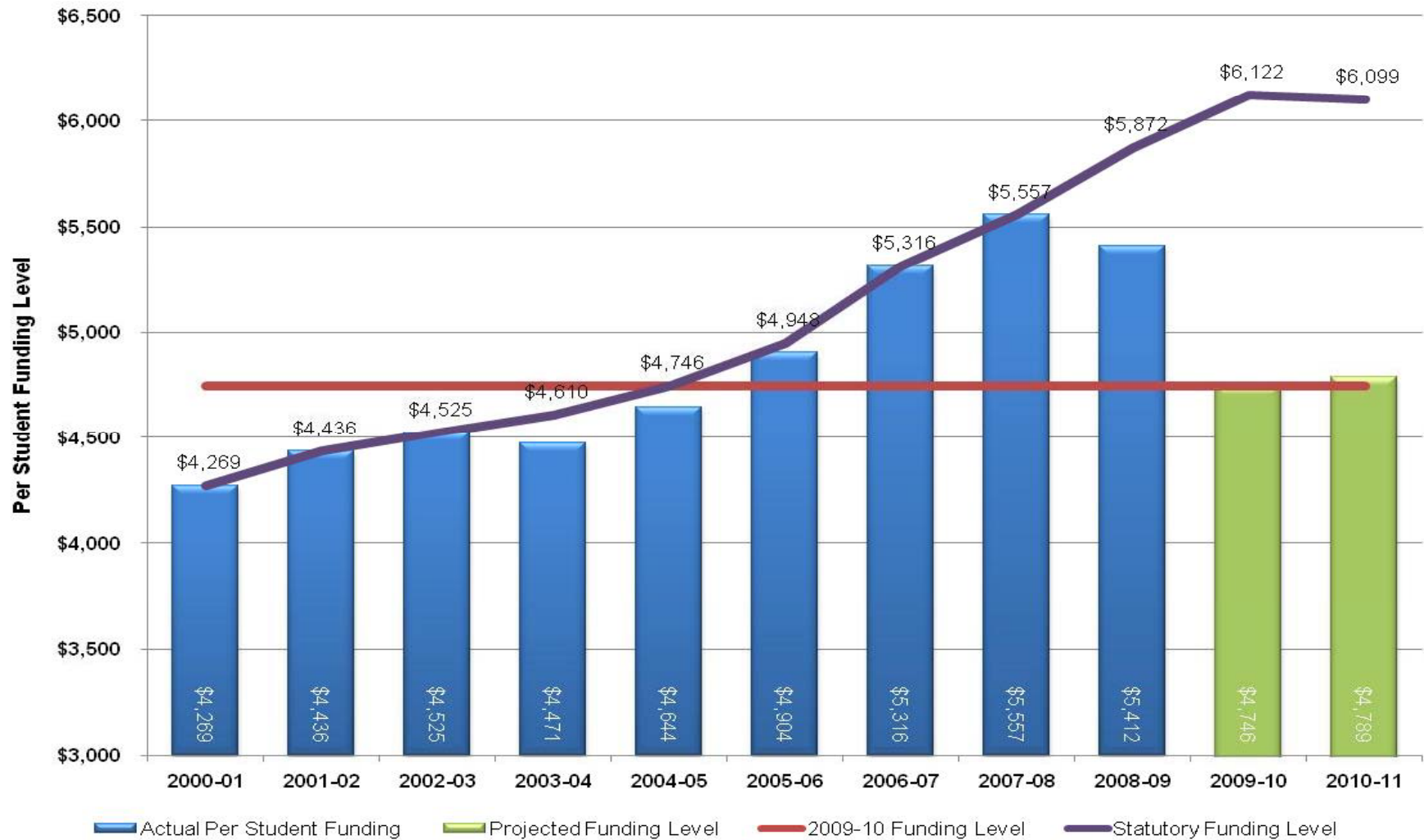
Factors	2008/09	2009/10	2010/11	Total
	(in millions)			
Negative 2.63% COLA*	\$1.90	\$1.90	\$1.90	\$5.70
Negative 7.64% COLA*	-	5.50	5.50	11.00
\$252.99/ADA one-time	-	3.30	-	3.30
Negative .38% COLA*	-	-	0.30	0.30
\$191/ADA ongoing	-	-	2.50	2.50
Total Reductions	\$1.90	\$10.70	\$10.20	\$22.80
*net funded COLA				

