

# SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

Preliminary General Fund Budget for 2012-13

Board of Education Presentation

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Agenda Item D.01

## Status of State Budget

- **The May Revise**
  - recognized that the State economy has not improved.
    - The two year shortfall grew from \$9.2 billion to \$15.7 billion.
  - sets funding levels for schools at current amounts.
  - is **DEPENDENT** upon passage of a tax measure in November.
  - triggers automatic reductions to school district revenues if a tax measure fails.
- **Uncertainty is the major risk for schools:**
  - LACOE, School Services, and School Innovations and Advocacy **ALL RECOMMEND** planning, preparing, and reserving for a revenue reduction of \$441/ADA.
  - The timing of cash receipts become a significant factor for most districts.

## Budget Approval Process

- As the AB 1200 oversight agency, the County Office of Education (LACOE) reviews and approves district budgets
- To receive budget approval, a district must:
  - Develop a budget based on accepted, reasonable assumptions
  - Include projections for the budget year and two subsequent years
  - Each year must maintain the required 3% Reserve for Economic Uncertainty (REU)
  - **DEFICIT SPENDING PATTERNS** must be addressed with a Board plan

## SMMUSD Revenue Assumptions

- District enrollment is 11,323, up slightly
- State Funding
  - Revenue Limit funding at \$5,286.16/student ADA after a 22.272% **deficit**
  - Lottery Funds are projected to be \$141.75/ADA
  - Tier III Flexibility is \$4.7 million
- Federal Funding
  - No increases/reductions have been projected
- Local Funding
  - Measure R Parcel Tax is estimated at \$10.9 million
  - Prop Y is estimated at \$6.4 million
  - Cities of Santa Monica and Malibu contribute \$8.2 million
  - Lease revenue is estimated at \$2.3 million

## Steps Taken with the SMMUSD Budget

- Beginning with a workshop on February 18<sup>th</sup>, the Board has considered various reductions in the budget.
- Guidelines used to propose reductions included:
  - Realistic but measured approach
  - Least direct impact to students
  - Avoid disruption to educational programs
  - Reductions should be sustainable - not one time
- Due to the uncertainty of state revenue, the Board recognized that smaller reductions now, with the possibility of future cuts was the most reasonable approach.

## 2012-13 Budget Reductions

## Site Administration Elementary Assistant Principals

- Establish AP staffing ratio at Elementary schools
  - Enrollment > 700                      1.0    fte
  - Enrollment  $\geq 500 \leq 700$             0.5    fte
  - Enrollment < 500                      0.0    fte
  
- Loss of 0.7 fte

## Elementary Asst. Principals

SITE	Current AP Staffing	Proposed AP Staffing
Cabrillo	0	0
Edison	0	0
Franklin	1	1
Grant	1	.5
McKinley	.4	.5
Muir/SMASH	0	0
Pt. Dume	0	0
Roosevelt	1	1
Webster	0	0
Will Rogers	.8	.5
<b>TOTAL</b>	<b>4.2</b>	<b>3.5</b>

## **Special Education**

### **Coordinators/Teachers/ Instructional Aides**

- **Reduction of 1.0 fte Special Education Coordinator position**
- **Reduction of 3.0 fte Special Education teaching positions**
- **Reduction of 5.0 fte Special Education Instructional Assistants**

## **District Wide Classified – Supplies and Other Services**

- **Reduction of 1.0 fte between Fiscal Services and Human Resources**
- **Reduction of 3.0 fte Senior Office Specialists at schools – establishing a staffing ratio that varies with site enrollment**
- **Reduction in Supplies, Contracts and Other Services across the district**

## Senior Office Specialist Proposed Ratios

Site Enrollment	Staffing Ratio - fte
Less than 400	0.5
Between 400 and 550	1.0
Between 551 and 700	1.5
Greater than 700	2.0

## Classroom Teachers

- No change in grades K-1
- Change in grades 2- 3 (non Title I)  
Elementary School staffing ratio from 25:1 to 30:1
- All Other Elementary and Middle School staffing ratios remain unchanged
- Change in grades 9 – 12 High School staffing ratio from 35:1 to 36:1

## SMMUSD Expenditure Assumptions

- **Staffing Ratios**
  - K-1 25:1
  - Grades 2-3 (Title I) 30:1 (25:1)
  - Grades 4-5 (Title I) 30:1 (27:1)
  - Grades 6-8 (JAMS) 35:1 (33:1)
  - Grades 9-12 36:1
  
- **Step and Column Costs** 1.5% increase
  
- **Health and Welfare Costs** 10.0% increase
  
- **Summer School Costs** \$522,755

## Summary - Reductions

Description	FTE	Amount
Site Administration	0.7	\$87,500
Special Education Coordinator	1.0	\$127,500
Special Education Classroom Teachers	3.0	\$240,000
Special Education Instructional Assistants	5.0	\$325,000
Fiscal/Human Resources	1.0	\$75,000
Site - Senior Office Specialists	3.0	\$150,000
Classroom Teachers	16.7	\$1,336,000
Supplies, Contracts, Other Services		\$200,000
<b>TOTAL</b>		<b>\$2,541,000</b>

## SMMUSD Reserve Assumptions

- SMMUSD 3% Reserve for Economic Uncertainties is \$3.6 million
- SMMUSD 2012-13 Beginning Balance is projected to be \$16.0 million

