



Santa Ana
Unified School District

2010-11 Budget Update

November 23, 2010

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- Adopted State Budget Impact to SAUSD
- Legislative Analyst State Budget Update
- Governor's Budget Update
- District Multi-year Budget Reductions
- State Cash Deferrals
- Next Steps



- **State Funding Changes (on-going? funds)**
 - The adopted State Budget passed in October included **\$13.8 million** in additional revenue for SAUSD.
 - Additional changes related to mandated claims funding and County mental health have not been quantified
- **Federal Funding Changes (one-time funds)**
 - Jobs Bill (subject to statutory guidelines)
 - Award amount for SAUSD: **\$10.3 million** (\$9.2 million received)
 - ARRA Stabilization
 - State to distribute remaining 10% of ARRA Stabilization funds held
 - Projected award amount: **\$2 million** (?)





- On November 10, the LAO (Mac Taylor) release California's Fiscal Outlook reviewing the 2011-12 State budget. The Executive Summary focused on 6 key themes:
 - **\$25 Billion Budget** Problem Needs to Be Addressed
 - Ongoing Annual Budget Problems of **\$20 Billion** Persist
 - Additional Savings From Proposition 98 Will Be Very Difficult
 - Key Choice: Painful Decisions Now...or Pass Problems to Future Californians
 - Huge Longer-Term Fiscal Challenges Already Can Be Foreseen
 - Time for a Multiyear Approach to Fixing the Budget



Rich Pedroncelli / AP



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Governor(s) Budget Update

- November 11, 2010, outgoing Governor called a budget special session for the new legislature starting December 6, 2010 to address the LAO estimated budget shortfalls
 - **\$6.1 Billion** in 2010-11
 - **\$19.3 Billion** in 2011-12



- November 16, 2010, incoming Governor Jerry Brown met with the Department of Finance that oversees the education budget which comprises 55% of the State budget





- School Services (SSC) is equally concerned and advises districts to:

“Open the planning books but close the checkbook.”

- In other words,
 - Include the additional revenues for budget purposes
 -but don't spend any of the dollars
 - Instead wait until the January 2011 Governor's Proposal or better yet, the May Revise (2011) before spending any of these dollars





- The Orange County Department of Education has issued guidance that require districts to revise their budget to the current State adopted budget
- Utilizing the State Adopted Budget assumptions, preliminarily projected budget reductions will be adjusted as follows for the first interim:

(\$s in millions) Reductions Required to Eliminate Deficit	2011-12	2012-13
Budget Cuts (May Revise assumptions)	<\$31.5>	<\$30.5>
Budget Cuts (State Adopted Budget assumptions)	<\$18.0>	<\$24.0>

- OCDE will require districts to identify ongoing budget reductions for 2011-12 by the 2nd Interim Budget (March 8, 2011)





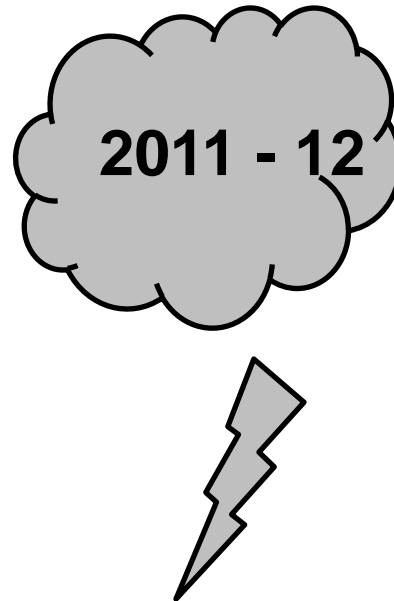
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Based upon the LAO analysis, the new revenue in the budget is not likely to remain. Loss of this revenue will change the budget reduction targets to the original levels...or worse

