



# Budget Study Session I

2008/09 Mid-year Cuts  
2009/10 Budget Proposal

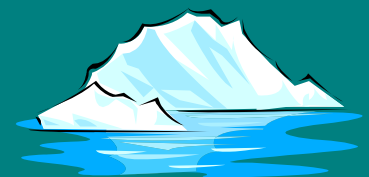
January 21, 2009

Presented by Business & Support Services



# Preface

- CUSD's \$12.5M 08/09 budget issue was resolved
- \$42B State Budget Shortfall thru 2009/10
  - Governor's Budget Clock <http://gov.ca.gov/>
  - January proposal – just the beginning
  - Final budget will change
- \$38M CUSD budget challenge thru 2009/10
- Frame the challenge in 20 slides or less...
- First things first
  - Mid-year cuts
  - 2009/10 Budget development



# 5 Topics

1. 2008/09 Mid-year Budget Cuts
2. 2009/10 Budget Proposal
3. Cash Flow (State runs out in February)
4. State Response - Flexibility
5. CUSD Response



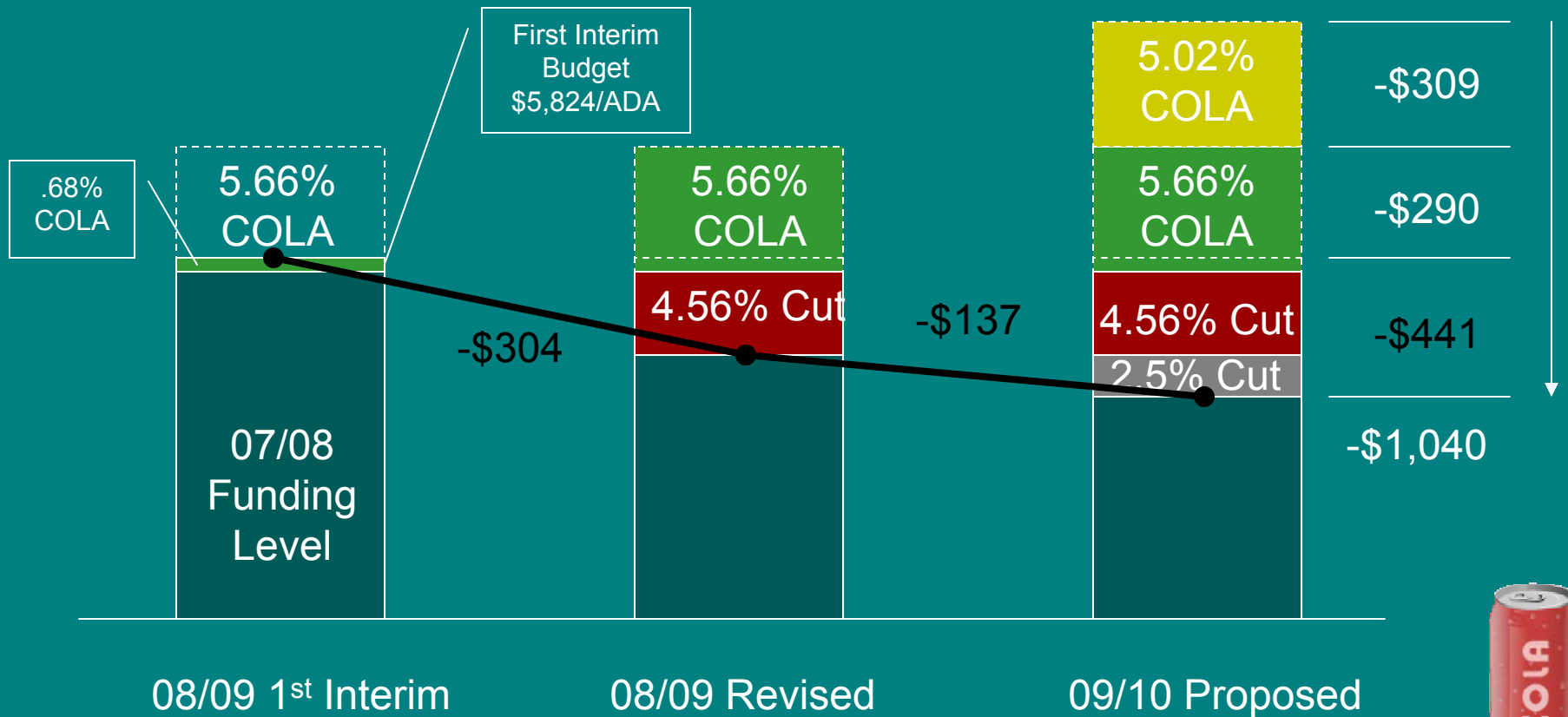
#1 - 2008/09 Mid-year Cuts  
#2 - 2009/10 Budget Proposal



# 2008/09 & 2009/10

## Revenue Limits (Funding per Student)

Cumulative Loss from Statutory Level: 16.16%!



