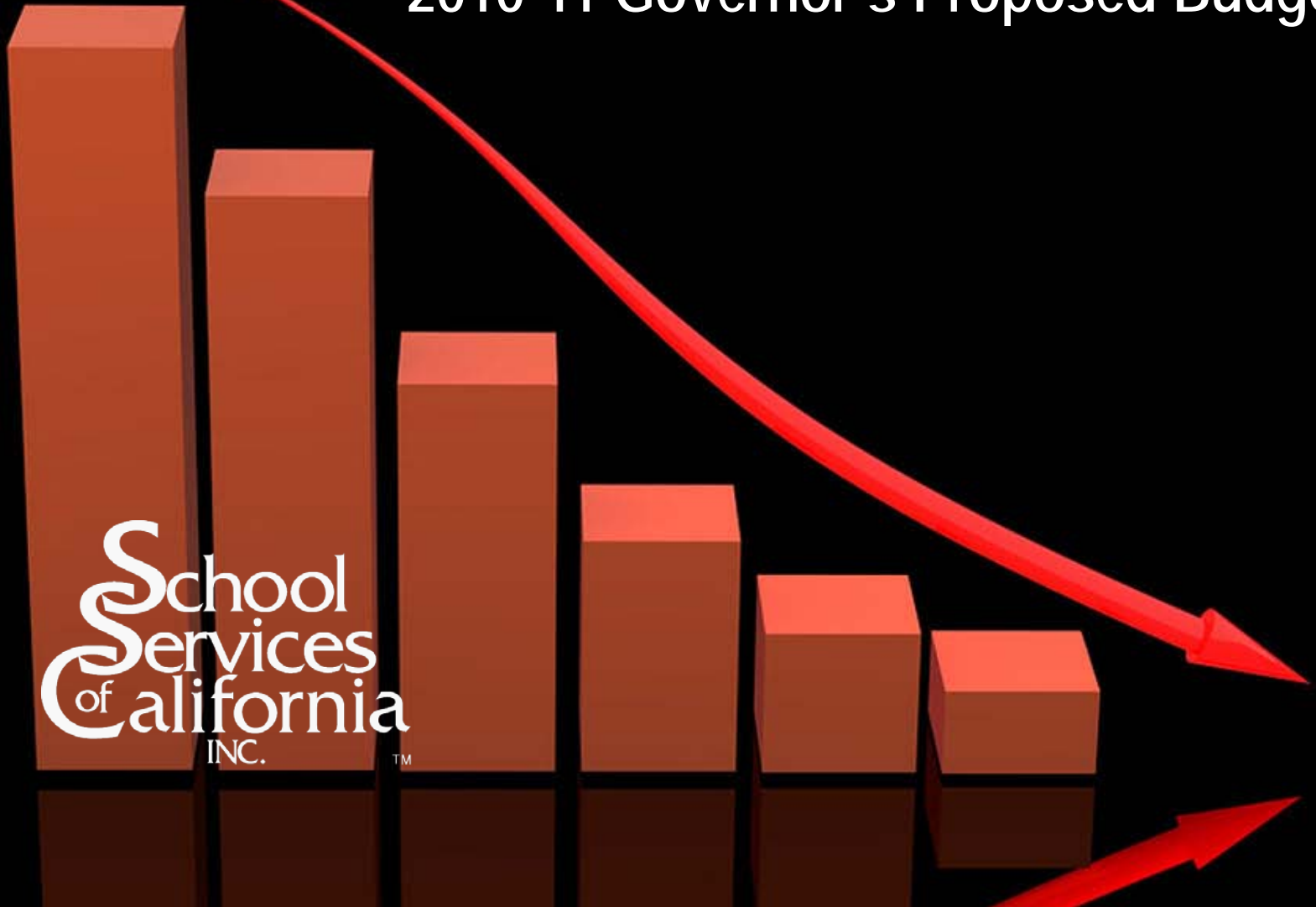


Union School District

2010-11 Governor's Proposed Budget



School
Services
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Governor's Proposals for 2010-11

