
Grossmont Union High School District

February 3, 2011

**Governing Board
Budget Workshop**

Agenda

- I. Review of First Interim Conclusions & Process
- II. Background: School Services of California Perspective
- III. Governor's Budget Proposals
- IV. Governor's Proposals Effect on District Budget Planning
- V. District Reserve Plan Update
- VI. Guiding Principles Review
- VII. District Budget Planning Response

APPENDICES

1. Recap of District Actions to Resolve Deficits 08/09 – 10/11
2. Summary of Budget Reduction Ideas

FY 2010/11 First Interim Report Conclusions *(As of 12/09/10)*

- Recommend Positive Certification
- Close Watch on State Budget Actions
 - Special Session
 - New Governor’s January Proposal
 - Significant Financial Risk if AB 3632 Veto Issue Not Resolved
- Still Have Heavy Reliance on One-Time Funds (ARRA, Fed Jobs Bill, Reserves)
 - Much Work to Do on Balancing Ongoing Revenues and Expenditures

The Process

- ✓ 1. First Interim Forecast to Governing Board on December 9
- ✓ 2. Get the Governor's Budget Analysis January 18
- ✓ 3. Update Forecasts
- ★ 4. Reaffirm District Priorities
- ★ 5. Develop a Solution: (Based on Governor's Proposals)
 - Continue Spending Restrictions
 - Continue Significant Use of Flexibility Provisions
 - Use of Reserves
 - Budget Cuts

Background:
School Services of
California Perspective

State and National Economics

- The economy is the key to everything
 - Business generates jobs, personal and corporate income, and capital gains
 - Government taxes those sources and funds education and other government services
 - Businesses are generating cash and profits, but they are not yet confident enough for expansion and hiring
- The Feds plan to do less for states in terms of stimulus – no new funding is planned
- But the state still hasn't recovered, and won't for a long time to come
- Good news: Things have stopped getting worse and there is some improvement
- Bad news: Full recovery may take until 2016, a year longer than was estimated last year

Source: School Services of California, January 18, 2011, Conference

The Governor's Challenges

- New Governor, new approach, same lousy environment
 - The Governor faces the biggest deficit ever faced by any governor in U.S. history
 - Business generates jobs, personal and corporate income, and capital gains
 - And he inherits huge economic problems and a divided Legislature
 - All of his proposals are opposed by someone:
 - Republicans oppose new taxes
 - Democrats oppose spending cuts
 - Taxpayers oppose more debt
 - You cannot balance this Budget without taxes, spending cuts, and maybe some debt
- There are no new rabbits and no new hats, but this Governor will need to be a master magician to lead this state.

