

San Marino Unified School District

Governor's Proposed
Mid-Year Reductions 2008-09
and Proposed Budget 2009-10



Business Services
January 13, 2009

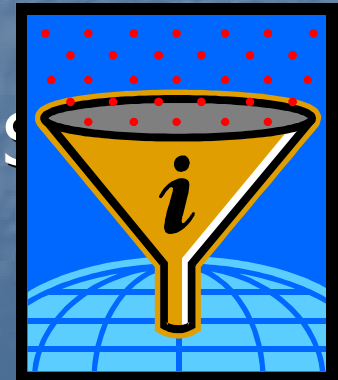
California State Economy Caught in the Perfect Storm

- The State economy has deteriorated further
- Lowest credit rating in the nation
- Unemployment rate is above 8% and climbing
- Job growth has evaporated
- Housing market slump continues
- Counties are re-basing property taxes
- Sales tax revenues are down
- Capital gains tax revenues have disintegrated
- Credit crunch has shocked the nation and world
- Consumer Confidence is at its lowest in 60 years
- Governor and legislature are at odds on their proposals
- UCLA Economists predict this is a 3-5 year downturn



The Problem

- \$41.6 Billion State Budget Gap – 75% of the problem is due to a shortfall in revenues.
- Dilemma – How to Balance the State Budget?
 - How much to cut?
 - How much to tax or impose “fees”
 - What sectors of government take the cuts?
 - State Revenues have declined by 40%
 - K-14 Education represents 40% of the total State Budget



Revenue Proposals

- Borrow against future Lottery sales
- Budget Stabilization Fund (SCA 13)
- Temporary 1.5% sales and use tax
- Broaden sales tax base
- “Nickel per drink” alcoholic beverage tax
- 9.9% oil severance tax
- Reduce dependent exemption credit
- Increase Vehicle license fees
- Shift Tribal gaming revenue
- Special fund transfers and loans
- Borrow funds



Governor's Proposed Mid-Year Reductions K-12 Education 2008-09

- Rescind the .68% COLA
- Defer \$2.8 billion in payments until July - Sept
- Revenue Limit Deficit of 9.68% (\$275 per student)



Impact on the 2008-09 District Budget

- Revenue Limit Deficit
- Loss of Interest Revenues
- Loss of Lottery Revenues
- Total – Approx. \$1 million
- Note: Proposed reductions are ongoing



Bridging the 2008-09 Budget Gap



- Savings due to vacant classified positions
- Transfer of costs to categorical programs
- Cut supplies, services, and conference budgets
- Maintenance supplies and repairs
- School site savings/additional revenue resources

Governor's Proposed Budget 2009-10

- Loss of COLA Funds equal to 5.02%
- Revenue Limit Deficit of 16.161%
- Eliminate funding for 5 Days of Instruction
- Further reduction of Proposition 98 funding for general instruction, K-3 CSR, School Improvement, etc.
- Continue to Defer payments due to schools – loss of interest revenues and impact on cash availability
- Complete and permanent flexibility with respect to categorical funding (i.e. transfer funds to offset loss of State revenues after a public hearing is held)
- Replace Lottery funding with Revenue Limit dollars – impact uncertain and lottery revenues expected to decline dramatically
- Reduce Reserve Requirements by $\frac{1}{2}$ for 2009-10 – CDE and LACOE strongly discourage school districts to reduce their reserve requirements.



Projected Impact on the 2009-10 District Budget

- Revenue Limit Deficit
- Loss of Revenues for 5 Days of Instruction
- Loss of ADA & CSR Revenues
- Loss of Interest Revenues
- Loss of Lottery Revenues
- Total Loss of \$4.5 - \$5.5 million



Legislative Analyst's Analysis

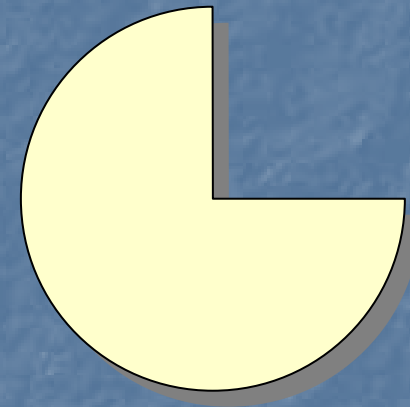
- Cut categorical programs rather than revenue limit funding
- Defer payments to school districts as a last resort
- The proposed cuts for the current year will leave many school districts in financial hardship since half of the school year is over



Bridging the 2009-10 Budget Gap

- Areas that could be impacted (not in priority order):

- Core Academic/Instructional Programs (English, Math, Social Sciences, Science)
- Class Sizes in all Grade Levels
- Extra-Curricular Programs
- Physical Education and Athletics
- Visual and Performing Arts
- Foreign Language
- Technology Services
- Direct Instructional Services
- Instructional Support Services
- District Office Administration
- Maintenance and Operations
- Special Education Services



2009-10 Budget Development

Leadership

Communication



Monitoring the situation – State and locally

6 Hour Meetings with District Leadership

One-on-one Meetings with District Leadership

Superintendent's recommendations

Board of Education's review, discussion and action

Next Steps . . .

Jan –Communication, communication, communication...

March - Recommended areas of budget reduction and savings submitted to the Board of Education for consideration and approval.

May – Governor presents his “May Revise”

June – Submit a balanced 2009-10 Budget to the Board of Education

July 1- Submit the 2009-10 Budget to Los Angeles County

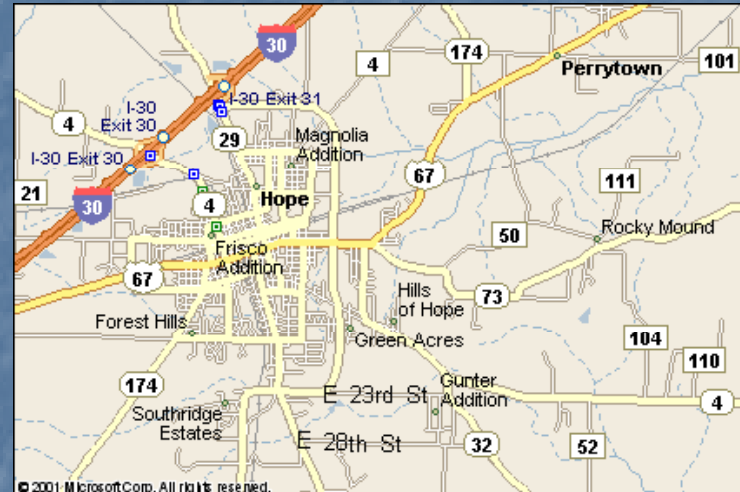


Hope for the Future

“A desire accompanied by expectation”

- “Inspiring, trust, reliance”

- A small city in Arkansas & the birthplace of one of America’s Presidents



- What we have here in San Marino USD:

- WE WILL CONQUER THIS CRISIS TOGETHER!