

ESCONDIDO UNION SCHOOL DISTRICT

MAY REVISION AND 2010-11
BUDGET UPDATE



STATE BUDGET UPDATE



- THE STATE FINANCIAL PICTURE HAS WORSENEDED SINCE JANUARY

- THE \$6.9 BILLION IN FEDERAL DOLLARS THE GOVERNOR WAS COUNTING ON TO BALANCE THE BUDGET WILL ONLY BE ABOUT \$3.4 BILLION
- LEGISLATIVE INACTION- SAVINGS LOST
- APRIL INCOME TAX COLLECTIONS WERE OVER \$3 BILLION SHORT - ESSENTIALLY ELIMINATING THE GAINS IN OTHER TAX CATEGORIES

- » BUT, SALES AND CORPORATE TAXES ARE STRONGER, AND ARE FORWARD-LOOKING, WHILE INCOME TAXES REFLECT WHAT HAPPENED LAST YEAR



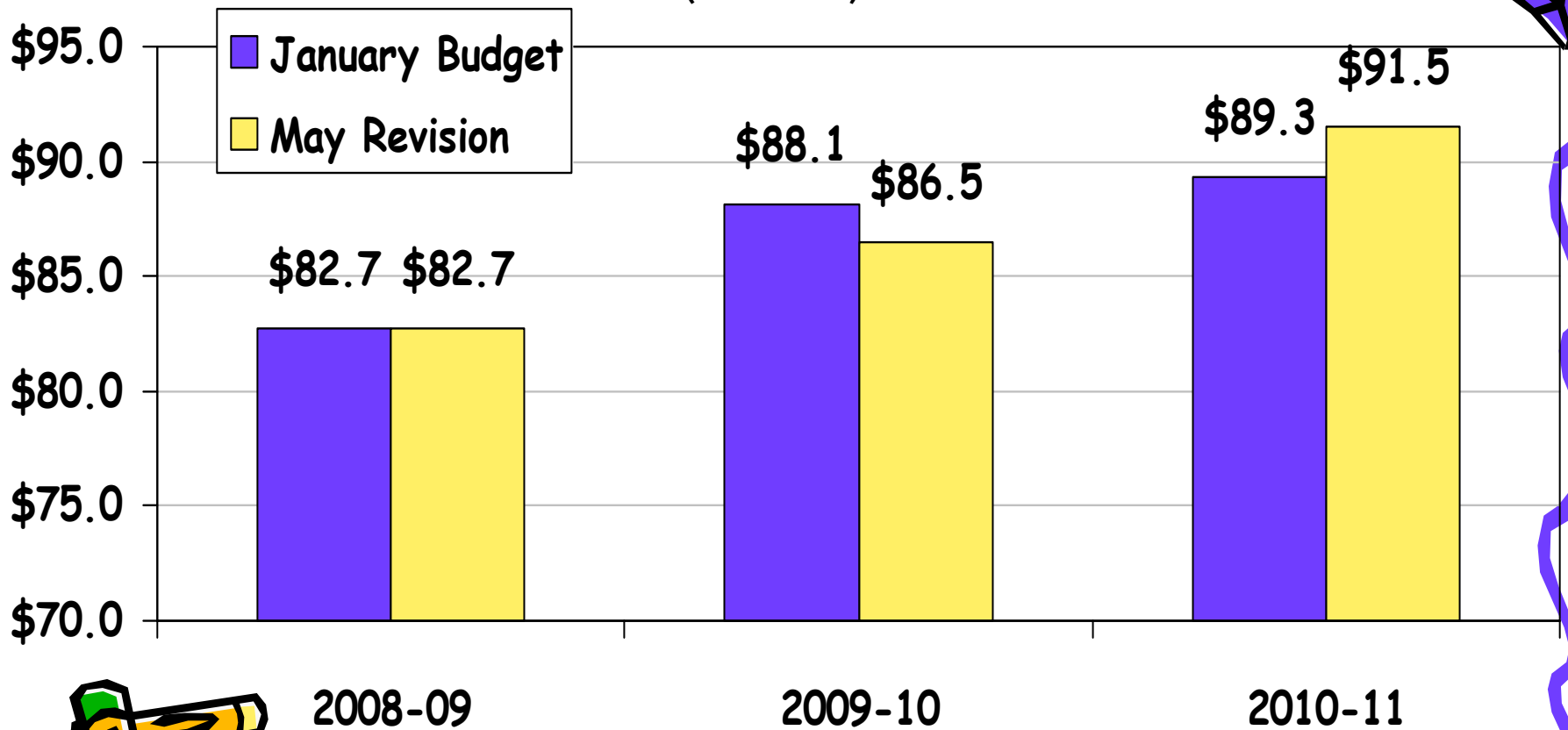
STATE BUDGET UPDATE

- JOB GROWTH CONTINUES TO BE A CONCERN
 - NATION ADDED 162,000 JOBS IN MARCH 2010, BUT CALIFORNIA ONLY ADDED 4,200 OF THOSE JOBS - STATE'S PROPORTIONATE SHARE WOULD HAVE BEEN 16,000
 - STATE'S JOBLESS RATE CONTINUES AT A RECORD HIGH OF 12.6% - THIRD WORST IN THE U.S.



General Fund Revenues

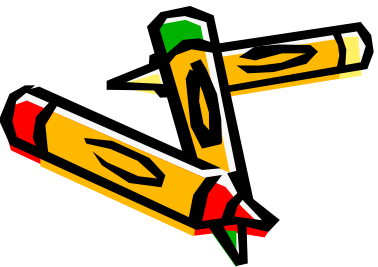
General Fund Revenues
(in billions)



Source: 2010-11 May Revision, page 56

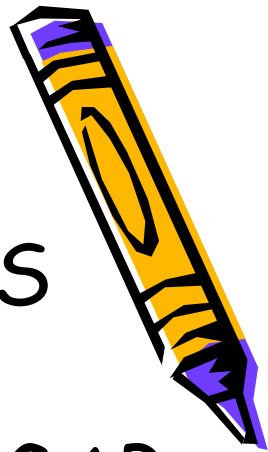
STATE BUDGET UPDATE

