

*Budget Communications
Committee*



December 9, 2009

Committee Objectives

- Build capacity towards understanding the financial impacts to EUSD resulting from the California budget crisis.
- Review potential solutions under consideration
- Effectively communicate budget information to EUSD stakeholders

Meeting Norms



State Budget Process

Governor's Budget Released by January 8

Legislative Analyst's Office (LAO) Analysis
Budget Subcommittee Testimonies

Public Input to Governor,
Legislators, and Subcommittees

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Legislators, and Subcommittees

Testimony taken before Assembly and Senate Budget Subcommittees. DOF updates revenues and expenditures with Finance Letters and **May Revision**

Assembly Budget Com. – Reviews, approves, revises specific details of the budget. Majority vote of full committee required for passage.

Senate Budget and Fiscal Review Com. – Reviews, approves, revises specific details of the budget. Majority vote of full committee required for passage.

Assembly Floor
2/3 vote attempted

Senate Floor
2/3 vote attempted

Budget Conference
Committee

Assembly Floor reviews conference report, 2/3 vote attempted. If unsuccessful, Big 5 gets involved.

Senate Floor reviews conference report, 2/3 vote attempted. If unsuccessful, Big 5 gets involved.

BIG 5 – Governor, Speaker of Assembly, Senate President Pro Tempore, Minority Leaders both houses - compromise

Final budget package with 2/3 vote in each house submitted to Governor for signature. Governor may reduce or eliminate any appropriation through line-item veto.

Important EUSD Dates

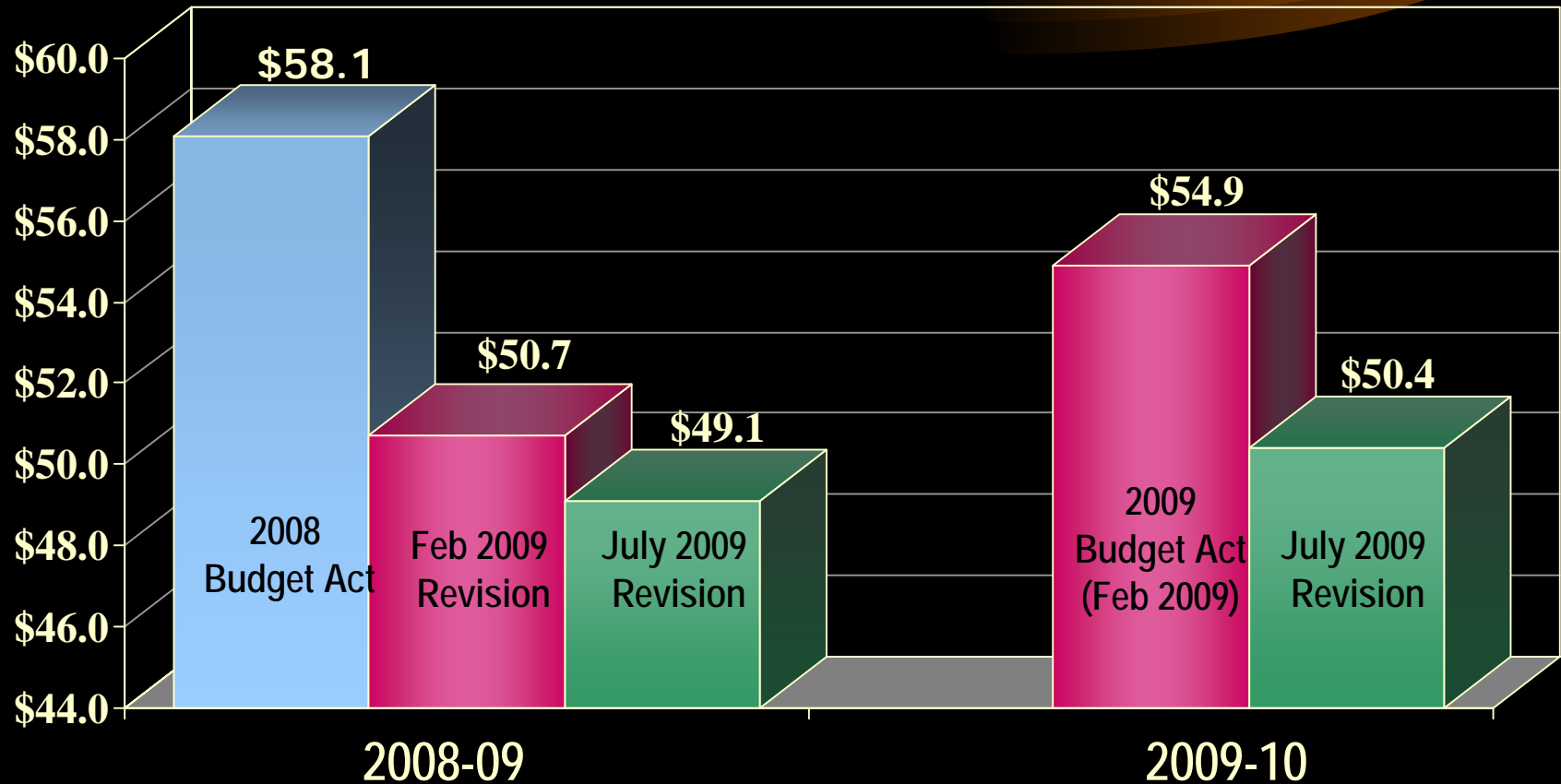
- February 25 – Certificated layoff resolution
- March 15 – Certificated layoff notices to employees
- April 15 – Classified layoff resolution
- April 29 – Board action for final action following certificated hearings
- May 15 – Notification of certificated employees of final action
- June 10 – Budget adoption

