

SUMMARY OF BUDGET QUESTIONS AND ANSWERS FROM JANUARY 5 FORUM

Please note that the questions and answers that appear below are not an exact transcript of the meeting. We have attempted to capture the intent of the questions, and in some cases, answers have been expanded.

1. *What is the trigger that would cause the Board to call for a parcel tax?*

A parcel tax is a local option, which must be approved by a super-majority of voters. In other words, neither Cabinet nor staff can unilaterally decide to collect a parcel tax. At this point, the community would need to come forward to show their support and ask the Board to call for an election. As a Board decision, it would have to be discussed in public prior to any action.

2. *When would parcel tax money become available?*

Funds from a parcel tax become available in the fiscal year following the election. For example, if a successful election were held in November 2010, the funds would be available for the 2011/12 fiscal year (which runs from July 1 to June 30).

Parcel tax revenues cannot be included in a budget until the tax measure is approved by the voters. Given that the District must balance its budget by June 30, we will have to plan on making spending reductions.

3. *If we take the \$3.6 million shortfall and divide that amount by the number of enrolled students (14,830), you get about \$243 per student. Can the District ask parents for per student donations in that amount?*

Yes, the District can ask for donations. We cannot require donations. Revenue from donations is not included in the budget until it is received, in part because the amount would be unknown and vary by year. Sites currently ask for contributions for activities and classroom needs. If there were a donation drive in the spring and funds were received before the budget was adopted, those funds could be used to retain personnel and programs for the subsequent year.

4. *How does the state get their revenue? Are they entitled to a portion of any local parcel tax?*

The state gets revenue from sales tax and income tax. The large drop in tax collections at the state level was passed on to us.

The state would have no access to a local parcel tax. A parcel tax would be city-wide.

New Information: The Legislative Analyst’s Office prepared the summary below of the components of the State General Fund. As the table shows, almost 93% of the FY09/10 revenue is derived from the sales/use tax and income taxes (i.e., personal and corporate).

Figure 8

The LAO General Fund Revenue Forecast

(In Millions)

Revenue Source	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
Personal Income Tax	\$43,689	\$46,932	\$46,212	\$46,305	\$50,235	\$54,479	\$58,658
Sales and Use Tax	24,066	26,322	28,103	25,506	27,345	29,092	30,420
Corporation Tax	9,773	8,306	7,824	7,766	8,673	9,288	9,892
Other revenues and transfers	6,073	6,530	5,654	4,844	5,383	6,339	6,750
Total Revenues and Transfers	\$83,601	\$88,090	\$87,793	\$84,422	\$91,636	\$99,197	\$105,720

Source: The 2010-11 Budget: California’s Fiscal Outlook

5. Could there be a freeze on step and column?

Step and column is a negotiable item. The District can discuss a freeze with our associations (Association of Pleasanton Teachers and California School Employees Association), but cannot unilaterally act on a negotiable item.

6. Can a community group pay for a survey concerning a possible parcel tax?

Yes. A typical survey can cost \$20,000 to \$30,000 depending on the size of the sample and number of questions.

7. When will discussions begin about what programs and positions will be cut for 2010/11?

Conversations are beginning now. The District Budget Advisory Committee (BAC) will be reviewing a list of possible spending reductions on January 7. Beginning at their meeting on January 12 and continuing through the end of February, the Board will also be discussing reductions recommended by the Cabinet and Budget Advisory Committee. There will be several opportunities for the public to give input. The final decision as to what spending reductions will be implemented rests with the Board. They will have to take action by the second meeting in February to identify those positions which will receive a notice of possible layoff by the March 15 deadline.

8. Can we expect mid year cuts this year?

As of this writing, the state has not taken any action concerning the current year budget. We are waiting for the Governor’s proposal to come out on January 8. Usually this budget proposal is for the upcoming fiscal year; however, last year, the proposal affected two fiscal years and resulted in mid year reductions for the District. Whether or not the state impacts this year’s funding, the District will not see much of an impact to our current year operations. It is too late in our fiscal year to make significant spending reductions, and we would have to

deplete reserves to cover any shortfall. Then, the problem, including replenishing our reserves, would have to be addressed in the 2010/11 budget.

