



2012 – 13

Third Interim Budget & May Revise Update

May 28, 2013

Getting to the Core



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Today's Agenda

- Third Interim Budget
- May Revise
 - LCFF Update
- Multi Year Projection (MYP)
- Next Steps

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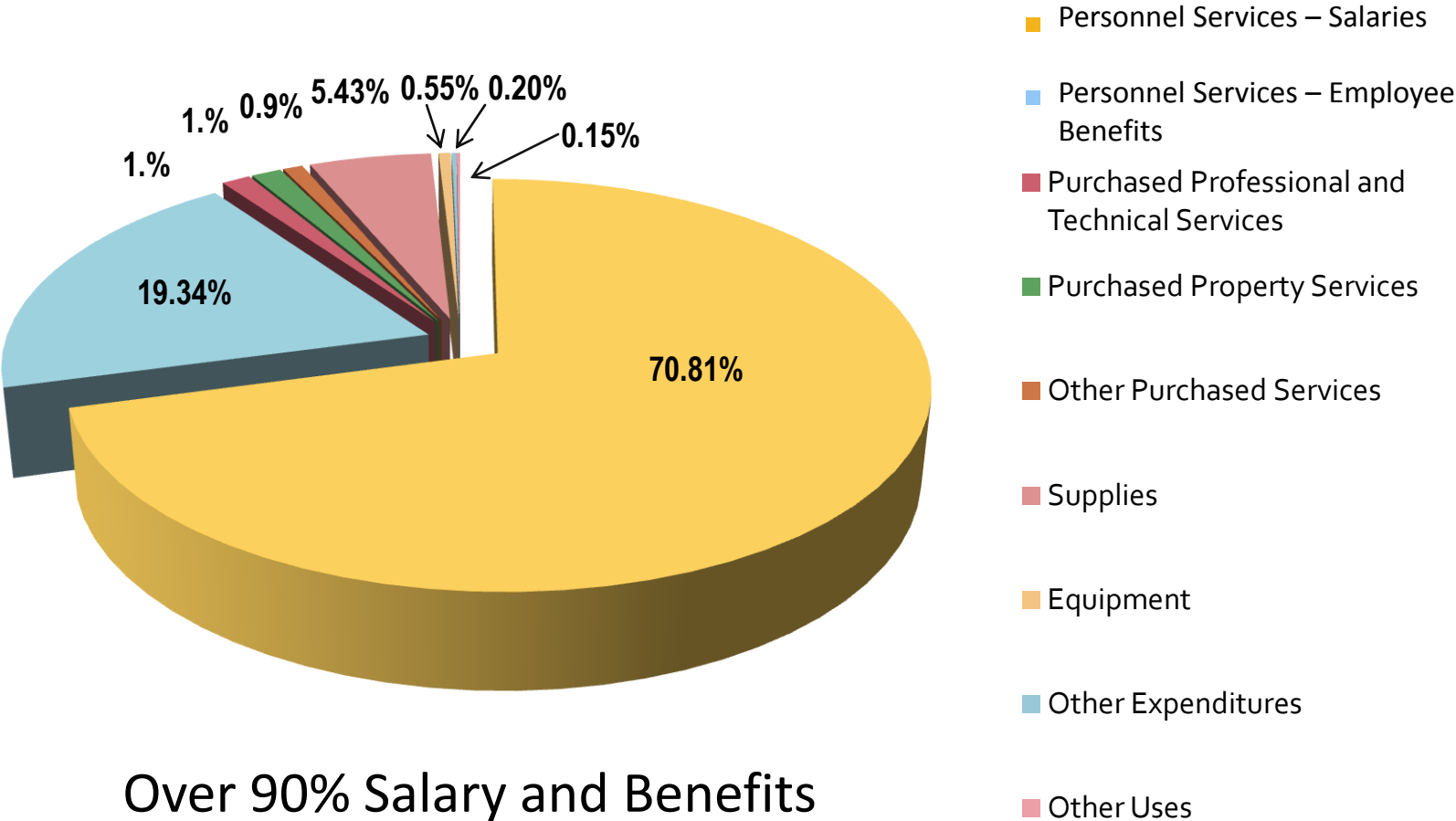
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How is the Money Spent?



