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# Addressing Long-Term Budget Challenges

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Eva Rae Lueck

Chief Business & Financial Officer

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# Impact Analysis of On-Going vs. One-Time Revenue Options (Sample District)

## Scenario 1

Scenario 1				
No Additional Revenues and No Expenditure Reductions	Year 1	Year 2	Year 3	Year 4
Beginning Balance 15%	\$ 25,500,000	\$ 11,500,000	\$ (6,500,000)	\$ (26,900,000)
Revenue	170,000,000	160,000,000	160,000,000	161,600,000
On-Going Reduction	(10,000,000)			
On-Going Increase Year 3 - 1%			1,600,000	
On-Going Increase Year 4 - 2%				3,232,000
Expense	(170,000,000)	(174,000,000)	(178,000,000)	(182,000,000)
Annual On-Going Increases (health insurance, step & column, utilities, etc.)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Ending Balance	<u>\$ 11,500,000</u>	<u>\$ (6,500,000)</u>	<u>\$ (26,900,000)</u>	<u>\$ (48,068,000)</u>
<b>Structural Deficit</b>	<b>\$ 14,000,000</b>	<b>\$ 18,000,000</b>	<b>\$ 20,400,000</b>	<b>\$ 21,168,000</b>

### Base Assumptions

Balanced Budget - Revenues equal Expenditures

Beginning Fund Balance/Reserve is 15%

Revenue Reduction is \$10 million On-Going

Year 3 - 1% Increase On-Going

Year 4 - 2% Increase On-Going

On-Going Expenditures Increase \$4 million per Year (health insurance, step & column, utilities)

# Impact Analysis of On-Going vs. One-Time Revenue Options (Sample District)

## Scenario 2

### Scenario 2

Assumes \$10 million One-Time Revenue (plus) \$4 million Balance Transfer

	Year 1	Year 2	Year 3	Year 4
Beginning Balance 15%	\$ 25,500,000	\$ 25,500,000	\$ 7,500,000	\$ (12,900,000)
Revenue	170,000,000	160,000,000	160,000,000	161,600,000
On-Going Reduction	(10,000,000)			
On-Going Increase Year 3 - 1%			1,600,000	
On-Going Increase Year 4 - 2%				3,232,000
NEW - One-Time Funding	10,000,000			
NEW - One-Time Balance Transfer	4,000,000			
Expense	(170,000,000)	(174,000,000)	(178,000,000)	(182,000,000)
Annual On-Going Increases (health insurance, step & column, utilities, etc.)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Ending Balance	<u>\$ 25,500,000</u>	<u>\$ 7,500,000</u>	<u>\$ (12,900,000)</u>	<u>\$ (34,068,000)</u>

### Base Assumptions

Balanced Budget - Revenues equal Expenditures

Beginning Fund Balance/Reserve is 15%

Revenue Reduction is \$10 million On-Going

Year 3 - 1% Increase On-Going

Year 4 - 2% Increase On-Going

On-Going Expenditures Increase \$4 million per Year (health insurance, step & column, utilities)

# Impact Analysis of On-Going vs. One-Time Revenue Options (Sample District)

## Scenario 3

Scenario 3 Assumes Receipt of \$10 million (plus) \$4 million Balance Transfer (plus) \$5 million of Flex Funds for 3 Years				
	Year 1	Year 2	Year 3	Year 4
Beginning Balance 15%	\$ 25,500,000	\$ 30,500,000	\$ 17,500,000	\$ 2,100,000
Revenue	170,000,000	160,000,000	160,000,000	161,600,000
On-Going Reduction	(10,000,000)			
On-Going Increase Year 3 - 1%			1,600,000	
On-Going Increase Year 4 - 2%				3,232,000
NEW - One-Time Funding	10,000,000			
NEW - One-Time Balance Transfer	4,000,000			
NEW - Flex Transfers	5,000,000	5,000,000	5,000,000	<b>Ends</b>
Expense	(170,000,000)	(174,000,000)	(178,000,000)	(182,000,000)
Annual On-Going Increases (health insurance, step & column, utilities, etc.)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Ending Balance	<u>\$ 30,500,000</u>	<u>\$ 17,500,000</u>	<u>\$ 2,100,000</u>	<u>\$ (19,068,000)</u>