9. The District has stated that the \$3.6 M shortfall is probably not the worst case scenario. How much bigger could the problem get?

If we assume the Governor and Legislature behave exactly as they did last year using the same proportion of spending reductions, revenue enhancements, and accounting techniques to address the budget deficit, then that solution would translate to an \$8 million shortfall for our District. This shortfall would be in addition to the \$3.6 million we are currently projecting.

10. Can the City help support the District through this budget crisis?

Pleasanton Unified has a great relationship with the City of Pleasanton. City funding comes with restrictions on how it can be spent. The City cannot give money to the district—this would be a “gift of public funds” and is illegal. This year, the City had capital dollars available which they agreed to lend us through a multi-year revolving line of credit to help us ensure we have cash available to pay debt service as it comes due. The District has an annual debt service for capital projects of about \$1.4 million. Typically, the developer fees we collect are used to make the payments. We have seen a dramatic decrease in our collection of these fees (\$0.5 million in FY08/09 as compared to \$2.5 million to \$3 million in previous years).

11. Can the City charge more for things like Parks and Recreations activities and give the money to the schools?

The City determines its fee structures for programs and services based on cost and demand. All City funds come with restrictions regarding use and cannot simply be transferred to the District, as this would likely be construed as a gift of public funds. We will continue to work with the City to find creative ways to support schools. This specific idea will need additional research. Also, see question #10 above.

12. Why aren't we charging for summer school?

Funding for Summer School is part of the new categorical flexibility, so those dollars can be used for any program. This past summer, the District did not charge for Summer School but made a greater effort to ask for donations. For 2010, the high school remedial program and the at-risk and EL programs will be offered at no charge. Other programs such as Dual Immersion, computer science, art, and drama will likely be offered as fee-based classes. The goal will be to have a self-supporting program. Classes that do not reach required enrollment levels may be cancelled. Families should watch for the brochures which will be out in the spring.

13. Does the District lose money when students are absent?

Yes, our revenue limit is based on average daily attendance (ADA), thus, we do not receive funding for absent students (regardless of whether the absence is excused).

The Budget Advisory Committee has issued some information about the cost of elective absences (e.g., when a student goes on vacation and does not complete an independent study contract). Last year, the District lost over \$2.6 million in revenue due to absences. An elective absence costs \$51.54 per day. While the District also loses that same revenue when a student is ill, we absolutely do not advocate sending students to school when they are sick. The BAC has offered families the opportunity to reimburse the District for the lost revenue due to an absence. Any donations collected in this manner could be used in the year received or subsequent year to support the General Fund or other programs. Additional information is available on our website at www.pleasanton.k12.ca.us/BusinessServices/Budget/BudgetAdvisory.cfm.

14. Could the District still shorten the current school year? If so, how much would be saved?

We would have to work with our bargaining units as this is a negotiable item. The savings per day if all units participate would be about \$450,000. For example, eliminating three staff development days would save about \$1.3 million. At most, the District could reduce the school year by 10 days.

15. In the budget pie charts that were shown, why do expenditures exceed revenues?

There is carryover from 2008/09 of about \$9.7 million. The bulk of these carryover funds are from the federal ARRA program and were received in June 2009. Because they were received at the end of the fiscal year, they are budgeted to be spent in the current year, in addition to our current year revenue.

16. In the multi-year projection, why is there a \$3.6 million reduction in 2010/11 and a \$7.2 million and \$1.8 million in 2011/12?

Spending reductions approved for 2010/11, projected to be \$3.6 million, will be ongoing and continue into 2011/12. In addition to these ongoing spending reductions, we project that we will need to make additional spending reductions totaling \$1.8 million in 2011/12.

17. Is increasing grades K – 3 class sizes above 25:1 being considered?

Yes, it has to be given the magnitude of the shortfall. Moving from 25:1 to 30:1 would save about \$1.3 million.

