

# Governor's Budget Proposal

Cabrillo Unified School District  
February, 2010

School  
Services  
of California  
INC.™

## A State of Decline...

School  
Services  
of California  
INC.

### *California's Operational Budget*

2006-2007: \$100 billion

**Today: \$86.5 billion**

### *CUSD Total State Revenues*

2006-2007: \$26.8 million

**Today: \$22.4 million**

## California's Recession Has Hit Schools Hard

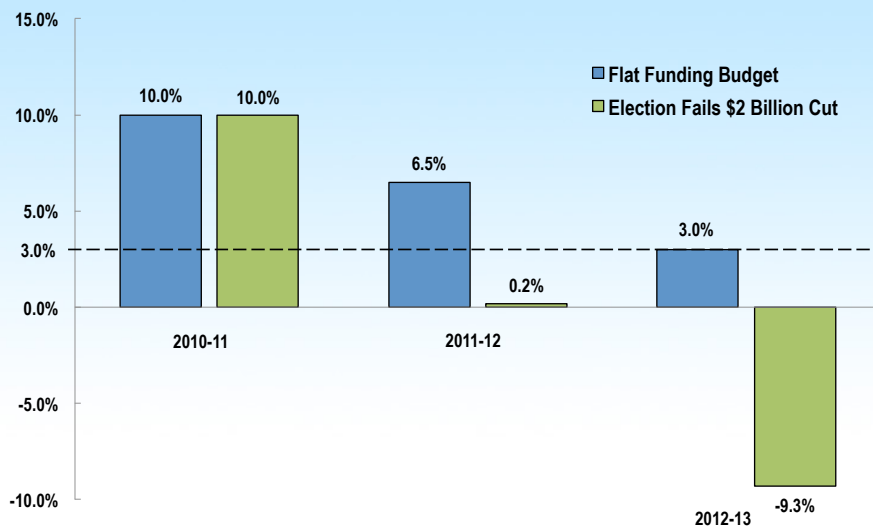


### General Fund Expenditures by Major Program Area

	Dollars in Billions				% Change 2007-08 to 2010-11
	2007-08	2008-09	2009-10	2010-11	
K-12 Education	\$42.5	\$35.5	\$34.6	\$36.3	<14.5%>
Higher Education	\$11.8	\$11.7	\$10.6	\$11.6	<1.4%>
Health and Human Services	\$29.7	\$30.9	\$25.0	\$27.0	<9.3%>
Corrections and Rehabilitation	\$10.2	\$10.3	\$8.2	\$9.3	<9.0%>
Natural Resources	\$1.9	\$2.0	\$1.9	\$2.0	8.3%

Source: 2011-12 Governor's Budget Summary

## Unrestricted General Fund Reserves- Typical District



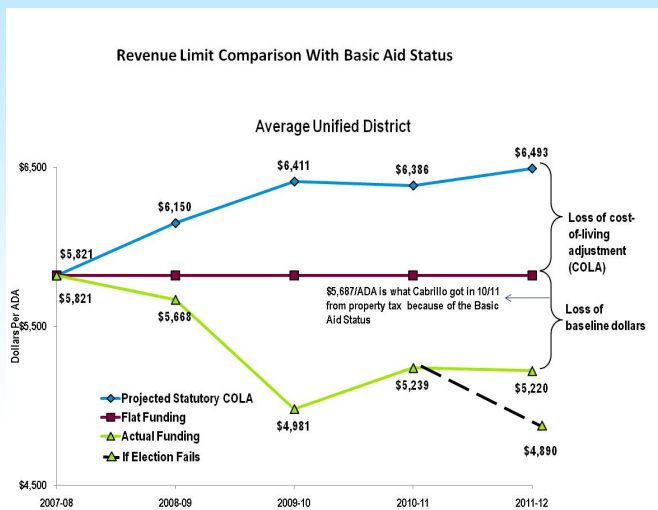
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# Multi-Year Projection, Cabrillo Unified

