

OSD Education Funding Challenges for Mid Fiscal Year 2009-10 and for Fiscal Years 2010-2011 thru 2011-2012

January 8, 2010

The Oxnard School District continues to wrestle with the severe consequences of a devastating economic recession. A continued decline in economic activities followed by shortfalls in state revenues have translated into drastic budget cuts for schools, layoffs, high unemployment, higher class sizes and looming threats to the success of our school districts' educational programs.

Current economic forecasts suggest that California is locked in the grasp of an unyielding recessionary economic climate. As a result we will have to continue to develop strategies to deal with the effects of the state fiscal crisis and its structural deficits for at least the next two years. The significance of recent economic forecasts seems to predict that the Oxnard School District, along with all other districts in the state, will be called upon once again to make radical reductions to the budget!

This is the first of a series of planned communications that we will issue to the Oxnard School District community and all stakeholders. Our goal is to keep you informed of the multiple financial and operations challenges that the District will face during the middle of this current budget year 2009-2010 and over the next two years. By all indications, the prospects for the coming fiscal year suggest a high probability for layoffs. This is inevitable in an environment where 89.9% of our unrestricted budget goes to fund employees' salary and benefits. The business of educating our children is a 'People Business'.

On December 9th, 2009, the Board approved the First Interim Report for the period of July 1st thru October 31st, 2009. Given what we know at this time and before the release of the Governor's January budget for fiscal year 2010-2011, our District is contemplating action to reduce/cut its budget by over \$5.0 Million. These cuts are mitigated by residuals from the Federal Government's American Recovery and Reinvestment Act (ARRA) or State Fiscal Stabilization Funds (SFSF). The SFSF funds are one-time resources which must be spent by the end of September, 2010. The District has received \$5.1 million of SFSF funds, approximately 50% of which was used to defray expenditures for 2009-2010.

It is important to note that the state recessionary economic trends directly impact the flow and characteristics of state revenues. State revenues are a key determinant of the Proposition 98 minimum guarantee for public education funding. Many factors inevitably influence education funding, among which are the fiscal condition of the state's General Fund, Sacramento politics, and competing demands placed on the state budget by the non-education interest groups, programs and needs. More often than not, development of the state's education budget is more of a political exercise than it is a fiscal one.

California continues to lag behind most of the nation during this relentless economic recession. The current UCLA Anderson economic forecast is that the state will experience little or no growth through 2010. Economic activity will increase slightly in the first part of 2011, returning to normal levels at the end of 2011 and into 2012.


Some Implications for School Districts and County Offices of Education (COE's)

1. State revenues likely will not return to pre-recession levels until sometime after 2011-12. Proposition 98 will be directly impacted, with education funding growth remaining sluggish through the next three years. The public sector typically lags behind the private sector by upward of a year, so Proposition 98 funding may not begin to stabilize until after 2012-13.
2. It should not come as a surprise that 2010-11 will be another year of no Cost of Living Adjustment (COLA) funding and a Revenue Limit deficit factor likely above 21 percent. Generally, it may turn out to be the hardest year for LEAs (School Districts) during this recession. Mandate cost reimbursement funding will also most likely be deferred another year.
3. It is too early to tell what state lawmakers will do when it comes to reducing Proposition 98. It will largely depend on the size of the overall state deficit. Given the dynamics of when that could be determined, the education community may not have a clear picture until the May Revision.
4. A majority of LEAs have expended most, if not all, of their federal stimulus dollars. The number of districts in fiscal peril will certainly increase with qualified and negative budget certifications possibly increasing to record levels.

Oxnard School District's Action Plan - an Abridged List

It is hard to find a silver lining in this dark cloud. However, being aware of the situation one is about to encounter is of much value. Knowing the bleak economic forecast will allow us to develop our strategies for addressing this budget reality:

1. Since our District has already gone through a few rounds of budget reductions, the new reductions will be even harder to identify and more difficult to implement. We will begin the process of evaluating all options, no matter how farfetched, to start developing concepts for later discussion and consideration.
2. We will continue to engage our employee associations/unions in the discussions about the possibilities of further reductions, including concessions involving employee compensation.
3. We will continue to inform and educate our Board promptly and frequently to prepare them for the tough decisions they may have to make in the coming months and possibly years. We will also keep the school community appropriately informed.
4. We will continue to monitor the use of overtime, temporary and substitute employees, and the proper processes necessary to provide focused oversight.
5. We will identify which services must be continued by law or regulation. After that is done, we will continue to evaluate and prioritize services. These activities will be funded as the budget dollars allow. Unfortunately, business will not be as usual. The only choice we have is how we will deal with this devastating period in public education.



Anthony Monreal, Ed.D.
Superintendent



Glenston Thompson
Assistant Superintendent
Business & Fiscal Services