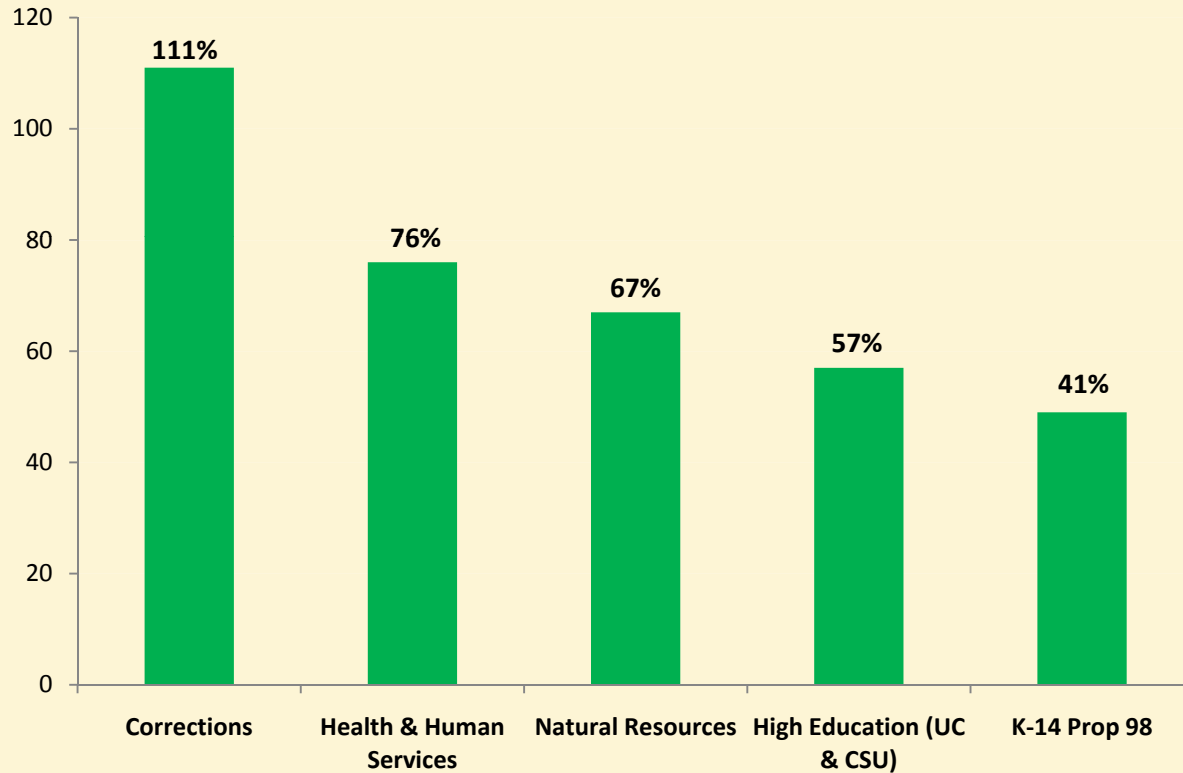
Source: School Services of California, January 18, 2011, Conference

The Governor's Proposals for 2011-12

- So, how does the Governor propose to dig the state out of this economic quagmire?
 - Cuts—lots of them
 - But with the acknowledgement that education has already taken more than its fair share of cuts.
 - Realignment
 - To restore local control of service delivery and save the state money
 - Continuation of taxes
 - Temporary taxes would be extended by five years
- Basically, the Governor has two plans
 - If the taxes are extended, the cuts are as budgeted in January
 - Education would be flat funded for 2011-12
 - If the taxes are not extended, an estimated additional \$9 billion in cuts would be needed, including large cuts to education

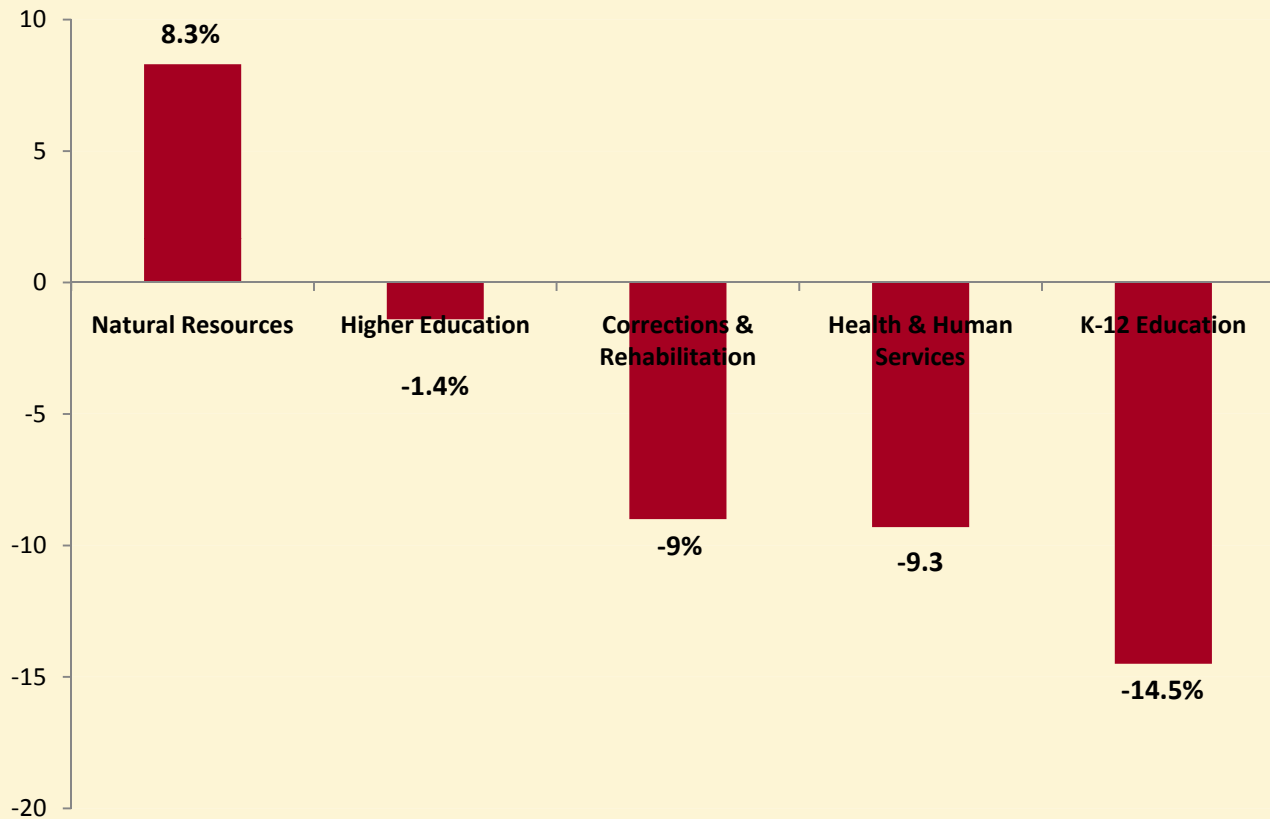
Source: School Services of California, January 18, 2011, Conference

