



San Marino Unified School District

Governor's Proposed Budget 2010-11

Board of Education Budget Study Session

January 26, 2010



State Economy

- ❖ There are no more federal ARRA funds or State loans to “prop” up the State economy.
- ❖ Employment, housing, job starts and construction figures continued to decline.
- ❖ Social services, health and human services and prison costs have increased.
- ❖ State income and tax revenues continue to decline while costs have increased.
- ❖ The Governor projects a \$20B Deficit ~ 23% of the State’s current budget of \$86B ~ the Deficit could grow to \$25B- \$30B.
- ❖ The State Controller predicts that the State will run out of cash by April 1, 2010.
- ❖ Additional reductions in K-12 Education funding are inevitable.



Governor's Budget Proposals

- ❖ Assumes \$8B - \$10B in federal funding (one-time). The Governor met with federal leaders last week – at a time when Washington is focused on the recent Senate elections, and federal health care legislation.
- ❖ Assumes continuation of ARRA funding (one-time) for various health and human services programs.
- ❖ ‘Trigger Reductions’ (specifics TBD) - fall back measure if federal funding does not materialize.
- ❖ Eliminate/reduce various health and social service programs and increase eligibility requirements.
- ❖ Reduce/eliminate State jobs and salaries.
- ❖ Reduce UC/CSU & K-12 Education funding.
- ❖ Extend, delay, and/or swap business tax credits and taxes (i.e. gasoline tax) for additional increases in fee income (fees income is not part of the Proposition 98 funding formula).



K-12 Education

- ❖ The Governor has committed to “protect” Education – but what does that mean?
- ❖ Proposition 98 Funding is based on complicated formulas tied to State revenues or the lack of revenues thereof. As State tax revenues continue to decline so does the amount of Prop. 98 funding.
- ❖ The Governor’s Budget states that K-12 Education is “over-appropriated” by at least \$2.4 billion dollars.
- ❖ Additional reductions in Proposition 98 revenues are inevitable if the State is determined to close its current budget gap.



K-12 Education Proposals

- ❖ Negative .38% COLA per ADA - incl. Sp Ed. and Restricted Programs.
- ❖ Revenue Limit Deficit of 18.355%
- ❖ Proposed Additional Reduction of \$1.2B in Proposition 98 revenues.
- ❖ “Over-appropriation” of Proposition 98 \$2.4B not specifically defined.
- ❖ “Trigger reductions” TBD



K-12 Education Proposals (cont'd)

- ❖ Allow school districts the flexibility to layoff, assign, reassign, transfer and re-hire teachers based on skill and subject without regard to seniority.
- ❖ Eliminate provisions that require teachers who have been laid off to receive first priority for substitute assignments at their daily rate.
- ❖ Change the notification window for certificated staff to 60 days after the State Budget is adopted or amended. Current law requires school districts to notice certificated staff on or before March 15th of the year before the layoff.
- ❖ Continue to provide schools with flexibility to reduce the instructional year by five days to offset reductions in 2009-10.
- ❖ Eliminate barriers to contracting out to enable schools to achieve cost reductions.



2010-11 Budget Assumptions

- ❖ Negative COLA (-.38%) above revenue limit deficit of -18.355%, plus an additional 10% reduction in revenue limit funding
- ❖ Cut in other state funding, total of 15%; no funding for class size reduction, and no funding for foreign language acquisition
- ❖ Reduction of \$500,000 in parcel tax revenues (due to incr. exemptions)
- ❖ Reduction of one-time contributions received in 2009-10
- ❖ Increase in step and column, health benefits, PERS costs, foreign language instruction, and special education costs
- ❖ Continued cash flow concerns



2010-11 Projected Deficit

Revenues

	<u>Amount</u>
Negative COLA, and Additional 10% Reduction in Revenue Limit Funding	(\$2,000,000)
Reduction in Other State and Special Education Funding	(\$350,000)
No K-3 Class Size Reduction Revenue	(\$600,000)
2009-10 One-time Donations	(\$560,000)
Decrease in Parcel Tax Revenues	<u>(\$500,000)</u>
Net Decrease in Revenues	(\$4,010,000)

Expenditures

Step & Column Increases (est.)	\$300,000
Increase in Health Benefits and PERS costs (est.)	\$400,000
Foreign Language Instruction	\$180,000
Increase in Special Education Costs	<u>\$150,000</u>
Net Increase in Expenditures	\$1,030,000
2010-11 Projected Deficit (subject to change)	(\$5,040,000)



District Budget Facts

- ❖ Total District Budget is currently \$28.5 million. The majority of the District's revenues come from the State, and the majority of expenditures are tied to direct instruction and instructional support services.
- ❖ The District is required to maintain a balanced budget, sufficient cash balances to meet its payroll and expenditure obligations, as well as submit financial projections for the budget year and two subsequent fiscal years.
- ❖ SMUSD is not a "Basic Aid" district and is 20-30 years away (if ever) of becoming a Basic Aid district due to the low assessed valuations of the majority of homes (avg. assessed valuation is \$620,000).
- ❖ Approx 325 or 10% of the total student population live outside the District. The majority of these students are children of teachers, firefighters, police officers, and other District and City employees. If these students were asked to leave the District would lose approximately \$2.0 - \$2.5m per year.



2010-11- Next Steps

- ❖ Jan - June - Line-Item Budget development
- ❖ March 15th - 2009-10 Second Interim Financial Report & Long Range Financial Projection 2010-11 and 2011-12
- ❖ May - Governor's May Revise
- ❖ June 30th - Statutory due date for State Budget
- ❖ July 1st - District Adopted Budget due to County