In Orange County, revenue limit funding per student cuts since 2007/08 equal **-\$805 million**

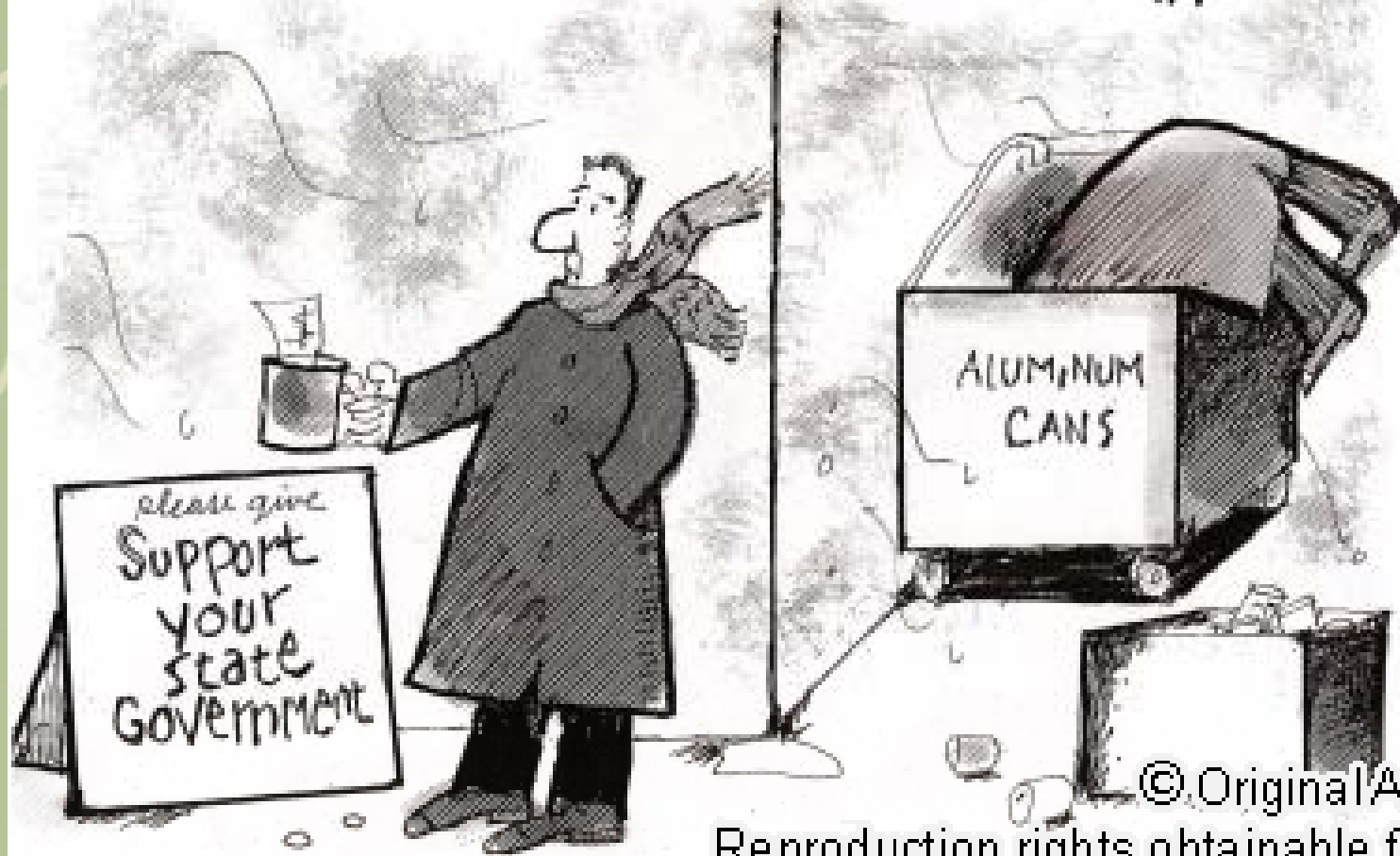
For Fullerton, the cumulative (one-time & ongoing) three year revenue limit funding cut is **-\$22.8 million**

