

## Superintendent's Comments

What a difference a year makes. A year ago I talked about the "dark cloud" over funding for K-12 education in general and Vocational and Adult Education in particular. The Governor had chosen to not honor the "deal" he made with the K-12 education industry that allowed him to suspend Proposition 98 and underfund education by \$2 billion. That deal called for the state to pay the education industry its share of any unexpected revenues received by the state, which eventually amounted to nearly \$5.0 billion. The Governor was attempting to shift \$469 million in state STRS costs to education, he vetoed our bill that would have qualified CCOC for state modernization funds and there were serious discussions in the Governor's office about whether or not the state should continue to support Regional Occupational Centers (CCOC).

This year is a different matter entirely. The state COLA of 5.92% for Vocational and Adult Education is the highest in many years. It appears that Federal grants that the President had proposed to be cut or eliminated, will continue to some extent. The State Legislature has approved a state school facilities bond for the November election that includes \$500 million for CTE facility construction and renovation. The Governor has made a substantial commitment to Career Technical Education (CTE), including Regional Occupational Centers. Specifically, in addition to supporting CTE inclusion in the state facilities bond, the Governor's May Revise budget proposal includes \$50 million for a Career Technical Education Equipment and Materials Block Grant, plus an additional \$50 million in grants for 2+2 vocational/technical education in high schools and community colleges. This follows \$20 million budgeted in 2005-06 for 2+2 grants. While the 2+2 grants must be administered through community colleges, they must include a high school component. CCOC is actively involved in a number of grant proposals that will benefit our CTE programs.

### Facilities:

The Central County Occupational Center is a unique high school campus that is an extension of the academic programs of the six JPA member districts. The CCOC facilities were built with Override Taxes (pre-Proposition 13) in the mid 1960s. Since then, MetroED has taken on responsibility for the maintenance and upkeep of the CCOC facilities, without any additional financial burden on the JPA members.

Our CCOC facilities are now approaching 40 years in age and need to be modernized. MetroED currently does not qualify for state modernization funding, and has spent the last four years sponsoring legislation to qualify regional occupational centers for facilities funding. Our last effort, AB 956 (Coto), passed both houses of the state legislature, but was vetoed by the Governor. However, with the help and support of Assembly Speaker Nunez, our friends in the State Assembly and Senate and, yes, even the Governor's staff, we were able to include language in the state school facilities bond that provides \$500 million for CTE facilities construction,

renovation and equipment. That funding will require a 50% local match. We have also received support from one of our JPA participating districts, Campbell Union High School District, by including CCOC in its own local facilities bond for \$5 million. If both these bonds pass in November, we will have a strong start on addressing our facilities modernization needs.

Additional good news is that the state, for the second consecutive year, will fully fund the Deferred Maintenance program. Our District did not qualify for Deferred Maintenance until 1998. MetroED sponsored legislation that was approved that included regional occupational centers in the Deferred Maintenance program. It is courtesy of a Deferred Maintenance extreme hardship grant for \$634,276 that we are able to replace seven electrical transformers on the CCOC Hillsdale campus.

MetroED staff have made tremendous inroads with facility and campus renovations using in-house resources, including our own CCOC CTE classes, student interns and our Maintenance staff. Their efforts in renovating and reconfiguring parts of CCOC building 700 for upgraded Precision Machining and Metals Technology programs have saved the District hundreds of thousands of dollars. In fact, without their efforts, we would probably not have been able to make these improvements.

The opportunity to leverage our Capital Outlay Fund dollars with an approximate \$300,000 Federal interest subsidy for a \$1 million Qualified Zone Academy Bond has provided the dollars needed to renovate and reconfigure the other half of building 700 for the new Law Careers Academy.

With all we've been able to accomplish, these funding sources are still not adequate to address the estimated \$35 million modernization needs of the CCOC Hillsdale campus. Our 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.

I'd like to thank the Campbell Union High School District for taking a leadership role on the facilities issue by including CCOC modernization in their local facilities bond. We hope their willingness to "walk the walk" will pave the way for others to do the same.

