



# School Board Meeting

## *Second Interim Report*



March 10, 2009

George Velarde

Assistant Superintendent, Business Services

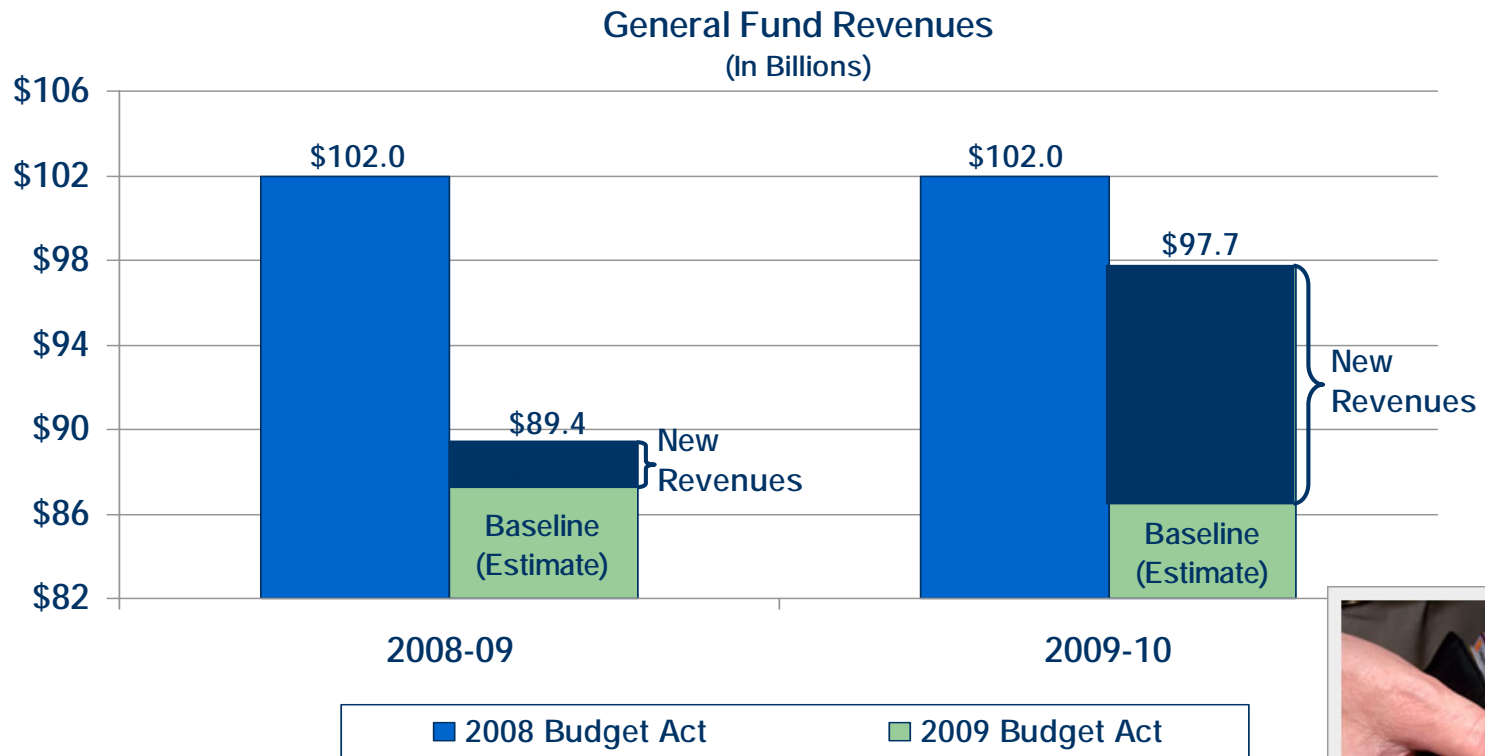
# Overview

- Purpose
- State's Enacted 17-Month Budget
- Recap of YCJUSD's Financial Condition
- Implications of Qualified Certification
- Summary

# Purpose

- Provide Understanding of YCJUSD's Financial Outlook
  - Factors that Contribute to Fiscal Condition
  - Financial Challenges
  - Budget Problems, Solutions and Assumptions
- Different from Previous Review
  - Adopted Budget to First Interim
  - First Interim to Second Interim

