LUCIA MAR UNIFIED
SCHOOL DISTRICT

Engage. Challenge. Inspire.

OFFICE OF THE SUPERINTENDENT
602 Orchard Street
Arroyo Grande CA 93420

Ph 805.474.3000 ext 1080
Fax 805.481.1398

COPY

September 12, 2012

Presiding Judge Barry T. LaBarbera
Superior Court of California
1050 Monterey Street
San Luis Obispo, CA 93408

Dear Judge LaBarbera:

Enclosed you will find the required responses of the Lucia Mar Unified School District to the San Luis Obispo County Grand Jury report, dated June 26, 2012, and titled *Are Paso Robles School Budgetary Woes a Lesson for Other Districts?*

We fully concur with the comments of San Luis Obispo County Superintendent of Schools Julian Crocker regarding this report. We appreciate the warning and caution regarding the need to exercise extreme prudence and careful oversight of the budget, including concerns about deficit spending and the need for continuing budget cuts so that we can meet our financial obligations, not only for the coming year but for future years as well. Lucia Mar has reduced expenditures in order to not deficit spend in FY 2010-2011 and unaudited actuals indicate the district also did not deficit spend in FY 2011-2012. Lucia Mar will also continue to explore other revenue options, including the possibility of going out for a parcel tax or bond measure.

If you have any questions regarding our response to the Grand Jury findings and recommendations, please don't hesitate to contact me.

Sincerely,

Jim Hogeboom
Superintendent

Enclosures

JH:jw

c: San Luis Obispo County Grand Jury

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SLO COUNTY GRAND JURY

Response to Grand Jury Report Form

Report Title: **Are Paso Robles School Budgetary Woes a Lesson for Other Districts?**

Report Date: **June 26, 2012**

Authorized Responder: **Jim Hogeboom, Superintendent, Lucia Mar Unified School District**

Grand Jury FINDINGS:

- **I (we) agree with the findings numbered:**

  #1 (Board's Fiscal Responsibility)
  A primary responsibility of a governing board is financial oversight and accountability.

  #6 (Qualified Interim Report for Lucia Mar Unified School District)
  The County Superintendent has issued "qualified" warnings to four other school districts, Atascadero, Lucia Mar Unified, San Miguel Joint Unified, and Shandon Joint Unified, and suggested they make new budget cuts to remain solvent over the next two years.

- **I (we) disagree wholly or partially with the findings numbered:**

  #2 (Board Training and Fiscal Oversight)
  Governing board members overseeing the county's ten districts, similar to governing board members statewide, are offered education and training in school district budgeting and financial oversight, but seldom take maximum advantage of the workshops offered. See Attachment 1

  #3 (Deficit Spending)
  All ten school districts in San Luis Obispo County are currently in deficit spending. See Attachment 2

Grand Jury RECOMMENDATIONS:

GJ Recommendation number 2:
Each governing board in the county should establish a policy requiring new board members to attend a minimum of two days of education on school district budgeting and financial oversight. Each governing board should also require follow-up financial training for board members annually.

LMUSD Response:

Recommendation number 2 as stated has not yet been implemented, but will be considered for future implementation.

Current Board Bylaw 9230 "Orientation" addresses new board member orientation which also includes general guidelines for training for new members in district areas that include finance, policy, collective bargaining, etc. Board Bylaw 9240 "Board Development" also addresses board member development and importance of continuance of training for all board members which, on average, far exceeds 16 hours annually on financial oversight and school district budgeting. The recommended language for inclusion will be proposed for the board's consideration during policy revisions at its October meetings.

Timeframe for implementation of Recommendation number 2:

October 2, 2012: School Board will consider adding language in a first reading of revised Board Bylaw 9230 to require new board members to attend a minimum of two days of education on school district budgeting and fiscal oversight, as well as follow-up financial training for board members.
October 16, 2012: School Board will take action on proposed revision to board policy stated above.

