



**FULLERTON SCHOOL
DISTRICT**



**2009/10 BUDGET ADVISORY
COMMITTEE**

November 4, 2009

AGENDA

November 4, 2009

Welcome

Introductions

Purpose of the Committee

A Look At California School Finance

Summary of the Session

Closing Thoughts

Schedule of Meetings

November 4, 2009

California School Finance

November 18, 2009

A Look At FSD's Revenue

December 2, 2009

A Look at FSD's Expenditures

December 9, 2009

**Committee Work: Closing the
Budget Gap**

Schedule of Meetings

January 20, 2010

**Committee Work: Closing the
Budget Gap**

January 27, 2010

**Committee Work: Closing the
Budget Gap**

February 3, 2010

**Preparation of Presentation to
Board**

February 9, 2010

Presentation to Board

Main Objectives of Committee

- Understand Basic Concepts of School Finance in California
- Understand the Basics of the FSD Budget
- Provide recommendations to Superintendent/Board regarding budget priorities/reductions for fiscal year 2010/11
- Provide budget recommendations that support Board-adopted District goals

Meeting Norms

- Respect ideas/comments from all Committee members
- Eliminate sidebars when someone has the floor
- Turn off cell phones or turn them on vibrate only
- Begin and end meetings on time
- Others?

A Huge Thanks Goes Out To

Donna Schnars
Guillermina Serrano
Suwen Su

**for their assistance in the preparation
of this presentation**

The Concept of California School Finance

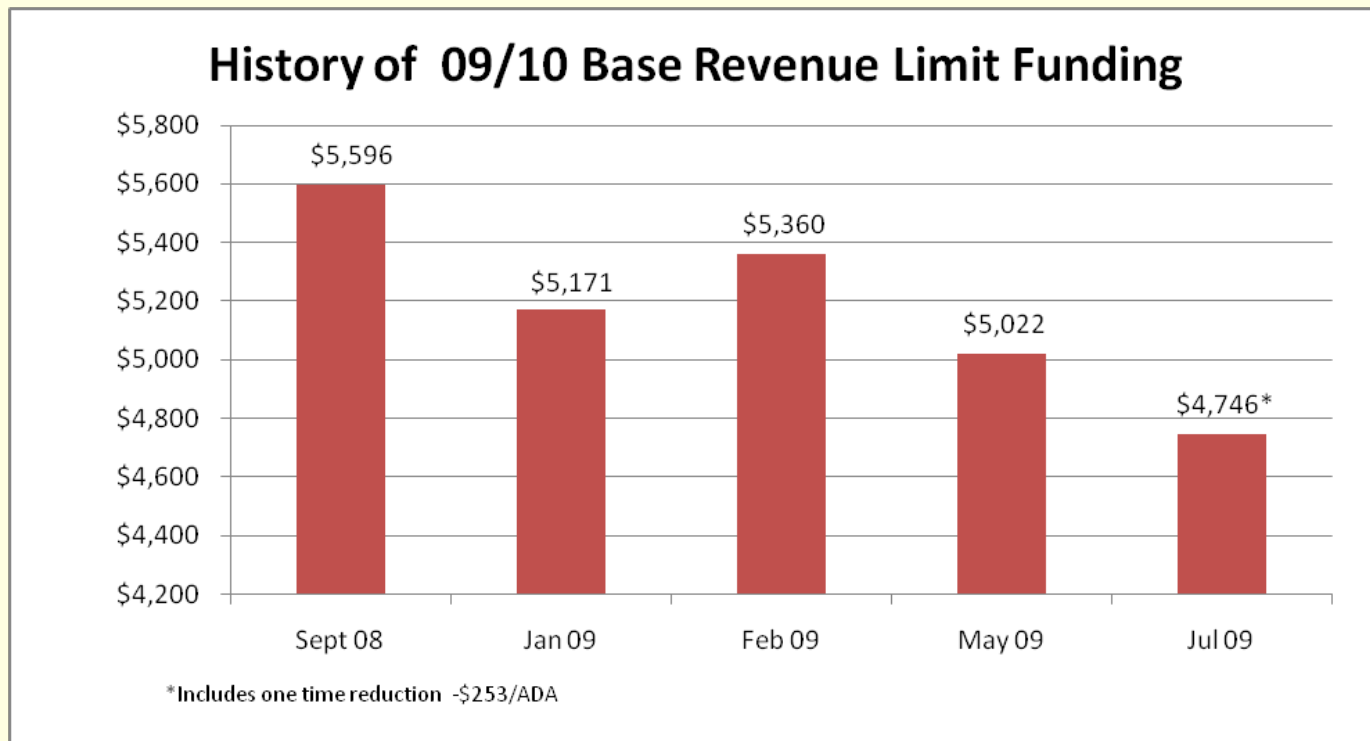
Education is a Federal concern, a State function and a Local responsibility.

Our industry is completely dependent on the American taxpayer.

If there is one thing consistent about school finance in California, it is the situation is always changing and seldom stable.

In FSD, it is all about kids, all the time.

History of 2009/10 Base Revenue Limit Funding



Sources of Revenue

Federal – Most Federal dollars come to us as special purpose money, typically referred to as **Categorical Money**.
Thick strings attached

State – **Unrestricted Money**
called the **Revenue Limit**
Restricted Money
is special purpose money

Local - **Interest**
Donations
Local Agreements

Portrait of FSD's Revenue

| <u>Federal</u> | |
|----------------|---------------|
| Unrestricted | = 0% |
| Restricted* | = 8% |
| <u>State</u> | |
| Unrestricted | = 76% |
| Restricted | = 7% |
| <u>Local</u> | |
| Unrestricted | = 2% |
| Restricted | = 7% |
| <hr/> | |
| TOTAL | = 100% |

*Includes Federal Stimulus Money

Unrestricted Revenue - State

Revenue Limit

The amount of money a school district receives based on the average number of children serviced each day

concept of Average Daily Attendance (ADA)

Dollars to Fund Revenue Limit

Property taxes and State aid

State aid made up of income and **sales tax** revenue

Revenue Limit Calculation

$$\frac{\text{Days of Attendance} + \text{Excused Absences} = \text{ADA}}{\text{Total Days of School}}$$

Greatest of prior or current year depending on whether declining enrollment is a factor

How much does the Fullerton School District receive?

$$\begin{aligned} \$4,745 \text{ per student per year} &= \$\mathbf{37.86}/\text{day}/\text{student} \\ 132 \text{ days of school} & \end{aligned}$$