- JUST AS THE PROPOSED JANUARY BUDGET CONTAINED RISKS:
 - FEDERAL FUNDS - \$3.4 VS. \$6.9 BILLION
 - VOTER APPROVAL NEEDED
 - REVENUE PROJECTIONS TOO HIGH
- THE MAY REVISION ALSO CONTAINS RISKS:
 - COURT CHALLENGES - REBENCHING PROP 98, HEALTH CARE REDUCTIONS
 - LATE BUDGET IMPLEMENTATION
 - ECONOMIC AND POLITICAL TURMOIL OVERSEAS COULD CAUSE A DOUBLE-DIP RECESSION



MAY REVISION

- STATE'S BUDGET GAP CONTINUES AT \$19.1 BILLION
- GOVERNOR PROPOSES TO CLOSE GAP WITHOUT RAISING TAXES:
 - \$12.4 BILLION PROGRAM CUTS (\$2.8 BILLION FROM K-12 EDUCATION)
 - \$3.4 BILLION FEDERAL FUNDS
 - \$3.4 BILLION FUNDING SHIFTS, ASSET SALES, FEE INCREASES
 - PROPOSAL DOES NOT ELIMINATE THE STATE'S STRUCTURAL BUDGET DEFICIT GOING FORWARD



MAY REVISION

- RELATIVE TO OTHER STATE PROGRAMS - EDUCATION "PROTECTED" IN 2010-11
- PROPOSED CUTS TO HIGHER EDUCATION ARE WITHDRAWN
- SOME FUNDING FOR STATE PARKS AND CAL GRANTS IS RESTORED
- HEALTH AND SOCIAL SERVICES PROGRAMS ARE DECIMATED
 - » CALWORKS PROPOSED FOR ELIMINATION (\$1.1 BILLION)
 - » \$2.2 BILLION OTHER SOCIAL SERVICES PROGRAM CUTS



