

GLENDALE UNIFIED SCHOOL DISTRICT

February 3, 2009

DISCUSSION REPORT NO. 1

TO: Board of Education

FROM: Michael F. Escalante, Superintendent

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

SUBJECT: 2008-09 Budget

At our last meeting, January 13, 2009, there was a presentation on the Governor's proposed budget for 2009-10 and the mid-year reductions that he is recommending for 2008-09. The legislature typically does not take action or respond to the Governor's proposal for the next fiscal year until well into the spring and early summer. Typically the State budget is not finalized until summer, and this past year it was not finalized until September 23, 2008.

However, this year is not a "typical" year and the State fiscal crisis has been acknowledged as an issue that must be dealt with immediately. The State has stopped funding for facility projects, reduced and/or eliminated payments to governmental agencies, implemented a two day per month furlough program for State employees, and postponed income tax refunds. The State's credit rating and fiscal crisis has placed it in a financial position that is unacceptable in the bond market. It is no longer possible for the State to sell bonds to assist in this crisis and the State will soon be out of cash to make payments.

It is therefore anticipated that the actions the legislature will ultimately take will involve mid-year reduction as well as a plan that includes a significant portion of the 2009-10 State Budget.

Until there is agreement at the State level between the Governor and the Legislature, we will not know the impacts to the Glendale School District or how to best structure a reduction plan. One of the key components in the various plans being discussed is "flexibility" for school districts. The way that the flexibility is structured will be our road map as to how we shift programs, revenues, and expenditures to ultimately arrive at the reductions that need to be made in the District's spending plan.

Some of the options surrounding flexibility include:

- Ability to sweep prior year carry-forward monies in categorical programs
- Reduction in the Restricted Maintenance Transfer from 3% to 1%
- Deferral on new text book adoptions
- Elimination of the Deferred Maintenance match requirement

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- Increase of K-3 CSR ratios
- Reduction in length of school year
- Shifting categoricals to a block grant and reducing/eliminating current restrictions on the use of funds

Our District plan cannot be finalized until we know the amount of reductions that need to be targeted, as well as the funding structure and flexibility that is going to be provided. However, what we can do is position the District in a way that allows us to take advantage of flexibility options when they are finalized and also make reductions wherever it is prudent. To that end the Administration is:

- Reducing the spending in the current year via restrictions on purchases and reductions in staffing through attrition
- Positioning the District for certificated re-assignments and/or reductions that may occur with the elimination and/or reduction to categorical programs
- Preparing cost analysis on various programs that impact the general operating fund
- Evaluating budget reductions options and potential revenue sources

To provide a basis for our discussions, the following is a summary of the multi-year impact of the Governor's proposal and what we are referring to as Phase 1 options to consider in the budget development plan. Phase 1 options are those items that we can readily implement that will have a minimal impact on programs. The items in this category will be expanded to include budget savings resulting from reduced spending and reductions in staffing due to attrition.