FY2011 EXPENDITURES BY OBJECT GENERAL FUND



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Over 90% Salary and Benefits

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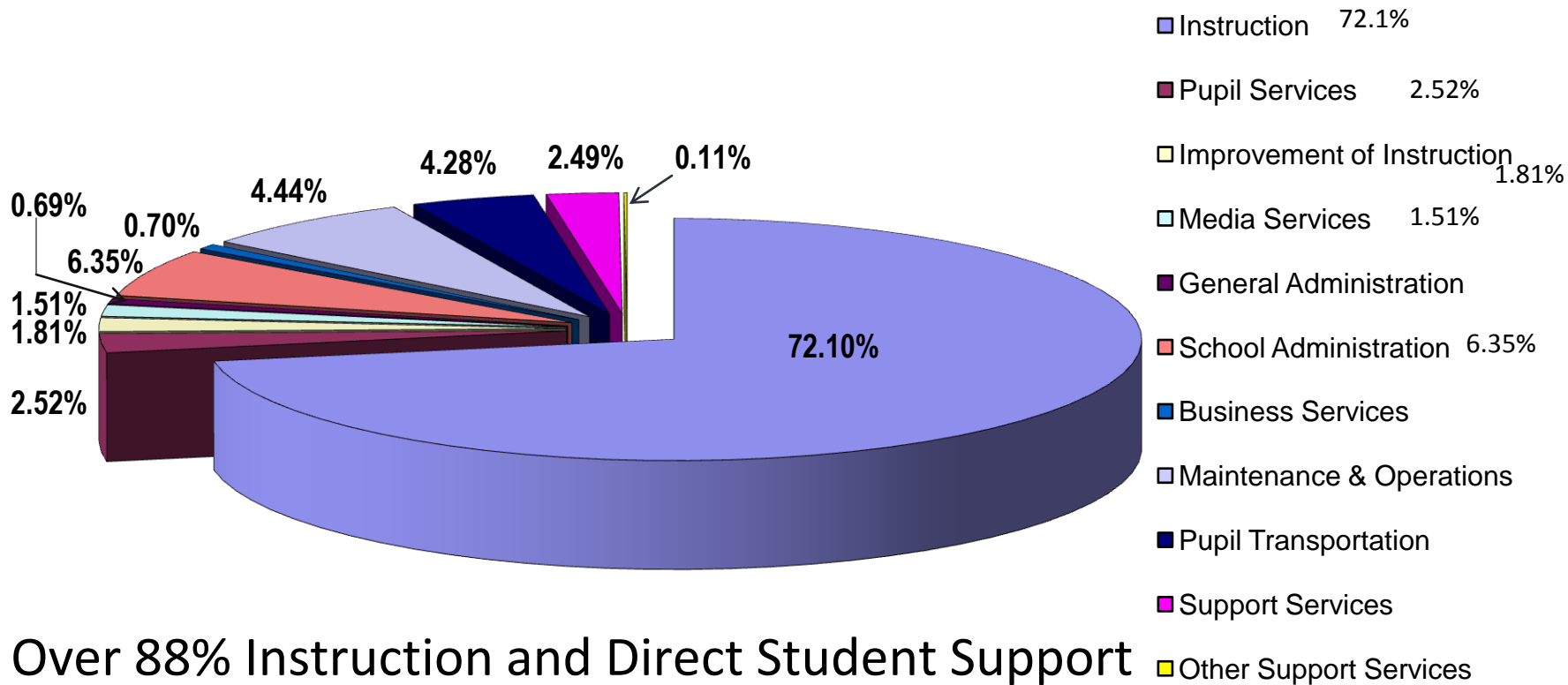
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Purposes of Our Spending

FY2011 EXPENDITURES BY FUNCTION GENERAL FUND



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Over 88% Instruction and Direct Student Support

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What is the Third Interim Report?

