



Santa Ana
Unified School District

2011-12 Adopted Budget

June 14, 2011

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





- Governor's May Revise provided no surprises and was within District projections
- SAUSD Adopted Budget
 - Met reduction targets of **\$31.5 million**
 - **\$27.5 million** of the solutions use one-time funds
 - No layoffs
 - No significant changes from past 5 months of budget updates
- Enrollment is stabilizing
- Expect the 2012-13 budget challenge to be more difficult than fiscal 2011-12
 - Federal ARRA funds have been utilized
 - **\$32.0 million** in reductions are needed
 - This is AFTER utilizing Fund 17 reserves
 - 180 days remaining until ongoing reductions must be identified



- The Governor's May Revision provides "flat funding" for education in spite of almost \$3 billion in increased funding under Proposition 98. The new funding
 - Reverses \$2.5 billion in K-12 apportionment deferrals,
 - Reverses \$350 million in community college apportionment deferrals,
 - Provide \$222 million to fund mental health and out-of-home care for special education students, an expense that was previously borne by counties.
- The revise is based upon an extension of taxes, which if not approved could require up to **\$5 billion** in reductions to K-12
- The proposed budget includes the additional Base Revenue Limit funding that was received in 2010-11 and is being used **one-time** against 2011-12 cuts
 - Due to the uncertainty of the State budget this revenue will be recorded and designated in reserve against potential additional cuts to education



Santa Ana
Unified School District

SAUSD's 2011-12 Adopted Budget





Board Priorities 2011-12 through 2015-16



- Ensure fiscal solvency (*legally required*)
- Preserve staff
 - Continue to provide Elementary support staff
- Maintain integrity of programs
 - Continue to protect services to the most vulnerable students
- Find other ways to reduce expenditures
- School Safety
- Maintain athletics and music programs
- Reduced class sizes in grades 1 & 2
- Maintain 180 day instructional calendar



- The District's 2011-12 Revenue budget is based on:
 - The Governor's May Revise information
 - The Board of Education's priorities
 - Orange County Department of Education (OCDE) direction.



Includes additional base revenue limit funding as proposed by the Governor, but due to uncertainty of the State budget, leaves this revenue in the assigned category of GASB 54 reporting against potential future State budget reductions

Includes the remaining one-time ARRA Jobs Bill funds that must be expended in 2011-12

