



**Santa Ana**  
Unified School District

# **2010-11 Adopted Budget**

***June 22, 2010***

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1. May Revision
2. SAUSD's 2010-11 Adopted Budget
3. Next Steps





- The “May Revision” is merely the Governor’s Proposal relating to the current and next State fiscal budget year
- Any cuts / changes aren’t authorized without Legislative action and the Governor’s signature
- Specifics and details are still vague and new information continues to be released as the Governor and Legislature work towards agreement.





- The state & national economy continues to be weak
  - State budget deficit in excess of \$19 billion
  - Hoped for improvement in state revenues has not yet materialized
  - Unemployment rate continues to disappoint
- Governor proposes to close this deficit without raising taxes
  - \$12.4 billion in cuts (including cuts to CalWORKS, In-house support services, MediCal, Mental Health Services, etc.)
  - \$3.4 billion in additional federal funds
  - \$3.4 billion in fund shifts, asset sales and surcharges.
- K-14 education funding at the minimum guaranteed level
- Cuts to Education roughly similar to January Governor's Proposal
  - Education "spared" from new cuts
  - Governor no longer specifying cuts to district administration and/or promoting contracting out of services savings.



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# SAUSD's 2010-11 Adopted Budget





- The District's 2010-11 budget is based on:
  - The Governor's May Revise information
  - The Board of Education's priorities
    - Ensure Fiscal Solvency
    - Grade K-3 Class Size Reduction (CSR)
      - Continue to offer grade 1 and 2 CSR for 2009-10 & 2010-11 (using unrestricted & categorical funds)
      - Grade 1 @ approximately 23:1; Grade 2 @ approximately 24:1
    - Preserve Counselor & Library Services
    - Maintain Athletics & Music Programs
    - Safety
    - Minimize the Impact of Cuts to Our Employees
    - Continue to Provide Elementary Sites with Support Staff to Ensure Academic Achievement
  - Orange County Department of Education (OCDE) direction.



- Incorporates May Revision Proposed Revenue Reductions of **<\$14.3 million>**

<u>(\$s in millions)</u>	<u>2010-11</u>
Revenue Limit Reduction of -3.85% (Approximately \$245.86/ADA reduction; This figure is subject to change.)	<b>(\$12.8) *</b>
Reduced Revenue due to Negative COLA of -0.39% (for Revenue Limit, Special Ed, Tier III Programs & Reduced K-3 CSR Funding)	<b>(\$1.5)</b>
<b>Total Cuts</b>	<b>(\$14.3)</b>

\* In 2009-10, District received a one-time Revenue Limit reduction of \$252.83/ADA. The proposed Revenue Limit reduction of -3.85% for all intents and purposes makes the one-time cut permanent.



- COLA & Deficit Reduction
  - COLA and Deficit Reduction as follows:

	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
COLA	<0.39%>	0.0% *	2.40% **
Deficit Reduction	<18.355%>	<18.355%>	<18.355%>

- 2011-12 COLA. While the statutory COLA for 2011-12 is projected at 2.10%, School Services of California (SSC) & OCDE advises that the "State's ability to fund" this COLA is suspect and districts should have a contingency plan should the COLA not be funded. For contingency purposes, assumed 2011-12 COLA at 0.0%
    - 2012-13 COLA. Funding of this COLA is also suspect. However, given lack of guidance from SSC or OCDE, assumed COLA of 2.4%. (Revenue Limit impact: approx. \$8 million)

