

# 2009-10 Budget (June Adoption)

$$4 + 2 = 6$$

$$7 - 2 = 5$$



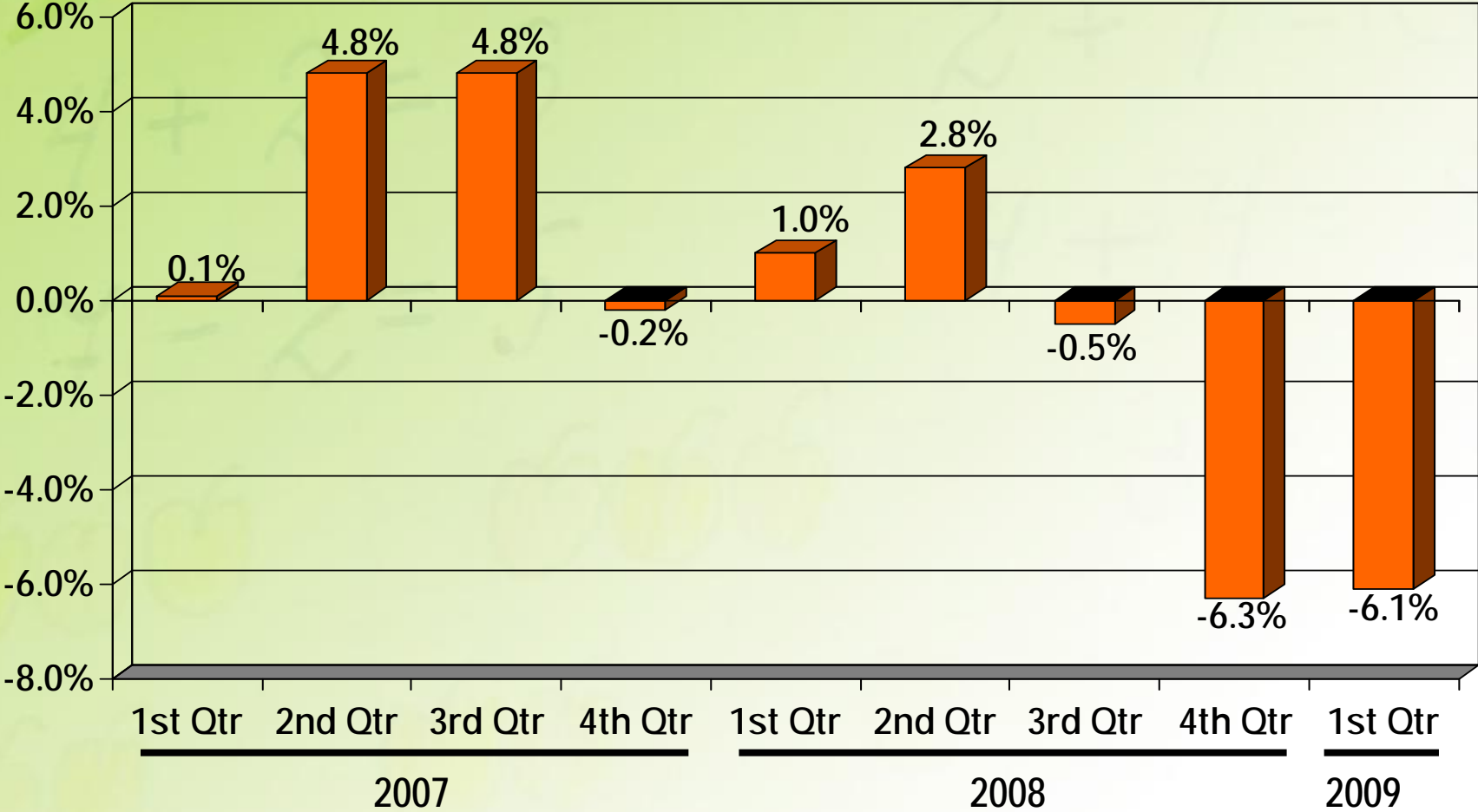
Eva Rae Lueck  
Chief Business & Finance Officer  
June 23, 2009

