

GLENDALE UNIFIED SCHOOL DISTRICT

September 15, 2009

ACTION REPORT NO. 2

TO: Board of Education

FROM: Michael F. Escalante, Superintendent

PREPARED BY: Eva Rae Lueck, Chief Business and Financial Officer

SUBJECT: **2009-10 Budget Revision to Reflect the July State Budget Amendments and the Inclusion of Federal Stimulus Program - ARRA**

The Superintendent recommends that the Board of Education approve 2009-10 Budget Revision to reflect the July State Budget amendments and the inclusion of Federal Stimulus Program – ARRA.

There are two major funding events that need to be incorporated into the 2009-10 Budget that was adopted by the Board of Education on June 23, 2009. These two items are linked due to the need to utilize Federal Stimulus Program to “backfill” the reductions in State funding.

- The 2009-10 State Budget was originally adopted in February 2009 and then had significant amendments passed in July 2009. The State amendments provided additional flexibility options; however, they also reduced State funding to the District and deferred apportionments (payments to districts). The District’s 2009-10 Budget needs to be amended to reflect the State funding changes. Attachment A contains a list of the revised Multi-Year Budget Assumptions.
- The second item is the Federal Stimulus Program that is comprised of three separate programs that total approximately \$19.6 million:
 - **State Fiscal Stabilization Funds (\$9.54 million)** – the allocation is intended to replace State funding reductions made to the Revenue Limit and State categorical programs
 - **IDEA (\$5.46 million)** – the allocation is intended to support the Special Education Program and reduce the program’s impact on the Unrestricted General Fund
 - **Title I (\$4.64 million)** – the allocation is based on the percentage of students qualifying for the Free & Reduced Lunch Program and is intended to support the needs of that student population

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The primary State funding source for schools is the Revenue Limit and it is allocated to districts on a per unit rate of student attendance called Average Daily Attendance or ADA. Due to the State fiscal crisis, the District's revenue limit which should be \$6,367.86 per ADA has been deficiated 18.355% plus an additional reduction of \$250 per ADA. The net result is that the District will receive \$4,949.04 per ADA in 2009-10 and not \$6,367.86. This results in a reduction of \$36.5 million in State funding for Glendale Unified.

To provide some historical context, it should be noted that in 2005-06 the State funding for Glendale was \$5,063.49 per ADA. The 2009-10 net allocation of \$4,949.04 is less than what the District received in 2005-06. It is important to note that even though funding has dropped to pre 2005-06 levels, the contractual personnel costs have increased significantly since that time, as well as the general expenses of gasoline, paper, and other supplies.

Due to this reduction in State funding, the Administration is recommending that staffing in the following areas be reduced and temporarily funded through the various Federal Stimulus Programs in the Restricted General Fund:

- Elimination of the Elementary Assistant Principals
- Reduction in Secondary Assistant Principals
- Elimination of Counseling Services
- Elimination of the staffing allocations for 2009-10 Summer School Program
- Reduction in the allocation for bus transportation
- Reduction in staffing ratio for instructional programs
- Reduction in school site clerical staffing
- Reduction in supplemental staffing that may be provided beyond the standardized ratios

It is further recommended that the Interest Revenue budgeted in the various funds be reduced to reflect the impact of reduced State funding and deferred apportionment payments to the District. The Unrestricted General Fund interest earnings for 2008-09 was \$1.3 million and it is currently budgeted at \$1.5 million in 2009-10. Administration is recommending the 2009-10 Budget be decreased from \$1.5 million to \$900,000 and reviewed mid-year for further adjustments.

Additionally, the attached budget revision (Attachment B) includes staffing reductions that were previously approved by the Board of Education but not incorporated into the June 2009-10 Budget adoption. Other State Revenue was reduced for the 20% cut to Transportation funding and Special Education COLA out-year reductions. The revision also reflects budgeting of the Prior Year Site Carry-over amount of \$2.7 million.

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The following are the proposed utilization plans for the **Federal Stimulus Programs**:

State Fiscal Stabilization Funds: The District will utilize the full \$9.5 million entitlement in 2009-10. This revenue was included in the June 2009-10 Budget in the Unrestricted General Fund and will now be transferred to the Restricted General Fund along with \$9.5 million in previously designated Unrestricted General Fund expenditures. These expenditures will include: high school summer school, contract teachers, secondary assistant principals, counselors, and school site clerical staffing.

IDEA Funds: The District will utilize the full \$5.46 million entitlement in 2009-10. This revenue was not previously included in the 2009-10 Budget. The utilization of these funds is broken into two segments:

- The District is allowed to use 50% of the funding to reduce the District's maintenance of effort (MOE) which results in program "encroachment". However, the District must then designate how the funds made available by the reduced encroachment will be utilized. The Administration is proposing that these be utilized to assist with the maintenance of K-3 CSR, elementary summer school, and Clark Magnet High School transportation.
- The remaining 50% of the funds will be utilized in the Special Education Program to support the continuation of programs and service that are needed by our students.