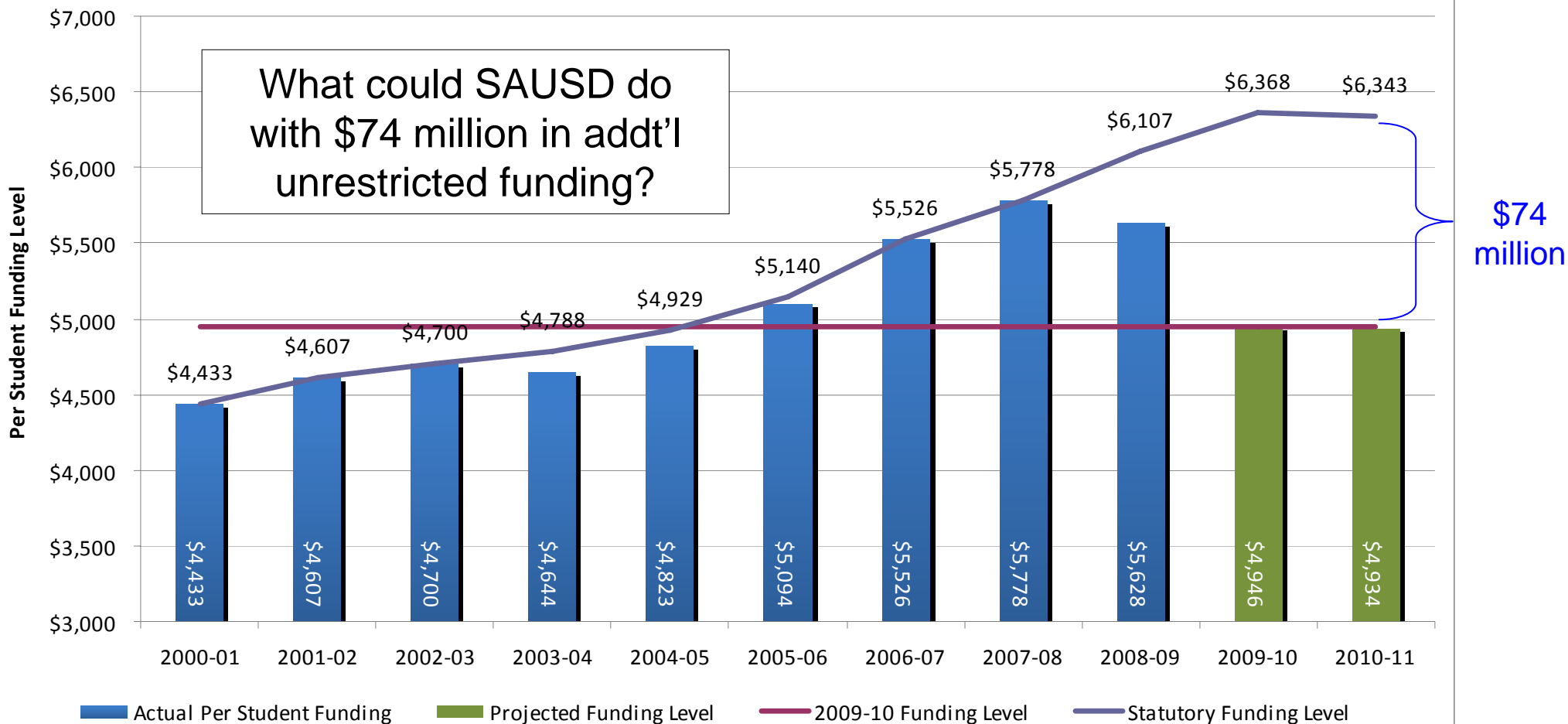




# Santa Ana

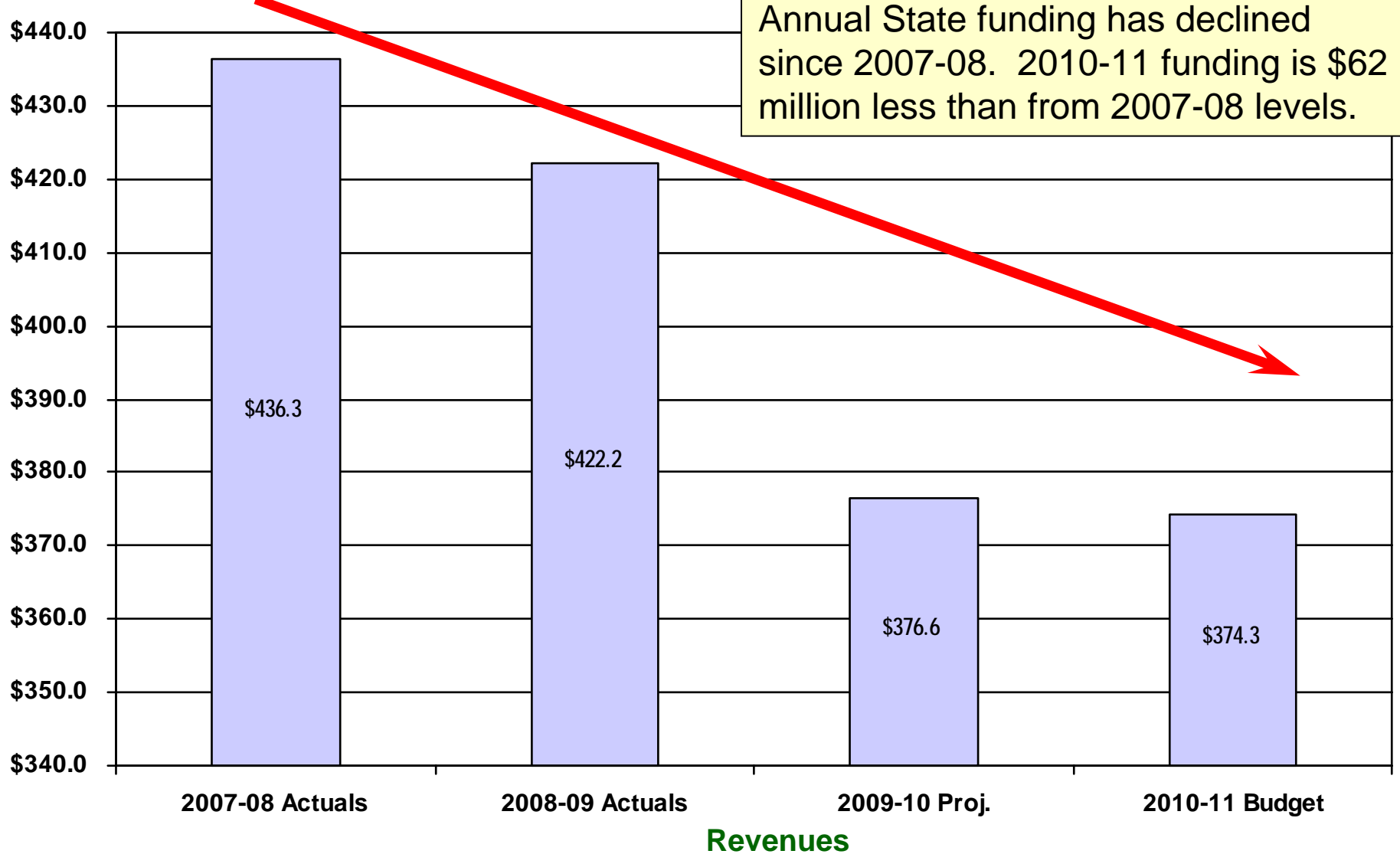
Unified School District

## Historical Funded Base Revenue Limit - Santa Ana





\$s in Millions



\* Includes Revenue Limit and all other State Revenue (including categoricals).



### Enrollment

- 2010-11 through 2012-13:  
Enrollment projected to decline  
by -767 students each year.  
<\$3.6 million> impact 2011-12.



Fiscal Year	Enrollment	CBEDS Change (from Prior Year)
2001-02	60,788	+951
2002-03	60,973	+185
2003-04	59,895	(1,078)
2004-05	58,884	(1,011)
2005-06	56,563	(2,321) *
2006-07	54,839	(1,724)
2007-08	54,369	(470)
2008-09	54,584	+215
2009-10	54,084	(500)
2010-11 Projected	53,317	(767)
2011-12 Projected	52,550	(767)
2012-13 Projected	51,783	(767)

\* Includes one-time loss of 343 SAUSD resident students to OCEAA Charter School



- Increased Contributions due to higher Special Education costs **<\$7 million>**
  - Increase primarily attributable to growth in autism students/costs
  - The Special Education & Budget departments are reanalyzing this budget
- Does not include Special Ed Behavioral Intervention Mandate revenues (originally anticipated starting 2009-10)
- No district match of deferred maintenance contribution (continuation from 2009-10) **+\$2.5 million**
- Assumes no additional revenue/ADA from:
  - A2A (Attention to Attendance initiative)
  - K-6 Pilot
  - Note: Revenues/ADA will be adjusted once there is demonstrated, tangible evidence of ADA increases.



