

GLENDALE UNIFIED SCHOOL DISTRICT

June 2, 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 Draft Budget**

The following is a brief update of what has occurred from a budget perspective since the May 19th Board meeting.

May 19th State Election: The propositions on the May 19th State Election, which impact the State Budget, failed. Unfortunately, the State Budget that was adopted in February 2009 for the fiscal years 2008-09 and 2009-10 were dependent on revenues that would have been generated from those propositions.

The Governor, prior to the May 19th election, provided an impact analysis of what the failure to pass the propositions would mean to education. It was projected that a failure would result in a reduction of approximately \$225 per ADA in 2008-09 and \$244 per ADA in 2009-10 and future years.

This would result in a reduction of \$5.9 million to Glendale Unified in 2008-09 and an on-going reduction of \$6.4 million in 2009-10 and future years. The cumulative impact would be \$25.1 million through 2011-12. It is important to note that these reductions do not automatically occur. What it does mean is that the State Budget as it was adopted is not viable and the State Legislature must amend its adopted budget. The actual impact to the District will be determined once the State determines how it will balance its budget with additional taxes, borrowing, and program reductions.

Legislative Analyst's Office (LAO): The LAO has updated its financial projections and reported that the revenue projections that the Governor utilized in his impact analysis of the May 19th election were optimistic. The LAO office is projecting an additional \$3 billion shortfall in the State Budget by the close of 2009-10.

The State Legislature is currently meeting to determine how they will amend the State Budget to address the failure of the propositions and the updated forecast from the LAO.

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Glendale Unified Initial 2009-10 Budget Adoption: The District is required to meet the June 30, 2009 statutory timeline for its budget adoption. As required, the Cost of Living (COLA) and Deficit Factors that were utilized in the May 19th presentation were provided by the Los Angeles County Office of Education (LACOE). At this point in time, there has not been an updated bulletin; however, it is assumed that given the failure of the propositions and the current State Budget issues, school funding will be reduced. LACOE's challenge is that they need guidance from the State regarding the magnitude of the impact and the State is not in a position to provide them with the information needed.

In order for the District staff to respond to a potential last minute directive from the County, prepare the various budget documents for the 2009-10 adoption, and meet the statutory timeline, the Administration will be proposing an expansion of the assumptions that were presented at the May 19th Board meeting. The recommendations will include a priority order for flexibility and reserve utilization in the initial budget to address any last minute changes from the County and/or State. The recommendation at the June 2nd meeting will also include a modification to the previous recommendation for the utilization of the Federal IDEA Stimulus funding.

It is important to note that these items can be reversed and/or modified by the Board at a future date when the Board has more complete data from the State and has had the opportunity to evaluate the various budget/program modifications. Unlike in prior years, the June 2009-10 Budget adoption this year will merely provide a basis for significant budget discussions and amendments.