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Dear Senator Denise Moreno Ducheny,

As a strong advocate of Education for so many years, the Lemon Grove School District asks for your consideration on the following K-12 budget proposals embedded within the Governor's Proposed Budget for California. Your critical role as the Chair of both the Senate Budget and Fiscal Review Committee and the Legislative Budget Committee provide you with a keen knowledge of the state budget and its impact on K-12 Education. We understand California is faced with an overall budget shortfall of about \$21 billion in the current and coming fiscal years and that K-12 Education represents about 41% of California's budget. The following fiscal recommendations are for your review.

PROPOSITION 98 CALCULATION

Although the Governor's 2010-11 state budget proposal claims it is protecting Education from further reductions the actual fiscal impact shows a deep budget cut of about \$1.9 billion. Current law (2009-10 maintenance factor of \$11.2 billion) calculates the Proposition 98 minimum guarantee about \$3 billion higher than the Governor's plan. Thus, current law would indicate a minimum guarantee of approximately \$53 billion, compared to the Governor's budget to K-12 education at \$50 billion.

The sweeping multiyear budget reductions to K-12 Education that have already occurred over the past few years have been so deep that absorbing an additional \$3 billion in cuts would be virtually impossible given the 18.355% deficit factor, negative COLA (-.38%), loss of one time ARRA federal stimulus funds, and any potential future revenue limit reductions. If the Governor's calculation of Proposition 98 remains at \$50 billion, Lemon Grove School District would lose approximately \$1.2 million in revenues in addition to what we have already lost. Our District's revenues have been dropping about 10% per year since the state began making budget reductions to K-12 Education. Lemon Grove School District in recent years had about \$38 million in combined restricted and unrestricted revenues, we are now down to approximately \$31 million, and dropping. An additional loss of \$1.2 million would result in a total operating budget of under \$29 million for a population of about 3,700 students.

This massive multi-year reduction in funding has resulted in K-3rd class sizes being increased to 30:1 in 2010-11 and 4th -8th grade class sizes between ranging from 35 – 45 students per teacher. In addition, our District will close one of eight schools in the fall and reduce our classified and administrative staff by about \$1.3 million. The certificated staffing reductions will be reduced by about \$1.4 million, and affect approximately 24 teachers out of just over 200 teachers. The overall 2010-11 staffing reductions will impact over 70 employees in our District within a single year.

GOVERNING BOARD: Jay Bass • Blanca Lopez Brown • Katie Dexter • Larry Loschen • Timothy Shaw
SUPERINTENDENT: Ernest Anastos

Our Students Come First

Plummeting to about 51st in the country in per pupil spending is not what K-12 Education had anticipated California's educational system would ever face.

DISTRICT ADMINISTRATIVE CUTS

The Governor's proposed budget cuts \$1.2 billion from K-12 revenue limits by imposing a reduction of approximately \$200 per ADA (average daily attendance) within specific district administrative categories. With an already tight budget why would the state dictate where school districts should make budget cuts? This is an unrealistic proposition that rests on the false hypothesis that K-12 education has not already made cuts to district administration. In reality, the majority of school districts, like ours have been steadily making cuts to district administration to the point where it is simply not possible to make an additional 12% in cuts to this category from 2008-09 levels.

A \$200 per ADA reduction in the revenue limit for Lemon Grove School District would result in a budget cut of about \$650,000. To date, our District has already reduced the budget in the area of district administration by over \$700,000. If we were forced to make this budget cut within district administration we would virtually lose our entire cabinet (Superintendent, Assistant Superintendent, Director of Human Resources, Director of Curriculum and Instruction, Director of Facilities and Maintenance, and the few remaining district classified positions). In essence, our District would have a ghost district office with virtually no staff left.

EXTEND SBX3 4 CLASS SIZE REDUCTION FLEXIBILITY TIMELINE

School districts throughout the state have been taking advantage of the K-3 Class Size Reduction Flexibility provision allowed in 2009. The primary reason for districts to utilize this flexibility has been to weather the budget storm of the recession. The budget reductions to K-12 education funding have been so large that school districts have been forced to raise class sizes in an effort to balance their budgets despite sweeping multiyear budget reductions.

There is growing fear within the educational community regarding the 2011-12 year that has been designated as the final year for CSR Flexibility. Educators are fully aware that the nation's recession is not projected to end until 2015. Thus, all forms of funding relief are needed for school districts to make it through the recession. With this said, school districts are in desperate need of a three year extension of the current CSR Flexibility timeline through 2014-2015.