Fullerton Per Student Funding

Historical Funded Base Revenue Limit - Fullerton

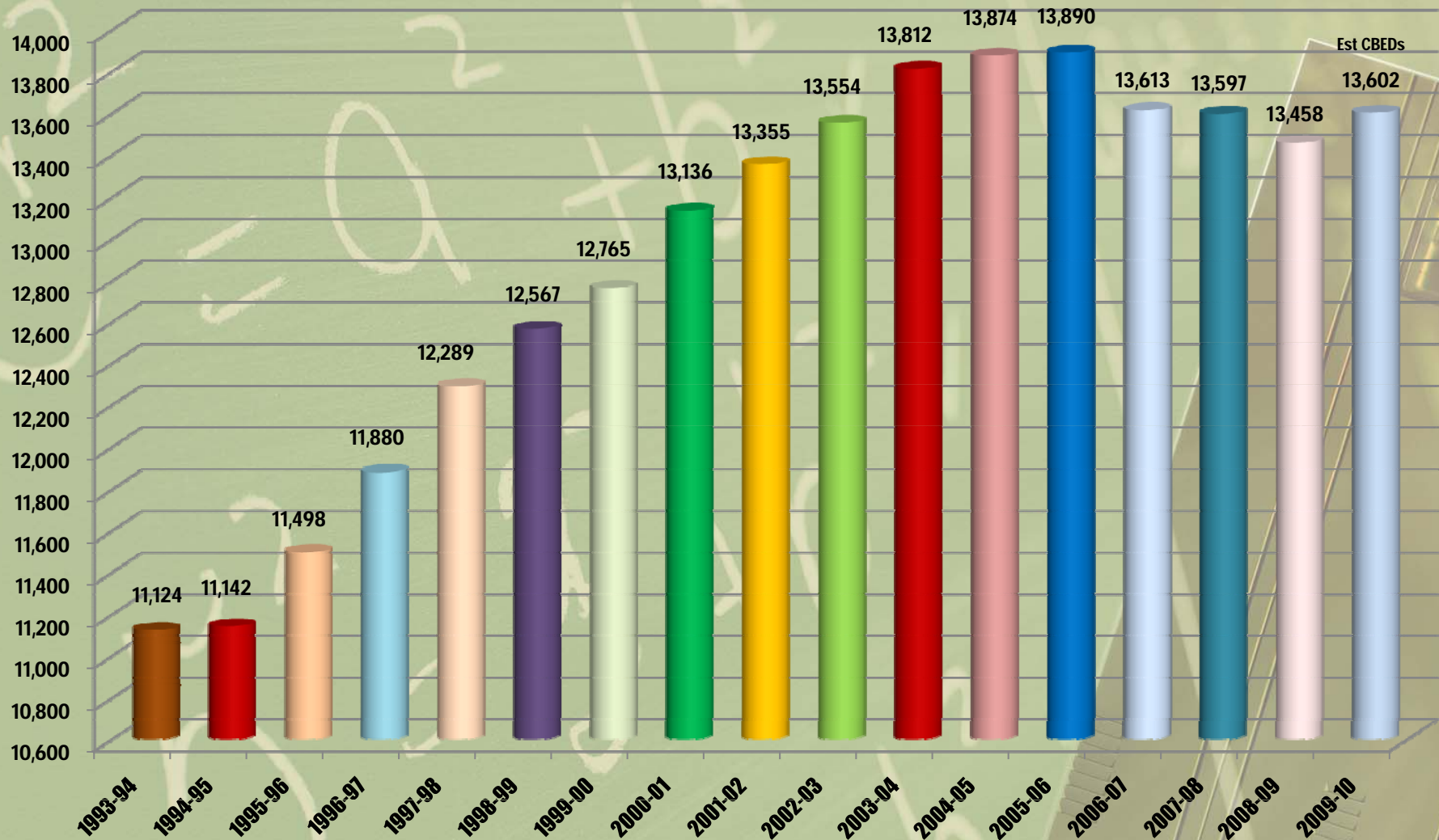


State of the State ..



