

Metropolitan Education District
Adopted Budget, Fiscal Year 2008-09
June 25, 2008

Superintendent's Comments

The Metropolitan Education District (MetroED) was established as a joint powers authority (JPA) in 1983 by six Santa Clara County school districts. The Education District constitutes a public entity separate and apart from the school districts that are parties to the JPA. MetroED is the largest career-oriented organization in Santa Clara County comprised of high school and adult career-technical, academic and community programs, which include the Central County Occupational Center (CCOC) and the Metropolitan Adult Education Program (MAEP). These programs annually provide more than 30,000 diverse students with the skills to help them be productive, income earning and taxpaying contributors to Silicon Valley.

Career Technical Education Reform

Early in his administration, Governor Schwarzenegger made Career Technical Education (CTE) a high priority for education in California. His support, coupled with other state CTE reform efforts and various research reports, has raised public awareness of CTE as a means for closing the achievement gap and reducing the state high school dropout rate.

The Governor's support for CTE has included one-time funding for equipment (2006-07) and \$500 million in Proposition 1D facility construction and modernization grants. Moreover, SB 70 grants are funding career technical educational opportunities for middle school and high school students, and improved linkages between the career and technical curricula of the public schools and community colleges. On the reform front, the State Legislature, State Board of Education (SBE) and California Commission on Teacher Credentialing (CTC) have also weighed in with new legislation, regulations and reforms that make substantive changes to the delivery of Career Technical Education in California.

These changes and reforms are having far reaching impacts on Regional Occupational Centers/Programs and Adult Education CTE programs. It is our challenge to see that these reforms are implemented with the least disruption to our already successful programs, on a timeline that meets or exceeds state requirements and with results that push our programs to promote maximum student success.

The 2008-09 MetroED budget is crafted to provide the maximum possible financial support, given the budget constraints provided by the state, to help the district meet these reform challenges.

2008-09 will be a Year of Tight Budgets

The Governor's January budget proposal for 2008-09 included suspension of Proposition 98, and an across-the-board cut of 10.9% (\$4.8 billion) to K-14 education. The impact to categorical programs, including ROCP and Adult Education, amounted to a 6.5% reduction from current year (2007-08) funding levels. In his "May Revise" to the budget, Governor Schwarzenegger stated that he was not proposing suspension of Proposition 98, and that the education budget would be "fully funded."

While this is an improvement from the Governor's January budget proposal, it provides zero COLA for education funding, and retains the 6.5% cut to categorical programs,

Metropolitan Education District
Adopted Budget, Fiscal Year 2008-09
June 25, 2008

except Special Education. Moreover, there will be no state funding for Deferred Maintenance, except for extreme hardship grants.

What this means to MetroED is that ROCP and Adult Education, both categorical programs, are still faced with the \$1.6 million in cuts that we had anticipated in January, 2.5% growth for Ault Education, a negative growth factor of .55% for ROCP and the loss of \$176,000 for Deferred Maintenance.

Additionally, the state will delay payment of the advance funding apportionment to school districts from July to September. This will strain MetroED's cash reserves, and we will have to depend on temporary borrowing from our Capital Outlay Funds to cover the District's cash flow needs.

Historically, school districts must adopt their budgets before the state approves the final state budget. The final budget will be the product of compromises between the state Senate, state Assembly, the two political parties and the Governor. We are hopeful that the final product will provide better funding than that proposed by the Governor. However, until that happens, we must build our budget with the most current assumptions available, which are based on the Governor's May proposals.

Reinventing CCOC

During the last three years, CCOC has been undergoing a process of reinvention. This has been driven by a number of internal and external factors. CCOC programs must meet the needs of the high school students from our service area, the industries supported by our career technical education programs, and the specific reforms mandated by the state.