Governor's Budget Proposal

- To be released by January 8, 2010
- State must address a budget gap estimated by the Legislative Analyst's Office (LAO) to be \$20.7 billion for current year and 2010-11.
 - \$6.3 billion is related to backfilling one-time state budget initiatives for the 09-10 fiscal year
- Some positive indicators regarding general economy, but recovery will take years
- How will K-14 Education be treated with the next round of cuts/solutions?

Proposition 98 - \$13.5 Billion Lost to Education Over Two Years

Proposition 98 Guarantee
(In Billions)



Education Finance 101

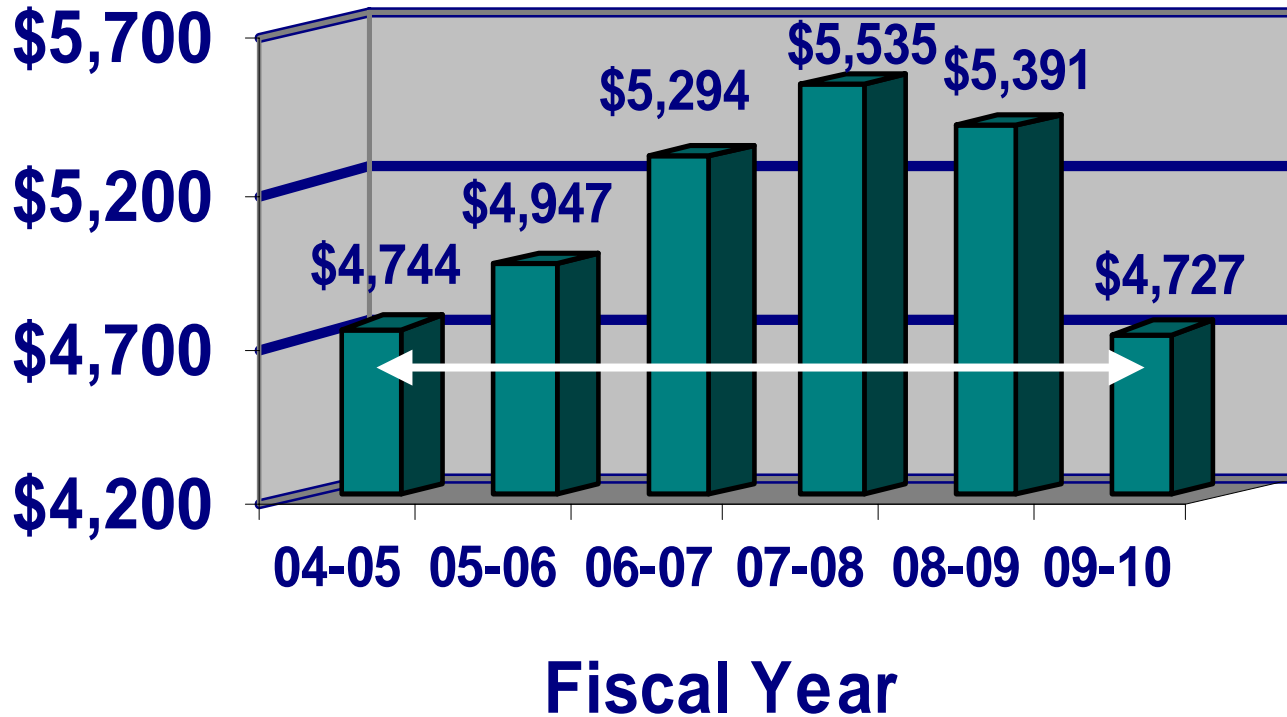


- Revenues
- Expenditures
- Fund Balances
- Restricted vs. Unrestricted Funds
- Cash vs. Budget

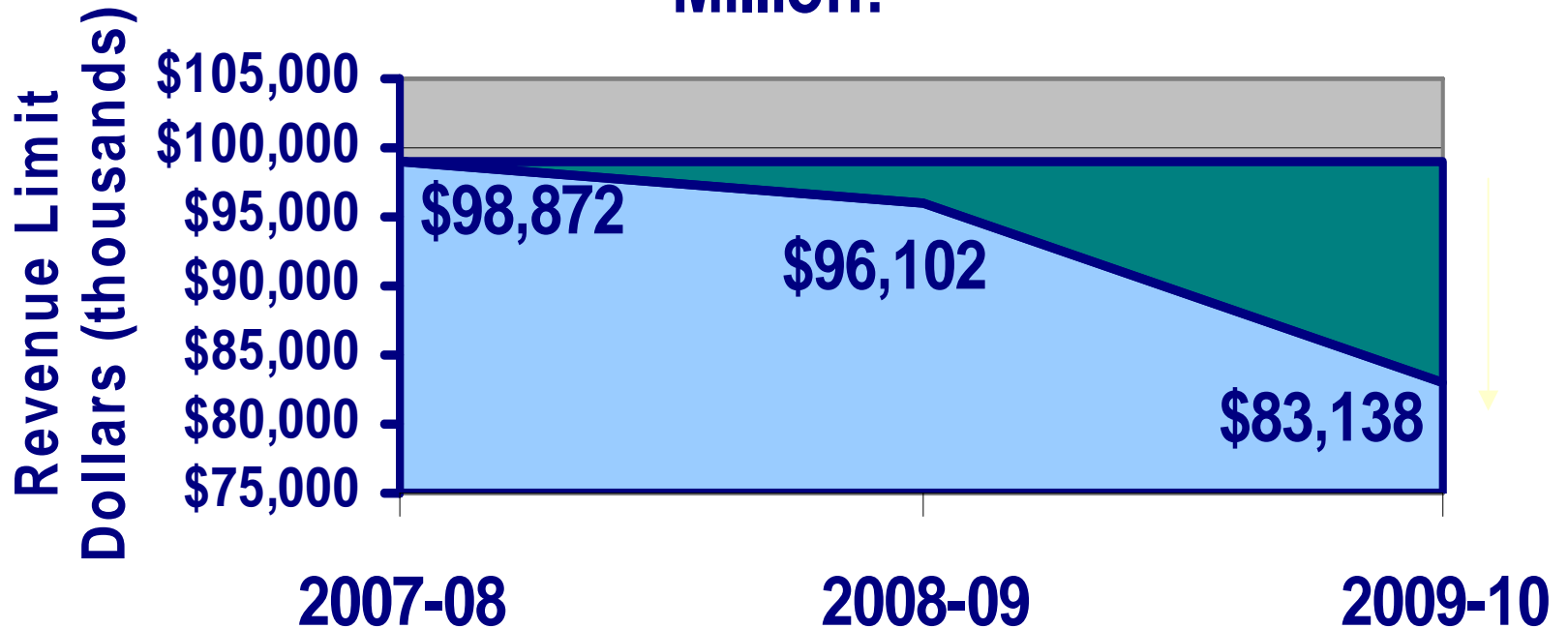
Revenues

- Revenue Limit
 - Base funding from state per student ADA
 - Current EUSD revenue limit = \$4,727
- Federal Funds
 - Restricted federal categorical funding – i.e. Title I, Title III, Special Education
 - One-time federal stimulus funding – Title I, Special Education, State Fiscal Stabilization Funds (SFSF)

EUSD Base Revenue Limit - Unrestricted Funding Per Student - 2009-10 Funding Below 2004-05!



