

GLENDALE UNIFIED SCHOOL DISTRICT

October 21, 2008

DISCUSSION REPORT NO. 2

TO: Board of Education

FROM: Michael F. Escalante, Superintendent

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

SUBJECT: **2008-09 Budget**

There is great concern that the current State economy will not support the 2008-09 State Budget that was recently adopted. The Governor and the Legislature are considering how to best address the State's cash flow issues as well as the revenue shortfall that is anticipated this year. Since over 95% of the District's operational revenue is from the State, these issues will impact us.

It is anticipated that there will be mid-year cuts in funding due to the State's budget shortfall and that payments may be delayed due to the State's cash flow issues. However, at this point in time, we do not know the magnitude of these impacts or the specific areas that will be addressed. The current discussions at the State level would indicate that reductions will first occur within the categorical programs.

The District administration is considering reserving a portion of the categorical entitlement to address these potential reductions. If we were to implement this reserving policy, the sites and program directors would develop their spending plans based on a smaller budget. Then if the full entitlement is received their budgets would be increased at that time.

Note: The topic of the State Budget will be on the agenda at each Board meeting to provide an opportunity for the Board and the Administration to discuss the issues and impacts as they develop.