State CTE and ROCP Reforms:

Some of the state mandated reforms include:

- All CCOC programs must incorporate state mandated CTE model curriculum standards and frameworks as approved by the State Board of Education
- CCOC teachers with vocational credentials must also now be certified to teach English language learners (ELL).
- 90% of state-funded ROCP courses must be sequenced with local community colleges by 2011.
- Sequenced courses must provide skills certificates (assessment)
- Where appropriate, ROCPs must integrate academics into the course curriculum so that the maximum possible courses meet University of California "a-g" requirements
- The number of adults served by ROCPs must be reduced to no more than 10% by 2012

The District has already made substantial progress in the implementation of these state requirements. Most CCOC courses are already sequenced, and articulated, with local community colleges; students are receiving skills certificates; nearly all CCOC instructors have now received their English Learner teaching certifications, and the instructors have made considerable progress in incorporating the state CTE model curriculum standards

Metropolitan Education District
Adopted Budget, Fiscal Year 2008-09
June 25, 2008

Responsiveness to Student and Industry Needs:

CCOC is making a concerted effort to provide courses that are responsive to the needs of the students from our participating districts. Each year new courses are added where both industry and student demand can be quantified. Course reductions are made when enrollment and ADA fall below established standards, and when there is a high percentage of adults. Course curriculum is updated as needed in response to changes in the respective industries.

- New Courses: In the last three years, CCOC has added: Veterinarian Assistant, Video Production, Probation & Legal Careers, Forensic Investigation, Computer Technology Careers, Baking & Catering, Fire Science and EMT.
- Course Reductions: For 2007-08, Precision Machining and Cabinetmaking were dropped due to low high school student enrollment. One or both of these programs may be reinstated in a different format in 2009-10. For 2008-09 we are dropping one of our two Office Assistant courses, ½ of Graphic Design and ½ of Brakes and Alignment. All of these programs have either low enrollment in the A.M. sections, P.M or both.
- Updated Curriculum: For 2008-09 all the construction trades and automotive courses will incorporate new curriculum on green technology. The Fire Science and EMT courses will be combined with a consolidated curriculum under the course title of Fire Science/First Responder. Many of our other programs will be upgrading and expanding curriculum and opportunities for our students.

CCOC Facilities Modernization & Program Reconfiguration:

Due to extensive lobbying efforts by MetroED, JPA ROCPs were specifically included in the state school facilities bond, Proposition 1D, for Career Technical Education Facilities modernization funding. The bond was approved by voters in November 2006.

Proposition 1D facilities grant funding will allow the District to leverage its Capital Outlay Funds. Beginning summer of 2009, construction will commence to modernize CCOC facilities and reconfigure career sector disciplines to consolidate career pathways and enhance interdisciplinary collaboration.

The state has already approved \$7 million of Proposition 1D funding. MetroED will match that amount, for a total of \$14 million for modernization of five CCOC buildings. The District has an additional \$2.7 million in pending applications. If approved, with the District's match, the District will be able to provide an additional \$2 million for CCOC modernization/reconfiguration, and \$3.4 million to upgrade program equipment. Total modernization projects and equipment upgrades will exceed \$19.4 million over the next 3 years.

Expanding Partnerships:

Partnerships are a critical and necessary requirement for the success of CCOC programs. This last year, CCOC and MetroED greatly improved partnerships with various organizations. For example, through the SB 70 grant processes, we have strengthened our partnerships with seven local community colleges and the North and South Santa Clara County ROP programs. A strong focus has been placed on expanding our industry sector partnerships. For example, Adobe Systems, a new partner, has established collaborative partnerships with our Multimedia and Animation

Metropolitan Education District
Adopted Budget, Fiscal Year 2008-09
June 25, 2008

programs. Our new Fire Science program has established strong partnerships with Cal Fire, Santa Clara County Fire Department and many of the local fire departments.

On-going Program Evaluation:

The MetroED administration is committed to on-going evaluation of its programs. For example:

- Stanford Alumni Consulting Team: In July 2007, the Stanford Alumni Consulting Team (ACT) completed its study on how to raise the visibility of CCOC and promote its reputation as a model for technical education programs for high school students. They concluded that CCOC has an “identity crisis.” They recommended CCOC choose a name more appropriate to its purpose, and implement a more aggressive and congruent marketing program. In 2008-09, the MetroED administration will bring specific recommendations to the Governing Board to address the ACT report.
- School Services of California (SSC) Report: In April 2008, School Services of California issued its final report on *An Evaluation of the Effectiveness and Efficiency of MetroED’s Support Functions*. CCOC support functions were included in the report, and recommendations will be addressed with the MetroED Governing Board throughout this coming year.
- CCOC/P Program Review: An ad-hoc committee of instructional leaders from CCOC and the six participating school districts will evaluate all of CCOC’s programs during the first half of 2008-09, and will make recommendations for consideration by the MetroED administration and Governing Board.

Legislative Challenges and Opportunities

As the result of term limits, the turnover of legislators continues to challenge the knowledge base of California education. Very few of the new legislators understand the intricacies of education funding, and even fewer understand ROCPs or Career Technical Education.