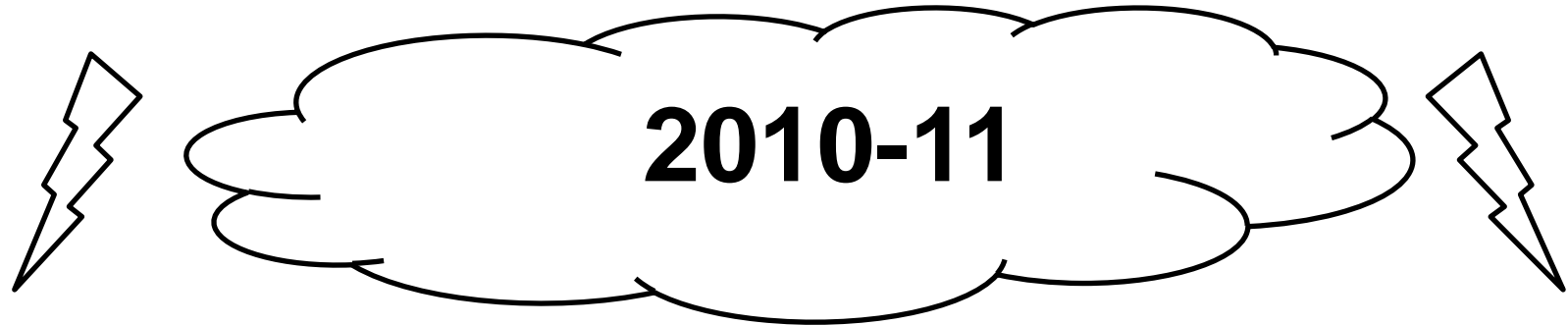


- 2010-11 "Get out of Town" budget
- Mid-Year Cuts?
- Will 2010-11 revenue deferred into 2011-12 be received?

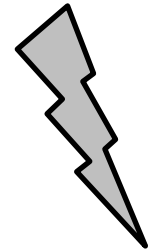
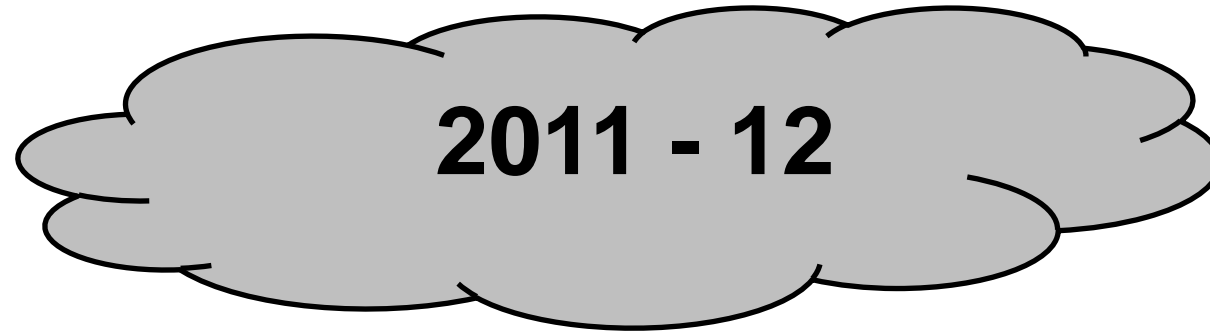
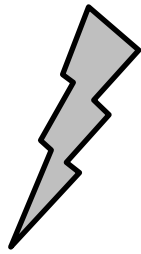
- ARRA ends
- Jobs Bill ends
- Temporary State tax end
- \$18.0 million in cuts needed (revised)

- CSR Penalty Flexibility ends
- Temporary State tax ends
- \$24.0 million in cuts needed (revised)

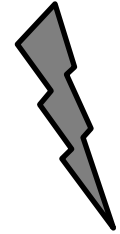
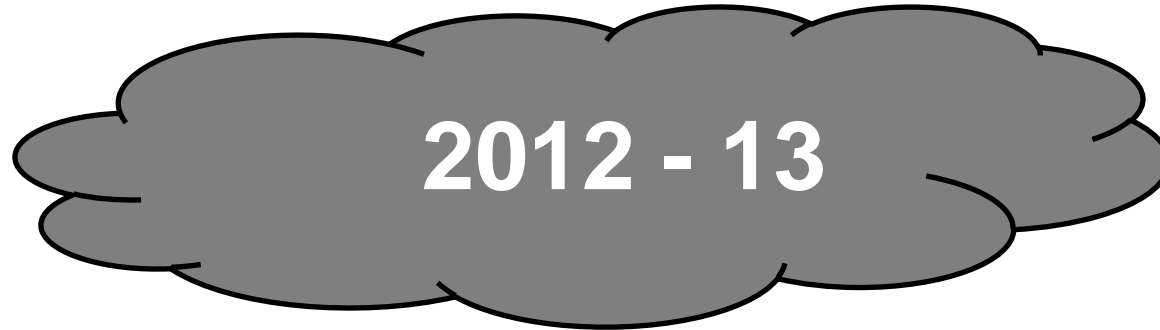
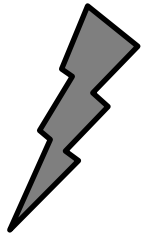
- Tier III flexibility ends
- Ability to reduce instructional year ends
- QEIA sunsets



