2011-12 and 2012-13 Budget Recommendations and Reductions

Board Item #9.3

Board of Education
January 12, 2012
Overview

- 2011-12 Budget
  - Proposed Recommendations
- 2012-13 Budget
  - Proposed Recommendations
- Contracts Update/Information
- Cash Flow
- Next Steps
2011-12 Budget

• “Trigger” Impact
  – Reduction in Transportation Revenue $2.00 M
  • 50% Home-to-School and Special Education
  – $13 per ADA Revenue Limit Reduction $0.50 M

Total 2011-12 Mid-Year Revenue Reductions $2.50 M
• Balancing Mid-Year Reductions
  – Reduction in Central Office Operating costs and contract reductions (one-time) $ .672 M
  – Use of remaining reserve for potential reductions/cash flow $1.828 M

**Total 2011-12 Budget Expenditure Reductions** $2.500 M
• Impact of Reductions
  – Inhibits critical expenditures
  – No unscheduled audits
  – Reduced legal use
  – Reduced Strategic Plan Initiatives
  – Use of one-time funds
Alligator Chart – School Services of California

- Fully Funded Base Revenue Limit
- Flat Funding
- Scenario 1: State Budget Actual Funding
- Scenario 2: Midyear $13 Per-ADA Cut

2007-08: $5,785
2008-09: $6,114
2009-10: $6,376
2010-11: $6,351
2011-12: $6,494
• Revenue Reduction
  – Reduction in 475 Average Daily Attendance/enrollment decline $ 2.48 M
  – Special Education $ .86 M
    • Declining enrollment
    • Charters pulled out of Special Education Local Plan Area (SELPA)
  – Use of one-time funds to balance 2011-12 (Federal Education Jobs, Planned One-time Carryover, etc.) $10.98 M

Total Revenue Reduction $14.32 M
• Expenditures
  – Step/Column/Attrition $2.50 M
  – Estimated 10% Increase on Health & Welfare benefits $6.04 M
  – Furlough/Salary Reduction $3.07 M
    Agreements End June 2012

Total Expenditure Increase $11.61 M
• Revenue Decrease $14.32 M
• Expenditure Increase $11.61 M

Total Estimated Shortfall $25.93 M

Governor’s January Budget $2.00 M
• Complete Elimination of Transportation
  – Assumes tax measure passes

Total Estimated Shortfall $27.93 M
Prior Year Reductions

- $186 Million Over 10 Years
- Prior and Current Year
  - Central Office Staffing Reductions – 18%
  - Tier III Program Reductions/Elimination
  - Increased Class Sizes
  - Use of One-Time Funds
  - Reduced School Site Certificated and Classified Positions
  - Furlough Days/Equivalent
Salaries and Benefits – Unrestricted Only

- Employee Benefits, 29%
- Supplies, Services, Other, 10%
- Classified Salaries, 10%
- Certificated Salaries, 51%
2012-13 Proposed Recommendations

- PARS Payments Charged to Retiree Benefits Fund: $3.74 M
- Reduce Contracts and Central Office Operating Budgets: $1.00 M
- Use Reserve for Unfunded Liability (One-time): $1.00 M

Sub-Total Proposed Recommendations: $5.74 M
($1.0 Million One-time)
• Reduce Central Office Staff or Equivalent $ .50 M
• Five Furlough Days for Unrepresented Management, Supervisors, Confidential (One-time) $ .16 M
• Freeze Step Increases for Unrepresented Management, Supervisors, Confidential (One-time) $ .03 M

Sub-Total Proposed Recommendations $ .69 M
• Tier III Programs
  – Eliminate Adult Education $2.90 M
    • Reflects elimination of revenue contribution
    • Skills Center to be self supporting
  – Eliminate Deferred $0.75 M
    Maintenance Contribution (one-time)
    • Needs will be compounded
  – Eliminate School Library $0.72 M
    Improvement Block Grant
    • Eliminates Librarians from middle schools (3.6 FTE’s)
– Eliminate Arts and Music Grant $ .57 M
  • Eliminates Music Teachers (5.6 FTE’s)
– Reduce ROP by 5% $ .08 M
– Reduce GATE program by 5% $ .02 M

Total Tier III Reductions $ 5.04 M
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Savings</th>
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<tbody>
<tr>
<td>Increase Class Sizes to Contract Maximum (87 FTE’s)</td>
<td>$ 4.79 M</td>
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<tr>
<td>Eliminate 50% Custodial Staff (60 FTE’s)</td>
<td>$ 3.40 M</td>
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<tr>
<td>Eliminate 50% Plant Managers (37 FTE’s)</td>
<td>$ 2.09 M</td>
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<tr>
<td>Eliminate Middle and High School Counselors (19.8 FTE’s)</td>
<td>$ 1.68 M</td>
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<tr>
<td>Reduce Maintenance Staff by 20% (17 FTE’s)</td>
<td>$ 1.27 M</td>
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<tr>
<td>Eliminate Co-Curricular Support</td>
<td>$ 1.26 M</td>
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</tbody>
</table>
• Eliminate 50% Middle/High School Assistant Principals (9.5 FTE’s) $ 1.13 M
• Eliminate Home-to-School Transportation (18 FTE’s) $ .98 M
• Eliminate Middle and High School Librarians (7.87 FTE’s) $ .82 M

Sub-Total Proposed Recommendations $17.42 M

Grand Total Proposed Recommendations $28.89 M
• Impact of Reductions
  – Potential Impact on Teaching and Learning
  – Low Student Morale/Engagement due to eliminated co-curricular activities, music teachers and librarians
  – Increased Class Sizes
  – Minimal Adult Education Program
  – Minimal Assistant Principals, Counselors, Librarians, Music Teachers
  – Severe Reduction in Custodial/Plant Manager and Maintenance Staff
• Potential ADA loss due to elimination of home-to-school transportation
• Low employee morale, increased work load
• Use of one-time funds
  – Unfunded Liability Reserve
  – Deferred Maintenance
  – Furlough Days/Freeze Step Increases
Possible Solutions

• Requires Negotiations
  – Furlough Days
  – Reduce School Year
  – Health Benefit Savings
  – Salary Reductions
Deficit Spending

Green – Revenues and Interfund Transfers IN
Red – Expenditures and Interfund Transfers OUT
• See Attachments A and B
Cash Flow Report

- Generated from Escape Finance System
- Reflects Actuals through November
- Provide to Board monthly per request
Next Steps

- Begin discussions with bargaining unit partners for 2012-13
- Board Approval of Recommendations by January 31
- Continue Review of Governor’s January Budget
- Budget Survey
Next Steps cont’d

• Community Budget Forums
• Second Interim Financial Report to SCOE by March 15
• March 15 Notices to Staff
• Review of Governor’s May Revise
• Balanced 2012-13 Budget for Adoption