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# Addressing Long-Term Budget Challenges (Part 5)

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Chief Business and Finance Officer  
August 18, 2009

# 2008-09 Budget Update

- **“May Revise” Proposed by Governor was NOT Implemented**
  - GUSD Revenue Limit income in 2008-09 is \$5.7 million higher (will be taken back by State in 2009-10)
    - Deficit Factor 7.844% vs. 11.428% budgeted
  
- **Tier III Programs Shifted to Unrestricted General Fund**
  - 2008-09 Ending Balances – \$7.16 million
    - \$2.18 million reserved for Tier III programs
  - Not all Tier III Accounts Receivable Accrued – \$702,870
    - \$261,346 to remain unrestricted
    - \$441,524 to be reserved for Tier III programs

# 2008-09 Unrestricted General Fund Ending Fund Balance (est)

## UNRESTRICTED GENERAL FUND - Fund #01.0

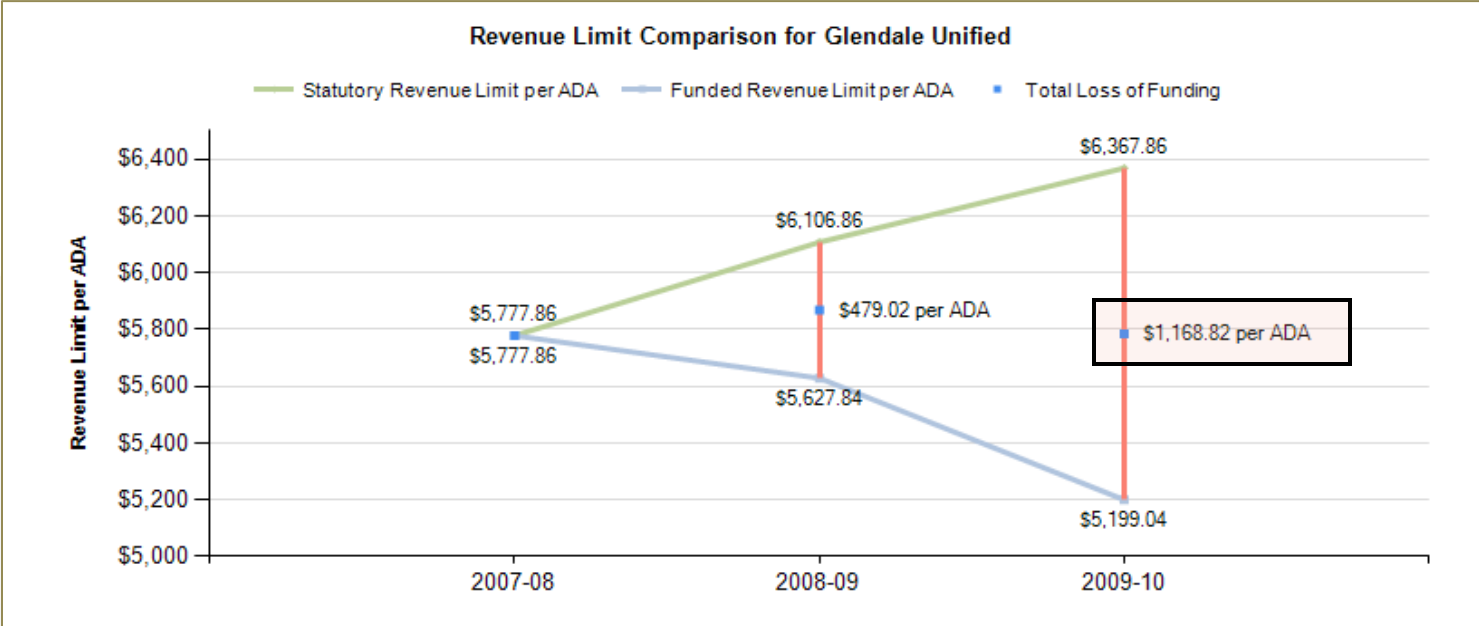
	2007-08 Audited Actual	2008-09 Final Budget	Non-Sweep 2008-09 Unaudited Actual	Sweep 2008-09 Unaudited Actual	Total 2008-09 Unaudited Actual
<b>Ending Fund Balance</b>	<b>24,674,535</b>	<b>19,505,159</b>	<b>29,600,452</b>	<b>7,164,704</b>	<b>36,765,156</b>
<b>Components of Ending Fund Balance</b>					
Revolving Cash Fund	70,000	70,000	70,000		70,000
Stores	158,542	158,542	117,345		117,345
Economic Uncertainties - 3%	7,227,296	7,000,000	7,000,000		7,000,000
<b>Other Designated Funds</b>					
Prepaid Expenditures			31,300		31,300
Regular Carry-overs	2,200,004		1,842,382		1,842,382
PO Carry-overs	10,000				
Reserve MAA	862,041		182,368		182,368
Reserve Accreditation	25,000		25,000		25,000
Reserve E-rate	462,499		655,457		655,457
Reserve Custodial Supplies	7,000				
Reserve Mandated Cost	29,293				
Reserve City of Glendale Energy	100,000				
Reserve Add-on's to Central Redevelopment Project	7,571				
Reserve for Tier III Programs				2,185,414	2,185,414
Tier III Sweep To Utilize			---	---	---
- Staff Development Buy-Back			1,160,585		1,160,585
- Instructional Materials Program				2,204,210	2,204,210
- Other				2,775,080	2,775,080
2008-09 May Revise RL Cut, Reserved for 09/10			5,708,406		5,708,406
Undesignated Balance	13,515,290	12,276,617	12,807,609		12,807,609
<b>Total Components of Ending Fund Balance</b>	<b>24,674,535</b>	<b>19,505,159</b>	<b>29,600,452</b>	<b>7,164,704</b>	<b>36,765,156</b>