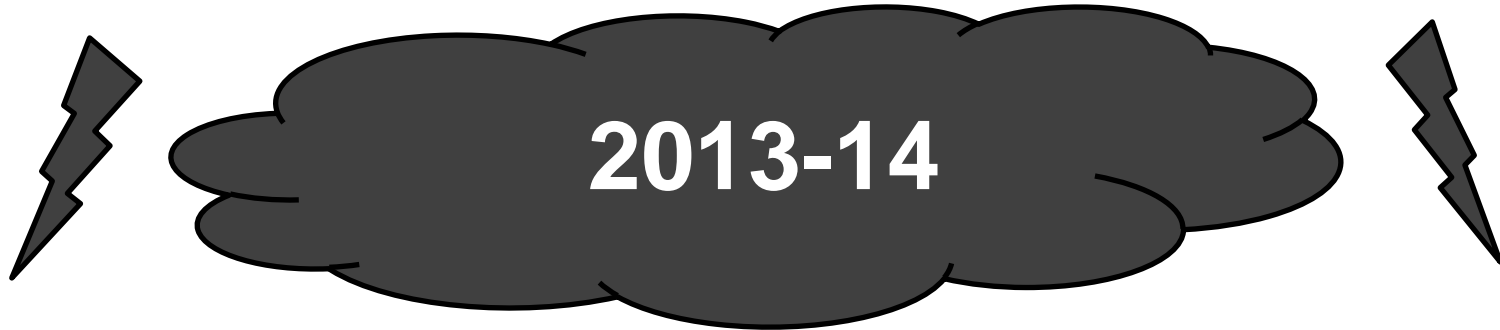
- 2010-11 “Get out of Town” Budget had multiple solutions that will not work
- Senate Pro Tem and incoming Governor hinting at Mid-year cuts
- More than 25% of 2010-11 Revenue is deferred into 2011-12
- State Budget deficit now at **\$6.1 billion**
- Less than 6 months remaining in the school year



- ARRA and Jobs Bill funding ends
- Temporary taxes end reducing available State revenue
- Apportionment deferrals continue impacting cash flow
- State Budget deficit now at **\$19.3 billion**
- District cuts of at least **\$18 million** need to be identified
- Health and welfare costs projected to increase by double-digit percentages



- CSR penalty flexibility ends – results in \$15-17 million in required cuts for SAUSD though the State still has the funds available
- Temporary taxes end reducing available State revenue
- Apportionment deferrals continue impacting cash flow
- State Budget deficit projected through at least 2015-16
- District cuts of at least **\$24 million** need to be identified
- Health and welfare costs projected to increase by double-digit percentages



- Tier III flexibility ends – results in \$14-17 million in required cuts for SAUSD specifically impacting classified staffing though the State still has the funds available
- Ability to reduce instructional year ends
- QEIA program sunsets
- Apportionment deferrals continue impacting cash flow
- State Budget deficit projected through at least 2015-16
- District cuts needed not yet quantified
- Health and welfare costs projected to increase by double-digit percentages



- 3 Possible Certifications:
 - Positive
 - LEA will be able to meet its financial obligations for the current and two subsequent fiscal years
 - Qualified ← *District recommends a First Interim Certification of Qualified*
 - LEA may not be able to meet its financial obligations for the current and/or two subsequent fiscal years
 - Negative
 - LEA will not be able to meet its financial obligations for the current or for the subsequent fiscal year
- Based on current State financial information, the District needs to make budget reductions as outlined below :
 - 2010 – 11 mid-year reductions **\$?? million**
 - 2011 – 12 budget reductions **\$18 million**
 - 2012 – 13 budget reductions **\$24 million**

