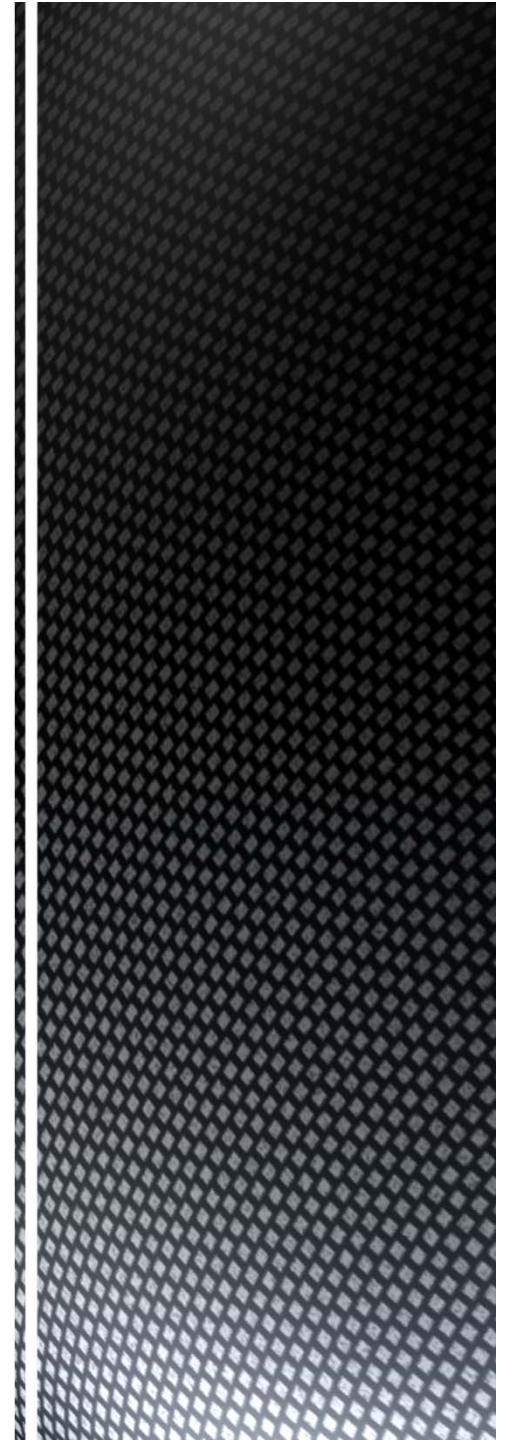


Grossmont Union High School District

**Governing Board
Budget Workshop**

January 26, 2012



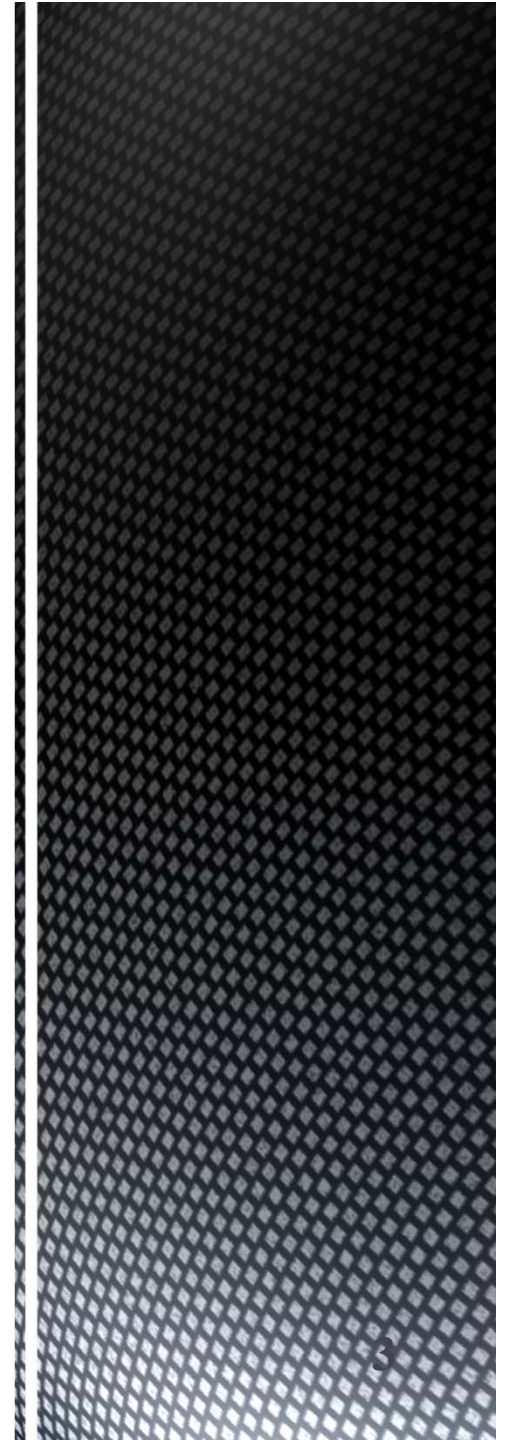
Agenda

- I.** Review of First Interim Conclusions
- II.** The Budget Process--FY 2012/13
- III.** The Governor's Proposals for FY 2012/13
- IV.** Governor's Proposals Effect on District Budget
- V.** District Reserves Status Update
- VI.** District Budget Planning Response

Appendices

- Costs Factors
- Recap of Actions
- Current Categorical Transfers

I. Review of First Interim Conclusions



**FY 2012 First Interim Report
Conclusions (As of 12/08/11)**

- “First Interim is Best Case Scenario”
- “Reserves May be Used to Offset All of 11/12 Deficit and Partial 12/13 Deficit”
- “After this, Deficits Will be Beyond Ability of District to Absorb Solely with Budget Reductions Without Negotiations With Employee Groups”

