



# Overview of 2009-10 Budget

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September 22, 2009

# Outline

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Purpose: 1) Report various changes to the budget  
2) Review Multiyear projections  
3) Recognize scope of financial crisis

- Highlights of State's 2009-10 Budget
  - Impact to YCJUSD
- YCJUSD's 2009-10 Budget
  - Revenue Factors
  - Expense Profile
  - Ending Balance
- Budget Outlook
  - 2010-11
  - 2011-12
- More Adjustments

# Economy Remains Weak

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- California's Unemployment rate at 12.2%
  - U.S. is at 9.7%
- DJIA still 30% below its highest
- Current home values still well below previous high

## Dollars not earned are dollars not spent

- State revenues dropped
- Meanwhile, expenditures rise on the natural
  - Exponential rise due to dependency on state services

## 2<sup>nd</sup> Wave of Cuts and Reductions to Education

# Financial Implication to the State

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- 24-month Budget Gap of \$60B
  - Revenue Dropped by \$46.3 B
  - Increase Expenditure by \$10.8B
  - Reserve Restoration: \$.9B
- 2009-10 Budget Solutions
  - \$16.1B in Program Cuts
  - \$3.5B in “revenue” acceleration of PIT & sell portion of SCIF
  - \$1B in shift from Highway Tax
  - \$1.35B one-time savings by deferment of State employee p/y

**Combined cut to K-12 & CC is \$14,940,900,000 over 2008-09 & 2009-10**

# State General Fund Budget Summary

	(Dollars in Millions)	
	2008-09	2009-10
Prior-Year Balance	\$4,071	-\$3,379
Revenues and Transfers	\$84,097	\$89,541
Total Resources	\$88,168	\$86,162
Total Expenditures	\$91,547	\$84,583
Fund Balance	-\$3,379	\$1,579
Budget Reserve:		
Reserve for Encumbrance	\$1,079	\$1,079
Reserve for Economic Uncertainties	-\$4,458	\$500
Budget Stabilization Account	\$0	\$0
Total Available Reserve	-\$4,458	\$500

- The \$500 million reserve was created by the Governor's vetoes, which are being challenged in court
- Expenditures fall 7.6% in 2009-10, but this reflects one-time solutions, accounting gimmicks, and tenuous assumptions
  - \$1B Savings in Correction
  - \$1B in sales of SCIF
  - \$1.7B in RDA shift
- Shaky Assumptions:

**3rd Wave of Budget Reductions?**

# Impact to Education and YCJUSD

## (2<sup>nd</sup> Wave of Cuts)

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- 20% reduction to Transportation Award & increase in SBCSS SPED transportation cost
  - \$260,000
- Increase Revenue deficit factor from 7.844% in Feb 2009 to 18.355%
  - Real hit to YCJUSD is \$228,000 (dif from 17.967%)
- Additional cut of \$250/ADA
  - \$2,352,000 to YCJUSD

Total State Reductions: \$2,840,000

***Restrictions when the State is flushed....Flexibility & Deferrals (IOU) when the State is broke***

# February Budget

## *The First Wave of Cuts*

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○ "17 Month" Problem: **\$7,547,000**

	<u>Revenue Limit</u>	<u>Cuts to Categorical</u>	<u>District</u>	<u>Total</u>
2008-09	<b>\$2,312,000</b>	<b>\$792,000</b>	<b>\$507,000</b>	<b>\$3,611,000</b>
2009-10	<del><b>\$490,000</b></del>	<del><b>\$223,000</b></del>	<b>\$3,250,000</b>	<b>\$3,936,000</b>
	<i>\$2,580,000</i>	<i>\$483,000</i>		