- The state has used, and continues to use, a variety of solutions to balance the Budget
 - New federal funds including the assumption that the federal government will increase reimbursements to the State by 6.9 billion
 - Budget reductions
 - Borrowing and special fund transfers
 - "Creative proposals"
- This Budget pulls out the stops and uses all the tools
- Every segment of government support is affected
 - More Californians are depending on public support
 - Meeting even minimal support levels is very difficult
 - When families suffer, education suffers as well
- We believe the Governor will have difficulty getting his proposals through the Legislature unscathed

● Highlights of the Education Budget

- Flat funding under Proposition 98 in 2010-11
- \$1.5 billion in cuts targeted to district administration (\$191 Elem, \$231 High, \$201 Unified per ADA)
- Personnel and administrative reforms
- Suspension of almost all education mandates

● Negative cost-of-living adjustment (-.38% COLA) produces no new funding for Revenue Limit or Categoricals

● Deficit factor remains at record level (18.355%)

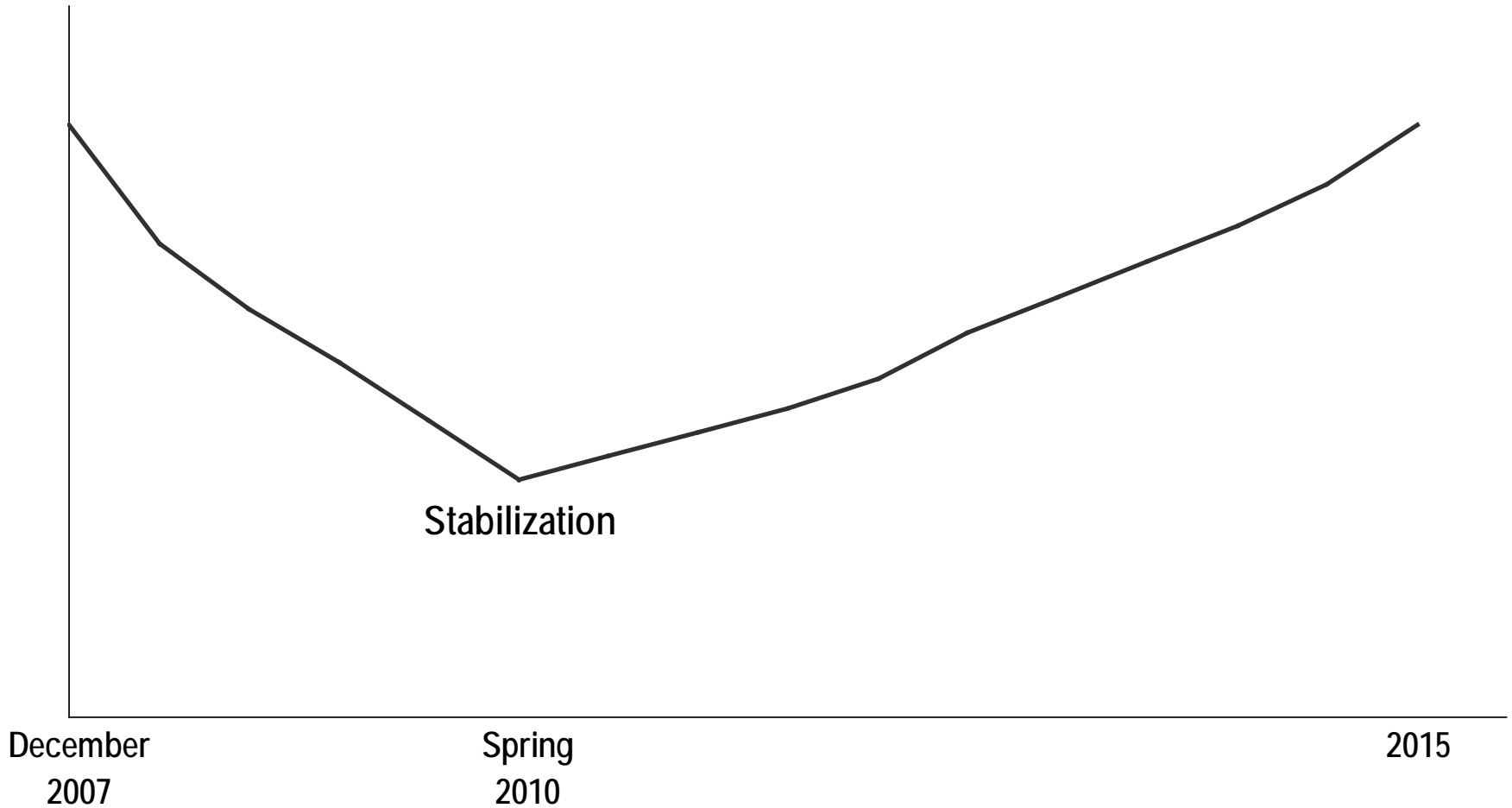
● Proposition 98 is still owed major sums