# 2009-10 Revised State Budget

## Revenue Limit Changes from “May Revise”

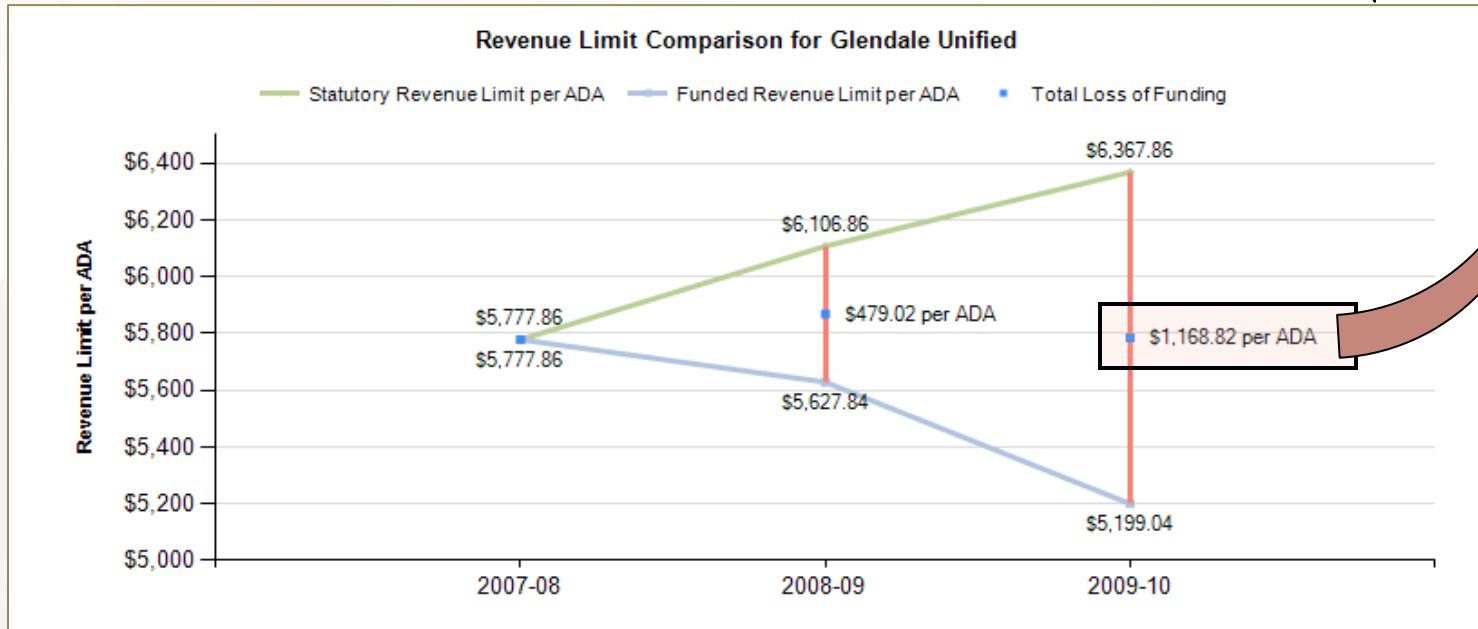
- Deficit Factor Increased  
17.967% to 18.355%
- GUSD Impact -  
\$637,900 Reduction
- One Time Reduction –  
approx. \$250 per ADA
- GUSD Impact – \$6.4  
Million Reduction