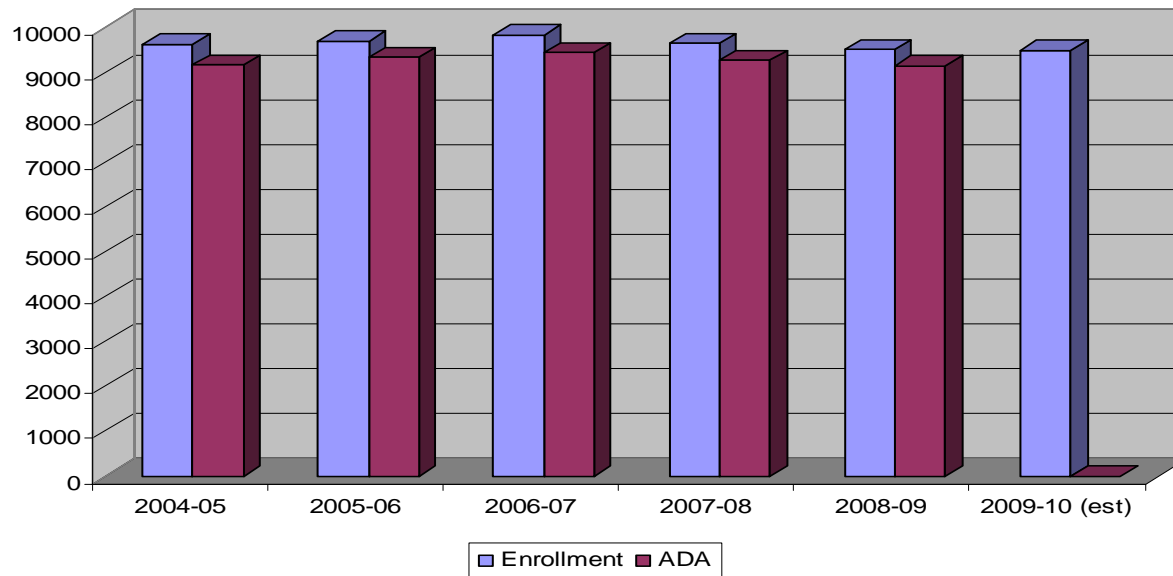
### ○ Solutions

- Flex & Sweep of Categorical Funds
- Concessions from Bargaining Units
- Early Retirement Incentives
- Use of Reserve (one-time solution)
- Reduce Site/Dept Allocations
- Hiring Freeze, staff reconfiguration

*Changes due to 2<sup>nd</sup> Wave of Cuts*

<b>Total of First &amp; Second Waves: \$9,701,000</b>
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# ADA/Enrollment Trend



- Trend consistent with other districts
- 2009-10 ADA not yet available
- Enrollment/ADA tend to decrease during the year
- Previously, starting enrollment is above prior year's ending enrollment. % ADA drop in 2009-10 may be highest.

	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
<b>Enrollment</b>	9624	9691	9835	9639	9498	9481
<b>ADA</b>	9164	9336	9445	9268	9142	
<b>Ratio</b>	95.22%	96.34%	96.03%	96.15%	96.25%	
<b>% ADA Drop</b>		1.88%	1.17%	-1.87%	-1.36%	

Official P2 (April 15) – Enrollment & ADA data for K-12. Excludes County ADA, ROP, and Adult Education