Concept of COLA

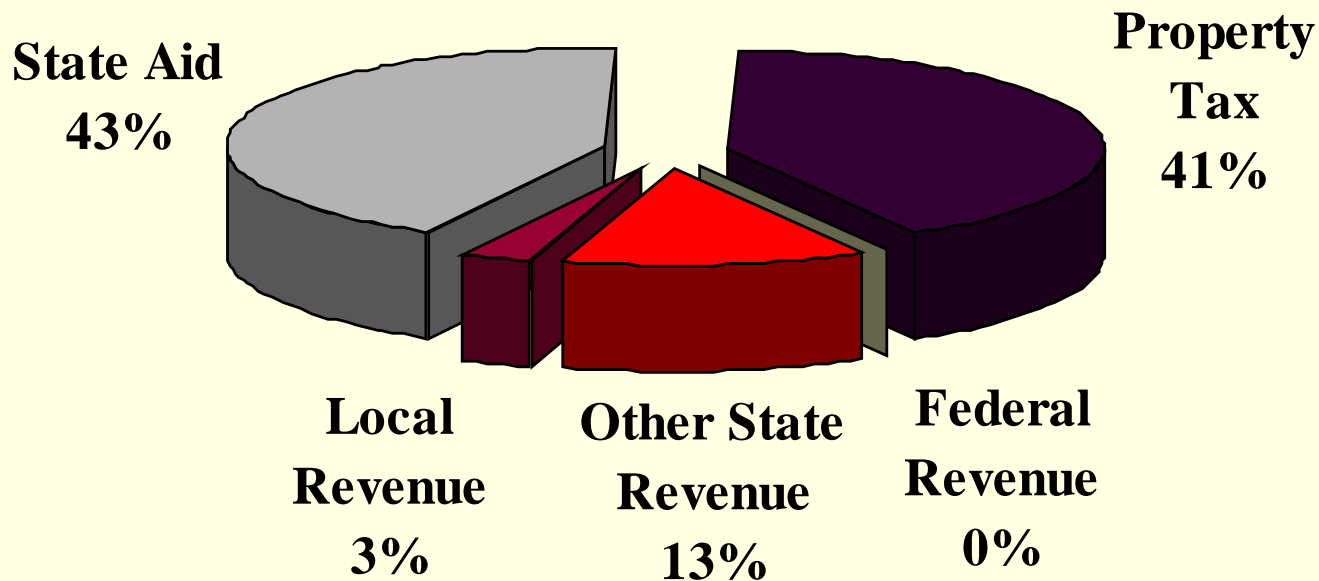
Cost of Living Adjustment

A percentage increase in revenues received

For governmental agencies, COLA is the projected cost of doing business (utilities, supplies, maintenance, salaries and benefits).

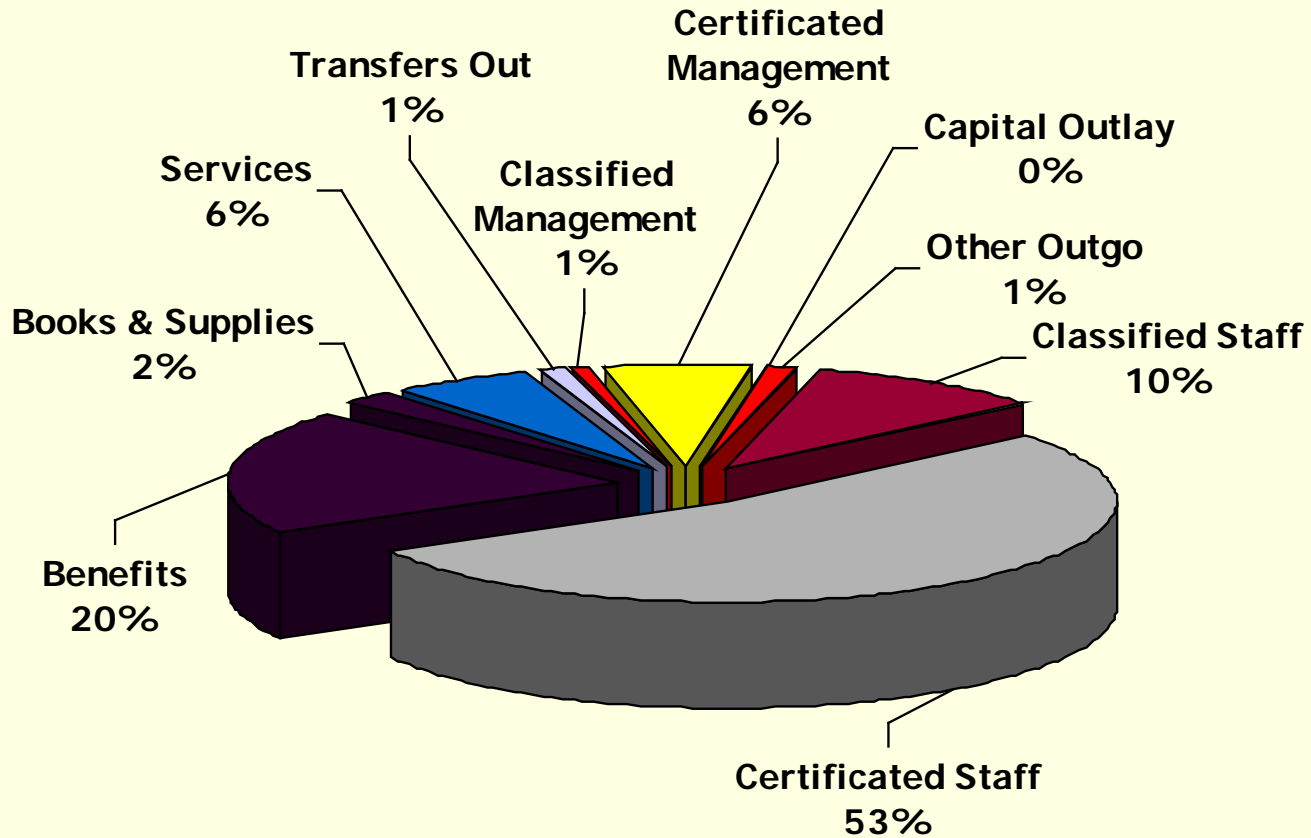
Unrestricted General Fund Revenue 2009/10

Adopted Budget Total: \$76,678,321



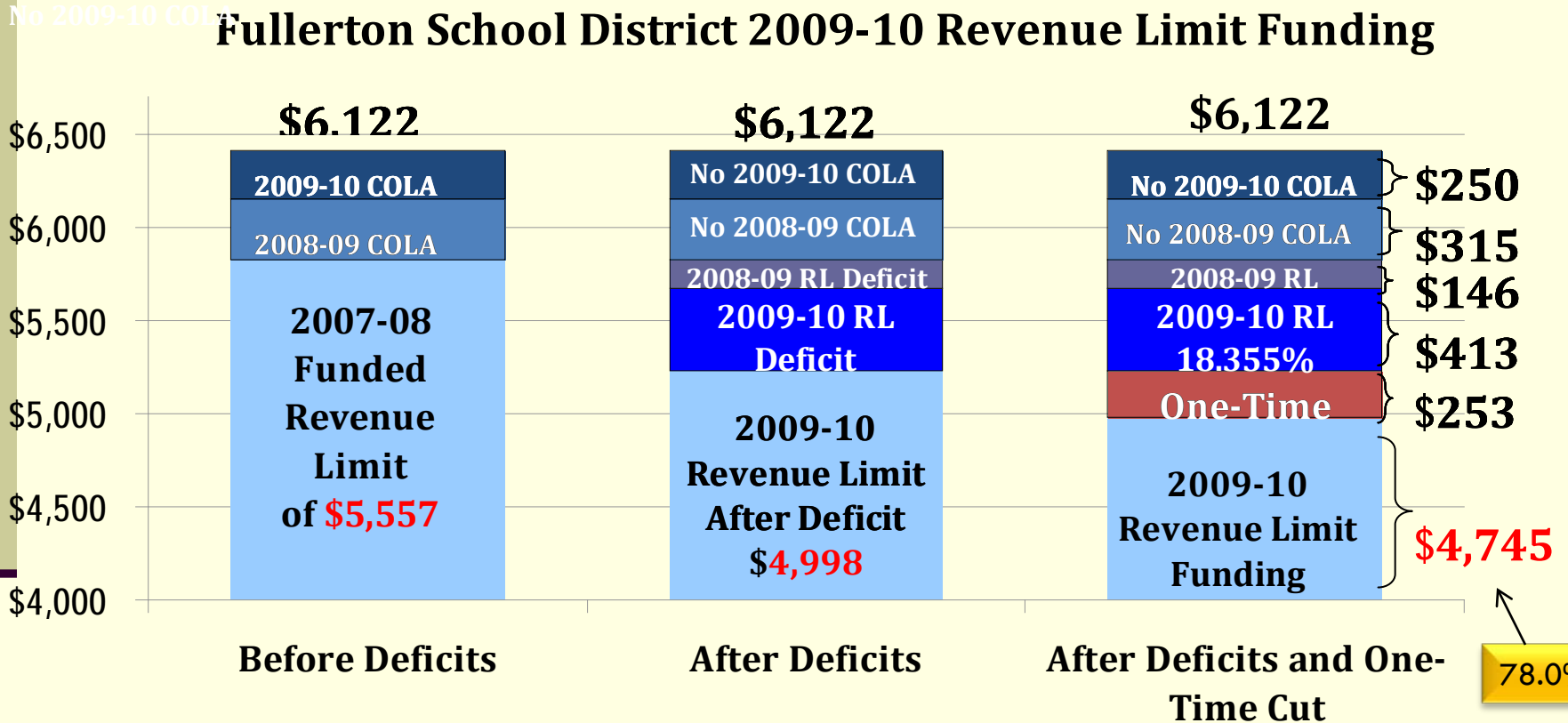
Unrestricted General Fund Expenditure 2009/2010 Adopted Budget Total: \$67,575,393

90% or \$60,980,583 of Unrestricted money goes toward total compensation.



