

Metropolitan Education District
Adopted Budget, Fiscal Year 2010-11
June 30, 2010

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.

Education Funding in California

Funding for education in California ranks near the bottom of all U.S. states, with no turnaround seen for the near future. According to the National Education Association's (NEA) *Ranking of the States 2009*, California's per-student spending fell from 34th in 2007-08 to 44th in 2008-09. Moreover, while the national average per student spending INCREASED during the same period, California's per pupil spending actually DECLINED.

The proposed California education budget for 2010-11 continues the funding decline pattern by reducing education funding by another \$2.5 billion from 2009-10.

MetroED's Budget – In General

The impact of the reduced education funding on MetroED's 2010-11 budget is minimal.

MetroED's Regional Occupational Center and Programs (ROCP) and Adult Education programs have, for the most part, absorbed the approximate 20% funding cuts from the 2007-08 base year. However, increasing cost pressures without any corresponding revenue increases continue to put pressure on district resources. For example, MetroED continues to fund step, column and longevity increases for District employees, increased contributions for health and welfare benefits, and the District's contribution to the State Public Employee Retirement System (PERS) for classified employees is projected to increase 34% over the next three years (from 9.709% to 13.02%). There are also the inevitable inflation-driven cost increases for instructional materials and services needed to be purchased by the District to operate an effective educational program.

In order to offset these rising costs, MetroED has endeavored to cut other operating costs as far away from the core educational programs as possible. Over the last 4-5 years, there have been reductions in administrative and classified support costs, and further reductions are included in this proposed budget. However, cutting overhead costs does not address the full impact of a 20% funding cut, and the District has had to reduce support for non-core programs. For ROCP, this included elimination of support for four Cosmetology schools, Job Corps and summer school programs. For Adult Education, reductions have occurred in the Community Interest, Parent Participation, Distance Learning and 50+ programs.

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Possible Elimination of CalWORKS Funding

In his May Revise budget proposal, Governor Schwarzenegger proposed savings to the state by eliminating the CalWORKS program mid-year. MetroED is a major contractor for CalWORKS in Santa Clara County. CCOC serves many CalWORKS students at its Center and MAEP contracts with CalWORKS total nearly \$1 million. The proposed mid-year elimination would have a substantive negative impact on District funding, primarily in Adult Education, where contractual commitments are made for the full fiscal year. This proposed cut has not been included in the budget since key legislative leaders have stated that the proposal is dead on arrival with the legislature. We hope that is the case, but are holding reserves in case of a worst-case scenario.

Support for Satellite ROP Programs

In accordance with Master Business Relationship Agreements with the six participating districts, MetroED applied the state percentage cuts to funding for the Satellite ROP programs on the high school campuses. These cuts totaled \$280,312 in 2008-09 and \$440,336 in 2009-10. To offset these cuts, in 2008-09, MetroED agreed that the JPA six participating districts would keep nearly \$1.7 million of State Fiscal Stabilization Funds (SFSF) that would otherwise be passed through to MetroED. In 2009-10, for the first time, MetroED returned more than \$1 million of one-time Excess Property Tax funding to the participating districts to restore funding cuts to the Satellite programs. Because it is a volatile source of funding, the California Department of Education recommends Districts do not budget Excess Property Taxes until received. Accordingly, MetroED has not budgeted this as either a revenue or expenses for the budget and subsequent two years.

Transfer of Campbell Adult Ed Program to CUHSD

By far the biggest impact on MetroED's 2010-11 budget is the transfer of the Campbell Adult Education program from MAEP to the Campbell Union High School District effective July 1, 2010. This transfer has resulted in the layoff of a substantial number of classified and certificated employees, the reduction of approximately \$2.5 million of revenues and a corresponding reduction of related expenditures. The Campbell unit represented 33% of MAEP, with the other 67% being in the San Jose Unified School District service area.

Indirect Costs (Overhead)

Over the last 4-5 years, MetroED has direct-charged its overhead costs (Central Office and Superintendent's Office) to the General and Adult Education Funds based on the estimated amount of time each employee spent on each fund. On an aggregate basis, this amounted to 65% to the General Fund and 35% to the Adult Education Fund. With transfer of the Campbell Adult Ed program, there is interest in re-evaluating the methodology for direct charging overhead costs. Consequently, the District has contracted with School Services of California to perform the evaluation, and provide the District with 3-4 strategies for consideration. For purposes of budgeting, the administration is estimating an overhead cost split of 75% to the General Fund and 25% to the Adult Education Fund. An adjustment reflecting the estimated difference in percentages is reflected in the budget. Final percentages will be determined following the School Services evaluation and approval by the MetroED Board.

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Deficit Spending and Contingency for State Deficits

The Proposed budget reflects three consecutive years of deficit spending for both the General Fund and Adult Education Fund. While deficit spending is not normally considered fiscally responsible, the District is holding reserves as *Contingency for State Deficits* in both funds to cover the deficits, to address the potential loss of CalWORKS funding as well as the continuing uncertainties of funding for education in California. District staff will continue to evaluate all budget categories to identify savings, without impacting educational programs.

