

We are pleased Governor Brown recognizes education has taken more than its fair share of cuts over the past three years. In FCUSD, we have taken furlough days and laid off over 150 employees resulting in reduced instruction time, increased class sizes, and fewer options for students.

With the Governor's unveiling of his budget plan for education, it is clear that we will have to plan for two budget scenarios as the legislature slowly grinds through the process. Under the best case scenario, we will only have to make budget reductions of \$700,000. If the Governor's proposal for education is not approved by the legislature and the voters in June, we could be faced with an additional \$11.7 million budget shortfall. There is insufficient one-time revenue to mitigate a further cut of that proportion.

The Governor is pushing to have a special election in June for voters to consider extending the tax increases scheduled to end this fiscal year. If approved, education will be funded in 2011-12 at the same level as 2010-11. For FCUSD, this "best" case scenario will still mean some budget adjustments, but not cuts to the magnitude if the special June election fails.

If the June election passes, we will utilize one time federal jobs bill funds received in October and one time state revenue to mitigate the loss of federal stimulus dollars, and increases in operating expenditures including utilities, gasoline, health benefits, salary raises based on increased education and experience, and the sun-setting of the one-year agreement on furlough days.

If the June election does not pass and Proposition 98 is suspended, education could be cut an additional \$615/student for a loss of almost \$11.7 million to our District. This is on top of reductions (\$32 million through the deficit factor) the state has already imposed on K-12 districts over the past three years.

Since there are significant unknowns at this time that are out of our control, we must plan for the worst case scenario and hope for a better outcome at the state level. The time line for decisions is rapidly approaching due to the March 15 legal deadline for preliminary layoff notices to certificated employees. Because we must present a plan for budget reductions, concurrent with the Second Interim Financial Report, to the County Office by March 15, the superintendent has prepared a preliminary list of reductions. These recommendations are intended to begin a process for gathering input from staff, students, parents, and community members that will be considered in formulating final recommendations to be presented at the February 17 Board meeting.

Budget forums are scheduled for Tuesday, February 8 and Wednesday, February 16. Board discussion and action on budget cuts and preliminary certificated layoff notices is scheduled for Thursday, February 17, 2011.

We don't want to issue layoff notices, but we must present a budget plan to the County Office of Education by March 15. It will leave many employees in limbo until after the June election. Parents and students will be questioning the level of service and quality of education that the District can offer under the worst case scenario at the same time we are trying to improve our

educational options and market FCUSD to retain and recruit new students. As you know, our District's enrollment declined for the first time since the early 1990s when the Mather Air Base closed. Declining enrollment has a huge negative impact on the fiscal stability of a district. Marketing our District may seem odd in the midst of the fiscal climate, but parents and students do have other choices.

We are continuing to negotiate with the bargaining groups. The District is proposing a contingency plan through the negotiations process with all employee groups that would only be implemented if the Governor's funding for education does not materialize through the state budget process and June election results. We are hopeful that an agreement can be reached quickly to avoid layoff notices.

After years of budget cuts, loss of employees, and reductions in services to students, this year could be different. If the Governor's proposed funding for education remains intact through the legislative and voter process, this could be the first year the state revenue for education remains the same rather than reduced. There will still be no cost of living adjustment (COLA). Education funding is still 19% below the Proposition 98 guarantee. California still ranks 43rd in the nation for education funding. But, 2011-12 could see a faint light at the end of the tunnel, and this time it is not a train.

The Board is required to adopt a budget before June 30, 2011. Between now and then there will be numerous adjustments and multiple opportunities for the Board, staff, parents, and community members to bring forth ideas and concerns. And we anxiously await action at the state level.