

GLENDALE UNIFIED SCHOOL DISTRICT

November 17, 2009

DISCUSSION REPORT NO. 5

TO: Board of Education

FROM: Michael F. Escalante, Superintendent

SUBMITTED BY: Eva Rae Lueck, Chief Business and Financial Officer

SUBJECT: **Addressing Long Term Budget Challenges**

The State of California's revenue dropped from \$102 billion in 2007 to \$84 billion on June 30, 2009, an 18% reduction. This dramatic decrease in funding was passed down to the school districts who receive approximately 95% of their operational revenue from the State of California. In 2009-10, the District will receive less per student unit (Average Daily Attendance - ADA) than it did in 2005-06.

To assist districts in these grave financial times, the State has allowed more flexibility in utilizing "categorical" funds that were previously restricted for specific purposes. It has also allowed districts to access and use reserve funds for general operating expenditures that were previously not available.

The District has implemented the following "flexibility" options to maintain solvency through 2010-11:

- Deferred Maintenance – \$2.14 million annual impact through 2012-13 (\$1.24 million transfer not required and \$.9 million transfer of State Deferred Maintenance revenue to Unrestricted General Fund.
- Restricted Maintenance Account – \$1 million annual impact through 2012-13 – State reduced the required 3% minimum contribution allowing the District to utilize the reserves in the program. The reserves will be depleted at the end of 2012-13.
- Instructional Materials Funding – \$1.29 million previously restricted for textbook purchases transferred to Unrestricted General Fund. Additionally, \$1.5 million of annual State textbook funds utilized for Unrestricted General Fund purposes in 2009-10 through 2012-13. This means there are no funds set aside for textbook adoptions beyond what can be funded out of Restricted Lottery.
- 9th Grade Class Size Reduction Program – Program phased out except for ELL classes and beginning math courses. The \$.56 million in funding was re-directed to the Unrestricted General Fund.

GLENDALE UNIFIED SCHOOL DISTRICT
November 17, 2009
DISCUSSION REPORT NO. 5

- Other Categorical Tier III Programs – Cancellation of the following programs with the \$1.63 million in revenues being re-directed to the Unrestricted General Fund: Physical Education Teacher Incentive Program, Community Based Tutoring Program, Supplemental Counseling Program, and reductions to the Arts & Music Program. Additionally, reserves from the various programs were eliminated and transferred to the Unrestricted General Fund.

The Federal Government, in response to the fiscal crisis that is impacting California and the nation, provided \$19.64 million in additional one-time funding to the District in three categories: Stabilization \$9.54 million, IDEA \$5.46 million, and Title I \$4.64 million. These funds were utilized to maintain the current programs in 2009-10.

Additionally, the District has reduced clerical staffing at the high schools, made reductions in staffing at central administration, reduced staffing at Daily High School, and re-structured Verdugo Academy to reduce staffing. It has also reduced reserves for future retiree benefit costs, special education, the unrestricted general fund, and as previously mentioned, the Restricted Maintenance Account.

Unfortunately, while the assistance from the Federal Government is greatly appreciated, it is not an on-going funding source. This is true for the various reserves that are being utilized in the multi-year budget plan that extends through 2012-13.

With all of these additional funds and flexibility options, the District will be \$22.68 million short of maintaining the required 3% reserve in 2012-13.

This does not take factor in that the flexibility options that are currently available expire in 2012-13, and if the State does not extend them, it will cause an additional XX million dollars (in addition to the \$22.68 million) that will need to be cut from the District budget.

There are many factors that will change between now and 2012-13. There are few positive changes that may occur with enrollment stabilizing and additional one-time Federal assistance. However, there are also some negative impacts that will occur if the State does not allocate the .5% COLA in 2009-10, 2.3% COLA in 2010-11, or the 2.5% COLA in 2012-13 that is currently incorporated in the multi year budget.

The District must develop a plan that addresses the \$22.68 million shortfall and prepare for this deficit to increase. At our meeting, we will be reviewing the list of options that were previously discussed. It will be important to differentiate which strategies require formal negotiations with bargaining units and which items can be done at the direction of the Board of Education. This will also impact whether there will be a reduction in force through the formal March 15 notification process.