EDUCATION BUDGET

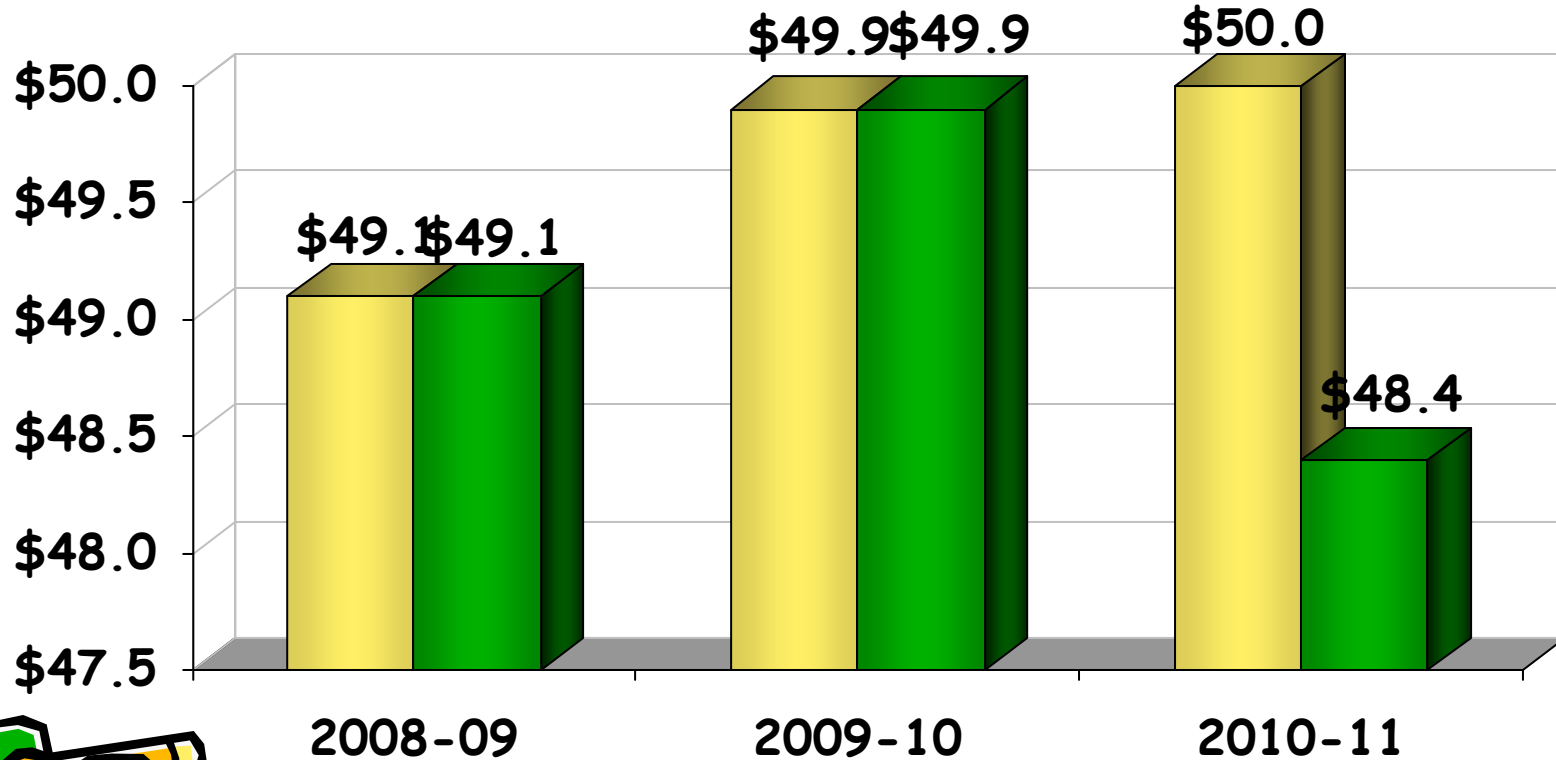


- OVERALL \$2.8 BILLION IS REDUCED FROM PROPOSITION 98 GUARANTEE (\$2.4 BILLION IN JANUARY)
- $-.39\%$ COST-OF-LIVING ADJ (COLA)
- CONTINUATION OF THE 18.355% DEFICIT
- NEW PROPOSED ONGOING CUT TO REVENUE LIMITS EQUAL TO ANOTHER 3.85% - BASED ON UNDEFICITED BASE REVENUE LIMIT
- \$1.5 BILLION SAVINGS ACHIEVED BY ELIMINATING CHILD CARE PROGRAMS



Proposition 98 - Proposed Funding Level

(In Billions)