<u>Net 2-Year Impact to Revenue Limit</u>	
2008-09	\$5.70
2009-10 (on-going)	(.64)
(one-time)	<u>(6.44)</u>
<b>Net Reduction:</b>	<b>\$(1.38)</b>
	million



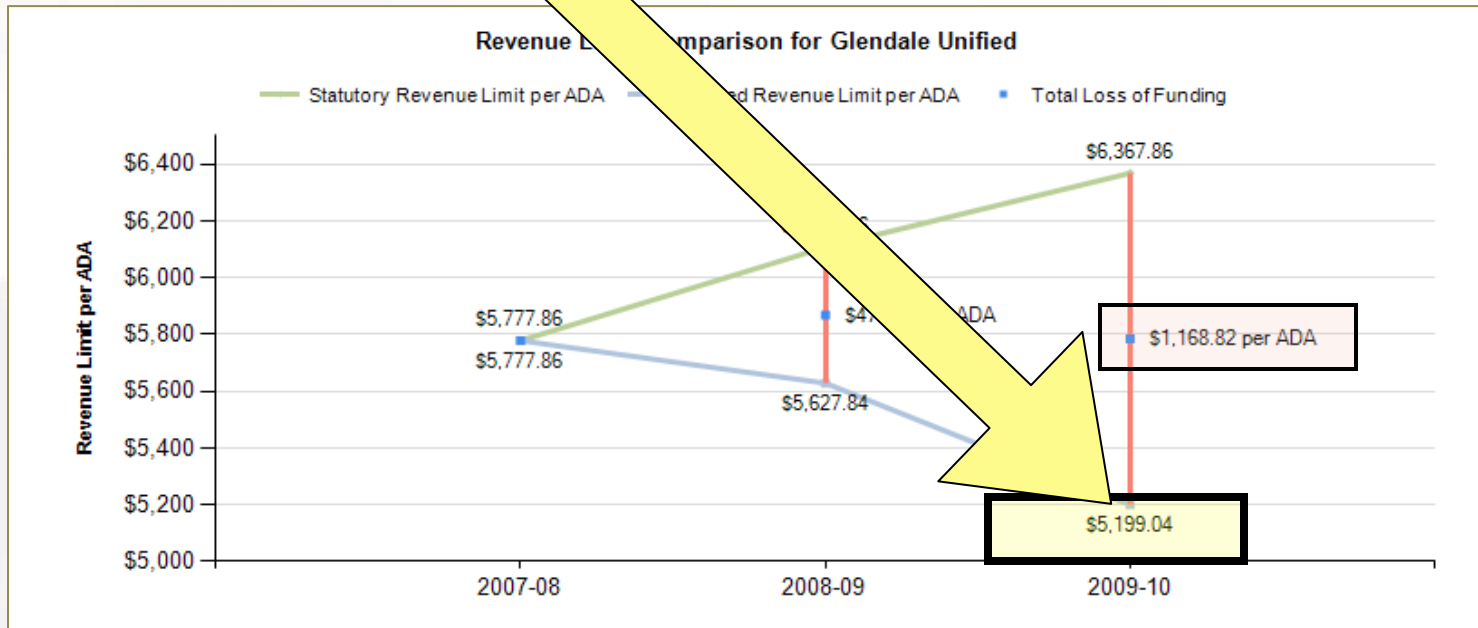
### ADA Funding Cut & Comparison

2009-10	\$6,367.86 (statutory)
2009-10	\$5,199.04 (after on-going cuts)
2009-10	\$4,949.04 (including \$250 one-time cut)
2006-07	\$5,525.86
2005-06	\$5,063.49



