

In the last four years, district revenues have increased due to student growth and state base support level increases designed to provide for inflation and retirement increases. The state's share of district revenues has increased due to student growth, inflationary funding, shifting of property tax responsibilities from business to the state, and legislative suspension of county equalization taxes. District expenditures have correspondingly increased, primarily due to inflationary increases in utility rates, retirement contribution rates, health care costs, special education, and transportation costs.

The district believes that the sound fiscal management demonstrated combined with the outstanding instructional and support staff contributes directly to the district's 7 excellent and 2 highly performing schools. We believe that the 2008-2009 budget reductions will be managed with travel reductions, capital and hiring freezes, foregoing current capital needs, reduced professional development, and expenditure of carryover funds. Proposed 2009-2010 reductions will more substantially impact district operations and staffing.

Legislative Reductions

The Arizona legislature has enacted the following cuts to 2008-2009 school district funding:

- Reduce state funding for the base support level by \$98,198,000.
- Reduce state funding for the soft capital allocation limit by \$21,000,000.

The Glendale Union High School District specific funding reductions are:

- Reduce state funding for the base support level by \$1,658,583. This is a **1.7% reduction** to our maintenance and operation budget. The maintenance and operation budget provides for day to day operating expenses such as staff salaries, benefits, professional development, utilities, repairs, transportation, printing, private school tuition, and supplies.
- Reduce state funding for the soft capital allocation limit by \$351,088. This is a **10.5% reduction** to our soft capital allocation. The soft capital budget is used to purchase technology, textbooks, library resources, instructional aids, pupil transportation vehicles, furniture, and equipment.

In January the House and Senate Appropriations Chairmen presented legislative options to further reduce 2009-2010 school funding by almost 900 million dollars. We have estimated these options could reduce Glendale Union High School district operating and capital budgets by 10-13 million dollars.

Another funding concern is the unfunded building renewal formula. State building renewal funding is used for major renovation and repairs of buildings, upgrading systems, extending building useful lives, and infrastructure costs. Since 1999 the district has received approximately 20 million dollars less than the statutory formula. In 2008 the district received \$1,171,265 of the \$5,164,322 formula. The state has not provided any funding for 2008-2009 and is not expected to provide any funding for 2009-2010.

Financial Analysis (4 year history)

To promote accurate discussion we are providing an additional analysis of the district's maintenance and operation (M & O) funding and how it has changed from 2004 to 2008.

Financial Highlights from 2004 to 2008:

- Total M & O revenues have increased approximately 17 million dollars or 21.6%. The increase comes from the weighted student count (includes adjustments for high school support level and special education students) that increased 7% and the base support level that increased 14% (funding for inflation and benefit costs).
- State equalization funding has increased approximately 12.5 million. Some of this is due to the state suspending the county equalization tax and providing the funding through state equalization. Additionally legislative action has reduced the property taxes for businesses, electing to replace this funding with state equalization.
- District M & O expenditures have increased approximately 16 million dollars or 20.3%.
- The district expenditure increases are primarily due to higher benefit costs, additional plant costs (utilities and maintenance), special education, and transportation costs.
- Higher benefit costs reflect a 66% increase in the Arizona State Retirement Contribution rate and higher medical insurance costs.
- General (district office, board and superintendent) administration and school administration (principal's office) has increased only 1.68%.
- Group B Add On weight has increased 30%. This reflects the district's special education population severity and results in additional funding and costs.