

PASO ROBLES JOINT UNIFIED SCHOOL DISTRICT

QUESTIONS AND ANSWERS REGARDING CURRENT BUDGET CRISIS February 2010

Is the budget balanced for this year?

Yes, however the budget was balanced with borrowed and one-time money. The district's expenses are currently greater than its revenue.

Why are we doing cuts this year? The budget is balanced so we don't need to worry.

Expenditures this year can save elimination or reduction for next year or the years ahead. The district is in a position of "we can pay now" or "we can pay later plus more".

The district has a Qualified Budget certification. What does that mean?

The rating means that the district projects it will have financial problems next year and the year after that. In the latest period, PRJUSD was one of only 10% of the districts in California that had a Qualified Budget. If we can't meet our fiscal obligations next year we will be designated Negative Budget, which can trigger many sanctions and state receiverships.

Why does the need to cut seem worse next year than what the district has faced in the past two years?

We have been able to operate at the current level using Federal Stimulus funds and borrowed money, which is one-time money. In addition, it appears we have made less cuts in 2009-10 than most districts.

What are the specific cuts proposed for 2010-11?

Cuts of approximately \$6.7 million of the current \$7.4 million estimate needed have been proposed. See the current list at

[www.pasoschools.org/budget/Elminations and Reductions Proposals 09-10 & 10-11.pdf](http://www.pasoschools.org/budget/Elminations%20and%20Reductions%20Proposals%2009-10%20&%2010-11.pdf)

Are administrative cuts included in the proposed budget reductions?

Yes, reductions and eliminations have been made the past three years. They will continue to be made this year and next year. District and site administrators are currently the only employees taking furlough days for 2009-10. In addition, deductions have and will continue to be made in central administrative, fiscal, and maintenance services.

Did the Federal Stimulus money help our situation?

Yes. The district received approximately \$2.5 million (\$1.8 million in 2008-09 and \$0.7 million in 2009-10). Some of the money was targeted for the needs of low socio-economic and special needs children. The remainder was used to avoid making deeper cuts in 2008-09 and 2009-10.

Will the district receive additional Federal Stimulus funds?

No further allocations are confirmed at this time.

Does the district have reserve funds that could be used to help balance the budget?

Yes, the district is required to keep a 3% reserve - currently \$1.75 million - for economic uncertainties and to remain fiscally solvent. Money spent from the reserve in one budget year has to be paid back in the next budget year. It cannot be used to balance the budget going into a budget year. Any money in the ending balance over a 3% reserve this year will be used to help balance the budget for 2010-11.

The district has to receive a Cost of Living Allowance (COLA) by law. Why is that not helping the situation?

For three years, the State of California has applied the COLA to the calculation on how much revenue we are to receive. A deficit factor is applied which is the amount of the COLA, plus more cuts in revenue. In other words, we receive the COLA and then it is taken away plus more. A negative COLA is being projected by the State for 2010-11.

Isn't our district growing and doesn't that help the budget?

PRJUSD has been in declining enrollment for the last two years. This has reduced our revenue this year and next year. However, taking back our special education students from county programs will help offset the loss.

Is the \$7.4 million a real number or is it a number being used now for a worst-case situation?

The number is a real number and could be larger. Potential state cuts to our revenue have not been calculated in the final amount needed to be cut.

What about furlough days? How do they work? How much do furlough days save the district?

Furlough days are days off without pay. Each furlough day for all employees saves approximately \$216,000. At this point certificated and classified district administrators will have five furlough days and site administrators four furlough days in the current year. The superintendent has agreed to five furlough days this year and five days next year.

Do furlough days effect a service year?

The result is reduced annual earnings for employees but they are structured so a full service year would still be counted toward retirement.

In the summary of revenues what does the insurance offset mean?

PRJUSD had a zero increase in health insurance premiums for 2009-10 . SISC did this because of the financial strain that districts were experiencing. They will not be able to keep premiums at the current rate for another year and increases are expected. We will know the amount of increase in April. Our workers' compensation insurance premiums were waived for 2009-10 as our insurer SIPE used reserves to pay them. We will have to pay the full amount next year.

Does the budget effect Measure T?

No, the income can only be used for facility projects for grades 9-12. The funds are audited each year and overseen by the Citizens' Bond Oversight Committee. The income cannot be used to help balance the budget.

Can't we borrow funds from Measure T to help through the crisis?

Only for the short term. If Measure T funds are borrowed in a fiscal year, they have to be repaid with interest in the same fiscal year.

Would a parcel tax help our budget situation?

A parcel tax is a set amount on each taxed parcel regardless of size or value. Yes, it would help and could generate as much as \$2 million each year. A parcel tax requires a 2/3 majority vote. Funds from such a tax would not be available for the 2010-11 budget year.

Why is it so difficult to reduce a school district's budget?

85% of the budget is for personnel salaries and benefits. To reduce the budget, those employees would have to be laid off which affects programs and services which in turn affects the students.

Does the district have school property that can be sold that could help the budget shortfall?

The district owns some property. Not all property can be sold because of deed restrictions. The possibility of selling some property is being actively explored.

How do I stay informed about future budget decisions?

A budget update will be emailed to all employees at least monthly in the coming months. Staff and public forums are being scheduled. A budget update will be given at each regularly scheduled board meeting until the budget is submitted by June 30.