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FY 2011/12 First Interim Financial Report Conclusions as of 12/08/11

“Certification Means

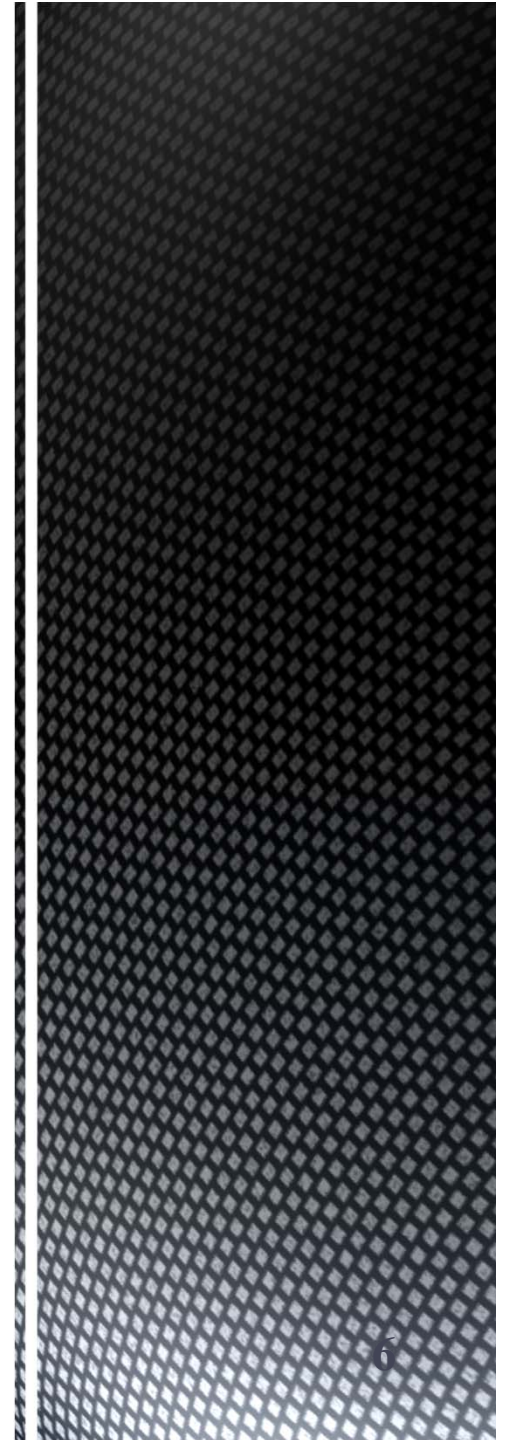
1. Positive: District Will Meet its
Financial Obligations for
Current Year Plus Two

RECOMMEND

→ 2. Qualified: District May Not Meet its
Financial Obligations for
Current Year Plus Two

3. Negative: District Will Not Meet its
Financial Obligations for
Current Year Plus Two”

II. The Budget Process FY 2012/13

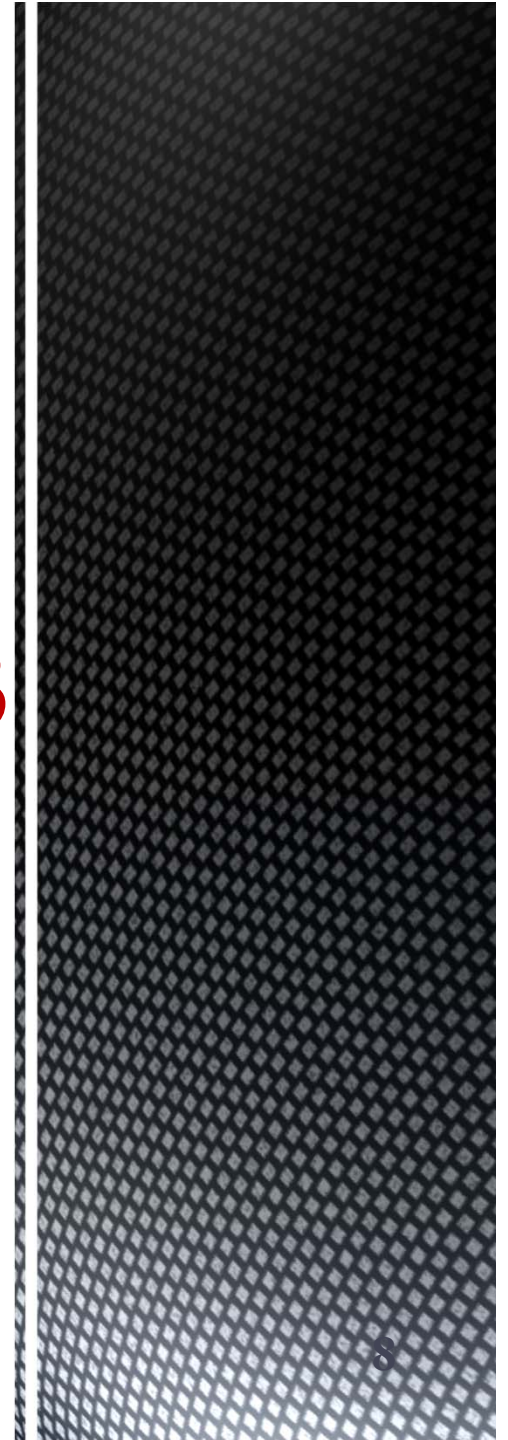


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The Budget Process FY 2012/13

- ✓ **1.** First Interim Forecast to Governing Board on December 8.
- ✓ **2.** Get the Governor’s Budget Analysis on January 18.
- ✓ **3.** Update Budget Forecasts
- 4.** Reaffirm District Priorities
- 5.** Develop a Solution (Based on Governor’s Proposals)
 - a.** For Baseline Budget
 - and
 - b.** For Trigger “II” if Taxes Fail

