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Sandy Husk, Superintendent

August 31, 2009

To: Sandy Husk, Superintendent

From: Rich Goward, Chief Operations Officer

Subject: Financial Update for the Quarter Ended June 30th, 2009

Board Policy EL-8, Item 6, sets out a provision for the School Board to receive a quarterly budget report from staff recapping the current and previous years' budgets, changes to revenue or enrollment and other issues that will impact the District's operating budget. The information provided in this memo and the attached chart is the fourth quarterly report for the 2008-09 fiscal year.

**2008-09 Outlook:**

Revenue – Our projected revenue stayed very consistent with the prior quarterly report. While there were some changes in various categories of revenue, the net change was approximately \$60,000 or .02% of budget.

Expenditures – We are projecting an improvement in under-expenditure of budget compared to the last report as well as the projection contained in the adopted budget. The effect of this change is to increase our projected Ending Fund Balance by \$4 million, when compared to the last quarterly report, and \$4.6 million when compared to the adopted budget. This reduced level of spending is a result of cost containment measures implemented in light of the State revenue shortfall.

Summary – Our current projection of ending fund balance for 2008-09 is \$22.6 million or 6.3% of our adopted budget and 6.5% of anticipated final revenue. This is the final projection for 2008-09 until the audit is complete in December.

**Outlook for 2009-10**

As reported to you in July, SB 5520, passed by the legislature, approved a State School Fund level of \$6.0 billion for the 2009-11 biennium. Of that funding \$5.8 billion was appropriated immediately and the remaining \$200 million will be appropriated if the June 2010 Quarterly Revenue Estimate shows at least \$300 million in State reserves (State General Fund Ending Fund Balance, Rainy Day Fund Balance and Education Stability Fund Balance). If these reserve funds fall short of \$300 million, the \$200 million appropriation will be reduced dollar for dollar that it falls short.

As part of this bill, the State allocated \$2.9 billion for 2009-10 and up to \$3.1 billion for 2010-11 with the second year being dependent on the additional appropriation. For our district, the 2009-10 funding approved by the legislature is \$4.5 million higher than the amount built into our adopted budget (based upon a \$5.9 billion State funding level assumption).

While funding this year is higher than anticipated in the budget, there are significant risks associated with funding in the second half of the biennium. The legislature balanced the State budget by passing two tax measures, a Personal Income Tax increase on high wage earners and an increase to the Corporate Minimum Tax. Should these taxes be referred to the voters and fail, projected State revenue would be reduced by approximately \$733 million dollars, likely forcing cuts mid-way through the biennium. Additionally, economic uncertainty continues to be an issue with a potential reduction in revenue regardless of the outcome of these two tax measures.

**Salem-Keizer Public Schools  
Revenue & Expenditure Projection  
Fiscal Year Ending 6/30/2009**

	<b>2008-09</b>	
<u>Budget</u>		
State Formula Revenue	\$305,090,674	
School Improvement Revenue	\$9,148,919	
Exempt Revenue	\$16,626,251	
 Total Revenue	 \$330,865,844	
Adopted/Current Program Level	\$339,640,704	
Program Additions/Reductions:	\$19,231,725	
Total Adopted Budget	\$358,872,429	
 Shortfall Before Carryover	 (\$28,006,585)	
Budgeted Carryover	\$28,006,585	
 Budget Reductions / Capacity	 \$0	
 <u>Fund Balance Projection</u>		
Beginning Fund Balance	\$31,513,134	
- Applied as Carryover	(\$28,006,585)	
- Projected Reduced-Revenue	(\$12,044,412)	-3.4%
+ Projected Under-Expenditure Contingency	\$12,343,181	3.4%
+ Projected Under-Expenditure Other	\$18,777,124	5.2%
Ending Fund Balance	\$22,582,443	6.3%