# State's Enacted 17-Month Budget Revenues

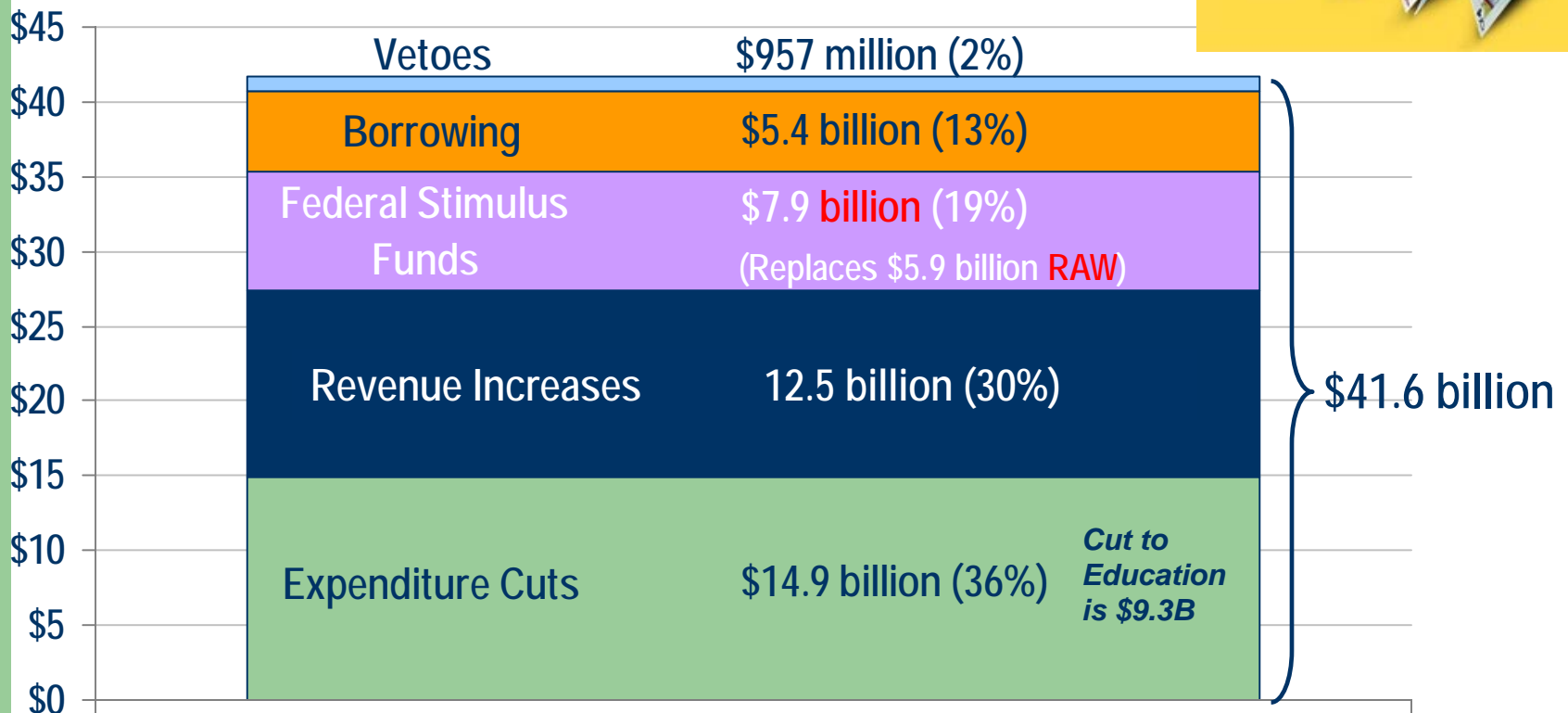


# State's Enacted 17-Month Budget



## Solutions

(in billions)



2008-09 and 2009-10

# State's Enacted 17-Month Budget Impact to K-12 Education Budget



- Elimination of the .68% COLA
  - Cuts to Revenue Limit Totaling about 3.6% over two years
    - 7.844% deficit in 2008-09
    - 5.25% additional deficit in 2009-10
- } **13.1% deficit**

<u>Governor's January Proposal</u>	<u>17-Month Budget</u>
Relaxed Minimum Reserve	No Relaxation
Allowed Flexibility Transfer of Categorical Allocations to Unrestricted Program	Tier System and 19.8% Reduction Limit Flexibility Transfer
Allowed More CSR Flexibility	Penalty System Limit Flexibility