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Fullerton Historical Enrollment



Source: California Department of Education, Educational Demographics Office

Second Interim 2009/2010 Budget Assumptions

Factors	2009/10	2010/11	2011/12
Revenue Limit COLA	4.25%	-0.38%	1.80%
Deficit Factor	18.355%	18.355%	18.355%
Other Adjustments	-\$252.99/ADA	-\$191/ADA	-\$191/ADA
COLA on Major Categoricals	-4.46%	-0.38%	1.80%
COLA on Special Education	0.00%	-0.38%	1.80%
Revenue Limit Funded ADA	13,187.75	13,187.75	13,163.61
P-2 ADA (excluding County ADA)	13,135.45	13,111.31	13,087.17
Growth/(Decline) compared to prior year	12.83	-24.14	-24.14
District Total Enrollment	13,602.00	13,577.00	13,552.00
Growth/(Decline) compared to prior year	144.00	-25.00	-25.00
Lottery Funding per ADA			
Unrestricted	\$110.00	\$110.00	\$110.00
Restricted (Prop 20)	\$13.00	\$13.00	\$13.00

District Budget Overview– Based on Governor’s 2010/11 Budget Proposals

	2008/09 Actuals	2009/10 Adopted Budget	2009/10 2nd Interim	2010/11 Projected Budget	% Change 09/10 vs 10/11
Beginning Fund Balance	\$13,844,767	\$9,997,074	\$16,585,319	\$7,070,808	-57%
Revenues:					
Revenue Limit	71,570,252	66,240,699	62,586,328	63,106,953	1%
Federal	11,223,276	7,996,072	10,401,089	5,463,477	-47%
State	17,765,837	14,718,631	15,545,716	15,332,746	-1%
Other Local	10,063,133	8,341,777	8,948,917	8,172,867	-9%
Transfers In	443,000	963,000	963,000	713,000	-26%
Total Revenues	\$111,065,498	\$98,260,179	\$98,445,050	\$92,789,043	-6%
Expenditures	\$107,234,240	\$100,956,546	\$107,381,195	\$93,853,653	-13%
Transfers Out	\$1,090,706	\$495,977	\$578,366	\$895,977	55%
Ending Balance	\$16,585,319	\$6,804,730	\$7,070,808	\$5,110,221	-28%

Budget Reductions and Adjustments Recap

Fiscal Year	Millions
2008/09	\$8.30
2009/10	\$13.40
2010/11	*\$11.70
Total to Date	\$33.40


- Sweeps
- Cost shifts
- Federal ARRA
- Categorical dollars
- One-time money

*Highest level of cuts needed



No More Life Lines...

- **Categorical Flexibility** 08-09
- **Tax Increase** 08-09
- **Routine Maintenance
Contribution Reduced** 08-09
- **Deferred Maintenance
Match Eliminated** 08-09
- **Federal ARRA** 09-10



“This time this is real. This isn’t going to be waiting for someone at the last minute to come in with a big check that they’re going to present to school districts to get them off the hook. There’s going to be a lot of pain out there in schools.”

