

GLENDALE UNIFIED SCHOOL DISTRICT

July 14, 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: **2009-10 Budget Update**

At our last meeting, the Board approved the 2009-10 Budget for Glendale Unified based on the May Revise proposal from the Governor. This was in compliance with the directions that were received from the L.A. County Office of Education, our oversight agency. The May Revise was very unique in that in addition to the proposals for the new fiscal year 2009-10, it also included changes for 2008-09. The May Revise included increasing the net deficit factor applied to the 2008-09 Revenue Limit from a negative 2.63% to a negative 6.41%. However, to implement this reduction for 2008-09, the legislature would have needed to pass legislation prior to June 30, 2009. This did not occur.

Since legislation was not passed by the end of the fiscal year and the financial needs of the State have not changed, the reductions that occur in 2009-10 will need to be larger. There are discussions that the suspension of Proposition 98 will need to occur for these reductions to be implemented. This has significant implications at the State and local level for educational funding in the future. There are also discussions to retroactively reduce the 2008-09 entitlements. This is being evaluated from a legal perspective.

It appears at this time that our projected Ending Fund Balance for 2008-09 will increase due to May Revise not being implemented and that our 2009-10 Budget will need to be amended to reflect a larger reduction in State revenue. These changes will not occur until direction is received from the L.A. County Office of Education and the State Budget is finalized.

At this point in time, there are many uncertainties as to which year the funding will be reduced and in what form the State reductions will be implemented. However, there is certainty that the State has a significant budget shortfall and with education being 40% of the State budget, the impact locally will be significant. The Administration continues to review potential program and cost reductions, the shifting of costs to categorical programs, and the utilization of the Federal Stimulus (ARRA) funds for stabilization, Title I, and IDEA. At our meeting, we will be discussing these items in more detail with the most current information available from the State and Federal resources.