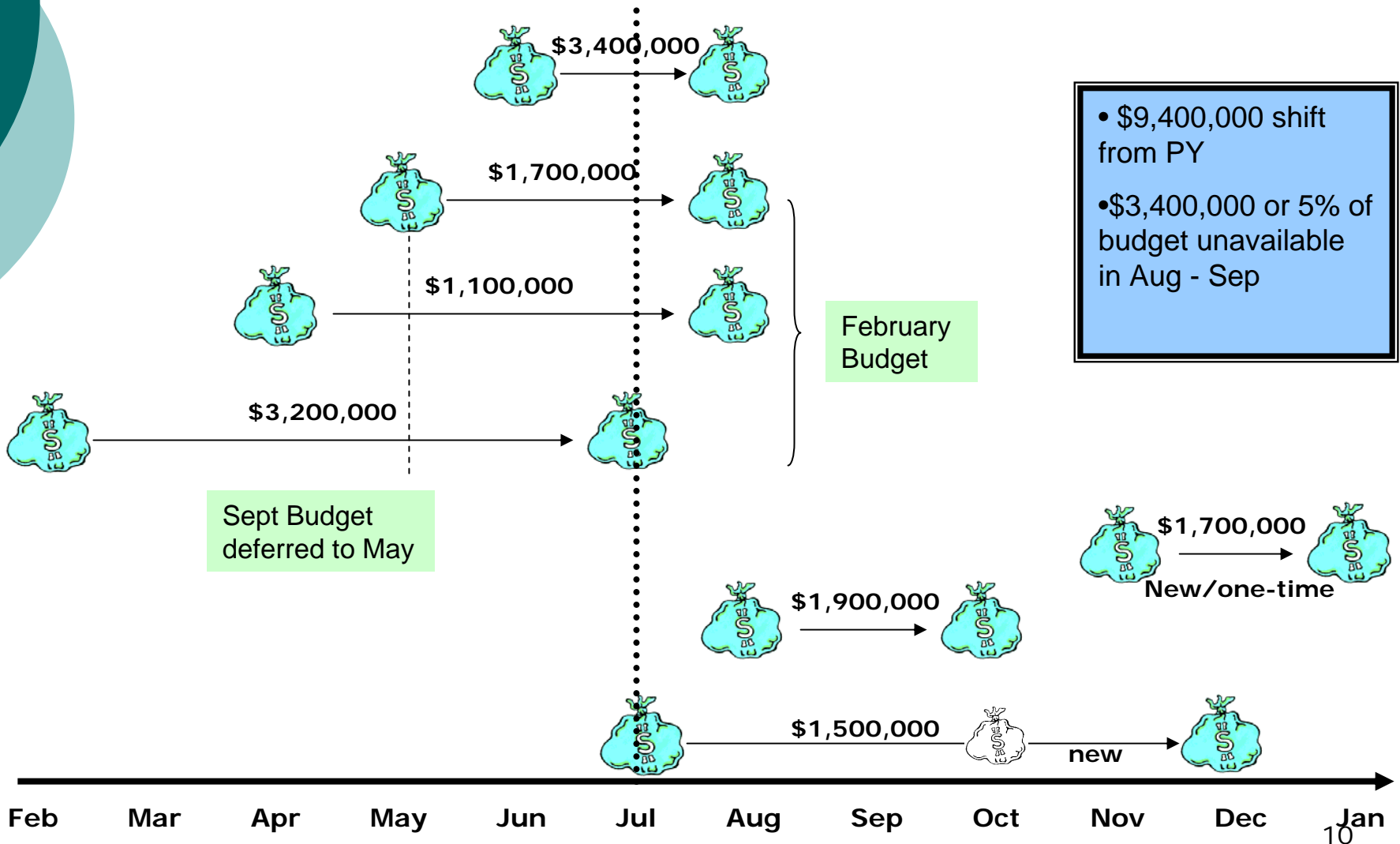


# Tier III - Flexibility (Aggregate) Transfers

<u>Code</u>	<u>Program</u>	<u>Est. Grant Award</u>	<u>Tranf. to Unr.</u>	<u>Remain in Prog</u>
0000	Supp Hourly Programs	\$450,000	\$350,000	\$100,000
2430	CDS Additional hours-non mandatory hrs	\$150,000	\$0	\$150,000
6205	Deferred Maintenance	\$349,000	\$349,000	\$0
6285	CBET	\$24,000	\$12,000	\$12,000
6350	RCOP- pass through	\$818,500	\$0	\$818,500
6390	ADULT ED	\$584,000	\$225,000	\$359,000
6405	School Safety & Violence	\$136,000	\$46,000	\$90,000
6760	Arts/Music Block Grant	\$132,000	\$132,000	\$0
7055	CAHSEE	\$79,000	\$79,000	\$0
7080	Supp Counseling Grant	\$276,000	\$276,000	\$0
7140	GATE	\$67,500	\$13,500	\$54,000
7156	IMFRP	\$539,000	\$485,000	\$54,000
7394	Targeted Instructional Improv. Program	\$347,000	\$0	\$347,000
7271	PAR	\$32,000	\$23,500	\$8,500
7294	Staff Dev: Math & Reading-Reimb Prgm	\$45,000	\$0	\$45,000
7390	Pupil Retention Blk Grant	\$24,000		\$24,000
7393	PROF DEV BLK GRANT	\$205,500	\$87,000	\$118,500
7395	School & Libr Improv Blk Grant	\$657,000	\$56,000	\$601,000
		<b>\$4,915,500</b>	<b>\$2,134,000</b>	<b>\$2,781,500</b>