III. The Governor's Proposals for FY 2012/13



The Governor's Budget Proposals for FY 2012/13

- Temporary Tax Proposal
(Just to Fund the Baseline)
- No COLA
(We had Counted COLA in our Projections)
- Eliminate All Transportation Funding!
(Disproportionate Hit to GUHSD)

The Governor's Budget Proposals for FY 2012/13

- **Weighted Student Formula**
(When? Redistributes \$)
- **Reduce Inter-Year Deferrals by \$2.4B**
(Helps Cash, Not Budgets)
- **If Taxes Fail, Lose More Funding**
(“Trigger II” After November 2012)

Governor's Temporary Tax Proposal

- The Governor's Budget assumes that voters will approve \$6.9 billion in temporary taxes in November
- Of this total, \$2.2 billion would count in 2011-12 and \$4.7 billion would count in 2012-13
- The taxes would continue through 2016

Source: SSC Governor's Proposal 2012/13

Governor's Temporary Tax Proposal—Cont'd

- The Governor's tax proposal includes the following:
 - Income Tax Increase
 - Single Filers tax increase of 1% for income above \$250,000; up to 2% for income over \$500,000.
 - Joint filers tax increase of 1% for income above \$500,000; up to 2% for income over \$1 million.
 - Head of household increase of 2% for income above \$680,000.
 - Sales and use tax increase of 0.5%

Source: SSC Governor's Proposal 2012/13

Key to Remember

- If Taxes Pass, Governor's Proposal is Funded; K-12 Does Not Receive More Money
- If Taxes Fail, K-12 Loses More Money (i.e., Trigger II)

“Trigger II”

If Taxes Fail

Prop 98 Loses

\$4.8B

Then,

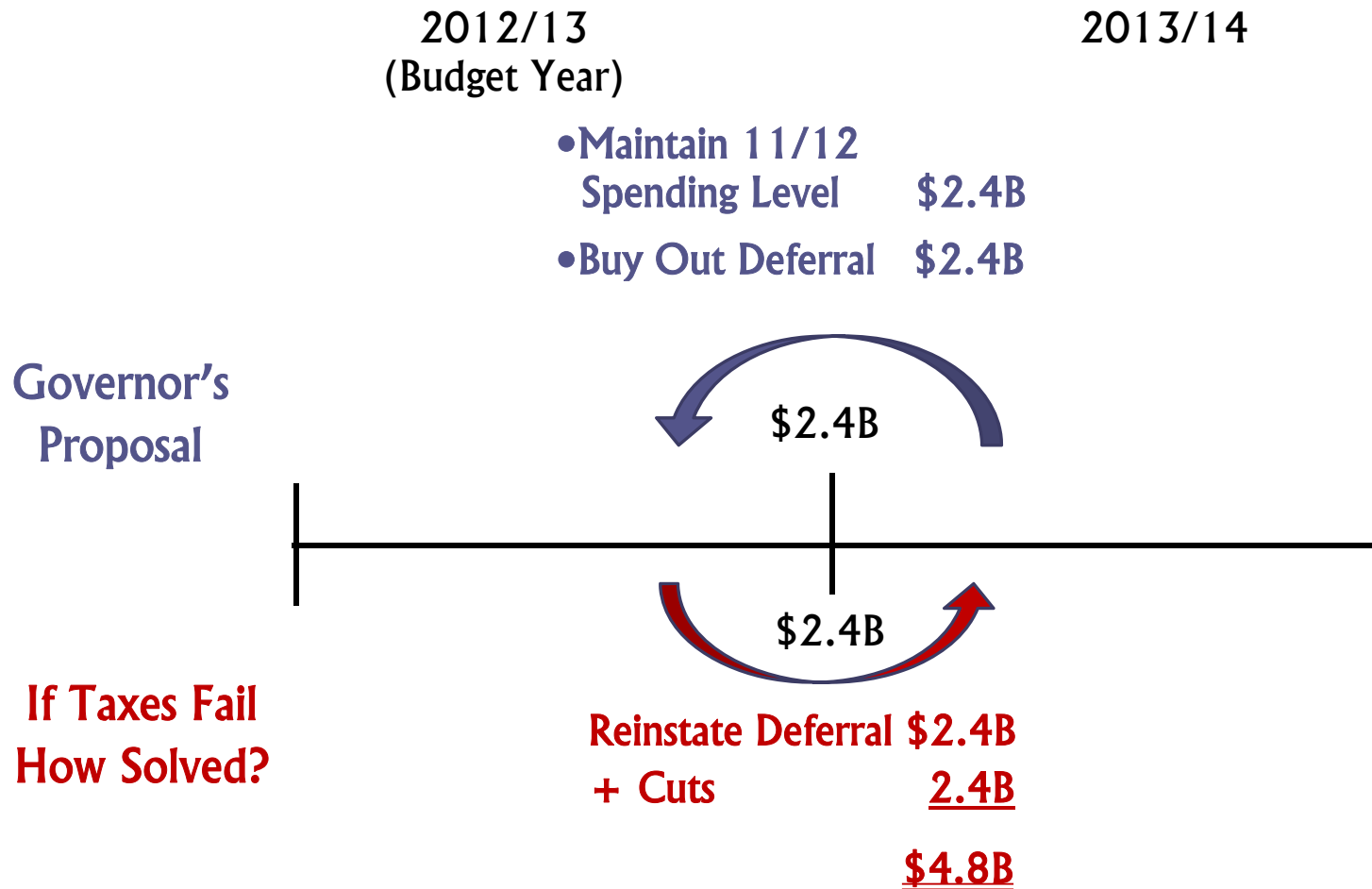
- Inter-Year Deferral is Reinstated \$2.4B
- Cuts to K-14 2.4B

Governor Brown Equates this to
Eliminating Three Weeks of School —
About \$370/ADA

\$4.8B

Governing Board Budget Workshop—January 26, 2012

Governor's Tax Proposal & Deferrals



SSC's Description of the Weighted Student Formula

- To promote greater local decision-making authority, Governor Brown proposes a weighted student funding formula to replace revenue limits and most categorical program funding formulas.
 - All of the categorical programs included in the formula “will immediately be made completely flexible” to support any local education priorities.

