

# 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
<b>2010-11 Deficit</b>	<b>(1.1)</b>
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)
<b>2011-12 Deficit</b>	<b>(4.2)</b>



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

	In Millions
<b>2010-11 Deficit</b>	<b>(1.1)</b>
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)
<b>2011-12 Deficit</b>	<b>(7.8)</b>



### SMMUSD Multi-year Best Case – Flat Funding

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

### 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
<b>Deficit - Best Case</b>	<b>(4.2)</b>	<b>(3.9)</b>	<b>(3.7)</b>
<b>\$330/ADA Cut</b>	<b>(3.5)</b>	<b>(3.5)</b>	<b>(3.5)</b>
<b>Deficit Spending with ADA Cut</b>	<b>(7.7)</b>	<b>(7.4)</b>	<b>(7.2)</b>
<b>Beginning Balance</b>	<b>15.7</b>	<b>8.0</b>	<b>0.6</b>
<b>Ending Balance</b>	<b>8.0</b>	<b>0.6</b>	<b>(6.6)</b>
<b>3% Reserve</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>
<b>Balance (Shortfall)</b>	<b>4.5</b>	<b>(2.9)</b>	<b>(10.1)</b>

### 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**

<u><i>Prior Year Approved Cuts - Restored</i></u>	
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><i>Requires Union Agreement</i></u>	2,200,000
Step/Column Freeze – <u><i>Requires Union Agreement</i></u>	800,000
<u><i>Staff Recommendations Not Cut in 2010-11</i></u>	
SAMOHI 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
<b>TOTAL</b>	<b>7,158,000</b>

- Future Board Meetings and Agenda Items**
- June 16<sup>th</sup>
    - Budget Update item scheduled for Board discussion agenda
  - June 30<sup>th</sup>
    - 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

