



Santa Ana
Unified School District

2012 – 13 SAUSD Budget Development

(The New Normal)

May 8, 2012

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

Michael P. Bishop, Sr. CBO, Deputy Superintendent, Operations

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



- Previous Budget Reduction Options
 - The “New Normal”
- District Revenue Declines
 - Base Revenue Limit Deficits
 - Multi-Year Projections
- Budget Questions and Answers
- Why is No Layoff Planned for 2012-13?
- Process for 2012-13 Budget Reductions
- Next Steps



The Road Not Taken

Two roads diverged in a yellow wood,
And sorry I could not travel both
And be one traveler, long I stood
And looked down one as far as I could
To where it bent in the undergrowth;

Then took the other, as just as fair,
And having perhaps the better claim
Because it was grassy and wanted wear,
Though as for that the passing there
Had worn them really about the same,

And both that morning equally lay
In leaves no step had trodden black.
Oh, I marked the first for another day!
Yet knowing how way leads on to way
I doubted if I should ever come back.

I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I,
I took the one less traveled by,
And that has made all the difference.

Robert Frost, 1920 Mountain Interval



**Multi-year Budget Projection
2011-12 to 2016-17???**



**The new budget realities will require new thinking
and new solutions to weather the upcoming storm**



The Seven Building Blocks to SAUSD Success *Preparing All Students to be College and Career Ready*

Clear Focus on Learning

Establish a specific vision of what high-quality, personalized learning and instruction looks like inside classrooms based on Common Core State Standards.

Comprehensive Accountability

Assess student learning to inform practice and monitor implementation of best practices.

Climate

Ensure safety of students and staff, and build trusting relationships that are driven by the core values of respect, responsibility, and results.

Capital

Effectively and efficiently align fiscal, physical and personnel resources to support and ensure student learning.



Communication

Develop, define and deepen understanding of the District's vision internally and with our community through the creation of a unified message, including avenues for two way communication.

Community and Parent Involvement

Establish transparent, credible processes for community and stakeholder involvement. Seek and promote partnerships with parent groups, community groups and community leaders.

Commitment and Capacity

Ensure that all employees feel valued and enact the instructional vision through professional training, implementation, support, and monitoring of performance to strengthen student achievement.

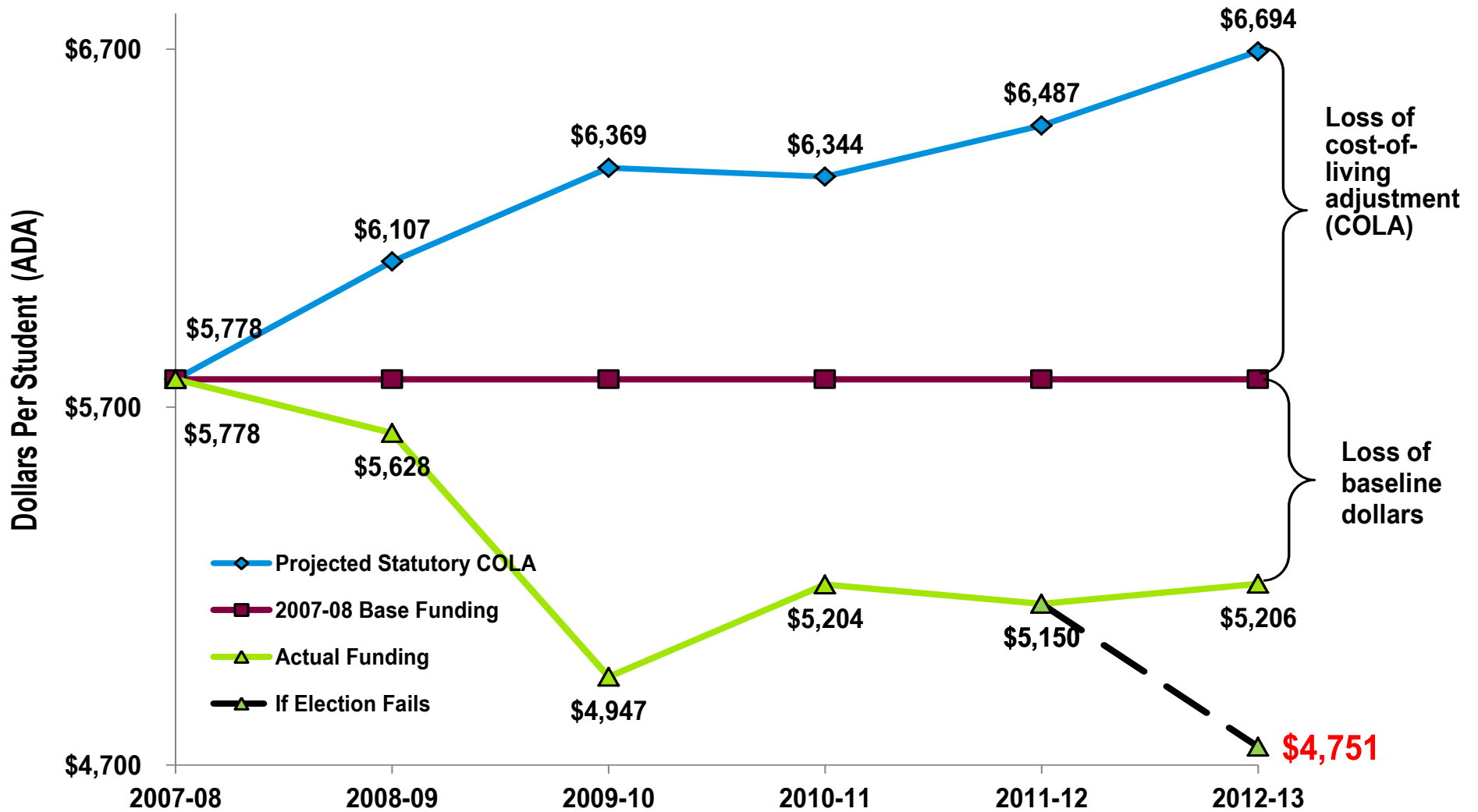
Santa Ana Unified School District
Office of the Superintendent