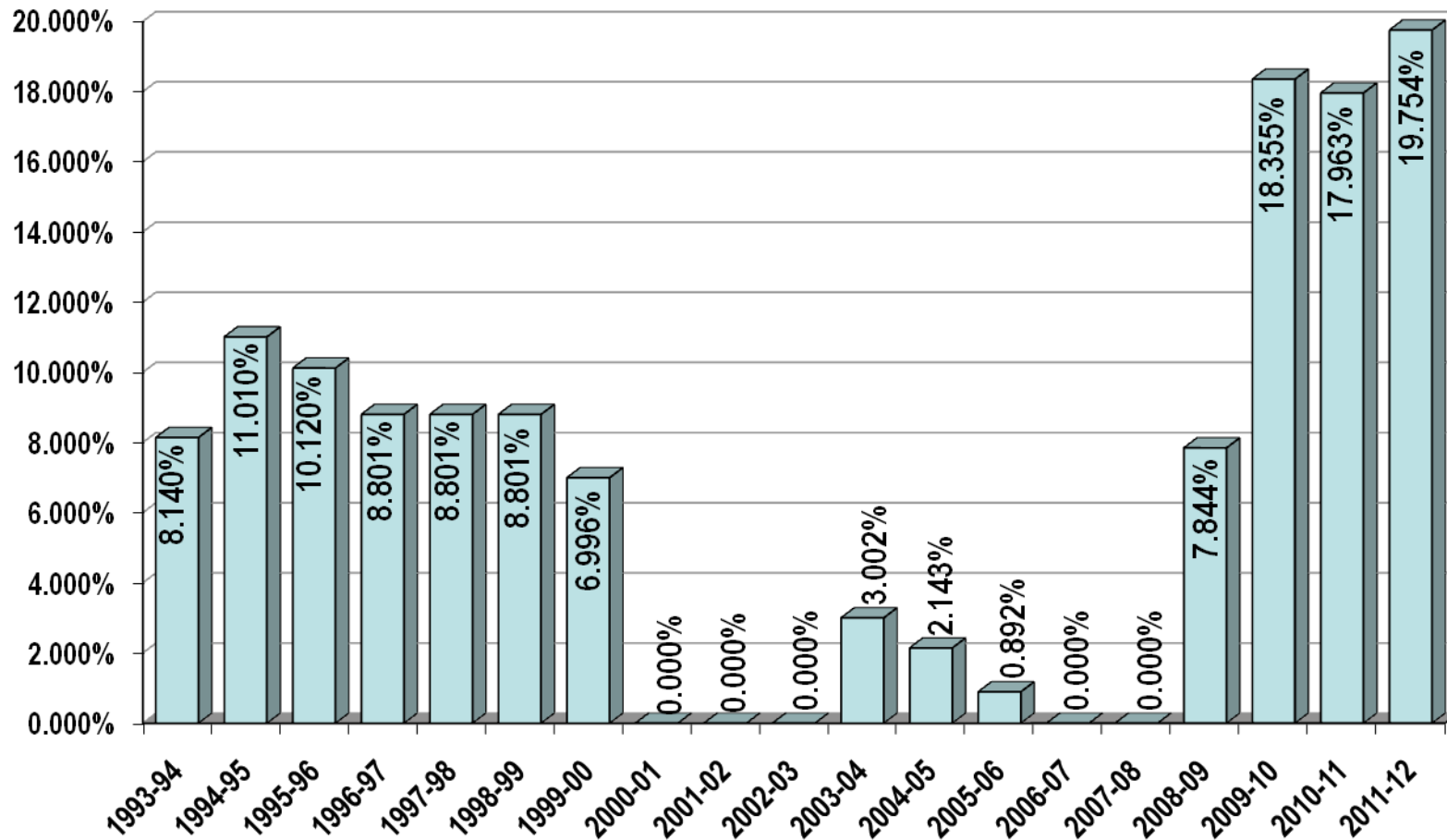
Reflects a reduction in Federal funding to the ending of ARRA Stabilization, Title I, and IDEA one-time funding