# National Economy



- The current recession is the deepest since the Great Depression
  - The recession began in December 2007 and is now 17 months old
  - The U.S. unemployment rate is 8.9%, up from 5.8% in 2008
  - The U.S. Gross Domestic Product (GDP) shrank - 6.3% in the last quarter of 2008 and - 6.1% in the first quarter of 2009, the biggest drop since 1958

# National Gross Domestic Product



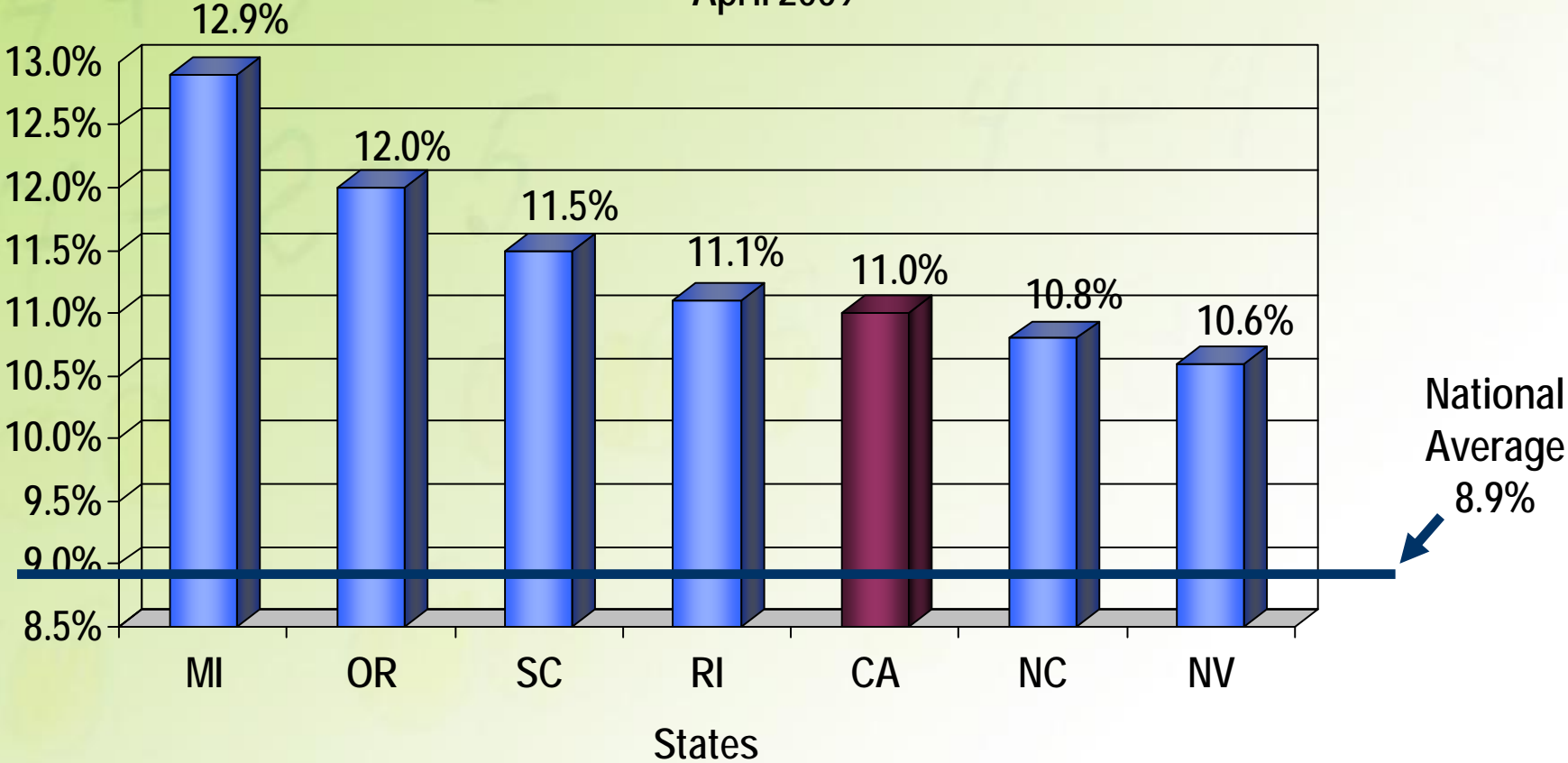
Source: Governor's 2009 May Revision

Recession

# Unemployment in Other States



## States with the Highest Unemployment Rates April 2009



Source: U.S. Bureau of Labor Statistics, May 22, 2009

# Overview of the State Budget



- Proposition 98 has been on a rollercoaster ride
  - Cuts to the revenue limit
  - Cuts to categoricals
  - Flexibility within remaining categorical funding
  - Withdrawal of Public Transportation Funds with no backfill
  - Addition of one-time federal funds
  - Changes to federal MOE requirements
  - And much more to be detailed later in the program
- What does it all mean?
  - Less of everything for California's children
  - Coupled with cuts to health and welfare programs, the most vulnerable Californians – mostly children – are in for a very tough year

# Budget Process Is Unprecedented



- Nothing in the development of the 2008-09/2009-10 17-month Budget has been normal
  - The January Governor's Budget was released in December
  - The 2008-09 and 2009-10 State Budgets were merged, amended, and adopted together in February
  - Following the latest Budget adoption in state history last September, the February enactment of the 2009-10 Budget was by far the earliest
