

Metropolitan Education District 2010-2011 Proposed Budget

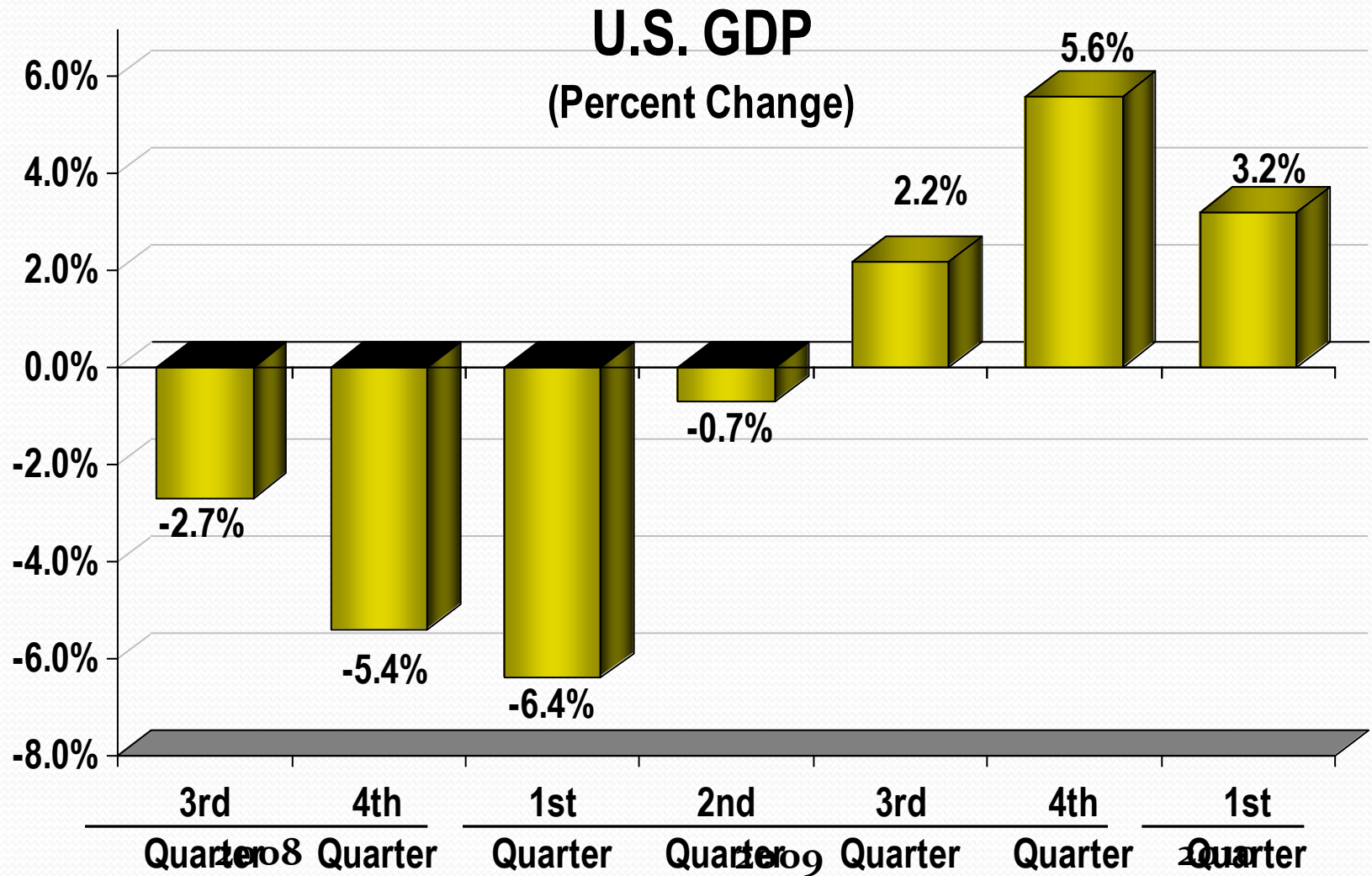
Board Presentation
June 9, 2010



Presentation Overview

- California Economy Overview
- State Budget Update
- Impacts on K-12 Education and MetroED
- Budget Assumptions
- Major Changes to 2010-2011 Programs and Budgets
- District Budget Overviews
- Apportionment Deferrals
- Next Steps
- Questions and Comments