Source: SSC Governor's Proposal 2012/13

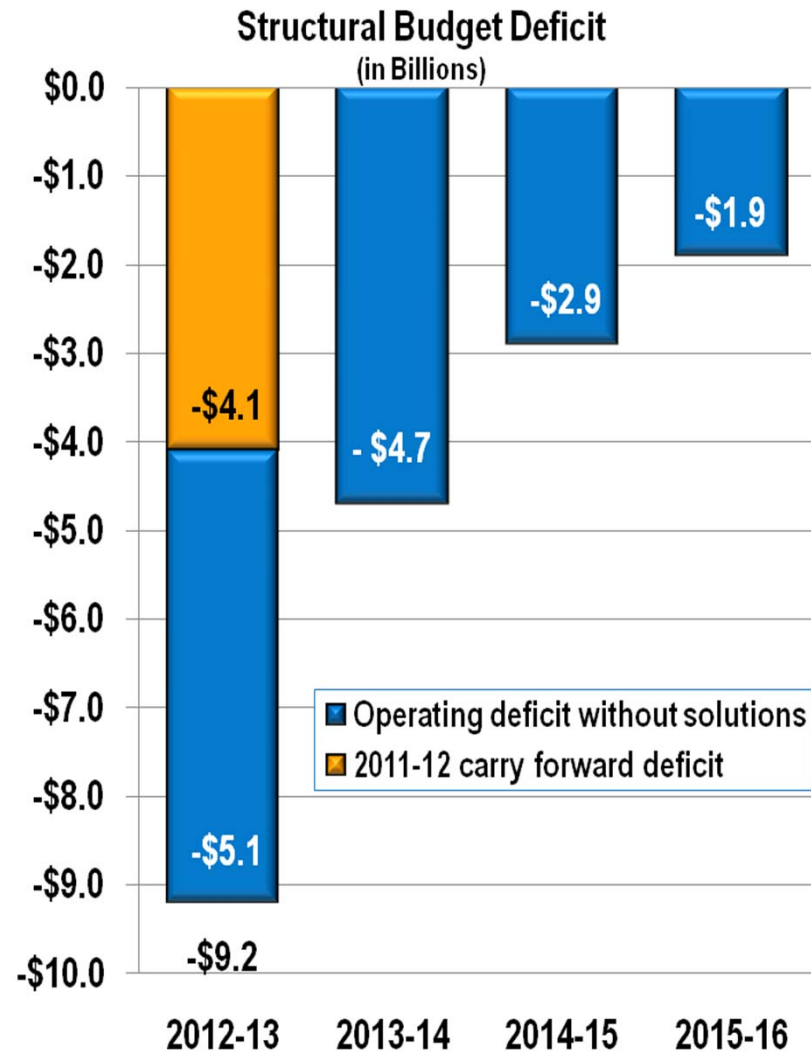
SSC's Description of the Weighted Student Formula—Cont'd

- Elements of the formula:
 - Special education, child nutrition, Quality Education Investment Act (QEIA), After School Education and Safety (ASES), and other federally mandated programs are exempt.
 - Additional funding is based on the demographics of the schools, including:
 - English Learner population
 - Pupils eligible for free and reduced-price lunches
- Accountability: Qualitative and test-based measures
- Timeline: Phased in over five years