#### The District's Fiscal Health

The District responded aggressively to the State's 2002-03 financial crisis by cutting \$4.4 million in one-time and on-going costs, and reducing staffing by nearly 16 FTEs. Since then, the District has strengthened its fiscal health by avoiding deficit spending, cautious restoration of student services at CCOC, establishment of a 10% reserve to address cash flow needs and establishment of a reserve for potential liability to the state for the PERS recapture (see the Executive Summary for further explanation). The Board has established budget guidelines for 2006-07 that will eliminate ancillary program encroachments on both the General and Adult Education Funds, and have these programs cover their indirect costs.

While we have made considerable progress in establishing a solid fiscal foundation, we continue to have serious challenges. The Adult Education program is heavily reliant on Federal Grants that have been under attack by the current administration. The Adult Education program is not expected to meet its ADA CAP in 2005-06, and

will have an additional 81 growth ADA to absorb in the budget year. There is a perception that the cost per high school student at CCOC is too high. The issue of funding and ADA equalization amongst our participating districts is again becoming contentious.

#### Maximizing Value to Our JPA Members & Their Students

We acknowledge the need for a balance between the funding provided to our participating districts for their ROP classes and the funding needed to run the CCOC and MetroED. There must be fairness in that funding model, both between the districts and CCOC, and between the participating districts. That is the purpose of the effort to equalize both the funding rate and ADA allocations with our JPA members.

I am committed to maximizing the value of MetroED programs to our JPA members and their students. Our MetroED funding model and our costs must be fair and justified. Our CCOC programs must be fresh, current, relevant and provide extra value that will motivate students to take half their day to come to our campus. We already have an excellent program, but we can do better. To that end, we are redoubling our efforts to maximize our value. With this budget and during the coming year, we are taking the following steps:

- High school students are the priority at CCOC, not adults. We need to maximize the number of high school students per class
- Replace classes with high adult enrollment with classes that are responsive to the needs and interest of high school students
- Eliminate CCOC classes that do not maintain a minimum level of enrollment and ADA
- Reduce overhead costs through departmental reorganizations, downsizing and implementation of efficiencies, where possible
- Work with our JPA member-districts to design a funding model that is fair and balanced
- Establish a reserve of funds that can be used to help resolve the funding disparities identified by JPA member-districts
- Selectively restore student services at CCOC to add value for the high school students who attend CCOC programs
- Continue to add articulation agreements between our CCOC classes and community colleges

Some of these steps will not be popular within the MetroED organization. However, it must be remembered that MetroED is a Joint Powers Agency that was created to provide specific services to the members of the Joint Powers. It is the responsiveness to those needs that must take priority.

#### Employee Salaries and Benefits

It has been my goal to keep our employee salaries and benefits reasonably competitive with surrounding school districts. The 2006-07 budget year is expected to be difficult in this regard. Because of the proposed elimination of the revenue limit deficit and new funding for equalization, many of our surrounding districts will be receiving revenue limit increases ranging from 8%-9%. We expect surrounding district salary increases will be high as well. That will create expectations on the part of MetroED employees that we cannot meet. The 2006-07 revenue limit increase for

ROC/P and Adult Education is 5.92%, and some of those dollars may be needed to help address the funding inequities between our districts. I expect 2006-07 to be a challenging year in this regard.

#### The Need for CTE and Adult Education

The need for educational alternatives for high school students and adults is clear. Based on data provided by the California Department of Education (see attached graphs), 30% of the students who start high school do not graduate. 67% of the students who started high school in 2003 either dropped out of high school or did not enroll in any college. These are shocking numbers. What happens to these kids? Where do they go? Do they become a burden on their communities, or do they contribute? By providing relevant, effective and community college articulated CTE options, we can help many of these kids move on to higher education and/or find gainful employment with valuable career skills.

It is our vision that the programs at MetroED, both in ROC/P and Adult Education, are THE premier programs in Northern California. We are committed to maximizing student outcomes. 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 2006-07 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 fiscally and academically responsible budget.

I recommend this budget for approval by the Governing Board.

Professionally,

Tim Hallett  
Superintendent