- ARRA Funding ends in 2010-11
  - The key ARRA programs: Stabilization, ARRA-IDEA & ARRA-Title I
  - ARRA Stabilization:
    - \$3.0 million in addt'l funds awarded related to QEIA fix-it bill. Per Board's authorization, funds to be utilized to offset unrestricted expenditures.
    - In early June, SAUSD awarded an addt'l +\$0.6 million as part of State's revision of the original Stabilization award amount.
      - District staff requests Board authorization to offset unrestricted expenditures. This would be a credited against needed district budget reductions for 2011-12.



- K-3 Class Size Reduction (CSR)
  - CSR encroaches by <\$6 million>
  - However, SAUSD utilizes categorical funds to offset this encroachment
  - The Board authorized Grade 1 & Grade 2 class sizes at 23:1 and 24:1 respectively for 2009-10 and 2010-11
  - MYP assumes continuation of Grade 1 & 2 CSR in 2011-12 and 2012-13
    - 2011-12 Rationale: While the CSR program encroaches, categorical funding of expenditures, the preferential treatment of subs & CSR funding flexibility (which expires at the end of the year) makes continuation a viable option.
      - Financial Impact: No change in revenue &/or expenditures from 2010-11 levels
    - 2012-13 Rationale: Given this is the 3<sup>rd</sup> year of the MYP and proposal to shift K-3 CSR to Tier III, a formal decision on CSR at this early date may not be warranted
      - Financial Impact: A revenue loss of <\$11.0 million> is assumed in the MYP given sun setting of CSR funding flexibility.



# Santa Ana General Fund Revenue Distribution

Unified School District (Combined Restricted/Unrestricted)

(\$s in millions)	2009-10 (Actuals + Projection)	2010-11 Budget	Difference
Revenue Limit	\$265.2	\$263.0	<\$2.2>
Federal Revenue	\$77.0	\$65.7	<\$11.3>
Other State Revenue	\$111.3	\$111.3	\$0.0
Other Local Revenue	\$10.9	\$7.8	<\$3.1>
Total	\$464.4	\$447.8	<\$16.6>

The revenue decrease is attributable to (1) Revenue Limit reductions, (2) Declining enrollment, (3) One-time Federal Stimulus revenues received in 2009-10, (4) Categorical carryovers which will be re-budgeted in Fiscal Year 2010-11 and (5) Local revenues/donations that are not budgeted until actually received.



# Santa Ana

Unified School District

## Key Expenditure Assumptions

- Includes standardized or “must-have” site staffing
- Not included are any unrestricted dollars needed in support of our Persistently Low Achieving Schools.
- Not included are any COLA salary increases for 2010-11 or for any future year
- Includes salary increases related to step & column and longevity
  - Estimated at **+\$6 million** for 2010-11 (Unrestricted & Restricted Combined)
- Staff Development Days – Arbitration Ruling **+\$3.0 million**
  - The district lost its arbitration with SAEA on staff development days
  - Budget assumes restoration of 2.5 days / +1.2% of certificated staff salary for 2009-10 and future years





- Accounts for 24 teacher positions restored per Administrative Judge ruling **+\$2.4 million**
- Includes incremental substitute costs related to 39 month preferential treatment for 14 laid-off teachers **+\$0.8 million**
- Cost of 3 SAEA MOUs **+\$0.3 million**
  - MOUs are related to Intermediate Class Size, Curriculum Specialist CLAD Stipends & Intermediate Coaches
- Continues Management Furlough Days **<\$0.5 million>**
  - Originally implemented in 2008-09
  - Days range from 5 to 10 days depending on months of service
  - Furlough Days = **<4.6%>** of management salary



- Includes incremental increase in Special Education costs **+\$7 million**
- AB3632 Mental Health. Currently there is insufficient information pertaining to the possible shift of mental health services from the county to school districts. Assume zero costs until additional information is provided.
  - Note: The amount of unspecified budget reductions may need to be increased depending on what is eventually communicated.