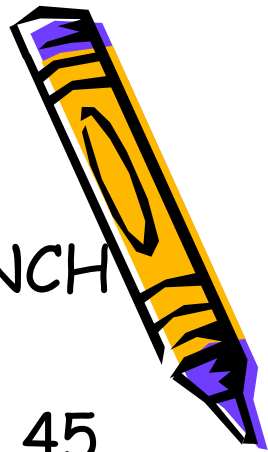


■ January Governor's Budget ■ May Revision



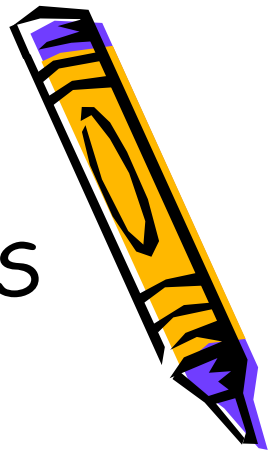
EDUCATION BUDGET

- THE ADMINISTRATION PROPOSES TO REBENCH THE PROPOSITION 98 GUARANTEE
 - PERMANENT REBENCHING DOWNWARD \$1.45 BILLION FOR CHILD CARE
 - PROPOSES TO POSTPONE THE HOLD-HARMLESS AGREEMENT CONTAINED IN ABX8 6, RELATING TO THE GAS TAX SWAP (SALES TAX VS. EXCISE TAX)
 - DUE TO LOWER 2009-10 REVENUES, MAY REVISION PROPOSES TO RECHARACTERIZE \$504 MILLION OVER-APPROPRIATION IN 2009-10 AS PRE-PAYMENT AGAINST THE \$11.2 BILLION MAINTENANCE FACTOR NEGOTIATED LAST YEAR



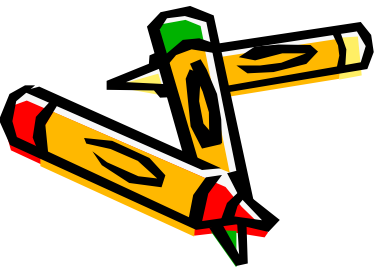
EDUCATION BUDGET

- AS PROPOSED IN JANUARY, DISTRICTS WILL STILL LOSE \$1.5 BILLION IN REVENUE LIMIT (PERMANENTLY),
 - BUT, GOVERNOR HAS ABANDONED HIS CALL FOR ADMINISTRATIVE CUTS
 - HE HAS ALSO ELIMINATED HIS PROPOSAL TO ACHIEVE REDUCTIONS BY CONTRACTING OUT
 - » NO NEW PROGRAM FLEXIBILITY IS PROPOSED AT THIS TIME
 - » GOVERNOR'S REFORM AGENDA REMAINS ON THE RADAR SCREEN