- Districts that submit a “Qualified” certification must also submit a Third Interim report
 - SAUSD filed a “Qualified” certification to the Second Interim report as required under Education Code Section 42130 [1240] – AB1200 Provisions
 - SAUSD will provide no later than June 1, financial statement projections of the District’s general fund and cash balances through June 30 for the period ending April 30 to:
 - The Orange County Department of Education (OCDE)
 - The State Controller Office
 - The California Department of Education



2012-13 Third Interim

- Authorization to submit Financial Report to OCDE:
 - Staff request that the governing board certify the District financial status as “Qualified” as part of the Third Interim report submission to the Orange County Department of Education
 - The Qualified certification is due primarily to the current Governor’s May Revision Budget and the determination that SAUSD may not be able to meet all financial obligations in the budget year or one of the two following years based on the District’s current revenue projections

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Third Interim Projected Ending Fund Balance (Unrestricted Only)

<u>\$s in millions</u>	2012-13
Second Interim	\$36.48
Third Interim	\$37.71
Variance	\$ 1.23

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• Changes in ending fund balance are mostly due to:

- Decrease in Revenue <\$0.08M>
- Decrease in Expenditures \$0.77M
 - Salary adjustments (Certificated & Classified): \$0.95M
 - Employee Benefits related to salary adjustments: \$0.12M
 - Other adjustments (supplies, services, etc.) <\$0.30M>
- Decrease in Unrestricted GF contribution to Special Education \$0.54M



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Governor's May Revision



- The Governor continues to propose a sweeping reform of the state's school finance system with the LCFF
- The Governor's Budget makes no reference to current law and revenue limit funding
 - There is no direct reference to the statutory COLA
 - However, the Budget acknowledges providing a **1.565%** COLA for selected categorical programs and sufficient funding to increase support for LEAs by 4.5% under the LCFF
 - There is no reference to the current 22.272% deficit factor
 - If LCFF is not adopted it is likely that current law will have some deficit reduction...this is built into our revised plan B at **18.997%** per the Dartboard
- Nevertheless, until state law is changed, revenue limits are the means by which state apportionment aid is distributed to LEAs statewide

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LCFF Developments



- Governors Proposal
 - The Governor has maintained this as the hallmark of the budget
- Senate and Assembly Democrats Proposal
 - Delay implementation until 14-15
 - Remove concentration grants and add to the base
- The **new accountability provision in both proposals** may make the LCFF more restrictive and limit the ability of LCFF funds to mitigate the structural deficit in SAUSD.

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LCFF Accountability – What it does

- Base funding for core services will decrease because current categorical programs that support specific needs (i.e., deferred maintenance, instructional materials) disappear under the formula
- Of the \$3.9 billion in categorical funding that will be absorbed by the LCFF, \$2 billion, or roughly half already, supports general purpose categorical programs (these are our Tier III funded positions)
- School Districts must **absorb the costs of these services** within the revenue limit equivalent dollars provided by the LCFF – the base grant
 - CSR funds currently flexible will become restricted with severe penalties
 - EIA funds used for supplemental positions may be more restricted when part of the supplemental and concentration grants

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Common Core Block Grant

- The Governor proposes a one-time Block Grant for Common core
 - \$170/ADA – approximately \$9 million for SAUSD (May Revise)
- The District will be required to create a plan to use the funds over 2 years to address the technology and instructional needs of Common Core implementation.
 - These funds will likely be restricted and will be reserved while developing the plan

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Impact of Governor's Proposed Budget SECOND INTERIM PROJECTION



Additional Revenue

- **PLAN A - \$5.5 mil (~\$106/ADA):** includes 1.65% COLA + increase in Mandated Costs
- **PLAN B - \$10.0 mil (~\$193/ADA):** includes 1.65% COLA doubled + Mandated Costs
- **PLAN C - \$19.9 – \$22.7 mil (~\$384 – 438/ADA):** *LCFF* year one projection

Budget Reduction Target

- **PLAN A - \$21.0 mil (\$26.5 – 5.5)**
- **PLAN B - \$16.5 mil (\$26.5 – 10.0)** working assumption for Second Interim
- **PLAN C - \$6.6 mil to \$3.8 mil** if *LCFF* becomes law, likely unknown before June Adoption

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Impact of Governor's May Revision

REVISED MAY 28, 2013



Additional Revenue

- ~~PLAN A - \$5.5 mil (~\$106/ADA): includes 1.65% COLA + increase in Mandated Costs~~
- **PLAN B - \$18.4 mil (~\$305/ADA): includes 1.565% COLA + Mandated Costs + Reduction of deficit factor to 18.997%** ←
- **PLAN C - \$24.8 mil (~\$360/ADA): LCFF year one projection**