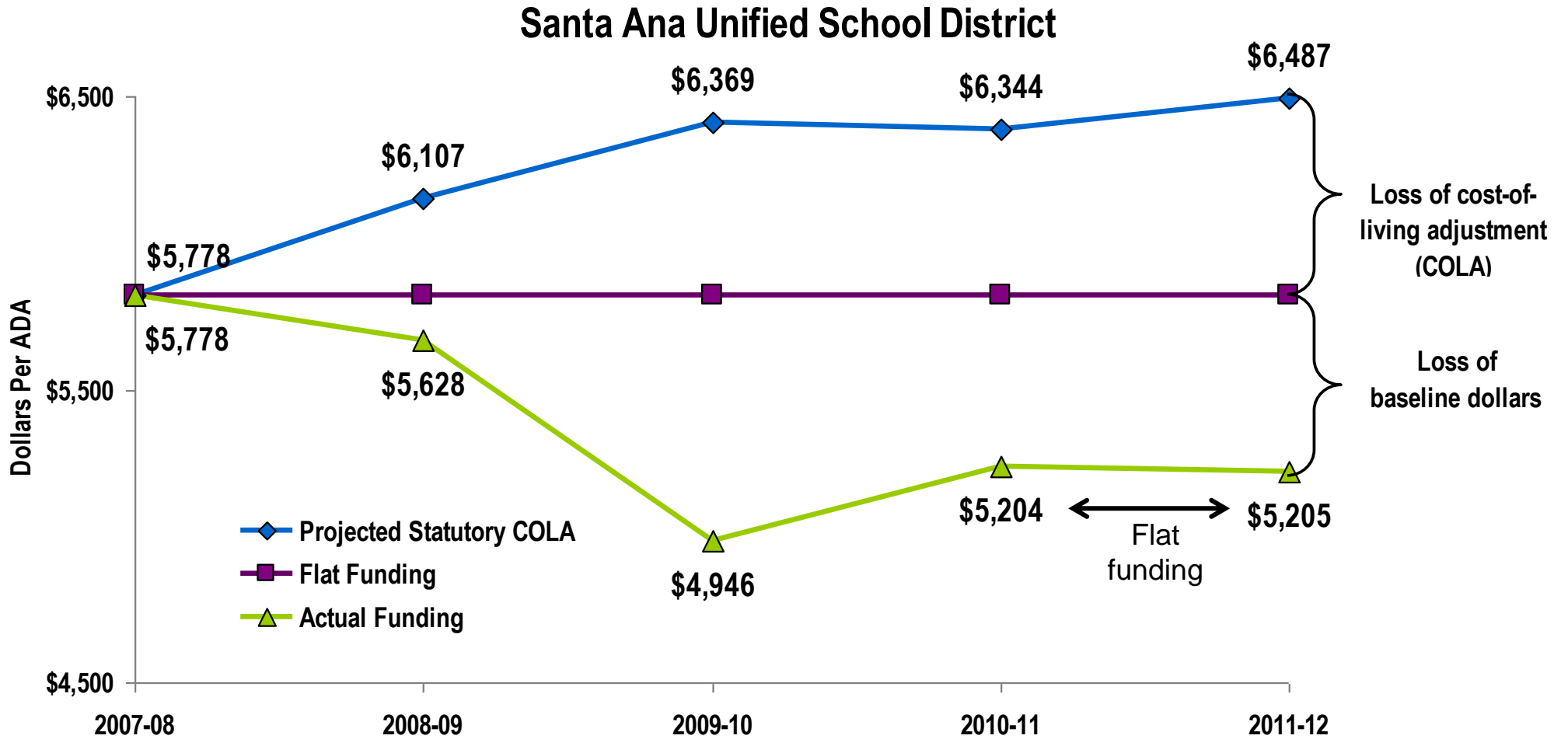


- COLA & Deficit Reduction
 - COLA and Deficit Reduction as follows:

	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
COLA	2.24%	3.20%	2.70%
Deficit Reduction	<19.754%>	<19.754%>	<19.754%>

- 2011-12 COLA. The deficit factor is up from 19.608% in January, thus wiping out the statutory COLA of 2.24% resulting in flat funding.
- 2012-13 & 2013-14 COLA. Funding of COLA for the out years is suspect. Given guidance from OCDE, funds are reflected in Revenue assumptions but designated as assigned against future State cuts in the GASB 54 reporting.







The District has utilized a three-level approach to enrollment projections the past two school years and bases staffing allocations on the final projection

- Input from site principal
- Demographic analysis include trends and historical cohort-survival rates (previously used Dolinka but now done by Facilities)
- District adjustments based upon multiple factors done in collaboration with Human Resources, Facilities, Business Services and Program Quality

Year	Dolinka	District	CBEDS	Difference (CBEDS v. District)	% Difference
2011 - 12		53,996			
2010 – 11	53,289	53,256	53,753*	497	0.93%
2009 – 10	55,025	54,813	54,084	(729)	(1.32%)
2008 – 09	54,314	54,210	54,584	374	0.68%
2007 – 08	53,693	55,043	54,449	(594)	(1.08%)
2006 – 07		55,053	54,899	(154)	(0.27%)
2005 – 06		58,169	56,574	(1,595)	(2.74%)
2004 – 05		58,656	58,884	228	0.38%
2003 – 04		62,656	59,895	(2,761)	(4.40%)
2002 – 03		58,953	60,973	2,020	3.42%



- K-3 Class Size Reduction (CSR)
 - CSR encroaches by **<\$6 million>**
 - However, SAUSD utilizes categorical funds to offset this encroachment
 - Loss of ARRA Title I limits sites remaining categorical funding after CSR to approximately \$50k per Elementary Site
 - The Board maintained Grade 1 & Grade 2 as a priority for 2011-12. Class sizes will begin at approximately 25:1 in both grades
 - **MYP assumes continuation of Grade 1 & 2 CSR in 2011-12**
 - 2011-12 Rationale: While the CSR program encroaches, categorical funding of expenditures, the preferential treatment of subs & CSR funding flexibility makes continuation a viable option.
 - Financial Impact: CSR encroachment of approximately \$2 million is factored into the adopted budget
 - 2012-13 Rationale: Class Size Reduction has been identified as a potential program reduction by the LAO along with the QEIA program which has the potential budget impact of **<\$22 million>**, of which **<\$11 million>** is reflected in the 2012-13 MYP **due to the likely loss of QEIA funding**