Major State General Fund Expenditures by Area % Change 1998/99 Through 2010/11



Source: School Services of California, January 18, 2011, Conference

K-12 Education Took Biggest Cuts Over Last Three Years % Change 2007/08 to 2010/11



Source: School Services of California, January 18, 2011, Conference

Governor's Budget Proposals

Governor's Budget Proposals

January 2011

FY 2010/11

- No Changes to 2010/11 Prop 98 Funding
- Means no Mid-Year Cuts!! Great News

Governor's Budget Proposals

January 2011

FY 2011/12

- \$25B State Gap Closed by Half Cuts, Half Taxes
- Full Funding of Prop 98 Minimum Guarantee = “Flat” Funding from FY 10/11
- Relies on Tax Extensions Approved by Voters
- Extend Flexibility Provisions by Two More Years – Through FY 14/15

Governor's Budget Proposals January 2011

FY 2011/12

- Fixes AB 3632 in FY 11/12 – on, but not FY 10/11
- Adds another \$2.1B to Cash Deferrals
 - Now \$10 Billion!!
 - Equals 45% of State's Contribution to Education!!
- Big Cuts to Health & Human Services and Other Areas
 - Medi-Cal
 - CalWorks
 - UC and CSU
 - Developmental Services

Governor's Budget Proposals January 2011

TAX EXTENSION PROPOSAL

- Taxes in Effect Since 2009 Due to Sunset This Year
 - 1% Sales Tax
 - .5% Vehicle License Fee (VLF)
 - .25% Personal Income Tax