Facilities Modernization, Maintenance & Program Reconfiguration

For the last 7+ years MetroED (a Joint Powers Authority ROCP) has worked to qualify for state funding support for facilities maintenance and modernization at its Central County Occupational Center (CCOC). The District was successful in changing Education Code so that CCOC qualified for Deferred Maintenance funding. The District was also successful in including JPA ROCPs in the last state education facilities bond (Proposition 1D) for purposes of facility modernization. As a result, the District has received nearly \$4 million in regular and extreme hardship deferred maintenance funding and \$10 million in Prop 1D grants for equipment and facility modernization and program reconfiguration at CCOC.

In addition to on-going maintenance projects, Deferred Maintenance Extreme Hardship grants have funded large infrastructure projects at CCOC, including new electrical transformers, new roofing, new HVAC and sewer line replacement.

The \$10 million Proposition 1D grants, which are being matched by MetroED (\$20 million total), will modernize six of the seven buildings on the CCOC campus, and allow for program upgrades and reconfigurations in virtually every business sector. The first project is the building 300 Building Arts Center. It is the largest of the projects at approximately \$4.3 million, and is scheduled for completion this summer. The second project is the Health Careers Center building 200, which will commence in early Fall 2010 and be ready for the 2011-12 school year.

Some of the Adult Education facilities on the Hillsdale campus have aged beyond their useful life and are no longer usable as classrooms. In response to the declining usability, MAEP saved funds to build a new Adult Ed campus on the Hillsdale site. The plan called for the facilities to be built in three phases. However, because of favorable competitive bids, the District was able to complete the first two phases. The new facilities opened this year for second semester classes.

Reform of the Public High School System

MetroED has been active in the state legislative process for many years. During the last few years, the focus has been on reform of career technical education. However, as state educators and legislators have continued to wrestle with unacceptable dropout rates and achievement gaps, it has become clear that reform needs to extend to the public high school system as well.

Efforts have been underway for the last few years to develop a blueprint for high school reform and, in May 2010, the California Department of Education (CDE) released a

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Report to the Legislature and Governor entitled "*Multiple Pathways to Student Success: Envisioning the New California High School.*"

The Pathways report suggests a new statewide vision "...of what a high school education means and what it provides to graduates – that is, the skills and knowledge that prepare students for ongoing education and family-wage careers."

The report also states: "It is clear that continuing to support policies that created the current high school system and expecting different results is no longer feasible and will not prepare future generations of Californians to have economically self-sustaining careers, or to support the future growth of the state's economy. Many of those interviewed for this report believe California has the raw talent currently sitting in every high school classroom to propel the state to greatness. They also agreed that substantial changes are needed if we expect to have a system that is designed to move everyone to their highest educational and career potential."

In the Report's transmittal message, State Superintendent of Public Instruction Jack O'Connell states: "California is at a critical crossroads in terms of the challenges it faces in reforming its public high school system. Amid extensive ongoing discussion in state policy forums, there continues to be persistent pressure for the state to lead efforts to improve graduation rates, close achievement and opportunity gaps, and prepare all students for success in pursuing both 'living-wage' careers and a variety of postsecondary learning experiences. The task before us is an enormous and difficult one, and it is clear that we must embrace new, innovative approaches to educational transformation that are likely to lead to highly successful outcomes for our students, families, and communities."

ROCPs play a major role in the Pathways strategy. This is primarily because ROCPs have been at the forefront of successfully providing quality career technical education (CTE) programs to nearly 550,000 high school students each year throughout California. The report recommends modifying "...the ROCP mission, structure, and functions to provide statewide systemic support to increase school district capacity to offer career technical education and to support pathways using the multiple pathways approach." Under this recommendation, ROCPs would have the mission of delivering ALL high school CTE programs in California.

There is a growing groundswell of support for the Multiple Pathways reform strategy. We believe these reforms are critical if high school students are to have realistic, attainable opportunities for success beyond high school. CDE is moving forward quickly and has already amended two assembly bills (AB 2172, AB 2445) to implement the Report's recommendations for 2010-11.

The report contains two areas of concern for MetroED. First, the Report recommends centralizing governance for the new Regional Career Preparation Authority with the County Offices of Education, thereby stripping JPA Governing Boards of their local governance authority. Second, the report ignores the value of Centers as part of the CTE delivery model.

MetroED will be actively involved during the next few years in the process of implementing the recommendations of the Pathways Report, and advocating for

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preserving local control through the JPA governance structure, and support for Center-delivered CTE programs in areas where they make financial and educational sense.

Conclusion

I believe that the programs at MetroED, both ROCP and Adult Education, are THE premier programs of their type 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 2010-11 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