



**Santa Ana**  
Unified School District

# **SAUSD Budget Update:**

***November 8, 2011***

**Thelma Meléndez de Santa Ana, Ph.D., Superintendent**

**Cathie Olsky, Ed.D., Deputy Superintendent**

**Michael P. Bishop, Sr. CBO, Associate Superintendent, Business Services**

**Tony Wold, Ed.D., Executive Director, Business Operations**

**Christeen Betz, Director, Accounting**

**Swandayani Singgih, Director, Budget**



- State Budget Update – SAUSD Visit to Sacramento
- SAUSD Budget Talking Points
- 2012-13 Budget Development Assumptions
- Budget Reductions for 2012-13 and 2013-14
- Cash Flow Update
- Next Steps



- On Friday October 28<sup>th</sup> a SAUSD delegation in partnership with Los Angeles Unified and San Diego Unified met with key Legislative and Administration advisors regarding the State Budget
- Superintendent Dr. Thelma Meléndez de Santa Ana, Deputy Superintendent Dr. Cathie Olsky, and Executive Director of Business Operations Dr. Tony Wold represented SAUSD
- Meetings were held with:
  - Chris Woods, Budget Director for Assembly Speaker John Perez
  - Michael Cohen, Chief Deputy Director of Budget for the Department of Finance
    - Nick Schweizer, Budget Program Manager, Education in the Department of Finance
  - WestEd
  - School Services of California
  - School Innovations & Advocacy President Kevin Gordon
  - Strategic Education Services Principal Stephen Rhodes



- Maximum Flexibility is Needed For Financial Survival
- Successful Facilities Building Program
- Preferential Substitute Costs - Education Code 44956(a)(5)
- Cost of Deferrals to Low Wealth School Districts
- Restricted Categorical Funds at Risk



- **No Certificated or Classified Layoffs**
  - Impact of Education Code 44956(a)(5) Preferential Substitute Service
  - Increases 2012-13 reduction target by \$2.5 million to a total of \$34.5 million
- **Staffing of 1<sup>st</sup> and 2<sup>nd</sup> grade at 30:1**
  - Provides Elementary sites with supplemental funding for research-based support for English learners and at-risk students
- **QEIA waiver denied by State Board of Education**
  - Waivers to be considered at the January 2012 meeting
- **Grades 4 – 8 staffing formula Education Code adjustments**
  - District wide staffing ratio to meet 1964 Education Code 41376
- **Jobs Bill funding that reinstated 5 furlough days for Certificated/Management expires at the end of 2011-12**



| STATEWIDE AVERAGE   |                                    |              | SANTA ANA UNIFIED SCHOOL DISTRICT   |                                    |              |
|---|------------------------------------|--------------|---|------------------------------------|--------------|
| Salaries & Benefits (Cert, Class, Mgmt)<br>Object codes 1xxx through 3xxx |                                    |              | Salaries & Benefits (Cert, Class, Mgmt)<br>Object codes 1xxx through 3xxx** |                                    |              |
| 1999-2000   | 2009-2010                          | Difference   | 1999-2000   | 2009-2010                          | Difference   |
| % of Total Unrestricted GF Expense  | % of Total Unrestricted GF Expense |              | % of Total Unrestricted GF Expense  | % of Total Unrestricted GF Expense |              |
| <b>88.39%</b>   | <b>90.57%</b>                      | <b>2.18%</b> | <b>89.16%</b>   | <b>94.99%</b>                      | <b>5.84%</b> |

\*\*1999-2000: Does ***not*** include PERS Reduction, object code 7270 (prior to SACS conversion)

2009-2010: Does include PERS Reduction, object code 3801-3802



- Flat funding from 2011-12 is utilized to temporarily reduce reductions required for 2012-13

### DISTRICT ACTION

- District receives “flat funding” and pushes the magnitude of the issue forward to the next year
- Cuts of **\$34.5 million** met by
  - One time use 2011-12 Base Revenue Limit funding (currently reserved) of \$17 million
  - Ongoing utilization of the flat funding utilized in 2012-13 of \$17 million
  - Ongoing Health/Welfare savings (if any)
- 2013-14 cuts of approximately **\$47 million** remain to be identified by December 15, 2012



- Flat Funding remains, but the “trigger” requires reductions to K-12 education
- Assumes deferrals in lieu of cuts

