

GLENDALE UNIFIED SCHOOL DISTRICT

June 7, 2011

DISCUSSION REPORT NO. 2

TO: Board of Education

FROM: Dr. Richard M. Sheehan, Superintendent

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

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**SUBJECT: May Revise and Proposed 2011-12 District Budget**

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The Governor's "May Revise" reflects an improving economy and increased State revenues since the January proposals. These changes, combined with the assumption that voters will eventually approve the tax extensions has resulted in a 2011-12 State Budget that will continue to fund schools at current-year levels. This is being referred to as "flat funding".

The Governor's proposal for education includes:

- Funding 2011-12 at current-year levels
- Continuation of Flexibility Options
- Proposition 98 - \$3 Billion Increase
  - Reverse \$2.5 billion of the apportionment deferrals (partial)
  - Reverse \$350 million of Community College Deferrals
  - Provide \$389 million in conjunction with shifting out-of-home-care and mental health services for children with disabilities from county agencies to school districts

While this budget sounds like good news to school districts, it is heavily dependent on future events. The Governor raised concerns that this budget does not erase the State's structural deficits, including K-12 deferrals and other pass borrowing measures. Additionally, the budget assumes extension of the higher tax levels, but if they do not materialize, there is no specific alternative proposal to fall back (there is no "Plan B").

The following pages contain the multi-year budget assumptions and a summary of the District's draft budget for 2011-12. It should be noted that this is a working draft and will not be finalized for adoption until the June 21<sup>st</sup> Board meeting.

### *General Fund Highlights*

#### Multi-Year Budget Assumptions

Please refer to “Attachments A, B and C” for details on the impact of the May Revise to Glendale USD’s multi-year budget. Additional revenue and expenditure adjustments are also identified on these attachments. Below are descriptions of certain key budget changes impacting the District.

#### Enrollment Projections

The District’s multi-year enrollment is projected to decline 274 students in 2011-12 and continue to decline an additional 133 students in 2012-13.

#### Revenue Limit Income

The 2010-11 Revenue Limit funding is based on \$5,204/ADA which reflects a 2.24% COLA and 19.754% deficit. This is a net change of 0.00%. Although current year ADA is projected to be 25,085, the actual Revenue Limit funding for 2011-12 will be calculated using the previous year’s ADA of 25,291 as per Education Code Section 42238.5.

Although the May Revise proposes to “flat fund” fiscal 2011-12 revenues to the current year level, more uncertainty still exists should the tax extensions not be implemented. Therefore, pending a final state budget, the Los Angeles County Office of Education is recommending school districts to **set aside a reserve of \$330 per ADA (\$8.3 million compounded each year) in the multi-year projection.** For comparison purposes, Attachment B displays the multi-year plan without the set aside reserve, and Attachment C displays the multi-year plan with the set aside reserve.

#### Other State Revenue

The proposed June budget adoption reflects categorical COLAs at 0% 2011-12, 2012-13 and 2013-14 due to the State fiscal crisis.

#### Lottery

Lottery income for years 2011-12 through 2013-14 is based on estimates provided by the California Department of Education, the Los Angeles County Office of Education (LACOE), and School Services of California. The District’s estimate of \$111.00 per ADA in the Unrestricted General Fund and \$17.50 in the Restricted General Fund is based on the recommendation from LACOE for the adopted budget.

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Other Uses

The “COLA reserve” for negotiations and other uses is zero for 2011-12 and future years.

2010-11 Ending Fund Balance

The Unrestricted General Fund Ending Balance for 2010-11 is projected to increase since the Second Interim report period by an estimated \$3.7 million. This estimate will be updated again prior to budget adoption.

Interest

The 2011-12 projected interest income was adjusted down from \$900,000 to \$820,000 due to the State revenue deferrals and the low interest rate being generated in the L.A. County Treasurer’s investments.

Employee Compensation Adjustments

2011-12 Certificated and classified salaries have been adjusted to reflect step and column, staffing and vacancy adjustments, as applicable. The 2011-12, 2012-13 and 2013-14 projections reflect a \$1.95 million annual increase in health and welfare costs. This will be adjusted once the insurance renewal for 2011-12 is finalized.