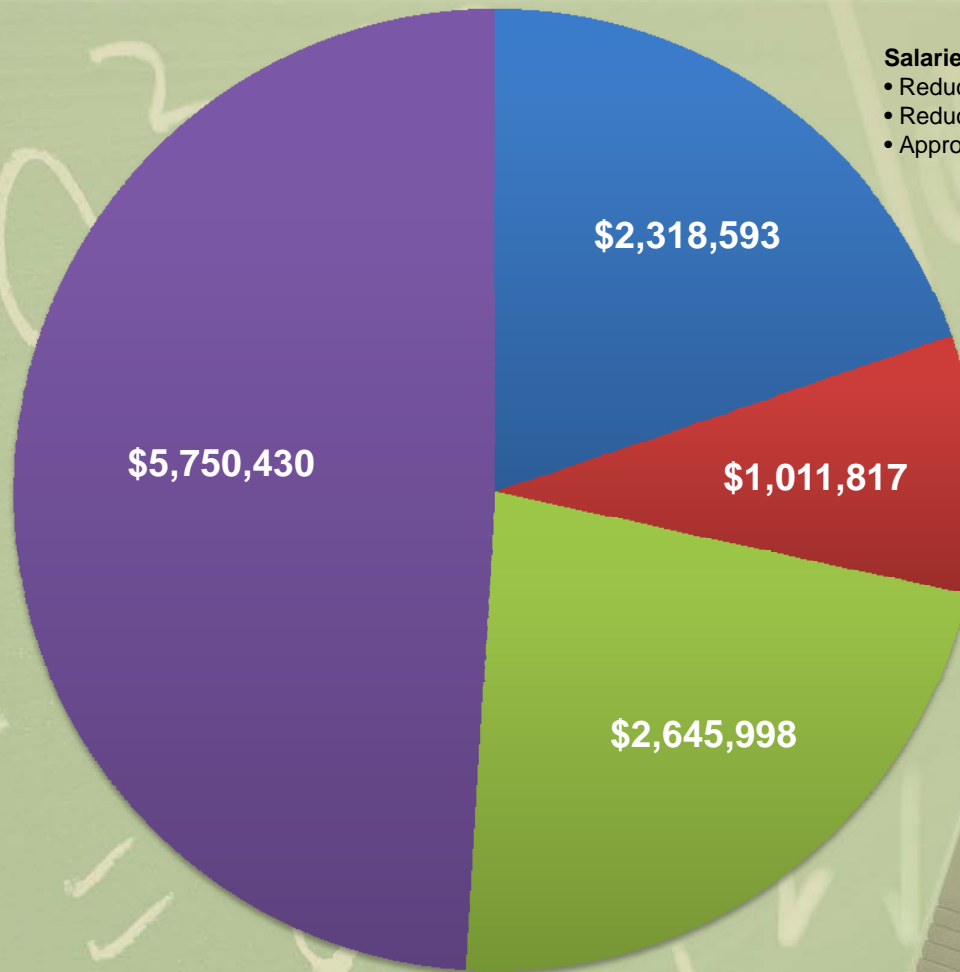
-Kevin Gordon, State Lobbyist

Fullerton School District Budget Reduction and Adjustment Options for 2010/11

Total: \$11,726,838 High*
Total: \$11,262,431 Low

To Be Negotiated

- Furlough Days
 (1 day = \$388,878)
- Change in Medical coverage
 \$272,000
- Step and Column \$500,000
- Salary Rollbacks
 (1% all staff = \$777,755)
- Class Size (33:1)
- Supplemental Early Retirement Plan (SERP)



Salaries and Staff Reductions

- Reduce D.O. administration/staff
- Reduce pupil support
- Approved furlough days

