

Updated: May 3, 2011

**At this time we have a variety of conflicting information on the State Budget. I will highlight data that is in conflict as we have two competing bills...Senate and House. Until we can get some definitive data it is almost impossible to prepare a Five Year Forecast that will have any validity. Please keep that in mind when you review the forecast.**

Attached is the October 2010 Five Year Forecast (has Date October -11 in upper right corner) and the Working Model ( has Working Model in upper right corner)for the May 2011 Forecast.

The following changes were made in the Working Model:

- FY 2011 was updated to reflect the expected year end performance as of April 30, 2011.

Fiscal Year 12 and beyond were adjusted for the following assumptions:

- Real Property Tax Growth is expected to be 1% each year. We average 2.5%
- Personal Property Tax revenue was eliminated.
- State Foundation payments were reduced to levels furnished to us in the Governor's new budget as adjusted by the House Bill.
- ARRA monies were eliminated.
- Property Tax Allocation was reduced each year for the phase out of the Tangible Personal Property Tax reductions as per the Governor's budget. *The current House budget shows the phase out to stop after FY 13. This seems to be more of a clerical error. But if not that would increase our revenues in those years by about \$400,000 annually. The full phase out was used as opposed to the possible House version of the State Budget.*
- Other Revenues were adjusted for Open Enrollment to reflect FY 2011 gains and modest increase. E-Rate and Medicaid revenues were adjusted for the higher amounts. Interest was adjusted based on cash flow and interest rate assumptions (from Federal Treasury rate forecast) and changes in rental income included the assumption that the Playhouse will survive.
- Salaries reflect the negotiated agreement extensions and the administrator/non-union employee phase out of pick up. Salaries also reflect that we will not replace **two (down from three in last report)** retiring teachers and two retiring classified union members. Plus, we will make adjustments in our classified union structure to reduce an additional **one position ( down from two in previous report)**. Not included is the possible savings by adjusting bus routing. We added an additional administrative position. This will be funded through reduction of Purchased Services and Grant monies ( in year 2011-2012 only). It also appears that we will be able to reduce an educational aide. This is not included in the budget as IEP's have not been completed so we do not have "concrete" assurance.

- Benefits reflect the Governor's budget sharing of pension payments in a ratio of 12% and 12%, down from 14% employer and 10% employee ratios, respectively. The House version restores the 14% employer and 10% employee share. However, I have stayed with the Governor's budget as I believe that will be the eventual decision. If not, benefits will increase about \$180,000 annually. It also reflects lower costs directly related to the above staff reductions. A 10% increase in medical insurance premiums was used for insurance costs. Historically, it has been just under 6%. Actual increase of 8.3% is used for FY 2012. And, a reduction has been made for the announced premium holiday. The increased share of insurance cost for administrators has been added as has the FY 2014 switch to a Spousal Plan for administrators (10% premium reduction). FY 15 assumes all employees will pay at least 15% for insurance and Spousal will be required for all employees using Family insurance.
- Purchased Services reflects the transfer of an administrative position from this category to administration. It also reflects additional costs due to the Governor's budget 30% cut to Educational Service Centers. The net is a 2% growth. Without the transfer the growth would have been 6%.
- Supplies reflect a 2% growth and fluctuate with the textbook rotation schedule. The latter fluctuates due to types of texts and number of texts needed to be replaced.
- The various repayments of loan numbers come directly from amortization schedules.
- Other Expenditures represent a 2% growth and reflect the better than expected performance for FY 2011. This was the result of better than expected auditor charges (less income, less charge) and better than expected insurance costs.

**Overall, despite the drastic reduction of income, eventually \$1,500,000 in FY 15, we were able to compensate and offer a small carry forward at the end of FY 15. However, we will need a ballot issue in no later than 2014. Had we not had the drastic revenue cuts from the state this could have been avoided.**

**Other Items that may impact the budget but are yet too subjective to include:**

- ✓ Up to eight additional retirements by FY 14 due to changes in STRS retirement rules.
- ✓ Possible refund of excess reserves from Health Insurance Pool.
- ✓ "Savings" from Senate Bill 5 are not included. However, in reviewing the bill the purported savings may not have a significant impact on the Forecast. Until more definitive information is available it is difficult to assess the impact.
- ✓ Increase in School Vouchers and change in rules.

*If the first three were to "hit" in a timely manner it could push the levy need out one year or more. If the fourth hits we could be back to the ballot sooner.*

On the next page I am showing the shift the loss of TPP Reimbursement does to local funding share over the next five years.