

Superintendent's Comments

The California state budget crisis continues to be a dark cloud over funding for K-12 education in general, and Vocational and Adult Education in particular. MetroED responded to the funding crisis in a deliberate and responsible manner, implementing more than 12% (\$4.4 million) in one-time and on-going budget cuts, including staff reductions of nearly 16 fte, for the 2002-03 and 2003-04 fiscal years. The organization has continued to identify opportunities for cost savings and increased efficiencies. The 2004-05 transfer of financial system support to the Santa Clara County Office of Education is saving the district nearly \$100,000 per year. The migration of the student attendance system from RCAP to Schoolhouse Software is expected to save the district another \$60,000 per year. Throughout the organization, efforts are underway to increase efficiency and employee productivity by automating and computerizing activities.

The Governor's recently released "May Revise" to his proposed 2005-06 budget contained both good and bad news. On the bad news side, the Governor continues to ignore the "deal" that he made with the Education Coalition for the 2004-05 budget, by not restoring more than \$3.1 billion owed to K-14 education. This lowered the Proposition 98 base for 2005-06, thereby creating a double penalty for education in the budget year. In addition, the May Revise continued to include the Governor's proposal to shift \$469 million in state STRS costs to education, which means additional costs to MetroED of \$142,246 per year. On the good news side, the Revenue Limit COLA increased from 3.93% in January to 4.23%, plus growth for both Vocational and Adult Education. Moreover, the Governor's budget proposal contains full funding for Deferred Maintenance.

While the district has successfully adjusted its operations to reflect lowered revenues, it is now in a position to start rebuilding, cautiously, in terms of student services, more competitive salaries for district employees and facility improvements. The rebuilding started slowly in 2004-05, and continues into the budget year. For example, the Governing Board will be asked at its June 8, 2005 meeting to approve a 2.41% salary increase for all district employees, retroactive to July 1, 2004. The 2004-05 budget restored two CCOC program representatives, and the 2005-06 budget includes the addition of a full time CCOC student Counselor. The proposed budget for Adult Education anticipates restoring a third Assistant Principal. Facilities needs that have gone unmet for the last 2-3 years will now receive a much-needed attention from Deferred Maintenance and QZAB funds.

The proposed budget for fiscal year 2005-06 reflects the district's goals and program priorities as detailed in the Executive Summary, and throughout the budget documents. However, I would like to highlight the following issues and areas of concern that need attention during 2005-06.

1. Employee Salaries: Salaries for all MetroED employees need to be reviewed, and adjusted where possible, in order to attract not only the best, but to also promote advancement within the organization.
2. ROC/P Program Relevance: The Governor has made Career Technical Education (CTE) a priority in his educational reform proposals. This has raised awareness throughout the state about the value and importance of CTE as an educational option. It is imperative, therefore, that ROC/Ps are able to meet heightened public expectations by providing courses that hold value for CTE students. Our budget reflects the emphasis on relevancy as CCOC adds four new classes and eliminates two that have lost participation. During 2004-05, 21 community college courses were articulated for CCOC classes, bringing the total to 126 courses (246 credits). For the coming year, we need to continue adding value with additional articulation credits. We need to modify and/or add courses where appropriate to increase relevancy to students, and we need to work with our partner districts to add academics where possible. We need to increase awareness of our programs throughout the community, at the high schools of our participating districts and with potential students.
3. District Participation in ROC/P Programs: The MetroED Average Daily Attendance cap for ROC/P is currently at 4,001 and is expected to grow by more than 100 each year. Adults comprise nearly one-third (967) of that ADA, in the CCOC program, cosmetology schools and the Job Corps program. We know that about 25%-30% of the students who start high school do not finish and about 40% of those who graduate do not go on to higher education. Most of these former students attempt to enter the workplace with little or no technical or vocational training. Clearly, we are not effective in making CTE opportunities available to help keep these kids to stay in school and provide them with technical skills to be productive citizens. We need to maximize the value of ROC/P to our member districts and their students by increasing the participation of high school students at both CCOC and in the ROP classes offered at the high schools. This means increasing program relevancy, providing attractive and welcoming facilities, quality teachers and administrators and increasing program awareness among high school students.
4. CCOC Facilities Modernization: Our CCOC facilities are approaching 40 years in age and are showing signs of wear and tear. They need to be modernized. While MetroEd does not qualify for state modernization funding, the District has been able to take maximum advantage of other opportunities. CCOC facilities received new roofing and HVAC under two deferred maintenance hardship grants totaling \$2.4 million. The State Allocation Board (SAB) has approved a new \$514,508 hardship application for replacement of seven transformers on the CCOC campus. An additional \$550,000 of deferred maintenance projects will be completed over the next two years, and

the district has qualified for a \$1 million Qualified Zone Academy Bond (QZAB) for renovation of building 700. However, these activities are only small “fixes” for a campus the size of a small high school. Comprehensive modernization will cost anywhere from \$15 to \$30 million. MetroED is in the third year of trying to pass state legislation to qualify Regional Occupations Centers for state modernization funding. Should this legislation pass, we must still come up with \$6-\$12 million in matching funds. Recently, MetroED has looked to excess property taxes as a source for accumulation of matching funds. Unfortunately, it looks as though this source will not be available for the foreseeable future, and we must look for alternative funding sources. The MetroED Budget Advisory Committee has acknowledged this as a serious and urgent problem, and has advised us to start discussions with our district partners to identify alternatives. I agree, and will be moving this issue forward this coming year.

5. ROC/P Equalization: In 2003-04, MetroED and its partner districts addressed the issue of funding equalization for ROP classes. The 2005-06 budget is the second of a three year plan to bring equalization to the funding model. Equally important is the problem of equalization of participation at CCOC and with the number of ROP classes in our participating districts. At the request of the participating district Superintendents, this matter was postponed for one year. It is now time to start this process to develop a plan for equalizing participation opportunities.

At MetroED, we are committed to maximizing student outcomes, both for our high school and adult students. Our district goals and objectives are designed to make that happen. This proposed budget as presented to the Governing Board on behalf of the administration represents the best possible plan for expenditures within the resources that are available in order to accomplish these goals.

I would like to thank all the staff, and the Budget Advisory Committee, for their assistance in the development of this proposed 2005-06 final budget. I would also like to thank the members of the Governing Board whose guidance provides us direction and support in the development of a budget.

I recommend this budget for approval by the Governing Board.

Professionally,

Tim Hallett
Superintendent