



# Palo Alto Unified School District

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# 2009-10 Budget Study Session

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June 23, 2009

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# BUDGET DEVELOPMENT/FINANCIAL REPORTING/CALENDAR FOR THE 2008-09 & 2009-10 BUDGET

June 2008	Adoption of 2008-09 PAUSD Budget
August 2008	Property Tax Projections from County of Santa Clara
September 2008	Governor Signed the 2008-09 State Budget
September 2008	First Revision of 2008-09 PAUSD Budget
November 2008	County Controller-Treasurer Property Tax Projection Update
December 2008	First Interim PAUSD Financial Report
December 2008	PAUSD Enrollment Projections
January 2009	Release of Governor's Recommended 2009-10 State Budget
February 2009	County Controller-Treasurer Property Tax Projection Update
March 2009	Second Interim PAUSD Financial Report
May 2009	Governor's May Revise & Property Tax Projection Update
<b>June 2009</b>	<b>Adoption of 2009-10 PAUSD Budget</b>
July 2009	Governor Signs State Budget

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# Overview of the State Budget

## Not a Normal Year

- The January Governor's Budget was released in December
- The 2008-09 and 2009-10 State Budgets were merged, amended, and adopted together in February
- Immediately after enactment, it was clear that the Budget was in need of substantial amendment
- The May Revision proposals were released early
- The special election was held May 19 with disappointing results
- Revisions to the May Revision proposals in June
- More budget debates and revisions in the legislature
- Final budget revisions and adoption??

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# Overview of the State Budget

February 2009

- State adopted a 17-month budget
  - Cuts to Revenue Limit
    - 2008-09
    - 2009-10
  - Cuts to Categorical Programs
    - 2008-09
    - 2009-10

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# Overview of the State Budget

May 2009

- Governor's May Revision
  - More cuts to Revenue Limit
    - 2008-09
    - 2009-10

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# Overview of the State Budget

## February Budget and May Revision

- 2008-09
  - Total revenue limit cut of 6.4%
  - Total categorical funding cut of 15.4%
  
- 2009-10
  - Additional revenue limit cut of 3.5%
    - (10% less than 2007-08)
  - Additional categorical funding cut of 4.5%
    - (20% less than 2007-08)

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# Overview of the State Budget

## June Developments

- “Fair Share” reduction to basic aid districts
- Categorical program flexibility
- Reduction of instructional days
- Reduction of reserve requirement

# 2009-10 Proposed Budget

		<b>2009-10 Proposed Budget</b>
<b>1.</b>	<b>BEGINNING FUND BALANCE</b>	<b>\$17,520,920</b>
<b>2.</b>	<b>Restricted/Reserved/Designated</b>	<b>\$14,344,610</b>
<b>3.</b>	<b>Unrestricted, Undesignated</b>	<b>\$3,176,310</b>
<b>4.</b>	<b>INCOME</b>	<b>\$154,589,127</b>
<b>5.</b>	<b>EXPENDITURES</b>	<b>\$153,441,593</b>
<b>6.</b>	<b>AVAILABLE FOR BUDGET REPRIORITIZATION</b>	<b>\$1,147,534</b>
<b>7.</b>	<b>Excess of Revenues over Expenses (Unrestricted)</b>	<b>\$ -</b>
<b>8.</b>	<b>ENDING FUND BALANCE</b>	<b>\$17,520,920</b>
<b>9.</b>	<b>Restricted/Reserved/Designated</b>	<b>\$14,342,218</b>
<b>10.</b>	<b>Unrestricted, Undesignated</b>	<b>\$3,178,702</b>

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# Assumptions of 2009-10 Proposed Budget

## Revenue

- No “Fair Share” reduction
  - Funding reduction to state categorical programs based on the February Budget & May Revise information
  - Funding reduction to federal programs because of new census data used by CDE
  - Only 2009-10 revenue is budgeted for all state & federal programs; no carryover dollars included
  - 3% property tax growth (on ongoing 2008-09 tax base)
  - Parcel tax - \$9,200,000
  - PIE income - \$2,570,000
  - Lease revenue
    - 0.8% increase from City of Palo Alto
    - 3% for all other leases
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# Assumptions of 2009-10 Proposed Budget

## Expenditures

### ■ Personnel Increases:

- Step and Column costs for all employees
- 18 growth teachers
- State Teacher Retirement System (STRS) rate stays at 8.25%
- Public Employee Retirement System (PERS) rate increases from 9.428% to 9.709%
- Unemployment Insurance (UI) rate increases stays at 0.3%