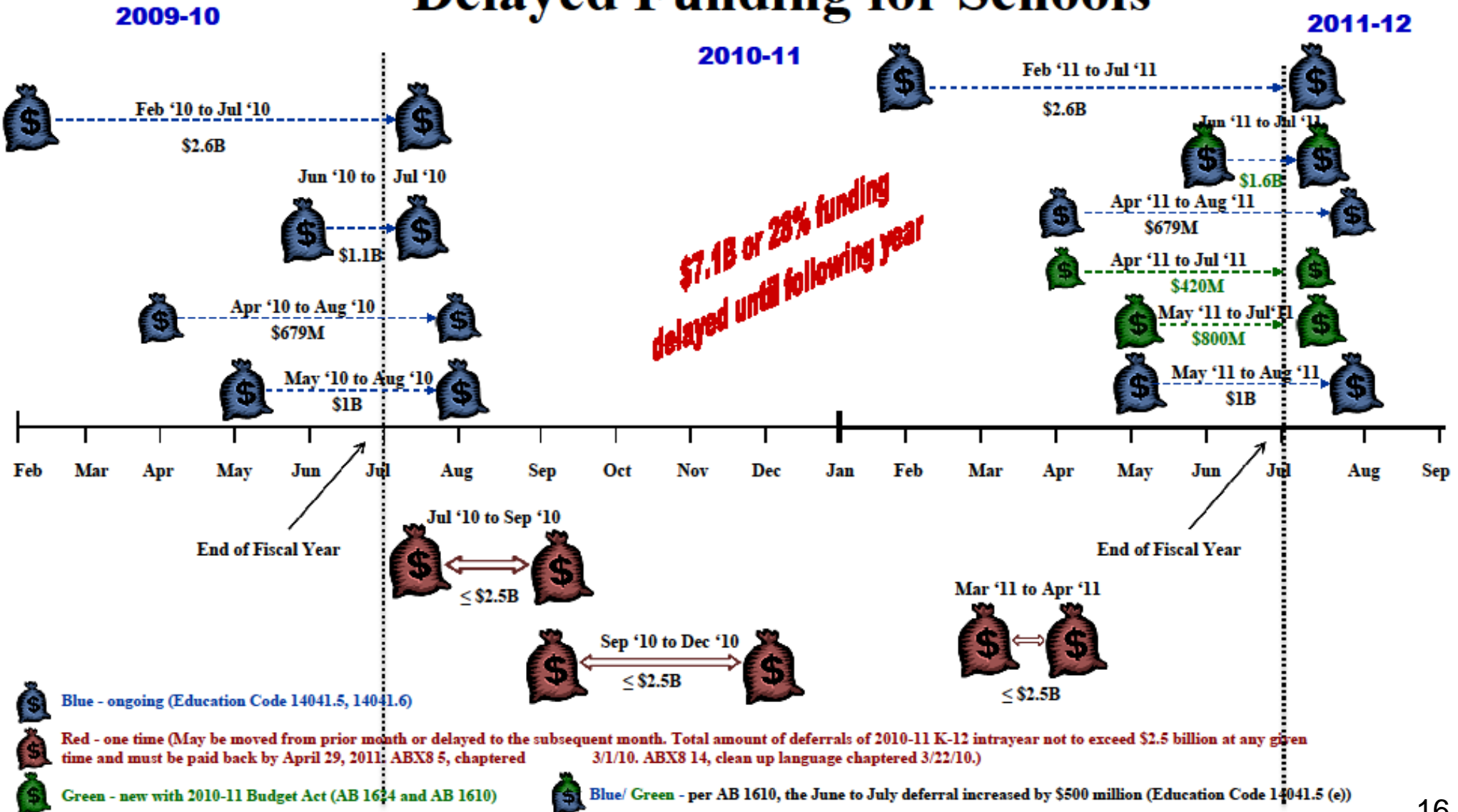


The State will pay the District, not on Tuesday but several months later, for money they owe us!