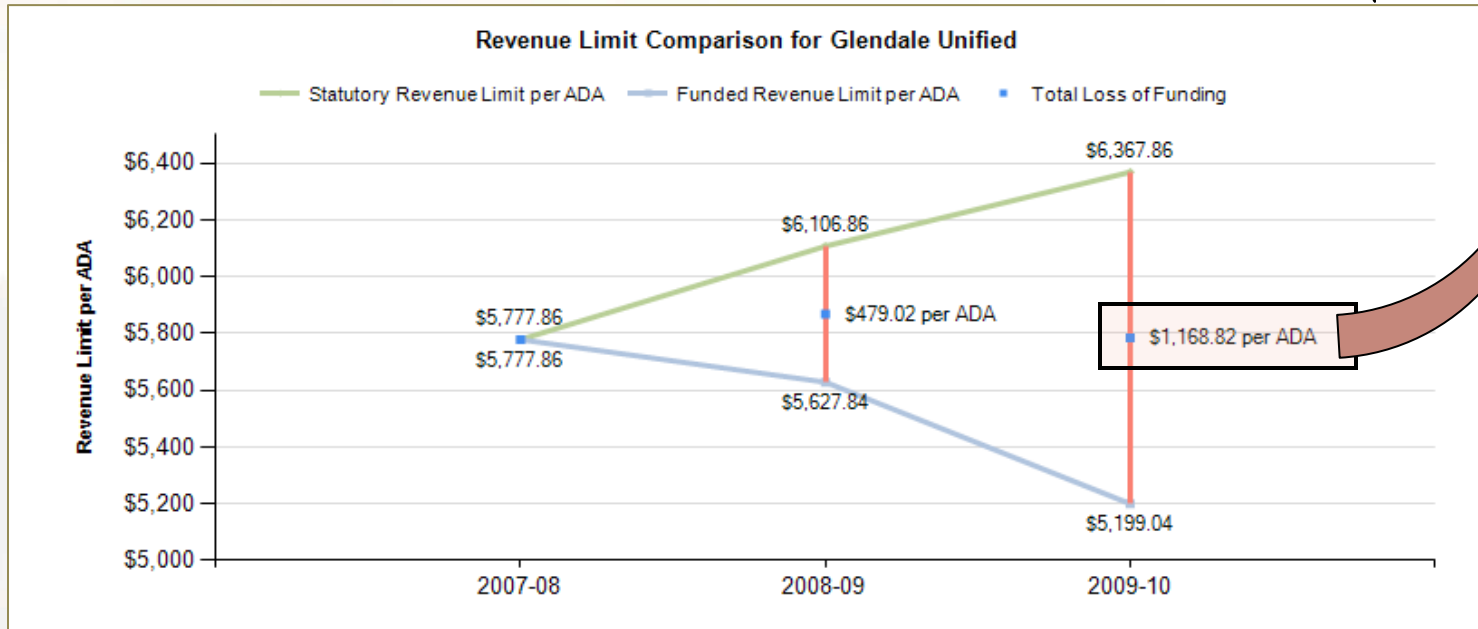
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## Fiscal Impact of RL Cuts

