



Palo Alto Unified School District

2009-10 Budget Study Session

June 23, 2009

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
June 2009	Adoption of 2009-10 PAUSD Budget
July 2009	Governor Signs State Budget

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??

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

Overview of the State Budget

May 2009

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

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)

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

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

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%

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
Reserve for Economic Uncertainties	\$4,637,674	3%
Unrestricted, Undesignated Fund Balance	\$3,178,702	2%
Basic Aid Reserve	\$9,563,272	6%
TOTAL ESTIMATED ENDING RESERVE	\$17,379,648	11%
TOTAL GENERAL FUND EXPENDITURES	\$154,589,127	

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

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

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)
Total		\$7,007,000	
*These numbers are tentative and subject to change			18

Illustration of Impacts and Solutions

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

*These numbers are tentative and subject to change

Unknown/Variables

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