U.S. Economic Outlook

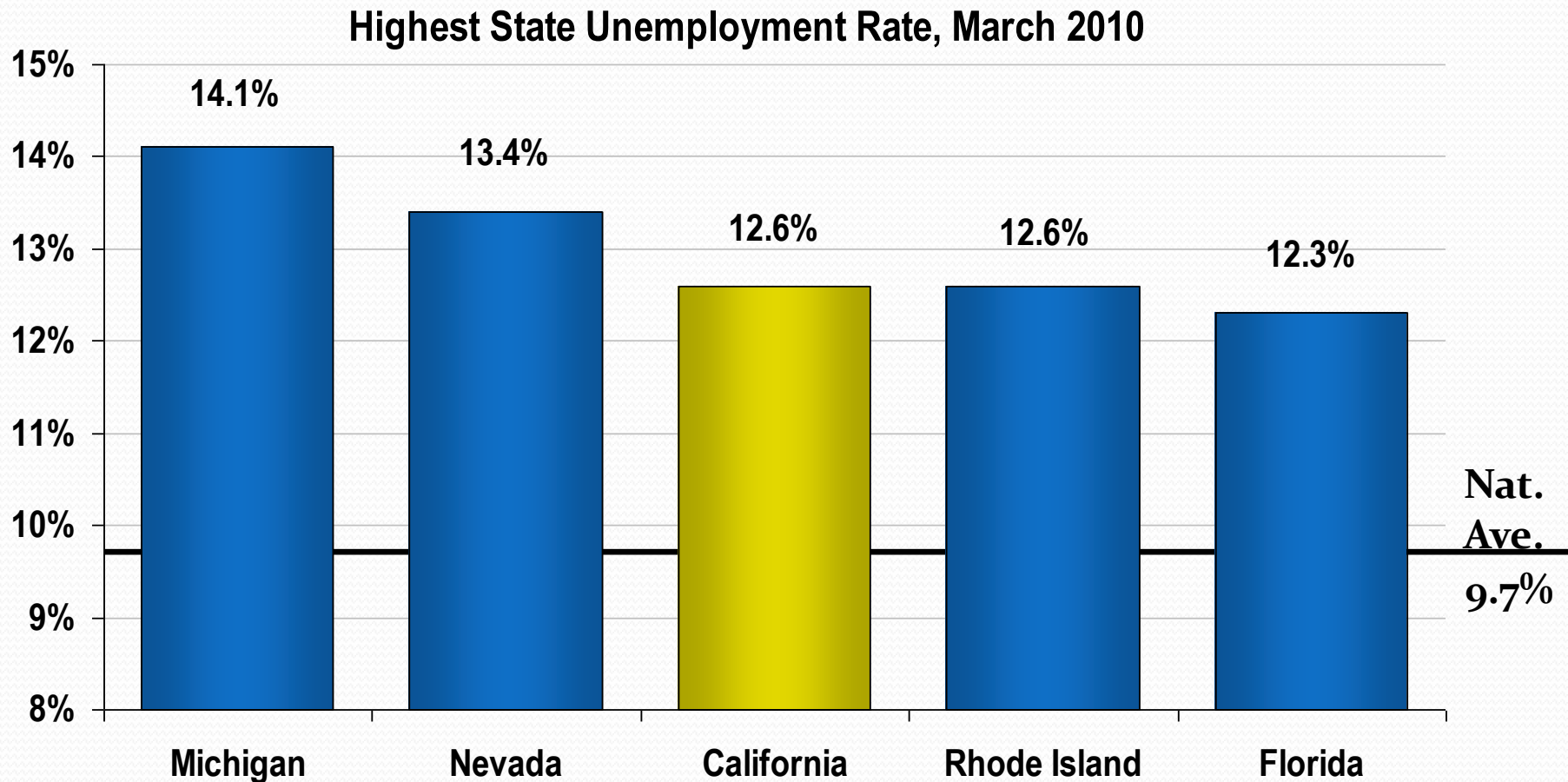


Source: U.S. Bureau of Economic Analysis, April 2010

California Economy

- The state's economy is recovering along with the nation's
 - State personal income grew at 4.1% and taxable sales grew at 1.9% in the 4th quarter of 2009, according to the University of California Los Angeles (UCLA) Forecast
- However, job growth remains a major drag on the economy
 - California added only 2,800 jobs in February and 4,200 jobs in March
 - If California had shared in the 162,000 U.S. jobs added in March, our proportionate gain would have been more than 16,000 jobs
 - The state's unemployment rate, at 12.6%, is the third highest in the nation

