

Santa Monica - Malibu Unified School District

June 2, 2011 Board Presentation
Preliminary Budget
Item No. D. 03

Status of State Budget

- The May Revise
 - Recognized 6.6 billion in additional State revenue
 - Proposed funding schools at 2010-11 levels
 - Is DEPENDANT upon tax extensions
- Legislature had approved many of the expenditure reductions proposed by the Governor in January
- Risks to school funding still exist
 - LACOE, School Services, and School Innovations and Advocacy ALL RECOMMEND preparing and reserving for a cut of \$330/ADA

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 approved plan

SMMUSD Revenue Assumptions

- District enrollment is 11,292
- State Funding
 - Revenue Limit funding at \$5,320.85/student ADA after a 19.754% deficit
 - Special Education funding declines by \$1.8 million
 - Due to elimination of Special Disability funding from the State
 - Tier III Flexibility is \$4.3 million
- Federal Funding
 - One-time Jobs dollars are gone
- Local Funding
 - Measure R Parcel Tax is estimated at \$10.8 million
 - Prop Y is estimated at \$5.5 million
 - Cities of Santa Monica and Malibu contribute \$8.0 million

SMMUSD Expenditure Assumptions


- Staffing Ratios
 - K-3 25:1
 - Grades 4-5 (Title I) 30:1 (27:1)
 - Grades 6-12 (JAMS) 35:1 (33:1)
- Furloughs End 6/30/11 \$2.2 million increase
- Step and Column Costs 1.5% increase
- Health and Welfare Costs 10.0% increase
- Summer School Costs \$522,755
- 2010-11 cuts restored from SOS and Federal Jobs dollars remain in the 2011-12 budget (\$2.8 million)

SMMUSD Reserve Assumptions

- Flexibility with our Reserve for Economic Uncertainty (REU)
 - No longer exists
 - District must reserve at a minimum of 3% for REU
 - REU is part of district General Fund fund balance
- SMMUSD 3% REU equals \$3.5 million
- SMMUSD Beginning Balance is projected to be \$15.7 million


Change in Unrestricted General Fund Spending Deficit Best Case – Flat Funding

	In Millions
2010-11 Deficit	(1.1)
Onetime Revenue – SOS and Federal Jobs	(2.8)
State Funds – other than Revenue Limit	(.5)
New Local Revenue – Parcel Tax/City of SM/Prop Y	6.0
Step and Column Costs	(.8)
Increase Health and Welfare Costs	(1.1)
Increase Encroachment	(1.7)
Furloughs Ending	(2.2)
2011-12 Deficit	(4.2)



Change in Unrestricted General Fund Spending Deficit With \$330/ADA Reduction

	In Millions
2010-11 Deficit	(1.1)
Onetime Revenue – SOS and Federal Jobs	(2.8)
State Funds – other than Revenue Limit	(.5)
New Local Revenue – Parcel Tax/City of SM/Prop Y	6.0
Step and Column Costs	(.8)
Increase Health and Welfare Costs	(1.1)
Increase Encroachment	(1.7)
Furloughs Ending	(2.2)
Loss of \$330/Student ADA	(3.6)
2011-12 Deficit	(7.8)



SMMUSD Multi-year Best Case – Flat Funding




(in millions)	2011-12	2012-13	2013-14
Deficit Spending -			
Best Case	(4.2)	(3.9)	(3.7)
Beginning Balance	15.7	11.5	7.6
Ending Balance	11.5	7.6	3.9
3% Reserve	3.5	3.5	3.5
Balance (Shortfall)	8.0	4.1	0.4

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
- 🚩 Deficit spending patterns must be addressed with a Board approved plan

SMMUSD Multi-year \$330 Cut				
	(in millions)	2011-12	2012-13	2013-14
Deficit - Best Case		(4.2)	(3.9)	(3.7)
\$330/ADA Cut		(3.5)	(3.5)	(3.5)
Deficit Spending with ADA Cut		(7.7)	(7.4)	(7.2)
Beginning Balance		15.7	8.0	0.6
Ending Balance		8.0	0.6	(6.6)
3% Reserve		3.5	3.5	3.5
Balance (Shortfall)		4.5	(2.9)	(10.1)

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
-  Deficit spending patterns must be addressed with a Board approved plan
-  Fund Balance must be positive in each of the three years

In Summary:

- The budget year (2011-12) meets all standards in both the best and recommended cases
- Best case maintains 3% reserve levels and positive fund balance in subsequent years – but shows pattern of **deficit** spending
- Recommended case falls **short of 3%** reserve levels in year two and reflects a **negative fund balance** in year three and shows a larger pattern of **deficit** spending

Next Steps:

1. Budget adoption must include a recovery plan to correct **deficit** spending patterns and maintain positive fund balances
2. Staff is recommending that the Board approve a list of possible solutions for consideration when adopting the Budget

Goal: Three Year Balanced Budget

Possible Reductions to Achieve Goal

Prior Year Approved Cuts - Restored

Elementary Class Size	1,080,000
Secondary Class Size	368,000
Counselors	285,000
Elementary Music	320,000
Elementary Library Coordinators	180,000
College Counselor	100,000

Extend Furloughs – <u>Requires Union Agreement</u>	2,200,000
Step/Column Freeze – <u>Requires Union Agreement</u>	800,000

Staff Recommendations Not Cut in 2010-11

SAMOHl Site Administration	180,000
Security Officers	150,000
Nursing Services	80,000
Library Services	225,000
Elementary Music	580,000
Counselors	90,000
Elementary Class Size	520,000
TOTAL	7,158,000

Future Board Meetings and Agenda Items

- June 16th
 - Budget Update item scheduled for Board discussion agenda
- June 30th
 - Hold Public Hearing on the 2011-12 Budget
 - Approve a list for consideration of possible solutions
 - May include items restored through SOS or Federal Jobs \$\$
 - May include items requiring negotiations
 - May include items previously recommended by staff
 - May include additional items that have not been previously recommended
 - Adopt 2011-12 Budget and forward to LACOE for approval

Questions????

