

# **Budget Communications Committee**

## **Meeting Minutes**

**February 2, 2011**

### **Welcome and Introductions**

The meeting was brought to order by Gina Manusov at 12:35 p.m. Gina thanked everyone for attending and introduced new committee members Armando Robles, teacher at Juniper School, Lori Christensen, Conway School PTA president, and Grissel Garcia, Mission Middle School office manager. Gina welcomed EUSD Board of Education members Linda Woods and Marv Gilbert.

### **Prior Meeting Follow Up**

#### Title I

Leila Sackfield, Assistant Superintendent of Educational Services, provided information about the Title I program to assist in answering some questions that came up at the previous committee meeting. Leila shared the history of the program, stating that it is a federal program designed to assist students in poverty by providing additional resources that will “level the playing field” for students in schools with high concentrations of poverty. In the past, our schools were served under a Title I program referred to as Targeted Assistance. Students were identified as being eligible for Title I money, and the funding generated by the students was used for those specific students. For example, if a computer was bought with Title I funds, then only Title I students could use it. If a teacher was paid for with those funds, they worked solely with those students. The new Title I program option is called the School-Wide Program. This program option requires that a minimum of 40 percent of the school’s student population is in poverty, as measured by the free and reduced meal count. Because our district has such a high concentration of students in poverty and we are allocated a finite amount of money, we fund schools with a poverty level at or above 75 percent.

A committee member asked for clarification. Leila explained that our district has moved to a school-wide system because we have such a large number of schools with so many students in need that there aren’t enough “fingers for the number of holes in the dikes to plug them up.” The School-Wide Program is designed to be a part of a school-wide reform strategy that requires the school to take a comprehensive look at their student needs, determine what is causing the entire school to need bolstering, and then charges the school with creating a plan to allocate resources in order to meet identified needs. We no longer have any schools in our district that are Targeted Assistance schools. All of our Title I schools now operate under the School-Wide Program. This program also allows us to look at the entire pool of categorical program resources available to the sites and, within the regulations of each program, better match the varied funding sources to the needs of the students served by each program. We look at the resources as one bigger pot instead of several individual pots as before. Our state now operates under an accountability model. Along with the No Child Left Behind model came Program Improvement sanctions. We have twelve Title I schools at various levels of program improvement. Sanctions are applied as schools move into the various levels of program improvement. There are rules and regulations on how our program improvement monies need to be used to meet the requirements of those sanctions. In the first year of program improvement, we have to notify parents of the school’s Program Improvement status, allow students to go to different schools under the School of Choice program, and pay to transport them to that school. Funds must be set

aside for that. Schools that continue in a second year of program improvement have to provide Supplemental Education Services (SES) through outside providers such as Sylvan, Tutor Time, etc. These providers are included on a sanctioned list issued by the state. In addition to transportation and the supplemental service programs, the district/schools have to set aside money for professional development (10 percent) and parent involvement (1 percent). Our district uses a tiered model to determine which school receives Title I funding. Because we are working on systemic change, it is important not to dilute the amount of money or fiscal resources too much because we know this kind of change takes time as well as concentrated resources. For example, a school like Lincoln, which has a poverty level of 99 percent, means that all of the students there are in great need. We tier our money based on the concentration of poverty, which is an indicator of the greatest need. Tier I schools are funded at the highest level, and they include schools with a poverty rate of 90 percent and above. Those schools that are in the 85- to 89-percent range are second tier, and the last tier is the 75- to 85-percent range. When a school reaches the 75-percent poverty range and has displayed a pattern of maintaining that range, we are required to implement the program. Schools in the first tier receive a formula allocation per student, plus an additional 25 percent of that amount (125%). The second tier receives the base formula allocation, and the third tier receives 75 percent of the base formula allocation.

Leila also clarified that although there may seem to be inequity related to professional development opportunities between sites within our district (Title I and non-Title I sites), it is important to remember that the Title I money we receive comes with federal regulations that require the schools to spend 10 percent of that money on professional development. Non-Title I sites are able to offer professional development through the allocation of their respective categorical funds, as prioritized by the site.

Shannon Fralish offered a clarifying point: Seventy-five is the percentage where we are required to fund. You could get down as low as 40 percent, but we have so many schools in the 75-percent range, so that's the threshold we use.