  - Immediately after enactment, it was clear that the Budget was in need of substantial amendment
  - The special election was held on May 19 with disappointing results
  - The May Revision proposals have slowly leaked out of the Capitol

# Unrestricted General Fund Revenue Limit History



<u>Reporting Period</u>	<u>Actual 2007-08</u>	<u>Projected 2008-09</u>	<u>Projected 2009-10</u>	<u>Projected 2010-11</u>	<u>Projected 2011-12</u>
First Interim	\$ 145,959,288	\$ 145,492,279	\$ 143,869,978	\$ 147,523,282	\$ 149,466,309
Second Interim	145,959,288	140,520,426	137,580,410	137,170,527	138,443,406
2009-10 Adopted Budget	145,959,288	135,401,141	129,576,055	129,399,127	130,563,263
<b>Difference From First Interim to 2009-10 Adopted Budget</b>	\$ -	\$ (10,091,138)	\$ (14,293,923)	\$ (18,124,155)	\$ (18,903,046)
<b>TOTAL Difference</b>					\$ (61,412,262)

# May Revision Features



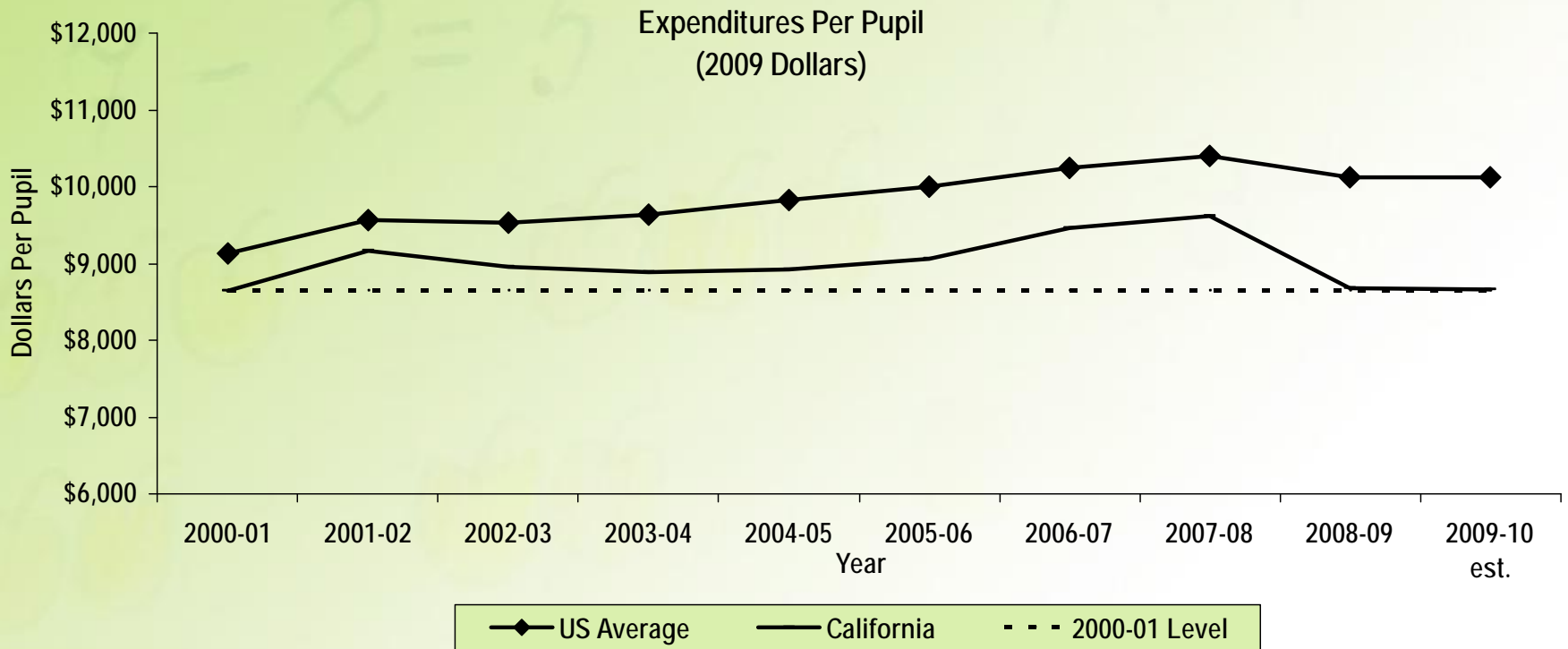
- The already reduced 17-month Budget adopted in February is reduced by another \$24.3 billion
- Major cuts to K-12 education, welfare, prisons, and higher education
- No suspension of Proposition 98 – not needed as funding floor has dropped
- No cost-of-living adjustment (COLA) and a huge deficit factor
- Lottery and other special election proposals appear to be dead
- More cuts to K-12 – \$3.9 billion – between the February Budget and the May Revision
- Some additional flexibility anticipated, but not yet approved
- Even more funding deferred – placing an even greater burden on cash flow
- Dramatically lower funding for every aspect of government services