Impact of One-Time Revenue Limit Reductions

17

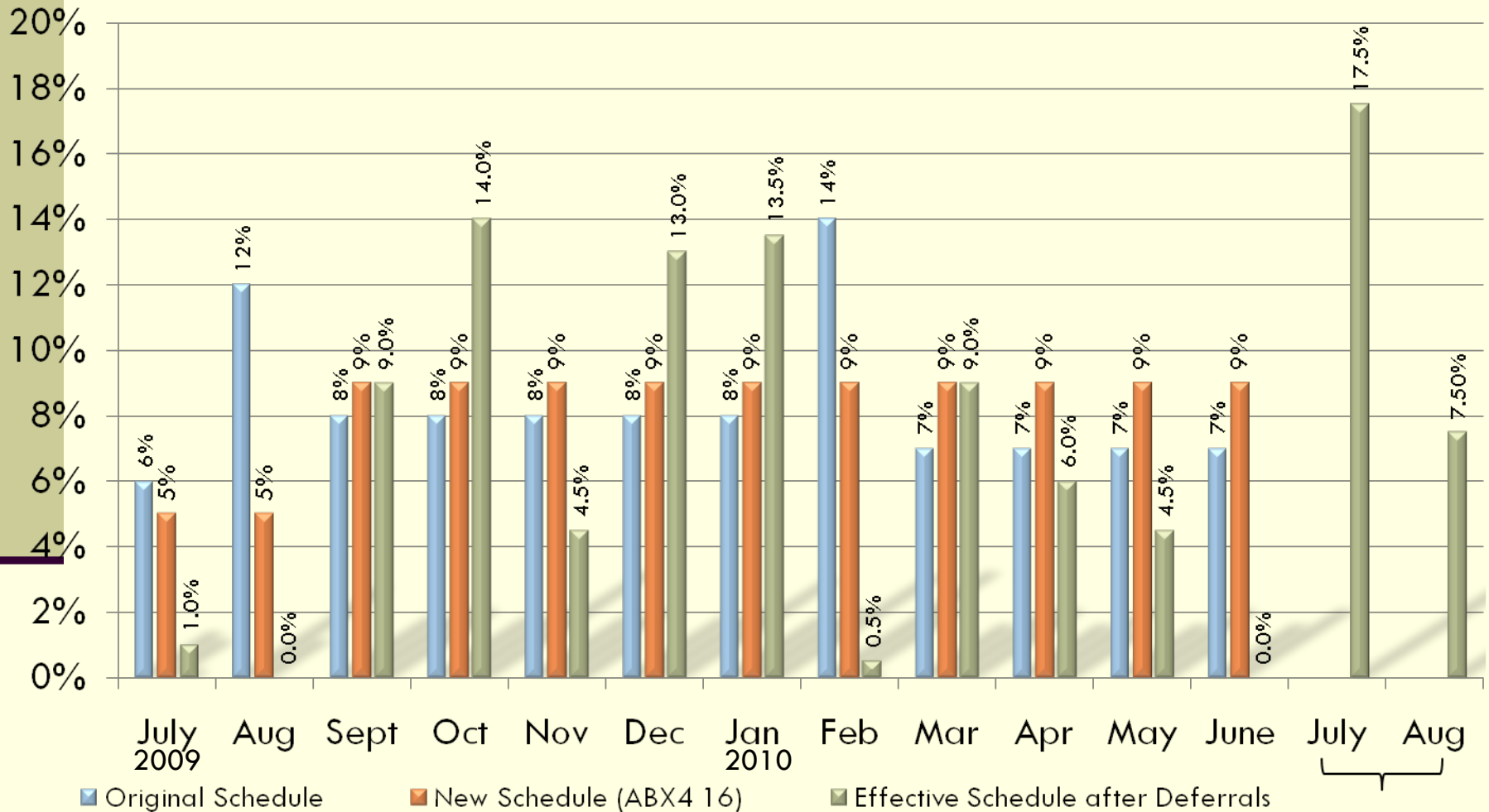


(Courtesy SSC)

