

# Superintendent's State of the District Budget Report



*DATE: February 19, 2009*

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## Superintendent's Budget Report February 19, 2009 Board of Education meeting.

I want to start by reminding all of us that it is important to focus on what we can do and not on what we can not do! We should not leave anything about teaching and learning to chance. Our focus must remain on students. We are about to begin a discussion regarding the need to cut jobs from our school district. None of the jobs or positions we are eliminating are superfluous. At one time or another, these positions were created because the Board determined they were important. But nevertheless, as a result of a state government that continues to disregard K-12 education, decisions will be made this evening whether to cut jobs.

In a continuous improving system, leaders are focused, relentless and have the courage to take on the tough decisions. None of the decisions you will make this evening or in the weeks ahead will be easy. They will be tough.

I am happy to report that the state of California has a budget. Key highlights for this budget are:

- \* It covers the 2008-09 and 2009-10 school years
- \* Flexibility is granted to local districts regarding 53 categorical programs
- \* Total amount of cuts for the 2008-09 and 2009-10 years are less than the governor's proposal
- \* Many of the accounting "gimmicks" continue- there will be an additional payment deferral of \$2.7 billion to schools beyond the ones previously proposed.
- \* There will be a special election on May 19, 2009 to approve key provisions of the budget.
- \* \$15 billion in cuts, \$14.4 billion in temporary revenues and \$11 billion of borrowing. Revenues are tied directly to the passage of a spending cap for the state budget which will appear on the ballot on May 19<sup>th</sup>.

The elements of the budget tied specifically to K-12 education are as follows:

### 2008-09

\$1.9 billion cut to K-12 including the elimination of the 0.68% revenue limit COLA. After taking away the COLA, about one half of the remaining cut is split between a reduction in the revenue limit and reductions in categorical programs. The reduction in the revenue limit is an approximate 1% additional cut with specific categorical programs receiving a 15% cut.

We can access ending fund balances from 6/30/08 in all programs except: Targeted Instructional Improvement Grants, Instructional Materials, Special Education, and California High School Exit Exam.

The amount of funding required to be set aside in "routine restricted maintenance accounts is reduced from 3% to 1%. The amount of the "deterred maintenance" match is eliminated.

### 2009-10

The budget for 2009-10 starts with a zero COLA along with a \$536 million cut. There is a \$268 million reduction to the revenue limit, a \$268 million reduction to some categorical programs and the elimination of a \$114.2 million High Priority Schools Grant Program.

There is categorical flexibility beginning this year with categorical programs being divided into three "tiers". This construct is very similar to that proposed by the Legislative Analyst Office just last month.

**Tier 1** programs include: Child Development, Economic Impact Aid, K-3 Class Size Reduction, Child Nutrition, Proposition 49 after school programs, and Special Education. These programs receive no funding cut and have no program flexibility and no legal requirements are waived. The one significant difference is in K-3 Class Size Reduction where the penalty provisions for going over 20.4 as an average were significantly reduced.

**Tier II** programs include: English Language Acquisition Program, State Testing, and Partnership Academies along with 7 other programs. These Tier II programs will receive a 15% funding reduction with no program flexibility and must be operated within existing legal requirements.

Tier III programs include Adult Education, ROC/P, Professional Development, Teacher Credentialing Block Grant, Instructional Materials, Targeted Instructional Improvement Grants, summer school, School and Library Block Grant and CBET. These programs will have a 15% cut and districts are granted "maximum flexibility" to use funds from these programs for any educational purpose.

While the trailer bills and their details remain unknown. We expect within the next one to two weeks we will learn more about the specific details. I will continue to recommend the most conservative fiscal course for the Board as the budget for our District will have to be cut by millions of dollars. Based on registration data for kindergarten, it now appears that our elementary school enrollment will decline for the 2009-10 school year. This drop in enrollment along with the significant reduction in funding from the state provides the foundation for my recommendation that the Board be as fiscally conservative as possible.

Which is why I will be bringing to the Board for consideration a Reduction in Force for our certificated staff that reflects the steep cuts in funding and our decline in enrollment, along with additional staffing reductions that will help the District remain fiscally solvent through this fiscal crisis.



*David Cash, Ed.D.*  
Superintendent