# The Lost Decade



- The cuts sustained so far plus the May Revision's additional cuts erase almost a decade's worth of increased spending power for California schools
  - The last time California's per-pupil spending was at this level, adjusted for inflation, was 2000-01



# 2009-10 Deficit Applied – Glendale Unified



- 2009-10 deficit factor of 17.967% applied to undeficitied 2009-10 RL per ADA

## Glendale Unified

Funded RL

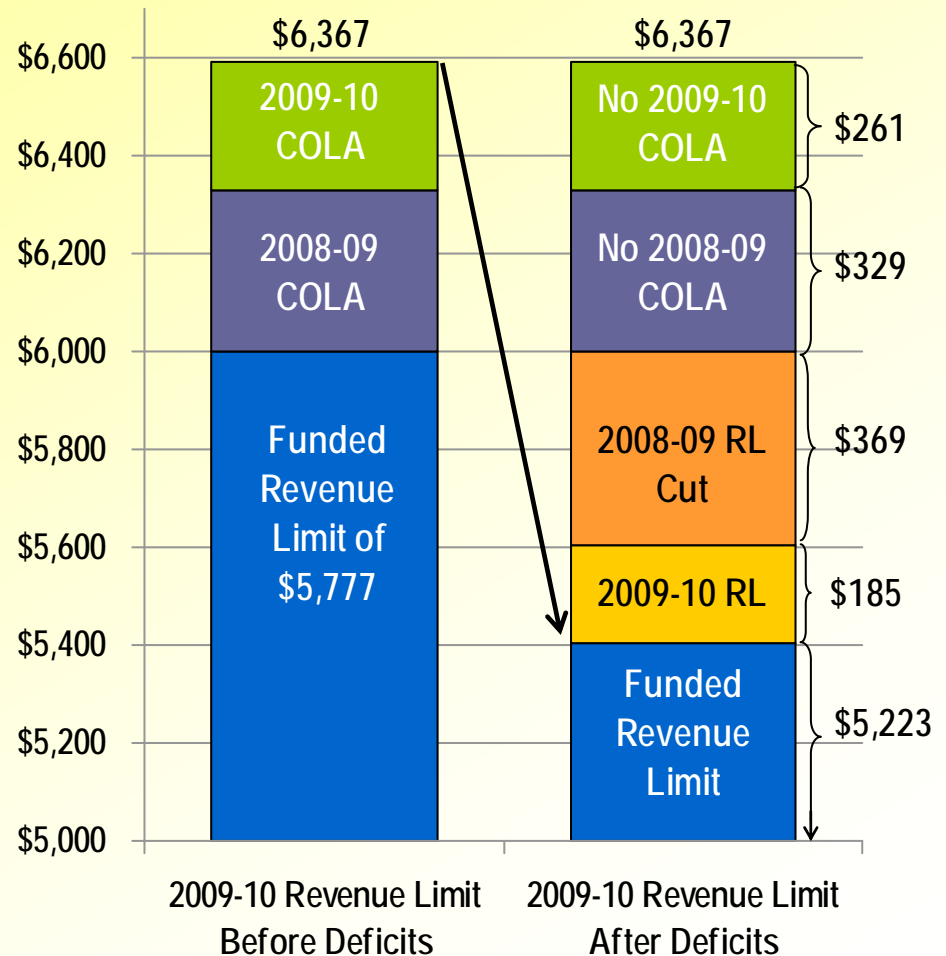
$$= \$6,367 \times (1.0 - 0.17967)$$

$$= \$6,367 \times 0.82033$$

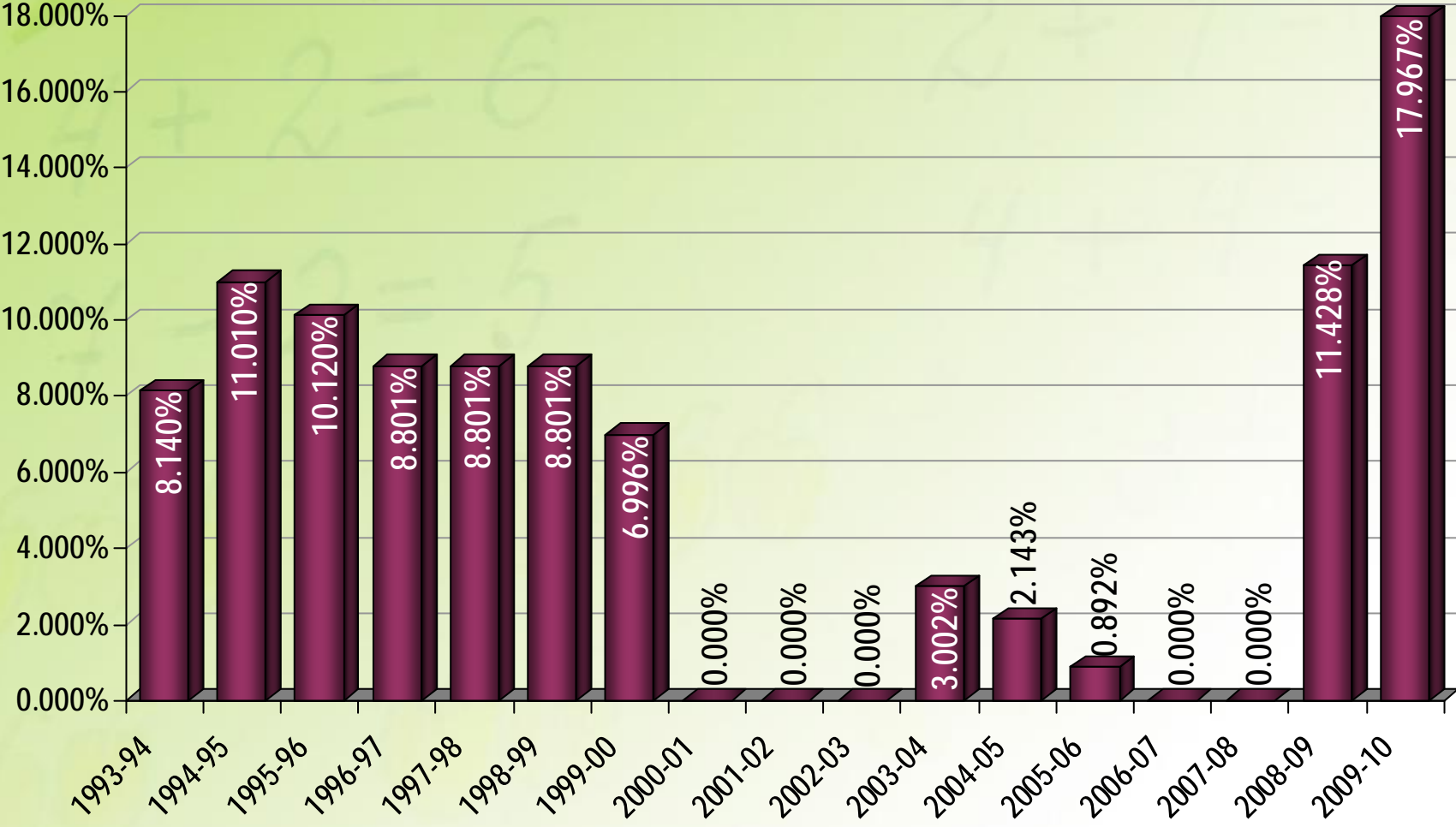
$$= \$5,223$$

\$554 per ADA less than 2007-08

$$\$554 \times 26,000 = \$14.4 \text{ million}$$



# Revenue Limit Deficit Factor



# Reductions and/or Revenue Captures Included in the 2009-10 Budget (June adoption)



## Flexibility Options

- Decrease Restricted Maintenance Transfer – Utilize Reserves
- Decrease Restricted Maintenance Transfer – Deferred Maintenance
- Retain State Deferred Maintenance
- Sweep Ending Balances from District Discretionary Grant

## Sweep Balances and Retain Future Revenues from Tier III Programs

- Physical Education Teacher Incentive Grant
- Art and Music Grant
- Supplemental Counseling