Source: SSC Governor's Proposal 2012/13

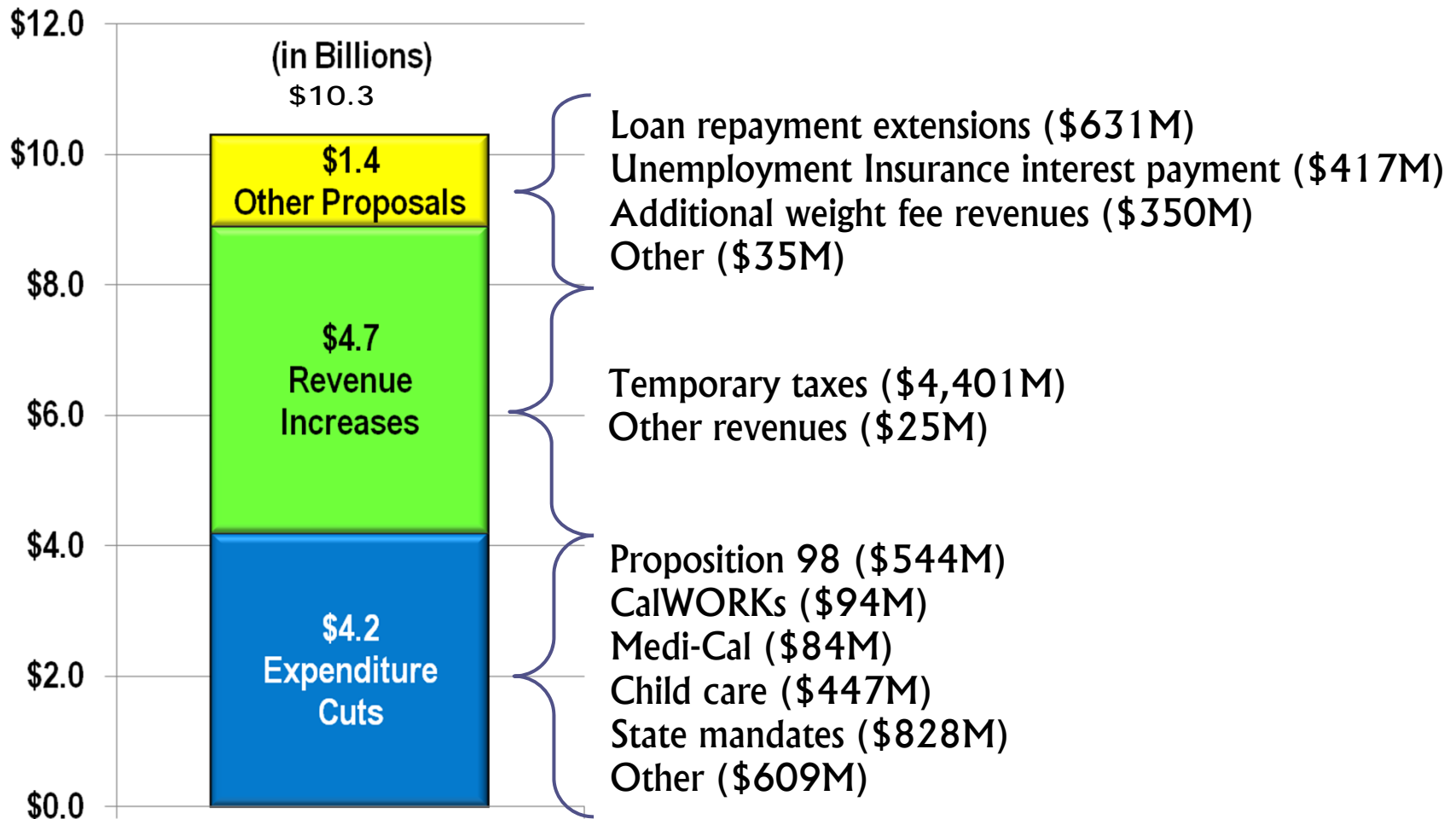
The State Structural Budget Gap

- The 2012-13 Budget has a \$9.2 billion deficit
- The projected 2011-12 Budget deficit is \$4.1 billion and carries forward into 2012-13
- The 2012-13 deficit is \$1.9 billion worse than anticipated in June 2011
- The ongoing Budget deficit has been reduced, but an ongoing mismatch remains



Source: SSC Governor's Proposal 2012/13

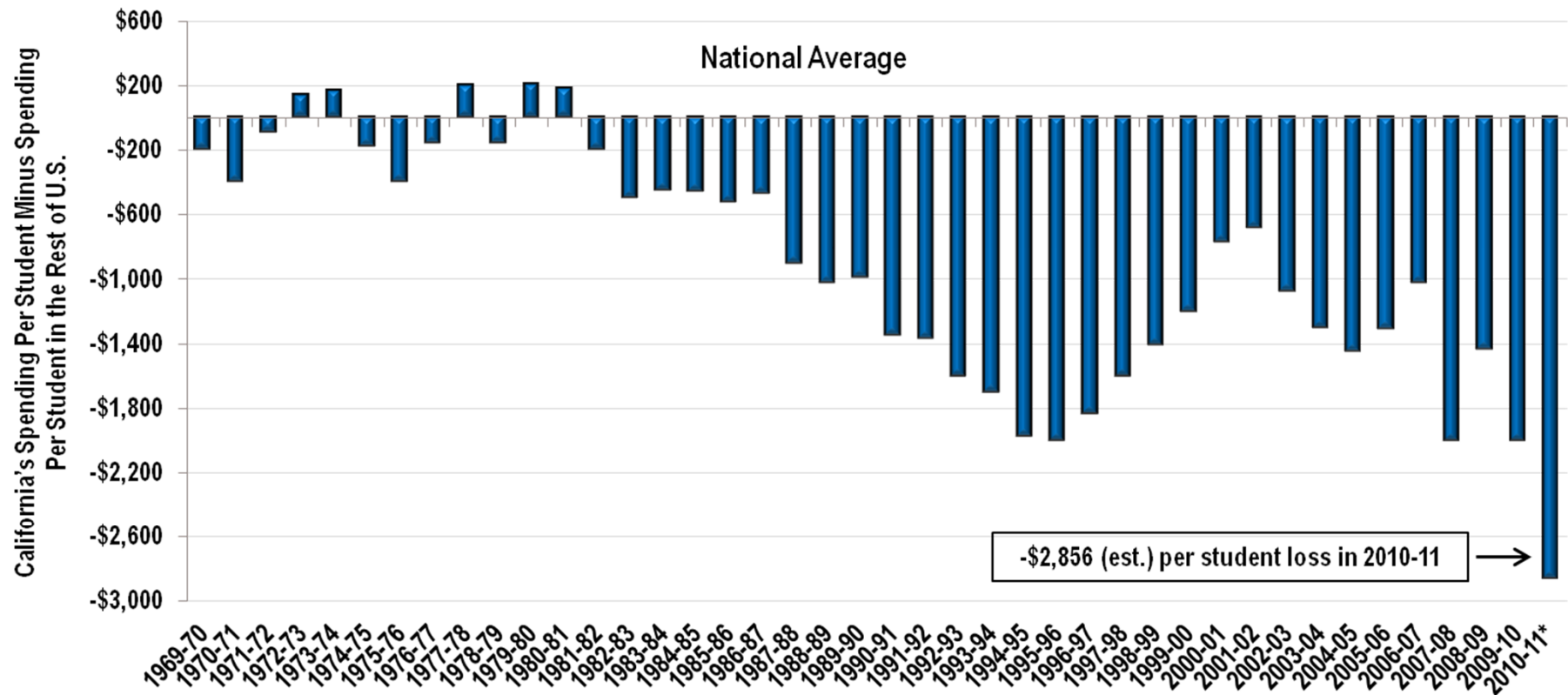
Governor's Budget Solutions



Source: SSC Governor's Proposal 2012/13

California Education Spending

California's K-12 Spending Per Student Lags Behind That of the Rest of the U.S. More Than at Any Time in 40 Years