# More Cash Deferrals



	<b>From February to July</b>	<b>From July to October</b>
Revenue Limit	<b>\$3,183,000</b>	<b>\$7,783,000</b>
CSR	<b>\$2,012,000</b>	n/a
Comm Day Sch	<b>\$51,000</b>	<b>\$45,000</b>
<b>Total</b>	<b>\$5,245,000</b>	<b>\$7,844,000</b>

# Categorical Program Cuts

- 19.8% over two years
  - 15.4% Cut in 2008-09
  - 4.5% Additional Cut in 2009-10
- Categorized into Tiers
  - Tier 1 – No Cuts, No Flexibility Transfer
  - Tier 2 – With Cuts, No Flexibility Transfer
  - Tier 3 – With Cuts, With Flexibility Transfer
  - Balance to Offset Cuts to Unrestricted Budget

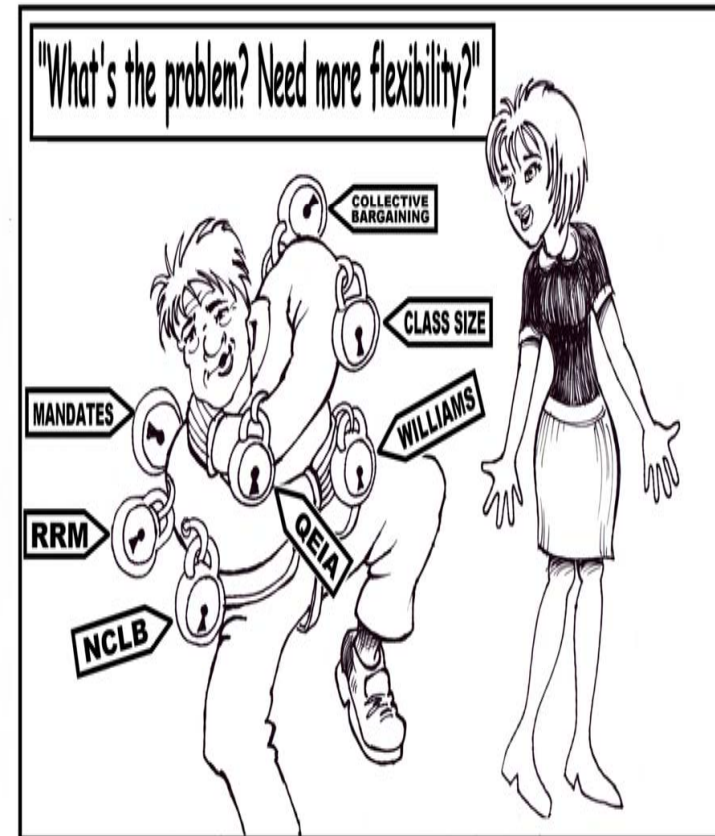




# “Tiered Effect” -- Flexibility Transfers

	<u>2008-09</u>	<u>2009-10</u>
Governor's January Budget	\$1,159,000	\$790,000
17-Month Budget	\$833,000	\$100,000
Difference	<b>\$326,000</b>	<b>\$690,000</b>

Lost \$1,016,000 in Flexibility Transfer



# Programs Affected by Categorical Reductions

## Tier I – No Reduction, No Flexibility

**After School Education and Safety**  
**Child Nutrition**  
**Economic Impact Aid**  
**Federal Resources**  
**K-3 Class Size Reduction**

**Pupil Transportation**  
**Special Education**  
**State Lottery, including Proposition 20**  
**Tobacco Use Prevention Education (TUPE)**