- \$11.2 billion from past deficits
- More than \$1 billion for unfunded mandates
- Don't plan to collect this year

- While there are signs of recovery, California's economy will continue to suffer from high unemployment
 - As of November 2009, the state's unemployment rate is 12.3%, compared to 10.0% for the U.S. as a whole
 - The Department of Finance forecasts the unemployment rate to remain above 10% through 2011
- Other factors that will impair the recovery include:
 - Very weak construction and manufacturing sectors
 - Political gridlock in Sacramento

Recovery Takes a Long Time

The Economic Cycle

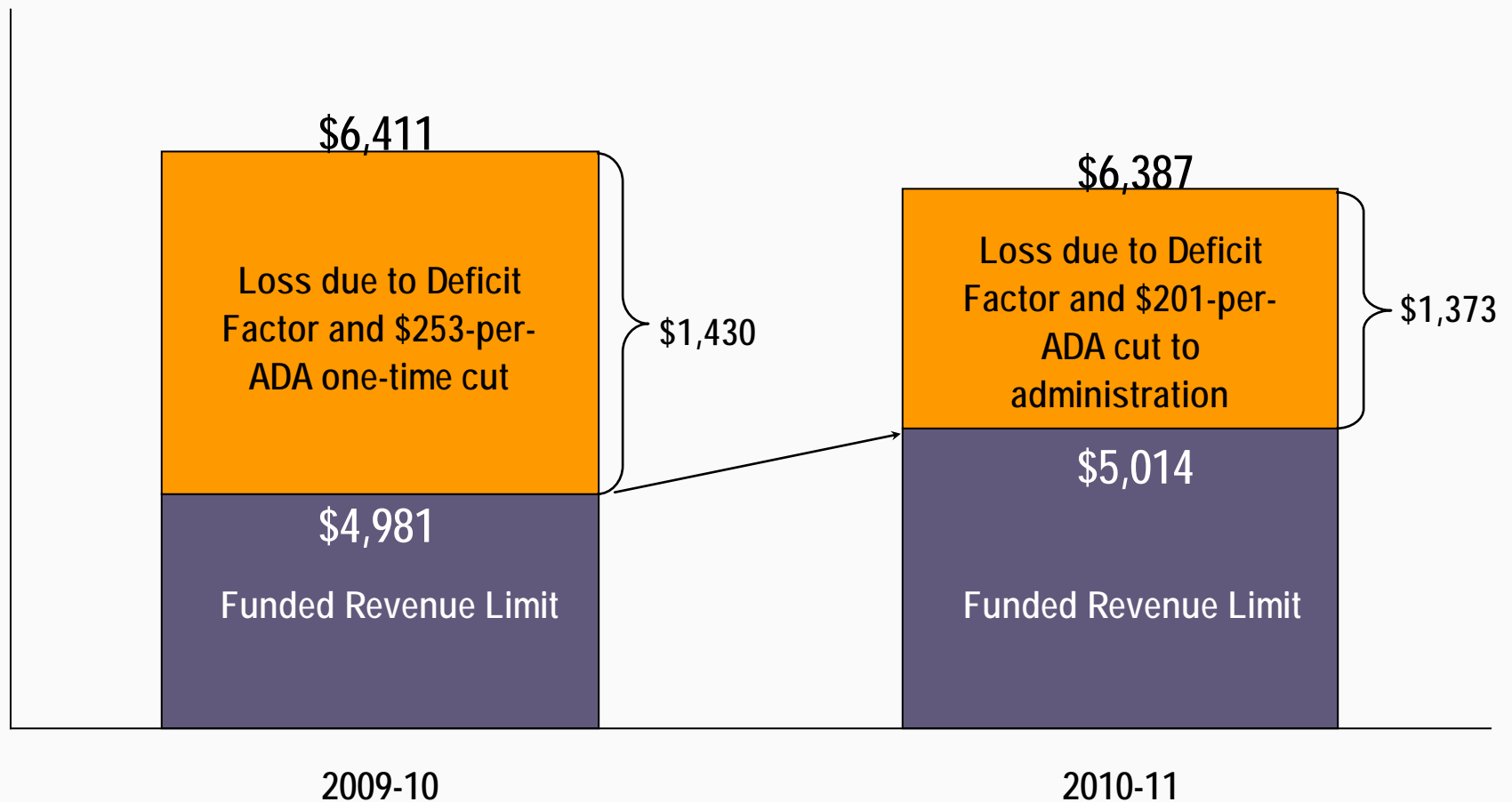


What Does It Mean to Be Protected?

- The Governor featured “protecting education” as a major theme – does that mean no cuts? No!
- But it does mean:
 - No midyear cuts to school agencies for 2009-10 but undistributed class-size reduction (CSR), reversion, and other funds are lost
 - Lower-than-proportional reductions for 2010-11--Education makes up about 1/2 the Budget, but takes about a 1/4 the cuts
- Cash is still a major problem
 - Accounting issues for current-year deferrals
 - Cash balances for most districts are perilously low
 - Poor credit ratings for California and school districts
- Low funding levels will require more staffing reductions
- Collective bargaining will continue to be difficult

Funded Revenue Limit 2009-10 vs. 2010-11

Example: Average Unified District



2009-10 Union School District Revenue Limits



	Average Unified District for 2009-10	Base Revenue Limit per ADA (A)	Proration Factor (B)	Funded Base Revenue Limit (C) = (A) x (B)
1.	2008-09 Base Revenue Limit	\$5,834.13	0.92156	\$5,376.50
2.	2009-10 COLA per ADA	250.00	-	-
3.	2009-10 Base Revenue Limit	6,084.13	0.81645*	4,967.39
4.	2009-10 One-Time Reduction	-	-	<252.83>
5.	Net 2009-10 Funding (C3 minus C4)			\$4,714.56
6.	Dollar Change (Line 5, Column C minus Line 1, Column C)			<\$661.94>
7.	Percentage Change (Line 6, Column C divided by Line 1, Column C)			<12.31%>

*0.81645 = 1 - .18355 (deficit factor)