Total loss from Statutory COLA = \$1,377/ADA

2009/10 State Apportionment Schedule Compared to 2008/09

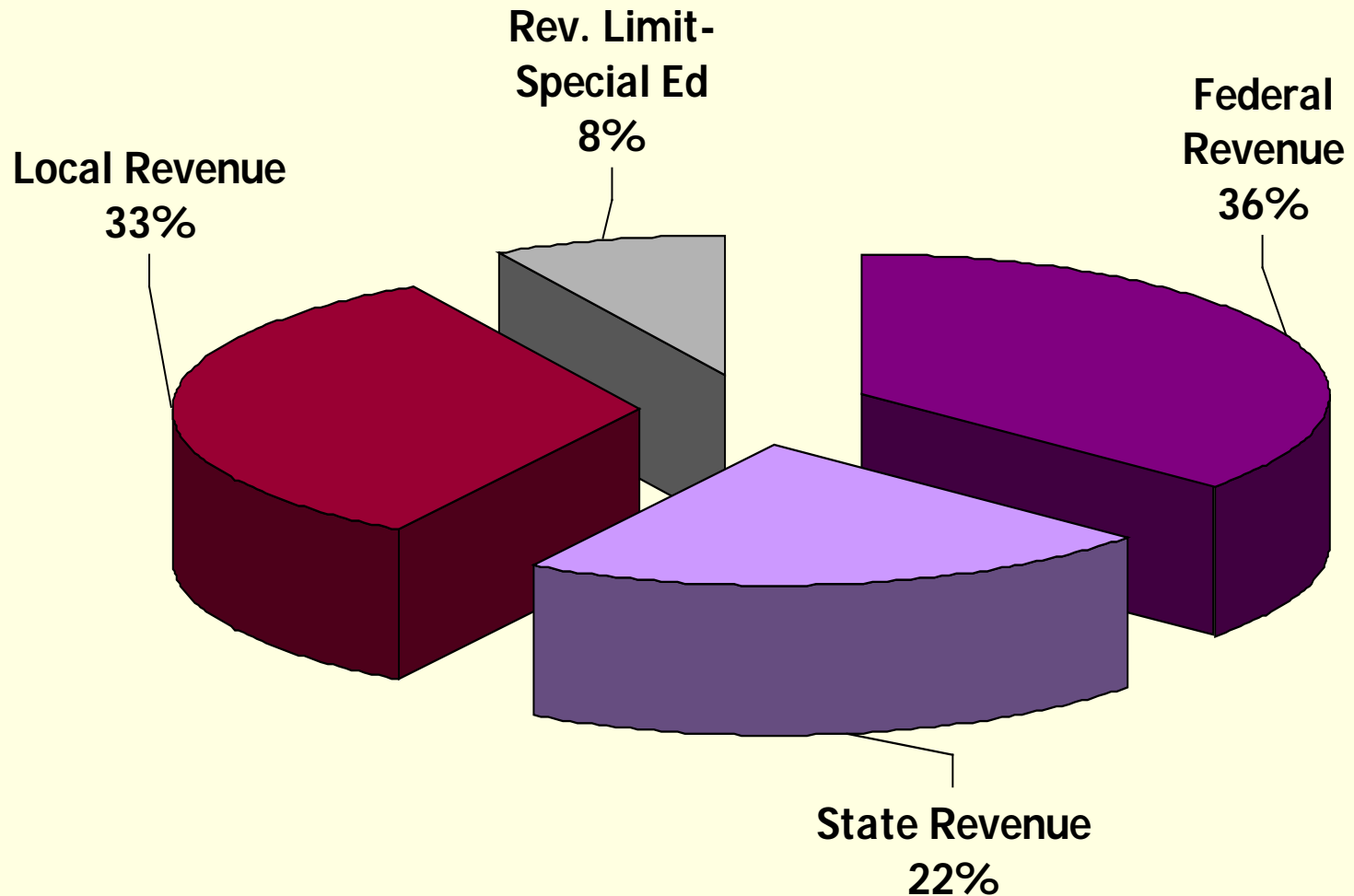
18



25% 18

Restricted General Fund Revenue 2009/2010

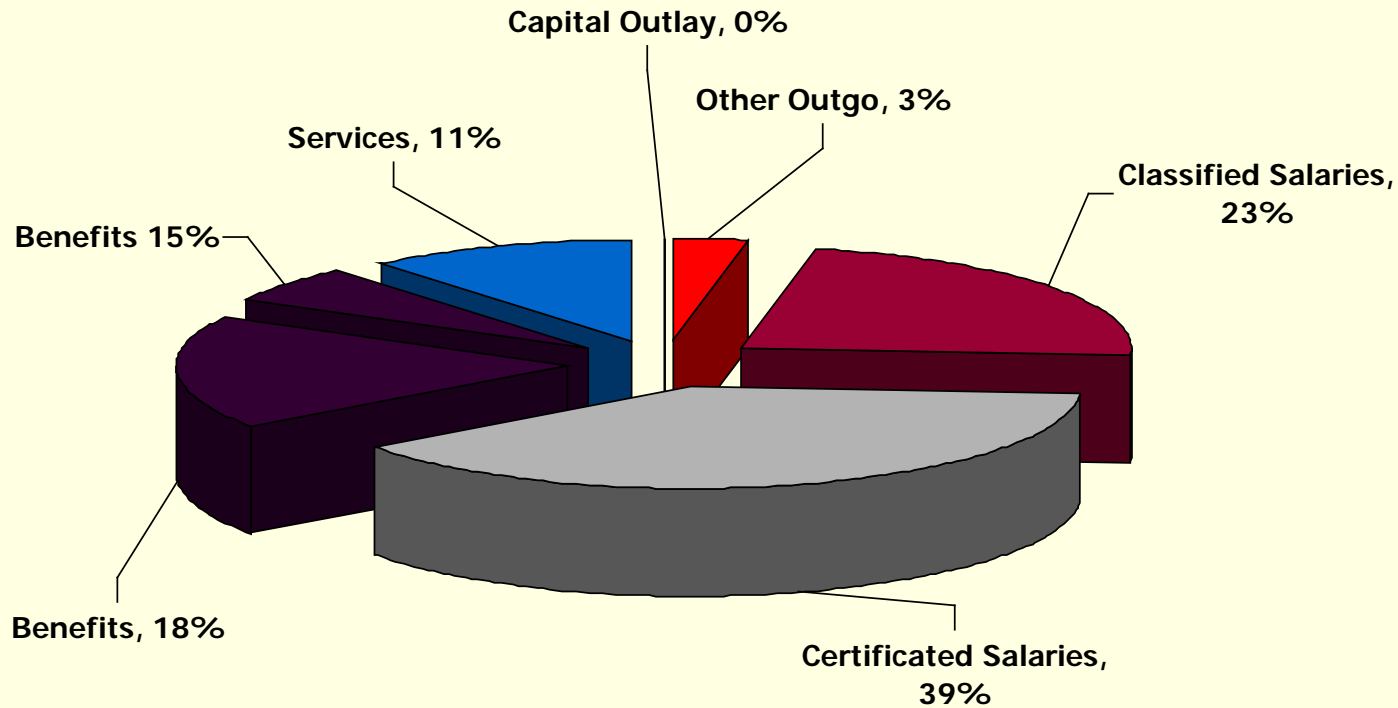
Adopted Budget Total: \$21,581,858



Restricted General Fund Expenditure 2009/2010

Adopted Budget Total: \$33,877,130

79.5% or \$26,916,836 of Restricted money goes toward total compensation.



Federal Categorical Programs

Comprehensive School Reform Program

IASA Title I Basic Grant

ARRA Title I Stabilization

IASA Title V Formula

Title II Teacher Quality

Title III Limited English Proficiency

Enhance Education Through Technology Formula

Title III Immigrant Education Program

ARRA McKinney Vento Homeless

Special Education ARRA IDEA Local Assistance

Federal Categorical Programs

Special Education IDEA Basic Grant

ARRA IDEA Preschool Entitlement B611

Special Education IDEA Preschool

ARRA IDEA Preschool Grant B619

IASA Drug Free Schools

Readiness Emergency School Management

Medi Cal Billing Option Program

Community Learning Center Cohort 2

Community Learning Center Cohort 3

State Fiscal Stabilization Fund

California Math and Science Grant

State Categorical Programs

Gifted and Talented Education

After School Intervention Program

Non Public School

Special Education IDEA Low Incidence

Special Education IDEA Personnel Development

Low Incidence Materials

Medi Cal Billing Option Program

Economic Impact Aid

State Categorical Programs

School Library Improvement Block Grant

Peer Assistance Review Program

Arts and Music Block Grant

Supplemental School Counseling

Professional Development AB825

Targeted Instruction Improvement Grant

After School Education Safety Grant

PE Teacher Incentive Grant

Community Based English Tutor

CSIS Best Practices Cohort

English Language Acquisition Program

Tobacco Use Prevention

State Categorical Programs

School Safety Violence Prevention
Beginning Teacher Support & Assessment
Pupil Retention Block Grant
Quality Education Investment Act
Instructional Materials Realignment, IMFRP
District Testing (Non-mandate)
Oral Health Assessment Program
Home To School Transportation
Special Education Transportation
State Lottery: Unrestricted
Lottery: Instructional Materials

State Budget Act SBX3 4

Allows sweeps of 2007/08 ending balances from most categoricals to the unrestricted fund on a one-time basis