## Tier II – Funding Reduction, No Flexibility

**Adults in Correctional Facilities**  
**Ag Voc Ed Programs**

**English Language Acquisition Program**  
**Multi-Track Year Round Grant Program**  
**Partnership Academies**

# Programs Affected by Categorical Reductions

## Tier III -- *Funding Reduction, Flexibility, Sweep of 07-08 Balance*

**Administrator Training Program (AB 430)**

**Adult Education**

**Advanced Placement Grant**

**Arts and Music Block Grant**

**Bilingual Teacher Training**

**CAHSEE Intervention Grants**

**CaSAFE**

**Certificated Staff Mentoring Program**

**Child Oral Health Assessments**

**Community Based English Tutoring (CBET)**

**Community Day Schools**

**Counselors, Grades 7-12**

**Deferred Maintenance**

**Education Technology**

**Gifted and Talented Education (GATE)**

**High School Coaching Training**

**Instructional Materials Fund**

**Math & Reading Training (SB 472)**

**Morgan-Hart Class Size Reduction**

**National Board Certification Incentive**

**Peer Assistance and Review (PAR)**

**Physical Education Teacher Recruitment Grants**

**Professional Development Block Grant**

**Pupil Retention Block Grant**

**ROC/P**

**SAIT and Corrective Actions**

**School and Library Improvement Block Grant**

**School Safety Block Grants (Carl Washington)**

**School Safety Consolidated Competitive Grant**

**Specialized Secondary Programs**

**State Assessments (STAR, CAHSEE, CELDT, etc.)**

**Supplemental Hourly Programs**

**Targeted Instructional Improvement Block Grant**

**Teacher Credentialing Block Grant**



# K-3 Class Size Reduction Relaxation of Penalties

## Previous Penalty

<u>Class Size</u>	<u>Penalty</u>
Less than 20.44	None
20.45 to 20.99	20%
21.0 to 21.49	40%
21.5 to 22.49	80%
22.5 or more	100%

## New Penalty (2008-2012)

<u>Class Size</u>	<u>Penalty</u>
Up to 20.44	None
20.45 to 21.44	5%
21.45 to 22.44	10%
22.45 to 22.94	15%
22.95 to 24.94	20%
24.95 or more	30%



- \$1071 (\$535 for Option II) stipend per 20:1 student
- Stipend on 20 students only
- Penalty applied to total class stipend

# YCJUSD'S Financial Condition 2008-09

## Problems:

Reduction in State Revenue	\$2,312,000
Increase in H/W Cost (includes retirees)	\$ 507,000
<b>Total:</b>	<b>\$2,819,000</b>

## Solutions:

Categorical Flexibility Transfer	\$833,000
Waive Deferred Maintenance Contribution	\$459,000
Subsidy from Reserve (one-time)	\$990,000
Hiring Freeze	\$42,000
Eliminate 3 <sup>rd</sup> SRO	\$30,000
Contributions to Medical Premium (YCMT)	\$26,000
Reconfigure DEC Positions	\$27,000
Reduce Site Discretionary	\$54,000
<b>Total:</b>	<b>\$2,464,000</b>

- \$380,000 carry over from 07-08
- \$453,000 current year award



# YCJUSD's Financial Condition 2009-10



## Problems

Reduction in State Revenue	\$490,000
Lower Enrollment	\$831,000
Step & Column Advancements	\$658,000
MVMS Staff Augmentation	\$162,000
Anticipated Drop in Lottery Revenue	\$195,000
Drop in County Treasury Yield	\$240,000
Increase in Utility Cost	\$150,000
Increase in H/W Premium (12 Months)	\$1,014,000
<b>Total:</b>	<b>\$3,740,000</b>