Leila continued by stating that we are aware that all schools with poverty rates such as those in our district have kids in need. A member stated that there has been an increase in students qualifying for free and reduced price meals at Bear Valley. Taking some of their funds and using them for At-Will teachers has made a tremendous impact on kids that would have fallen further behind. Leila responded that when you have communities with a high rate of poverty, all schools in our district are affected to some degree. When looking at other categorical monies, you have to decide what your priorities are, look at your pool of categorical funds, and plan for the use of those funds to best meet individual needs of your students.

A member asked if we are only allowed a certain number of schools that can be in Title I. Leila said it's based on the poverty threshold.

A board member commented that the level of poverty hasn't always been as high and widespread in our district as it is now. There are more students qualifying for free and reduced price meals than in the past. The logical question then would be: Can we level the playing field by giving more schools a lesser amount of money? Leila responded that there is a difference in student needs at a school at the 100-percent poverty level, for example, than schools with 50 percent. She pointed out that funding for all schools, including those with the highest level of poverty,

have taken hits too. Examples include reform efforts at Del Dios and Mission. Their blocked scheduling has had to be removed due to a loss of fiscal resources.

An office manager asked if the pot would grow if we had more schools in the program. Leila responded that we would not; it's just one pot of funding for the district to be distributed.

A member asked if information on the poverty levels at all of our schools could be provided at the next meeting. Gina responded that we will provide a summary so all of the numbers could be seen in one place. She also said that the numbers are monitored all the time in Nutrition Services and are a snapshot in time for this particular program. The summary will be sent via e-mail when the minutes are distributed.

A principal commented that if you accept Title I money, then you take responsibility for the sanctions that go with it. Once you take the money and move into Program Improvement, you are subject to the sanctions, which can become oppressive. The deeper you get in, the more sanctions there are and the more strings are attached to how the money can be used. Gina said there are a lot of factors to take into consideration when settling on a final plan for the district.

To address the professional development question, Leila said there is not a hard and fast rule about out-of-state travel, but in these difficult economic times, we must be as fiscally responsible as we can. There is no rule in place that has banned us from professional development except when there is a budget freeze. Every site has categorical funding and school site councils assist in setting priorities and making decisions on the use of money. Staff development is a piece that can be considered when making those decisions. To say that there is no professional development money is not correct. Having staff development that occurs (including collaborative planning) right at your own site is part of professional development. Leila gave an example of schools sharing staff development opportunities, such as at Glen View when Mr. Carrasco invited teachers from other schools to come hear Sylvia Reyes. The parameters are for us to be frugal; it doesn't mean it can't ever happen.

#### Medical Therapy Unit

In response to a question from the previous committee meeting regarding costs for the medical therapy unit (MTU), Gina told the group that the MTU does not cost the district any money, and it doesn't appear in our budget. The SELPA purchases some items for that unit. The only costs would be related to maintaining the building and custodial.

#### Saturday School

In response to a question from the previous committee meeting regarding Saturday School, Gina told the group that we don't have Saturday school, just Friday school, which is not an ADA generator, but it addresses the needs of students.

#### **First Interim Report**

Gina explained that when we met last on December 1, we were in the throes of preparing the First Interim Report for board approval and submission to the county office. We talked about requirements that we had from the SDCOE when our budget was approved and we needed to plan for budget reductions by the time the First Interim Report was submitted. Subsequent to that time, the state budget was adopted, we received federal money, and things changed for our

district. We received a promise of money in the state budget that has been deferred but would be recognized in the current year, so we didn't have to submit a plan and timeline after all.

Carol said that districts are required to report all activity through 10/31 and 1/31. She referred the group to the handout entitled Budget Update – First Interim Report, and noted that some things had been crossed out because they no longer apply. A member asked if the \$388,388 in Special Education adjustment funding was the total amount due. Carol said it was a “settle up” amount of approximately 50 percent. Carol also referred them to the Multi-Year Projections Summary Report worksheet (white) marked First Interim Report 12/9/10, which had been submitted to the county office.

A member asked for the definition of “structural deficit,” and Carol responded that it is a chronic condition of always spending more than what you have in revenues.

A member asked if the worksheet included loan money, and Carol responded that we have not borrowed any money this year.

### **Governor’s Budget Presentation**

Carol presented information on the 2010-11 state budget (see presentation for details) that will also be presented at tomorrow night’s board budget workshop.

A member asked if it is correct that flat funding wouldn’t happen if the temporary taxes aren’t passed, and Carol confirmed that is correct.

