

Budget Update from the Superintendent

March 16, 2010

Joel Shapiro, Superintendent

- Increase in Proposed Reductions for 2010-11 – After the Governor’s proposed budget cuts were released in January, we had been advised to plan for a cut in state revenue limit funding of \$225 per student. We have now been told by the Los Angeles County Office of Education and School Services of California that we should anticipate the revenue limit reduction to be at least \$250 per student. This translates into about \$1,060,000 less for South Pasadena Unified next year. We’ve also been told that this is likely to get worse by the time the budget is adopted, but we don’t know have a forecast of how much worse.
- At the time of our First Interim Budget Report in December, we had identified a current-year deficit of about \$2.6 million. We have since taken some aggressive steps to reduce the current deficit to a total of about \$765,000. More than half of this was done with one-time fund transfers and increased revenue - \$300,000 transfer from the deferred maintenance fund; \$300,000 transfer from the Extended Day enterprise fund; \$385,000 refund to the District because of overpayment on health benefits. The remainder – about \$850,000 – was accomplished through ongoing savings. This involved sweeping state categorical money that had previously been restricted, such as textbook funds and School & Library Improvement Funds, into the general fund. These savings will be ongoing as long as the state allows these funds to be flexible. The state has only guaranteed this flexibility through 2010-11, but we hope that it will continue.
- Budget planning involves a three-year period. The District’s plans for 2010-11 through 2012-13 are based on the desire to maintain a healthy ending funding balance (reserve) of about 6% at the end of this three-year period. To accomplish this, we will need to save money in a variety of ways. We have already planned to reduce instructional supplies accounts to each school by 25%. We have also planned to use federal categorical funds, which are typically used to implement new instructional programs and professional development, to pay for salaries of existing personnel wherever this can be done under legal requirements. This means that new instructional programs and professional development will be severely limited during the next three years.
- In addition to these savings, we will need to build in over \$2,100,000 of ongoing reductions over the next three years. Since almost 90% of the District’s budget involves personnel, we have begun to approach these cuts by identifying positions to be eliminated. Our first goal has been to make cuts away from classroom teaching positions whenever possible. Positions to be eliminated for next year include:
 - 4.5 counseling positions – 2 high school, 1 middle school, 1 special ed., .5 elementary
 - .8 elementary arts teacher
 - .4 teacher specialist at the District Office
 - 3 instructional assistants
 - 4 custodians
 - 1 library clerk at the middle school
 - 1 clerk at the District Office (two .5 positions)

These personnel cuts will provide more than \$900,000 in ongoing expenditure reductions.

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- Although none of these positions are classroom teachers, it is clear that lay-offs of personnel will impact the services that we can provide for our students. For example, fewer counselors will have a direct impact on the counseling services for students. Fewer custodians mean that classrooms will be cleaned every other day, instead of every day. Eliminating the elementary visual arts specialist means that classroom teachers will take on the responsibility of instruction in this area.
- Parcel Tax -The District has been monitoring revenue from the parcel tax compared with the cost of positions related to parcel tax language. We have identified that the cost of these positions exceeds the revenue by about \$420,000. The Board of Education has agreed to maintain the following positions that will be covered by the parcel tax revenue of slightly more than \$1.8 million:
 - Class size reduction at 20:1 in Grades K-3 and 9th Grade English
 - 1.6 Elementary Arts Teachers - .8 Music and .8 Drama
 - Elementary Band
 - 1 Elementary Counselor to be shared among the 3 schools
 - 1 High School Counselor, leaving a total of 4 counselors at the high school
 - 3 Elementary Library Technicians at 6 hours per day
 - 3 Elementary Computer Aides at about 4 hours per day
- Early Retirement Incentives – One of the ways that school districts can reduce personnel costs is by offering early retirement incentives to employees, with the understanding that replacement employees are usually hired at a much lower salary than those retiring. The District has offered an early retirement incentive to teachers. If 10 or more teachers accept the incentive, they will receive 25% of their highest salary. This incentive will be available through an annuity program. We will also be offering a retirement incentive to our classified employees. If enough employees take advantage of this offer, we might be able to save thousands of dollars per year on salaries.
- While we have made the various cuts and fund transfers already mentioned, we still need to cut an additional \$1,200,000 from the budget for each of the next three years to make sure we can finish with a reasonable reserve. We are currently working with our employees to look for solutions to our ongoing fiscal challenges. We believe that our employees understand the seriousness of the problem, and we hope that we can reach solutions that involve some form of compensation reduction, along with other creative approaches. If we are successful, we will be able to avoid most of the additional lay-offs approved by the Board this month. These lay-offs would eliminate jobs by increasing class size. Several school districts have implemented furlough days for employees, salary reductions, or reductions in benefits to achieve fiscal stability. Our goals are to minimize the impact of the fiscal crisis on our students' education, while preserving essential jobs and services.