It is anticipated that the Unrestricted General Fund will receive the benefit of the full \$5.48 million due to this additional support funding.

Title I Funds: This funding is \$4.64 million and the utilization will be structured to assist the District in 2009-10 and 2010-11. \$3.26 million will have a direct impact on the Unrestricted General Fund expenditures, and the balance of \$1.38 million will be utilized to replace reductions in the 2009-10 Title I base funding that school sites are relying on for their programs.

The \$3.26 million will be utilized to pay for elementary assistant principals, costs related to Daily High School and Jewel City Program, the AVID Program, and the 2009-10 middle school summer program.

It is recommended that the Board of Education adopt these 2009-10 Budget adjustments, the revised staffing allocations, and the spending plans for the Federal Stimulus Program. It is important to note that the \$19.6 million in Federal Stimulus Funds is not an on-going resource, but it is allowing the District some time to evaluate and reduce on-going expenditures. Attachment B lists the Budget Adjustment Impact on the Unrestricted General Fund.

Multi-Year Budget Assumptions

CATEGORY	2008-09	2009-10	2010-11	2011-12	2012-13
COLA – Adopted	5.66%	4.25%	0.90%	2.4%	2.6%
July State Budget Act	5.66%	4.25%	0.50%	2.3%	2.5%
Net COLA Percentage – Adopted	-6.41%	-3.45%	0.90%	2.4%	2.6%
July State Budget Act	-2.63%	-7.64%	0.50%	2.3%	2.5%
Deficit Factor – Adopted	11.428%	17.967%	17.967%	17.967%	17.967%
July State Budget Act	7.844%	18.355%	18.355%	18.355%	18.355%
COLA Increase – Adopted	-\$369	-\$185	\$48	\$130	\$144
July State Budget Act	-\$150	-\$429	\$26	\$121	\$135
One Time State Adjustment	\$0	-\$253	\$0	\$0	\$0
Revenue Limit per ADA – Adopted	\$5,409	\$5,224	\$5,271	\$5,399	\$5,534
July State Budget Act	\$5,628	\$4,946	\$5,225	\$5,346	\$5,481
Revenue Limit ADA	26,043	25,765	25,516	25,172	24,907
Enrollment	26,809	26,552	26,196	25,923	25,792
Interest – Adopted	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000
Revised	\$1,300,000	\$900,000	\$900,000	\$900,000	\$900,000
Lottery (Per ADA)	\$109.50	\$109.50	\$109.50	\$109.50	\$109.50
STRS	8.25%	8.25%	8.25%	8.25%	8.25%
Workers Comp	2.27%	2.46%	2.46%	2.46%	2.46%
Retiree Benefits – Adopted	2.00%	2.00%	1.00%	1.00%	1.00%
Health Insurance Increase	\$2,250,000	\$2,750,000	\$2,750,000	\$2,750,000	\$2,750,000
Indirect Cost Rate	3.25%	4.13%	4.13%	4.13%	4.13%
Other Uses	\$0	\$0	\$0	\$0	\$0
“Solvency” Transfers:					
- Special Ed. Reserve	* \$750,000	\$750,000	\$750,000	\$750,000	\$250,000
- Retiree Benefit Fund 20	\$0	\$1,250,000	\$1,250,000	\$1,250,000	\$1,250,000
- Restricted Major Maint. Reserve Draw-down	\$0	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
- No Deferred Maintenance Transfer	\$1,238,000	\$1,238,000	\$1,238,000	\$1,238,000	\$1,238,000
- Deferred Maintenance Fund Revenue to General Fund	\$907,000	\$907,000	\$907,000	\$907,000	\$907,000

*Corrected 9/11/09

CATEGORY	2008-09	2009-10	2010-11	2011-12	2012-13
Title I ARRA – Adopted	\$0	\$0	\$0	\$0	\$0
Revised	\$0	\$1,775,955	\$1,486,273	\$0	\$0
IDEA ARRA – Adopted	\$0	\$0	\$0	\$0	\$0
Revised	\$0	\$5,460,233	\$0	\$0	\$0
SFSF ARRA – Adopted	\$0	\$9,500,000	\$0	\$0	\$0
Revised	\$0	\$9,543,036	\$0	\$0	\$0

