

Fiscal Health Analysis Update

A Presentation for the Santa Barbara School Districts

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Operational Areas of Focus

- **Implement true position control**
 - **Enrollment projections → staffing plan**
 - **Staffing plan → budget and hiring**
 - **Hiring → payroll**
 - **Payroll → staffing plan and budget**
- **Purchasing – automate, cleanup vendor files**

Operational Areas of Focus

- **Staff training on processes and automated system**
 - Double and triple work for combined administration
 - Second pair of cognizant eyes for quality control
 - Quality is improving
- **Lack of continuity in leadership of business functions**
 - Need to attract and retain a highly qualified CBO
 - The average going rate in 2007-08 for a district the size and complexity of Santa Barbara is \$156,000 in salary alone
 - Quality candidates tend to be happy where they are and need to be enticed to move

Governor's Approach to 2008-09

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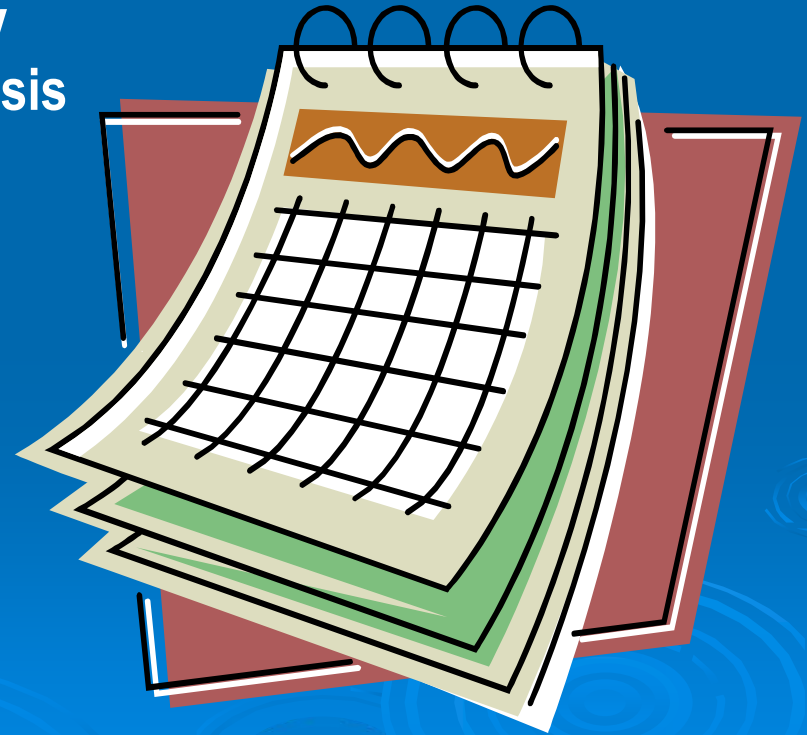
- Governor continues to deal with \$14.5 billion problem
- Across-the-board cuts in all areas of government
- Suspension of Proposition 98
 - Needed to make a \$4+ billion cut to education
- Dramatic cuts in all areas also have an impact on children and families
 - Social services
 - Health services
 - Prisons
 - Infrastructure



