

Q: How does the district generate operating income?

A: Most of the district's operating revenue is generated based on "Average Daily Attendance" (ADA) multiplied by the district's "Base Revenue Limit". ADA is generated by student attendance – every day a child attends school generates one day toward ADA (and a full ADA is perfect attendance for the school year). Funded ADA is measured through P-2, which is usually the end of March or early April each year. The Revenue Limit is an amount unique to our district, updated annually based on a complex state formula. In 2010/11, one ADA is worth about \$5,116, so one student attending school every single day through P-2 generates about \$5,116.

Q: Why does the district send layoff notices to so many teachers in the Spring?

A: California law requires that districts notify teachers by March 15 of the prior year if they might lay off the teacher for the following year. If teachers do not receive this notice by March 15, they cannot be laid off the following year, so districts often send out preliminary layoff notices as they are not sure of their State funding in the upcoming year.

Q: Why must the district cut its budget when it has received extra federal money, categorical flexibility, and class size reduction funding?

A: In the past several years, the State has "deficit funded" most districts in the State. This deficit amounts to approximately 18% of our "revenue limit" funding or about \$2.4 million in regular operating revenue in 2010/11. To help offset that loss of funding, the State provided flexibility in certain categorical funds; allowed us to exceed 20:1 in our primary grades yet maintain about 1/2 of our Class Size Reduction funding; and the Federal Government provided us with some one-time funding to help maintain staffing levels. Even with these offsets, we are still about \$1.1 million below our "revenue limit" funding level. And many costs continue to climb as our own funding declines.

Q: Why does the district have such large changes in its budget reports?

A: The district is legally required to prepare, and the Board to adopt a budget by June 30. Then they must update that budget for actual information through October 31 (1<sup>st</sup> Interim) and January 31 (2<sup>nd</sup> Interim). The initial budget is often adopted before the State has passed their own budget – in some years, the State misses the June 30 deadline by several months, but the district can never miss the June 30 deadline. As a result, the district must use a "best guess" when preparing the initial budget, then update it once the State has passed its budget and determined how it will actually fund California schools. Further complicating matters, the district doesn't really have an estimate of its student attendance rates until after December – yet those attendance rates drive our funding. So we update our budget both to comply with State laws, and to recognize actual changes that occur as we progress throughout the school year.

Q: Why do we continue to reduce staff and salaries when we've received extra money from the State and Federal governments, and we received extra ADA money in 2010/11?

A: Districts must legally adopt their budget by June 30. The State is subject to the same deadline, but they have no legal repercussions when they miss the deadline. In 2010/11, the State didn't pass their budget until mid-October. In June, California districts were warned that the State budget proposed a one-time funding reduction of approximately \$250/student, so our budget contained that one-time reduction in funding. When the State finally passed its own budget (in October), that proposal was dropped, although districts were warned the State may revise school funding downward mid-year, so be cautious about spending the funds. In these uncertain conditions, districts must be fiscally cautious.

The proposed \$250 loss was a one-time reduction – the bigger issue at hand is the ongoing deficits of approximately 18%. We are in the third year of receiving over \$2 million LESS than we are supposed to receive. In 2010/11, we lost \$2.4 million due to the State's deficit funding. Even with the positive offsets of Class Size Reduction funding, Categorical Flexibility, and Federal Stimulus Funds, we are still over \$1.1 million under our Base Revenue Limit funding level. The only way to stay fiscally solvent is through cost reductions. Meanwhile, our costs continue to grow – Special Education costs increase, employees continue to receive step and column, fuel costs continue to grow. This is comparable to a person being told by their employer *“ I am cutting your paycheck by 18% - I realize you still have a mortgage to pay and must feed your children and pay your utility bills and put gas in your car, but I am confident you will be just fine. To help you, I'll let you withdraw \$10/month from your retirement account – I know it isn't a lot, but it will help”*.