**Of \$2,134,000, \$1,414,000 are the new transfers. \$720,000 were already transferred when the original budget was adopted in June.**

# Deferrals



# Federal Stimulus Money (SFSF)

- Received **\$3,279,000** in two increments
- Must be spent by September 30, 2011

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Early Retirement Incentive (PARS)	\$360,500	\$360,500	\$360,500
Teachers & Counselors	\$986,000	\$915,000	
Classified	\$45,400	\$15,000	
Summer School	\$67,902		
Inst. Materials	\$163,980		
	\$1,623,782	\$1,290,500	\$360,500

\$1,651,000

# Review of Current Year Revenue Projections

	<u>UnRestricted</u>	<u>%</u>	<u>Restricted</u>	<u>%</u>	<u>Combined</u>	<u>%</u>
Revenues						
Revenue Limit	\$43,398,989	85%	\$2,156,792	12%	\$45,555,781	66%
Federal	\$84,179	0%	\$6,280,237	35%	\$6,364,416	9%
Other State	\$8,973,408	18%	\$1,355,960	7%	\$10,329,368	15%
Local	\$950,690	2%	\$5,234,575	29%	\$6,185,265	9%
Contributions	(\$3,147,442)	-6%	\$3,147,442	17%	\$0	0%
Transfers In	\$600,750	1%	\$0	0%	\$600,750	1%
Total Revenues	\$50,860,574	100%	\$18,175,006	100%	\$69,035,580	100%

- Reduced Unrestricted Revenue Limit by \$2,580,000 from July Budget
- Federal Restricted includes ARRA Stimulus Money:
  - \$3,279,000 in State Fiscal Stabilization Fund
  - \$493,844 in Title I
  - \$2,202,569 in IDEA
- Majority of Local Restricted funds come SELPA
- 81% of Revenue comes from the State—almost all unrestricted funds come from the State

# Review of Current Year Expenditure Projections

Expenditures	<u>UnRestricted</u>	<u>%</u>	<u>Restricted</u>	<u>%</u>	<u>Combined</u>	<u>%</u>
Certificated	\$27,105,416	48%	\$4,691,109	23%	\$31,796,525	41%
Classified	\$6,614,022	12%	\$2,854,694	14%	\$9,468,716	12%
Management	\$4,439,102	8%	\$718,150	3%	\$5,157,252	7%
Benefits	\$11,672,546	21%	\$2,803,228	14%	\$14,475,774	19%
Supplies	\$1,574,639	3%	\$4,423,960	21%	\$5,998,599	8%
Services	\$4,887,538	9%	\$3,588,560	17%	\$8,476,098	11%
Equipment	\$126,500	0%	\$120,000	1%	\$246,500	0%
Debt, Transfer Out, I/C	\$381,122	1%	\$1,512,237	7%	\$1,893,359	2%
Sub-total Expenditures	\$56,800,885	100%	\$20,711,938	100%	\$77,512,823	100%
Expenditure Reductions	(\$3,037,380)		\$1,208,782		(\$1,828,598)	
Total Expenditures	\$53,763,505		\$21,920,720		\$75,684,225	

Deficit (Rev minus Exp)	(\$2,902,931)	(\$3,745,714)	(\$6,648,645)
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•\$3,037,380 in unrestricted expenditure reduction consists of \$1,623,782 from Fed Stimulus and \$1,413,598 in Categorical Flexibility Transfers

•\$1,208,782 increase in Restricted expenditure due to combination of transfer of Federal Stimulus Money from Restricted and reduction in home to school transportation cost