- H&W Cost
  - 2010-11 Increase: 17.7% **+\$6.0 million**
  - Increases beyond 2010-11: 12.5%
- PERS & STRS Costs:
  - Both programs are underfunded due to market investment losses
  - There have been discussions to increase both of these rates
  - No decision has been made to date and therefore no increases are reflected in the MYP for either cost
- Vacancy Credit **<\$2 million>**



- Expenses as approved by the Board at Second Interim
  - Examples of additional expenses approved include: CSR categorical funding shortfall, increase in Special Ed costs, additional elementary activity supervision hours, centralization of custodial supplies, etc.
  - 2010-11      **+\$3.8 million**
- K-6 Pilot as approved by the Board on May 11<sup>th</sup> **+\$0.4 million**



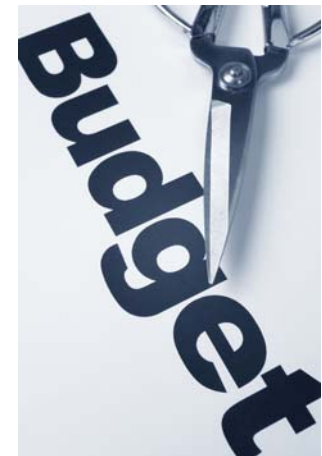
Inadequate State funding of our schools has resulted in Educational program reductions. The latest projected budget reductions for 2011-12 & 2012-13 are **-\$32.5 million** & **-\$30.5 million** respectively.

- 2004-05, **<\$29 million>**
- 2005-06, **<\$14 million>**
- 2006-07, **<\$15 million>**
- 2007-08, **<\$21 million>**
- 2008-09, **<\$41.6 million>**
- 2009-10, **<\$11.6 million>**

Budget Cuts (2004-05 thru 2009-10): **<\$132.2 million>**

- 2010-11, **<\$34.0 million>**
- 2011-12, **<\$32.5 million>** (previously \$26.0 million)
- 2012-13, **<\$30.5 million>**

**Total Budget Cuts (2004-05 thru 2012-13): <\$229.2 million>**





(\$s in millions)	2009-10 (Actuals + Projection)	2010-11 Budget	Difference
Certificated Salary (incl. Mgt)	\$240.0	\$240.1	\$0.1
Classified Salary (incl. Mgt)	\$61.3	\$61.6	\$0.3
Employee Benefits	\$89.3	\$97.6	\$8.3
Non-Salary Expenses	\$83.8	\$83.8	\$0.0
<b>Total</b>	<b>\$474.4</b>	<b>\$483.1</b>	<b>\$8.7</b>

The expenditure increase is primarily attributable to (1) Increase in Health & Welfare Costs, (2) Increase in Special Ed costs and (3) Step & Column increases. These increases were partially offset by Board approved budget reductions for 2010-11.