- 9<sup>th</sup> Grade Class Size Reduction (with the Exception of Beginning Math & ELD)
- Community-Based English Tutoring (CBET) Program

## Federal Stimulus – ARRA (American Recovery and Reinvestment Act)

- Federal Stimulus Stabilization Funding (\$9.5 million included in budget)
- IDEA Federal Stimulus Funding (\$5.48 million not included in budget)
- Title I Federal Stimulus Funding (\$3.24 million not included in budget)

# Reductions and/or Revenue Captures Included in the 2009-10 Budget (June adoption)



## Restructure and/or Reduce Programs

- Eliminate Extra Class Sections for School Resource Teachers
- Decentralize Verdugo Academy
- Restructure Security Services to Reduce Costs and Extend Service
- Reduce Regional Occupational Program Expenditures

## Unrestricted General Fund Impact to be Determined (*not* included in budget)

- Reassign & Reduce Administrator and Teacher Specialist Assignments
- Reduce Some Classified Work Years to Match the School Year
- Reduce Teacher Specialist Work Year

# Future Reductions and/or Revenue Enhancements Under Consideration by Board of Education



- Increase Charges for Facility Use
- Charge Indirect Costs to the Food Service Program
- Increase Ratios in K-3 Classes
- Modify Staffing Ratios at Clark Magnet High School
- Eliminate or Charge a Fee for Transportation to Clark Magnet High School
- Sweep Categorical Balances
- Restructure and/or Eliminate Tier III Programs
- Limit District Health Insurance Contribution
- Adjust Support Staff Ratios: Certificated & Classified
- Utilize Reserves in Other Funds

# Utilization of One-time Revenue for On-going Expenses

Structural Deficit (in millions)



**Glendale Unified School District**  
**June 2009-10 Budget Adoption**  
**Utilization of One-time Revenue for On-going Expenditures**  
**Structural Deficit (in Millions)**

	<u>2009-10</u>	<u>2010-2011</u>	<u>2011-12</u>
<b>New One-Time Revenues</b>			
Federal Stabilization Funds (ARRA)	\$ 9.50	\$ -	\$ -
<b>Tier III Categorical Sweep One-time</b>			
Instructional Materials - Categorical Sweep	1.29	-	-
<b>Transfers from Limited Sources</b>			
Special Education Reserve	0.75	0.75	0.75
Retiree Benefit Fund	1.25	1.25	1.25
Restricted Maintenance Reserve	1.00	1.00	1.00
<b>Fund Balance</b>			
Utilization of Reserves from Prior Years/Shortfall	1.06	13.01	14.88
<b>Structural Deficit Reduced by Tier III Sweeps</b>	<u>\$ 14.85</u>	<u>\$ 16.01</u>	<u>\$ 17.88</u>
	(million)	(million)	(million)

