

## A Message from the Superintendent

Budget Update – February 2011

There has been a great deal of discussion lately about Governor Brown's proposals for the 2011-2012 State budget. The media initially reported that the Governor's budget will "save public education from further cuts." Although it is potentially true that South Pasadena and other school districts might be spared major reductions in state funding, this depends on some decisions that are currently being debated in Sacramento, and that may come down to the voters of California. I'd like to share what we know at this time.

### **How does California spending on public schools compare to other states?**

California's K-12 spending per pupil lags behind that of the rest of the nation to a greater extent than any time in the last 40 years. According to School Services of California, our state spent \$2,580 per pupil less than the national average last year. California's per pupil spending has not exceeded the national average since 1981. As a result, California's staffing ratio is much lower than that in other states. Overall, we have 7 staff members in public education for every 10 nationally. Nationwide, a school of 1000 students has an average of 64 teachers and 3.2 administrators. In California, that average is 48 teachers and 2.3 administrators. Because of California's high cost of living, salaries here are higher than the national average.

### **Where does public school funding in California come from?**

The State controls about 81% of public schools' funds. Most of this money comes from the State general fund. About 2% comes from the lottery. The federal government contributes about 11%, with most of that going to special education and other categorical programs. In the last two years, much of the federal funding has been in the form of one-time American Recovery and Reinvestment Act funding. The remaining 8% of public school funding is called "local miscellaneous." This includes local revenue through sale or lease of property, developer fees, etc. In South Pasadena, local funding is currently a higher percentage, due to the parcel tax and the generous support of the South Pasadena Educational Foundation.

### **How has State funding been cut in the last few years?**

Base revenue limit funding is the amount of money the State gives school districts for every day that students attend school. This is the largest portion of the money that we receive from the State. In 2007-08 unified school districts received \$5,821 per pupil. Based on Proposition 98 statutory requirements, including cost of living adjustments that should have been funded, we should be receiving \$6,386 per pupil this year. Instead we are receiving \$5,239 per pupil, 83% of the anticipated funding level. Last year was even worse. We received \$4,981 per pupil instead of \$6,411, or 78% of the money we would have received if Proposition 98 had been fully funded. Over the last three years, our school district has received \$12.8 million less than expected. While school districts have received less money, costs continue to rise – salaries and benefits, overhead costs, and other expenses. With the one-time federal funds ending, the budget gap continues to grow wider.

### **What is the extent of our district's structural deficit?**

Our structural deficit is the widening gap between our annual expenditures and income. At this time last year, we were facing a projected deficit of over \$2 million for this year. We worked hard to reduce this deficit through a variety of one-time savings and income recovery measures, leaving a deficit of less than \$100,000 this year. However, the current "worst case scenario," based on early interim reports and assuming that the Governor's tax extensions are not successful, looks like this:

**2011-12** – Revenue = about \$32 million; Expenditures = about \$34.2 million; Deficit = \$2.2 million  
**2012-13** – Revenue = about \$32.4 million; Expenditures = about \$35.2 million; Deficit = \$2.8 million  
**2013-14** – Revenue = about \$31 million; Expenditures = about \$36.3 million; Deficit = \$5.3 million

Large structural deficits quickly deplete reserves, creating an ongoing fiscal challenge to maintain student programs and services.

### **What factors make this the worst case?**

There are a few reasons for our widening structural deficit and the "over the cliff" phenomenon in 2013-14. For one, if the Governor's proposal to have voters pass an extension of temporary taxes does not succeed, he will have to abandon his plan to save school districts from huge cuts. Without that revenue, we have been told to anticipate a further ongoing cut of \$349 per pupil in revenue limit funding. We're not even sure that this is the worst case, but we are using this figure in the budget that we're preparing. This will result in a loss of about \$1.5 million per year. Also, there is no more one-time federal money in the budget. The Parcel Tax will end in June 2013, and that will result in a loss of about \$1.85 million in revenue the following year. We will also have increased expenditures, based on our current collective bargaining agreements. Our agreements for four furlough days per year will end in June 2013. We also have an agreement to lower class size in Grades 6-12, requiring more teaching staff. All of these factors take our reserves from a current high of over 18% to a negative 11% (-11%) in 2013-14. To prevent this type of fiscal disaster, we would be asking all of our employees to take significant pay cuts, as well as eliminating programs.

### **What is the "best case scenario?"**

Our best outcome is for the Governor's plan to succeed. If the Legislature approves the ballot measure, and if the voters of California approve a five-year extension of the increases in sales tax, income tax, and vehicle license fees that passed in 2008, our funding will be cut by \$19 per pupil instead of \$349. Using current figures, this slight loss of revenue will result in the following three-year budget projection: our ending fund balance in 2013-14 will be approximately -\$600,000 (-2%) instead of -\$4,000,000 (-11%). We would be able to address the shortfall through ongoing collective bargaining with employee groups and other efforts to reduce expenditures. This best case scenario gives us some time to find reasonable solutions to our structural deficit, solutions that would not require sweeping elimination of programs or untenable pay cuts.

Although South Pasadena has unique factors that cause our deficit to increase dramatically, school districts throughout California will all be at risk if the Governor's plan to minimize cuts to public school funding does not succeed. We will be joining forces with members of the Education Coalition (PTA, California School Boards Association, Association of California School Administrators, California Teachers Association, and California School Employees Association) to urge legislators to bring the Governor's proposal forward and place a measure on the ballot that will allow voters to decide the future of public education in California. Polls indicate that the majority of Californians do

not want public school funding to be cut any further, and it is critical that voters get the opportunity to take a stand on this issue.