# YCJUSD's Financial Condition 2009-10



## Solutions

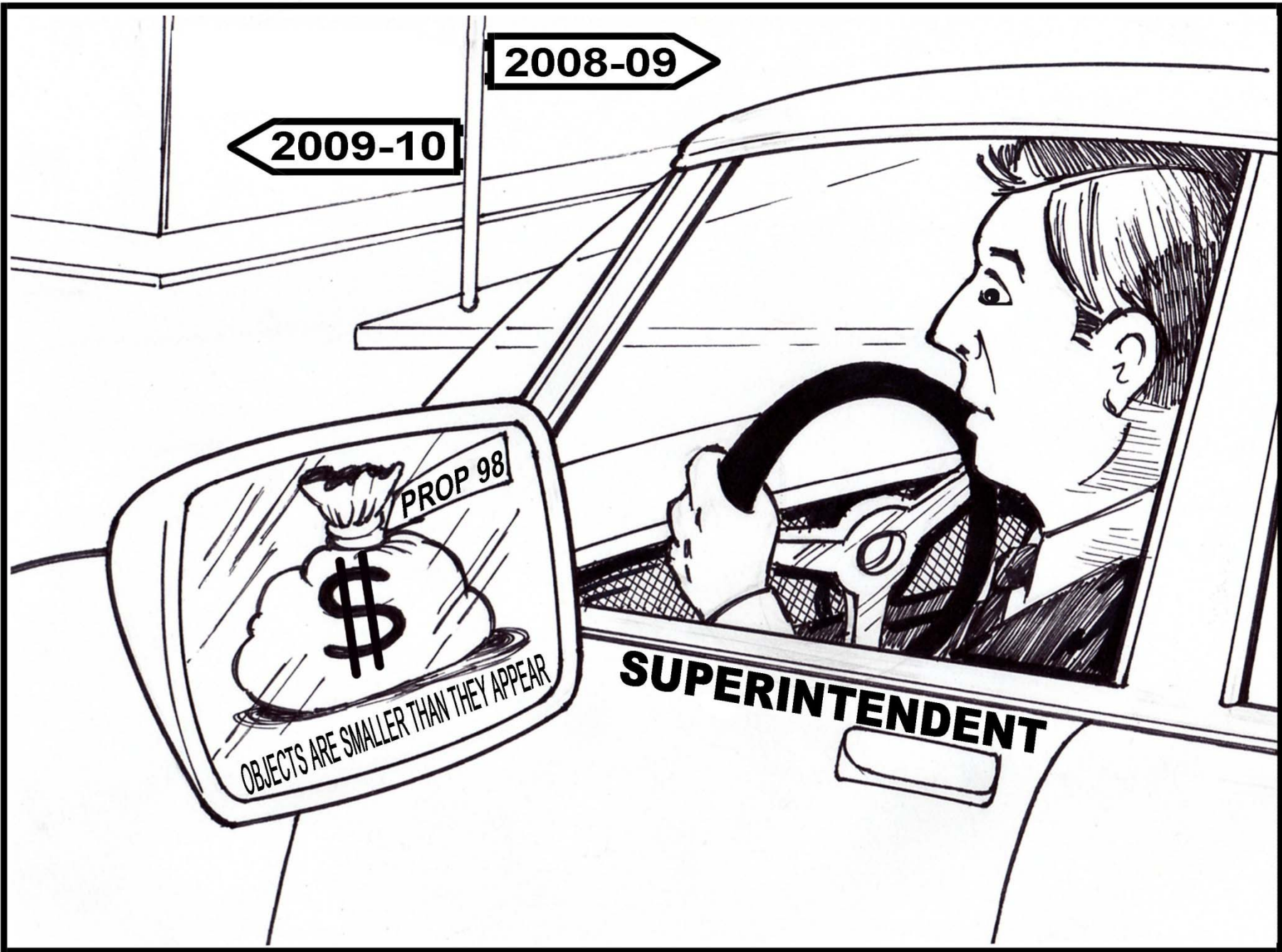
Implement Option II in Grades K	\$350,000
Staffing Adjustment (8 Secondary, 1 Music, 2 PE, 14 Elementary)	\$1,650,000
Closure of Dunlap ES	\$500,000
Categorical Flexibility Transfer	\$100,000
3 <sup>rd</sup> Grade CSR 30:1	\$340,000
Reduction in Site Discretionary	\$50,000
Abate Encroachment (ARRA IDEA Augmentation)	\$850,000
Contribution to Increase in Medical Premium (YCMT)	\$53,000
Charge Transportation Fees for Athletics	\$75,000
Furlough (YCMT)	\$99,000
Eliminate Textbook Augmentation	\$300,000
<b>Total</b>	<b>\$4,367,000</b>

2008-09

2009-10



**SUPERINTENDENT**





# YCJUSD's Financial Condition

## 18 Month Summary

<u>Year</u>	<u>Problems</u>	<u>Solutions</u>	<u>Difference</u>
2008-09	\$2,819,000	\$2,464,000	\$355,000
2009-10	\$3,740,000	\$4,367,000	\$627,000
Total	\$6,559,000	\$6,831,000	\$272,000