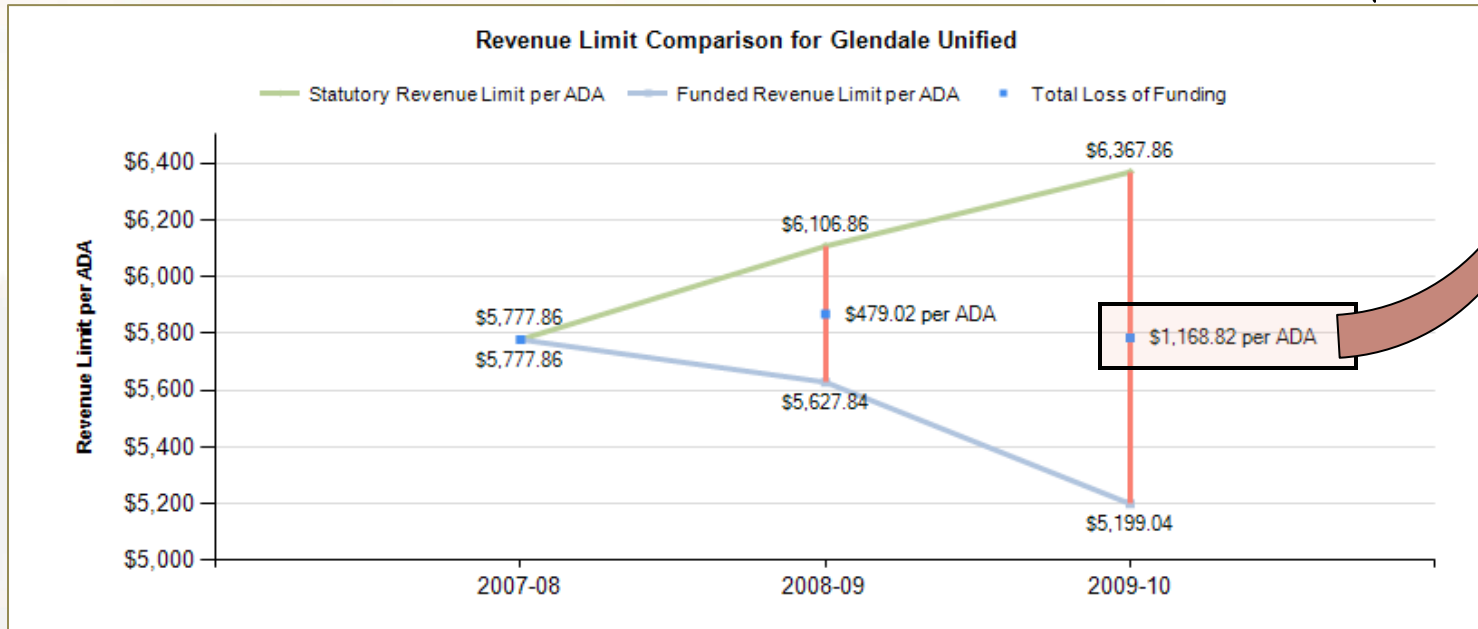
On-Going  
 $\$1,168.82 \times 25,765 =$   
**\$30,114,647**

One-Time  
 $\$250 \times 25,765 =$   
**\$6,441,250**

**Total \$36,555,897**

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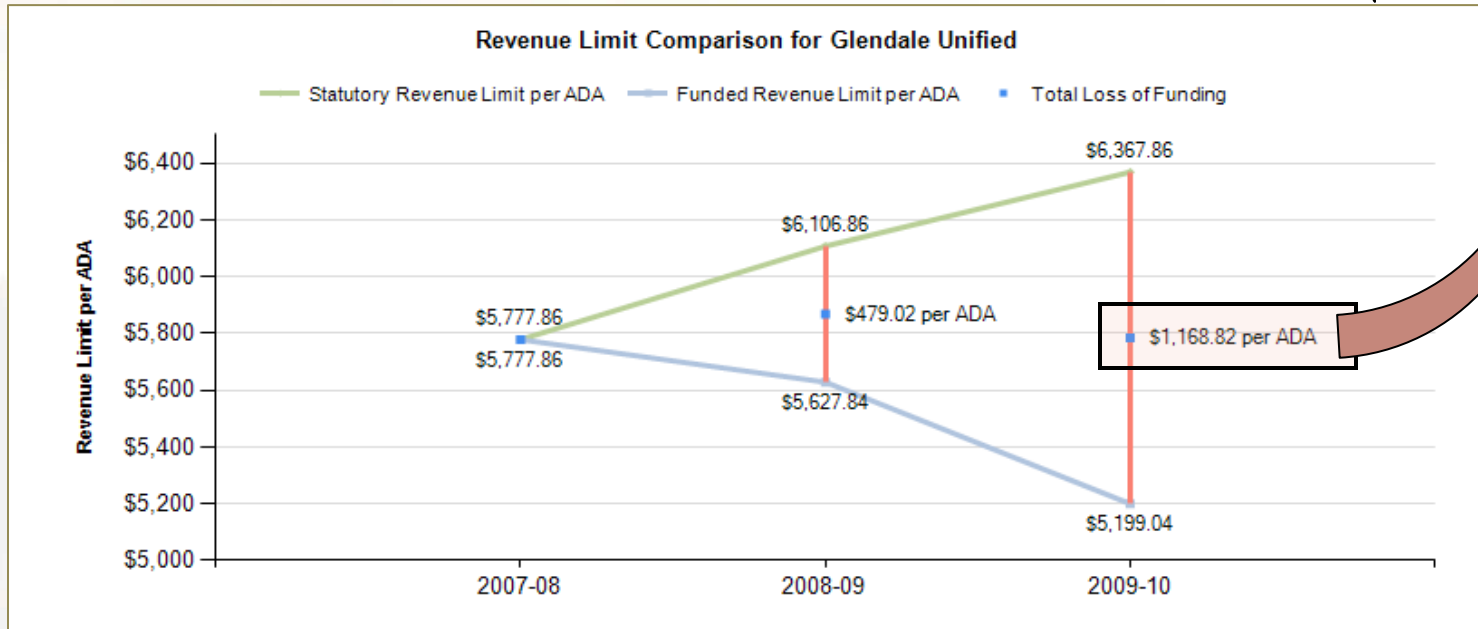
**Total \$36,555,897**