# Summary of Cuts Impact to CUSD

## 2008/09 Mid-year Cuts

|                          |                 |
|--------------------------|-----------------|
| Elimination of .68% COLA | \$2.00M         |
| 4.5% “Un-COLA” Reduction | <u>\$13.50M</u> |
| Subtotal                 | <u>\$15.50M</u> |

## 2009/10 Proposed Budget

|                           |                        |
|---------------------------|------------------------|
| Elimination of 5.02% COLA | \$15.50M               |
| 2.5% “Un-COLA” Reduction  | <u>\$7.00M</u>         |
| Subtotal                  | <u>\$22.50M</u>        |
| Total                     | <u><u>\$38.00M</u></u> |

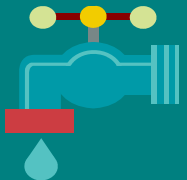
# #3 - Cash Flow Challenge



# 2008/09 Cash Flow Challenge

- Without corrective action, the state will run out of cash in February.
  - Deferral of Apportionments - April to July
    - Deferrals during 2008/09 & 2009/10

|                        |               |
|------------------------|---------------|
| CSR                    | \$6.0M        |
| Revenue Limit          | <u>\$3.0M</u> |
| <u>Estimated Total</u> | \$9.0M ←      |
- If the state fails to act on mid-year cuts...
  - State issues IOUs in March
  - Districts can't pay bills (payroll)





# Worst Case Scenario

## 2008/09

|                    |                |          |
|--------------------|----------------|----------|
| Mid-year Cuts      | \$15.50M       |          |
| Flexibility        | \$0.00M        |          |
| Cash Flow/Solvency | <u>\$9.00M</u> |          |
| Total              |                | \$24.50M |

## 2009/10

|                    |                |                 |
|--------------------|----------------|-----------------|
| Budget Shortfall   | \$22.50M       |                 |
| Flexibility        | \$0.00M        |                 |
| Cash Flow/Solvency | <u>\$9.00M</u> |                 |
| Total              |                | <u>\$31.50M</u> |
| Total              |                | \$56.00M        |

# #4 – State Response Flexibility



# State Categorical Flexibility

- Revenue – Two Types
  - Unrestricted – general fund
  - Restricted categorical - supplemental (state & federal)
    - 51 state categorical programs\*
- 100% flexibility for 90% of categorical programs
  - Permanent (ongoing) flexibility
  - Can be used for any purpose (general fund)
  - Can use carryover (07/08 ≈ \$11M) + current revenues
  - Requires public input
- CUSD flexibility potential <\$10.0 million
- Will dramatically impact schools/programs

\*See handout 2008-09 Budget - GRANTS - Second Interim



# State Categorical Programs – A Random Sample

- School & Library Improvement Block Grant
- Instructional Materials Fund Realignment
- Arts & Music Block Grant
- GATE
- Lottery Instructional Materials
- School Counselor Grant
- Professional Development Block Grant
- Peer Assistance/Review

Instruction +  
Professional  
Development



# Additional Flexibility

- K-3 Class Size Reduction
    - Full funding w/out class size caps < \$15M
  - Shorter school year (180 days-175 days)
    - Locally negotiable
  - Reduce reserves by 50% (2%-1%)
    - Must be repaid
- 
- Eliminate deferred maintenance match
  - Reduce routine restricted maint. (3%-1%)

# #5 – CUSD Response

Initial Recommendations

# 2008/09 Mid-year Cut District Response

|                                    |                       |
|------------------------------------|-----------------------|
| Categorical Flexibility            | \$10.5M               |
| School Improvement Program         | \$1.0M                |
| Deferred Maintenance Match         | \$2.0M                |
| Gate AAA Supply                    | \$300K                |
| Discretionary Block Grant – 1 time | \$250K                |
| Art Block Grant – 1 time           | \$850K                |
| Total Estimated Flexibility        | \$14.9M               |
| Revenue Limit Reductions<br>Needed | (\$15.5M)<br>(\$0.6M) |

Continue to monitor & tighten...



# 2009/10 Proposed Budget District Response

|                             |                  |
|-----------------------------|------------------|
| Categorical Flexibility     | \$7.0M           |
| School Improvement Program  | \$1.0M           |
| Deferred Maintenance Match  | <u>\$2.0M</u>    |
| Total Estimated Flexibility | \$10.0M          |
| Revenue Limit Reductions    | <u>(\$22.5M)</u> |
| Needed                      | (\$12.5M)        |
| Growth + S/C + H/W          | <u>(\$9.5M)</u>  |
| Needed 2009/10              | (\$22.0M)        |
| Projected Shortfall 2010/11 | (\$20.0M)        |



# Actions Steps

- 2008/09
  - Essentially it's too late for layoffs
  - Freeze all non-essential spending
  - Conserve as much cash as possible
  - Review all encumbrances
  - Capture all available categorical flexibility
  - Maintain a minimum 2% reserve
  - Complete negotiations
- 2009/10
  - Commence budget development
    - Department/line item review
  - Commence/complete negotiations



# Conclusion



# School District Budget Challenge

- 85% of budget is salaries and benefits
- Magnitude of budget problem necessitates...
- Reduction in total cost of payroll
  - Fewer people - Layoffs
    - Certificated – March 15<sup>th</sup>
    - Classified – 45 days
  - Reduce payroll (subject to collective bargaining)
    - Fewer days/hours
    - Salary reduction/rollback
    - Reduced benefit costs



# Board Budget Direction

- Plan for worst-case scenario
- Protect the classroom (teachers & supplies)
- Preserve class size
- No layoffs
- Operate District like a corporation
- Zero-based budget/Line-by-line budget review
- Department head review/presentation
- Engage a Blue Ribbon budget committee
- More transparency/easier access to information

# Observations

- Current fiscal situation is unprecedented
- Mid-year “cuts” are substantial...
  - but largely manageable through flexibility
- Next-year’s budget will not be manageable without impact to
  - Programs
  - People
- Every ¢ saved in 2008/09 will help in 2009/10



# Conclusion

- Now is not the time to panic.
- We can and will solve the budget crisis.
  - Team effort
    - Board
    - Administration
    - CUEA
    - CSEA
    - Teamsters
    - Public
  - Transparency
  - Trust
- Questions
- Comments