They will pay us late even though we have obligations such as payroll, vendor invoices that must be paid on a timely basis.



Delayed Funding for Schools

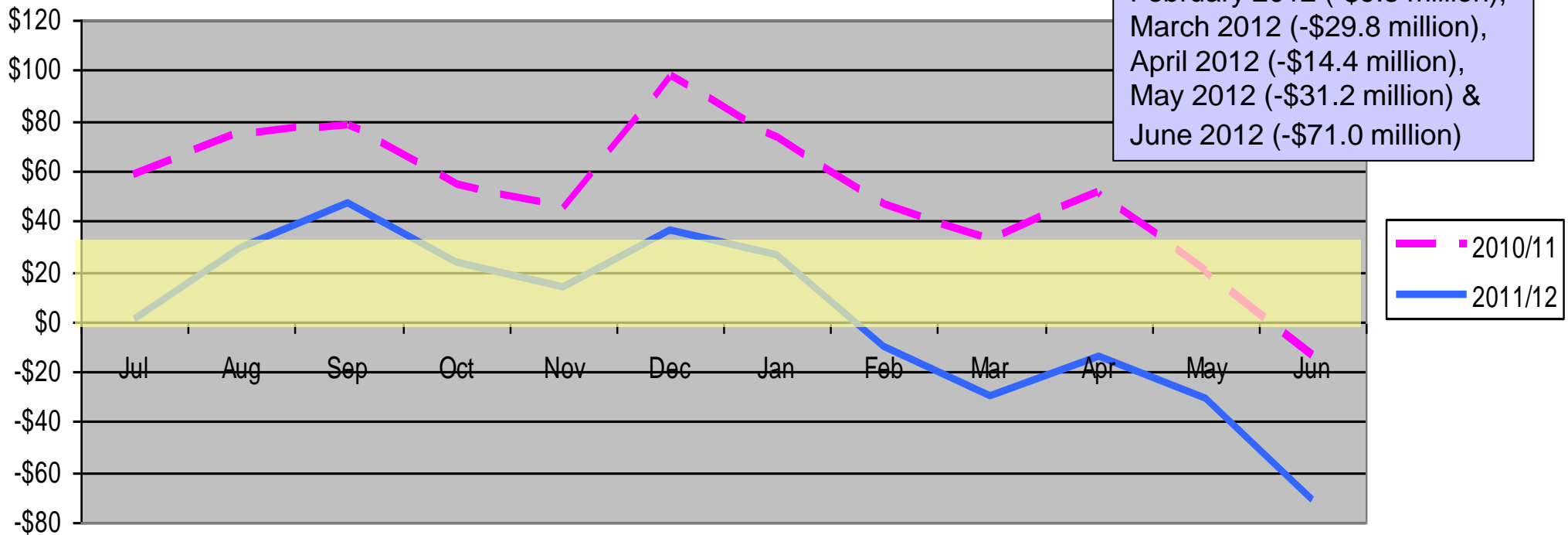




State deferrals, totaling **\$170 million** for SAUSD, results in **projected cash shortfalls in 2010-11 & 2011-12** and a **probable need to borrow funds to meet payroll & other district obligations.**

Cash shortfalls projected as follows:

June 2011 (-\$14 million),
 February 2012 (-\$9.5 million),
 March 2012 (-\$29.8 million),
 April 2012 (-\$14.4 million),
 May 2012 (-\$31.2 million) &
 June 2012 (-\$71.0 million)