# Utilization of One-time & Short-Term Revenues for On-going Expenses

Structural Deficit (in millions)



<b>Glendale Unified School District</b>			
<b>June 2009-10 Budget Adoption</b>			
<b>Utilization of One-time Revenue for On-going Expenditures</b>			
<b>Structural Deficit (in Millions)</b>			
	<u>2009-10</u>	<u>2010-2011</u>	<u>2011-12</u>
<b>Structural Deficit Reduced by Tier III Sweeps (millions)</b>	<b>\$ 14.85</b>	<b>\$ 16.01</b>	<b>\$ 17.88</b>
<hr/> <b>These Options will expire at the end of 2012-13</b> <hr/>			
<b>Tier III Categorical Sweep Implemented through 2012-13</b>			
9 Grade CSR - Reduced Implementation (6 FTE)	0.56	0.56	0.56
State Deferred Maintenance Revenue	0.90	0.90	0.90
Physical Education Teacher Incentive	0.26	0.26	0.26
Community Based Tutoring Grant	0.18	0.18	0.18
Arts & Music Grant	0.37	0.37	0.37
Supplemental Counseling (phasing out)	0.82	0.82	0.82
<b>Flexibility Options Implemented through 2012-13</b>			
District Deferred Maintenance Match	1.24	1.24	1.24
<b>Structural Deficit Without Tier III Sweeps/Flexibility</b>	<b>\$ 19.18</b>	<b>\$ 20.34</b>	<b>\$ 22.21</b>
	(million)	(million)	(million)



# Summary of June 2009-10 Budget Adoption



## Summary of June 2009-10 Budget Adoption

Unrestricted General Fund	2009-10	2010-2011	2011-12
Revenue	\$ 166.07	\$ 156.51	\$ 157.88
Expenditures	(150.79)	(153.04)	(156.50)
Transfers & Other Financing Sources	(16.34)	(16.48)	(16.27)
Deficit Spending	\$ (1.06)	\$ (13.01)	\$ (14.89)
<b>Projected Beginning Balance</b>	<b>\$ 21.76</b>	<b>\$ 20.70</b>	<b>\$ 7.69</b>
Deficit Spending	(1.06)	(13.01)	(14.89)
Projected Ending Balance	\$ 20.70	\$ 7.69	\$ (7.20)
3% Reserve Requirement, Stores, Revolving Cash	(7.03)	(7.10)	(7.20)
<b>Excess over 3%</b>	<b>\$ 13.67</b>	<b>\$ 0.59</b>	<b>\$ (14.40)</b>
	(million)	(million)	(million)

# Status of Reserves June 2009-10 Budget Adoption



	<u>Special Ed</u>	<u>Restricted Maint</u>	<u>GASB 45</u>	<u>Debt Service Fund</u>
<b>2007-08 Balance</b>	<b>3.40</b>	<b>3.50</b>	<b>8.00</b>	<b>15.40</b>
2008-09				
Utilize	(0.75)	-	(1.25)	(1.30)
Increase	-	-	1.20	-
2009-10				
Utilize	(0.75)	(1.00)	(1.25)	(1.30)
Increase	-	-	1.20	-
2010-11				
Utilize	(0.75)	(1.00)	(1.25)	(1.30)
Increase	-	-	-	-
2011-12				
Utilize	(0.75)	(1.00)	(1.25)	(1.30)
Increase	-	-	-	-
<b>Balance at End of 2011-12</b>	<b>0.40</b>	<b>0.50</b>	<b>5.40</b>	<b>10.20</b> *

\*Note: The COP payment of \$1.3 million will continue out of the Debt Service Fund in future funds unless another revenue source is identified.

# Implications of State Financial Instability



- Cash flow may become challenging
- Dynamics of collective bargaining change
- Untouchable issues such as the length of the school year become negotiable
- Budget projections become problematic



# What's Next for Glendale Unified?

- Adopt the 2009-10 Budget realizing:
  - GUSD budget deficit is not resolved
  - Decisions are not finalized
  - State and Federal funding is not finalized
- Continue making reductions & restructuring programs
- Continue negotiations with bargaining unit
  - Retain opportunities to respond to options that may be provided by the State
    - Reduced work year
    - Increased flexibility
- Determine utilization of Federal IDEA and Title I Stimulus monies