Two Year Loss of General Fund Revenue Limit- \$18.5 Million - With QEIA it's \$19 Million!



■ Total Revenue Limit ■ Difference from 2007-08

Revenues (cont.)

- Other State Funds (state categorical funds)
 - Formerly 100% restricted
 - Unrestricted flexibility for most programs for a limited time (2011-12, 2012-13)
- Local Income – Donations, developer fees, interest

Expenditures



- 1000's Certificated Salaries
- 2000's Classified Salaries
- 3000's Employee Benefits
- 4000's Books and Supplies
- 5000's Services and Other Expenses
- 6000's Capital Outlay
- 7000's Other Outgo, Direct/Indirect Costs, Debt Service

Fund Balances

- Reserve for economic uncertainty
 - 3% required
 - 4.75% historically maintained in EUSD
- Stores (warehouse inventory)
- Revolving cash bank account
- Legally restricted balances
- Designated reserves (board priorities)

Unrestricted vs. Restricted

- Unrestricted
 - Generally pay salaries and operating expenses
- Restricted categorical funds
 - Recently changed with implementation of flexibility for many programs
 - Some programs still restricted (i.e. Lottery, Title I, Economic Impact Aid (EIA), Quality Education Investment Act (QEIA), Special Education, etc.)
 - Class Size Reduction
 - Not subject to flexibility, but relaxation of penalties until 2012