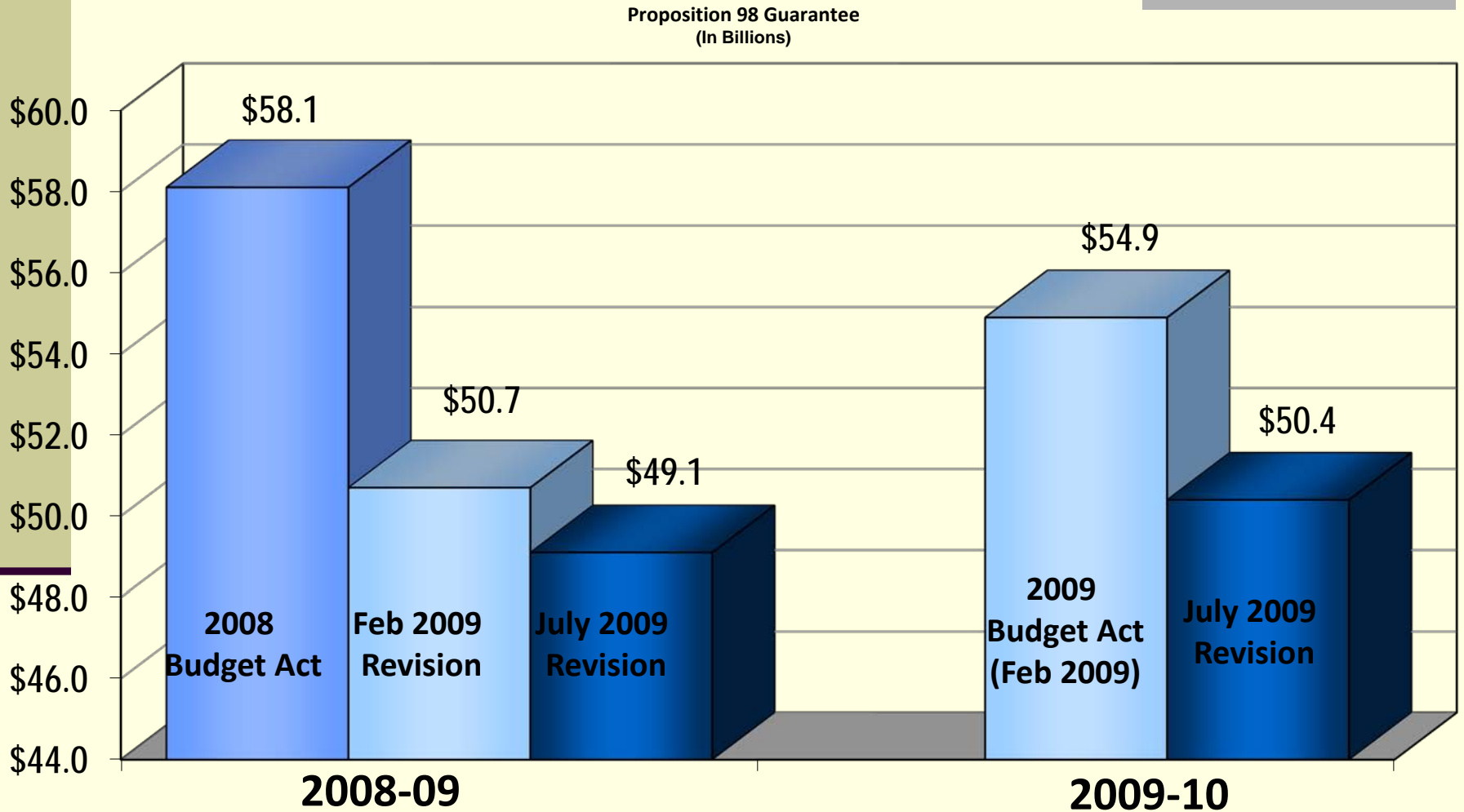
Allows the use of 100% in 42 categorical programs (tier 3) for any education purpose for the period of 2008/09 and 2012/13

Other Provisions of Law in California School Finance

Proposition 98 passed by the voters in 1988.

Provisions to guarantee a “floor” for funding. The floor has become a ceiling. Guaranteed that the first 40% of State tax receipts would go to fund education.

Proposition 98



2009/10 Lottery Estimates

- **What About All That Lottery Money You Guys Receive?**

- *Restricted = \$156,564*

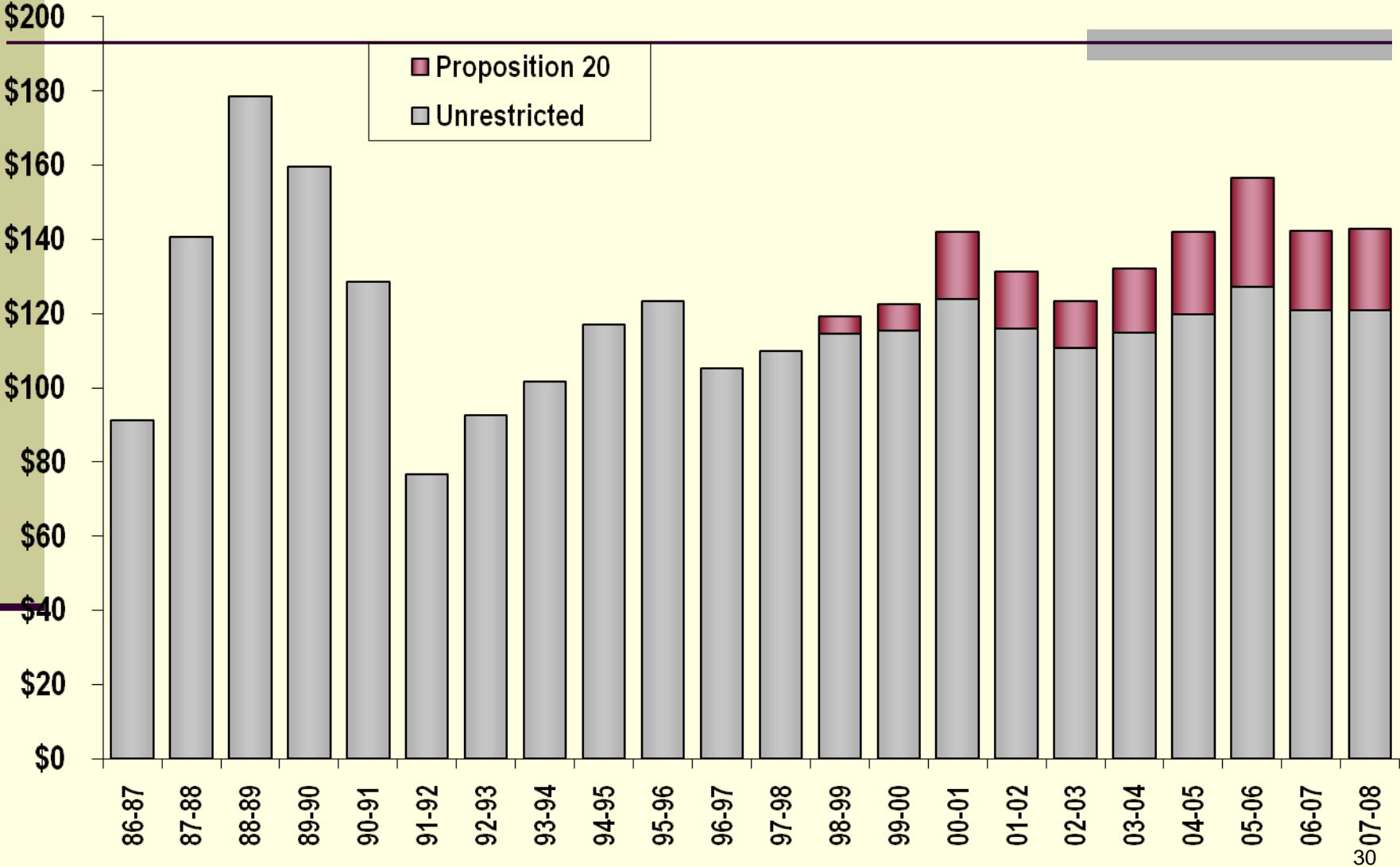
- \$13.25/ADA***

- *Unrestricted = \$1,500,299*

- \$111/ADA***

***Prior Year Annual ADA**

History of Lottery Funding



(Courtesy SSC)