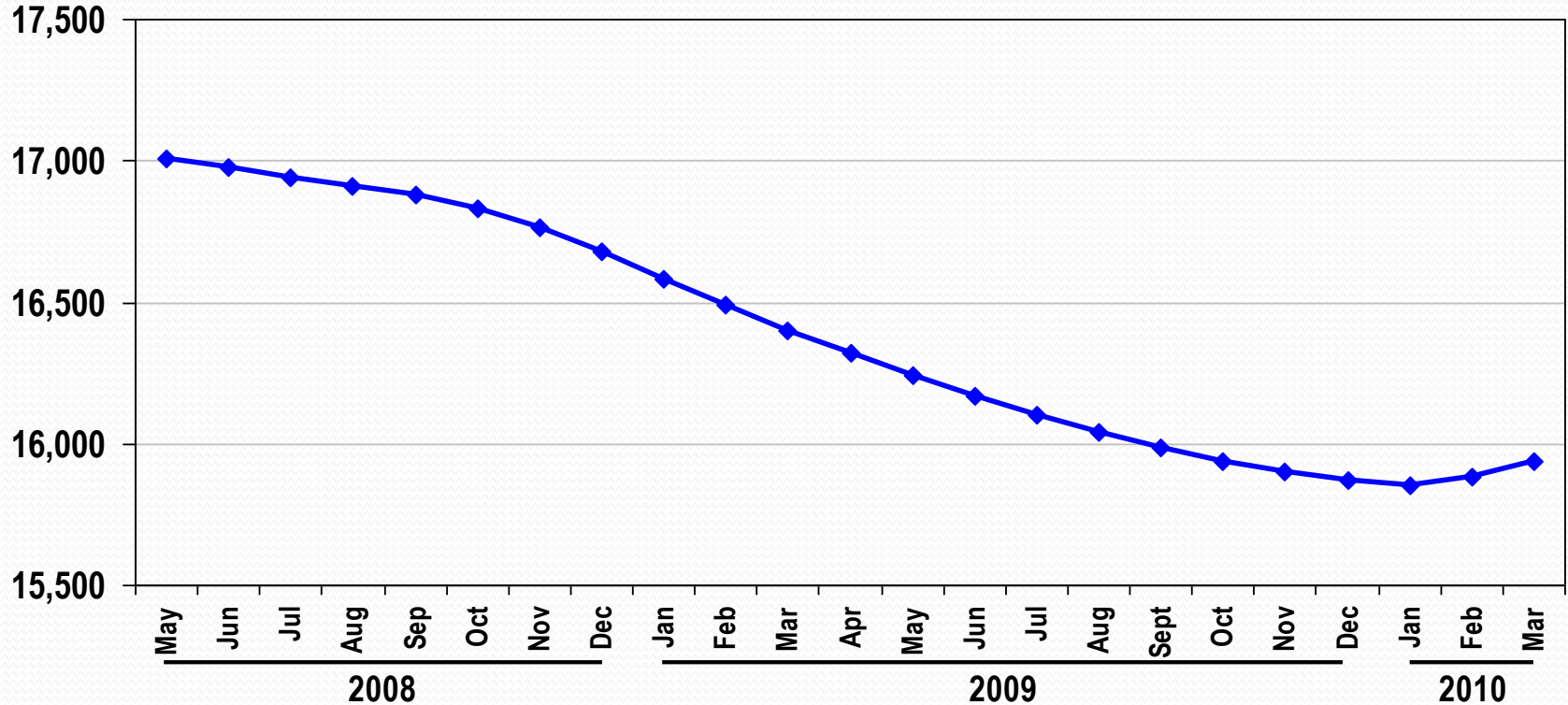
California's Unemployment Rate vs. Other States