### Bottom Line Impact

2009-10 contract staffing & benefit levels assume statutory funding, however the actual 2009-10 Revenue Limit is much less creating a structural deficit

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# Cumulative On-going Compensation Cost Increases since 2005-06 to 2009-10

On-going Compensation Cost Increases Since 2005-06	
Step & Column (4 years)	\$ 7.7 million
Health & Welfare Insurance	9.2 million
Salary Schedule 8.69%	11.9 million
<b>Total Compensation <u>Increase</u></b>	<b>\$ 28.8 million</b>

## While Expenditures Continue to Increase – Revenue Has Declined

Revenue Limit per ADA	<u>2005-06</u>	<u>2009-10</u>	<u>2009-10</u>
	\$5,063.49	\$5,199.04	\$4,949.04
			(w/ \$250 one-time cut)

**-\$114.45 or \$2.9 million Reduction below 2005-06**

# 2009-10 Revised State Budget

## Other Changes

- State will provide funding equivalent to the 2008-09 Tier III receivables
- Transportation Funding Reduced 20% (**approx \$200,000**)
- Instructional Materials – no new adoptions until 2013-14
- Ability to sweep 2007-08 Ending Balances expanded to include:
  - California High School Exit Exam (CAHSEE)
  - Deferred Maintenance Fund
  - Instructional Material Program
  - Targeted Instructional Improvement Grant (TIIG)
- Routine Restricted Maintenance Program – Required contribution “zero”
- Apportionments – impact on interest income and district cash flow
  - Payments Deferred – one to five months
  - Payments Restructured – delays receipt of funds
- County Office of Education has limited authority to do a “negative certification”

# Structural Deficit

Structural Deficit – a structural deficit occurs when ongoing expenditures exceed on-going revenues.

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When severe, a structural deficit can cause a “*funding cliff*” when expenditures continue, reserves and one-time funds have been utilized, and revenues fall sharply.