EXPAND & EXTEND CATEGORICAL FLEXIBILITY PROVISION

School districts are heavily relying on the SBX3 4 categorical flexibility provision to provide a softer landing to deep budget cuts. In light of the fact that future budget reductions are pending in 2010-11 it is critical to expand categorical flexibility to most restricted dollars. This would in fact help to keep budget cuts away from the classroom by allowing restricted funds to flow to the general education.

One key categorical fund that our District would recommend is included within the current SBX3 4 categorical flexibility provision are the Economic Impact Aid (EIA) restricted funds. EIA funds are so restrictive in nature that districts could benefit from flexibly moving the these funds into the general fund to address pressing issues such as high class sizes, huge staffing reductions across all groups, and school closures.

Additionally, extending the timeline of categorical flexibility so it is aligned with the projected close of the recession in 2015 would be a substantive and positive support to K-12 education.

EDUCATION CODE SECTION 44956(A)(5) – CERTIFICATED LAYOFF SUBSTITUTE PER DIEM PROVISION

Currently Education Code Section (E.C.) 44956 (a)(5) entitles laid off permanent teachers on the 39-month rehire list to their per-diem pay after 20 days in a 60 school-day period. This provision almost quadruples substitute costs for school districts. For example, in the Lemon Grove School District a substitute makes \$115 per day and our total substitute costs for the year are about \$219,000. The average permanent teacher per-diem rate is \$405, which results in an annual substitute cost of about \$771,261. Thus, this provision could cost our district an extra \$552,261 per year just for substitutes.

In the end, this provision forces some districts, like ours to significantly increase the amount of teachers laid off so as to compensate for such an escalated rate of substitute costs.

APPORTIONMENT DEFERRALS – ABX8 5 AND SBX8 5

The educational community was absolutely caught off guard by the presentation and subsequent passage of ABX 8 5 and SBX8 5 which allow for K-12 Education deferrals. While it was stated that these proposals had been vetted by the educational community it is readily apparent in talking with superintendents and chief business officials throughout the county of San Diego and the state that not only were they not aware of the proposals but there are glaring fiscal problems with the timeline of the deferrals.

At the heart of the problem stands the fact that the seven apportionment deferrals in the current year forced *serious cash flow problems for school districts*. Now faced with continued apportionment deferrals in 2010-11 more school districts will be forced to borrow via Tax and Revenue Anticipation Notes (TRANS). School districts will struggle to size their TRANS due to the problematic timing of the deferrals within ABX8 5 and SBX8 5 will force school districts to: a) struggle to size their TRANS; and b) meet the pay back timeline of the TRANS.

Additionally, with more and more school districts borrowing via a TRANS it is unknown if lending agencies collectively have enough funds to meet significantly higher borrowing needs of school districts statewide. If funds are not available for school districts to borrow then the K-12 education will default to making payroll through IOU's. This could result in teacher and classified staff strikes statewide.

PARCEL TAX

Currently school districts wishing to levy a parcel tax must gain a 2/3 vote for approval. If Education needs to rely more heavily on local revenues then there needs to be an easier venue to achieve this goal whether it be a lower voter approval threshold for a parcel tax or other form a local taxation.

H1N1 AVERAGE DAILY ATTENDANCE LOSSES

As a result of numerous students contracting the H1N1 virus this year school districts are realizing a significant material loss through the reduction of average daily attendance. While the state is working on an Assembly Bill to address this K-12 education problem the draft of the bill requires districts to prove students were suffering from H1N1 via a doctor's note. Unfortunately, the high volume of H1N1 victims caused hospitals to not only stop diagnosing H1N1 but to also recommend sick students to stay home and not come into the hospital at all.

Lemon Grove School District (LGSD) has had 48 school days of significantly high absenteeism within the first 108 days of school. Under the current state emergency waiver process LGSD is only allowed to apply for a waiver for school days with 10% or higher rates of absenteeism. Herein lies the

problem, even though LGSD has 48 school days with excessive absenteeism as a result of H1N1 there are only 5 days that have an absenteeism rate of 10% or higher. LGSD stands to lose about a quarter of a million dollars in funding if a proposal is not established addressing the impact of H1N1 on school attendance.

Our District recommends that the easiest way to address average daily attendance for schools districts in California this 2009-10 school year when H1N1 has been so prevalent is to allow districts to utilize their P-2 attendance numbers either in the current year or prior year, whichever is higher. This is the same provision given to districts in declining enrollment.

CLOSING

We understand the dire impact the recession has had on California. Please feel free to contact us at any time with future questions or for more information. Thank you for your time and consideration.

Respectfully,

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