GJ Recommendation number 5:
The Governing Boards of Atascadero, Lucia Mar, Paso Robles, San Miguel, and Shandon school districts should seriously consider a parcel tax as a revenue source and educate the public about its importance and viability.

LMUSD Response:
District Staff continues to investigate all revenue sources for the board's future consideration including a parcel tax option. A staff report is planned for the board in the 2012-2013 school year. The Lucia Mar Unified School District agrees that educating the public about school finances is important.

Date: 9/12/12 Signed: Jim Hogeboom

Number of pages attached: 11 attached

Report Title: **Are Paso Robles School Budgetary Woes a Lesson for Other Districts?**

Report Date: **June 26, 2012**

Authorized Responder: **Jim Hogeboom, Superintendent, Lucia Mar Unified School District**

STATEMENT for FINDING #2

GJ Finding #2: Governing board members overseeing the county's ten districts, similar to governing board members statewide, are offered education and training in school district budgeting and financial oversight, but seldom take advantage of the workshops offered.

Lucia Mar Unified School District Board Members receive education and training through a variety of offerings. Each new school board member initially receives district-provided information and orientation about our budget. Topics include history of school finance, current sources of funding and restrictions (including federal, state, and local revenues), budget timelines, collective bargaining, and current forecasts and legislation. These trainings are offered in small groups as well as individually to accommodate personal schedules. The California School Boards Association (CSBA) offers a New Board Member Workshop just prior to its annual conference and our new board members attend this full-day workshop. The County Office of Education also offers a new board member workshop in January covering a variety of topics including fiscal accountability.

As pointed out in the attached response by San Luis Obispo County Superintendent of Schools Julian Crocker in Attachment #1 of his response to the Grand Jury report, organizations such as the California School Boards Association (CSBA), the Association of California School Administrators (ACSA), School Services of California (SSC) and others provide regular training regarding the topic of budgets and fiscal oversight. The Lucia Mar Unified School District Board Members, both new and veterans, regularly attend the annual CSBA conference, including offered budget and finance sessions, as well as others. In addition, a portion of almost every board meeting over the past four years has been devoted to budget updates and fiscal reports that help to educate our Governing Board Members regarding the most recent budget information, locally as well as statewide and nationally as it impacts our own district budget. Special board study sessions on the budget and Superintendent's budget advisory committee meetings are additional opportunities during the year when focused budget and financial information is covered.

Report Title: **Are Paso Robles School Budgetary Woes a Lesson for Other Districts?**

Report Date: **June 26, 2012**

Authorized Responder: **Jim Hogeboom, Superintendent, Lucia Mar Unified School District**

STATEMENT for FINDING #3

GJ Finding #3: #3 (Deficit Spending)
All ten school districts in San Luis Obispo County are currently in deficit spending.

Though yet unaudited, the Lucia Mar 2011-2012 Unaudited Actuals indicate that though the school district budgeted for deficit spending, we reduced expenditures sufficiently that we did not deficit spend in fiscal year 2011-2012 (nor in FY 2010-2011)!

ATTACHMENT #3

Report Title: **Are Paso Robles School Budgetary Woes a Lesson for Other Districts?**

Report Date: **June 26, 2012**

Authorized Responder: **Jim Hogeboom, Superintendent, Lucia Mar Unified School District**

ADDITIONAL EXHIBITS AND REFERENCES

I. Response to SLO County Grand Jury report by Dr. Julian Crocker, County Superintendent of Schools

II. Lucia Mar USD Board Bylaw 9230-Orientation

III. Lucia Mar USD Board Bylaw 9240-Board Development

I

SAN LUIS OBISPO COUNTY
OFFICE OF EDUCATION
LEADERSHIP • COMMUNITY • SERVICE
JULIAN D. CROCKER, SUPERINTENDENT

August 27, 2012

Presiding Judge Barry T. LaBarbera
Superior Court of California
1050 Monterey Street
San Luis Obispo, CA. 93408