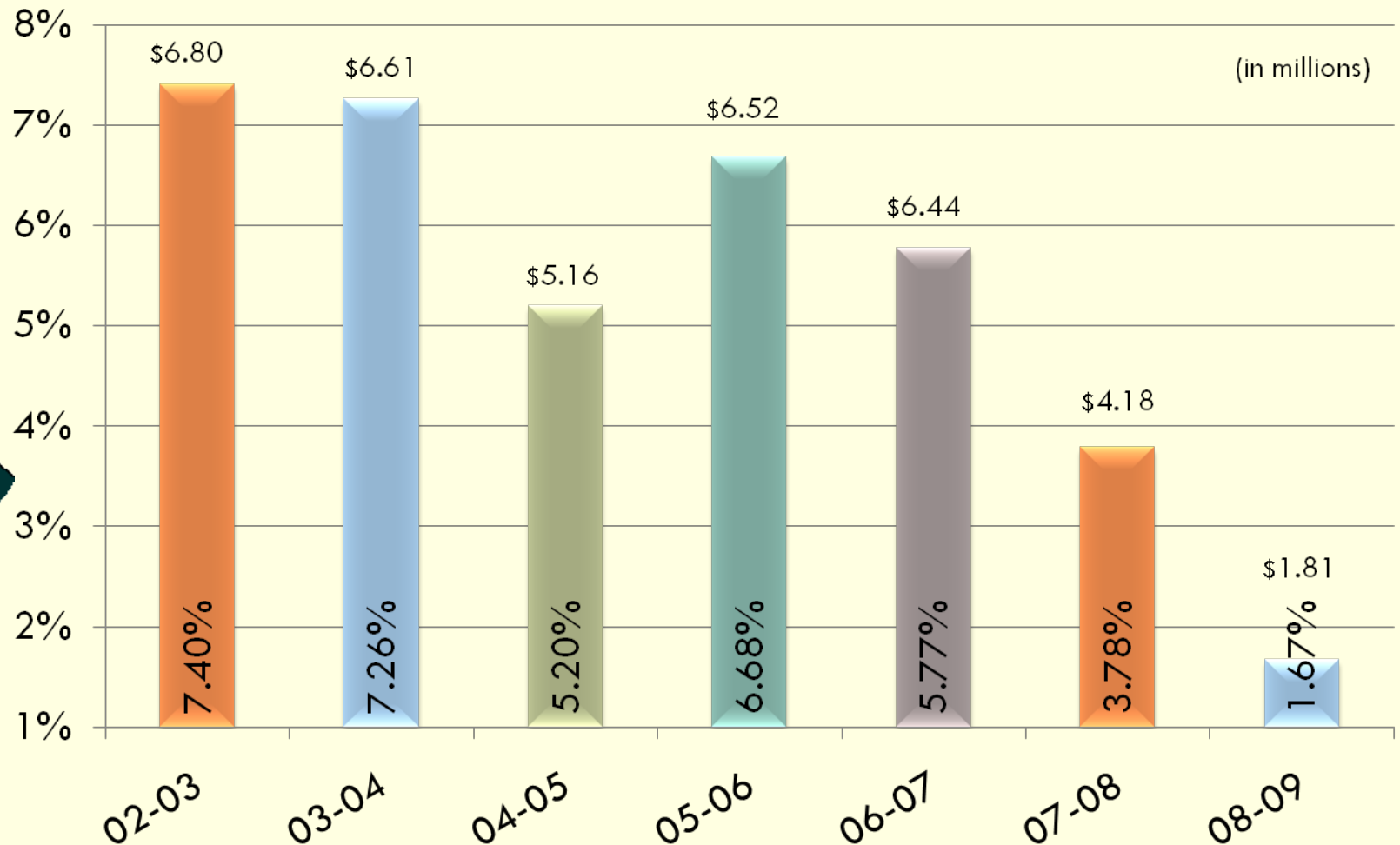
Requirement of a 3% Ending Balance

| ADA | Required Set-Aside |
|-----------------|---------------------------|
| 300 or less | 5% |
| 300-1,000 | 4% |
| 1,001-30,000 | 3% |
| 30,001-400,000 | 2% |
| 400,001 or more | 1% |

Designated for Economic Uncertainties

2002-
2009

32



AB 1200

Became law on January 1, 1992.

Passed because several California school districts found it necessary to obtain State loans to remain solvent.

Greatly increased the authority of the County Office of Education for oversight of school district budgets.

Requires approval by the County Office for any salary and benefits settlement agreed to with our labor associations.

Requires District to submit a budget by July 1st of each year.

Budget Calendar

June 30 - Adopted budget

July 1 - New fiscal year starts

July - State budget to be passed by legislature and signed by the Governor (July 28th this year)

August - Year-end closing

September - Revised budget

October - Categorical budgets released to schools

Budget Calendar

December – First Interim Report due

January - Governor's projected budget for next fiscal year is released

January - Annual Audit Report to Board

March - Second Interim Report due

March 15 - Letters to certificated staff

May - May Revise

May/June - Final budget adjustments made for Adopted Budget for next fiscal year

Interim Reports

First Interim Report –

All financial activity from
July 1 to October 31 delivered
to Board in December 2009

Second Interim Report -

All financial activity from
July 1 to January 31
delivered to Board in
March 2010

Interim Reports

Certifications

- Positive - This means that the District has sufficient resources to meet its financial obligations for the current and two subsequent years.
- Qualified - This means that the District may or may not have sufficient resources to meet its financial obligations for the current or subsequent fiscal year.
- Negative - This means that the District does not have the resources to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

Concept of Equalization

Serrano v. Priest 1968

Education funding largely dependent on local property taxes. Two thirds of school funding came from local property tax.

Property tax is assessed at so much per \$100 assessed valuation of real estate.

Baldwin Park was spending \$577/student while Beverly Hills was spending \$1,223/student.

Concept of Equalization

Baldwin Park taxpayers paid \$5.48/\$100 while Beverly Hills paid \$2.38/\$100.

Spending varied in the State from a low of \$274 per student to a high of \$1,710 in another California school district.

Courts ruled tax structure was unconstitutional as it violated the right of students to receive an equal education.

Equalization Funding

In good economic times, or when a deficit is paid back, the State often issues funding above the revenue limit to bring districts closer to the Statewide average. Those funds are negotiable and can be used for any general purpose expenditure.

It will be several years before we see equalization funding again.

Equalization Funding

Senate Bill 90

The legislature limited the maximum amount of general purpose State and local revenues a local district could receive. The “revenue limit” set a base amount per student.

High revenue districts saw their revenue streams slow toward the Statewide average, while low wealth districts received more State money.

General Obligation Bonds

Bonds are sold for modernization of school facilities.

Two types:

Prior to 2001, districts needed 2/3 approval to pass a local G. O. Bond.

In November of 2000, voters passed Proposition 39:

Lowered the passage requirement to 55%

Imposed further restrictions on accountability requirements

Parcel Tax

May be passed by 2/3 of the voters

Added to existing property tax

Limited term

Specific purposes listed on ballot

Mello Roos Districts

Enacted by the California legislature 1982

Special property tax on real estate in addition to normal property tax

Assessed by a Community Facilities District to obtain money for student housing

Fund Accounting

Schools use an accounting system known as “fund accounting”.

Each fund houses money to be used for a specific purpose.

The largest and most active is the General Fund. This is the fund in which all the accounts that directly support the educational program are contained.

General Fund Spending



Amount spent per child in California – we were 41st in the Country in 99/00. We now rank 47th or 48th, depending on the source.

What Other Money Does The District Have Besides The General Fund?

- 12 Child Development
- 13 Cafeteria
- 14 Deferred Maintenance
- 17 Special Reserve Non-Capital
- 20 Special Reserve Post Employment
Benefits
- 21 Building Fund

What Other Money Does The District Have Besides The General Fund?

- 23 Building G.O. Bond Series 2002B
- 25 Capital Facilities Fund
- 40 Special Reserve Capital Outlay
- 68 Self Insurance Workers' Compensation
- 69 Self Insurance Dental Fund
- 81 Insurance Property Comprehensive

Object Codes With Each Fund

1000 - Certificated Personnel Salaries

2000 - Classified Personnel Salaries

3000 - Employee Benefits

4000 - Books and Supplies

5000 - Services and other operating expenses

6000 - Capital Outlay

7000 - Other Outgo

students enrolled in State or County special
schools and transfer of funds

National Economic Crisis

- Subprime housing market meltdown leading to national and global economic crisis
- Unprecedented bankruptcies and government bailouts
- Tightening credit market
- Weakening investor confidence
- Stock market crash
- Expanded entitlement and war spending
- National unemployment on the rise

The Little Engine That Did (California Economy)

California's economic engine driven by:

- Housing
- Entertainment
- Tourism
- Technology
- Financial Services
- Agriculture



What is the financial situation within the State?

State passed the 09/10 Budget on July 28, 2009

The State's budget is a financial plan based on estimated revenues and expenditures for the State's fiscal year.

CASH refers to what is actually in the State Treasury on a day-to-day basis.

What is the financial situation within the State?