## Summary of June 2009-10 Budget Adoption

	<b>2009-10</b>	<b>2010-2011</b>	<b>2011-12</b>
Revenue	\$ 166.07	\$ 156.51	\$ 157.88
Expenditures	(150.79)	(153.04)	(156.50)
Transfers & Other Financing Sources	(16.34)	(16.48)	(16.27)
<b>Deficit Spending</b>	<b>\$ (1.06)</b>	<b>\$ (13.01)</b>	<b>\$ (14.89)</b>
<b>Projected Beginning Balance</b>	<b>\$ 21.76</b>	<b>\$ 20.70</b>	<b>\$ 7.69</b>
<b>Deficit Spending</b>	<b>(1.06)</b>	<b>(13.01)</b>	<b>(14.89)</b>
Projected Ending Balance	\$ 20.70	\$ 7.69	\$ (7.20)
3% Reserve Requirement, Stores, Revolving Cash	(7.03)	(7.10)	(7.20)
<b>Excess over 3% Reserve Requirement</b>	<b>\$ 13.67</b>	<b>\$ 0.59</b>	<b>\$ (14.40)</b>
<b>If One-Time Revenues and Flexibility Options Not Utilized</b>			
<b>Deficit Spending - Utilizing Limited Reserves</b>	<b>(1.06)</b>	<b>(13.01)</b>	<b>(14.89)</b>
<b>New One-Time Revenues</b>			
Federal Stabilization Funds (ARRA)	\$ (9.50)	\$ -	\$ -
<b>Transfers from Limited Sources</b>			
Special Education Reserve	(0.75)	(0.75)	(0.75)
Retiree Benefit Fund	(1.25)	(1.25)	(1.25)
<b>Tier III Categorical Sweep Implemented through 2012-13</b>			
Instructional Materials - Categorical Sweep (one-time)	(1.29)	-	-
9 Grade CSR - Reduced Implementation (6 FTE)	(0.56)	(0.56)	(0.56)
State Deferred Maintenance Revenue	(0.90)	(0.90)	(0.90)
Physical Education Teacher Incentive	(0.26)	(0.26)	(0.26)
Community Based Tutoring Grant	(0.18)	(0.18)	(0.18)
Arts & Music Grant	(0.37)	(0.37)	(0.37)
Supplemental Counseling (phasing out)	(0.82)	(0.82)	(0.82)
<b>Flexibility Options Implemented through 2012-13</b>			
Restricted Maintenance Reserve	(1.00)	(1.00)	(1.00)
District Deferred Maintenance Match - not transferred	(1.24)	(1.24)	(1.24)
<b>Structural Deficit</b>	<b>\$ (19.18)</b>	<b>\$ (20.34)</b>	<b>\$ (22.22)</b>

# Additional One-Time Funding Sources

## NOT Included in June 2009-10 Adoption

■ Categorical Sweep – Year End Closing	\$ 2.77
■ Instructional Materials Tier III Sweep (new additional sweeping authority granted in excess of \$1.29 m sweep already budgeted; total sweep \$2.2 m)	0.91
■ Categorical Accounts Receivables (not accrued but may be paid in 2009-10)	0.26
■ ARRA – IDEA	5.48
■ ARRA – Title I	3.24
■ ARRA – Additional Stabilization	??
<b>TOTAL Additional One-Time Funding Sources (short-term assistance)</b>	<b>\$ 12.66 million</b>

The District needs to use these **one-time** funds to maximize **short-term** benefit, however, these revenues only push out the “funding cliff” created by State reductions and structural deficits.

# Reductions Implemented

<b><u>Change School Site Staffing Ratios</u></b>	<b><u>Estimated Savings</u></b>
Eliminate School Resources (SRT) - 2 FTE	8.2 FTE
Decentralize Verdugo Academy - 1.2 FTE	\$700,000
Daily High School - 2 FTE - transitioning from 15-1 to 20-1	
School Site Clerical - 3 FTE @ High Schools	
Decreased Clerical Work Year 10.25 to 9.25 (up to \$153,000 not included)	

<b><u>Misc. Program Changes</u></b>	<b><u>Estimated Savings</u></b>
Restructure Security (\$192,000)	\$1,392,000
Eliminate GASB 45 Funding in 2010-11 & 2011-12 (\$1.2 m annually)	

<b><u>General Staffing Reductions Implemented at end of 2008-09 and 2009-10</u></b>	<b><u>Estimated Savings</u></b>
Financial Services absorbed 2 FTE (ETIS)	12 FTE
Financial Services reduced 1 FTE	\$777,000
Educational Services reduced 1 FTE (clerical)	
Warehouse 1 FTE	
FASO 2 FTE (painter and mechanic)	
Human Resources - 1 FTE	
Purchasing - 1 FTE	
Healthy Start - 1 FTE	
ETIS - 1 FTE	
Director - 1 FTE (L. B.)	



# Reductions Implemented

## Reduce Teacher Specialists

## Estimated Savings

Consolidate 2 specialists & 1 clerical to one position

\$198,000

Consolidate 2 specialist to one position

Reduced Work Year to 186 days (up to \$176,000, not included)

## Tier III

## Estimated Savings

Phys. Ed. Teacher Incentive 4 primary PE teachers & 6/5 for another teacher.

