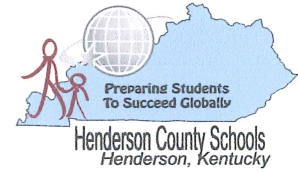


Henderson County Schools

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To: Dr. Thomas L. Richey, Superintendent
and School Board Members

cc: Cindy Cloutier, Financial and Budget Analyst

From: Walt Spencer, Assistant Superintendent of Finance

Date: January 14, 2011

Subject: State SEEK Shortfall for FY 2011

On January 7, 2011 Dr. Holliday held a webcast to announce a SEEK SHORTFALL for Fiscal Year 2011. They advised the School Districts that the state has a shortfall in SEEK for FY 2011 in excess of \$49 Million. This shortfall is based on several factors including unanticipated student growth, lower than forecasted property values, and increase in Tier 1 equalization, and an increase in FSPK (Nickels) equalization. As a result all School District's final SEEK calculations will include a pro-rated reduction of approximately 2.0%. Although we will not know the actual final numbers until March 1st, the Tentative Adjustment for Henderson County will be **\$531,141**, with **\$493,916 coming from the General Fund** and the remaining **\$37,225 will be cut from the Building Fund**. This adjustment is in addition to other reductions we have already received or will receive in the near future. Some of these reductions include:

Transportation Funding Pro-ration	Current Yr.	\$562,722
Textbook Funding cut 100%	Current Yr.	\$24,734
Professional Development cut 50%	Current Yr.	\$27,653
Title 1 Stimulus Funding will End	Future Year	\$1,055,422
IDEA B Stimulus Funding will End	Future Year	\$1,656,578
Preschool Stimulus Funding will End	Future Year	\$111,415
State Fiscal Stabilization will End	Future Year	\$2,020,653
EDU JOBS Funding will End	Future Year	\$1,479,679
*** SUBTOTAL BAD NEWS ***		\$6,938,856

They also commented that Fiscal Year 2012 looks like it will be WORSE than the current year.

Unfortunately when we don't learn about these cuts until January we are severely limited on making significant reductions for the current fiscal year. All employees are under contract for the

year which eliminates the ability to make staffing adjustments mid-year. Many programs and initiatives are already underway and the majority of the larger purchases are made earlier in the year for the benefit of the current year's students. If we had \$500,000 of expenses that could be easily eliminated without impacting student learning, they would already have been reduced. Our current year's working budget has a projected contingency of \$7,194,752 which could be utilized to absorb a portion of this cut. However, the current year's budget already assumes we will spend \$7,015,612 more than our current year's revenues. This is a trend that cannot continue or our contingency will soon disappear. We have discussed this with our district leadership team and our principals requesting recommendations for areas of cost reductions that would not impact student learning and classroom instruction. We will continue to closely examine our budgets to determine the appropriate areas to focus our attention and all purchase commitments will be closely scrutinized.

The bigger concern is what the future may hold. We have not received any details about the 2011-2012 funding other than a general statement that it appears it will likely be **worse** than this year. The devil is in the details. With the start of a new school year we will have more opportunities to look at staffing and programs as possible areas for reductions. With salaries and benefits accounting for over 80% of our expenses, it is difficult to find significant reduction opportunities from the remaining 20% of our expenses. With the recent addition of an Energy Manager, made possible by a grant and a consortium with surrounding districts, we should be able to generate utility cost savings. If we can generate \$250,000 of savings over the balance of this fiscal year and absorbed the remaining \$243,916 with our contingency we would end the year with an unreserved fund balance of \$6,950,836 or 9.8% of all funds expenses.

The implementation of a district wide Early Childhood Center will also generate efficiencies in staff utilization and transportation costs. We will continue to be cost conscious and conservative with our available funds in order to weather this round of state budget reductions while protecting classroom instruction. Although we will need to make appropriate adjustments to protect our long term financial condition, we do not need to make any rash knee jerk reactions. With the board's leadership we have worked diligently to put our district in good financial condition to be able to maintain a quality school district with a strong focus on student achievement regardless of the state's financial difficulties.