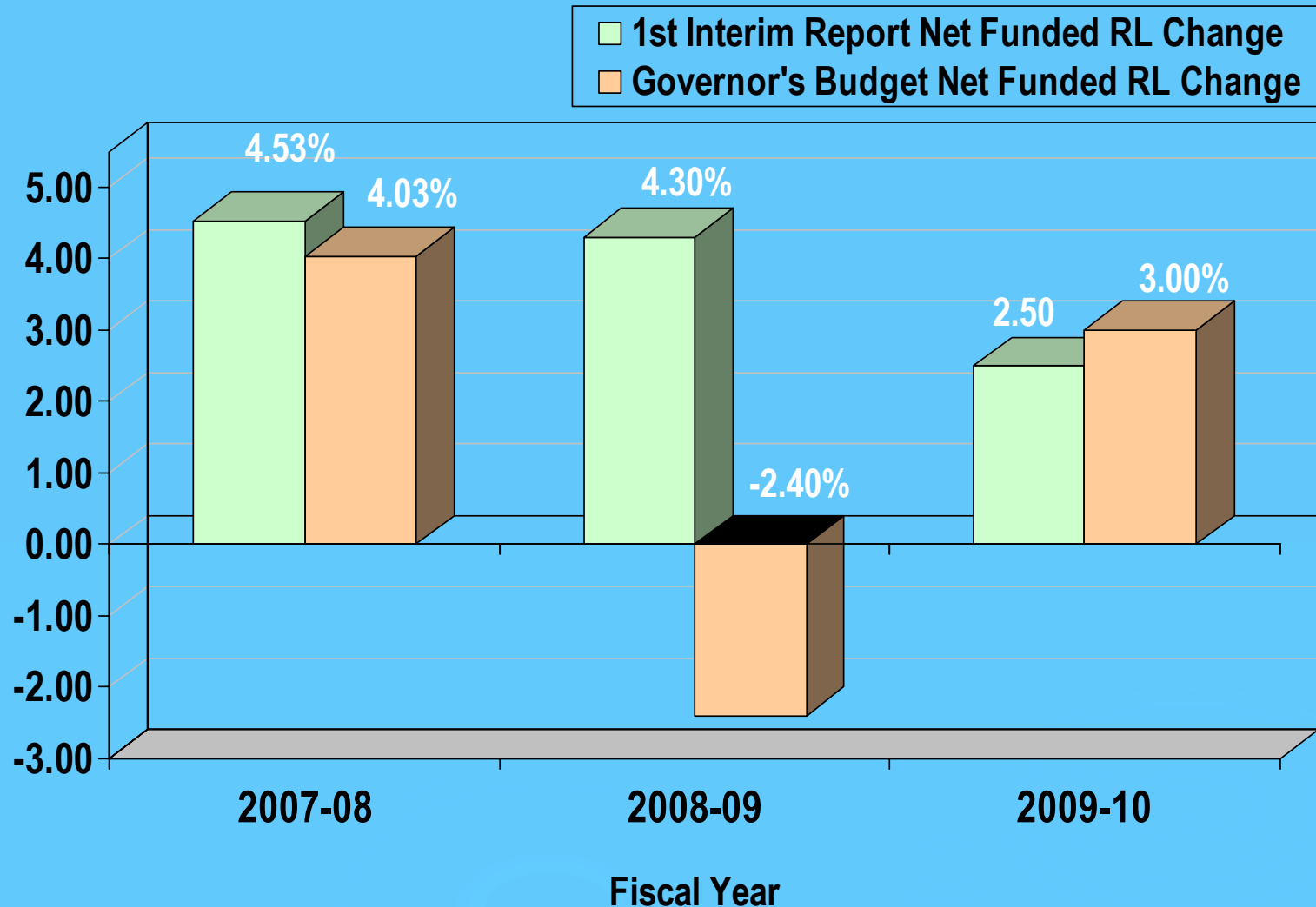
- **The effect of the suspension working from the revised 2007-08 base revenue limit:**
 - **COLA is declared at 4.94%, but not funded**
 - **Revenue limit deficit is imposed at 6.99% of new base revenue limit**
- **The overall reduction to revenue limits for 2008-09 is about 2.4%**
 - **The 2.4% revenue limit reduction is from the 2007-08 base before mid-year cuts**
 - **Most categorical programs have a net loss of about 6.5% from the 2007-08 pre-mid-year cuts base**

What a Difference a Month Makes

- It is estimated that more than 50% of California school districts with a positive first interim report will go qualified at second interim
- Santa Barbara has a lot of company as it deals with the State Budget crisis



What a Difference a Month Makes



2008 SSC School District and County Office Financial Projection Dashboard

Factor	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	
Statutory COLA (use for K-12 and COE revenue limits)	4.53% ¹	4.94%	3.0%	2.6%	2.9%	3.1%	
K-12 Revenue Limit Deficit	0.00% ¹	6.99%	6.99%	6.99%	6.99%	6.99%	
County Office Revenue Limit Deficit	0.00%	4.71%	4.71%	4.71%	4.71%	4.71%	
Net Funded Revenue Limit Change	4.53% ¹	-2.40% Districts 0.00% COE	3.00%	2.60%	2.90%	3.10%	
Special Education COLA (on state and local share only)	4.53%	-6.50%	3.00%	2.60%	2.90%	3.10%	
State Categorical COLA (including adult education and ROC/P)	4.53%	-6.50%	3.00%	2.60%	2.90%	3.10%	
California CPI	3.2%	2.7%	2.5%	2.7%	2.9%	3.0%	
California Lottery ²	Base	\$121.00	\$121.00	\$121.00	\$121.00	\$121.00	\$121.00
	Prop 20	\$22.00	\$22.50	\$22.50	\$23.00	\$23.00	\$23.00
Interest Rate for 10-year Treasuries	4.2%	4.1%	4.8%	5.0%	5.1%	5.2%	