18. Is shortening the next school year being considered?

It is an option that we have available and would have to be negotiated with our bargaining units.

19. What is the purpose of the 3% reserve? Why can't we use it?

The 3% reserve is not a requirement; it is a recommendation from the state. However, if we do not maintain that reserve, there are immediate repercussions. Our certification status would be "qualified" or "negative." The county would implement additional oversight and require that we have a plan in place to replenish the reserve. If we are still unable to

accomplish this, a state administrator may be assigned to implement the steps needed for a balanced budget. This may include replacing personnel and taking away the ability for the Board to make decisions. In addition, the District's credit rating could be further affected, making it difficult for future borrowing.

20. Are across-the-board salary reductions being discussed?

This would be a negotiable area. The Board cannot unilaterally impose such a reduction for the bargaining units. The savings from this type of action could reduce the level of layoffs needed.

21. What is the impact on children's education if class sizes increase or the school year shortens?

The District has a document which outlines some of the impacts being felt in classrooms where class size has increased. It is posted on our website. In addition, the research tends to indicate that for students who struggle, there is a positive correlation between small class size and achievement. For students in general, the research is mixed.

Many of the impacts being felt are anecdotal. Assessment data was not collected before Class Size Reduction (CSR) was implemented. Since the state standardized testing started, Pleasanton Unified has shown consistent increases in achievement. There will be another testing cycle in the spring, and those results will become available in the fall.

22. If class sizes were reduced in order to implement standards which have not changed, why is the District looking at increasing class sizes?

The Board and Cabinet feel that all reductions that have been or will be made are painful. They have an impact which is not necessarily minimal. However, the District has to have a balanced budget. This means that, with decreased revenue, there are some difficult decisions that have to be made. Eliminating all CSR in grades K-3 and 9 would generate a savings of about \$1.7 million.

23. Is closing a school an option?

This is not an option we are pursuing. Enrollment at all nine of our elementary schools is over 600. When you hear about a district that is closing a school, that school typically has an enrollment of 300 to 400. While there would be some savings (principal and office staff compensation), there is still the need to house the students somewhere and provide services for them. A rough estimate of the savings would be \$500,000, but this would be offset by the challenges of housing 700 to 800 students or more at each site.

24. Can we do anything to reduce special education expenditures in the same proportion as the rest of the reductions?

There are specific rules regarding Special Education that we have to follow. This is not an area in which we can make significant reductions because of the risk of legal action. We did an audit of the aides we have in classrooms and made reductions where possible, but the

dollar savings were not significant. Special Education is consistently underfunded by the federal and state governments and encroaches more each year on our General Fund.

25. The numbers in the pie charts include salary and benefits. If employees pay for benefits themselves, what cost are you referring to?

Benefits in the charts include mandatory benefits like unemployment insurance and workers' compensation contributions. Certificated and management staff pay for health and welfare benefits themselves out of their salaries. Classified staff receives a stipend in addition to their salaries to cover health and welfare benefits.

26. Would a 5% reduction across-the-board cover the shortfall?

A reduction of 1% across-the-board would save about \$897,000. A shortfall of \$3.6 million could be covered by a 4% reduction.

27. Will there be another forum?

Yes. The next forum has been tentatively scheduled for January 19 from 7-9 p.m. in the Amador Valley High School multipurpose room. Please check our website for details.

28. When do we need to pay back the money borrowed from the Sycamore fund?

Every time the District borrows money from the Sycamore Fund, the Board passes a resolution which includes the amount, purpose, and time frame for repayment. For example, funds were borrowed to cover the mold remediation work at Hearst and will be repaid over five years starting two years from now. Typically, other amounts borrowed have had a repayment time frame of about 4 years.

29. When do we have to make up the OPEB payment that was deferred this year? Can we defer again?

In our budget, we plan to make the next OPEB payment. The one we deferred will be amortized and repaid over 30 years, as part of our next actuarial valuation. The requirement for OPEB is to show the liability on our books; we are not required to fund it. However, when people examine our books to see if they want to purchase PUSD bonds, they will not look favorably upon a large liability with no plan to fund it.