Budget Adjustment Impact on Unrestricted General Fund Ending Balance

Attachment B

Major Changes	2009-10	2010-11	2011-12	2012-13
Adopted Budget at July 1, 2009 (Ending Balance)	\$ 20,698,977	\$ 7,685,961	\$ (7,194,195)	\$ (24,068,216)
Adjustment On Actual 2008-09 Ending Balance	\$ 14,884,506	\$ 14,884,506	\$ 14,884,506	\$ 14,884,506
Revised 2009-10 Ending Balance	\$ 35,583,483	\$ 22,570,467	\$ 7,690,311	\$ (9,183,710)
State Budget Revisions and Updated Projections				
2009-10 Adjustments				
Rev. Limit - Increase Deficit from 17.967% to 18.355%	\$ (633,096)	\$ (633,096)	\$ (633,096)	\$ (633,096)
Rev. Limit - Additional One Time Reduction of \$252.83 per ADA	\$ (6,513,945)	\$ -	\$ -	\$ -
Federal Rev. - Move SFSF ARRA from Unrestricted To Restricted GF	\$ (9,500,000)	\$ -	\$ -	\$ -
Other State Revenue - Increase in Inst. Materials Block Grant Budget	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Other State Revenue - Transportation 20% Deficit	\$ (181,382)	\$ (181,382)	\$ (181,382)	\$ (181,382)
Local Revenue - Interest Revenue	\$ (600,000)	\$ (600,000)	\$ (600,000)	\$ (600,000)
2010-11 Adjustments				
Rev. Limit - COLA Decrease from 0.9% to 0.5% And Increased Deficit		\$ (480,265)	\$ (480,265)	\$ (480,265)
Other State - Primarily Reduced COLA for Special Education		\$ (99,236)	\$ (81,021)	\$ (89,163)
2011-12 Adjustments				
Rev. Limit - Increase Deficit, Rate, Revised Statewide RL per ADA			\$ (31,634)	\$ -
Other State - Primarily Reduced COLA for Special Education			\$ (15,734)	\$ (15,734)
2012-13 Adjustments				
Rev. Limit - Increase Deficit, Rate, Revised Statewide RL per ADA				\$ (22,815)
Other State - Primarily Reduced COLA for Special Education				\$ (16,783)
One-Time ARRA Expenditure Adjustments				
Title I ARRA Funds of \$3.26 Million				
Elementary Assistant Principals	\$ 350,000	\$ 350,000		
Daily High School Staffing	\$ 450,000	\$ -		
Daily High School Counselors Over Ratio	\$ 140,298	\$ -		
Jewel Community Day School Teacher Staffing Over Ratio	\$ 100,000	\$ 100,000		
AVID Teacher FTE	\$ 338,440	\$ 338,440		
Middle Summer School	\$ 397,217	\$ -		
Other - To Be Determined in 2010-11	\$ -	\$ 697,833		
IDEA ARRA Funds of \$5.46 Million				
Special Education Program Salary, Benefits, Supplies and Services	\$ 5,460,233			
Additionally, Transfer \$2.73 Million of "Freed Up" Funds into Separate Tracking Accounts. Includes K-3 CSR Encroachment of \$2.2 Million, Elementary Summer School of \$113,139 and Clark Transportation Encroachment of \$461,930.				
SFSF ARRA Funds of \$9.54 Million				
Contract Teacher Costs (Unrestricted)	\$ 1,832,758			
High School Summer School Salaries and Benefits	\$ 1,093,321			
Secondary Assistant Principals (Unrestricted)	\$ 2,368,274			
Counselors (Unrestricted)	\$ 2,938,087			
School Site Clerical Staff (Unrestricted)	\$ 1,310,596			
Budget Prior Year Site Carry-Over (One Time)	\$ (2,705,207)			
Expenditure Reductions (Ongoing Savings)				
Decentralize Verdugo Academy (1.2 FTE)	\$ 109,028	\$ 109,028	\$ 109,028	\$ 109,028
Daily High School - Transition from 15-1 towards 20-1 (2 FTE)	\$ 181,714	\$ 181,714	\$ 181,714	\$ 181,714
School Site Clerical at High Schools (3 FTE)	\$ 208,954	\$ 208,954	\$ 208,954	\$ 208,954
Human Resources (1 FTE)	\$ 47,939	\$ 47,939	\$ 47,939	\$ 47,939
Purchasing (1 FTE)	\$ 48,625	\$ 48,625	\$ 48,625	\$ 48,625
ETIS (1 FTE)	\$ 71,108	\$ 71,108	\$ 71,108	\$ 71,108
Current Year Impact	\$ (2,387,038)	\$ 459,662	\$ (1,055,764)	\$ (1,071,870)
Cumulative Impact to Ending Balance	\$ (2,387,038)	\$ (1,927,376)	\$ (2,983,140)	\$ (4,055,010)
Adjusted Ending Balance Projection	\$ 33,196,445	\$ 20,643,091	\$ 4,707,171	\$ (13,238,720)
Designated and Restricted Portion:				
Revolving Cash	\$ 70,000	\$ 70,000	\$ 70,000	\$ 70,000
Stores	\$ 117,345	\$ 117,345	\$ 117,345	\$ 117,345
3% Mandated Reserve for Economic Uncertainties	\$ 6,860,175	\$ 6,804,838	\$ 6,950,386	\$ 7,067,241
Fund Balance Designation	\$ 7,164,704	\$ 2,185,414	\$ 2,185,414	\$ 2,185,414
Adjusted Balance in Excess of 3% Reserve	\$ 18,984,221	\$ 11,465,494	\$ (4,615,974)	\$ (22,678,720)