Source: U.S. Bureau of Labor Statistics, April 2010

California Employment 2008-2010

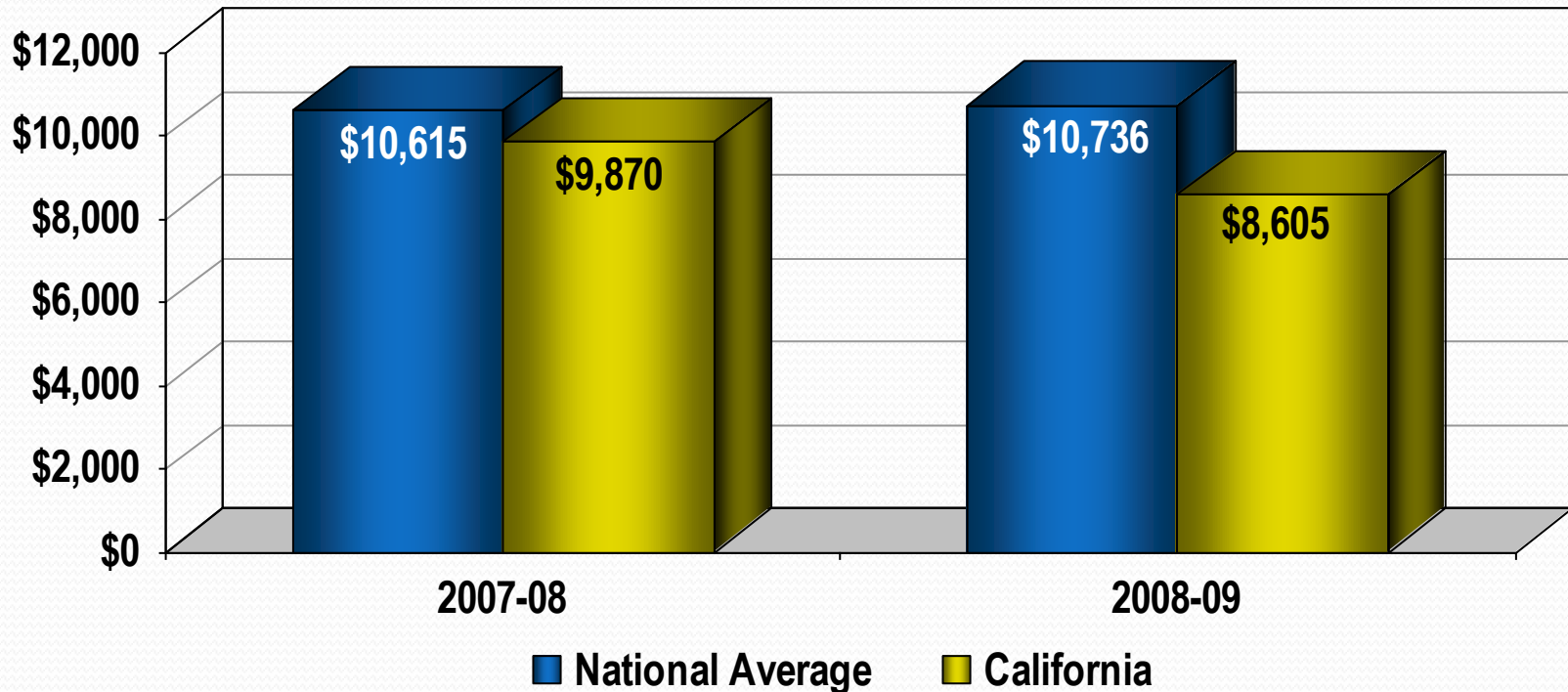
Employment
(In thousands)



California Per-Student Spending Falls Far Below Average

- According to the National Education Association's (NEA) *Rankings of the States 2009*, as of 2008-09, California was 44th in per-student spending, falling from 34th in 2007-08

California vs. National Average Per-Student Spending



Source: *Rankings of the States 2009* and *Estimates of School Statistics 2010*, National Education Association

Overview of the State Budget

- Education fares better than the rest of the Budget
- The rest of the Budget is absorbing even heavier cuts in order to protect education from deeper cuts
 - But there is no “free ride” – the nearly \$2.5 billion taken from education in January remains unrestored
 - Child care takes a huge cut
 - Social and health programs that serve K-12 students and their families are hit even harder
 - California Work Opportunities and Responsibility to Kids (CalWORKs), which is California’s main avenue to welfare payments, is on the chopping block
- The Budget reflects two major unresolved problems:
 - California’s finance system serves the state poorly in both good and bad times
 - The current economic woes remain unresolved