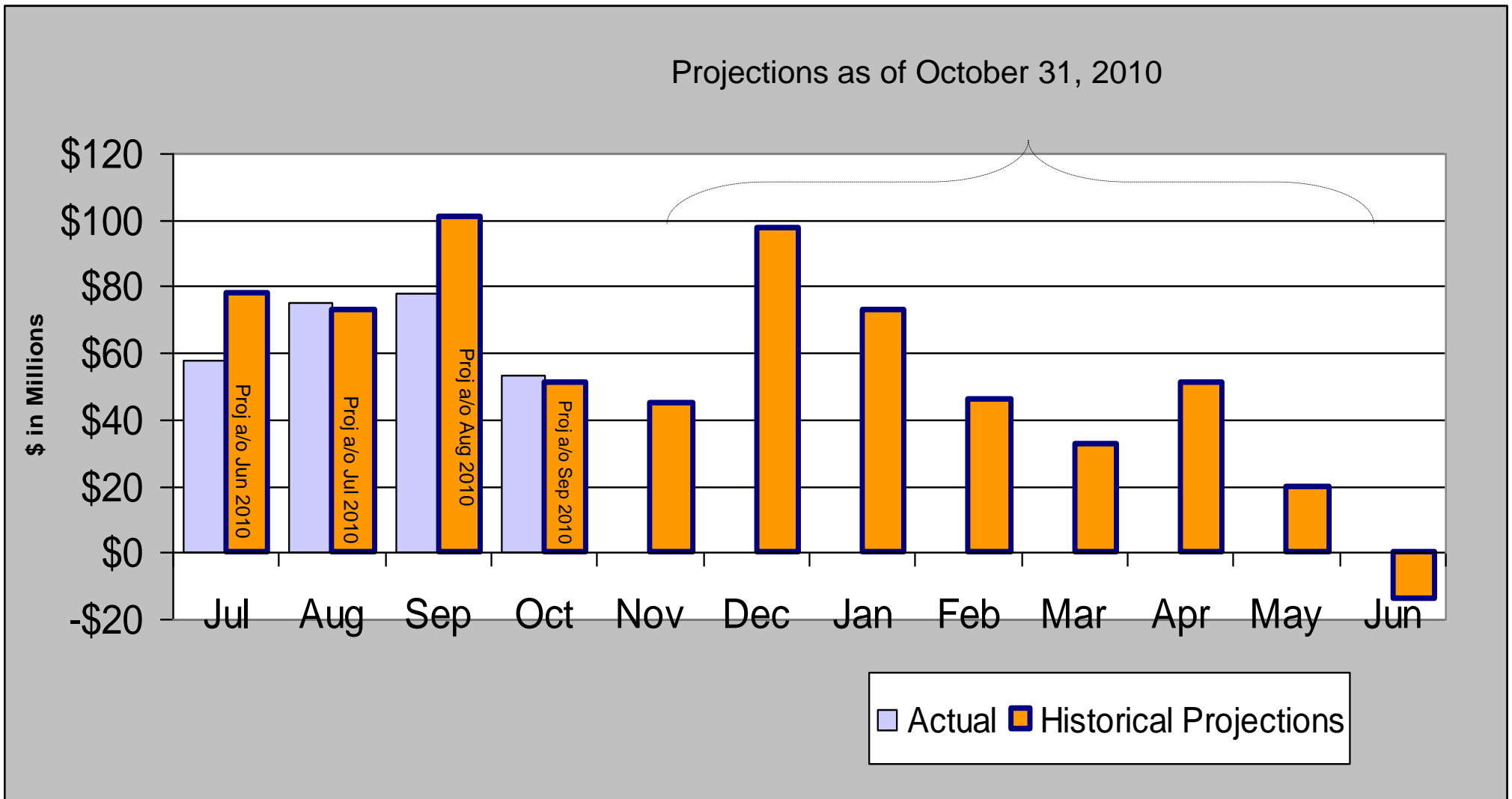


Cash balance as of October, 2010 is \$54 million. Projections for June 2010-11 is -\$14 million. For 2011-12 We are projecting negative balances in February, March, April, May, and June



Santa Ana Unified School District

2010-11 Cash Flow Variance As of October 31, 2010





Date	Event or Activity
On-going until Settled	Negotiations with our certificated & classified associations (SAEA and CSEA respectively)
Nov. 23	Budget Update
Dec. 14	Presentation of First Interim Report & 2009-10 Annual Audit
Jan 11 & 25 Feb 8 & 22	Budget Updates
Jan. / Feb ?	Special Board Meeting(s) on Proposed Budget Reductions
Mar. 8, 2011	Presentation of Second Interim Report, Approval of 2011-12 Budget Reductions & Reach Decision on CSR for 2011-12 and future years