* 2010-11 data estimated

Note: Rest of U.S. excludes the District of Columbia

Source: National Education Association

Source: SSC Governor's Proposal 2012/13

IV. Governor's Proposals Effect on District Budget

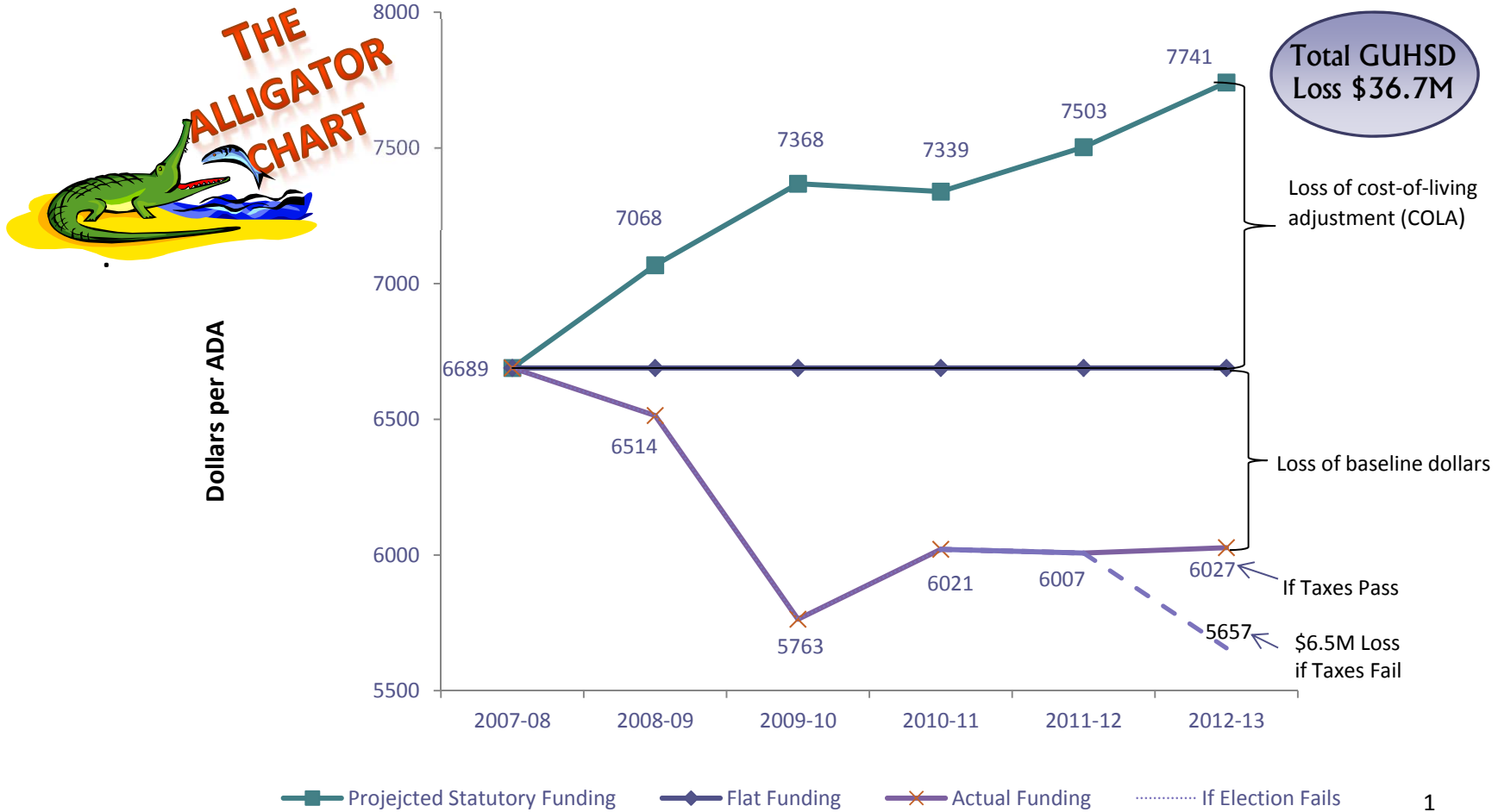
School Services of California Advice:

**“We Continue to Recommend
Conservative Fiscal Policies at the
District Level.**

**Others Have Induced Plenty of Risk to
Your District—You Don’t Need to
Add to it.”**

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Grossmont Union High School District Projected vs. Actual Funding Per ADA



BUT THAT'S NOT ALL!

This year, the Alligator Chart has a sidekick wreaking havoc . . .