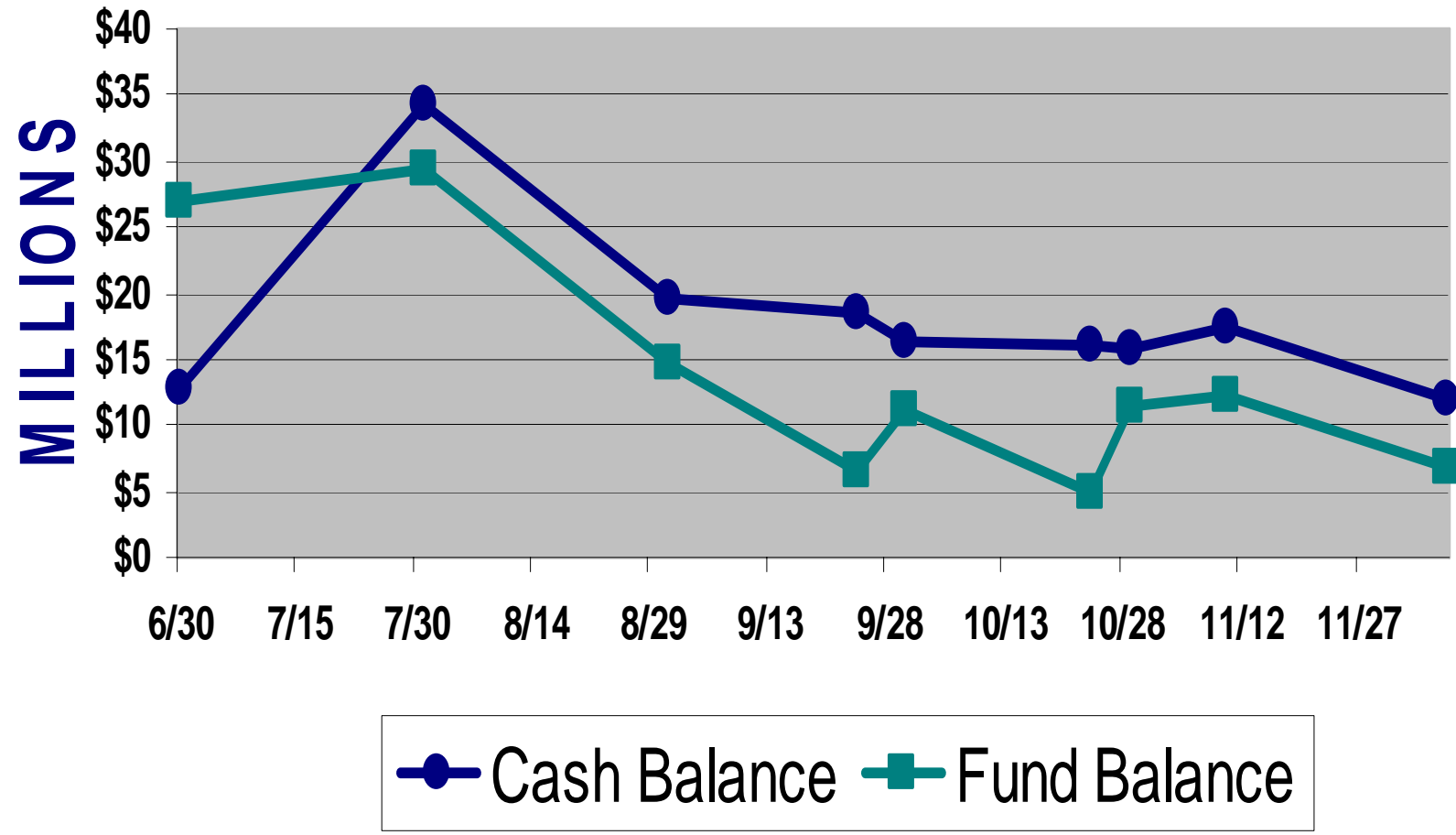
Class Size Reduction Penalties

Class Size	2008-09 to 2011-12
Up to 20.44	No penalty
20.45 to 21.44	5% penalty
21.45 to 22.44	10% penalty
22.45 to 22.94	15% penalty
22.95 to 24.94	20% penalty
24.95 or more	30% penalty