We will handle these current issues and implement cost efficiencies we don't even know about yet and will come out in the end a better school district as a result of what we learn in the process. I am confident we will survive these financially troubling times better than the average school district in the state and will end up an even better school district as a result. We will be better prepared to handle the next state budget shortfall. As a last tidbit to ease your mind, we also have a reserve for state budget shortfall on the balance sheet of \$1,607,000 which can also be used if needed, but hopefully only as a last resort.

Attachments

Henderson County Schools

January 7, 2011 SEEK SHORTFALL ADJUSTMENTS

Description	2010-11 WORKING BUDGET	January 7, 2011 Reduction	% Reduction	2010-2011 REVISED
Base SEEK	\$23,872,550	(\$432,985)	-1.8%	\$23,439,565
At Risk	\$1,804,475			\$1,804,475
Home Hospital	\$60,256			\$60,256
Exceptional Child	\$4,535,437			\$4,535,437
Limited English Proficient	\$24,495			\$24,495
Transportation Calculation	\$2,706,410			\$2,706,410
Transportation Pro-Ration	(\$562,722)			(\$562,722)
Transportation Actual	\$2,143,688			\$2,143,688
Calculated Base Funding	\$32,440,901	(\$432,985)	-1.3%	\$32,007,916
Less: Local Effort	(\$8,518,187)			(\$8,518,187)
Calculated State Portion	\$23,922,714	(\$432,985)	-1.8%	\$23,489,729
State Tier 1	\$1,757,886	(\$60,931)	-3.5%	\$1,696,955
Total State SEEK	\$25,680,600	(\$493,916)	-1.9%	\$25,186,684
Less: Capital Outlay	(\$617,500)			(\$617,500)
Net General Fund SEEK	\$25,063,100	(\$493,916)	-2.0%	\$24,569,184

Local FSPK - Building Fund (aka Local Nickel)	Fund 320	\$1,419,698		\$1,419,698
State FSPK - Building Fund	Fund 320	\$781,691	(\$37,225)	\$744,466
Capital Outlay	Fund 310	\$617,500		\$617,500

Total State SEEK		(\$531,141)	-1.9%	\$27,350,848
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Reduce Expenses by \$250,000 (50.6% of State General Fund SEEK Reduction)

Description	2010-11 WORKING BUDGET	January 7, 2011 Reduction	% Reduction	2010-2011 REVISED
2010-11 Beginning Balance Gen. Fund (GF) - Prior Year Unreserved Fund Balance	\$14,210,364			\$14,210,364
Total 2010-11 Budgeted GF Revenues	\$39,004,961	(\$493,916)		\$38,511,045
Total 2010-11 Budgeted GF Expenses	\$46,020,573	(\$250,000)		\$45,770,573
Expenses Exceed Revenues	\$7,015,612	\$243,916		\$7,259,528
2010-11 Budgeted Gen. Fund Contingency	\$7,194,752	(\$243,916)		\$6,950,836
2010-2011 Contingency %	10.07%	-0.27%		9.80%
Total Budget All Other Funds	\$18,249,479	(\$37,225)		\$18,212,254
Total Budget ALL FUNDS	\$71,464,804			\$70,933,663
Henderson Co. Reserved Fund Balance for State Shortfall on Balance Sheet	\$1,607,000			\$1,607,000

Other Current or Future BAD NEWS

CY Transportation Funding Pro-Ration	Current Yr.	(\$562,722)
CY Textbook Funding cut 100%	Current Yr.	(\$24,734)
CY Professional Development Funding cut 50%	Current Yr.	(\$27,653)
CY Title 1 Stimulus Funding Ended	Current Yr.	(\$1,055,422)
CY IDEA B Stimulus Funding Ended	Current Yr.	(\$1,656,578)
CY Preschool Stimulus Funding Ended	Current Yr.	(\$111,415)
FY State Fiscal Stabilization will END	Future Yr.	(\$2,020,653)
FY-EDU JOBS Funding will END	Future Yr.	(\$1,479,679)
** SUBTOTAL Recent or Near Future BAD NEWS**		(\$6,938,856)

Commissioner thinks 2012 will be worse for State Budget than 2011.