¹ Current law provides a 4.53% revenue limit COLA, but the Governor has proposed a 2007-08 cut of \$360 million—roughly 1%. He proposes taking the \$360 million first from unspent categorical programs and then any remainder by applying a deficit factor to the revenue limit. We advise districts to plan for a .50% deficit factor at this time.

² The forecast for Lottery funding per ADA includes both base (unrestricted) funding and the amount restricted by Proposition 20 (2000) for instructional materials. Lottery funding is initially based on prior-year annual ADA—and is ultimately based on current-year annual ADA—times the historic statewide average excused absence factor of 1.04446.

2008 SSC School District and County Office Financial Projection Dashboard

ESTIMATED STATEWIDE AVERAGE BASE REVENUE LIMITS PER ADA "UNDEFICITED"			
Year	Elementary	High School	Unified
2007-08 Statewide Average (est.)	\$5,567	\$6,690	\$5,821
2008-09 Inflation Increase @ 4.94% COLA	\$275	\$330	\$288
2008-09 Statewide Average (est.)	\$5,842	\$7,020	\$6,109

2008-09 ESTIMATED CHARTER SCHOOL RATES				
	K-3	4-6	7-8	9-12
General Purpose Block Grant (will change at each apportionment)	\$5,447	\$5,529	\$5,688	\$6,600
Categorical Block Grant (est.) ³	\$468	\$468	\$468	\$468
Total	\$5,915	\$5,997	\$6,156	\$7,068

³ The charter school categorical block grant rates shown do not include Economic Impact Aid funding for eligible pupils.

What a Difference a Month Makes

- **Major hits to Santa Barbara's budget based on the Governor's Proposal**
 - Revenue limit cut – no COLA and deficit totaling -2.4%
 - K-3 CSR – no COLA and 6.5% cuts
 - 9th Grade CSR – no COLA and 6.5% cuts
 - Increases in projected encroaching programs due to categorical fund cuts
 - Possible reduction in force

Assumption Changes from 1st Interim to Present

- No salary increases budgeted for 2009-10
- Enforcement of benefits cap
- Step and column offset by loss of teaching staff due to declining enrollment



SSC Multiyear Projections

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Unrestricted General Fund	2007-08	2008-09	2009-10
Revenues	\$93,667,124	\$89,640,052	\$90,151,774
Expenditures	\$81,113,564	\$83,345,991	\$84,084,583
Excess/Deficiency of Revenues Over Expenditures	\$12,553,560	\$6,294,061	\$6,067,191
Other Sources/Uses	(\$12,218,629)	(\$12,478,180)	(\$12,681,345)
Net Increase/Decrease in Fund Balance	\$334,931	(\$6,184,119)	(\$6,614,154)
Total Fund Balance	\$5,863,540	(\$320,579)	(\$6,934,733)
3% Reserve Requirement	\$3,853,372	\$3,725,388	\$3,755,960


Unrestricted General Fund Multiyear Projections

	2007-08	2008-09	2009-10
<u>First Interim Report</u>			
Surplus/Deficit	\$546,922	(\$1,531,188)	(\$5,002,753)
Fund Balance	\$6,075,532	\$4,544,344	(\$458,409)
<u>SSC Multiyear Projections</u>			
Surplus/Deficit	\$334,931	(\$6,184,119)	(\$6,614,154)
Fund Balance	\$5,863,540	(\$320,579)	(\$6,934,733)

- State Budget crisis brings Santa Barbara's forecasted deficit fund balance one year closer

Note: 3% Reserve for Economic Uncertainties is approximately 3.7 million

What's Next?

- **The Governor's Budget Proposal is the start of the budget discussion for 2008-09**
 - **Education advocates and employee unions will be weighing in**
 - **We will know more after the Fiscal Emergency Special Session**
 - **At the May Revision, we will have even better information**
 - **The final Budget will be known in June? . . . September? . . .**
 - **Enrollment trends**
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Thank you for your attention

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