<u>(\$s in millions)</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>
<b>Beginning Fund Balance (at Second Interim)</b>	\$93.2	\$83.3	\$48.0	\$31.1
<b>Revenues</b>	\$464.5	\$447.8	\$434.3	\$428.2
<b>Expenditures (including Budget Reductions)</b>	\$474.4	\$483.1	\$451.2	\$429.8
<b>Net Increase/(Decrease)</b>	<b>(\$9.9)</b>	<b>(\$35.3)</b>	<b>(\$16.9)</b>	<b>(\$1.6)</b>
<b>Proj. Ending Fund Balance (at Third Interim)</b>	\$83.3	\$48.0	\$31.1	\$29.5
<b>Less: Other Designations (incl. Rev. Cash, etc.)</b>	<b>(\$2.8)</b>	<b>(\$2.8)</b>	<b>(\$2.8)</b>	<b>(\$2.8)</b>
<b>Unrestricted Reserves (incl. Instr. Materials, etc.)</b>	<b>(\$10.3)</b>	<b>(\$9.5)</b>	<b>(\$11.5)</b>	<b>(\$13.5)</b>
<b>QEIA Reserve</b>	<b>(\$0.0)</b>	<b>(\$0.0)</b>	<b>(\$0.0)</b>	<b>(\$0.0)</b>
<b>One-time cuts / Budget shifts – Deferred</b>	<b>(\$23.0)</b>	---	---	---
<b>Restricted Reserves</b>	<b>(\$7.5)</b>	<b>(\$1.8)</b>	<b>(\$0.6)</b>	<b>(\$0.9)</b>
<b>Desig. for Economic Uncertainties</b>	\$39.7	\$33.9	\$16.2	\$12.3
<b>Desig. for Economic Uncertainties %</b>	8.4%	7.0%	3.6%	2.9%
<b>Addt'l Unspecified Budget Cuts Needed</b>	---	---	<b>(\$32.5)</b>	<b>(\$30.5)</b>



(\$s in millions)	2010-11	2010-11	2011-12	2012-13
Budget Cuts <u>not</u> yet Identified &/or Approved	---	---	<\$32.5>	<\$30.5>
Reserves <b>with</b> above cuts	8.4%	7.0%	3.6%	2.9%
Reserves <b>without</b> above cuts	8.4%	7.0%	<3.4%>	<16.9%>





## Projected Ending Balances (All Other Funds)

Fund (all \$s in 000's)	2009-10 Projected	2010-11 Budget	Difference
Fund 11 - Adult Education	\$0	\$0	\$0
Fund 12 – Child Development	\$140	\$146	\$6
Fund 13 – Cafeteria	\$10,828	\$10,828	\$0
Fund 14 – Deferred Maintenance	\$0	\$0	\$0
Fund 17 – Special Reserve	\$9,537	\$9,641	\$104
Fund 21 – Building	\$84,360	\$213	<\$84,147>
Fund 25 – Capital Facilities	\$450	\$250	<\$200>
Fund 35 – School Facilities	\$14,881	\$0	<\$14,881>
Fund 40 – Special Reserve/Capital Outlay	\$1,808	\$0	<\$1,808>
Fund 49 – Capital Projects (COP)	\$2,290	\$191	<\$2,099>
Fund 51 – Bond Interest & Redemption	\$9,841	\$9,936	\$95
Fund 56 – Debt Service	\$13,414	\$13,242	<\$172>
Fund 67 – Workers' Comp/Self-Ins.	\$13,104	\$10,847	<\$2,257>



- The State previously initiated \$70 million in deferrals (for SAUSD). The May Revise proposes deferral of an additional \$19 million.
  - Potential interest income lost (assuming a 1% rate): \$203K (or \$17K/month)



