

Budget Update #2 (10/18/07)

Where CUSD is with the Budget:

More than half of the schools in California are experiencing declining enrollment. The number of students in the regular education program in Chico USD has declined also, while the number of special education students is increasing.

90% of the district operating budget is the cost of salaries and benefits of its employees.

Chico Unified School District adopted a budget in July that was \$1.1 million below its required 3% reserves. In September the district was able to adjust the shortfall down to \$400,000, using unexpended dollars from 2006-07.

While this year's shortfall is only about one-half million dollars, the problem is really deficit spending. The district is spending \$2 million more than it is bringing in this year.

The size of the problem doubles in 2008-09; after we include \$3 million in income from the state's anticipated 4.3% cost of living and project the cost of step and column for next year, as well as employee health benefit increase, the deficit grows to \$2.5 million for 2008-09. No additional compensation beyond the increase in the health benefit costs are built into the budget.

Unless corrected, the district reserves will be gone by the end of 2008-09 and it would likely need a state loan in the middle of next year for cash flow purposes.

This is unacceptable and must be corrected within two months (by December 2007) if the district is going to maintain a "positive budget certificate".

The county has assigned an outside fiscal expert to assist the district with reviewing the budget.

A corrective action plan is being developed through the use of a cabinet level budget advisory team. Input to the team is by email to jcombes@chicousd.org. There is also a confidential budget tip hotline established: 891-3000 ext. 200.

One area that is being reviewed carefully is staffing: Classified staffing is being reviewed against staffing ratios (which are based on size of school) and certificated staffing is reviewed against student enrollments by class.

Across K-12 the district appears to be overstaffed at this time in regular education classes. We are beginning to discuss ways that we might align staffing within the limitations provided by contractual agreement.