

GLENDALE UNIFIED SCHOOL DISTRICT

July 12, 2011

INFORMATION REPORT NO. 5

TO: Board of Education  
FROM: Dr. Richard M. Sheehan, Superintendent  
SUBMITTED BY: Eva Rae Lueck, Chief Business and Financial Officer  
SUBJECT: **2011-12 State Budget**

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The Governor has signed the 2011-12 State Budget Bill and the related trailer bills. At first glance, the 2011-12 State Budget is a positive move for education in that it did not decrease funding below the 2010-11 level as was originally anticipated. However, when the educational budget is reviewed in the context of Proposition 98 guarantees, education was cut \$3 billion in State funding. Additionally, local Board decision making authority, as well as County Office oversight authority were restricted; and trigger language for automatic mid-year cuts to educational funding was approved.

Summary of Initial Information (Source: SSC, CASBO, Ed Source)

The proposed revenue for 2011-12 is the same dollar amount per Average Daily Attendance (ADA) that was received in 2010-11. The \$19 per ADA reduction error that was made in the Governor's January proposal was corrected. The budget does include the \$2.1 billion deferral that was part of the March budget bills, and subsequently eliminated in the May Revision.

State Revenue Assumption: Revenues will be \$4 billion more than the \$6.6 billion in new revenue identified in the May Revision.

If **Proposition 98 guarantee** had been maintained, an additional \$3 billion would have been allocated to education. This would "add back roughly \$500 per student" (SSC vol. 31 no. 14 article). The impact of that level of increased funding to Glendale would be **\$12.6 million** per year. Instead of passing this increase on to education, the Governor:

- Removed Child care from the Prop 98 calculation and re-benched downward lowering the guarantee \$1.2 billion, and
- A portion of the sales tax revenues were shifted to local government, lowering the guarantee \$2.096 billion.
  - There is language that states if there is not a statewide ballot on taxes prior to November 2012, to approve this tax shift the monies will revert to schools and the 2011-12 reduction will be paid back over multiple years.

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The Proposition 98 guarantee has effectively been circumvented and has become **meaningless**.

The budget plan includes several **triggers for automatic cuts** should projected revenues not materialize. If the \$4 billion in new revenue projections are not tracking by January 2012, the automatic reductions will be:

- If the shortfall is less than \$1 billion, there will be no reductions.
- If the shortfall is between \$1 billion and \$2 billion, there will be \$500 million in cuts in non K-12 areas and the remainder will roll over to the next fiscal year.
- If the shortfall is \$2 billion to \$4 billion, there will immediately be \$2 billion in cuts including \$1.5 billion in K-12 cuts.

A \$4 billion shortfall to the State would result in up to a 4% reduction in funding to education or approx. \$6.4 million in reductions to Glendale. While the language also states the school year could be reduced an additional 7 days should mid-year reductions occur, any reduction would need to be negotiated at the local level with the bargaining units.

However, the State has mandated that school districts are prohibited from making program reductions below what they offered in 2010-11 to prepare for mid-year cuts. This created a significant issue throughout the State as it brought into question the legality of the reduction in force notices that were given in March for the 2011-12 school year, and the previously negotiated increases in furlough days. The Governor has since clarified the intent is that if reductions are based on reduced federal funding, cost increases, enrollment declines, or other factors, they will be allowed. However, reductions may not be based on the potential that mid-year cuts may occur with the trigger language.

The State went even further in an unprecedented move and removed the requirement for school districts to demonstrate that they will be able to meet their financial obligations for the two subsequent fiscal years. Additionally, the State removed the authority for the county office of education to disallow or have as a condition of approval that the districts be solvent for the two subsequent fiscal years. **It seems that prudent fiscal management is no longer encouraged – it is actually discouraged.**

School districts are left with very few options beyond adopting a “wait and see” approach to the budget. The ability to do effective long term financial plans, which address reductions and avoid the need for draconian cuts to occur in one year has been eliminated.