### Base Assumptions

Balanced Budget - Revenues equal Expenditures

Beginning Fund Balance/Reserve is 15%

Revenue Reduction is \$10 million On-Going

Year 3 - 1% Increase On-Going

Year 4 - 2% Increase On-Going

On-Going Expenditures Increase \$4 million per Year (health insurance, step & column, utilities)

# Impact Analysis of On-Going vs. One-Time Revenue Options (Sample District)

## Scenario 4

Scenario 4 Assumes Receipt of \$10 million (plus) \$4 million Balance Transfer (plus) \$5 million of Flex Funds for 3 Years (plus) New On-Going Expenditure Reductions each Year \$ 2 million, \$1.95 million, \$1.85 million, \$1.75 million				
	Year 1	Year 2	Year 3	Year 4
Beginning Balance 15%	\$ 25,500,000	\$ 32,500,000	\$ 23,450,000	\$ 13,850,000
Revenue	170,000,000	160,000,000	160,000,000	161,600,000
On-Going Reduction	(10,000,000)			
On-Going Increase Year 3 - 1%			1,600,000	
On-Going Increase Year 4 - 2%				3,232,000
NEW - One-Time Funding	10,000,000			
NEW - One-Time Balance Transfer	4,000,000			
NEW - Flex Transfers	5,000,000	5,000,000	5,000,000	<b>Ends</b>
Expense	(170,000,000)	(172,000,000)	(174,050,000)	(176,200,000)
Annual On-Going Increases (health insurance, step & column, utilities, etc.)	(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Reduction in On-Going Expenditures - Year 1	2,000,000			
Additional Reductions in On-Going Expenditures - Year 2		1,950,000		
Additional Reductions in On-Going Expenditures - Year 3			1,850,000	
Additional Reductions in On-Going Expenditures - Year 4				1,750,000
Ending Balance	<u>\$ 32,500,000</u>	<u>\$ 23,450,000</u>	<u>\$ 13,850,000</u>	<u>\$ 232,000</u>

Same Base Assumptions as Other Scenarios

-Positive Balance  
-Fails to Meet 3% Reserve

# Impact Analysis of On-Going vs. One-Time Revenue Options (Sample District)

## Scenario 1 through 4 - Summary

	Ending Fund Balance			
	Year 1	Year 2	Year 3	Year 4
<b>Scenario 1</b> - No Additional Revenues and No Expenditure Reductions	\$ 11,500,000	\$ (6,500,000)	\$ (26,900,000)	\$ (48,068,000)
<b>Scenario 2</b> - Assumes Receipt of \$10 million One-Time Payment (plus) \$4 million Balance Transfer	25,500,000	7,500,000	(12,900,000)	(34,068,000)
<b>Scenario 3</b> - Assumes Receipt of \$10 million (plus) \$4 million Balance Transfer (plus) \$5 million of Flex Funds for 3 Years	30,500,000	17,500,000	2,100,000	(19,068,000)
<b>Scenario 4</b> - Assumes Receipt of \$10 million (plus) \$4 million Balance Transfer (plus) \$5 million of Flex Funds for 3 Years (plus) New On-Going Expenditure Reductions each Year \$ 2 million, \$1.95 million, \$1.85 million, \$1.75 million	\$ 32,500,000	\$ 23,450,000	\$ 13,850,000	\$ 232,000

-Positive Balance  
-Fails to Meet 3% Reserve

# The Cumulative Impact of an On-Going Expenditure Reduction in Year 1 (*Sample District*)

## When is a \$1 Million Reduction Equal to \$3 Million

Impact of Reducing On-Going Expenditures				
	Base Year	Year 1	Year 2	Year 3
Beginning Balance	\$ 10,000,000	\$ 10,000,000	\$ 11,000,000	\$ 12,000,000
Revenue	100,000,000	100,000,000	100,000,000	100,000,000
Expense	(100,000,000)	(100,000,000)	(99,000,000)	(99,000,000)
Reduction in On-Going Expenditures		<b>1,000,000</b>		
Ending Balance	<u>\$ 10,000,000</u>	<u>\$ 11,000,000</u>	<u>\$ 12,000,000</u>	<u>\$ 13,000,000</u>
<b>Savings over 3 years</b>				<b><u><u>\$ 3,000,000</u></u></b>