Budget Reduction Target

- ~~PLAN A - \$21.0 mil (\$26.9 - 5.5)~~
- **PLAN B - \$8.5 mil (\$26.9 - 18.4) working assumption for Second Interim** ←
- **PLAN C - \$2.3 mil (\$26.9 - 24.8) if LCFF becomes law, likely unknown before June Adoption**

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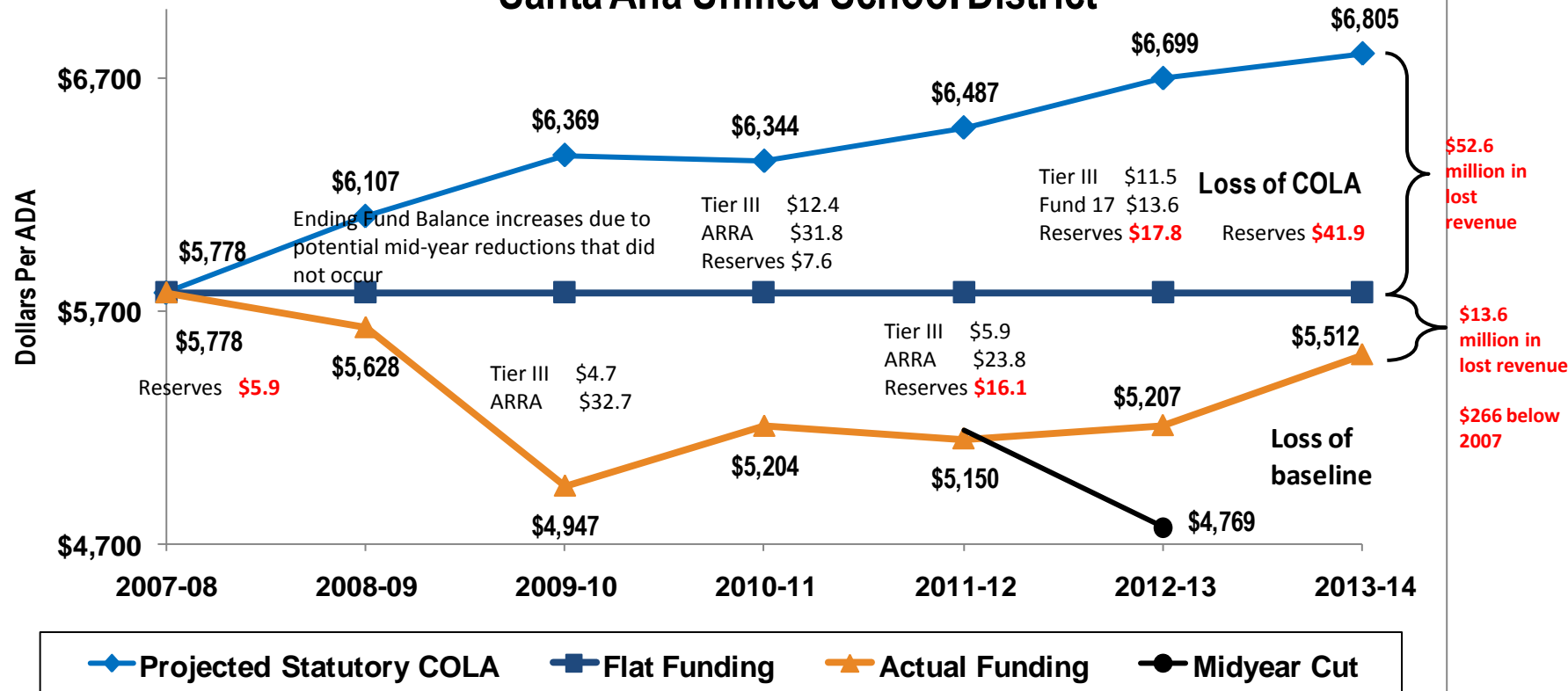
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2012-13 Budget Act – Funding Per ADA: Actual vs. Statutory Level

Per Student Revenue Limit Funding (Statutory vs. Actual) Santa Ana Unified School District



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2013-14 Budget Reduction Target at Second Interim