- Proposal is to Extend by Five Years

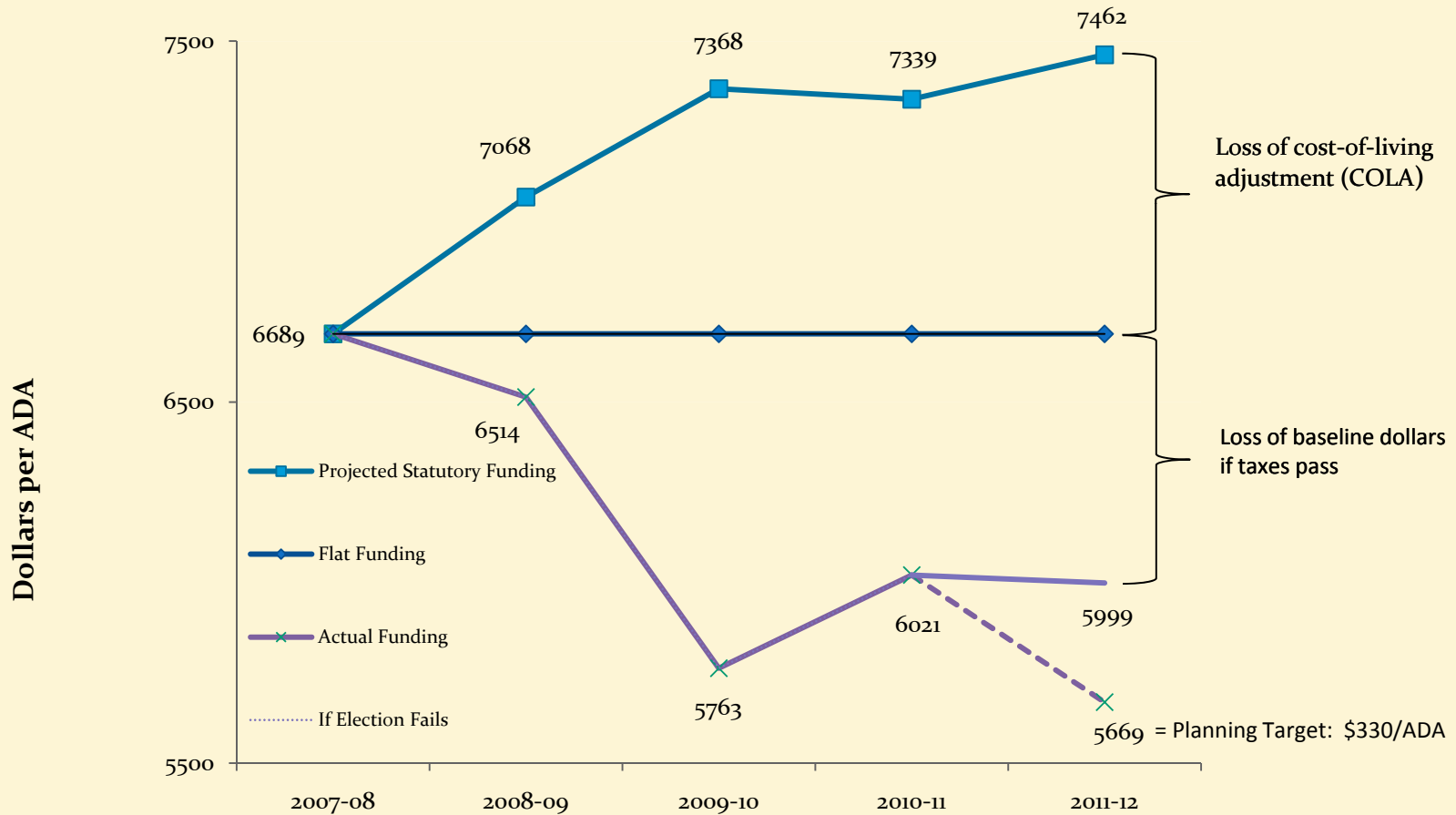
- Requires 2/3's Vote of Each House in Legislature (March) to Place on Ballot

- Requires Majority Vote of Electorate (June)

- Failure Means
 - \$8.8 Billion Reduction in State Revenue
 - \$2.3 Billion Reduction in Prop 98 Funding (\$330/ADA)

