

GLENDALE UNIFIED SCHOOL DISTRICT

March 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**

The Legislature has reached agreement and amended the State Budget for 2008-09 and established the budget for 2009-10. At the time our agenda was being prepared, we had not yet received information from L.A. County Office of Education regarding their interpretation of the State impacts and the assumptions that should incorporate into the Second Interim report. Therefore the Second Interim report will be postponed until the March 17, 2008 meeting.

To fully understand the magnitude of the reductions proposed by the State, one needs to understand the mechanisms that were put into the system to ensure basic educational funding would be maintained. Each year, the State is required by statute to calculate and apply a cost of living (COLA) to the base revenue limit funding. The statutory COLA for 2008-09 is 5.66% and is projected to be 5.02% for 2009-10. Those COLAs would have resulted in an on-going funding increase of \$8.5 million in 2008-09 and an additional \$8 million increase in 2009-10. The cumulative increase in funding would have been \$25 million for the two year period (08-09 \$8.5 million, 09-10 \$8.5 million + \$8 million) and the permanent increase of \$16.5 million for each future year. However, as a result of the State reductions, the District's funding will actually decrease \$3.9 million for 2008-09 and another \$3.9 million + \$1.4 million in 2009-10. This is a decrease of \$9.2 million for the two-year period.

In summary, the elimination of the \$25 million dollars in statutory COLAs when combined with the additional reduction of \$9.2 million results in a cumulative reduction of \$34.2 million for this two-year period. This cut in base funding is in addition to the reductions the District will also experience in the categorical programs.

The following is a brief summary of the State Budget information that we have received to date:

State Budget Package

- \$15 billion in spending reductions (\$9.3 billion are reductions to education)
- \$14 billion in temporary revenues
- \$11 billion of borrowing (\$6 billion from Revenue Anticipation Warrants (RAW) and \$5 billion from lottery securitization)

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Tax Increases Approved - \$14.4 Billion

- Temporary Increase in the Sales and Use Tax Rate - \$5.8 billion
- Surtax on Personal Income Tax Liabilities - \$3.3 billion
- Increase in the Vehicle License Fee (VLF) - \$1.7 billion
- Cancel the proposed increase in the “Gas Tax”, but replace it with a 0.25% increase in the State income tax, Federal Stimulus dollars, and more than \$600 million in line-item vetoes - \$2.1 billion
- Reduce the Personal Income Tax Dependent Exemption Credit to Equal the Personal Exemption Credit - \$1.4 billion

Budget Package Stability Depends on Voters Passing the Following Propositions on May 19, 2009:

- Proposition 1A: State Lottery Securitization
- Proposition 1B: Budget Stabilization “Rainy Day Fund”
- Proposition 1C: Education Funding – Proposition 98 Maintenance Factor (contains allocation for equalization funding)
- Proposition 1D: Diversion of Proposition 63 Monies
- Proposition 1E: Diversion of Proposition 10 Monies

Revenue Limit Reductions

| Year | COLA | \$ Per ADA Without Deficit | Deficit | \$ Per ADA With Deficit |
|---------|-------|----------------------------|---------|-------------------------|
| 2008-09 | 5.66% | \$6,106.86 | 7.844% | \$5,627.84 |
| 2009-10 | 5.02% | \$6,415.86 | 13.094% | \$5,575.77 |

Net Reduction: \$6,415.86 – \$5,575.77 = \$840.09 per ADA

Categorical Program Flexibility is for 5 Years (2012-13)

- **Tier 1 – Most Protected (no COLA, no reductions, no flexibility)**
 - Special Education
 - Economic Impact Aid
 - K-3 Class Size Reduction
 - Proposition 49 – After School Programs
 - Home-to-School Transportation
 - Child Development
 - Child Nutrition

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- **Tier 2 – 20% Reduction Without Flexibility (2008-09 – 15.4% Reduction, 2009-10 – 4.5% Reduction)**
 - Partnership Academies
 - State Testing
 - English Language Acquisition Program
 - K-12 High Speed Network

- **Tier 3 – 20% Reduction With Flexibility (2008-09 – 15.4% Reduction, 2009-10 – 4.5% Reduction)**
 - All State programs not listed in Tier 1 or Tier 2. These include but are not limited to:
 - Arts and Music Block Grant
 - Community Based English Tutoring
 - Ed Tech Mega Item (TIIBG)
 - GATE
 - Instructional Materials Block Grant
 - Instructional Materials English Learner
 - Peer Assistance and Review
 - Physical Education Teacher Incentive
 - ROP Programs
 - School and Library Improvement Block Grant
 - Supplemental Counseling Program
 - Supplemental Instructional Programs
 - Teacher Credentialing Block Grant
 - Violence Prevention Programs
 - 9th Grade CSR

Additional Flexibility Considerations

- Routine Restricted Maintenance – District contribution reduced from 3% to 1% through 2012-13
- Deferred Maintenance – Eliminates District .50% local match through 2012-13 (more clarification needed)
- Categorical Funds Balance – Balances as of June 2008 may be transferred for any educational purpose with exceptions stipulated by the legislation for use in the current year and 2009-10
- Class Size Reduction – Eased Penalties in Class-Size Reduction

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Additionally, we have received some preliminary information on the Federal Stimulus Plan called American Recovery and Reinvestment Act (ARRA). It indicates that the District will be receiving approximately \$13.5 million in 2009-10 for the Title I-A and the Special Education Program. However, at this time, we are uncertain as to whether any of these funds will be retained at the State level and/or how the Special Education portion will effect the District's Maintenance of Effort requirement.

The administrative staff will be compiling data on the categorical programs in the three tiers to determine the fiscal impact to each program, current staffing levels, and carry-over funds. This information will be utilized to develop flexibility options for the Board's consideration.