A member stated the latest polls indicate that 60 to 70 percent of the people are willing to extend the taxes, and the Governor indicated he has the votes in both houses, which is different than in the past because of the democratic legislature.

A member asked what SELPA stands for. Carol said it stands for Special Education Local Plan Area and described it as districts combined together to plan their services as a group.

A member asked what “Stage 3 Child Care” was, and Carol said she would provide that information at the next meeting.

A board member pointed out that the district’s certification (as indicated on the First Interim Report handout) is positive and asked Carol to comment about positive versus negative certification. Carol said that part of the county’s fiscal oversight is determining the status of our financial condition based on one of three classifications: positive, qualified, or negative. Positive is best and means that you can meet your obligations for the current and two subsequent years. Qualified means you are “iffy,” and you will meet the current year obligations, but it’s possible you won’t meet the two subsequent years’ obligations. Negative means you are going to run out of funds by the end of three years. In the latter two cases, the county will help with planning your budget and making reductions to get you back to the positive. One of the drawbacks to being qualified or negative is you have a hard time borrowing money. Eventually, you will have to work your way out of it with a plan.

A member asked who does the certification and wanted to know about the county office letter. Gina responded that the county does the certification after the First Interim Report analysis. The

schedule for reductions that needed to be submitted with the First Interim Report became a moot point when \$3 million showed up in federal jobs money in 2010-11 and the state budget was adopted in the fall, including an ongoing cut originally expected that was restored (but deferred until after July 1). We had an influx of revenue of almost \$7 million to recognize on our books, which negated the county's concern and put us in a better position to positively certify without doing a plan for submission at the first interim.

A board member asked about the tax extension election coming up, whether it is a majority or two-thirds vote. Gina responded that it is two-thirds for the Legislature and a simple majority for the public.

A member made reference to a link to the Governor's budget for anyone wanting additional information (including "Stage 3 Child Care).

A member asked if there is any other deferral money, other than the \$4.4, that we are going to see. Carol said we are expecting to defer about \$16 million; \$4.4 million is only a portion. A member asked for a time frame. Carol responded that we expect the approximately \$16 million of deferred apportionment to be paid in July, August, and September 2011. Unknown is a new deferral of \$2.1 billion applied to next year (2011-12). We have to recognize the revenue even though we don't have the cash yet. Gina referred them to the "money bag" handout from a previous meeting showing deferrals, stating that current year deferrals can be manageable, but crossing over years makes it unmanageable. It is a huge challenge. As reserves are used, the cash piece becomes more and more important. No matter what your budget says, if you don't have cash to meet your obligations, you are in trouble. It is important to maintain your ability to borrow because everything is so tight right now. You will want to have the ability to borrow through a TRAN issuance when you need it. If we are having cash difficulties, rating agencies are going to pay attention to the certification piece.

At 2:10 p.m., a ten-minute break was taken.

### **Budget Planning Discussion**

Gina told the group that a lot of work has been going on since the Governor's budget workshop. We have some significant challenges, and we need to start thinking about the planning process. We have some special board meetings set up specifically for budget discussions, and the first one is tomorrow at 6:30 p.m., which is a regular open meeting. Gina presented information on budget planning for 2011-12 (see presentation for details).

Regarding loans, Gina clarified that when Carol mentioned that we did not have any loans this year, she was referring to temporary loans called TRAN (Tax and Revenue Anticipation Notes).

Regarding redevelopment monies, a member asked if those are the same monies we've been hearing about in the news that the Governor is trying to take away. Gina responded that they are, and we've heard that it won't affect any agreements we have in place right now. Refunding bonds ties us even more to this revenue stream, so we are "hanging our hats" on that.

Regarding unification, a member asked if there is an opportunity for the public to hear the information that the board will consider. A board member responded that the board's discussion will be at a public meeting. Another board member mentioned that even if unification is

adopted, it is a two- to three-year process and of no immediate help to us in the budget planning now. A member stated that if the board decides against unification, there are procedures where two-thirds of the electorate can ask for unification. Gina said that we have to study this kind of issue first to see what the different impacts would be. This particular study is for financial impacts only.