Governor's Proposals Effect on District Budget

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



First Interim Review – Before Governor's Proposals

General Fund Summary Projections

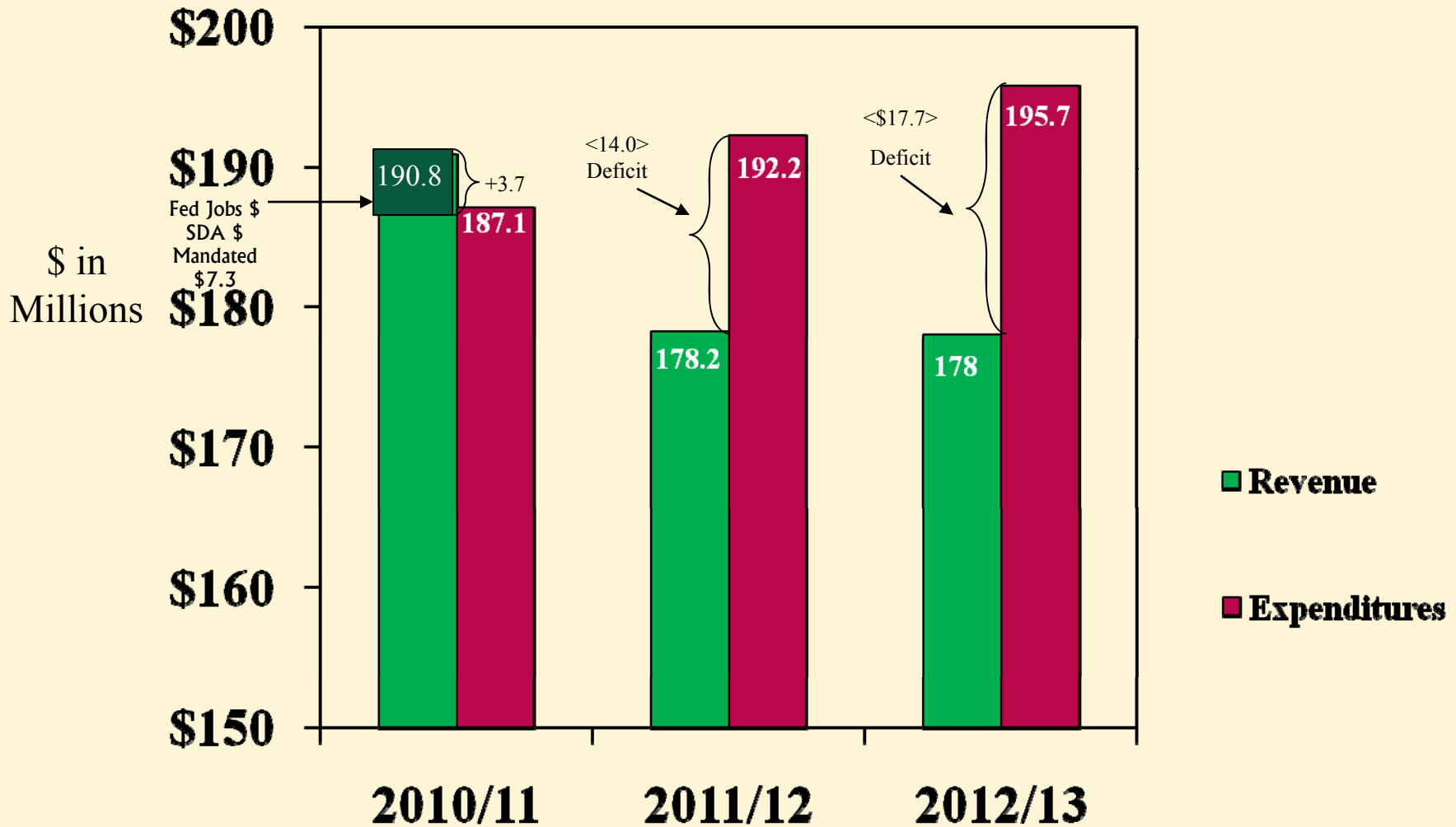
(\$M)

	<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
Revenue	\$190.8	\$178.2	\$178.0
- Expenditures	<u>187.1</u>	<u>192.2</u>	<u>195.7</u>
= Surplus/<Deficit>	<u>\$ 3.7</u>	< <u>\$ 14.0</u> >	< <u>\$ 17.7</u> >

First Interim Review – Before Governor's Proposal

FY 2010/11 First Interim Report

General Fund Summary



First Interim Review—**Before Governor's Proposal** General Fund – Unrestricted Changes Since Adopted Budget