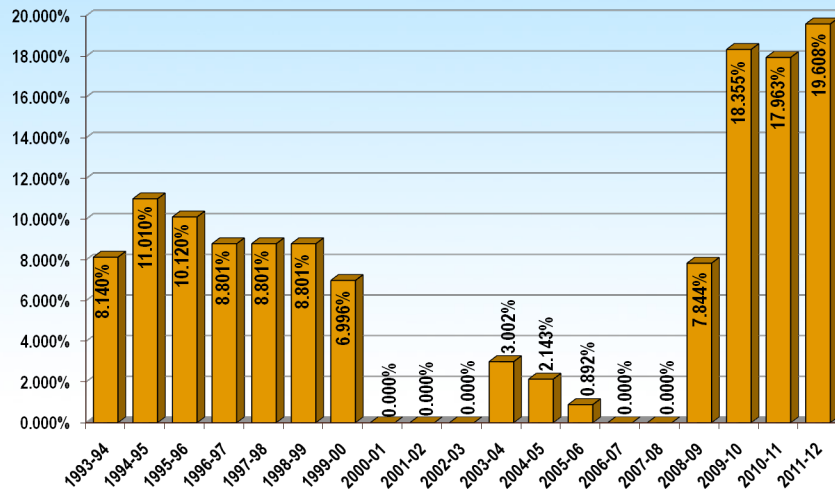


	2010-11	2011-12	2012-13
<b>Beginning Balance</b>	<b>1,648,829</b>	<b>1,567,783</b>	<b>1,954,155</b>
<b>Income</b>			
Revenue Limit	19,691,850	19,691,850	19,691,850
Federal Revenues	2,903,608	1,585,441	1,585,441
State Revenues	2,710,601	3,604,979	3,646,628
Local Revenues	2,922,649	2,781,905	2,781,905
<b>Total Income</b>	<b>28,228,708</b>	<b>27,664,175</b>	<b>27,705,824</b>
<b>Expenditures</b>			
Salaries/Benefits	23,688,600	24,095,166	25,080,591
Books and Supplies	1,881,222	1,120,416	880,671
Services	2,925,336	2,350,950	2,202,756
Capital Outlay	-	-	-
Other Outgo	592,149	592,149	592,149
Direct Support/Indir Costs	(50,979)	(86,099)	(86,099)
<b>Total Expenditures</b>	<b>29,036,328</b>	<b>28,072,582</b>	<b>28,670,068</b>
<b>Interfund Transfers</b>			
Transfers In	897,037	1,007,929	-
Transfers Out	(170,463)	(213,150)	(125,750)
<b>Total Transfers</b>	<b>726,574</b>	<b>794,779</b>	<b>(125,750)</b>
<b>Net Incr(Decr) in Fund Balance</b>	<b>(81,046)</b>	<b>386,372</b>	<b>(1,089,994)</b>
<b>Components of Ending Balance</b>			
Revolving Cash	25,000	25,000	-
Designated for Uncertainty	876,204	848,572	864,161
Other Designations	666,579	1,080,583	-
<b>Ending Balance</b>	<b>1,567,783</b>	<b>1,954,155</b>	<b>864,161</b>

# Projected vs. Actual Funding Per ADA



## Revenue Limit Deficit Factors



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## Financial Projection Dashboard

