

## *Superintendent's Office ~ Budget Update* *June 8, 2009*

As we head into the summer break, the budget situation in California continues to deteriorate and the Governor has proposed **additional** cuts to public education.

**Three months ago:** The State supposedly fixed a \$42 billion budget shortfall through mid-year cuts to schools (2008-09), additional cuts in the next budget year (2009-10), passing State cash flow problems to school districts by deferring payments (both years), tax increases, and borrowing.

Based on those cuts, the District identified \$6-7 million in reductions and shifts in order to remain solvent through 2010-11. These cuts and shifts include:

- District Offices (DO) administrators/managers, classified support staff, and/or certificated support staff/services.
- Layoff notices to teachers, psychologists, counselors, and nurses.
- Layoff notices to classified support personnel.
- And spending down reserves to the legal minimum in 2010-11

**Now:** Because of following falling tax receipts and the loss of ballot measures in May, the State is in another fiscal crisis. California now has at least a \$24 billion budget shortfall. The State also has a serious cash flow problem and may not be able to pay its bills starting in July.

**The New Plan:** The Governor recently announced his latest plan for balancing the State budget. It includes:

- Cutting school funding again for this year (2008-09), on top of the February cuts.
- Cutting school funding for next year – again!
- Deferring more payments to public schools, thereby forcing school districts to borrow cash in order to meet their financial obligations, including payroll.

### **What does all this mean to PVPUSD?**

- We need to identify an **additional** \$6-7 million in reductions on top of the \$6-7 million in reductions that were already identified in February (a total of \$12-14 million). This loss of ongoing income has a dramatic compounding effect in later years.
- We are receiving federal stimulus money, but not an amount that will fully backfill for the new state cuts and it may come with regulations that dictate how the funds can be spent. These funds were originally designated for stimulating jobs, but are now needed by school districts to survive. We are losing ongoing state revenue in exchange for one time federal funds, which creates serious problems for multi-year budget projections.
- The June 23<sup>rd</sup> parcel tax election, if approved, will not make up for all of the above.

This is a complex multi-year problem without easy solutions. California's public schools have faced difficult financial times in the past, but nothing quite like this. Simplistic solutions such as "putting more students in classrooms" will not solve the entire problem. We want to minimize staff reductions, but it requires everyone to share in the pain in order to meet that goal.

District and employee organization representatives have met many times to explore solutions to the budget problem, but have been unable to reach agreements that would demonstrate true, shared sacrifice. Tonight, I am recommending that the Board approve a resolution reserving the District's right to reduce employee salaries, including administrators, in compliance with collective bargaining laws. It is also important to remember that there is another statutory deadline for certificated layoffs – **August 15<sup>th</sup>**. The District must explore all options in order to remain solvent.

The District will survive and our schools will continue to offer quality instructional programs for students. I know that by working together we will find solutions for these financial problems, but it will not be easy.