Much of our focus for 2008-09 will be on educating our new state legislators about CTE in general and ROCPs, Adult Education and JPAs in particular. We will continue to oppose legislation that may weaken career technical and adult education, support legislation that is helpful and actively pursue the legislative agenda approved by the MetroED Governing Board.

This budget proposal contains funds to continue MetroED’s active participation in the California legislative process; through the Association of California School Administrators (ACSA), the California Association of Regional Occupational Centers and Programs (CAROCP), California Council for Adult Education (CCAEE) and through our own lobbying firm, School Services of California.

Facilities

The “crown jewel” of MetroED is the Central County Occupational Center (CCOC). The Center is now 40 years old. The facilities need modernization and the programs need to be reconfigured. A Facilities Assessment Report, completed in February 2006, estimated the minimum cost for a basic modernization at \$35 million. Original construction of the facilities was funded via Tax Override funds by the JPA’s six participating districts. Under Proposition 13, this funding mechanism is no longer

Metropolitan Education District
Adopted Budget, Fiscal Year 2008-09
June 25, 2008

possible and, because the District is a Joint Powers Authority (JPA), the District does not qualify for the state facilities funding (with the exception of Proposition 1D CTE facilities modernization grants).

Deferred Maintenance:

Some years ago, MetroED was successful in passing legislation to qualify CCOC for the state deferred maintenance program. As a result, in addition to the annual apportionment of about \$160,000+, the District has received nearly \$2.5 million in deferred maintenance extreme hardship funds for new roofing, HVAC and transformer replacement at CCOC. For 2008-09, we have filed application for a Deferred Maintenance Extreme Hardship application for \$801,000 to replace the CCOC sewer lines, which are showing considerable deterioration. The Governor has proposed not funding the state's contribution to Deferred Maintenance for 2008-09. However, he has not cut funding for extreme hardship grants. We are unclear at this juncture as to the impact of this proposal on our sewer line replacement application.

Proposition 1D Facilities Modernization Funding: Proposition 1D sets aside \$500 million state-wide specifically for the construction and/or modernization of CTE facilities. The District must go through a competitive application process to access these funds, and must match any grants on a dollar-for-dollar basis.

As noted before, the state has approved \$7 million in modernization funding for CCOC facilities. An additional \$2.7 million in grant applications are pending approval. During the last 5-6 years, the District has set aside and accumulated nearly \$7 million in its Capital Outlay Fund, mostly from one-time excess property tax funds. These dollars are designated for matching the Proposition 1D grants. Given the decline in property values in Santa Clara County, we do not anticipate additional excess property taxes for 2008-09.

Going Green Strategies: For 2008-09, the District will undertake a new challenge to "go green" by evaluating and implementing energy cost containment strategies. This will include continued implementation of the 2005 energy audit conducted by PG&E, consideration of solar power generation, trash compaction and a water usage management system. This will be a multi-year effort that we expect will provide substantial energy cost savings.

Metropolitan Adult Education Program (MAEP)

MetroED administers the Adult Education programs for the Campbell Union High School District and San Jose Unified School District, commonly called the Metropolitan Adult Education Program (MAEP). MAEP is an award-winning, highly recognized program. It operates two major centers in Campbell and three in San Jose. In addition, MAEP provides outreach programs in 39 community centers and locations.

The last two years have been difficult financially for MAEP as the program fell short of meeting its state average daily attendance (ADA) cap in 2005-06 and had a decline of "pay points," which resulted in a substantial decline in federal grant funding in 2006-07. Efforts by the MAEP teachers and administrative staff are now starting to turn these declines around. MAEP expects to meet its state ADA cap for both 2007-08 and 2008-09. There was a heavy emphasis on teacher "pay point" staff development training this

Metropolitan Education District
Adopted Budget, Fiscal Year 2008-09
June 25, 2008

year. However, results have been mixed, and we will continue to emphasize the measurement of student learning gains throughout 2008-09.

While these efforts have helped turn around the negative trends, the 6.5% state funding cut for 2008-09 will push the Adult Education program into a deficit spending mode for the next three years. The program will cover these deficits using its reserves and by eliminating its Parenting, Family and Consumer Awareness Program

WASC Accreditation

During 2007-08, both the CCOC and MAEP programs received one year extensions of their WASC accreditations, through June 30, 2009. Both programs will complete their self studies during this coming year, which will be submitted in early 2009. WASC visiting teams are tentatively scheduled for March-April 2009. Funds have been budgeted for both programs to start this process.

