

Superintendent's State of the District Budget Report



DATE: March 5, 2009

Superintendent's Budget Report to the Board of Education March 5, 2009 Board of Education meeting.

On February 20, 2009, the state finally adopted a budget for the next 17 months. We are now into the second week of making sense of the adopted budget. Unfortunately we are still learning details regarding the actual intent as it relates to funding for school districts. Even within this short period of time, we have learned something that is said one day, might be slightly different the next day. Everyone is trying to figure out how the very complicated "new school funding" model works.

From a massive cut to K-12 education for 2008-09 and 2009-10, Claremont Unified School District will sustain a loss of between \$3.7 and \$4.0 million in revenue. Over \$3 million will be cut directly from our revenue limit. This cut came about as a result of a revenue limit deficit of 7.844 percent for 2008-09, 13.094 percent for 2009-10 and is projected at 12.094 percent for 2010-11.

What is essential to understand is that this is an ongoing cut to our revenue limit. This is not just a one time cut that will go away beginning in the 2010-11 school year. There is no temporary "gap" in revenues. The over \$3 million cut in our revenue limit will continue forever unless the state decides in future years to raise the revenue limit allocation to school districts. In addition, as Board Members are aware, for Tiers II and III in our categorical programs the state cut a cumulative 19.9% from each program for the 2008-09 and 2009-10 fiscal years. Finally, our enrollment did not come in as projected for the 2008-09 school year and is expected to decline further for the 2009-10 school year. Average daily attendance is the primary driver in determining how much revenue we receive.

To make matters more uncertain these cuts, which are huge for CUSD, are predicated on approval of three of the six measures on the May 19, 2009 special election ballot. Three of these measures provide revenues that are part of the state's budget assumptions that resulted in the \$3.7-4.0 million cut to CUSD. The most significant is Proposition 1B, which authorizes the "securitization" of future State Lottery revenue growth, as the February 20, 2009 budget assumed that voters will approve borrowing against the growth in Lottery revenues and counts \$5 billion from such a sale for the 2009-10 budget. In addition more than \$800 million is also assumed from the transfer of special fund moneys to the General fund but this transfer must be authorized by the voters in Proposition 1D. If these fail, there will be a hole in the Budget of at least \$5.8 billion! As you may not be surprised, the state legislature does not have a plan on how to deal with the revenue shortfalls if the voters reject these propositions. If they fail, the reduction in "assumed" revenues that made up a significant part of the February 20, 2009 budget will be reflected in the May state budget revision. Absent some significant change, this will mean more cuts to K-12 education and even more cuts to CUSD.

The state has placed children at risk and by doing so has seriously impacted the future of our state. While it is extraordinarily important to be fiscally conservative in these incredibly uncertain times, we can not be overwhelmed by that which we can not control. Instead, I will continue to recommend that we stay focused on services for students during this fiscal crisis. There is no doubt that some things will be different for our students. The cuts in personnel and programs will impact our schools. However, as of this time, much of what makes CUSD such a great school district will be maintained. Importantly, we will still have a great staff. A staff committed not only to their jobs but to the children of Claremont. We will continue with our focus on each individual student. This includes keeping programs such as these for our students:

- * Small class sizes for grades K-3
- * No increase in class sizes for grades 4-12
- * Elementary music and art programs
- * After school tutoring and intervention programs for students
- * Instructional technology for students and staff

- * Career and technical education classes
- * Advanced Placement, International Baccalaureate and Honors classes
- * Updated instructional materials for students
- * Theater, music, dance, sports, and clubs for secondary students
- * Courses for struggling students and first generation college bound students like Academic Foundations and AVID
- * Counselors in our secondary schools

Some may believe that the district should take advantage of all the categorical flexibility and use those funds to help mitigate the over \$3 million cut to our revenue limit. However, if we are able to avoid wiping out categorical programs and we can avoid a reduction in allocations to schools, we will still be able to provide school communities with a significant amount of local discretion in determining how best to continue to do their great work. To quote LACOE, "these are extraordinary and difficult economic times. Gauging what will happen is at a very high degree of uncertainty and the consequences will be most significant."

Some may believe that the Federal stimulus money can solve our problems or that other one-time monies can "serve as a stopgap measure". It is important to recognize that the only current one-time revenue is the American Recovery and Reinvestment Act. While the timing, amount, and exact restrictions on these one-time funds continue to be uncertain, there is hope that the state's share of the funds will mitigate the effect of some of the state solutions to the Budget problem. The enacted Budget specifies how federal funds are to be used to revise the state plan in order to reduce cuts, reduce tax increases, and avoid borrowing. Title I and Individuals with Disabilities Act (IDEA) increases in funding may flow to school districts but according to School Services of California it remains "unclear how and when this will happen."

We will continue to monitor the state's tax receipts and I will report out again after the May Revision in June presentation by the Governor's office.



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Superintendent