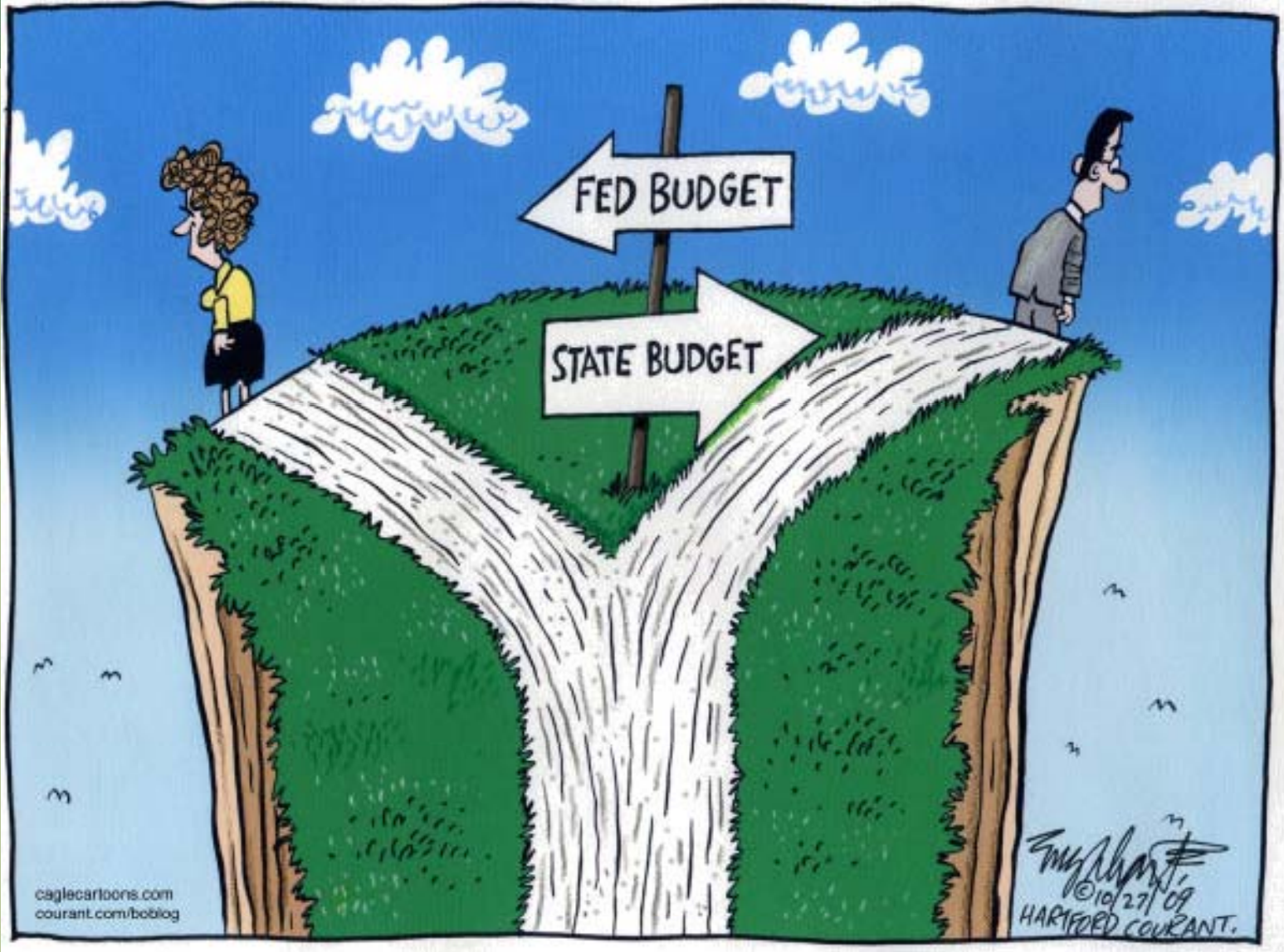
Programs

- Cost shifts
- Categorical flexibility
- Reduce General Fund budget for staff development

