

JUN 7, 2017

Dear Team PUSD,

Congratulations to all of our graduates and promoting students, and congratulations to all of TeamPUSD for playing such a huge role in our students' success. As our school year winds down, I wanted to take this opportunity to thank you for your hard work and dedication. I also wanted to provide you an update on PUSD's budget now that our Finance Team has been able to determine what the Governor's May revised budget means for our District.

On the surface, the Governor's May revision was more favorable than his January proposed budget. The Governor's revised budget now estimates state revenues have increased by \$2.5 billion over three years (2015-2018). Some of that money comes to education; however, the Governor is still proposing to reduce the Proposition 98 minimum guarantee to fund education by \$1.2 billion, as well as proposing the deferral of the one-time discretionary funds of \$859 million that would have been provided to school districts in 2017-18 and instead won't be provided until May 2019! Recently, Ron Bennett of School Services of California, provided District leaders with an in-depth explanation on the Governor's May budget revision and its effect on all K-12 schools across the state. [You can view the video here.](#)

As we have explained in previous communications, Poway is further disadvantaged because we are a low-funded district under the Local Control Funding Formula (LCFF), among the lowest in San Diego County, in fact. As a result, PUSD LCFF revenues, are anticipated to increase only about 2% per year over the next three years, while expenditures (including health and welfare, step and column, cost of fuel (new gas tax), operational costs, and STRS/PERS costs) will increase at a rate of 4% per year on average. For Example, for 2017-18 our projected expenditures are \$368,181,846 while revenues are projected at \$350,908,784. The District will have to dip into its reserves next year to balance our budget.

The state-mandated increases in employer contributions to STRS/PERS are making the most dramatic impact on school district's budgets across California. Last year, PUSD paid approximately \$3 million in STRS/PERS costs. This amount will increase each year and will double in four years time! While this is a benefit for all employees upon retirement, this was an unexpected and unplanned mandate that has districts struggling to financial obligations. An example of the effects can be seen at our neighboring districts who have had to issue hundreds of pink slips to their employees in order to balance their budget. At this point in PUSD's budget cycle, in order to balance the budget, the Finance Department is proposing as much as \$8 million in cuts for 2018-19 and \$6 million in 2019-2020. Staff, program, and service reductions will be unavoidable unless State funding increases.

During the recession our District lost a great deal, and we have yet to fully recover. Since then, we have managed to do more with less, with an ongoing focus on our students and guidance from our Local Control Accountability Plan (LCAP). The LCFF funding we receive requires us to demonstrate measurable improvement in student performance and increases in academic programs that benefit students. We have implemented programs such as Xploration, Early Literacy training, and Response to Instruction and Intervention, and reclassified and increased the hours of LMRTs in our libraries. However, resources are constrained and we will have difficulty allocating funds for additional curricular resources, employee raises, or to modernize our facilities. These resource-allocation decisions will only grow more challenging in the years to come.

I would like to address the misconception that District managers are receiving raises. This is simply not true. Upon the hiring of any new employee, that employee is placed on a salary schedule, which includes step and column. The same applies for recent management hires and all other District employees. Any yearly increases in salary for all employees are based on the step and columns established by their respective salary schedules.

We must take a proactive, creative and collaborative approach to working our way out of this multi-year “deficit” scenario. This work we will need to accomplish together, with our staff, employee associations and our community. Assuredly, we will continue to balance our budgets while also maintaining our high-quality educational programs for Poway students. I am confident PUSD can and will do what is best for our students, staff, and stakeholders. The Board will adopt the final budget for 2017-18 at its June 29th meeting, where public comment is welcome.

You can continue to submit questions or suggestions via this email address: PUSDBudget@powayusd.com.

Have a great summer. I hope you find time to recharge and refresh.

Sincerely,
Your Superintendent,
Marian Kim-Phelps, Ed.D.