May Revision Features

- For the most part, the May Revision contains no further cuts to K-12 education
 - Cuts proposed in January remain
 - Targeted proposed administrative cut is eliminated
 - Cuts to child care eliminate subsidized slots for 142,000 children
 - No new federal dollars
- No new taxes are proposed
- Major additional cuts to the non-education portions of the Budget are proposed
- The Legislature is expected to have great difficulty voting for the choices before them
- Budget delays can be anticipated

Major May Revision Proposals

- The revised Budget gap is projected to be \$19.1 billion, slightly smaller than the \$19.9 billion gap in the January Budget
- Program cuts make up the majority of the Governor's May Revision proposals, including:
 - \$1.1 billion in savings from the elimination of CalWORKs, the state's welfare program for the poor
 - \$637 million in savings from cuts to the In-Home Support Services program for the disabled
 - \$750 million in savings from Medi-Cal, the state's primary health care program for low-income residents
 - \$244 million in savings from transferring state prisoners to county jails
 - \$602 million in savings from reduced county mental health services

Impact of May Revise on MetroED

- Proposed elimination of CalWORKS could impact Adult Education Program up to \$1.0 million annually.
- -0.38 percent COLA
- Continuation of Tier III Categorical status for both ROCP and Adult Education
- Continuation of Block Grant funding at 20 percent less than 2007-2008 funding levels.

2010-11 Fund 110 Budget Assumptions for ROCP

Fund 010 Budget Assumptions	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Revenue Limit COLA	4.25%	-0.38%	1.80%	2.40%
Revenue Limit Reduction	0.00%	0.00%	0.00%	0.00%
Total ROCP Revenue Limit	\$2,939.35	\$2,797.58	\$2,856.33	\$2,924.88
ADA Cap Growth	4,155.57	4,155.57	4,155.57	4,155.57
Reserve-Economic Uncertainty	6.00%	6.00%	6.00%	6.00%
General Reserve for Cash Flow	4.00%	4.00%	4.00%	4.00%
Employer Paid Benefits Increase	5.00%	5.00%	5.00%	5.00%
Employer Paid Benefits Maximum	\$11,737	\$12,324	\$12,940	\$13,587
Salary Increase COLA	0.00%	0.00%	0.00%	0.00%
Workers Comp Rate	1.711%	1.548%	1.548%	1.548%
PERS Contribution Rates	9.709%	10.707%	11.60%	13.02%
SUI Rate	0.30%	0.72%	0.72%	0.72%

General Fund: Major Changes for 2010-11

- Transition of 2.0 FTE career/tech classes at San Jose Job Corps to Job Corps funding
- Job Corps funding of 2.0 FTE CCOC teaching positions at CCOC
- Elimination of Cosmetology Program (Small carry-over)
- Elimination of summer school programs, except for Job Corps
- Continuation of evening program as fee-based
- Fee increases for adults in ROC day program
- Layoffs of identified administrative and support positions

District Budget Overview—Fund 010 ROCP

General Fund - Operations	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-2013 Projected
Total Revenues	16,593,957	13,896,612	14,119,819	14,341,109
Total Expenditures	<u>15,416,564</u>	<u>13,819,250</u>	<u>14,057,304</u>	<u>14,426,368</u>
Net Revenues/Expenses	1,177,394	77,361	62,516	14,741
Other Sources (Uses)	(465,926)	(325,218)	(328,651)	(336,797)
<i>Change to Fund Balance</i>	711,467	(247,857)	(266,135)	(322,056)
<i>Reserved & Designated:</i>				
Revolving Fund, Prepaid	20,000	20,000	20,000	20,000
General Reserve (4%)	639,346	566,067	575,868	586,957
Legally Restricted	559,133	252,839	252,839	252,839
Economic Uncertainty (6%)	959,018	849,100	863,802	880,435
Contingency for State Deficits	958,360	1,466,931	1,176,293	826,515
SFSF Receivable Reserve	533,974	266,937	0	0
<i>Total Reserves</i>	3,402,794	3,154,937	2,888,802	2,566,746
Undesignated Fund Balance	0	0	0	0
<i>Total Fund Balance</i>	3,402,794	3,154,937	2,888,802	2,566,746