2007-08 COLA 5.66% with 7.844% Deficit for Net Change of -2.58%

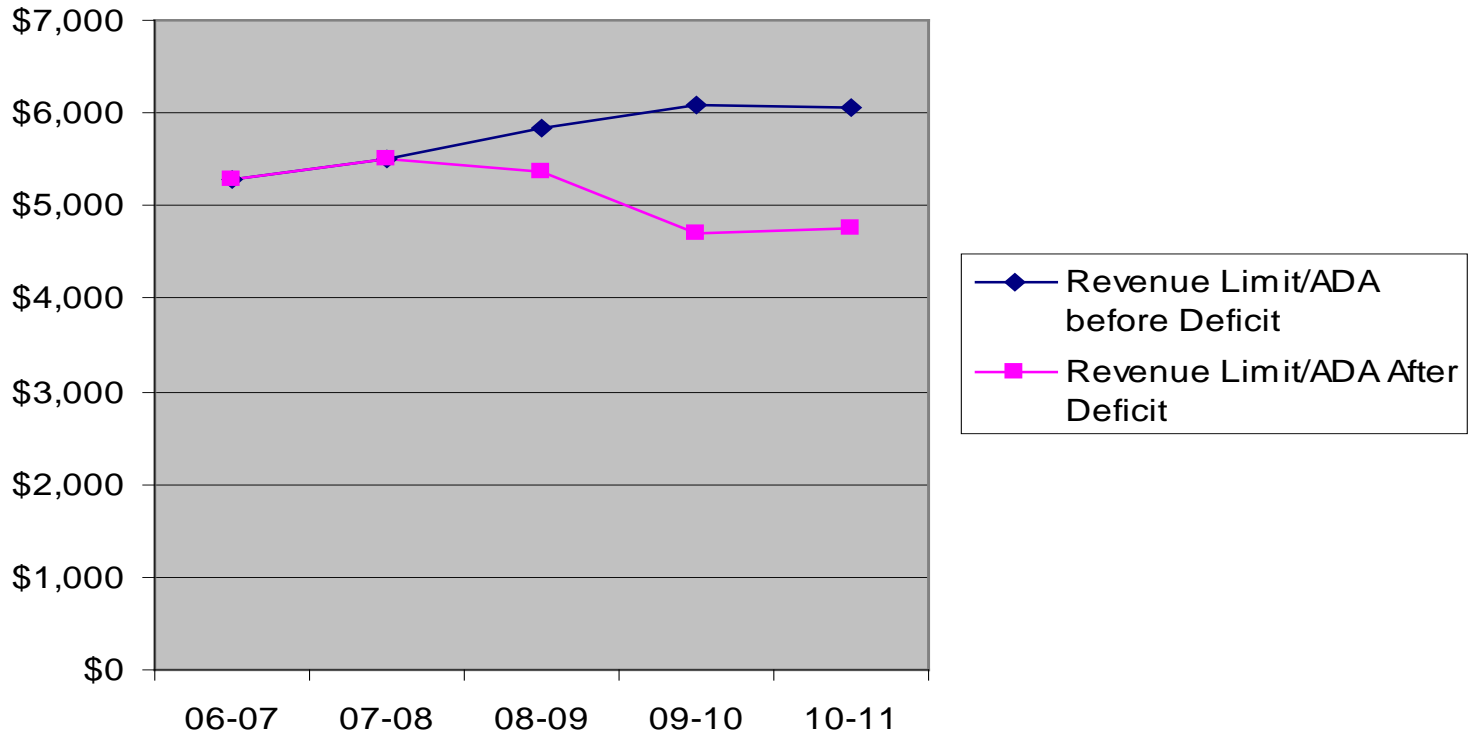
2010-11 Union School District Revenue Limits

	Average Unified District for 2010-11	Base Revenue Limit per ADA (A)	Proration Factor (B)	Funded Base Revenue Limit (C) = (A) x (B)
1.	2009-10 Base Revenue Limit	\$6,084.13	0.81645	\$4,967.39
2.	2010-11 COLA per ADA	<23.00>	-	-
3.	2010-11 Base Revenue Limit	6,061.13	0.81645*	4,948.61
4.	2010-11 Ongoing Administration Cost Reductions	<191.00>	-	<191.00>
5.	Net 2010-11 Funding (C3 minus C4)			\$4,757.61
6.	Net 2009-10 Funded Revenue Limit (Slide TK Line 5, Column C)			4,714.56
7.	Dollar Change (Line 5, Column C Minus Line 6, Column C)			\$43.05
8.	Percentage Change (Line 7, Column C Divided by Line 1, Column C)			0.91%

*0.81645 = 1 - .18355 (deficit factor)

Differences Between Revenue Limits Earned per Student Average Daily Attendance

USD Comparison of Entitled to Actual Revenue Limits





Other Significant Policy Reforms

- The Governor's Budget proposal includes significant policy reforms
 - Reforms will:
 - Eliminate seniority as a consideration in employment decisions evaluate on skills and subject matter needs
 - Allow layoff notification for teachers up to 60 days after the state budget is adopted
 - Eliminate the requirement to give laid-off teachers priority as substitute teachers at their former pay rate
 - Suspend most education mandates
- Race to the Top (RTTT)
 - Estimate of 10% to 25% of Title 1 base grants
- Balanced budget must be adopted by district prior to June 30, 2010 but State Budget will most likely not be in place by then
- Once the State Budget is adopted, the district makes adjustments to its budget within 45 days