\$4,423,960 of Restricted supplies is \$1,841,661 of carryover from 2008-09

•89% of Unrestricted Budget is for payroll

# Summary of Unrestricted Ending Balance

<b>Actual</b>	<b>Beginning Balance</b> (2008-09 Ending Balance)	<b>\$4,120,189</b>
	<b>Revenue</b>	<b>\$50,860,574</b>
<b>Budget</b>	<b>Expense</b>	<b>\$56,800,885</b>
	<b>Expense Reduction</b>	<b>\$3,037,380</b>
	<b>Excess/Deficit</b>	<b>\$2,902,931</b>
	<b>Ending Balance</b>	<b>\$1,217,258</b>

How was the deficit reduced from \$4,232,000 in June to \$2,902,000?

Cut to Rev Limit	(\$2,580,000)
Use of Stimulus Money	\$1,624,000
Misc. Increases to Revenue	\$143,000
Transportation: Decrease Expense & Reduction in Cut (from 65% to 20%)	\$729,000
Flex Transfer	\$1,414,000

## Components of Ending Balance

Revolving Chk Acct	\$50,000
Stores	\$60,000
Economic Uncertainty (1% of Gen Fund Exp.)	\$751,000
Compensated Absences	\$256,000
YHS Turf	\$100,000



# 2010-11 Projections

## *Additional Problems to Consider*

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- Enrollment Trend
- H&W Premium Increase
- Increases in Utilities & Services
- Step/Column Advancements
- Repeal of Furlough

# Financial Outlook

## *Unrestricted Side of the Budget*

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
<b>Deficit</b>	(\$2,903,000)	(\$3,022,000)	(\$5,659,000)
<b>Projected Ending Balance</b>	\$1,217,000	(\$1,805,000)	(\$7,463,000)
<b>Minimum Reserve</b>	1%	2%	3%
<b>\$ Needed to meet Minimum Reserve</b>	None	\$3,731,000	\$10,139,000
<b>* Meet Minimum Reserve?</b>	YES	YES	YES

- Persistent deficit in spite of \$1.6M/yr in Stimulus Money in 2009-10 & 2010-11

- Most of Stimulus Money spent by 2010-11

- Deficit grows at a rate of \$250,000 per month in 2009-10 & 2010-11

- Aggregate deficit of over \$11M over 3 yr period

- “Bankrupt” in 2010-11!

*\* The 2009-10 State Adopted Budget authorized the reduction of the minimum required reserves from 3% to 1% in 2009-10. However, the law (unless amended) requires the restoration of the 3% minimum reserve by 2011-12.*

*\* 1% Reserve is approximately \$750,000*



# To Avoid “Bankruptcy”

*More Budget Reductions: Suspensions, Eliminations, Concessions*

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- More Flex Transfers -- Suspend Tier III Programs
- Transfer SBCSS SPED Transportation Services to YBS
- Additional Reduction of Site & Department Budgets
- Increase ADA – Improve Attendance Recovery
- Implement more Reduction in Force
- Increase Employee Contribution to H/W Premium
- Reduce Salaries
  - % Reduction
  - Furloughs
- Close/Consolidate Schools
- Suspension of CSR

# Summary

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- Wave after Wave of State Cuts are Overwhelming
  - 18+% Deficit to Revenue Limit
  - 19+% Reduction in State Categorical Funding
  - 20% Cut to H/S Transportation
- Expenditures increase on the natural
- Limited Financial Ability to Reduce On-going Expense
  - 89% of Budget is Salaries & Benefits
  - Employee Contracts Already Settled
  - Obligations & Calendar Already Established
- Stimulus Money provided short-term relief to long term problem
  - Off-set State Cuts---create funding cliff
  - Provided valuable time to plan
- 2009-10 Reserve down to 1%
  - Require Restoration of 3% Minimum Reserve by 2011-12
  - "Spike" in 2008-09 Ending Balance eroded
  - Require reduction of \$3,730,000 to be on path of fiscal recovery
- 3<sup>rd</sup> Wave of Cuts Possible

Abate Deficit (\$250,000 per month) to avoid bankruptcy.