**MULTI-YEAR PROJECTION  
UNRESTRICTED GENERAL FUND**

**BEST CASE -  
TAX MEASURE  
PASSES**

Description	2011-12 PROJECTED	2012-13 PROJECTED	2013-14 PROJECTED	2014-15 PROJECTED
TOTAL REVENUE	75,689,602	74,596,052	77,658,726	79,835,631
TOTAL EXPENDITURE	79,545,346	79,860,967	80,335,693	81,930,980
Increase (Decrease) Fund Balance	(3,855,744)	(5,264,915)	(2,676,967)	(2,095,349)
Beginning Fund Balance	19,846,945	15,991,201	10,726,285	8,049,318
Ending Fund Balance	15,991,201	10,726,285	8,049,318	5,953,969
Reserve - Revolving cash, Store	95,000	80,000	80,000	80,000
Reserve - Deficit Spending	5,264,915	2,676,967	2,095,349	-
3% Contingency Reserve	3,622,477	3,458,825	3,500,000	3,600,000
Unappropriated Balance	7,008,809	4,510,493	2,373,969	2,273,969



**WORST CASE - TAX MEASURE FAILS**

**MULTI-YEAR PROJECTION WITH TRIGGER CUT**  
**UNRESTRICTED GENERAL FUND**

Description	2011-12 PROJECTED	2012-13 PROJECTED	2013-14 PROJECTED	2014-15 PROJECTED
TOTAL REVENUE	75,689,602	69,767,543	72,830,217	75,007,122
Unspent Allocations	-	-	-	-
TOTAL EXPENDITURE	79,545,346	79,860,967	80,335,693	81,930,980
Increase (Decrease) Fund Balance	(3,855,744)	(10,093,424)	(7,505,476)	(6,923,858)
Beginning Fund Balance	19,846,945	15,991,201	5,897,777	(1,607,699)
Ending Fund Balance	15,991,201	5,897,777	(1,607,699)	(8,531,557)
Reserve - Revolving cash, Store	95,000	80,000	80,000	80,000
Reserve - Deficit Spending	10,093,424	2,358,952	-	-
3% Contingency Reserve	3,622,477	3,458,825	3,500,000	3,600,000
Unappropriated Balance	2,180,300	(0)	(5,187,699)	(12,211,557)

**WORST CASE WITH HOPE**

**MULTI-YEAR PROJECTION WITH TRIGGER CUT and UNSPENT ALLOCATIONS**  
**UNRESTRICTED GENERAL FUND**

Description	2011-12 PROJECTED	2012-13 PROJECTED	2013-14 PROJECTED	2014-15 PROJECTED
TOTAL REVENUE	75,689,602	69,767,543	72,830,217	75,007,122
Unspent Allocations	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
TOTAL EXPENDITURE	77,545,346	77,860,967	78,335,693	79,930,980
Increase (Decrease) Fund Balance	(1,855,744)	(8,093,424)	(5,505,476)	(4,923,858)
Beginning Fund Balance	19,846,945	17,991,201	9,897,777	4,392,301
Ending Fund Balance	17,991,201	9,897,777	4,392,301	(531,557)
Reserve - Revolving cash, Store	95,000	80,000	80,000	80,000
Reserve - Deficit Spending	8,093,424	5,505,476	-	-
3% Contingency Reserve	3,622,477	3,458,825	3,500,000	3,600,000
Unappropriated Balance	6,180,300	853,476	812,301	(4,211,557)

**Deficit Spending and Fund Balances over three years by Best, Worst, or Worst with Hope Cases**

	Best Case	Worst Case	Worst Case w/Hope
2011-12 Ending Balance	16.0	16.0	16.0
2012-13 Deficit Spending	(5.3)	(10.1)	(8.1)
2012-13 Ending Balance	10.7	5.9	9.9
3%	yes	yes	yes
2013-14 Deficit Spending	(2.7)	(7.5)	(5.5)
2013-14 Ending Balance	8.0	(1.6)	4.4
3%	yes	no	yes
2014-15 Deficit Spending	(2.1)	(6.9)	(4.9)
2014-15 Ending Balance	5.9	(8.5)	(0.5)
3%	yes	no	no

## Does LACOE Approve this Budget?

- ☑ Develop a budget based on accepted, reasonable assumptions
- ☑ Include projections for the budget year and two subsequent years
  - 🚩 Each year must maintain the required 3% REU
    - This only occurs in the Best Case, with a tax measure passing at the State level
    - In the Worst Case, SMMUSD falls below the 3% Reserve at the end of fiscal year 2013-14
  - 🚩 Deficit spending patterns occur in every case – *this must be addressed with a Board approved plan*
  - 🚩 Fund Balance must be positive in each of the three years
    - This only occurs in the Best Case, with a tax measure passing at the State level
    - In the Worst Case, SMMUSD reflects a negative fund balance at the end of fiscal year 2013-14

## In Summary

- Best Case maintains 3% reserve levels and positive fund balance in subsequent years – but shows pattern of **deficit** spending.
- Worst Case falls **short of 3%** reserve levels and reflects a **negative fund balance** in the 2013-14 fiscal year. It also shows a larger pattern of **deficit** spending.

## Next Steps

Staff is recommending that the Board approve the budget as presented on June 27<sup>th</sup> and immediately begin developing a contingency plan.

# Questions