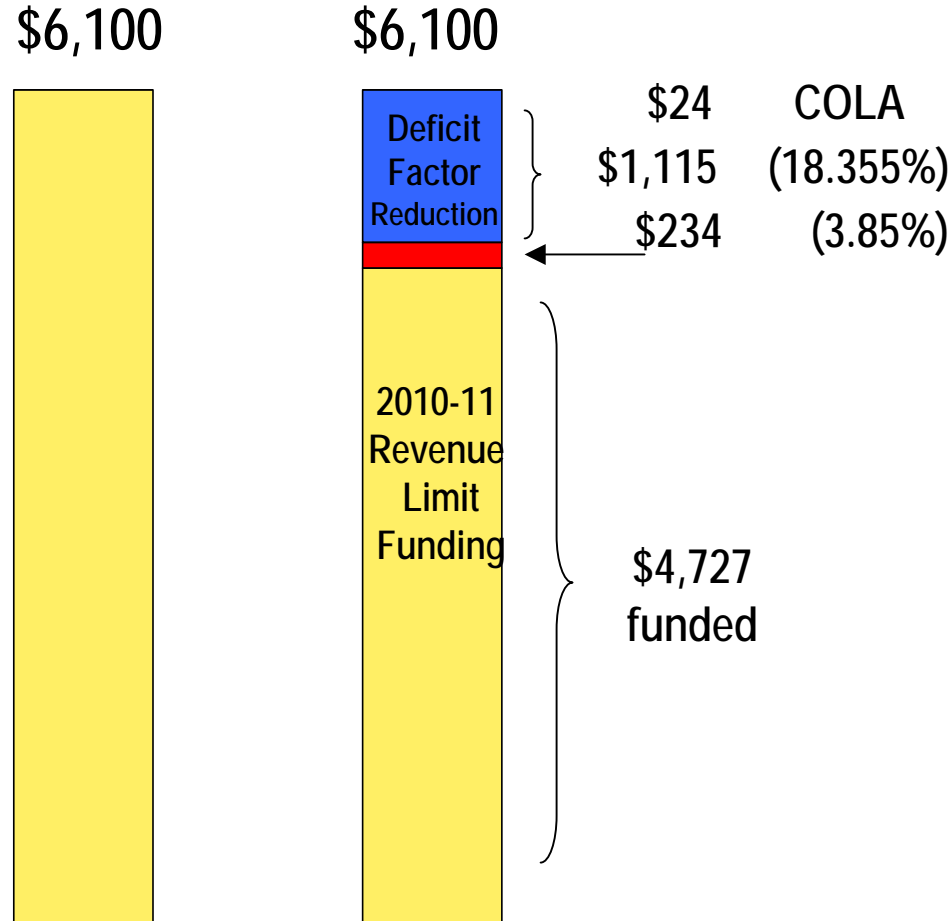
EDUCATION BUDGET

- RECALL THAT THE GOVERNOR'S JANUARY BUDGET PROPOSED A REDUCTION OF \$191/ADA
- THE DEPARTMENT OF FINANCE HAS PROPOSED THAT THE 3.85% REDUCTION BE MADE TO DISTRICT'S UNDEFICITED BASE REVENUE LIMITS
 - IF CALCULATED IN THIS MANNER, INDIVIDUAL DISTRICT'S REDUCTIONS WILL VARY -\$233 FOR EUSD
 - THIS METHOD FAILS TO PROVIDE A MECHANISM FOR RESTORATION - SINCE IT'S OUTSIDE THE 18.355% DEFICIT FACTOR



2010-11 Deficit Applied and Cut

