

**Buckeye Union School District**  
**2009-10 FIRST INTERIM REPORTING PERIOD**  
**December 2009**

The following is a summary of the financial position of the Buckeye Union School District as of October 31, 2009. Interim budget reports provide a snapshot of a district's financial condition during the fiscal year. The Governing Board of a school district certifies the district's financial condition to the County Office of Education through these reports. The First Interim report illustrates a district's financial condition and projections as of October 31. For the first time, the Buckeye Union School District certifies that it is qualified; based on current projections, the district may not meet its financial obligations in the current or subsequent two fiscal years.

For ease and clarity, I have summarized within this report the activities and position of each fund and included detailed analysis of items of particular interest. Original state reports are available in the district office and can be forwarded to you upon request.

In September the state finally passed a budget authorizing a total spending plan of \$103.4 billion from the state general fund. Almost immediately Governor Schwarzenegger met with leadership from the Education Coalition and informing them that the state is facing a current year revenue shortfall of between \$5 billion and \$8 billion, and that the shortfall could grow to as much as \$20 billion next year. Then, on November 5, he called a special session of the legislature to deal with this mounting crisis. The session ended with no action by the legislature. "On Monday, December 1, 2008, Governor Schwarzenegger declared a fiscal emergency and called the newly sworn-in Legislature into special session. The Governor issued a proclamation under Proposition 58 of 2004, which gives the Legislature 45 days to pass legislation to address the fiscal emergency. If the Legislature doesn't act within that time frame, it is precluded from adjourning or acting on any other bill until the problem is solved. According to the Governor, the deficit over the next 18 months is estimated to be a staggering \$28 billion that he proposes to eliminate through a balance of cuts and revenue increases that must be addressed immediately. The failure of the Legislature to act in November means that the hole in the Budget is \$1.5 billion to \$2 billion deeper. He also indicated that any delay will mean that more state employees will have to be laid off. He also noted that the state is in danger of running out of cash by late February or early March, at which time it would be unable to pay its bills, including funding for schools." *(SSC Report, December 5, 2008)*

California's economy, mirroring the nation, is in crisis. The effect of this crisis on our public schools will be serious, if not devastating. Cuts will be difficult and deep. Governor Schwarzenegger has proposed several solutions, including strategies for increasing revenue and budget reductions. Among the Governor's recommended budget cuts to education are a \$3 billion revenue reduction, a zero Cost of Living Adjustment (COLA), and elimination of certain categorical programs. Categorical programs designate funds that can only be used for a specific purpose. Some examples include GATE, Class Size Reduction, Instructional Materials and School Improvement Block Grants. Estimates have been made that the cuts to unrestricted revenue limit funding could reach \$300 per ADA or nearly \$1.4 million loss in revenue for the Buckeye School District. Estimates for 2009-10 are even bleaker. Fiscal advisors from School Services of California are predicting this crisis could impact

school district budgets through 2013-14. Major long-term changes in the budgeting process in California need to be made. In the short term, districts will have no choice but to develop a broad contingency plan based on the best information available.

Without specifics of the Legislators' Special Session and revised budget, we must create a contingency plan amounting to the level of anticipated cuts. The Board, staff and community members came together last year and created a list of cuts the district implemented immediately. These reductions amounted to more than \$900,000 in savings, preserving the districts reserves for 2008-09. Part of our continuing plan now includes reserving the original cuts to categorical programs that were included in the May revision last year but were included in the final state budget. Current spending on materials, extracurricular activities, professional development, and equipment may be decreased until specifics of the budget reductions are known. It is possible these dollars will be eliminated altogether, or that districts will be allowed to move restricted dollars into the General Fund to help offset revenue reductions. Depending on the severity of the reductions, we may be faced with deeper cuts than materials, supplies, services and contracts. Budget development and advisory groups in the District have begun to meet. The Steering Committee will meet Tuesday, December 16 and the Budget Advisory Committee will have its first meeting on January 27. At the same time, District Leadership will share information and answer questions at PTC meetings, staff meetings and site council meetings. It will be necessary to look at all available funds in the District to assist us in creating a wide range of possible reductions. There is some feeling that the current legislature lacks the political will to make serious cuts or changes. If the legislature makes only minor or no mid-year cuts, this merely pushes the problem to the 2009-10 budget. The Governor's 2009-10 budget proposals will be unveiled in mid-January 2009. Budget development for 2009-10 begins shortly thereafter. Collaboration with parents, staff and the community must focus on protecting our educational priorities. Decisions must be made that maintain the district's goals to the best of our abilities.

To add insult to injury, cash has become a major concern to the State of California. It is predicted that the state may halt all public works projects as soon as next week in order to preserve cash to make basic payroll. State Treasurer Bill Lockyer told the joint session of the legislature that \$3.1 billion in school construction funding is in jeopardy if a solution is not found soon. This will force the state to use anticipated monies set aside school construction projects to loan to the general fund. Cash flow within the district's general fund is in question due to deferrals in revenues and lower than anticipated tax revenues. Lagging cash receipts from the state will result in lower cash balances and thus lower interest earnings for various funds. To date, the district has borrowed only internally for cash, relying on other funds in the district that have cash balances to wait out the time when taxes are received in December. Staff is closely watching cash balances and is taking the necessary steps to ensure that the district is able to meet its financial obligations.