### DISTRICT ACTION

- District must make projected cuts (**Plan A**)
- District TRANs may not meet cash flow
  - Cost of larger than expected TRANs
  - Exhausts all district reserve funds
  - Inter-fund borrowing required to manage payroll of approximately \$39 million each month
    - Potential cash crisis if these funds are not returned within 90 days
- **2013-14 required reductions** will be approximately **\$47 - \$50 million** before any State adjustments to the base revenue limit are known











- “Trigger” is met (**Plan B**)
- Governor further cuts K-12 education in the budget year

### DISTRICT ACTION

- “flat funding” revenue not received or continued for 2013-14
- **\$34.5 million** in 2012-13 reductions
  - All district reserve funds exhausted
  - **Over \$20 million in reductions would need to be identified rapidly**
- 2013-14 cuts will be about **\$40 - \$50 million** MORE to be identified with no reserves remaining to assist with unknowns






\$ in millions


|   | Description of Reduction  | Proposed Amount of Reduction/ Increase | Reductions Required |
|---|---|--|---------------------|
|   | New Reductions required for 2012-13                                 |  | <b>\$30.5</b>       |
|    | 10-11 Base Revenue Limit ( <b>one-time</b> for 2011-12)             | <b>\$13.8</b>                          | <b>\$44.3</b>       |
|    | Jobs Bills ( <b>one-time</b> for 2011-12)                           | <b>\$8.3</b>                           | <b>\$52.6</b>       |
|   | Tier III ( <b>one-time</b> for 2011-12)                             | <b>\$5.5</b>                           | <b>\$58.1</b>       |
|  | CSR Penalty Flexibility continues                                   | \$11.0                                 | <b>\$47.1</b>       |
|  | One-time Utilization of District Reserve funds (Fund 17) - OPTIONAL | \$13.5                                 | <b>\$33.6</b>       |
|  | Enrollment projection (ADA) adjustment                              | \$1.6                                  | <b>\$32.0</b>       |
|   | No certificated/classified layoff for 2012-13                       | <b>\$2.5</b>                           | <b>\$34.5</b>       |



\$ in millions

|  | Description of Reduction                                   | Proposed Amount of Reduction/ Increase | Reductions Required |
|--|--|--|---------------------|
|  | Reductions required for 2012-13                            |  | <b>\$34.5</b>       |
|   | 11-12 Base Revenue Limit ( <b>one-time</b> from 2011-12)   | \$17.0                                 | <b>\$17.5</b>       |
|   | “Flat Funding” Ongoing Revenue Limit                       | \$17.0                                 | <b>\$0.5</b>        |
|  | Health and Welfare or other identified expenditure savings | \$0.5                                  | <b>\$0</b>          |

## REDUCTIONS REQUIRED FOR 2013-14

|   |  |               |               |
|---|--|---------------|---------------|
|   | Initial Target   |               | <b>\$30.0</b> |
|  | 11-12 Base Revenue Limit ( <b>one-time</b> from 2011-12) | <b>\$17.0</b> | <b>\$47.0</b> |



- State deferrals have disproportionate impact on low wealth school districts that rely more upon State Aid
- High wealth districts have the ability to manage deferrals more effectively than low wealth districts and the State should consider proportionately adjusting deferrals based upon this factor



## State Deferrals Are Not Equitable

| Revenue Limit Example      | District A   | District B   |
|----------------------------|--------------|--------------|
| Revenue Limit              | \$10,000,000 | \$10,000,000 |
| Property Taxes             | \$ 9,000,000 | \$ 5,000,000 |
| State Aid                  | \$ 1,000,000 | \$ 5,000,000 |
| Cross Year Deferrals @ 40% | \$ 400,000   | \$ 2,000,000 |