Dear Judge LaBarbera,

Enclosed you will find the required responses of the San Luis Obispo County Office of Education to the San Luis Obispo County Grand Jury report, dated June 26, 2012, and titled *Are Paso Robles School Budgetary Woes a Lesson for Other Districts?*

I had the opportunity to meet with the Grand Jury, and with a subcommittee of the Grand Jury, on several occasions during their investigation. I want to acknowledge the dedicated and conscientious effort that the Grand Jury demonstrated in educating themselves about the relatively complex matter of school finance in our state and county. Although the Report focuses on the fiscal difficulties facing the Paso Robles Joint Unified School District, by implication the Report highlights the extreme fiscal difficulties faced by all school districts in our county.

Although I agree or partially agree with all of the Findings, I also believe that the Report contains a significant omission in not acknowledging that the fiscal difficulties facing all local school districts are primarily the result of drastic reductions in state funding. The Report makes no reference to the fact that school districts are now receiving about 75 cents for every dollar owed to them by the state. In our county, this has caused a loss of $50 million over the last five years. Because local school districts have, for all practical purposes, no means of significantly increasing their revenue, the only thing left for a local Board of Trustees is to reduce expenditures.

As you know, these reductions have resulted in dramatically increased class sizes, loss of specialists, reduction in course offerings, employee layoffs, shortened school year, etc. I make reference to this omission since one could read the Report and draw the conclusion that if local board members only became better educated, and districts stopped deficit spending, then things would be all right. I know this was not the intention of the Report, but I do believe the omission

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of any reference to the current context within which local boards must operate is significant and a missed opportunity to fully inform our public.

Currently, California is ranked 46th out of 50 states in educational spending per student, according to *Education Week* (Jan. 2012). It would take an estimated additional $100 million dollars for San Luis Obispo County to just be at the national average of per student spending, much less being competitive with the top spending states of Wyoming, New York and New Jersey. I close with this picture to emphasize the magnitude of the fiscal difficulties faced by our local school districts.

Sincerely,

Julian D. Crocker

Julian D. Crocker
County Superintendent of Schools

Enclosures

JC:sr

C: San Luis Obispo County Grand Jury
School District Superintendents, San Luis Obispo County

REPORT TITLE: *Are Paso Robles School Budgetary Woes a Lesson for Other Districts?*

REPORT DATE: *June 26, 2012*

AUTHORIZED RESPONDER: *County Superintendent of Schools for the San Luis Obispo County Office of Education.*

FINDINGS:

- I (we) agree with the findings numbered:
  - *#1 (Board's Fiscal Responsibility)*
  - *#4 (Negative Interim Report for PRJUSD)*
  - *#6 (Qualified Interim Reports for Four Districts)*
  - *#9 (Advice to Prepare Budgets Assuming November Tax Measure Fails*
  - *#10 (Lottery Proceeds)*
- I (we) disagree wholly or partially with the findings numbered:
  - *#2 (Board Training on Fiscal Oversight)*
  - *#8 (Basic Aid Districts - Substantial Reserves & Minimum Disruption*
  - *#11 (Parcel Tax)*

  (Attach a statement specifying any portions of the findings that are disputed; include an explanation of the reasons.)

RECOMMENDATIONS:

- Recommendations numbered *#1 (SLOCOE to Develop Education and Training Program for Governing Board Members)* have been implemented.
  (Attach a summary describing the implemented actions.)
- Recommendations numbered ____________ have not yet been implemented, but will be implemented in the future.
  (Attach a timeframe for the implementation.)
- Recommendations numbered ____________ require further analysis.
  (Attach an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the grand jury report.)
- Recommendations numbered ____________ will not be implemented because they are not warranted or are not reasonable.
  (Attach an explanation.)