FISCAL YEAR 2013-14 PROJECTIONS		Balance of Required Reductions (in millions)
2ND INTERIM MYP BUDGET REDUCTION TARGET		\$16.5
CURRENT YEAR MITIGATION MEASURES (ESTIMATED ONE-TIME SAVINGS TO BE USED TO PUSH CUTS TO 2013-14)	2.0	(14.5)
ELIMINATE SITE DISCRETIONARY BUDGET ADJUSTMENT	0.4	(14.1)
REDUCE AP STAFFING AT HIGH SCHOOLS	0.6	(13.5)
RESTRUCTURING OF EDUCATION SERVICES	0.4	(13.1)
ELIMINATE VACANT BUILDING SERVICES POSITIONS	0.4	(12.7)
ELIMINATE VACANT BUSINESS SERVICES POSITIONS AND SHIFT FUNDING TO CATEGORICAL PROGRAMS	0.3	(12.5)
REDUCE SPECIAL EDUCATION LEGAL BUDGET	0.1	(12.4)
SWEEP REMAINING INSTRUCTIONAL MATERIALS BUDGET (TIER III)	1.0	(11.4)
<i>REDUCTIONS REMAINING TO BE IDENTIFIED (SHOULD GOVERNOR'S LCFF BE ADOPTED PLAN C REVENUE WOULD INCREASE BY APPROXIMATELY \$10 MILLION)</i>		(11.4)

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REVISED 3rd Interim MYP UNRESTRICTED FUNDS ONLY



MULTI-YEAR PROJECTIONS @ 3 rd INTERIM	2012-13	2013-14	2014-15
REVENUE	\$315,012,100	\$330,835,939	\$334,315,112
EXPENDITURES	\$295,997,778	\$303,218,104	\$310,922,711
OTHER FINANCING SOURCES/USES	(\$42,685,884)	(\$56,759,360)	(\$57,146,469)
NET INCREASE/DECREASE (DEFICIT SPENDING)	(\$23,671,562)	(\$29,141,525)	(\$33,754,068)
BEGINNING BALANCE	\$61,382,257	\$37,710,695	\$8,569,170
DEFICIT SPENDING	(\$23,671,562)	(\$29,141,525)	(\$33,754,068)
ENDING BALANCE	\$37,710,695	\$8,569,170	(\$25,184,898)
COMPONENTS OF ENDING BALANCE:			
NON SPENDABLE	\$1,150,000	\$1,150,000	\$1,150,000
OTHER DESIGNATED	\$0	\$1,020,039	\$1,056,241
ECONOMIC UNCERTAINTIES	\$9,998,328	\$9,722,671	\$9,807,474
PROP 30	\$26,562,367	0	0
COLA FOR 2014-15 PER SSC DARTBOARD	0	0	\$6,334,354
TOTAL	\$37,710,695	\$11,892,710	\$18,348,069
SHORTFALL	0	(\$3,323,540)	(\$43,532,967)

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Current and Future Year Expenditure Reductions incorporated into 3rd Interim



FISCAL YEAR 2013-14 PROJECTIONS		Balance of Required Reductions (in millions)
SECOND INTERIM MYP BUDGET REDUCTION TARGET		\$11.4
MAY REVISION REVENUE ADJUSTMENT	8.4	(3.0)
POST THIRD INTERIM EXPENDITURE PROJECTION REDUCTIONS	1.4	(1.6)
<i>REDUCTIONS REMAINING TO BE IDENTIFIED (SHOULD GOVERNOR'S LCFF BE ADOPTED PLAN C REVENUE WOULD INCREASE BY APPROXIMATELY \$6.2 MILLION)</i>		(1.6)
Estimated Carryover for 2013-14 COMMON CORE BLOCK GRANT	6.0	\$4.4

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School Services of California, Inc.'s Financial Dashboard – REVISED 5/20/13



Factor	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Statutory COLA (applies to K-12 and COE Revenue Limit)	3.24%	1.565%	1.80%	2.20%	2.50%	2.70%
K-12 Revenue Limit Deficit %	22.272%	18.997%	18.997%	18.997%	18.997%	18.997%
COE Revenue Limit Deficit %	22.549%	19.233%	19.233%	19.233%	19.233%	19.233%
COLA for Special Education, Child Nutrition, American Indian Education Centers/Early Childhood Education programs (on state and local share only)	0.00%	1.565%	1.80%	2.20%	2.50%	2.70%
Other state categorical program COLA (including Adult Education and ROC/P)						
Tier I	0.00%	1.565%	1.80%	2.20%	2.50%	2.70%
Tier II	0.00%	1.565%	1.80%	2.20%	2.50%	2.70%
Tier III	0.00%	1.565%	1.80%	2.20%	2.50%	2.70%