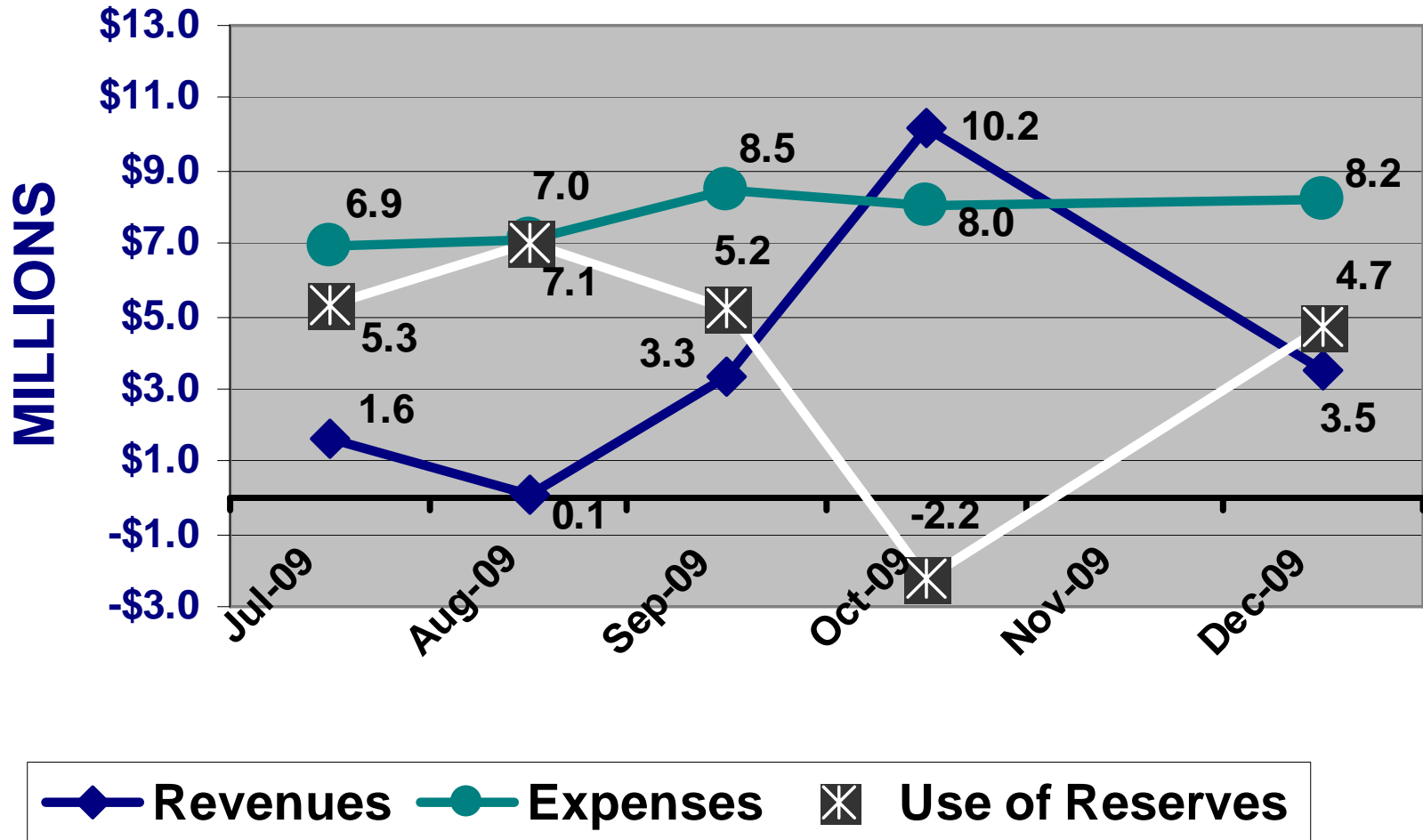
Cash vs. Budget

- Budget = what we **think** we will have throughout the year
- Cash = what we **actually** have in the bank at any given time
- State Revenue Deferrals
 - Numerous deferrals over the past few years
 - 25% of anticipated state aid will be deferred for 09-10
 - Significantly impacting school districts
 - Requires careful monitoring of monthly expenditures to ensure we can make payroll and pay other bills

2009-10 SIX MONTH TREND OF CASH FLOW AND ACTUAL FUND BALANCE - UNRESTRICTED GENERAL FUND



2009-10 UNRESTRICTED MONTHLY RESULTS THROUGH DECEMBER 8, 2009



Preparing for 2010-11

- Start now to project...
 - Enrollment/Average Daily Attendance (ADA)
 - Staffing levels
 - Budget
 - Cash
- First interim Report
 - First financial period = July 1 – October 31
 - Budget and multiyear projections revised
 - Good springboard for next year's budget development
 - Board action for review/approval December 10, 2010

Potential Solutions

- Fiscal Crisis & Management Assistance Team (FCMAT) January 2008 Alert
 - Cost containment
 - Budget reductions
 - Increase revenue
 - “Good communication is one of the keys to surviving in uncertain economic times...”
- Ongoing solutions vs. one-time bandaids
 - Deficit spending = spending more \$ than you have coming in = use of reserves
 - Used \$11.5 million in reserves in 09-10 to balance
 - Recent implementation of use of ARRA \$ reduced use of reserves to \$7.8 million

Current District Initiatives

- Cost-saving initiatives
 - Automatic powering down of computers
 - S.A.V.E. program – electricity use reduction (elementary schools)
 - Lighting retrofit
 - Water consumption reduction
 - Going “green” – paperless agendas

Current District Initiatives

- Revenue-generating initiatives
 - Federal Healthy Kids/CARE grant
 - \$6 million over four years
 - Microsoft Settlement funds – approx. \$400,000
 - Escondido Education Foundation grants
 - Individual teacher grants (\$10,000/yr average)
 - Palomar Family Counseling/No. County Prevention & Early Intervention Program \$60,000
 - SDCOE interagency agreement – SEEDS counseling services \$60,000

Current District Initiatives

- Revenue-generating initiatives
 - Rincon del Diablo Water District plumbing fixture retrofit \$57,631 (three locations)
 - Emergency Repair Program grants – Wms. Settlement
 - Positive Action supplements grant \$12,000
 - Tobacco Use Prevention Education grant \$3,000
- Pending...
 - Investing in Innovation (Federal Stimulus \$ grant opportunity)
 - Head Start grant

Prior Budget Solution Suggestions

- Employee suggestions from 07-08
 - 2008 budget committee prioritized list
- Update on implemented items...

Committee Meeting Schedule



- January 27
- February 17
- March 10
- April 14
- May 5
- June 2 (if needed)

Talking Points



Reference Info

- Calif. Department of Education www.cde.gov.ca
- California State Budget www.ebudget.ca.gov
- Office of the Governor www.gov.ca.gov
- Calif. Department of Finance www.dof.ca.gov
- The Sacramento Bee www.sacbee.com/budget
- FCMAT www.fcmat.org
- Legislative Analyst's Office www.lao.ca.gov

Reference Info

- EUSD staff contact info
 - Gina Manusov 760-432-2127
gmanusov@eusd4kids.org
 - Carol Rouse 760-432-2129
crouse@eusd4kids.org