- Apply the negative COLA and the 2010-11 deficit of 18.355% to your undeficit base revenue limit per ADA
- Apply the 3.85% cut to the undeficit revenue limit per ADA



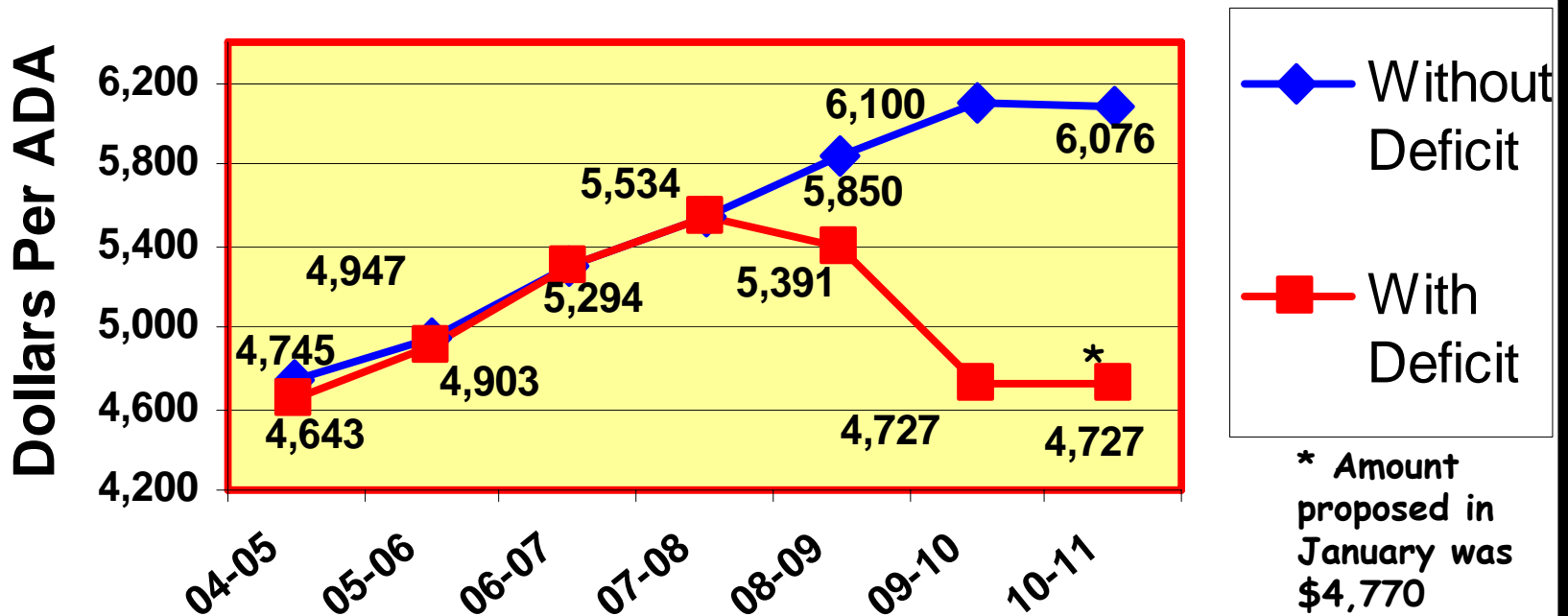
EUSD 2010-11 BASE REVENUE LIMIT

$$\begin{aligned}
 &= \$6,100 - \$24 = \$6,076 \text{ (negative COLA)} \\
 &= \$6,076 - (\$6,076 \times 0.18355 + \\
 &\quad \$6,076 \times 0.0385) \\
 &= \$6,076 - (\$1,115 + \$234) \\
 &= \$6,076 - \$1,349 \\
 &= \$4,727
 \end{aligned}$$