30. You said the state gets money from sales and income taxes. What happens to property taxes?

Property taxes are used to offset what the state provides as our revenue limit funding. We receive an amount equal to our base revenue limit times our ADA (about \$79 million). The state looks at that amount, subtracts what is collected in property taxes (about \$30 million) and makes up the rest in state aid (about \$49 million).

The revenue limit portion on the pie chart is made up of both property taxes collected locally and the state aid. Because property tax collections have decreased across California, the state is responsible for more of the revenue limit portion of the pie but has been unable to fund it fully, resulting in the revenue reduction we are experiencing.

For more detailed information, please see the handout about base revenue limits located on our website at:

www.pleasanton.k12.ca.us/BusinessServices/Budget/Downloads/RevenueLimitsFacts.pdf.

31. When layoff notices are issued, does the District have discretion about who is cut? Is it based strictly on seniority?

Layoff procedures are governed by California Education Code. The criteria for layoffs are based on the credential held and seniority. Typically, the least senior employees are the first to be laid off.

32. By how many days could we legally shorten the school year?

For Pleasanton Unified, we could shorten the year by 10 days—5 instructional and 5 staff development/work days. This could result in a savings of \$4.5 million.

33. Who is behind San Ramon's aggressive fundraising?

We will need to research why SRVUSD is so successful with their collection of donations.

34. Which districts around us have parcel taxes?

Dublin: \$96/parcel; through November 2013; to support high academic achievement in math, science, reading, writing, and technology, attract and retain highly qualified teachers, maintain small class sizes, and provide ongoing teacher training.

Livermore: \$138/parcel through November 2013; to attract and retain highly qualified teachers, and maintain small class sizes, college/career/job preparation classes, art/music/foreign language programs, computers, infrastructure and instructional technology upgrades, elementary science specialists, and high school counselors. (LVJUSD passed a previous parcel tax in 2004.)

San Ramon Valley: \$144 per parcel through April 2016; to help maintain academic excellence, retain qualified and experienced teachers, prepare students for college and careers for a global economy with strong math, science and literacy education.

35. Why not cut AP courses or sports that only affect a few students?

The District has already eliminated financial support for coaching stipends. Participating athletes now bear an additional cost to cover this.

We believe that the savings from eliminating AP courses would be non-existent. No additional funding is offered to schools for AP sections.

36. Why did the ILPS campaign only get \$450,000? Is another similar effort being planned?

PPIE and PSEE did an excellent job raising funds for us over a very short timeframe in the summer. The District benefited by retaining some positions and support for programs. However, this is one-time money, so those items will be eliminated for 2010/11. We do not know if there will be a similar effort this year.

37. If the school year is shortened, can winter break be lengthened?

Yes. Please see questions #14 and #32 for additional information.

38. Can the Adult and Community Education school offer fee-based courses? Does the school need to be accredited?

Many of the current Adult Ed offerings have fees. The school can enter in to a contract to provide courses for outside entities. These courses may be taught by credentialed or non-credentialed personnel. The school does not need to be accredited.

39. If the voters of Pleasanton pass a parcel tax, can the state use that to offset the funding they currently provide?

No. The state cannot use revenue generated by a parcel tax to offset collected property taxes or other payments.

New Information: Parcel tax resolutions typically contain language that stipulates that the county stop collecting the parcel tax if the state amended current law to offset their state aid portion.

40. Will the District form a cost-cutting committee?

The District is not looking to form a separate cost-cutting committee. Given that the District needs to balance the budget, reductions will occur. Recommendations from the community and staff are reviewed by the Board. Community members are encouraged to submit ideas by emailing email budgetinfo@pleasanton.k12.ca.us.

41. What about the Race to the Top (RTTT) funds?

The Board has approved a Memorandum of Understanding which indicates that Pleasanton Unified is interested in participating in the program. The state is still working through what it might mean for local districts and doesn't know yet if California will qualify. RTTT is somewhat proscriptive about how the dollars can be used. The total amount that California might receive is estimated to be \$700 million (compared to the \$17 billion that education was cut last year). It may also be that the RTTT funds would be insufficient to support the entire program. This is something the District will closely monitor before continuing our commitment.