**ALL TRANSPORTATION FUNDING
IS ELIMINATED**



Nothing Flat About “Flat Funding” This Year

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First Interim Review

Before Governor's Proposals and Trigger I

General Fund Summary Projections

	(\$M)		
	<u>2011/12</u>	<u>2012/13</u>	<u>Comment</u>
Revenue	\$178.2	\$177.4	COLA increases \$; declining enrollment decreases \$
-Expenditures	<u>185.5</u>	<u>187.4</u>	Declining enrollment decreases cost, but costs increase for Step/Column, H&W, Utilities and Spec. Ed.
= (Deficit)	<u><\$ 7.3></u>	<u><\$ 10.0></u>	

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Effect of Trigger I, Governor's Proposals, and Trigger II (\$M)

	2011/12	2012/13
First Interim Deficit	< \$7.3 >	< \$10.0 >
<u>Trigger I</u>		
Per ADA Cut	< .2 >	
Transportation Cut (50%)	< .8 >	
Updated Projection		1.4
<u>Governor's Proposals</u>		
No COLA		< 3.3 >
Transportation Cut (100%)		< 1.6 >
Subtotal	< 8.3 >	< 13.5 >
Trigger II < \$370/ADA >		< 6.5 >
<u>Total</u>	< \$8.3 >	< \$20.0 >

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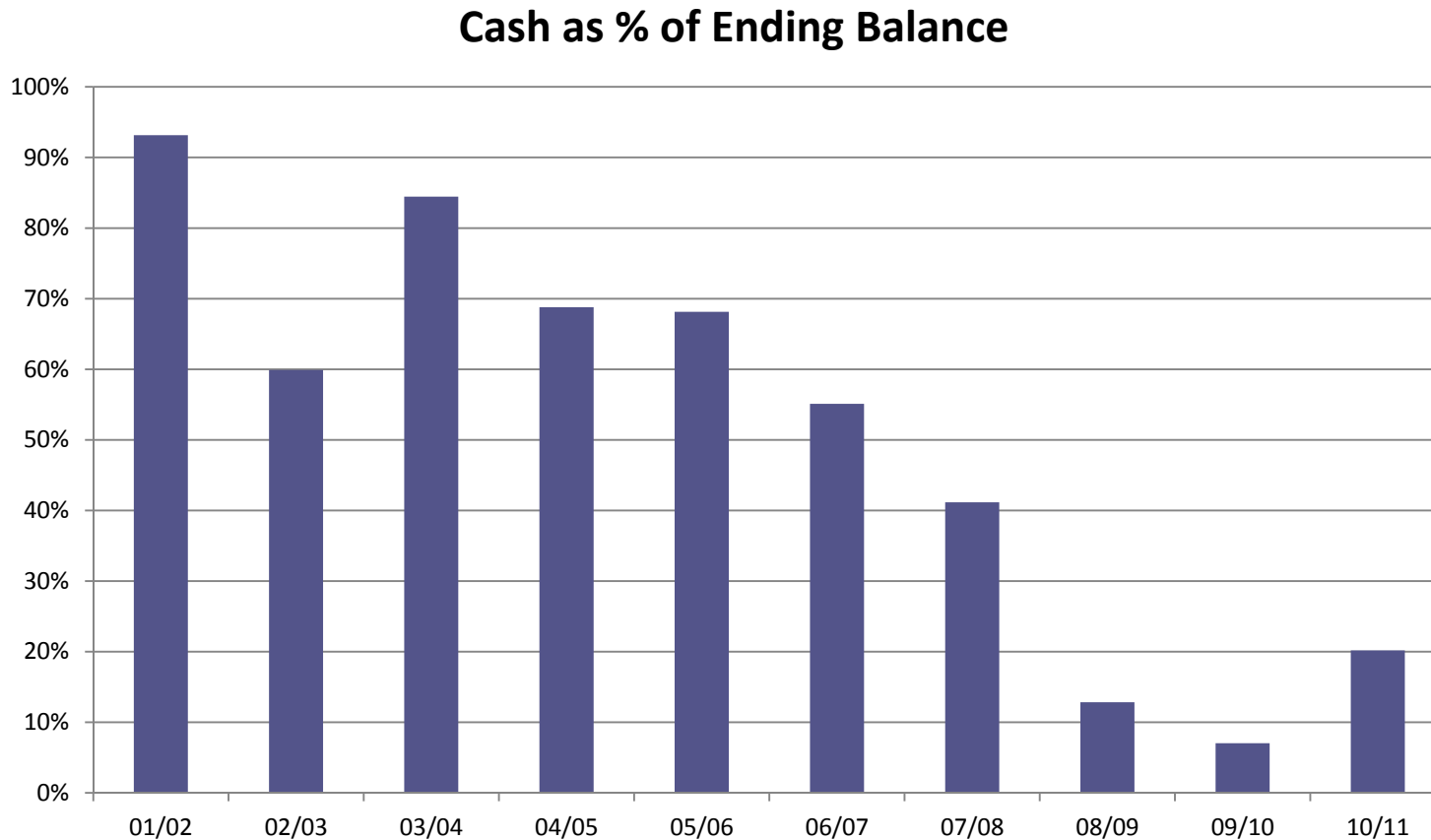
GUHSD Transportation Overview

<u>Program</u>	<u>Students Transported</u>	<u>Cost</u>	<u>State Funding Eliminated</u>
<u>Special Education</u>			
SH/OI	243	\$1.6M	\$1.0M
Non SH/OI	145	3.2	.4
<u>Regular Education</u>			
Home-to-School	<u>325</u>	<u>.9</u>	<u> </u>
Total:	713	\$5.7M	\$1.6M

If Economy is Starting to Improve, Why Do We Still Have a Budget Problem?

- Haven't solved our underlying budget gap.
 - Heavy reliance on one-time funds; ARRA, Fed Jobs Bill (now depleted) and Mandated Cost Reserves that will be depleted soon.
- Combination of declining enrollment and rising costs (health insurance, utilities step/column) create gap each year.
- State hasn't solved its underlying budget gap and keeps reducing revenue.