2010-11 Revenue Limit
Before Deficit

2010-11 Revenue Limit
After Deficit and Cut

SEVEN-YEAR HISTORY OF EUSD REVENUE LIMIT (May Revise)



- Based on DOF methodology, ongoing reduction of \$4.0 million will closely mirror 2009-10 "one-time" reduction of \$4.4 million

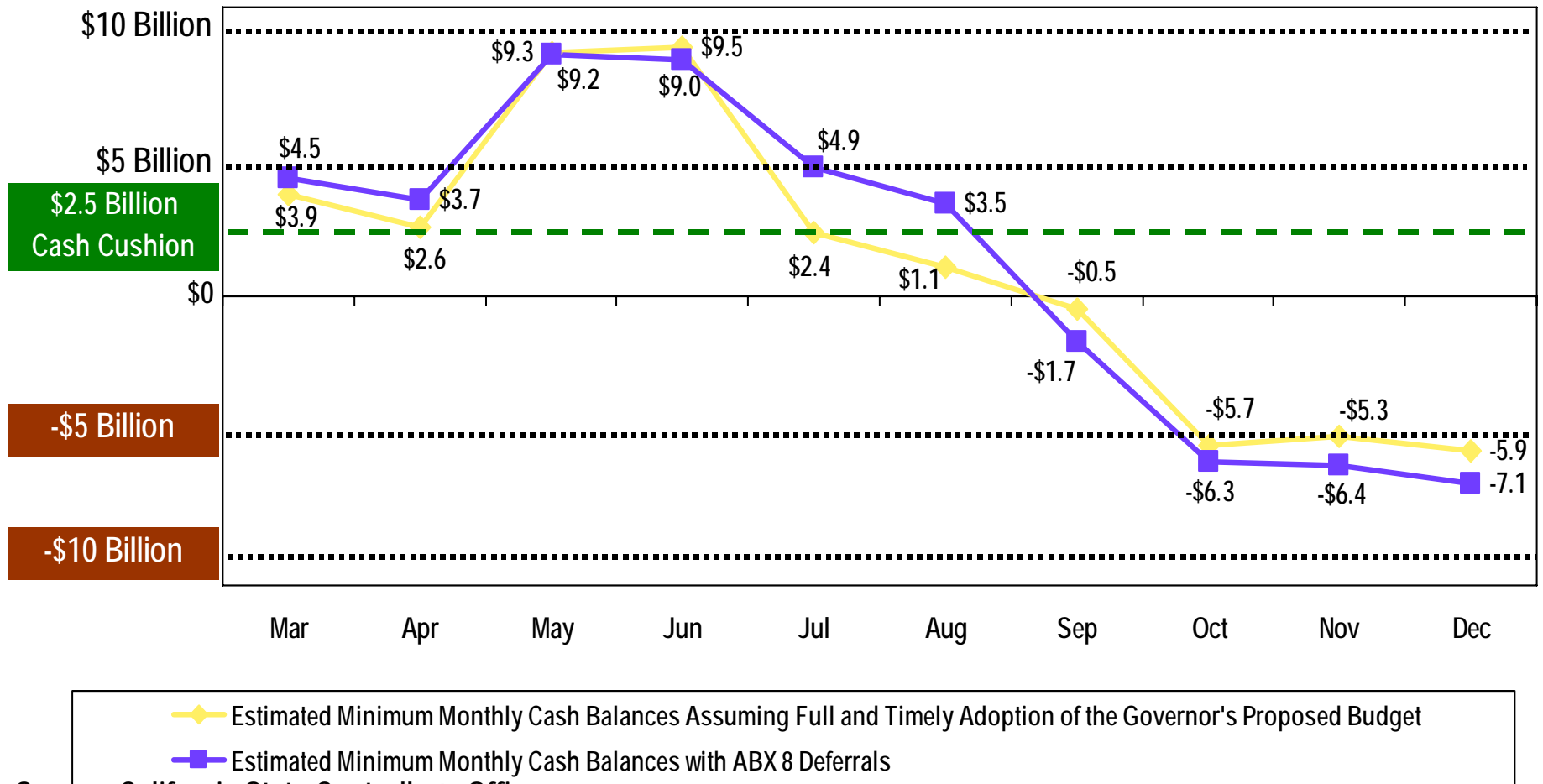
STATE CASH FLOWS

- THE LEGISLATURE CONTINUES TO RELY ON FUNDING DEFERRALS TO AVOID THE POLITICALLY DISTASEFUL TASK OF SUSPENDING PROPOSITION 98
- UNTIL DEFERRALS ARE REDUCED OR ELIMINATED, THEY AMOUNT TO A "PERMANENT" REDUCTION - EUSD \$16 MILLION FOR 2009-10 (Revenue Limit & CSR)
 - THE MAY REVISION PROPOSES \$5.7 BILLION OF CROSS-YEAR DEFERRALS
 - IN ADDITION, LEGISLATION ALLOWS THE STATE TO DELAY \$2.5 BILLION IN EDUCATION PAYMENTS THREE TIMES DURING THE YEAR FOR UP TO 90 DAYS



California's General Fund Cash Outlook for Next Several Months

Based on the Department of Finance January 2010 Budget Data and Actual Receipts Through February
(In Billions – Excludes 2010-11 External Cash Flow Borrowing)



Source: California State Controller's Office

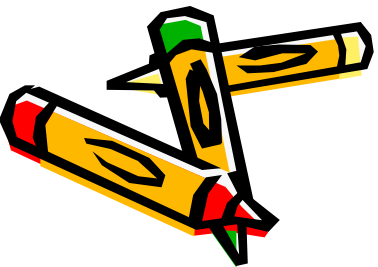
SPECIAL EDUCATION

- A NEGATIVE COLA OF .38% WILL BE APPLIED TO SPECIAL EDUCATION FUNDING - GROWTH FUNDING AVAILABLE FOR GROWING DISTRICTS
- THE BUDGET INCLUDES \$65 MILLION FOR BEHAVIOR INTERVENTION PLAN (BIP) - BUT NEEDS FURTHER LEGISLATIVE ACTION TO HAPPEN
- GOVERNOR PROPOSES TO SUSPEND SB3632, COUNTY MENTAL HEALTH SERVICES - COSTS WILL FALL TO SCHOOL DISTRICTS