42. What other options are available to increase District revenues?

A District is limited in its ability to raise money. Voters can support schools through a parcel tax. The District can accept donations. The possibility of a county-level sales tax has been explored and determined not to be feasible as of last year.

43. What is the long-term strategy to fix the state's budget issues?

We don't know. Everyone is encouraged to write their legislators in Sacramento expressing your concerns.

New Information: There are several organizations which are working on this issue at the state level including Repair California (www.repaircalifornia.org) and California Forward (www.caforward.org).

44. How can scrip impact funding?

Individual parent groups and booster clubs already benefit from the scrip program. Any additional income to the District would be minimal without expending too many resources to manage the program.

45. How can you maximize the spending that already occurs?

The District takes six months to develop the next year's budget. During this process, we analyze how we currently spend our dollars, review recommendations from the county and our outside auditors, explore alternatives, and look at what other districts are doing. The budget is approved by the Board. Public input is welcome at all stages.

46. Can the Board ask the Superintendent to form an exploratory committee for a parcel tax?

A member of the public may request such action from the Board at a scheduled Board meeting. As with all public requests, the Board would consider the item and determine whether to add discussion of alternate funding to a meeting agenda and ask that a committee be formed.

47. What are the costs involved with a parcel tax election and who pays those?

Some costs are born by the District and others by the campaign. The District is typically responsible for costs up until the election is called. After that, the District is not allowed to campaign. A survey typically costs between \$20,000 and \$30,000, depending on its scope. Consultant costs vary, but could run about \$60,000. Costs for the election itself are paid for by the District. The Measure G election cost about \$250,000. There could be additional costs for flyers, advertisements, etc.

48. Can we collect dollars for the school by adding a fee or tax to utilities from the City?

No, we do not believe this is possible; however, we will explore these types of options with the City.

49. How are teachers distributed in terms of pay on the salary schedule?

Scattergrams for certificated, classified, and management employees will be posted shortly on our website (navigate to Business Services, Budget Information).

The following are questions related to alternate funding that were answered by Larry Tramutola, CEO, Founder, and Chief Strategist of Tramutola LLC, a consulting firm providing planning strategy and campaign management for public agencies. Mr. Tramutola was invited to attend the January 5 Community Forum as a resource to answer questions related to parcel tax initiatives. He was not compensated for his appearance, nor is there any formal relationship between PUSD and Tramutola LLC.

1. In a parcel tax election, how can you get a higher voter turnout or maximize the use of absentee ballots?

Just getting parents to vote isn't enough. You have to have the support of non-parents. A campaign needs to have a message that non-parents can relate to. In addition, you need to connect with likely voters (usually older non-parents) and motivate the less likely voters (usually parents). Vote by mail is becoming more popular and easier for many people. Some districts are choosing vote-by-mail elections which may give a greater opportunity to get non-voters to vote.

2. For non-parents, the selling point seems to be that a parcel tax protects home values. Is that still a good message? What are some other arguments?

It is usually a good idea to poll the community to find out what messages resonate. Quality schools in a community are beneficial for many reasons, including home values.

3. What is the best way to disseminate information to the community?

A parcel tax campaign involves a lot of work which actually starts before there is anything on the ballot. You have to persuade people. This can be done through mailings, telephone calls, and walking neighborhoods door to door.

4. Why do you recommend beginning a parcel tax effort 6 to 12 months in advance?

My advice is not to rush to a parcel tax measure. Just because you need money is not a good enough reason. The District has to be able to say what programs will be funded, determine an amount needed, and see if it is doable. The community has to know that one tax won't solve all of the funding problems. You also have to have a lot of people ready to work hard, and conducting a poll is a good idea. At this point, for Pleasanton Unified, a June ballot does not seem feasible. You can call a special election, but a parcel tax approved after June 30 cannot be collected until the following fiscal year.