GLENDALE UNIFIED SCHOOL DISTRICT

May 21, 2019

INFORMATION REPORT NO. 6

| | |
|---|---|
| TO: | Board of Education |
| FROM: | Dr. Kelly King, Interim Superintendent |
| SUBMITTED BY: | Stephen Dickinson, Chief Business and Financial Officer |
| SUBJECT: | **GUSD Plan to Maintain District Solvency and Financial Responsibility** |

Governor Newsom released the May Budget Revision for the 2019-20 fiscal year on May 9, 2019. The big financial pieces for public education funding were mostly unchanged from the January proposal:

- Local Control Funding Formula (LCFF) – The cost-of-living adjustment (COLA) was reduced from 3.46% (January proposal) to 3.26%. For GUSD, this reduction of 0.2% will reduce our ongoing revenue projection by about $460,000/year compared to the January proposal. A reminder that the LCFF needs to increase by about 5% every year for any school district budget just to remain balanced against the normal annual cost increases of step/column, health/welfare, STRS/PERS and inflationary costs on non-personnel budgets; all while "holding everything else constant."

- Special Education – Slight increase to the January proposal to support expanded services and school readiness of districts with high percentages of both students with disabilities and unduplicated students. This may not be of much benefit for GUSD.

- STRS Relief – Slight increase to the January proposal for one-time funding to reduce the employer contribution rate. The January proposal included $3 billion toward this effort; the May Revise includes $3.15 billion.

Additional details may become more clear at the May 21, 2019 May Revise Workshop that staff will be attending.

Given this "COLA-only" budget proposal, the District's fiscal stabilization plan must continue. For the 2019-20 fiscal year, the GUSD Board of Education committed to a $5 million budget reduction. Now GUSD must begin to focus on a budget reduction for the 2020-21 fiscal year of at least another $5 million.

Upon adoption of the GUSD 2019-20 budget in June 2019, the District's multi-year projection will now include the two future fiscal years 2020-21 and 2021-22. The Los Angeles County Office of Education (LACOE) requires that the District will be able to meet its financial obligations for this time period to keep a "Positive Certification."

The budget deficit for the 2020-21 fiscal year is currently projected to be in the range of \$10-\$12 million. If this deficit were left unaddressed, the result would be a deficit in the following year, 2021-22, of at least \$18 million and the District would not meet its 3% minimum Reserve for Economic Uncertainty requirement. Therefore, the need to plan for a 2020-21 budget reduction of at least another \$5 million, understanding that there are still several variables yet to be determined as the timeline progresses. A few of the major variables include: enrollment, average daily attendance percentage (ADA), unduplicated student count, future LCFF revenue, labor contract negotiations, and the potential territory transfer.

A reminder that the process to achieve the 2020-21 budget reduction will be far more extensive than the process for 2019-20. The budget reduction for 2019-20 included almost 30 FTE of positions that were either vacant or soon-to-be vacant and therefore was achieved without a layoff process. The 2020-21 budget reduction will not have enough vacancies and a layoff process will likely be required. This, in turn, will give the District good reason to consider an early retirement incentive to create more vacancies. This will need to be analyzed by fall of 2019.

Most school districts in California are in a very similar financial position, or much worse. This is evidenced through articles across the state of severe budget reductions, attempts for parcel taxes and stalled labor contract negotiations. As we all know, California funds public education far below the national average. There are legislative initiatives to increase the LCFF to the national average and above over a number of years. GUSD and all of its constituents should support these initiatives, but until then we must take the necessary actions to maintain District solvency and financial responsibility.