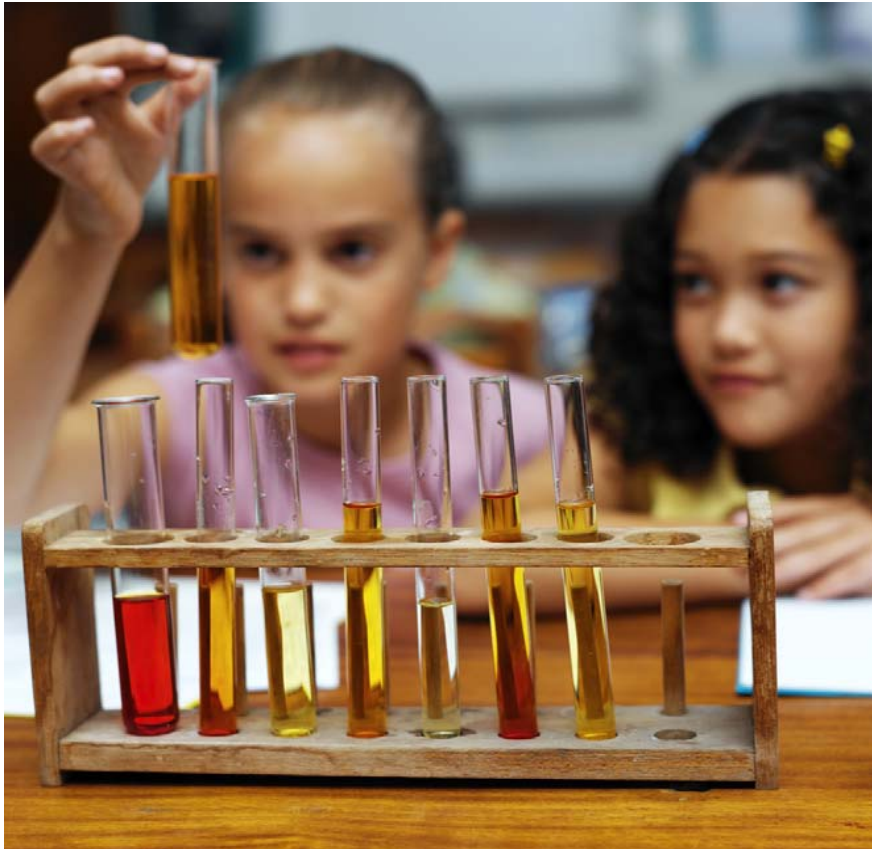


FEDERAL FUNDING

- PROPOSED FUNDING LEVELS FOR FEDERAL PROGRAMS IS FLAT
 - TITLE IV (SAFE AND DRUG FREE SCHOOLS)
 - PROPOSED FOR ELIMINATION
- SCHOOL IMPROVEMENT GRANTS AVAILABLE TO ELIGIBLE SCHOOLS
- THERE IS STILL NO WORD ON A SECOND INFUSION OF FEDERAL STIMULUS FUNDING (SFSF)
 - CONGRESS HAS PROPOSED AN ADDITIONAL \$23 BILLION FOR "KEEP OUR EDUCATORS WORKING ACT"- WOULD BE ADDITIONAL FEDERAL STIMULUS



MAY REVISE - OTHER



- AB 142 INCREASES SCHOOL'S SHARE OF LOTTERY FROM 34% TO 37%- AMOUNTS TO AN INCREASE OF \$2.50/ADA
- ROUTINE AND DEFERRED MAINTENANCE REMAIN FLEXIBLE THROUGH 2013



EUSD 2010-11 BUDGET



- FIRST RUN IS COMPLETE AND WORK IS PROGRESSING TO THE TECHNICAL/FINISHING STAGE
- CURRENT ESTIMATE OF 2009-10 ENDING BALANCE IS REVISED TO \$25.6 MILLION (\$20.2 UNRESTRICTED AND \$5.4 RESTRICTED)
- BUDGET SOLUTIONS AND REDUCTIONS APPROVED BY THE BOARD OF EDUCATION ON APRIL 15 ARE INCLUDED, EXCEPT FOR THOSE ITEMS WHICH REQUIRE NEGOTIATED AGREEMENTS



2010-11 EUSD BUDGET

- BUDGET PRESENTED ON JUNE 24TH WILL INCLUDE:
 - POSITION REDUCTIONS OF APPROXIMATELY \$2.9 MILLION (16+ FTE - DISTRICT OFFICE AND TOSA'S)
 - SAVINGS RELATED TO 45 CERTIFICATED, 17 CLASSIFIED, AND 3 MANAGEMENT RETIREES
 - ELIMINATION OF PRINCIPAL COACHES AND THE TARIQ KHAMISA CONTRACT



2010-11 EUSD BUDGET



- AGREED-UPON REDUCTIONS FOR MANAGEMENT EMPLOYEES OF FIVE WORK DAYS AND 3.5% SALARY ROLLBACK
- MAINTENANCE SAVINGS OF \$500,000
- USE OF \$2,000,000 AVAILABLE FROM OTHER FUNDS (RESERVES)
 - USE OF APPROXIMATELY \$7,000,000 OF FUND BALANCE (RESERVES)



2010-11 EUSD BUDGET

- FOR 2010-11, THE DISTRICT PLANS TO MAINTAIN:
 - ASSISTANT PRINCIPAL POSITIONS
 - MIDDLE SCHOOL COUNSELORS
 - DISTRICT MUSIC PROGRAMS
 - FULL-TIME LIBRARY STAFFING
 - CLASS SIZE REDUCTION IN GRADE K-3 AT AN AVERAGE OF 25:1 (NO CHANGE FROM 2009-10)
 - CURRENT LEVELS OF CUSTODIAL STAFFING
 - NEW POSITIONS CONSISTENT WITH THE REQUIREMENTS OF THE CARE GRANT



WHAT'S NEXT

- CALIFORNIA ASSEMBLY HAS ALREADY SIGNALLED THEY WON'T AGREE TO THE DRASTIC CUTS IN SOCIAL PROGRAMS
- ASSEMBLY REPORTEDLY WORKING ON A PROPOSAL TO RAISE \$5 MILLION IN TAXES
 - TRADITIONAL BATTLE POSITIONS APPEAR TO BE FORMING ALONG PARTY LINES
 - WE NEED TO BE PREPARED FOR ADDITIONAL REDUCTIONS AND A LONG, HEATED BUDGET DEBATE THROUGHOUT THE SUMMER AND INTO THE FALL