	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>
Deficit Projected at June 2010	<\$18.2>	<\$21.4>	<\$26.5>
<u>Solutions Incorporated in Budget Adoption</u>			
Level I Cuts	6.1	6.1	6.1
Negotiated Changes (<i>Furloughs & Benefits</i>)	3.6	1.0	1.0
<u>Changes Since Budget Adoption</u>			
Federal Jobs Bill	4.2		
Mandate Payments	.5		
SDA Funds (<i>09/10 & 10/11</i>)	2.6		
Revenue Limit Restoration	5.9	5.9	5.9
COLA Changes		< 2.9>	< 3.6>
AB3632 Veto Impact – Estimate	<1.0>	< 1.0>	< 1.0>
Health & Welfare Changes		.6	.6
Declining Enrollment		< .9>	< .9>
Steele Canyon Service Fees		< .3>	< .3>
All Other Forecast Updates		< 1.1>	.8
	<u> </u>	<u> </u>	<u> </u>
= Revised Projected Surplus/<Deficit>	<u>\$ 3.7</u>	<u><\$14.0></u>	<u><\$17.7></u>

First Interim Forecasts Updated for Governor’s Proposals (\$M)

	<u>10/11</u>	<u>11/12</u>	<u>12/13</u>
First Interim			
Surplus/(Deficit) Projection	\$3.7	<\$14.0>	<\$17.7>
<u>Effect of Governor’s Proposals</u>			
AB 3632 Mental Health Services	<1.0>	1.0	1.0
“Flat” Funding = Loss of \$21.84/ADA		< .4>	< .4>
Result if Taxes Approved	<u>\$2.7</u>	<u><\$13.4></u>	<u><\$17.1></u>
Loss of Taxes (\$330/ADA X 18,384)	<u>--</u>	<u>< 6.1></u>	<u>< 6.1></u>
Result if Taxes Rejected = PLANNING TARGET	<u>\$2.7</u>	<u><\$19.5></u>	<u><\$23.2></u>

District Reserve Plan Update

District Reserve Plan Update (\$M)

	<u>Actual at 06/30/10</u>	+ <u>Projected 10/11 Surplus</u>	- <u>4.5% Target</u>	= <u>Available for Spend Down</u>
General Fund Unrestricted	\$15.2*	\$2.7	\$8.5	\$9.4
Fund 17 Reserve	<u>5.1</u>	<u>--</u>	<u>--</u>	<u>5.1</u>
TOTAL	<u><u>\$20.3</u></u>	<u><u>\$2.7</u></u>	<u><u>\$8.5</u></u>	<u><u>\$14.5</u></u>
	<u>11.7%</u>		<u>4.5%</u>	

*Excluding Carryovers (Open Purchase Orders, Site Owned \$)

Guiding Principles Review

Guiding Principles

- Focus Resources on Student Achievement
- Move Forward with Instructional Programs
- Maintain Reserve for Economic Uncertainties at 3% 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 Utmost Sensitivity to Employees

District Budget Planning Response

District Budget Planning Response

Strategy

Develop “Contingent” Plan Based on Tax Extensions **Rejected**

- Use Reserves to Soften Effect of Budget Shortfalls Over Two Years
- Increase Flexibility Fund Transfers Where Possible
- Budget Reductions Make Up Difference
- Develop Budget Restoration Plan if Taxes are Approved

District Budget Planning Response

“The Numbers” (\$M)

	<u>11/12</u>	<u>12/13</u>
Projected <Deficit>	<\$19.5>	<\$23.2>
With <u>Taxes Rejected</u>		
= Planning Target		

Solutions

Use of Reserves: (\$14.5M)	\$ 9.7 (two-thirds)	\$ 4.8 (one-third)
Flex Fund Transfers (ROP/Adult Ed)	.4	.4
Budget Reductions Necessary		
2011/12	9.4	9.4
2012/13	--	8.6
	<hr/>	<hr/>
<u>Total</u>	<u>\$19.5</u>	<u>\$23.2</u>