Although we have made significant reductions, both at the central office and at the school sites, we did keep smaller class sizes in 2009/10 while many other districts raised theirs – so we took longer to make major reductions which makes the fiscal shortfall even more pronounced. By 2010/11, we couldn't postpone those kinds of reductions any longer.

Q: Why must the district cut staff – can't it reduce other costs?

A: Approximately 74% of the district's general operating fund is spent on staff salaries and benefits. If we look at just unrestricted general fund dollars, almost 90% of the budget is made up of salaries and benefits. We've already reduced all other costs we have any control over. Fuel costs continue to increase, federally mandated Special Education services costs continue to increase, and there isn't much else we can cut. A vast majority of our budget is spent on people – as a result, if we are forced to make cuts, there isn't much we can cut except people.

Q: Why not cut administration?

A: In 2009/10 we started by cutting administrative costs. Central office staff and site administrators accepted furlough days, setting the example for all other employee groups. We also eliminated a .75 central office administrator position (20% of central administrators) and eliminated 1 site administrator (14% of site administrators). The central office ensures the district complies with the many educational and financial reporting and legal requirements, provides staff development, and provides a buffer between school site staff and the many legal and political demands of public education. Central office staff also provide leadership in implementing new programs cost savings ideas, and provide educational and budget guidance. Central office staff process payroll, pay bills, file the myriad required state

reports, oversee construction, ensure we comply with state testing and curriculum standards, oversee special education state and federal requirements, and essentially ensure teachers and site staff can focus on students.

Q: Why can't we use the proceeds from the sale of 1 Alp Way to help pay for teachers?

A: Education Code significantly limits how funds can be used that are derived from the sale of school facilities. The proceeds can be used to pay for site improvements and deferred maintenance, and for certain one-time non-operating costs. We did use some of the proceeds to pay for acquisition of a new attendance accounting system (a one-time non-operational cost), and with permission from the State (CDE) we set aside some of the proceeds to fund currently unfunded post-retirement benefit liabilities. However, the State won't approve use of these funds for any salaries or benefits. Most of the funds will be used for school site improvements which is in accordance with State law.

Q. What about Lottery funds – doesn't the Lottery help the schools?

A: While we appreciate the Lottery funds we do receive, this funding resource makes up about 1.8% of our General Fund – it is not a significant part of our budget.

Q: How were the Federal Stimulus Funds and the ARRA funds used?

A: In accordance with the purpose of the funds, we used ARRA (in prior years) and Federal Stimulus (in the current year, and planned in 2011/12) to fund teachers that we would otherwise have had to release. The funds are specifically to save or create teaching jobs.

Q: Why aren't all districts in San Mateo County making significant reductions?

A: Many districts in this county are "Basic Aid" districts, which means their property tax base is very high, and the school districts in those communities receive more property taxes than they would receive in State funding. The law allows them to keep that higher local funding, so they aren't reliant on the State for funding. This is an unusual scenario – not many districts in this State are Basic Aid, but we have several in our County that qualify for this alternative, higher funding. Generally, those communities with a high level of newer industry or a very high value of private property that has been sold in recent years (thus the owners pay higher property taxes) may be Basic Aid districts. These districts are not deficit funded, and some receive very high levels of local funding, thus are immune from the significant reductions experienced by most districts in the State. Millbrae is not a Basic Aid district.

Q: Does a student generate enough money to pay for a teacher?

A: A class room of students generates enough ADA to pay for the teacher, but there are more costs involved in educating students than just the cost of a teacher. Part of the ADA revenue pays for textbooks and classroom supplies, custodial, maintenance, and facility costs, support and operational costs, and funding toward Special Education costs. With the current funding deficits, there is less and less money available to cover all these costs.

Q: How can the district afford to paint the schools and improve the fields when we are in such a budget crisis?

A: School districts receive some funds that are legally restricted to certain uses. We have bond funds that can only be used for facility improvements as approved in the bond plan. Both the district and the City of Millbrae used funds legally earmarked for the field improvements.