Date: Aug. 27, 2012 Signed: Julie V. Cratcher

County Superintendent of Schools

Number of pages attached: 3

Attachment #1

REPORT TITLE: ***Are Paso Robles Schools Budgetary Woes A Lesson for Other Districts?***

REPORT DATE: ***June 26, 2012***

AUTHORIZED RESPONDER: ***County Superintendent of Schools for the San Luis Obispo County Office of Education.***

STATEMENTS for FINDINGS #2, #8 & #11

Finding #2 (*Governing board members overseeing the county's ten districts, similar to governing board members statewide, are offered education and training in school district budgeting and financial oversight, but seldom take maximum advantage of the workshops offered.*)

The San Luis Obispo County Office of Education partially disagrees with Finding #2. The County Office of Education is in agreement that education and training in school district budgeting and financial oversight is offered to Governing Board members. Formal training (i.e. workshops, seminars, conferences, webinars, etc.) in the areas of district budgeting and financial oversight is provided by several statewide organizations, primarily the California School Boards Association (CSBA), and locally by individual districts and the County office of Education. Our disagreement is with the degree that board members avail themselves of these trainings. There is little definitive data on board members' attendance at these formal sessions, and therefore we do not know how many board members take advantage of these trainings. Statewide organizations also offer online webinars in the area of school finance and district budgeting, however our office does not have access to the participation rate in these sessions by local governing board members. In addition, it is common for extensive discussion and information regarding school budgets and financial oversight to occur regularly at the regular and special meetings of the governing board. Please note our response to Recommendation #1 which is related directly to this Finding.

Finding #8 (*Three Basic Aid districts, Cayucos, San Luis Coastal and Coast Unified, which receive revenue from local property taxes and have maintain substantial reserves, are expected to weather the current state budget crisis with minimal disruption of their education programs.*)

The San Luis Obispo County Office of Education partially disagrees with Finding #8. The County Office of Education is in agreement that the three "Basic Aid" districts mentioned have maintained larger reserves than "Revenue Limit" districts in the county. Our disagreement is with the statement that these districts have had "minimal disruption" to their educational programs and are expected to be minimally impacted by the state budget crisis. Each of these districts has lost substantial revenue from their "fair share" contributions required by the state in lieu of revenue limit reductions. Over the past three years, the total amount of these "fair share" reductions for the three districts amounts to $12,700,000. For example, the adopted budget for the current school year (2012-13) for the San Luis Coastal Unified School District shows a further reduction of over $4 million. Reductions in expenditures of this magnitude translate into severely reduced program offerings for students and should not be characterized as "minimal disruption".

Our three Basic Aid districts may not be on "life support" yet, but they are certainly in the Emergency Room. It is also important to note that these three districts, just like the Revenue Limit districts, are deficit spending and their reserves are rapidly declining. There is also much uncertainty about the impact of either the passage or failure of the November 2012 tax election on these three districts, and these districts are all planning to make even more reductions for the 2012-2013 school year. In summary, it our position that all districts in our county have been adversely impacted to a significant degree by the state budget crisis and all are significantly short of being able to provide the quality educational program that our children deserve.

Finding #11 (*A parcel tax is a viable revenue source for school districts; however, the two-thirds voter approval requirement is a substantial challenge*).

The San Luis Obispo County Office of Education disagrees with Finding #11. We believe that the two-thirds voter approval requirement for a parcel tax is too great of a barrier to make this tax a "viable revenue source." The Grand Jury acknowledges this impediment as a "substantial challenge." A review of statewide data shows that it is primarily in very affluent communities, usually in the Bay Area, where parcel taxes have been successful. We remind the Presiding Judge that the most recent tax election in our county on school issues was the school facilities bond that passed in November of 2010 (Measure I-10) in the Atascadero Unified School District for $118 million. That measure did not reach the two-thirds requirement even though the proposed property tax was actually a decrease in what residents had been paying. Facilities bonds require a 55% passage and the Atascadero measure passed with a 64% majority. It is our belief that the current political climate will not support a local tax measure that requires a two-thirds voter approval.