State Has Pushed Cash Problem to School Districts— Borrowing Costs Go Up



District Reserves Status Update

District Reserves Status Update

	<u>\$M</u>
Available at June 30, 2011	\$15.9
-Less Amount Allocated to FY 11/12 Prior to Trigger I	< 7.3 >
-Less Amount Allocated to FY 11/12 to Offset Trigger I Cuts	< 1.0 >
	<u> </u>
Equals Remaining Amount for FY 12/13-on (Above 4.5% Baseline)	<u>\$ 7.6</u>

District Budget Planning Response

FY 2012/13 Budget Guiding Principles

- Focus Resources on Student Achievement
- Move Forward with Instructional Programs
- Maintain Unrestricted Reserves at 4.5% or Greater
- Maintain Restricted Maintenance Account at 3% or Greater –
SUSPENDED
- Avoid Deficit Spending in Two Consecutive Years – SUSPENDED
- Fiscal Restraint on Current Spending and Aggressive Pursuit of Revenue Enhancements
- All Necessary Budget Reductions That Affect People will be Handled with the Upmost Sensitivity to Employees

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District Budget Planning Response
FY 2012/13

Strategy Options

Option 1—Solve it in One Piece

- Develop a Firm Plan to Resolve Total Deficit of \$20.0M
- Develop Restoration Plan if Taxes Pass

Option 2—Solve it in Two Pieces

- Develop Firm Plan to Resolve the \$13.5M Baseline Deficit
- Use Reserves and/or Negotiated Contingencies to Offset Trigger II, Which Would Occur Midyear if Taxes Fail

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Option 1—Solve it in One Piece

(\$M)

Reserves	\$ 7.6
Budget Cuts & Negotiated Concessions	<u>12.4</u>
Total	<u><u>\$20.0</u></u>

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Option 2—Solve it in Two Pieces
(\$M)

<u>Baseline Deficit</u>	<u>2A</u>	<u>2B</u>	<u>2C</u>
Reserves	\$1.1	\$2.4	\$3.8
Budget Cuts & Negotiated Concessions	12.4	11.1	9.7
Subtotal	<u>13.5</u>	<u>13.5</u>	<u>13.5</u>
<u>Trigger II</u>			
Reserves	\$6.5	\$5.2	\$3.8
Negotiated Contingency	<u>--</u>	<u>1.3</u>	<u>2.7</u>
	<u>\$20.0</u>	<u>\$20.0</u>	<u>\$20.0</u>

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District Budget Planning Response

Next Steps

- Allocate Targets to Each Major Category
 - Reserves
 - Program Reductions
 - Budget Cuts
 - Negotiations

Next Steps *(cont'd)*

- Identify Position and Nonpersonnel Reductions
 - Central Office
 - Programs
 - Alternative Education
 - Special Education
 - Comprehensive School Sites

Next Steps *(cont'd)*

- Begin Discussions with Employee Groups
- Prepare for March 15 Statutory Deadline
 - Additional Pressures Here:
 - QEIA Grant
 - Project Shield Grant
 - Workforce Investment Act Grant (?)
- Begin Detail Budget Development
- Prepare for Second Interim Financial Report

Appendices

- Cost Factors
- Recap of Actions Taken
08/09-11/12
- Current Categorical Transfers

Cost Factors

Cost Factors

- 1% Salary = \$1.1M
- 1 Furlough Day = \$540K
- “Delay” Step & Column = \$2.0M
- Increase Class Size by One = \$1.2M
- Average Teacher Cost = \$91,820
- Average Classified Cost = \$63,050
- Average Health/Welfare Benefit Per Employee = \$10,144
- Average Certificated Administrator = \$144,621
- Average Classified Administrator = \$129,845

Recap of Actions Taken

08/09 – 11/12

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Recap of District Actions Taken to Resolve Deficits

	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>	<u>11/12</u>
■ Reserves	✓	✓	✓	✓
■ Cut Central Office Positions/Budgets	✓	✓	✓	✓
■ Categorical Flex Transfers	✓	✓	✓	✓
■ Student Recovery-ADA Increase	✓			
■ Funding Shifts	✓	✓	✓	✓
■ Reduced Tutorial & Summer School		✓		
■ Reduced Site Allocations	✓		✓	
■ Site Based Cuts				✓
■ Reduced Work Years	✓			
■ Reduced Professional Dev. Programs			✓	
■ Eliminated Over-Formula Positions	✓			✓
■ Special Education Program Reductions	✓		✓	✓
■ Cut Site Classified	✓	✓	✓	
■ Raised Class Size (Now 37)	✓	✓		

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Recap of District Actions Taken to Resolve Deficits

	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>	<u>11/12</u>
■ Employee Contribution to Higher Cost H&W Plan			✓	✓
■ Negotiated SELPA Funding Increases		✓	✓	
■ Federal Stimulus Funds		✓	✓	
■ Eliminated Def. Maintenance Contribution		✓	✓	
■ Raised/Eliminated Ninth Grade CSR Class Size		✓	✓	
■ Started School After Labor Day		✓	✓	✓
■ Two Furlough Days (all groups but GEA)		✓		
■ Reduced School Year – Five Furlough Days (all groups)			✓	

Current Categorical Transfers

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Flexibility Transfers of Restricted Funds to Unrestricted General Fund

<u>Original Program</u>	10/11 Baseline <u>Transfers</u>	11/12 <u>Increase</u>	Total 11/12 <u>Transfers</u>
Adult Education	1,000,000	100,000	1,100,000
Arts & Music Block Grant	200,000		200,000
CAHSEE	511,229		511,229
Class Size Reduction	1,685,658		1,685,658
Deferred Maintenance	400,000		400,000
Gifted & Talented (GATE)	35,000		35,000
Instructional Materials	700,000		700,000
Peer Assistance & Review	67,168		67,168
ROP	600,000	300,000	900,000
 <u>Other Flexibility</u>			
Supplemental Instruction (Summer School)	1,190,316		1,190,316
Intersession/Tutorials	<u>247,579</u>		<u>247,579</u>
	6,636,950	\$400,000	7,036,950