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# Assumptions of 2009-10 Proposed Budget

## Expenditures

- **Other non personnel increases:**
  - Utilities
  - Non public schools
  - Transportation
  - Operating services and contracts

# Estimated General Fund & Basic Aid Reserves

	% of	
	2009-10	General Fund Budget
<b>Reserve for Economic Uncertainties</b>	<b>\$4,637,674</b>	<b>3%</b>
<b>Unrestricted, Undesignated Fund Balance</b>	<b>\$3,178,702</b>	<b>2%</b>
<b>Basic Aid Reserve</b>	<b>\$9,563,272</b>	<b>6%</b>
<b>TOTAL ESTIMATED ENDING RESERVE</b>	<b>\$17,379,648</b>	<b>11%</b>
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>\$154,589,127</b>	

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# The Economy

## 2002-03 and 2008-09

- The current world-wide recession is considered by most to be the deepest since the Great Depression.
  - California unemployment averaged 6.8% in 2003, the highest in seven years.
  - California unemployment is currently 11.2%. Higher than any year since 1976 when they started compiling data. It was probably higher in the 1930s.
  - Real GDP grew by 0.20% in October 2002.
  - Real GDP grew by -6.51% in October 2008. This was the biggest drop since 1958.
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# Fair Share Reduction

## 2002-03

- December 2002: Governor proposed a full take-away of property taxes in excess of revenue limit (then \$22 million for PAUSD) and also the \$120/student Basic Aid allocation.
  - Winter/Spring 2003: Vigorous letter writing and lobbying by Basic Aid school districts resulted in loss of the \$120/per student and also a fair-share reduction in categorical funds.
  - May 2003: The Governor reversed the property tax take-away proposal. The District lost the \$120/ADA permanently and a fair-share reduction was made. The excess property taxes were saved.
  - The District developed a lengthy list of budget reductions during the winter and early spring.
  - A couple of years later, the fair-share was fully reversed as state finances approve.
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# Fair Share Reduction

## 2008-09

- Throughout the winter and early spring, there was no mention of excess property tax take-away (thankfully) or fair share.
- Therefore, there have been no budget cut conversations in PAUSD.
- In early June, the closed door Budget Conference Committee started discussing “fair-share”, with no notion of offsetting revenue limit loss with the ARRA funds that revenue limit districts were receiving.
- SF2 obtained “a place at the table” by making their own “fair-share” proposal, adjusting the revenue limit fair share by ARRA funds.
- The SSC budget summary last week makes it seem that the SF2 effort was successful.
- It is unknown when or if the revenue limit deficits or fair share will be reversed.

# Illustration of Impacts and Solutions

<b>Estimated Fair Share Reduction</b>	
Estimated Reduction Per Student	\$637
Estimated ADA (student)	11,000
<b>Estimated Fair Share Reduction</b>	<b>\$7,007,000</b> <b>=====</b>

# Illustration of Impacts and Solutions

## Proposed Solution for 2009-10

1.	Reserve for Budget Reprioritization in 2009-10	\$1,147,534	
2.	Federal Stimulus – ARRA Funding (not including IDEA)	\$1,183,417	(one time)
3.	Proposed Reduction to State Transportation Income	(\$344,768)	
4.	Use of 2007-08 Categorical Fund Balance	\$553,231	(one time)
5.	Estimated Savings in 2009-10 Growth Teacher Budget	\$1,000,000	
6.	Transfer Basic Aid Reserve Interest to General Fund	\$140,206	
7.	Reduce Reserve for Economic Uncertainties	\$64,426	
8.	Use of Unallocated Undesignated Reserve	\$3,176,710	(one time)
9.	Use of Basic Aid Reserve	\$86,244	(one time)
<b>Total</b>		<b>\$7,007,000</b>	
*These numbers are tentative and subject to change			18

# Illustration of Impacts and Solutions

<b>ONGOING CHALLENGE</b> (Solutions in 2009-10 from one-time sources)	<b>\$4,999,602</b>
<b>ESTIMATED 2010-11 DEFICIT IN PROPOSED BUDGET</b> (line 32 in multi-year projection)	<b>\$780,793</b>
<b>ESTIMATED BUDGET CHALLENGE IN 2010-11</b>	<b>\$5,780,395</b> <b>=====</b>

\*These numbers are tentative and subject to change

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# Unknown/Variables

- State Budget
- Property Tax Revenue
- Enrollment Growth
- Compensation
- Health Benefits