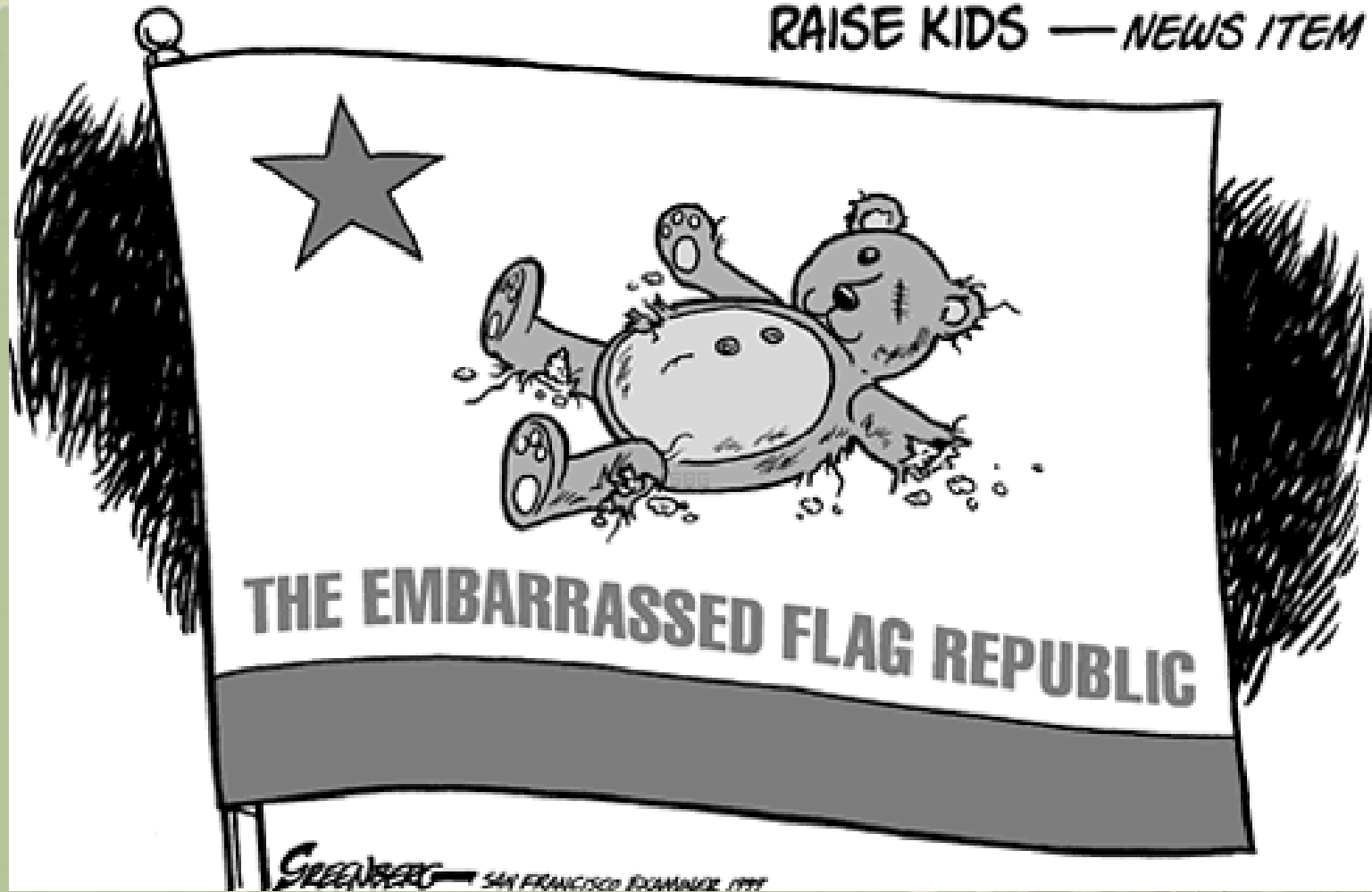
Others

- Estimated year-end fallout
- Deferred maintenance State revenue
- Mandated cost money from fund 17
- Bring back laptop reserve from fund 40
- Reduce warehouse inventory
- Charge Nutrition Services additional indirect cost
- Remaining Federal Stimulus Funds

*Pie Chart Based On High Target



CALIFORNIA 46TH OF THE 50 STATES AS A GOOD PLACE TO
RAISE KIDS — NEWS ITEM



Second Interim Multi-Year Projections

Perspective	2010/2011	2011/2012
COLA	-0.38%	1.80%
Deficit	18.355%	18.355%
Other Revenue Limit Adjustments	-\$191/ADA ongoing	-\$191/ADA ongoing
Beginning Balance	\$7,070,808	\$5,110,221
Revenue and Transfers In	\$92,789,043	\$94,060,235
Expenditures and Transfers Out	\$106,049,764	\$108,602,029
Budget Reductions Needed	-\$11,300,134	-\$14,556,677
Ending Fund Balance	\$5,110,221	\$5,125,104

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.

**We are
recommending a
Qualified Certification.**

Summary

Fiscal/Budget crisis was not created by the District

It is due to several external factors:

- Worldwide Recession**
- California Budget situation**
- Declining enrollment**

OCDE Recommendations

Establish reserves levels higher than State-recommended minimums

Conservative cash management - monitor cash flows

Budget and plan for the most flexibility (this is the best case scenario)

A Look Ahead

**March - Resume Negotiations with Associations
for 2010/11**

April - Property Tax and Income Tax Receipts

**May - Revise of January Budget
3rd Interim Report**

June - Adopted Budget for Fullerton School District

**August - Tentative Budget Approval for State of
California**

Questions/Comments?