Santa Ana General Fund Revenue Distribution

Unified School District (Combined Restricted/Unrestricted)

(\$s in millions)	2010-11 (Actuals + Projection)	2011-12 Budget	Difference
Revenue Limit	\$275.3	\$278.3	\$3.0
Federal Revenue	\$84.8	\$64.8	<\$20.0>
Other State Revenue	\$114.4	\$107.0	<\$7.4>
Other Local Revenue	\$8.9	\$7.7	<\$1.2>
Total	\$483.4	\$457.8	<\$25.6>

The Revenue Limit increase is attributable to increase in State Unemployment Insurance and absence of the prior year negative adjustment to the Revenue Limit

Federal Revenue decline reflects the end of one-time ARRA Stabilization, IDEA and Title I

State Revenue decline reflects the absence of mandated cost and categorical carryovers

Local Revenue decline reflects the reduction in ROP, absence of categorical carryovers, and the end of local grants/donations



Santa Ana Key Expenditure Assumptions

Unified School District

- Includes standardized or “must-have” site staffing
 - Increase of two hours for Site Clerk, Library Media Technician, and Inst. Assistant-Computer positions.
- Not included are any unrestricted dollars needed in support of our Persistently Low Achieving Schools.
- Not included are any COLA salary increases for 2011-12 or for any future year.
- Includes salary increases related to step & column and longevity
 - Estimated at **+\$6 million** for 2011-12 (Unrestricted & Restricted Combined)
- Utilization of Jobs Bill and General Funds to restore furlough days for certificated and management staff as part of the one-time 2011-12 budget reductions.
- Utilization of one-time BRL funding from 2010-11 of \$13.8 million against required budget reductions for 2011-12.
- Utilization of one-time Tier III sweep from 2010-11 of \$5.5 million from ending fund balances against required budget reductions for 2011-12.



- H&W Cost
 - 2011-12 costs were flat due to SAEA and CSEA agreements
 - Increases beyond 2010-11: 12.0%
- PERS & STRS and Statutory Benefits Costs:
 - Both programs are underfunded due to market investment losses
 - PERS rate increase is built in to MYP
 - SUI increase of approximately \$3 million is incorporated into the MYP



(\$s in millions)	2010-11 (Actuals + Projection)	2011-12 Budget	Difference
Certificated Salary (incl. Mgt)	\$238.0	\$239.1	\$1.1
Classified Salary (incl. Mgt)	\$63.1	\$64.6	\$1.5
Employee Benefits (incl. retirees)	\$98.3	\$104.2	\$5.9
Non-Salary Expenses	\$94.1	\$78.6	<\$15.5>
Total	\$493.5	\$486.5	<\$7.0>

The expenditure decrease is primarily attributable to

- (1) Increase in Statutory Benefit Costs
- (2) Step & Column increases and adjustments in certificated/classified staffing
- (3) the end of ARRA Stabilization, Title I, and IDEA and absence of categorical carryovers



- 2011-12 numbers shown as part of the Adopted Budget will undoubtedly change as:
 - Additional May Revise details are released
 - 2011-12 Budget development incorporates detailed review of positions, expenditures & programs while 2011-12 projections from the Third Interim are developed via a macro approach.