A member said that the mentality out there, because of how they see money being spent, is that the district has money. We need to see it at the employee level (referring to hiring contractors for work district employees can do). There are employees willing to work overtime, and the work gets contracted out. People then have the mentality that the district will find the money. Another member added that if they (HVAC technicians) fall behind and have to call in A. O. Reed, that's okay. They could work over the weekend, but there is no overtime allowed, and the contractors charge a lot more money. Another member said that contracting out for interpreters is the same situation.

Gina responded that one of our board focus goals right now has to do with creating efficiencies in our operations and is right in line with the "essential" message: Think about what you are going to purchase and if it is essential. What has been brought up certainly bears discussion, and she will follow up. There is only so much that our staff can accomplish to meet the immediate needs of those in our facilities. Sometimes the volume or urgency of facility needs require vending the work out. A balance has to be struck, but it shouldn't necessarily be an automatic to hire out.

Another member stated that he sees where a lot of money isn't spent the best way it should be; it is a valid discussion.

Gina said that waste of any kind is important to note and it is important to get that type of input from this group. She asked the group what they think would be the best way to achieve this type of input. A member suggested that they break into groups, since the committee has a breadth of experience around each table, and share ideas.

Gina said that we will be taking a look at systems and departments, and materials have been provided to give them some tools in terms of cost centers. Due to the earlier schedule for a board decision regarding the 2011-12 budget (March 24), Gina explained the need for an additional meeting on March 2. The March 23 and April 13 meetings would remain on the schedule for now, and additional adjustments could be made as necessary.

Gina referred them to the Multi-Year Projections Summary Report handouts (white, blue, and green), stating that our cut figure is unknown at this point, but it is in the range of \$3 to \$9 million. These sheets include all we know about our district (two furlough days this year, four next year, and then restored in 2012-13). We need to add 2013-14 to the projections on our Second Interim Report. We know we have declining enrollment and have built in this loss for the revenue limit even if tax extensions pass and a \$5.7 million additional loss if extensions don't pass. We included \$3 million in transfers in for planned borrowing in the interim report. That will be long-term borrowing with no repayment on the books. We removed that money (as seen on the green and blue sheets marked cabinet 1/21/11) since it hasn't been authorized by the board at this point, so instead of \$3 million, it is \$1million this year, and zero for next year, which makes our problem harder. In the best case scenario, we still need reductions, sizeable ones.

A member asked when the money will run out for the extra two hours for the librarians. Gina responded that this is the last year. We have \$2 million of federal jobs money set aside to use next year. ARRA money will essentially be gone by the end of this fiscal year.

Gina told the group that the cost center information is in the same format that has been utilized for the last three or four years and produced by program. She asked them to take this information with them and start the thinking process.

Regarding Grants and Foundations under Educational Services, a member asked, since the Education Foundation is a nonprofit corporation, why it doesn't pay for any of the director's and secretary's salaries. Carol responded that the director is in charge of grant writing too. They are not equipped to do the payroll themselves and don't make enough money that isn't turned around in grants to pay for their salaries. The member asked if that doesn't create a conflict. Gina said that would be looked into.

It was the consensus of the group that they wanted to get together in their job alike groups for the next meeting.

Gina told the group that they should pull out the budget information provided at the December committee meeting to get information about potential areas for reductions or a different way of doing things. Even though they are 2009-10 numbers, the numbers are real and give a good idea on what is going on in the district.

### **Talking Points**

The following are talking point suggestions from the group to take back to their respective sites:

- A lot depends on the tax extension election
- There are no midyear cuts
- Information on Options A, B, and C
- Board decisions for reductions will be decided earlier this year—end of March

A member asked for confirmation that if Options A, B, or C are implemented, we still need \$3 to \$9 million in cuts, and Gina said that is correct. The influx of \$7 million really helps with 2010-11, but next year we won't have that money coming in, and declining enrollment presents some problems by itself.

A member asked if anyone has taken a look at the grade level in which enrollment is declining. Carol said there is no pattern. This year, second and sixth grades were affected. In trying to do the projections, we look for those kinds of things.

Another member asked if there is data at the state or national level that says across the board that this year public education had this many kids enrolled and if there is any data out there to know where they are going. Carol said that there is data stating that California as a whole is losing kids. A board member mentioned the possibility of being able to find out that information due to records requests and said that we can all write letters to the Legislature independently to encourage this ballot measure.

**Adjournment**

The meeting was adjourned at 3:21 p.m. The next meeting is scheduled for March 2, 2011, at 12:30 p.m. in the Pine Room,