Attachment #2

REPORT TITLE: *Are Paso Robles School Budgetary Woes A Lesson for Other Districts?*

REPORT DATE: *June 26, 2012*

AUTHORIZED RESPONDER: *County Superintendent of Schools for the San Luis Obispo County Office of Education.*

Summary to Describe Implemented Action in Response to Recommendation #1

BOARD CANDIDATE WORKSHOP: August 27, 2012, 5-7 pm at the County Office of Education. Offered for all candidates who are running for positions on governing boards in November 2012. Current board members whose positions are up for election but who did not have anyone else file will also be invited. Topics will include: *Role of the Board* (fiscal accountability, advocacy, goal setting, etc.); *Current Issues* (i.e. fiscal issues, achievement gap, etc.) and *Board-Superintendent Relationships*.

FUTURE BOARD MEMBER WORKSHOPS (After November Elections)

- November 28 - *Orientation for New Trustees: Preparation for the Frist 100 Days.* San Francisco. CSBA preconference event prior to the CSBA Annual Conference.

- November 29-December 1 - *CSBA Annual Conference* in San Francisco.

- January 19, 2013 (Sat.) - *New Board Member Workshop*, at County Office of Education, Board Room, 8:30 am – noon. Topics include *Role of Board, Fiscal and Academic Accountability; Policy vs. Management; Brown Act; Communicating with Your Community; Responding to Complaints*; etc.

- February – March – April, 2013 - County Office of Education, Board Room, 5:00-7:00 pm (with dinner). A series of three workshops for all board members covering a few topics in more depth (i.e. *Fiscal Accountability, Academic Accountability; Board Meeting Management; Role of Board, Using Policy to Govern*, etc.).

Note: Each school district also conducts education for board members in the areas of *School Finance* and *School Budgeting* throughout the year.

II

Board Bylaw

Bylaws of the Board BB 9230(a)

ORIENTATION

New Board Member Orientation

The Board or Superintendent may convene a meeting to provide an orientation and information to incoming Board members to assist them in understanding the Board's functions, policies, procedures, protocols, and agreed-upon standards of conduct. Incoming Board members may receive access to the district's policy manual and other materials related to the district and Board member responsibilities.

Upon their election, incoming Board members shall be provided a copy of the Brown Act and informed that, pursuant to Government Code 54952.1, they must conform to the Act's requirements as if they had already assumed office.

The Superintendent may provide incoming Board members with additional background and information regarding the district's vision and goals, operations, and current challenges in areas that include, but are not be limited to, student achievement, curriculum, finance, facilities, policy, human resources, and collective bargaining.

(cf. 0000 - Vision)
(cf. 0200 - Goals for the School District)

Legal Reference:
EDUCATION CODE
33360 Department of Education and statewide association of school district boards; annual workshops
33362-33363 Reimbursement of expenses; board member or member-elect
ELECTIONS CODE
13307 Candidate's statement
20440 Code of Fair Campaign Practices
GOVERNMENT CODE
54950-54963 The Ralph M. Brown Act, especially:
54952.1 Member of a legislative body
54952.7 Copies of Brown Act to board members

Policy
adopted: November 3, 2009

LUCIA MAR SCHOOL DISTRICT
Arroyo Grande, California

III

Board Bylaw

Bylaws of the Board BB 9240

BOARD DEVELOPMENT

Citizens elected to the Governing Board are entrusted with the responsibility of governing district schools. The Board recognizes that its members need training that helps them understand their responsibilities, stay abreast of new developments in education, and develop boardsmanship skills.

All Board members may attend conferences for the purpose of Board development. Board business shall not be discussed at conferences.

(cf. 9230 - Orientation)
(cf. 9320 - Meetings and Notices)

Board members shall report to the Board, orally or in writing, as soon as possible on the inservice activities they attend.

Funds for Board development shall be budgeted annually for each Board member.

(cf. 9250 - Remuneration, Reimbursement, and Other Benefits)

Legal Reference:
EDUCATION CODE
33360 Department of Education and statewide association of school district boards; annual workshop
GOVERNMENT CODE
54950-54963 The Ralph M. Brown Act, especially:
54952.2 Meeting

CSBA (7/84 12/87) 6/94