



FREMONT
UNIFIED SCHOOL
DISTRICT

BOARD OF EDUCATION

Bryan Gebhardt

Lily Mei

Larry Sweeney

Ivy Wu

Lara York

James Morris, Ed.D.
Superintendent
(510) 659-2542

Steve J. Betando
Assistant Superintendent,
Human Resources
(510) 659-2556

Deborah Sims, Ed.D.
Assistant Superintendent,
Instruction
(510) 659-2583

Micaela Ochoa
Assistant Superintendent,
Business
(510) 659-2572

4210 Technology Drive
P.O. Box 5008
Fremont, California
94537-5008
(510) 657-2350

<http://www.fremont.k12.ca.us>

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Dear Employees,

The budget news coming out of Sacramento remains inconsistent. It is not possible to anticipate what will happen from one day to the next. As we try to make sense of the complex State budget deliberations, one thing is clear, until the Governor and the legislature have both approved a final budget, we will remain in a state of uncertainty and cannot accurately understand how the budget will impact students and staff.

While the Board of Education can only approve one budget, we are attempting to respond to the elusive State budget by simultaneously planning for two different budget scenarios; one budget which assumes funding at the same level as we had this year (best-case scenario, also referred to as flat funding) and another budget scenario that assumes funding will be reduced by \$495 per student (worst-case scenario). On May 25, 2011, the Board of Education directed staff to submit a budget based on flat funding to the County Office of Education with a separate back-up budget plan for cuts should the Governor's proposed budget not be enacted. It is our shared responsibility to develop a budget that protects the fiscal solvency of the District and uses available resources to support student achievement. Together we have successfully faced several years of challenging budget cuts by *keeping our eyes on the prize* and focusing the best interest of our students, staff, and families. From 2008-2009 through 2010-2011, the District has experienced a revenue-limit loss of \$95 million dollars so any additional revenue loss will be very difficult to absorb.

THE STATE BUDGET BUILDING JOURNEY

When Governor Brown began budget planning for 2011-12, California was facing a \$26 billion budget deficit. Initially, he proposed filling that budget gap through a combination of expenditure reductions and the extension of temporary taxes.

On May 16th, Governor Brown released his revised budget proposal, commonly called the *May Revise*. This latest budget proposal reflects expenditure reductions already passed by the Legislature and new State revenue projections. Since the January proposal, the Legislature approved \$11 billion in expenditure reductions and \$2.4 billion in other budget solutions. In addition, the Governor's latest budget proposal contains higher revenue projections estimated at \$3.6 billion in 2011-12 with a total increase of \$6.6 billion over the next two budget years. Together, these factors have reduced the projected 2011-12 budget deficit from \$26.6 billion to \$9.6 billion dollars.

The Governor continues to propose bridging the remaining \$9.6 billion budget gap through the extension of temporary taxes, though this proposal has met continued resistance from Republican legislators. The Governor remains optimistic that Republican legislators and voters will vote to extend the temporary taxes. If this happens, K-12 school districts would likely receive per pupil funding for 2011-12 at levels similar to 2010-11. This scenario is termed *flat funding* and we see this as our best-case scenario.

If the tax extensions are not approved, the 2011-12 budget deficit will result in additional budget cuts and it is almost certain that education will not be spared. Projections on the cuts that education could face range from \$2 to \$6 billion.

WHAT DOES THIS MEAN TO FREMONT SCHOOLS?

While the budget being prepared is predicated on flat funding, the administration is also developing a back-up plan for a possible cut of \$495 per student. A reduction of \$495 per student would require us to address a projected deficit of approximately \$21 million. However, we realize the cut could be worse in an all-cuts budget. While the Governor has recommended that Districts plan budgets based upon his latest proposal with flat funding, it is likely that there will be more severe cuts if there are no tax extensions.

Our District has made careful and difficult decisions, as well as deep cuts over past several years. The cuts have been very difficult and our Board of Education has stated clearly that it has no desire for staff to continue suffering reductions in pay, hours, or positions, unless it is absolutely necessary to maintain the District's fiscal solvency. With the current budget uncertainty, we could either be in sound fiscal shape with flat funding or in a very difficult place if additional cuts are enacted. The shared sacrifices made by employees and the community in recent years, through furlough days, increased class sizes, staffing reductions and other cuts, have kept the District solvent and will help us through these turbulent fiscal times. Our community has come through for us with the passage of Measure K to help mitigate the severe cuts we have made. Because of our strong track record of working together to face these tough economic times, the Board of Education rejected a proposal to issue layoff notices to personnel earlier this spring.

In a gesture of trust that employees will again approve shared sacrifices if deep cuts are enacted, the Board of Education directed staff, at its meeting on May 25, 2011, to develop a budget based on flat funding. Although this is our best-case scenario, the Board stated that it knows the employees have given concessions over the past two years when necessary and is confident that the Fremont community will work to keep the district solvent if the condition worsens. As a result, staff was directed to build a budget based on no further revenue reductions. Staff has begun developing the budget as instructed by the Board of Education for adoption on June 22, 2011. However, staff will also submit to the Board of Education a report of proposed, non-negotiable reductions, should cuts be necessary. This report will be presented on June 8, 2011.

WHERE DO WE GO FROM HERE?

Due to the uncertainties of the current budget situation, we will continue to act prudently and responsibly regarding potential cuts and personnel reductions. We are negotiating with our unions to develop expenditure reduction plans that can be implemented if funding remains flat or if funding is reduced. As we move forward in these ever-changing times, we will continue to work in a collaborative manner with our entire community. As information becomes available, we will continue to update you.

As I visit schools and see the quality of the interactions between students and their teachers, classified staff, and administrators, I am continually reminded that our profession is a noble one. Serving students in these challenging times is not easy work and the employees of this District are known far and wide for providing an exceptional education for students. I thank you for your patience and your continued focus on students through this time of budget uncertainty.

Sincerely,



James Morris