District Budget Planning Response

Budget Reduction Options

- Position and Non Personnel Reductions
 - Central Office
 - Alternative Education
 - Special Education
 - Comprehensive Sites

- Work Year/Salary/Benefit Reductions*

- Blended Approach*

*Require Agreement with Employee Associations

District Budget Planning Response

Next Steps

- Prepare for March 15 Statutory Deadline
Using Site Based Budgeting Approach
- Begin Discussions with Employee Associations
- Begin Detail Budget Development
- Prepare for Second Interim: SDCOE Requires
Specific Plan

APPENDICES

- Recap of District Actions to Resolve Deficits 08/09 – 10/11
- Summary of Budget Reduction Ideas

Recap of District Actions Taken to Resolve Deficits

	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>
■ Reserves	✓	✓	✓
■ Categorical Flex Transfers	✓	✓	✓
■ Student Recovery-ADA Increase	✓		
■ Funding Shifts	✓	✓	✓
■ Cut Central Office Positions	✓	✓	✓
■ Reduced Site Allocations	✓		✓
■ Reduced Work Years	✓		
■ Eliminated Over-Formula Positions	✓		
■ Special Education Program Reductions	✓		✓
■ Cut Site Classified	✓	✓	✓
■ Raised Class Size (Now 37)	✓	✓	

Recap of District Actions Taken to Resolve Deficits

	<u>08/09</u>	<u>09/10</u>	<u>10/11</u>
■ Negotiated SELPA Funding Increases		✓	✓
■ Federal Stimulus Funds		✓	✓
■ Eliminated Def. Maintenance Contribution		✓	✓
■ Raised Ninth Grade CSR Class Size		✓	✓
■ Started School After Labor Day		✓	✓
■ Two Furlough Days (all groups but GEA)		✓	
■ Cut Central Office Budgets 25%			✓
■ Reduced Professional Dev. Programs			✓
■ Reduced Tutorial & Summer School Programs		✓	
■ Raised Copays on H&W Plans			✓
■ Reduced School Year – Five Furlough Days (all groups)			✓

Current Annual Categorical Flex Transfers to General Fund—Unrestricted

	<u>(\$M)</u>
■ Supplemental Instruction—Summer School	\$1.0
■ Adult Education	1.0
■ Instructional Materials	.7
■ ROP	.6
■ Deferred Maintenance	.4
■ Arts & Music Block Grant	.2
■ PAR & GATE	<u>.1</u>
TOTAL	<u><u>\$4.0</u></u>

Grossmont Union High School District
SUMMARY OF BUDGET WORKSHOP IDEAS (November 9, 2010)

	Grossmont	ECVHS	Mt. Miguel	El Capitan	Granite Hills	Monte Vista	Santana	Valhalla	West Hills	Alt. Ed	Ed Services
"Creative" Saturday School/Increase	✓										✓
3 VPs/Site							✓				
Address Vacation Accruals Issue		✓									
Attractive Student Programs				✓							
Cap Units at 220							✓				
Charge Facility Fees							✓				
Continue Furlough Days		✓	✓		✓	✓		✓			✓
Continue Sept. School Start							✓				
Create Sponsorships	✓										
Decrease Use/Cost of Consultants		✓									
Delay 12th High School	✓										
District Website Advertising	✓										
Drought Tolerant Landscapes							✓				
Elim. "Extra" Social Science Reqs						✓					
Eliminate All Athletic Transportation								✓			
Eliminate BTSA									✓		
Eliminate Dept. Chair Release Period											✓
Eliminate Edusoft & Stoneware	✓										
Eliminate Grant-Funded Positions When Grant is Over							✓				
Eliminate Summer School		✓						✓			
Eliminate/Reduce Mail Home	✓										
Enforce Admin Ratio 1:400				✓							
e-Scrip	✓										
Evening Classes		✓									
Expand ROP										✓	
Four-day Work Week									✓		
Freeze Fiscal Services Hiring (Charters)	✓										
Go "Cold" During Break/Furlough Days		✓									
Increase ADA/Incentives/Marketing/ Dropout Recovery	✓	✓			✓					✓	