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POTENTIAL IMPACT OF LCFF

(Assumes additional \$6.2 million in 2013-14; \$20 million in 2014-15)

MULTI-YEAR PROJECTIONS @ 2 ND INTERIM	2012-13	2013-14	2014-15
REVENUE	\$315,012,100	\$337,035,939	\$360,515,113
EXPENDITURES	\$295,997,778	\$303,218,104	\$310,922,711
OTHER FINANCING SOURCES/USES	(\$42,685,884)	(\$56,759,360)	(\$57,146,469)
NET INCREASE/DECREASE (DEFICIT SPENDING)	(\$23,671,562)	(\$22,941,526)	(\$7,554,067)
BEGINNING BALANCE	\$61,382,257	\$37,710,695	\$14,769,169
DEFICIT SPENDING	(\$23,671,562)	(\$22,941,526)	(\$7,554,067)
ENDING BALANCE	\$37,710,695	\$14,769,169	\$7,215,102
COMPONENTS OF ENDING BALANCE:			
NON SPENDABLE	\$1,150,000	\$1,150,000	\$1,150,000
OTHER DESIGNATED	\$0	\$3,896,498	\$1,056,241
ECONOMIC UNCERTAINTIES	\$9,998,328	\$9,722,671	\$9,807,474
PROP 30	\$26,562,367	0	0
COLA FOR 2014-15 PER SSC DARTBOARD	0	0	\$6,334,354
TOTAL	\$37,710,695	\$14,769,169	\$18,348,069
SHORTFALL	0	0	(\$11,132,966)

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Summary-Next Steps



- May 28th Third Interim Budget Report presented for Approval
- June 6th Budget Study Session
- June 11th Adopted Budget presented for Approval
- June 23rd Board Report on Budget Reduction Implementation
- August 1st Revised Budget Adoption for Approval

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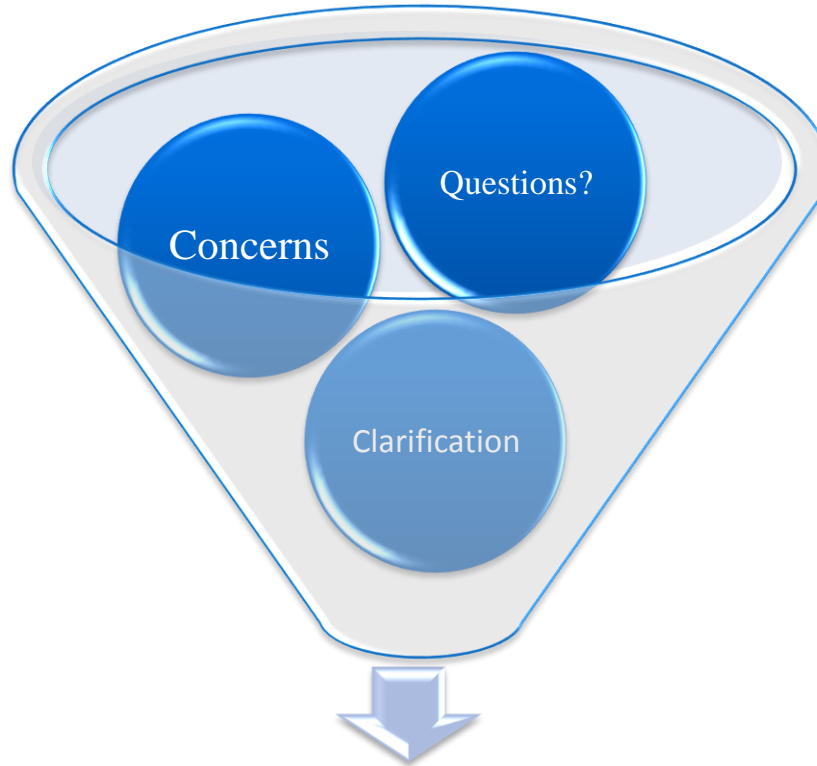


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Questions?



DISCUSSION

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