October 9th - State Controller John Chiang's office released estimates of the State's **General Fund Revenue** for the first quarter of the 09/10 fiscal year

Revenues **down** \$1.1 billion from estimates

Income tax receipts for September **down** 17.3% from estimates

Corporate tax receipts **down** 10.5%

Sales tax receipts **down** 4.5%



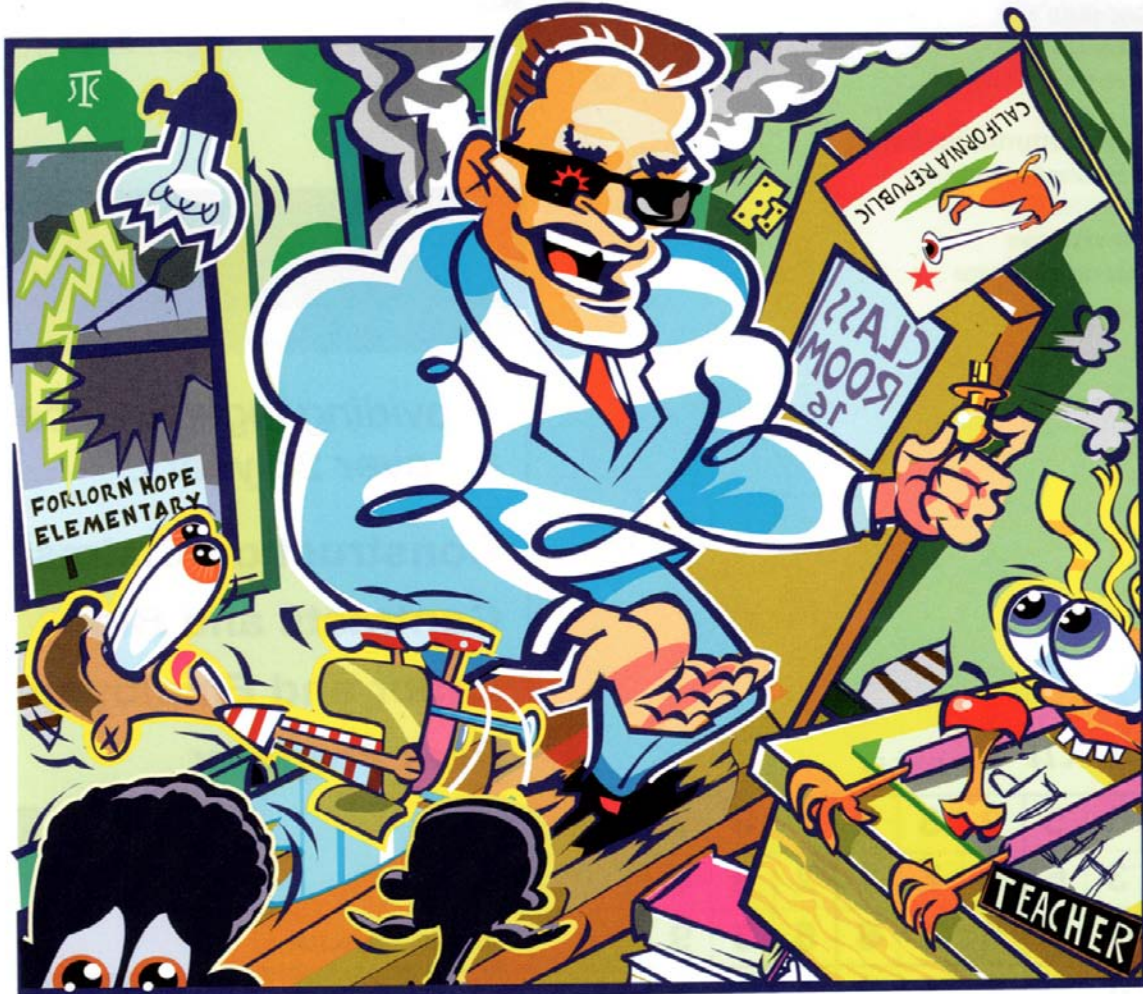
Comparison September '08 to September '09

Revenue **down** 12.2%

Personal income tax receipts **down** 19.8%

Corporate taxes **down** 14.1%

Sales tax income was **up** 1%



“All we need is another \$2.5 billion!”