CCOC Funding Equalization

For a number of years, the JPA participating districts have wrestled with finding resolution of inequities in the funding model for students attending CCOC. Some districts pay more for the students attending CCOC than others. In 2004, the participating districts approved a three-year plan to equalize the funding for the Regional Occupational Program (ROP) ADA in the high schools. During 2006, the participating districts approved a second phase of equalization that made a fundamental change in the funding model, to be implemented over a four-year period, and to be funded with new state Average Daily Attendance (ADA) growth funding.

During 2007-08, MetroED received information that growth funding during the four year equalization period was going to be far less than expected, amounting to a reduction of nearly \$3 million of anticipated revenue.

The participating districts attempted to negotiate a new equalization plan, unsuccessfully. However, in April 2008, the districts agreed to a one year renewal that freezes the equalization process for one year. During the first six months of 2008-09, the Chief Business Officials (CBOs) will meet to discuss optional funding models.

District Cost Structures: Effectiveness and Efficiency

Our long-term Goal is to develop and maintain a District organization structure that is cost efficient in the delivery of services to the JPA member districts. During 2006, the Governing Board authorized a management study by School Services of California (SSC) to evaluate the cost efficiency of the support and administrative functions of MetroED, CCOC and MAEP.

In April 2008, SSC issued its final report, *AN EVALUATION OF THE EFFECTIVENESS AND EFFICIENCY OF METROED'S SUPPORT FUNCTIONS*. This was an update of a similar study conducted in 2002. The report stated, *"Our overall conclusions about the level of efficiency and effectiveness of the support functions were positive. We found evidence of good management practices and prudent use of resources in nearly every area. We did not find evidence of overstaffing or misapplication of resources. While we do offer a number of recommendations, the number is not out of the ordinary for an organization of this size and level of complexity."*

Metropolitan Education District
Adopted Budget, Fiscal Year 2008-09
June 25, 2008

The report did recommend the reduction of 2.5 classified support positions, which was approved by the MetroED Governing Board, with an effective date of July 1, 2008. The MetroED administration will be addressing the balance of the report recommendations throughout the coming year.

Employee Salaries, Benefits and Professional Development

It is my goal to keep our employee salaries and benefits reasonably competitive with surrounding school districts. During 2007-08, in the face of severe budget reductions for the coming year, we were able to provide all employees with a 2.0% salary increase. For 2008-09, with no COLA and a 6.5% reduction in funding from current year levels, the District has committed resources to continue step and column increases and a 5% increase in the district contribution to employee benefits. However, there is no provision for salary increases or position reclassifications.

The District's Fiscal Health

The District responded aggressively to the State's 2002-03 financial crises by cutting \$4.4 million in one-time and on-going costs, and reducing staffing by nearly 16 FTEs. Since then, the District has strengthened its fiscal health by avoiding deficit spending, cautious restoration of student services at CCOC, establishment of a 10% reserve to address cash flow needs and establishment of a reserve for potential liability to the state for the PERS recapture (see the Executive Summary for further explanation). The Board established budget guidelines in 2006-07 that eliminate ancillary program encroachments on both the General and Adult Education Funds, and have these programs cover their indirect costs. The District administration continued to increase efficiencies and reduce costs by reorganizing, downsizing the administrative overhead and implementing position reduction recommendations from the School Services report.

We have made considerable progress in establishing a solid fiscal foundation. However, we face serious challenges in four major areas: a state initiated 6.5% on-going reduction in revenue limit funding; on-going reductions to our ROCP ADA caps (negative growth); Adult Education program reliance on uncertain federal grant revenue; and the uncertainty of CCOC funding equalization.

I believe that the programs at MetroED, both ROCP and Adult Education, are THE premier programs in Northern California. Our district goals and objectives are designed to maximize student outcomes. This proposed budget as presented to the Governing Board represents the best possible plan for expenditures within the resources that are available in order to accomplish these goals.

I would like to thank all the staff, and the Budget Advisory Committee, for their assistance in the development of this proposed 2008-09 budget. I would also like to thank the members of the Governing Board whose guidance provides us direction and support in the development of a fiscally and academically responsible budget.

I recommend this budget for approval by the Governing Board.

Professionally,

Paul Hay
Superintendent