# Types of Interim Financial Certifications



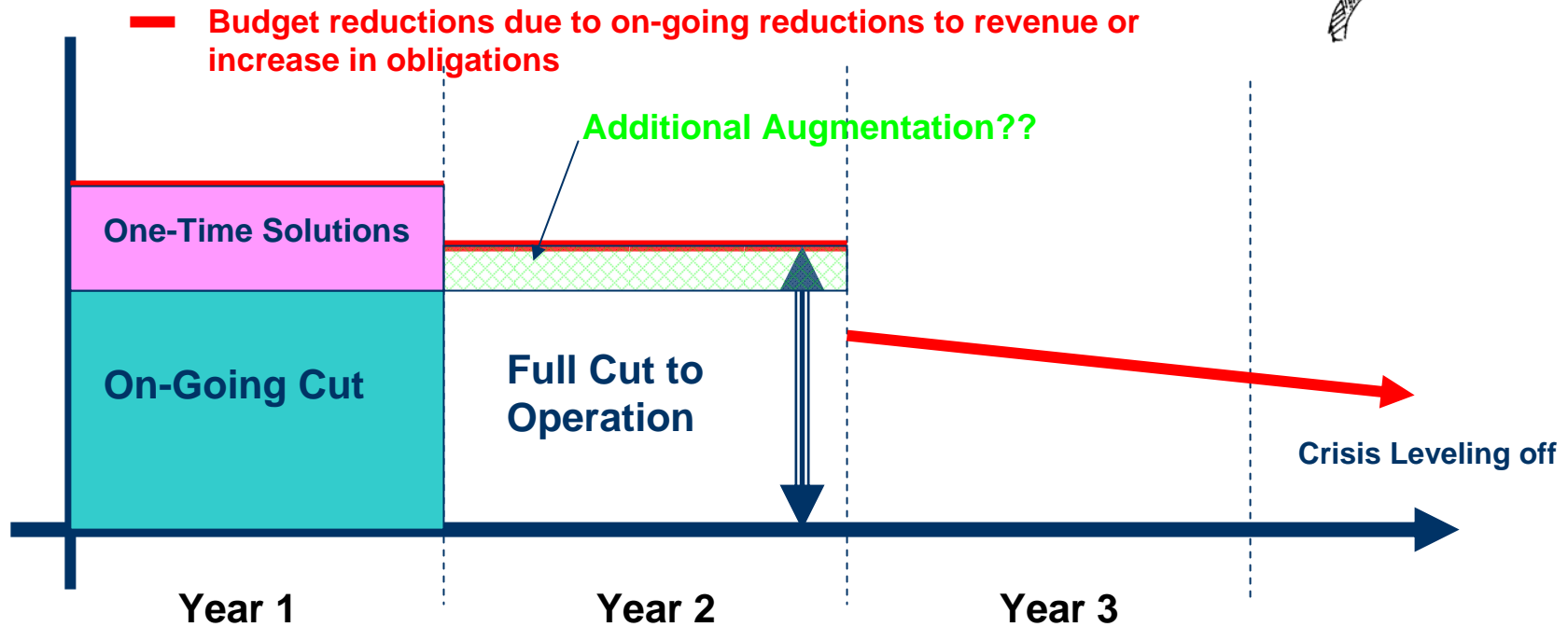
- **Positive Certification** – District able to meet current year and subsequent two year's financial obligations
- **Qualified Certification** – District able to meet current year, but may not be able to meet subsequent two years' financial obligations
- **Negative Certification** – District may not be able to meet its current financial obligations

# Qualified Certification

- Use of One-Time Sources Prolongs Problems into the Next Year
  - \$990,000 from Reserve
  - \$380,000 from 2007-08 Categorical Balance
- Revenue drops and Escalating Costs are faster than Ability to Adjust
- Projections and Assumptions Result in Not Meeting 2009-10 Obligations by **\$1,240,000**



# One-Time Solution Provides Temporary Fix



On-going reduction in year 2 is greater than the reduction in prior year.

# Qualified Certification Implications



- Complete 3<sup>rd</sup> Interim Financial Report
- Prohibited from acquiring loans or debts
- Required to remedy the problem when 2009-10 Budget is Developed
  - If not, EC authorizes the COE to provide “progressive assistance”

# American Recovery and Reinvestment Act of 2009

- Direct funding to education
- This is one-time money
  - Title I
  - Special education
  - Educational technology
  - Other?
- There are many unknowns including:
  - How much will reach schools?
  - When will we receive it?
  - What are the appropriate uses?