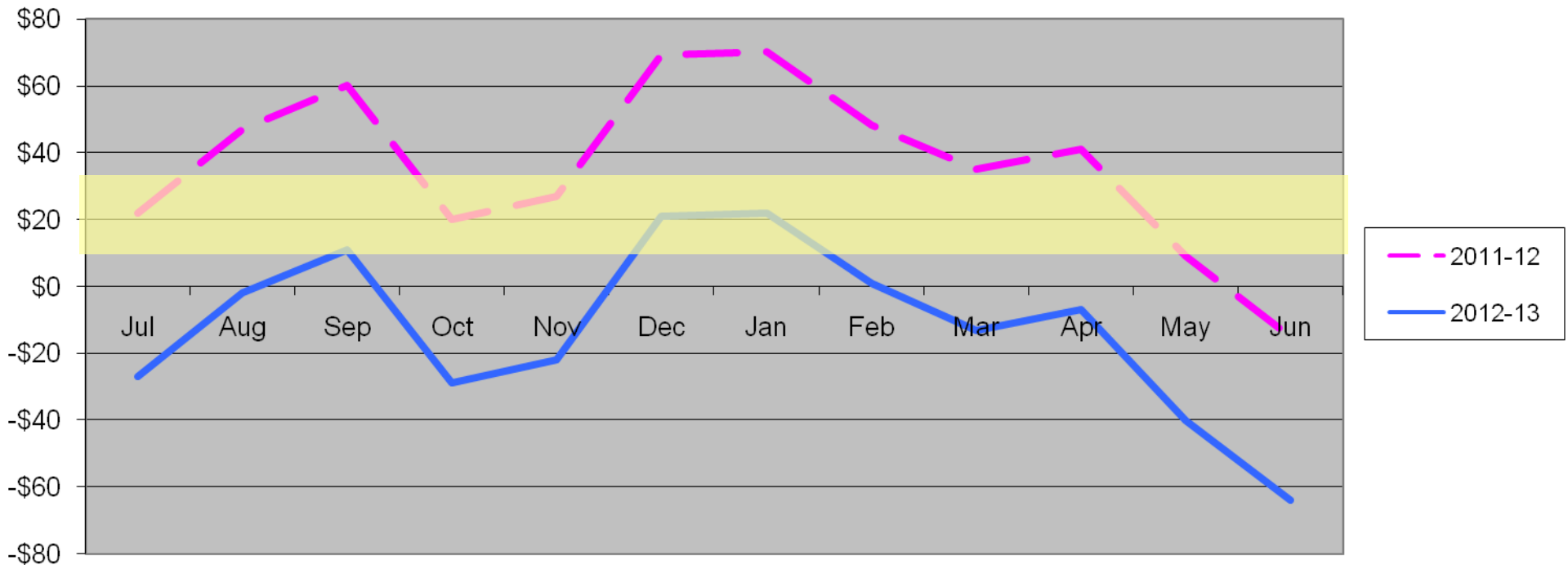
**District B impacted by State Deferrals 5X more than District A**





# Santa Ana Unified School District

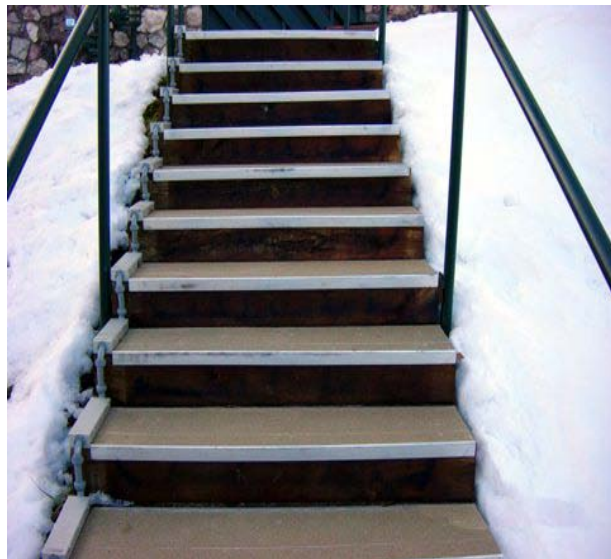
## Projected SAUSD Cash Flow (as of 09/30/2011)



Projections for June 2012 and June in 2013 are negative -\$14 million and negative -\$64 million.



Days  
Remaining to  
Identify  
2012-13  
Reductions  
**35**



| Date                          | Event or Activity  |
|-------------------------------|--|
| On-going until Settled (CSEA) | Negotiations with our certificated & classified associations (SAEA & CSEA respectively)                            |
| Dec. 13                       | Presentation of First interim Report, Approval of 2012-13 Budget Reductions <b>(updated target \$34.5 million)</b> |
| Jan. 9, 2012                  | Governor's Proposed Budget and possible mid-year "trigger" based upon State Revenue projections                    |
| Mar. 13, 2012                 | Presentation of Second Interim Report  |
| Jun. 12, 2012                 | Presentation of 2012-13 Budget for adoption  |