Other California Economic Indicators

New Auto Registrations

July 1 – April 30, 2008

1,312,090

July 1 – April 30, 2009

898,948

Change

-413,142

Median Home Price

August 2008

\$301,000

August 2009

\$249,000

-52,000

Home Foreclosures

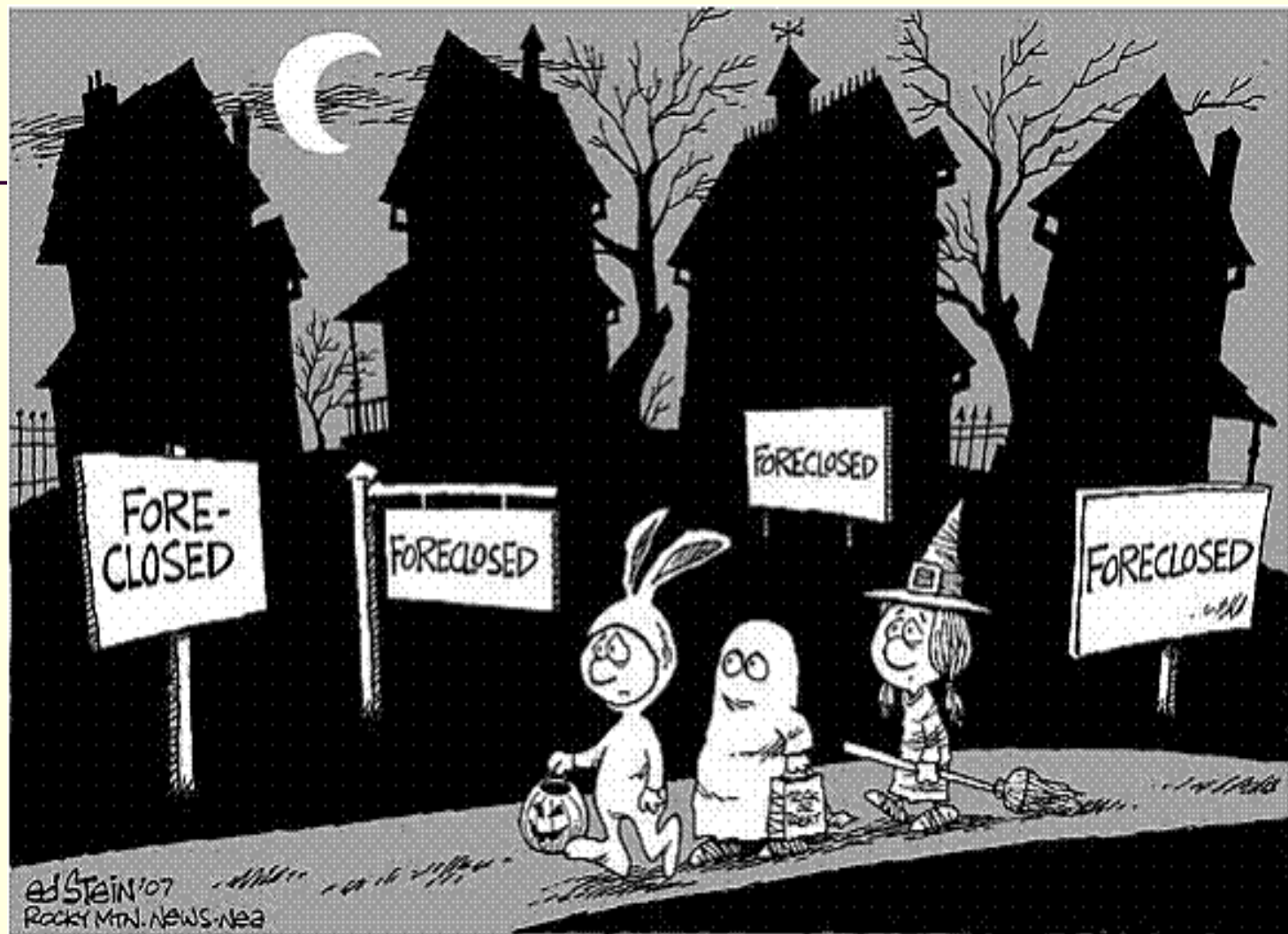
2nd Quarter 2008

121,673

2nd Quarter 2009

124,562

+2,889



HAUNTED HOUSES

Other California Economic Indicators

State Employment

August 2008

14,973,391

August 2009

14,232,973

Change

-740,418

New Residential Building Permits

August 2008

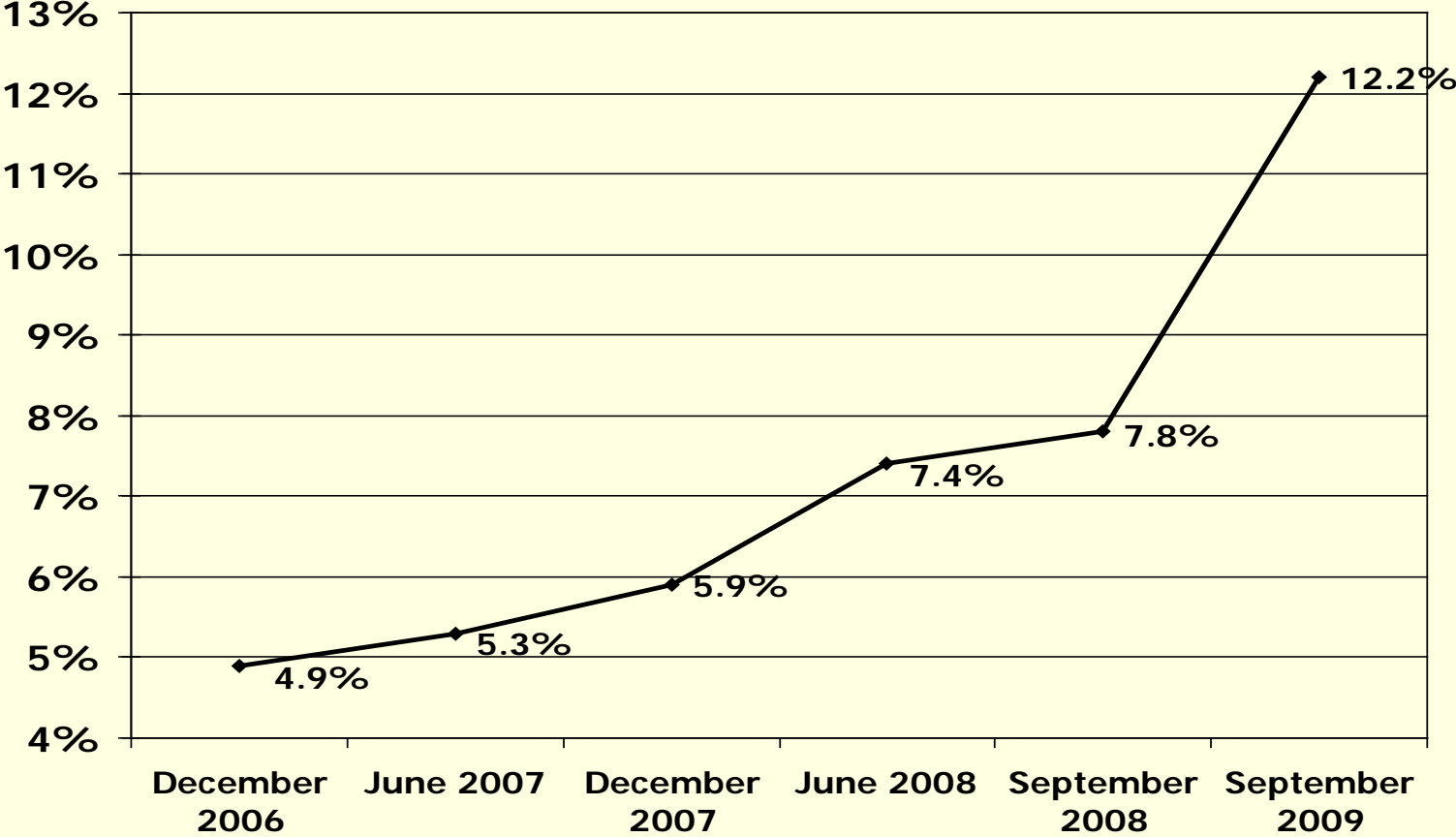
56,148

August 2009

35,647

-20,501

State Unemployment Rate



Other California Economic Indicators

The Legislative Analyst indicates there will be a \$15 billion deficit in California for the foreseeable future.

The latest field poll indicates only 17% voter approval for the State legislature.

California has the highest sales, corporate and income tax rates in the Country.

Future Prospects for New Money

School Services of California indicates that schools will see no new money until 18-24 months after the recovery begins.

We expect a zero Cost of Living Adjustment (COLA) for the next two years.

Another round of Federal Stimulus Money???

A Look Ahead

Holiday Sales Tax

Property Tax Receipts

Cash Flow

The Governor's Budget

Budget Advisory Committee

Concept Check

November 4, 2009

1. Education is a Federal concern, State function, Local responsibility.
2. Special purpose funding is called Categorical.
3. Special purpose funds are Restricted.
4. The largest source of unrestricted funding for most school districts is Revenue Limit.

Budget Advisory Committee

Concept Check

November 4, 2009

5. Revenue Limit funding consists of what taxes?
Property Tax
Income Tax
Sales Tax
6. Revenue Limit income is determined by Average Daily Attendance.
7. The Revenue Limit for FSD is \$4,745 per child.

Budget Advisory Committee

Concept Check

November 4, 2009

8. The Cost of Living Adjustment (COLA) for governmental agencies is meant to fund what governmental costs? All
9. Categorical Dollars come from what sources of government?
Federal
State
10. The provision of State law that provides approximately 40% of State general fund revenue that goes to public schools is Proposition 98.

Budget Advisory Committee

Concept Check

November 4, 2009

11. What source of income to schools represents approximately 1.2-2% of a school district budget? Lottery
12. FSD's minimum funding level for economic uncertainties is 3%.
13. Routine maintenance in a school district is required, by the State, to have a 3% set aside.

Budget Advisory Committee

Concept Check

November 4, 2009

14. AB1200 – This provision of State law requires the County Office of Education to approve FSD's budget.
15. Interim Reports are required to provide progress reports on the health of the District's budget.

Budget Advisory Committee

Concept Check

November 4, 2009

16. Three types of certifications are possible on Interim Reports – these are:

Positive

Qualified

Negative

17. Equal funding for school children in California became law with what court case?

Serrano v. Priest

Budget Advisory Committee

Concept Check

November 4, 2009

18. In the Fall of 2009, 90% of FSD's unrestricted general fund is designated for salaries and benefits.
19. In terms of funding per child, California ranks 47th among the 50 states.
20. In the chaos that is the California economy, what is one of the most significant issues, on a monthly basis, for FSD? Cash Flow

Budget Advisory Committee

Concept Check

November 4, 2009

21. Once the State economy improves, it is estimated that it will take 18-24 months to see new funding levels in schools.
22. What specific economic indicators will school finance professionals be watching in the months ahead that will determine the level of cuts we will need to make in 09/10 & 10/11?

Property Tax Receipts

State Income Tax Receipts

Holiday Sales Tax Receipts

Governor's Budget

Budget Advisory Committee

Concept Check

November 4, 2009

Bonus Question:


If current economic projections hold firm, how much of each State dollar that school districts are supposed to receive will we actually receive?

\$.79 with a deficit of 20.588%

Concluding Thoughts...

Questions/Comments

Next Meeting November 18, 2009, 3:30 p.m.,
Commonwealth MPR



Thank You For Your
Attendance and
Participation