



Budget Challenges 2010-11 and Beyond Pleasanton Unified School District

The state continues to face fiscal challenges, and many are predicting that the negative impact on schools will continue through the 2013-14 school year. Our short and long range forecasts indicate that to maintain a balanced budget and to retain our 3% reserve for economic uncertainties, we will need to:

- 1) layoff positions and reduce funding to programs that were added over the summer and supported by \$1.3 million in one-time funds,
- 2) reduce expenditures by \$2.3 million to address the advancement of positions and programs to the 2010-11 school year, and
- 3) position the District to make additional \$3.3 million in spending reductions to address new state-wide cuts to K-12 education for the 2010-11 school year,
- 4) position the District to make \$1.1 million in spending reductions to address the risky assumptions associated with the Governor's budget proposal.

At this time, the Cabinet recommends that the District position itself to institute \$8 million in spending reductions for the 2010-11 school year. This recommendation includes the following figures:

- \$1.3 million – Programs and Positions Supported by One-time Dollars
- \$2.3 million – Roll Over of Budget Obligations FY 09/10 to FY 10/11
- \$3.3 million – Impact of Governor's State Budget Proposal for FY 10/11
- \$1.1 million – To Address Assumptions within the Governor's Proposal

In addition, as we look long range to the financial health of the District, we anticipate the need to make further reductions of \$1.8 million for the 2011-12 school year.

It is important to note that the reductions we have implemented over the past two years have been staggering. For 2008-09, we cut \$2 million from our schools; in 2009-10, we cut \$11 million; and now we are anticipating a reduction of at least \$9.8 million over the next two years. Programs have been eliminated or reduced; the purchase of classroom supplies and equipment has been curtailed; and certificated staff has been reduced by 6.8%, classified by 7.3%, and management by 23.1%.

Another way to understand the financial situation in which we find ourselves is to look at the change in our revenue limits over the past two years. The revenue limit is the amount of state money we receive per student per year and accounts for the vast majority of funds we receive as a District. In 2008-09, we received \$6,171 per student. For 2009-10, that number dropped to \$5,428. That is about \$11 million less to provide programs and staff to support our students.

Identified Budget Challenge – Reduce expenditures for the 2010-11 school year by \$3.6 million

We are currently faced with the known challenge of reducing \$3.6 million in expenditures for the 2010-11 school year in order to have a balanced budget and our 3% reserve fund maintained. The need to make this level of reductions comes from two challenges. The first is the elimination of \$1.3 million of programs and positions that were supported by one-time funds for this year, and the second is the elimination of \$2.3 million which is the amount we need in order to roll our current budget forward into the 2010-11 school year.

The programs and positions added during the summer of 2009 were funded with the following one-time sources: a) the Board decision to delay a payment for “Other Post Employment Benefits” or OPEB, b) the efforts of the “I Love Pleasanton Schools” campaign and c) compensation contributions by the management team. The total contributed by these decisions and efforts was \$1.3 million. As a result of these funds not being available for the 2010-11 school year, the following positions will need to be noticed of possible layoff:

- 4.5 FTE Reading Specialist
- 0.92 FTE Elementary Strings and Band Support
- 3.6 FTE High School Counseling
- 2.5 FTE Elementary Counseling
- 3.0 FTE Elementary and Middle School Library Services
- 1.5 FTE Middle School Vice Principal
- 0.2 FTE Management Assistant (PIO)

Also, as a result of these funds not being available for the 2010-11 school year, \$45,000 to support Barton Reading and \$15,000 to support off-site counseling will need to be eliminated.

Finally, the need to reduce \$2.3 million is to address our annual “roll over” costs which include annual increases in payroll (including step and column obligations) and insurance, and adjustments to reflect inflation. It also reflects the lack of new federal money coming in to buffer the continuing state-wide budget problem.

Anticipated Additional Challenge – Position District to make additional cuts to address state level reductions to K-12 education for the 2010-11 school year

Based on the Governor's proposed budget for the FY 10/11, the PUSD will experience a loss of revenue for the FY 10/11 school year. The statement by the Governor that Proposition 98 will be "fully funded" still means that PUSD will receive fewer dollars. This is because state-wide tax collections continue to decrease and the District will lose one-time federal dollars.

This decrease in revenue translates to a reduction of an additional \$201 per student or a total decrease of \$2.9 million in ongoing revenue limit funding for our District. In addition, the estimated COLA is a negative number (-0.38%). When the Governor "fully funds" this, it means a decrease of about \$400,000 in revenue limit, Special Education, and other categorical programs.

In total, as a result of the Governor's proposed budget, PUSD will need to address spending reductions of \$3.3 million in addition to the \$3.6 million estimated as of our First Interim budget report.

