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Dear Ms. Susanna Cooper,

It was a pleasure to meet you this past Wednesday during the ACSA Business Services Council meeting. Thank you for asking me to email more detailed information regarding a few of the educational topics discussed.

Proposition 98 Calculation

Although the Governor's 2010-11 state budget proposal states 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 just over \$3 billion higher than the Governor's plan. Thus, current law would indicate a minimum guarantee of just over \$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 are such 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 funds, and pending revenue limit reduction.

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 have been steadily making cuts to district administration to the point where it is simply not impossible to make an additional 12% in cuts to this category from 2008-09 levels.

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.

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Our Students Come First

There 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 CSR timeline through 2014-2015.

Expand & Extend Categorical Flexibility Provision

School districts are heavily relying on the SBX 3 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. Also, 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 our 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.

In the end, this provision forces districts 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 strikes statewide.

Parcel Tax

Currently a school districts wishing to levy a parcel tax must gain a 2/3 vote for approval. If education needs rely more heavily on local revenues then there needs to be an easier venue to achieve this goal.

H1N1 Average Daily Attendance Issue

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.

In 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 an proposal is not established addressing the impact of H1N1 on school attendance.

I would recommend 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

Thank you for your time and consideration. Please feel free to contact me at any time with future question or for more information.

Respectfully,

Gina Potter, Ed.D.