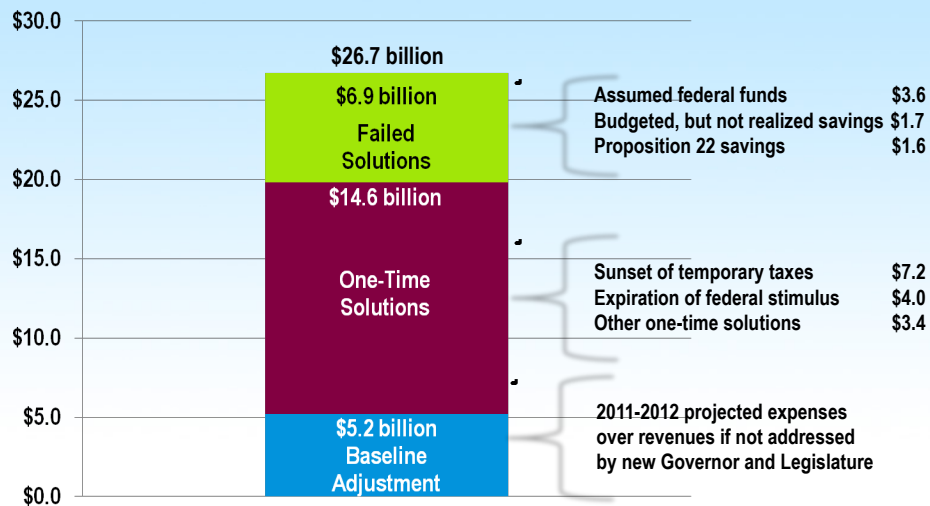


Factor	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
Statutory COLA (applies to K-12 and county office of education [COE] Revenue Limit)	-0.39%	1.67%	1.80%	2.30%	2.70%	2.80%
K-12 Revenue Limit Deficit %	17.963%	19.608% <sup>1</sup>	19.608%	19.608%	19.608%	19.608%
COE Revenue Limit Deficit %	18.250%	19.892% <sup>1</sup>	19.892%	19.892%	19.892%	19.892%
New Revenue Limit Change: K-12	5.17%	-.369% <sup>1</sup>	1.80%	2.30%	2.70%	2.80%
SSC's Recommended Planning COLA – Governor's Budget	N/A	-.369% <sup>1</sup>	1.80%	2.30%	2.70%	2.80%
SSC's Recommended Planning COLA – If Tax Extension Fails	N/A	-\$330 Per ADA Ongoing	1.80%	2.30%	2.70%	2.80%

<sup>1</sup>The estimated deficit factor of 19.608% calculated by the DOF is somewhat higher than that calculated by SSC. We estimate the deficit factor necessary to eliminate the COLA to be about 0.3% lower.

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## The Budget Gap



Source: 2011-12 Governor's Budget, p.4

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## The Governor's Plan...



**“Spend less... collect more... do it now”**

50% Cuts

50% Revenues: Five year Extension of 3 Existing Taxes that Expire on July 1:

- 1) Sales Tax Increase
- 2) Income Tax Increase
- 3) Vehicle License Fee Increase

## Risks to the Budget Proposal



- Flat funding for K-12 education is dependent upon voters approving the extension of the current temporary taxes
  - The Legislature must place this proposal on the ballot, requiring two-thirds vote in each house
    - Two Republicans in each house must agree – tough sell!
  - Voters may turn this down even if it gets on the ballot

## “There IS no contingency plan...”



- This leaves schools in a position of needing at least two plans
  - Option 1 – flat funding – continues the funding level contained in the enacted Budget for 2010-11 into 2011-12
  - Option 2 – a \$2.3 billion reduction in funding – results in a loss of about \$330 per ADA for the average district

## Impact of Option Two on Cabrillo Unified School District (Tax Extension Fails)



- Loss in revenue of \$1,056,000 (\$330 X 3,200 ADA) beginning in 2011-2012... IF Proposition 98 is protected

OR WORSE YET...

- Loss in revenue of \$ of \$2,560,000 (\$800 X 3,200 ADA) beginning in 2011-2012... IF Proposition 98 is suspended

## Multi-Year Projection, Cabrillo Unified



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**Taking the Glass is Half-Full Approach: Examples of Things That Could Improve the District's Financial Position (One-Time)**



- **Settlement Dollars**
- **State Mandated Cost Reimbursements**
- **Additional Federal Jobs/Stimulus Funding**
- **Sale of Surplus District Property**
- **Significant Gift or Donation to District**

**Taking the Glass is Half-Full Approach: Examples of Things That Could Improve the District's Financial Position (On-Going)**



- **An Increase in Local Property Tax Revenues**
- **A Reduction or Elimination of the Deficit Applied by the State to the Revenue Limit**

## **Possible Strategies To Implement This Spring (Before the Outcome of a Statewide Election on Tax Extensions Is Known)**



- **Make Provisional Reductions in Program and Personnel Totaling Approximately \$1.2 Million (Most Conservative Approach)**
- **Make No Provisional Reductions in Program and Personnel and Use Projected Fund Balance in Excess of Designated for Economic Uncertainty (DEU) in 2011-2012 Budget if Governor's Plan Fails (Most Aggressive Approach)**
- **Make Some Provisional Reductions in Program and Personnel; Use Some of Projected Fund Balance in Excess of DEU if Governor's Plan Fails**

## **A Final Dose of Reality...**



- 1) **Barring new and unanticipated one-time or on-going revenues and**
- 2) **Regardless of the outcome of the Governor's proposed budget,**

**The Board of Education will be required to make substantial program and personnel reductions a year from now in order to retain positive certification.**