Please remember that this analysis is based on the best information we have today. The Governor's budget proposal is the first step in a lengthy process to develop a state budget. The state's goal is to have a budget by July 1, but many times the budget is delayed well into the summer or fall. The Governor's proposal contains risky assumptions which must be analyzed and negotiated. Changes in these assumptions and their potential savings, along with other actions that the Legislature might take, will have an impact on our budget challenges. It is possible that this is not the worst case scenario, and we can state with certainty that the above numbers will change.

To address the financial challenges before us, the Board will need to take action to provide affected employees a notice of "possible layoff" by March 15 and to inform staff and the community of possible program reductions. We are targeting the regularly scheduled Board meeting of February 23 for making a final decision as to who will need to receive a notice of "possible layoff."

Possible Reductions to Address Financial Challenges

To address the budget challenges we can identify at this time for the 2010-11 school year, Cabinet has provided below a list of “Reductions” to consider.

As we learn more about the impact of the state budget on K-12 education, we will know to what level reductions need to be made. What to cut will be based on recommendations by the Cabinet, employees, the District’s Budget Advisory Committee and the community. The final decision will rest with the Board.

Eliminate District Support for High School Graduations and Middle School Promotions \$23K

The District currently allocates \$10K to each high school to support the graduation ceremony and the District supports the middle school promotion ceremonies by renting chairs (annual cost - \$3K).

Reduce Supplemental Remediation Hours Grades 1 - 8 \$45K

The after school remediation program funding level was reduced from approximately \$116,000 in 2008-09 to \$45,000 in 2009-10. This recommendation would be to pull the remaining funds of \$45,000 to support the General Fund. These services were provided before and after school. Reading support, through additional sections for Language! Program, was reduced for the 2009-10 school year at all middle and high schools.

Reduce Elementary Library Services \$53K

This reduction of \$53K would leave \$100K to allocate across the elementary school sites to support library services.

Eliminate District Funding for the Barton Reading Program \$61K

As a result of the loss of one-time funding for 2009-10, the District support for the Barton Reading Program is already at 50% compared to 2008-09. This action would eliminate the District funding for the program entirely.

Eliminate District Support for Extra Curricular Activities \$70K

An alternative funding source will need to be found for such items as equipment repair, uniform cleaning, helmet and shoulder pad refurbishment, stadium and gym lighting, pool heating and maintenance, District van use, grounds maintenance, and custodial services.

Reduce District Office Professional Services \$72K

We have identified \$25K in reductions from a variety of contracts including security and business service shredding. We are working to identify an additional \$47K in reductions in professional service contracts.

Eliminate the Elementary Vice Principal Position \$120K

Eliminate the one remaining elementary vice principal position. This would create a student to administrator ratio at the elementary level of between one administrator per 625 students to one per 725 students.

Eliminate Elementary and Middle School Tech Support \$135K

As a result of the loss of one-time funding for 2009-10, the District supported site technology specialists have been reduced by 50% compared to 2008-09. One-time funds added an hour per day. This action would eliminate the positions entirely.

Reduce School Site Discretionary Funds \$150K

This action would provide \$125K (\$20.37 per pupil) for the elementary schools, \$109K (\$30.56 per pupil) for the middle schools, and \$224K (\$44.00 per pupil) for the high schools. This compares to \$207K for the elementary schools in 2008-09, \$180K for the middle schools in 2008-09, and \$378K for the high schools in 2008-09. In addition, \$308,000 in carryover funds were pulled back to the District to support the General Fund for FY 09/10.

Reduce Summer School 2010

\$200K

Summer school offerings have been reduced, and some classes have become “fee-based.” As a result of these modifications to the program, the summer school income will be able to contribute an additional \$200,000 to the General Fund.

Reduce Comprehensive High School Vice Principals

\$240K

This action would reduce the number of vice principals at each of the two comprehensive high schools from three to two. This would create a ratio of approximately 833 students per administrator from the current ratio of 625 students per administrator. The reduction of 1.5 FTE of middle school vice principals noted above as a result of needing to cut expenses from one-time funding sources creates a ratio of 550 students per administrator from the current 342 students per administrator.

Reduce Counseling Services

\$256K

The number of counselors for the 2009-10 school year is 24.9 FTE across all of the grades. By eliminating the positions supported by this year’s one-time funds, the counseling numbers would drop to 18.7 FTE counselors. Cabinet has identified the counseling positions below as a minimum recommended level of service. The plan represents a counseling staff of 15.5 FTE. This would save \$256,000 for the 2010-11 school year. The counselors would be allocated as follows:

- 7.4 FTE High School Counseling to provide a student to counselor ratio of 685:1 (For 2009-10 the ratio is 425:1)
- 0.6 FTE Alternative Education Counseling
- 4.5 FTE Middle School Counseling
- 2.0 FTE Elementary Counseling
- 1.0 FTE At Risk Counseling

Secure Funds From Regional Occupation Program

\$300K

Using Tier 3 Categorical Program Flexibility, pull \$300K in funding to support the General Fund.