# Impact of May Referendums



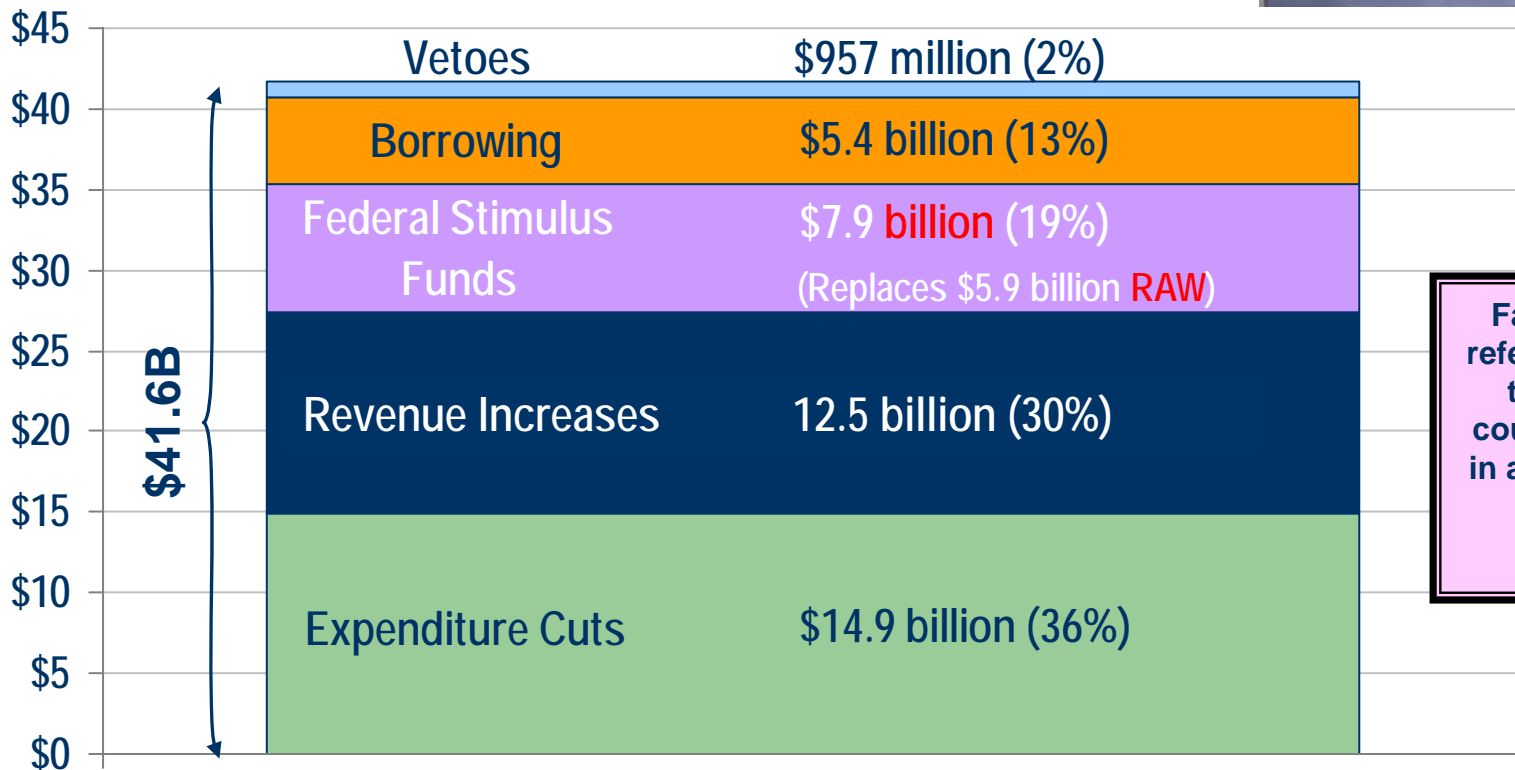
- If Proposition 1A, relating to the Budget Stabilization Fund, fails:
  - K-14 schools will not automatically get the additional \$9.3 billion in maintenance factor amounts
    - Will pursue those monies through alternative means
  - Temporary tax increases included in ABX3 3 will expire one or two years earlier than if voters approve Proposition 1A
    - The Budget relies on issuance of Lottery securitization bonds to generate \$5 billion – creates a shortfall if Proposition 1C fails
      - But credit markets may not be interested
      - Recent poll indicates that 61% of likely voters oppose the idea of borrowing against future State Lottery income
- If Propositions fail, the May Revision could include more cuts

# State's Enacted 17-Month Budget



## Solutions

(in billions)



Failure of referendums to pass could result in additional cuts.



# Summary



- **Qualified Certification of 2<sup>nd</sup> Interim Report**
  - Cuts from State Drastic and Urgent
  - Drop in Revenue and Rise in Costs Occurring Faster than Ability to Adjust
  - Problem persists when One-Time Source is used for On-Going Problems
- **Uncle Sam to the Rescue**
  - 2 year Relief (one-time)
  - Wait & See
- **Failure of Referendums in May will result in More Cuts**
- **Economy Continues to Falter**