2010-2011 Budget Assumptions for Adult Education

Fund 011 Budget Assumptions	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-13 Projected
Revenue Limit COLA	-4.46%	-.038%	01.80%	2.40%
Revenue Limit Reduction	0.00%	0.00%	0.00%	0.00%
Total Adult Ed Revenue Limit	\$2,280.92	2,265,08	2,305.85	2,361,19
ADA Cap Growth	0.00%	0.00%	0.00%	0.00%
Reserve-Economic Uncertainty	6.00%	6.00%	6.00%	6.00%
General Reserve for Cash Flow	4.00%	4.00%	4.00%	4.00%
Employer Paid Benefits Increase	5.00%	5.00%	5.00%	5.00%
Employer Paid Benefits, Max	\$11,737	\$12,324	\$12,940	\$13,587
Salary Increase COLA	0.00%	0.00%	0.00%	0.00%
Workers Comp Rate	1.71%	1.55%	1.55%	1.55%
PERS Contribution Rate	9.71%	10.71	11.60%	13.02%
SUI Rate	.30%	.72%	.72%	.72%

Adult Ed Fund: Major Changes for 2010-11

- Closing of the MAEP Campbell Adult Education Program
- Reductions in Older Adult classes
- Elimination of Distance Learning Program
- Offering of Credit Recovery Classes for San Jose Program
- Planned addition of Health/medical and Vocational ESL classes
- Layoffs of identified administrative and support positions

District Budget Overview—Fund 110 Adult Education

Adult Education -Operations	2009-10 Estimated	2010-11 Budget	2011-12 Projected	2012-2013 Projected
Total Revenues	11,398,286	7,832,071	7,899,058	8,033,809
Total Expenditures	<u>10,107,940</u>	<u>8,022,213</u>	<u>7,968,120</u>	<u>8,116,249</u>
Net Revenues/Expenses	1,290,346	(190,142)	(69,062)	(82,440)
Other Sources (Uses)	200,386			
<i>Change to Fund Balance</i>	1,290,346	(190,142)	(69,062)	(82,440)
<i>Reserved & Designated:</i>				
General Reserve (4%)	404,318	320,889	318,725	324,650
Economic Uncertainty (6%)	606,476	481,333	478,087	486,975
Estimated Due to Campbell	915,427	915,427	915,427	915,427
Other Designation	83,000	38,538	0	0
Contingency for State Deficits	761,441	824,333	799,220	701,967
Total Reserves	2,770,662	2,580,520	2,511,458	2,429,018
Undesignated Fund Balance	0	0	0	0
<i>Total Fund Balance</i>	2,770,662	2,580,520	2,511,458	2,429,018