Eliminate Reading Specialists \$360K

As a result of the loss of one-time funding for 2009-10, the elementary school reading specialists are already at 50% compared to 2008-09. This action would eliminate the positions entirely.

Reduce Site and District Office Classified Support Positions \$450K

Two positions at each comprehensive high school – 4 Positions
One position at each middle school – 3 Positions
District Office – 3 Positions

Reduce One Specialist Section Weekly for Grades 4-5 and Three Specialist Sections Weekly for Grades 1-3 through a Shortened Day Schedule \$931K

Shorten the school day one day a week by 45 minutes for students in grades 4-5 and three days per week for grades 1-3. Move the teacher preparation periods to the end of the day rather than have a specialist provide the preparation periods during the school day.

Reduce Categorical Programs \$1.086 M

\$15,000 - Gifted and Talented - Pull this amount of Gifted and Talented funds to the General Fund to address the reduction in state funding. This would allocate all of the funds we receive for Gifted and Talented Education to the General Fund.

\$28,000 - Arts and Music Grant – Pull this amount of art and music grant money to the General Fund to address the reduction in state funding. This action would allocate to the General Fund all of the amount received through this grant for arts education.

\$45,000 - The Tri-Valley Induction Program – This program will contribute \$45K to the General Fund through a reduction of program offerings and greater efficiencies.

\$170,000 – Adult Education - The Adult Education program will contribute this amount to the General Fund by offering fee-based programs and programs which support student graduation (e.g. GED testing and concurrent enrollment classes). This action would increase the contribution to the General Fund from \$309,000 to \$479,000.

\$404,000 - Class Size Reduction Grade 9 – Move class sizes in grade 9 English and math to 32 students from the current class sizes of 25. This will allow the transfer of \$404,000 to the General Fund to support the reduction in state funding to K-12 schools. This action would lead to the layoff of approximately five high school English and math teachers.

\$424,000 - School and Library Improvement Plans (SLIP) - Pull this amount of SLIP funding to the General Fund to address the reduction in K-12 state funding. This will eliminate SLIP funding to the schools.

Eliminate K-3 Class Size Reduction

\$1.3M

This would increase class sizes in grades K-3 to 30 students per classroom instead of the current 25 students per class. This action would lead to the layoff of approximately 26 multiple subject teachers.

Total - \$5.852 million

Other Funding Sources

One other funding source that might provide the Board some flexibility in these very difficult financial times is our “Other Post Employment Benefits” (OPEB). The annual OPEB payment responsibility we have is \$670,000. This is not a required contribution. Failure to make the contribution may negatively impact our bond rating and will be noted in our next audit. The Board last year decided to not make this OPEB contribution for one year and could make the same decision this year.

In regards to administrative cuts, it is important to note that as a result of the loss of one-time funding enjoyed for 2009-10, middle school vice principals will already be reduced by 1.5 positions (a half position for each middle school), and we will have unfunded a part time position of management assistant, a position which has been supporting our public information needs.

Total Budget Balancing Efforts –

\$1.3 million – Elimination of Positions/Program Funded by
One-time Funds

\$5.852 million – Additional Reductions of Programs/Positions

\$0.67 million – Delay of OPEB Payment

Total - \$ 7.822 million

As you can see from this total, we are still \$178K below our recommended goal of positioning the District to make \$8 million in reductions.

Negotiable Items

As we consider the budget impacts on our school services, we will also want to work with our bargaining units to determine what changes to contracts could be agreed to in order to support staff, students, and our sound financial future. Such opportunities might include:

Reduction of work days –

\$450K per day (All units – Certificated, Classified, Management)

Possible Reductions – three staff development days, two teacher work days, and five instructional days for a total of 10 days

Suspend high school collaboration period and reduce seventh period day options - \$448K

Suspend Voluntary Staff Development Hours - \$380K

Modify service provider in warehouse and graphics - \$250K

Suspension of Step and Column increases - \$1.6 million

Increase class sizes at the middle and high schools - \$900K

Schedule of Critical Dates for 2010-2011 Budget Development

January 26 – Regular Meeting of the Board

January 27 - BAC Meeting

February 2 – Budget Hearing

February 9 – Regular Meeting of the Board

February 23 – Regular Meeting of the Board – Board to Finalize Reductions

March 2 – Budget Hearing

March 9 – Regular Meeting of the Board

March 11 – BAC Meeting

March 15 – Distribute Notices of Possible Layoff

March 23 - Regular Meeting of the Board – Board to Approve 2nd Interim Report

April 13 – Regular Meeting of the Board

April 20 – Budget Hearing

May 15 – Final Notice of Layoff Distributed

May 25 – Budget Hearing

May 26 – BAC Meeting (Tentative)

June 30 – District/State Budget Adopted

August 15 – Second round of layoffs possible if state has adopted budget by
June 30th