



Pasadena Unified School District 2010-2011 State Budget Update



October 12, 2010



The Economy



- **The economy is key to financial recovery for the state (and public agencies)**
 - **Unemployment remains higher than the rest of the nation**
 - **Predictions of an early recovery in the spring of 2010 proved to be overly optimistic**
 - **Recovery is slow at best (realistically nonexistent)**
 - **Most projections are the economy will remain sluggish until 2012**
- **Still, not all the news is bad**
 - **Things are not getting worse**
 - **No “double-dip” recession – at least not yet**
- **The poor real estate and construction markets are economy killers**
- **With the new 2010-2011 State Budget – it is estimated that the 2011-2012 State Budget is \$10 billion out of balance!**



Major Changes from May Revision to the Final Budget



- **May Revision: Reduced revenue limits by \$1.5 billion**
 - **Final Budget: Fully restores revenue limit cut - \$250 per ADA**
 - **@ 17,800 ADA = \$4.45 million**
- **May Revision: “Fully funded” negative 0.39% COLA**
 - **Final Budget: Holds school agencies harmless from negative COLA - \$21 per ADA**
 - **@ 17,800 ADA = \$373,800**
- **May Revision: No funding for prior-year mandates**
 - **Final Budget: \$300 million in one-time mandate funds, of which \$100 million is for 2010-11 claims and \$200 million is for prior-year claims allocated on a per-ADA basis – Estimated at \$50 per ADA**
 - **@17,800 ADA = \$890,000 (one-time)**



Major Changes from May Revision to the Final Budget



- **May Revision: Eliminated child care programs**
 - **Final Budget: Funding fully restored for licensed care providers**

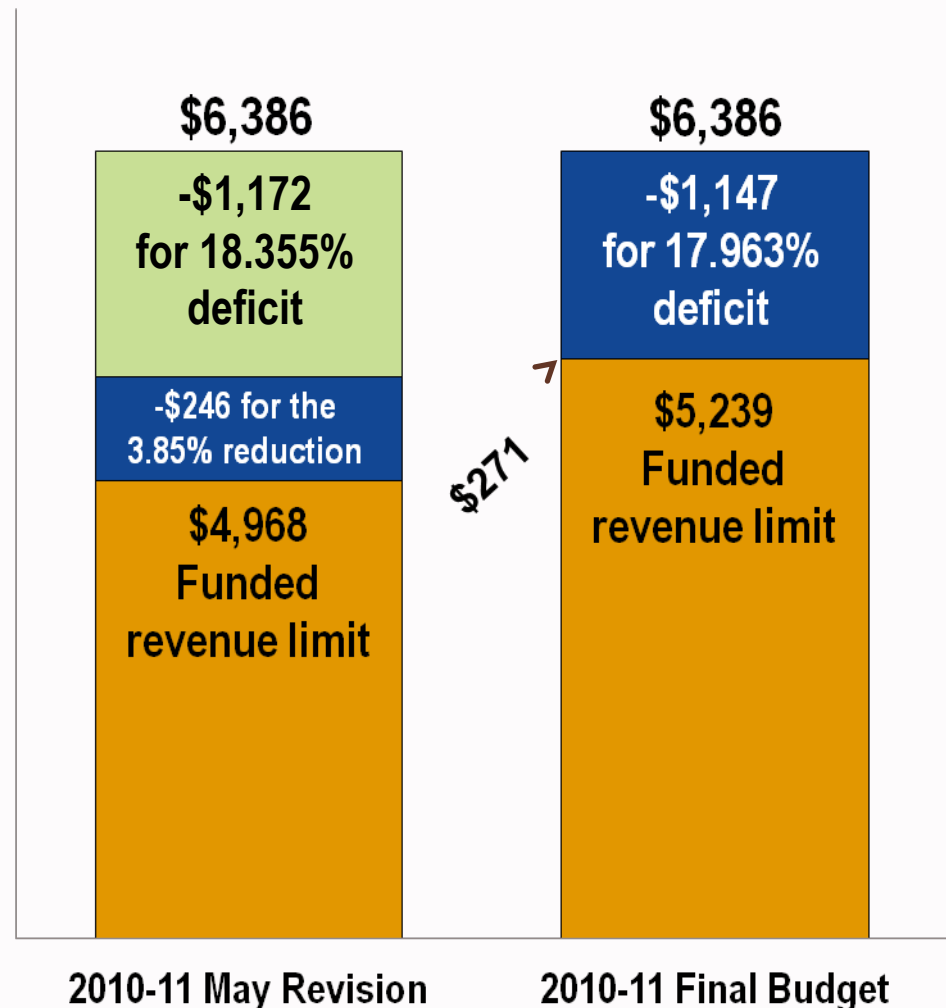
- **May Revision: Suspended existing AB 3632 special education county mental health mandate**
 - **Final Budget: No suspension of mandate to county mental health**



2010-11 Final Budget vs. May Revision



- The Budget agreement did not include the \$1.5 billion revenue limit reduction, estimated to be 3.85% on the total undeficit base revenue limit
- The Budget agreement eliminated the effect of the negative COLA with the lower deficit factor
- The additional \$271 per ADA and approximately 17,800 ADA - generates \$4.8 million in additional Revenue Limit Funding





Financial Dashboard



From School Services of California

Factor	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Statutory COLA (applies to K-12 and COE Revenue Limit)	4.25%	-0.39%	1.70%	1.90%	2.00%	2.40%
K-12 Revenue Limit Deficit %	18.355%	17.963%	17.963%	17.963%	17.963%	17.963%
COE Revenue Limit Deficit %	18.621%	18.250%	18.250%	18.250%	18.250%	18.250%
Other Revenue Limit Adjustments	-\$252.99 ¹ per ADA	N/A	N/A	N/A	N/A	N/A
SSC's Recommended Planning Revenue Limit COLA	N/A	N/A	0.00%	1.90%	2.00%	2.40%

¹The 2009 Budget Revision did not include the 11.428% deficit for 2008-09, which was proposed in the May Revision. Instead, the Budget Revision required school districts, COEs, and charter schools to reduce revenue limits by \$252.99 per ADA on a one-time basis in 2009-10.



Will Flexibility Really Go Away?



- **Depending on the program, current law only allows for flexibility through 2011-12 or 2012-13**
 - **As we work through the multiyear projections, this question comes up because much has shifted from restricted uses**
- **What we know**
 - **The Legislative Analyst Office (LAO) has made recommendations about continued flexibility and additional Tier III programs**
 - **Many districts would be hard pressed to revert to previous program rules and uses**
- **This topic will have to be brought to the forefront with the new Administration for answers regarding assumptions for the multi-year projection “out” years**
 - **Due to current law, we have to “plan” for losing all flexibility**



Next Steps



- **The first interim reporting period closes October 31 and the report will be received by the Board by December 15**
 - **Adjustments to the budget will be made based on the Revised State Budget**
- **Our revision to the budget requires clarifying assumptions:**
 - **How much revenue?**
 - **What flexibility options remain available?**
 - **How will expenditures change?**
 - **What is the impact of Federal Jobs Bill funding?**
- **We will continue to watch Sacramento closely and provide updates on changes to the Board**
- **We are ALL concerned about the January 10, 2011 Budget Proposals**



Questions