Grossmont Union High School District
SUMMARY OF BUDGET WORKSHOP IDEAS (November 9, 2010)

	Grossmont	ECVHS	Mt. Miguel	EI Capitan	Granite Hills	Monte Vista	Santana	Valhalla	West Hills	Alt. Ed	Ed Services
Increase Bus Fees (50%)					✓						
Increase Class Size			✓								
Increase Return on Reserves									✓		
Increase Spec. Ed. Class Size				✓							
Increase Teachers				✓							
Independent Ed. 2020 Academy										✓	
Mainstream Spec. Ed. Students				✓							
Naming Rights to Fields, etc.							✓				
Offer Fee-Based Enrichment Classes							✓				
Offer GED Prep to SD City Schools										✓	
Online Charter/High School	✓				✓						
Partnership w/ Local Businesses							✓				
Provide In-House Spec. Ed. Services				✓							
Reduce Legal Fees							✓				✓
Reduce No. of Textbooks		✓									
Reduce Sub Costs										✓	
Retirement Incentive							✓		✓	✓	
Review/Reduce District Office Costs	✓						✓				
Selective FTE Reductions											✓
Sell/Lease District Real Estate	✓								✓		
Share Expenses w/ Other Districts									✓		
Solar Energy/Green Technology	✓						✓				
Spend Down Reserve to 3%						✓		✓			
Staff Attendance Incentives		✓									
Step/Column Freeze			✓					✓			
Suspend Textbook Purchases							✓				
Utility Control to Sites					✓						
Utilize Volunteers							✓				
Year-round School	✓										

**Grossmont Union High School District
SUMMARY OF ONLINE BUDGET SUGGESTIONS**

as of February 1, 2011

	Suggestion	No. of Responders
1	Utilize power generating exercise equipment to offset utility costs	1
2	Green Buildings/Solar Energy	2
3	Remote AC/Electrical Controls	1
4	Don't remodel bond trailer	1
5	\$5.00 fee per student per class	1
6	Eliminate Grounds and Custodial Supervisor positions; crews to report directly to MSFs	1
7	Increase number of furlough days	1
8	Postpone building high school in Alpine	1
9	Decrease number of district-level administrators/No retired administrators as consultants	6
10	Eliminate inept administrators at sites	1
11	Eliminate district-paid medical coverage for spouse if spouse is employed by district	1
12	Raise ticket prices to football games/sporting events	1
13	Freeze all salaries (no step and class raise) until budget crisis is over	1
14	Replace certificated librarians with classified employees	1
15	Eliminate paid leave	1
16	Reduce district office support staff from departments that charter schools no longer fully utilize	1
17	Reduce days spent in negotiations thus reducing cost of substitutes	1
18	Suspend textbook purchases	1
19	Parents donate \$100 semiannually	1
20	Reduce paper waste (VAX, daily bulletins, etc.)	2
21	Retirement Incentive/Golden Handshake	3
22	Turn off all electric on weekends and holidays in all buildings	1
23	Decrease site administrators	3
24	MSFs serve multiple sites	1
25	Outsource accounting functions and IT positions	1
26	Solicit community for donations of equipment and other necessities	1
27	Fold Home Choice into other site programs	1
28	Provide all Media Services online	1
29	Reorganize Curriculum duties to ensure accountability	1

Grossmont Union High School District
SUMMARY OF ONLINE BUDGET SUGGESTIONS

as of February 1, 2011

	Suggestion	No. of Responders
30	Cease purchasing software teachers do not want to use, i.e., PowerSchool, EduSoft	1
31	Install classroom-adjustable thermostats	1
32	Purchase refurbished equipment for network and data center	1
33	Replace fax machines with eFax Corporate (eliminates replacement, supply and maintenance costs)	1
34	Eliminate or convert long-term contractor positions	1
35	Review telecom contracts and check for billing errors	1
36	Implement zero-based budgeting for 2011-12	1
37	I &TS vend services to small districts	1
38	Route requisitions for new computers through Technical Services for review	1
39	Utilize refurbished computers where appropriate	1