# Potential Funding Sources for the \$25.3 Million Negative Balance in 2011-12

## Additional Sources

Additional Sources	End Balance 2007-08  (millions)	2008-09 Through 2011-12		Balance Available to Use in 2011-12  (millions)
		Currently Allocated	Additional Generated	
<b>Program Balances Currently in Place</b>				
Restricted Maintenance Account	\$ 3.5	\$ -	\$ 1.2	\$ 4.7
Special Education	3.3	(2.5)	-	0.8
<b>Options Finalized for Consideration</b>				
Stop GASB 45 Contribution Currently Budgeted (est.)	-	-	4.8	4.8
Stop Deferred Maintenance Transfer Currently Budgeted (est.)	-	-	4.8	4.8
Retain State Deferred Maintenance Revenue for General Fund (est.)	-	-	4.8	4.8
<b>Projected Reserves for Utilization in the 2011-12 Budget</b>				<b>\$ 19.9</b>



# Potential Funding Sources for the \$25.3 Million Negative Balance in 2011-12

## Options Not Finalized

Additional Sources	End Balance 2007-08	2008-09 Through 2011-12		Balance Available to Use in 2011-12
		Currently Allocated	Additional Generated	
<b>Options Not Finalized</b>				
Sweep Textbook Revenue to Match Restricted Lottery Balance	\$ 2.4	\$ -	\$ 1.6	\$ 4.0
Sweep Other Categorical Balances	???	???	???	???
Flex Transfers - Reduce Categorical Programs	???	???	???	???
Federal Stimulus Funding	???	???	???	???
Program Reductions	???	???	???	???

## Other Funds Available

Additional Sources	End Balance 2007-08	2008-09 Through 2011-12		Balance Available to Use in 2011-12
		Currently Allocated	Additional Generated	
<b>Other Funds Available</b>				
Debt Service Fund	\$ 15.4	\$ (5.2)	\$ -	\$ 10.2
GASB Funds 20.0 & 67.2 - Currently \$1.25 Million Budgeted Assumes No Contributions 08-09 Forward	8.0	(3.8)	-	4.3

# Potential Funding Sources for the \$25.3 Million Negative Balance in 2011-12

Additional Sources	End Balance 2007-08 (millions)	2008-09 Through 2011-12		Balance Available to Use in 2011-12 (millions)
		Currently Allocated	Additional Generated	
<b>Program Balances Currently in Place</b>				
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Stop Deferred Maintenance Transfer Currently Budgeted (est.)	-	-	4.8	4.8
Retain State Deferred Maintenance Revenue for General Fund (est.)	-	-	4.8	4.8
<b>Projected Reserves for Utilization in the 2011-12 Budget</b>				<b>\$ 19.9</b>

**Additional Sources**

<b>Options Not Finalized</b>				
Sweep Textbook Revenue to Match Restricted Lottery Balance	\$ 2.4	\$ -	\$ 1.6	\$ 4.0
Sweep Other Categorical Balances	???	???	???	???
Flex Transfers - Reduce Categorical Programs	???	???	???	???
Federal Stimulus Funding	???	???	???	???
Program Reductions	???	???	???	???

**Options Not Finalized**

<b>Other Funds Available</b>				
Debt Service Fund	\$ 15.4	\$ (5.2)	\$ -	\$ 10.2
GASB Funds 20.0 & 67.2 - Currently \$1.25 Million Budgeted Assumes No Contributions 08-09 Forward	8.0	(3.8)	-	4.3

**Other Funds Available**

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# Current Budget Challenge 2011-12

- **\$25 Million deficit in 2011-12 if no action taken**
  - **Structural Deficit of \$17 million**
    - \$13 Million Revenue Shortfall (ongoing-revenue)
    - \$4 to 5 Million Added Expenditures (each year)
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# GUSD Budget Strategy Must Contain:

- **Utilization of One-Time & Short-Term Funding**
    - Federal Stimulus
    - State Flexibility Options
    - District Reserves
  - **Ongoing Reductions**
    - Reduction and Consolidation of Programs
  - **Exit and Contingency Considerations**
    - Exit Strategy When Short-Term Funds Depleted
    - Considerations for Future State Reductions
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