**Financial Analysis of the General Fund  
Unrestricted Revenue and Expense**

REVENUE

The original budget included revenue limit calculations that included based upon 4,569 ADA (excluding charter school ADA), the same as 2007-08 P-2 ADA after annual adjustments. Enrollment figures to date show very volatile numbers with figures going up and down each month. Projected P-1 ADA is 4,592 ADA. Attendance rates have traditionally declined between P-1 and P-2. For this reporting period we have used 4,577 which is the prior years' P-2 adjusted for COE and annual program variations. The budget was built on a small 0.68% COLA which has been removed for first interim until such time that the mid-year legislative action is taken. The net result is a slight gain in Revenue Limit income. Blue Oak Montessori attendance has also increased. The two combine for a net change to revenue limit sources of almost \$77,000.

While the legislature grapples with how to "fill the budget hole," districts are left with the task of planning for a range of expected actions or inactions. To this end, the district did budget conservatively at budget adoption for almost all sources of revenue.

As stated earlier, cash balances and corresponding interest earnings were a concern even at budget adoption. The budget was adopted with interest earnings to be about 27% less than the prior years' earnings. With much lower interest rates the estimated earnings are expected to be even less and the interim report includes a further reduction of 44%.

Summary of Unrestricted Revenue Changes (rounded to the nearest \$1,000):

Revenue Limit	\$77,000
Forest Reserve	\$146,000
Other State Revenue	\$3,000
Interest Earnings	(\$78,000)
CFD support of SIS purchase	\$150,000
<b>Total</b>	<b>\$298,000</b>

EXPENSE

A number of changes have occurred since budget adoption in June. In November 2008, the board approved the purchase of a new student information system. The full expense of this purchase has been added to the operating budget as a capital expense. Normal allocation of local program carryovers as well as miscellaneous adjustments for standard budget updates has also been made.

Summary of Unrestricted Expenditure Changes (rounded to the nearest \$1,000):

Salary updates	(\$25,000)
07-08 Golden Handshake payment	(\$26,000)
Employee Benefits	(\$106,000)
New Student Information System	\$300,000
Site carryover	\$400,000
Reduction to contingency supply accounts	(\$208,000)
Repairs, Contracts and other operating exp.	(\$13,000)
<b>Total</b>	<b>\$322,000</b>

<i>Changes to revenue:</i>	<i>\$298,000</i>
<i>Changes to expense:</i>	<i>\$322,000</i>
<i>Net change to fund balance:</i>	<i>(\$24,000)</i>

As at the time of budget adoption, the district shows only planned deficit spending with no operating deficit in the current year.

***Restricted Income and Expense***

Major changes to restricted revenues are the addition of state CSIS cohort money of \$40,000 in support of our preparation to be CSIS/CALPADs compliant purchase new sis. The district for the first time is receiving money for the English Language Acquisition Program (ELAP) for an additional \$5,200. The remaining \$10,000 in changes is due to minor income adjustments to TUPE and school Garden Grants.

EXPENSE

The majority of changes to restricted expenses is the appropriation of site based restricted carryovers from School and Library Improvement Block Grants, Arts & Music Block grant, EIA and one-time block grants.

Summary of Restricted Expenditure Changes (rounded to the nearest \$1,000):

Salaries and benefits	\$119,000
Instructional Supplies	\$898,000
Services and Contracts	\$217,000
Capital Outlay	\$38,000
Change in Excess cost for Special Education	\$8,000
<b>Total</b>	<b>\$1,280,000</b>

At budget adoption, estimates showed transportation required contributions from the unrestricted general fund. While additional revenues and declining gas prices may help reduce this amount, staff will continue to monitor effects of these changes for the remainder of the year to see what reduction of support can be made, if any.

## **Multi-Year Financial Projections**

In order to truly understand the financial picture of the district the current year's budget needs to be projected into the future. The projections for 2009-10 and 2010-11 include the following assumptions:

- No change to enrollment
- No funded COLA
- No additional state cut to revenues
- Step/column costs only
- Minimal 1% increase to supply and operating expense accounts
- Removal of one-time expenses and revenues

Given these assumptions, it is projected that the district will have an operating deficit in 2009-10 of approximately \$622,000. That operating deficit increases to more than \$900,000 in 2010-2011.

## **Financial Analysis of the Cafeteria Fund**

As projected at budget adoption, food service continues to require subsidy from the general fund for operations but with no change from budget adoption.

The district continues for this final year to purchase pre-made meals from the El Dorado Union High School District. The district assigns all federal food commodities as well as pays \$2.25 per meal to EDUHSD, leaving \$0.40 per meal to cover all other costs of the program.

The district is continuing its work on designing its own food service program to eliminate its dependency on outside sources for its lunches. The construction of the central kitchen at Buckeye School and the expanded kitchen at Brooks are on target for completion in the late winter/early spring. The middle schools have already changed their programs to eliminate purchasing food from EDUHSD.

## **Other Funds**

The only major changes to other funds in the district were to building funds. Staff is adjusting expenditure budgets as contracts are encumbered and finished. Total expenditures are expected to both increase and decrease as the district moves through its various projects.