24.6 FTE

Community Based English Tutoring/English Tutoring

\$5,370,000

On-going Arts and Music Block Grant - 1 FTE Coord III (Joan Shoff)

One-time Arts, Music, & Physical Ed & Equipment (Art Program)

One-time Arts, Music, & Physical Ed & Equipment (PE Program)

Supplemental Counseling Program

Instructional Materials Block Grant - not currently in 2009-10 Budget ??? Ok?

Portion of Instructional Material Block Grant in 2009-10 Budget

Continuation H S Add on (Pupil Retention) PRBG

Tenth Grade Counseling (Pupil Retention) PRBG

Discretionary Block Grant

Applied Competitive Technologies "Quick Start"

Special Ed One Time Mandate

Technology Support

CASHEE Intensive Instruction and Services

ROP - Reduced Staffing to Match State Funding - 2 clerical+ 6/5+ counseling

Reduce 9 Grade CSR - (6.1 FTE)

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# Additional Reductions Options

- Reduce the Number of Days in Work/School Year
  - Limit the District Contribution to Health Insurance Benefit
  - Change Staffing Ratio in Kindergarten – 3<sup>rd</sup> Grade Class Size Reduction (CSR)
  - Look for Additional Tier III Reductions and Flexibility Opportunities
  - Consider Additional Reductions to the Restricted Maintenance Program
  - Utilize the Deferred Maintenance Fund Balance
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# Additional Reductions Options

- Charge Indirect Costs to the Food Service Program
  - Request City Support with Utility Fees
  - Increase Facility Use Charges
  - Reduce Athletic and Music Programs
  - Reduce 2010-11 Summer School Programs
  - Retain MAA Funding at the District Level
  - Redirect Use of E-Rate Reserve and Funding
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# Federal Stimulus Program -- ARRA

## Intent of Federal ARRA Funding

- ❑ Spend funds quickly to save and create jobs
- ❑ Ensure transparency, reporting and accountability
- ❑ Improve student achievement through school improvement and reform
- ❑ Invest one-time ARRA funds wisely and prudently to minimize the “funding cliffs”

## Reality of ARRA Funding

- ❑ Needed to backfill State cuts and prevent insolvency

# Federal Stimulus Program -- ARRA

## ARRA Has Three Major Programs

- ❑ State Fiscal Stabilization Funds – Based on reductions to Revenue Limit and categorical funding
- ❑ IDEA – Special Education Programs – One Time Allocation
- ❑ Title I – One Time Allocation Based on Percentage of Free & Reduced Lunch Students

# Federal Stimulus Program -- ARRA

## State Fiscal Stabilization Funds

- ❑ \$9.5 million (currently budgeted)
- ❑ Additional Allocation in 2009-10 (amount unknown/ not budgeted)
- ❑ Proposed Use – utilize all funds in 2009-10
  - Retain staffing in Unrestricted General Fund Programs

# Federal Stimulus Program -- ARRA

## IDEA – Special Education

- ❑ \$5.48 million (not currently budgeted)
- ❑ Proposed Use – utilize all funds in 2009-10
  - 50% -- the maximum allowed to offset General Fund Contribution in the required “Maintenance of Effort” (MOE)
  - 50% -- retain current staffing

# Federal Stimulus Program -- ARRA

## Title I -- ARRA

- ❑ \$4.46 million (not currently budgeted)
- ❑ Proposed Use – utilize funds in 2009-10 and 2010-11
  - Replenish reduction made to Title I base funding (\$1.4 million)
  - Split remaining balance over 2009-10 and 2010-11 by funding:
    - ❑ Elementary Assistant Principals
    - ❑ Daily High School “above ratio” Staff
      - Administration, Counselors, Teachers
    - ❑ Any remaining funds allocated to pay for AVID staffing



# Federal Stimulus Program -- ARRA

**CAUTION**

Program Audit Guidelines  
will be significant

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# Federal Funding & State Flexibility

## **CAUTION**

Federal ARRA funding and flexibility options will help in the short term but will not assist with the long-term impacts of reduced funding.

Long-term planning is essential to provide stability to the District and its employees

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