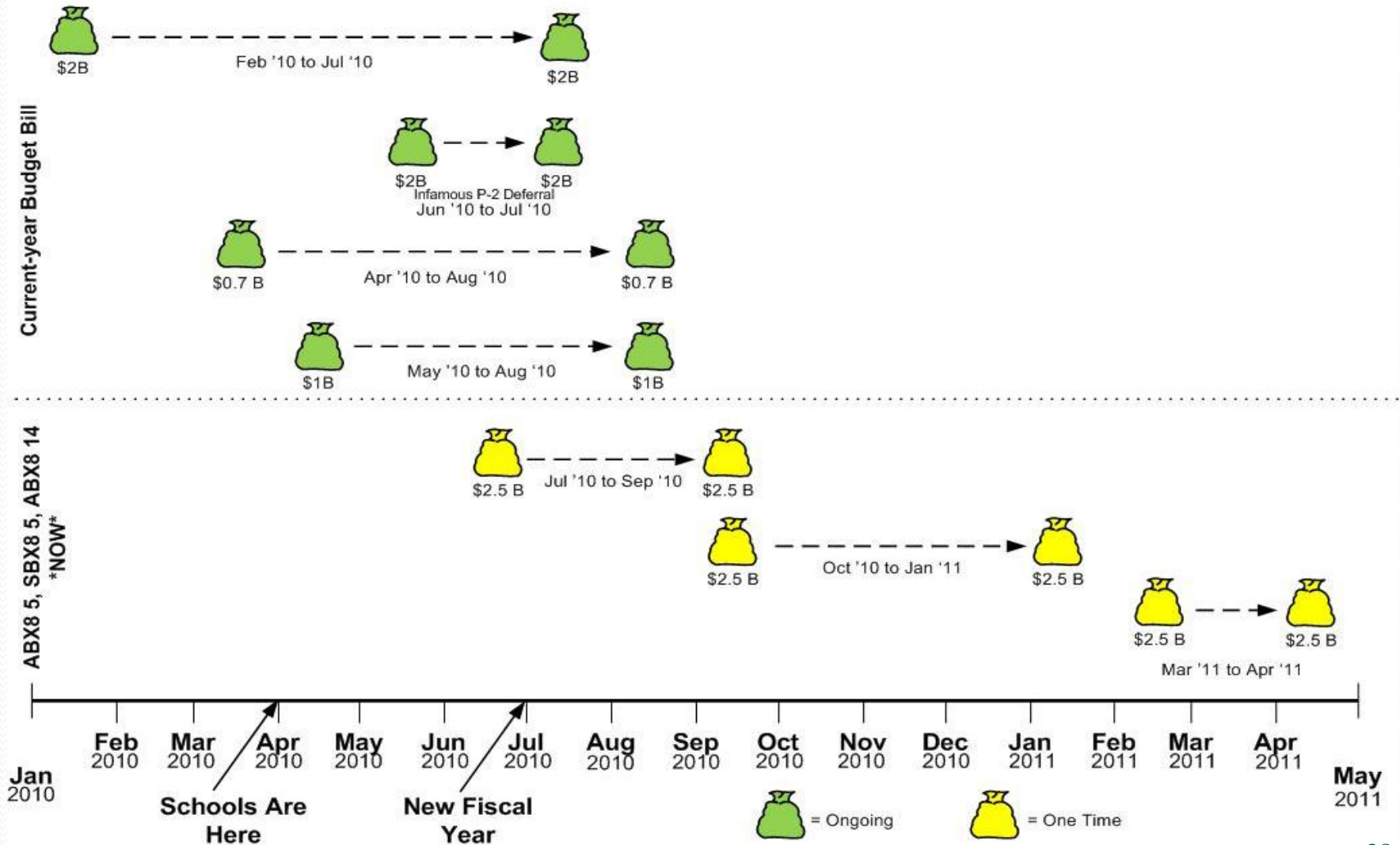
MetroED 2010 Staff Reduction Summary

	GENERAL FUND		ADULT FUND		DISTRICT TOTALS	
	FTE	Reductions	FTE	Reductions	FTE	Reductions
Certificated	2.0	165,827	21.6	1,086,413	23.6	1,252,240
Classified	0.4	28,054	12.8	772,045	13.2	800,099
Admin	1.5	159,663	3.3	356,012	4.8	515,675
Totals	3.9	\$353,544	37.7	\$2,214,470	41.6	\$2,568,014

Cash Management is Critical

- Like other LEAs, MetroED is forced this year to use our reserves to balance budgets and manage cash flow.
- Because of delayed apportionments, MetroED borrows from selected district funds to meet payroll and other operational needs. The Governing Board has approved the sequence of targeted funds for the 2010-2011 fiscal year.
- The use of reserves will affect future cash flows—and mean less cash on hand to meet expenses.

Apportionment Deferrals 2009-10 to 2010-11



Highlights of 2010-11 Budget

- Continuation of block grant status at 20% reduction from 2007-08 with -0.38 percent COLA
- Over \$2.5 million loss of revenue to Adult Education Program due to Campbell Program transition
- Corresponding reduction in programs and staff
- Continuation of Proposition 1D modernization grants with completion of Building Arts Center and 2010-11 focus on Health Careers Center
- Governor's proposed CalWORKS mid-year cut not included
- Budget proposal based on estimated indirect cost shift from 65/35 to 75/25 pending recommendations from School Services
- Proposed budget of three consecutive years of deficit spending, complimented by utilization of reserves from Contingency for State Deficits funding

What's next?

- We are waiting for the outcomes of the Governor's May Revise recommendations—particularly regarding the elimination or reduction of the CalWORKS program.
- Negotiations with the Campbell Union High School District regarding the transfer of the Campbell Adult Education Program are still in process. Not all funding issues have been resolved.
- We have to adopt our 2010-11 district budget before June 30, 2010, even though more changes are expected.
- We will monitor the revision of the 2010-11 budget and take necessary actions.

Recommendation

- That the Governing Board review the 2009-10 Estimated Actuals and the 2010-11 Proposed Budget Report. The Final Budget will be brought to the Board on June 30 for public hearing and final adoptions.