- Staff Recommendation:
 - Accept and approve 2011-12 Adopted Budget

Projection in million dollars	2011-12 Adopted Budget
Beginning Fund Balance (a)	\$ 85.3
Add: Revenues (b)	\$457.8
Less: Expenditures (including Budget Reductions) (c)	\$486.5
Deficit Spending (d) = (b) - (c)	(\$28.6)
Ending Fund Balance (a) + (d)	\$ 56.6
<u>Non-spendable:</u> Revolving Cash/ Stores / Prepaid Exp.	\$3.0
<u>Restricted:</u>	
- Desig. For Restricted Fund Balance	\$5.6
<u>Committed:</u> Stabilization Arrangements	\$15.0
<u>Assigned:</u>	
- Future State cuts (if tax extensions do not pass)	\$17.2
- Desig. for Unrestricted Reserve	\$5.9
<u>Unassigned/Unappropriated:</u>	
- Desig. for Economic Uncertainties	\$9.9
	2.0%



SAUSD has been required to make reductions to the budget each year beginning in 2004-05.

The cuts from 2004 through 2008-09 were predominantly due to declining enrollment and totaled **<\$120.6 million>**



Cuts in 2009-10 and 2010-11 totaled **<\$42.6 million>** which includes **\$20 million in one-time solutions** pushing the ongoing cut requirement to the following year



The current reductions required for 2011-12 are **<\$31.5 million>** which includes the **\$20 million in one-time solutions** from 2010-11

The second year, 2012-13 will require an **additional <\$32.0 million>** in budget reductions which includes the **\$27.5 million in one-time solutions** from 2011-12









In the 9 year span beginning in 2004-05 SAUSD has been required to identify and implement over **<\$226.7 million>** in budget reduction solutions



- Utilizing one-time solutions in both 2011-12 (**Jobs bill & unexpected base revenue limit increase from 10-11**) and 2012-13 (**Fund 17 reserve balances**) SAUSD will still be required to make additional unidentified budget reductions of:
 - **\$0** million remaining to be identified for 2011-12
 - **\$16.5** million (**estimated**) in additional cuts may be required after adoption if May Revise proposal is not adopted by the Legislature
 - **\$32.0** million for 2012-13 (by December 13, 2011)
- Available **one-time** resources remaining would be approximately \$23.5 million (With Fund 17 utilized one-time for 2012-13)









\$ in millions

	Description of Reduction Actions	Proposed Amount of Reduction/ Increase	Reductions Required
			Plan B
	Reductions required for 2011-12		\$31.5
	10-11 Base Revenue Limit (<u>one-time</u>)	\$13.8	\$17.7
	Jobs Bills (<u>one-time</u>)	\$8.3	\$9.4
	Tier III balances (<u>one-time</u>)	\$5.5	\$3.9
	Health and Welfare negotiations	\$6.0	\$2.1
	Increase expenditures for 2011-12	<\$4.0>	\$1.9
	Loss of \$79/ADA 2011-12 Base Revenue Limit (Plan B)	<\$4.0>	\$5.9
	Increased base program for 2011-12	<\$2.5>	\$8.4
	Enrollment increase, Tier III Inst Materials/Summer, 2 nd Interim expenditure red.	\$8.4	\$0



No Change in 2012-13 Budget Targets based upon current Governor's May Revision

\$ in millions

	Description of Reduction	Proposed Amount of Reduction/ Increase	Reductions Required
	New Reductions required for 2012-13		\$30.5
	10-11 Base Revenue Limit (one-time from 2011-12)	\$13.8	\$44.3
	Jobs Bills (one-time from 2011-12)	\$8.3	\$52.6
	Tier III (one-time from 2011-12)	\$5.5	\$58.1
	CSR Penalty Flexibility continues	\$11.0	\$47.1
	One-time Utilization of District Reserve funds (Fund 17)	\$13.5	\$33.6
	Revised enrollment projection adjustment	\$1.6	\$32.0



- **<u>\$32.0 million>** in reductions must be identified by December 13, 2011
- This target is **AFTER** one-time reserves from Fund 17 are committed
- **One-time solutions** used in 2009-10, 2010-11 and 2011-12 **are exhausted**
- Real **ongoing reductions** will need to be identified in the next 6 months for 2012-13



Days
Remaining to
Identify 2012-
13 Reductions

180



Date	Event or Activity
On-going until Settled	Negotiations with our certificated & classified associations (SAEA & CSEA respectively) for <u>ongoing reductions</u>
June 28 July 26 August 23	Board Meetings
June 14	Approval of 2011 – 12 Adopted Budget
December 13, 2011	Approval of 2012 -13 Budget Reduction Measures