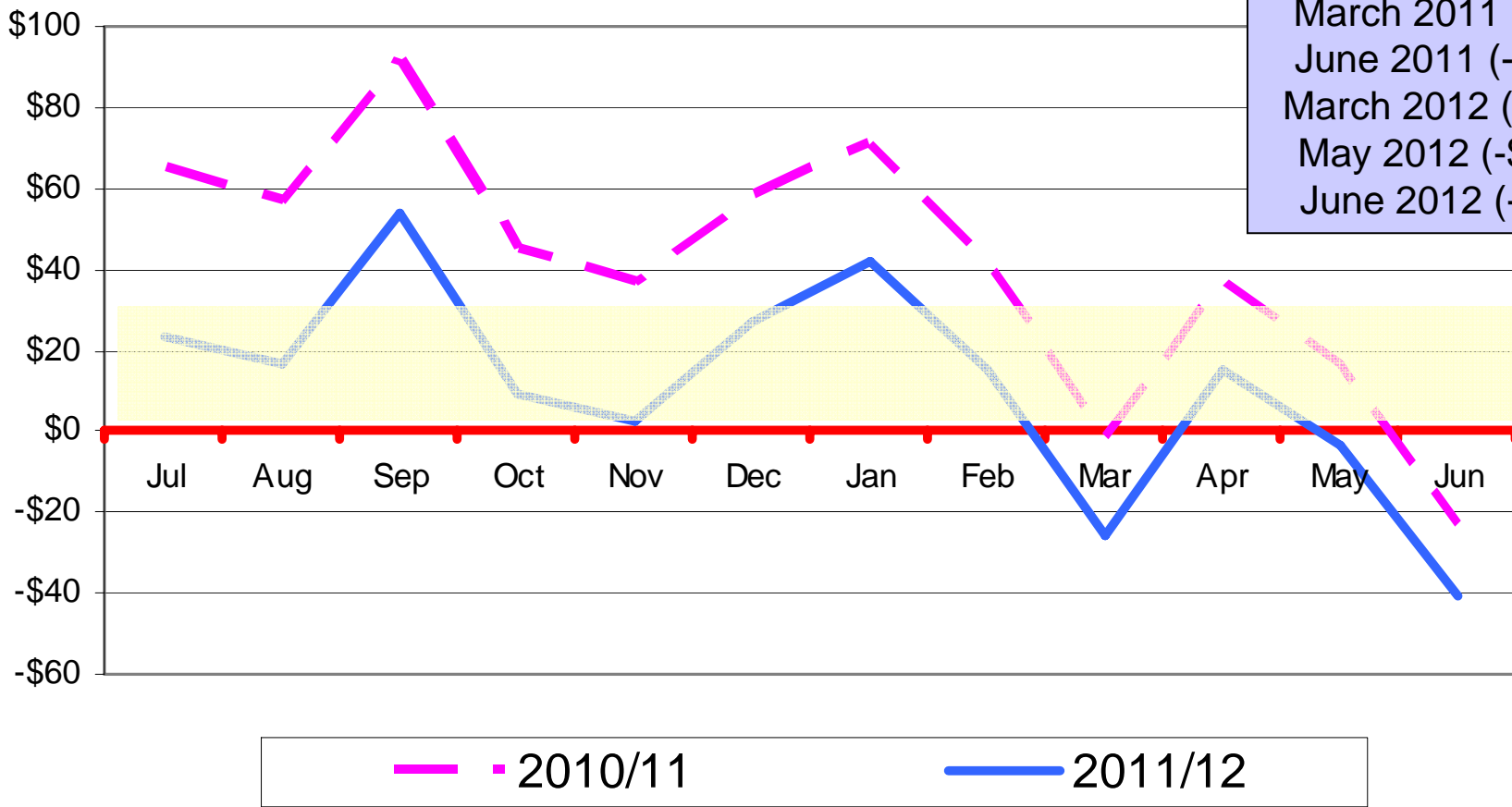
**The State will pay the District, not on Tuesday but several months later, for money they owe us!**

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



State deferrals results in a **projected cash shortfall in 2010-11 & 2011-12** and a probable need to borrow funds to meet payroll & other district obligations.

Cash shortfalls projected as follows:  
March 2011 (-\$0.9 million),  
June 2011 (-\$23.1 million),  
March 2012 (-\$25.5 million),  
May 2012 (-\$3.4 million) &  
June 2012 (-\$40.8 million)





- This Budget is a long way from being done
  - The Legislature / Administration are debating how to close the deficit
  - School Services states that the May Revise may be the best case scenario. (i.e. further cuts to Education may be forthcoming)
- Once State adopts their budget, revise our district budget
- By Dec. 15, 2010, identify \$32.5 million in 2011-12 budget cuts \*
  - We can't do everything we want, but we can prioritize and provide those services essential to academic success
  - Salaries/benefits constitutes over 93% of our unrestricted budget
  - We need to work with our administrative, certificated and classified associations to achieve expenditure reductions
- As part of the above, reach decision on CSR for 2011-12 & future years.



\* Dollar amount of the cuts may change depending on the State's adopted budget.