- Why does the District need to make budget cuts?
 - The State has not provided SAUSD with the full education funding
 - The current deficit factor is 21.666%, mean SAUSD only receives just over \$0.78 cents for every \$1 in Base Revenue Limit funds
 - The State also defers more than 38% of the yearly revenue across fiscal years limiting cash flow for payroll
 - **For the past three years the State has built possible mid-year cuts into the budget**
 - Fixed costs for utilities, fuel, and employee step and column and health and welfare costs increase yearly absent of new revenue
 - Despite significant flexibility measures (Tier III and CSR for example) the State and Federal government continue to enforce significant compliance in how restricted funds may be spent limiting District ability to utilize these funds for general purpose expenditures

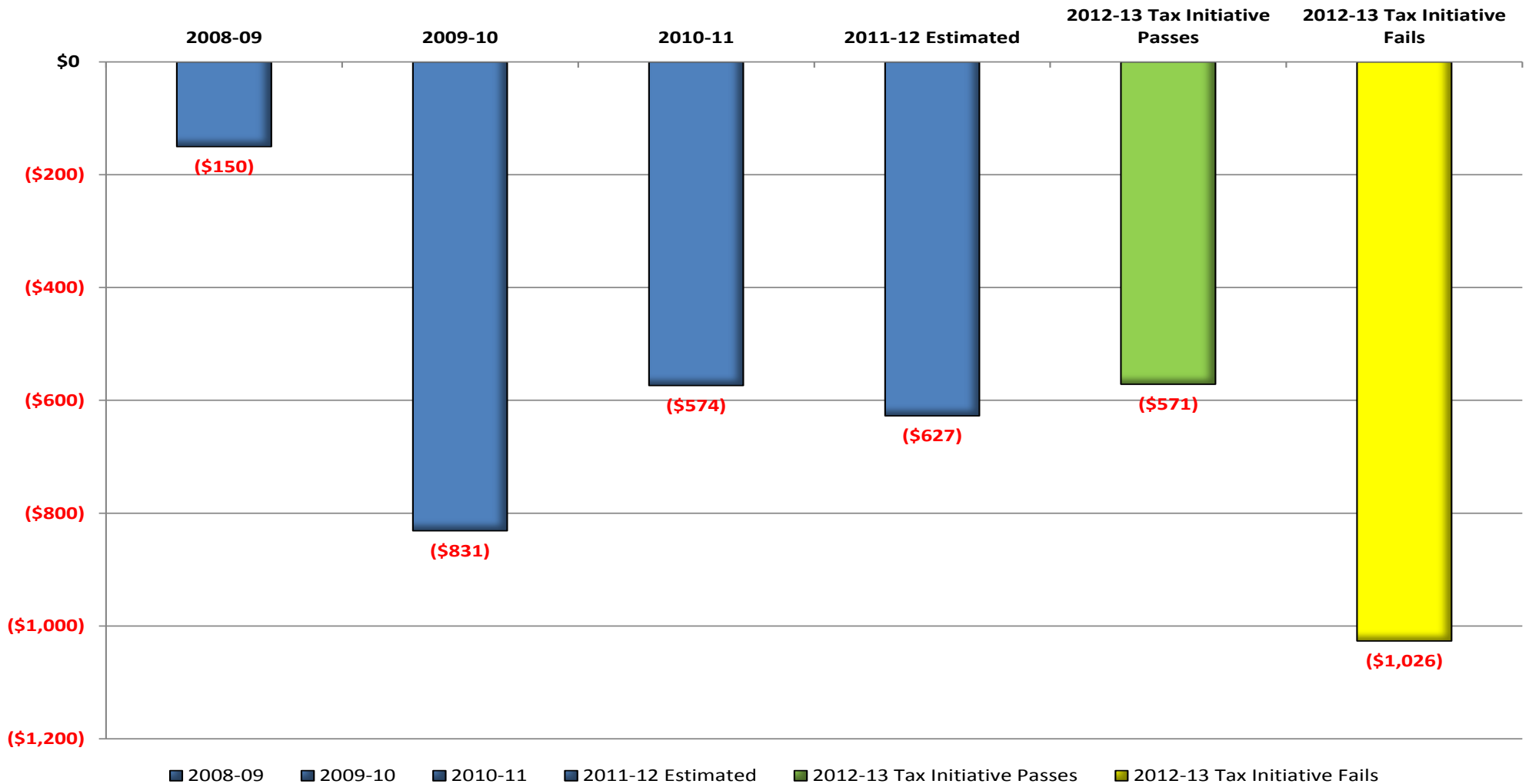


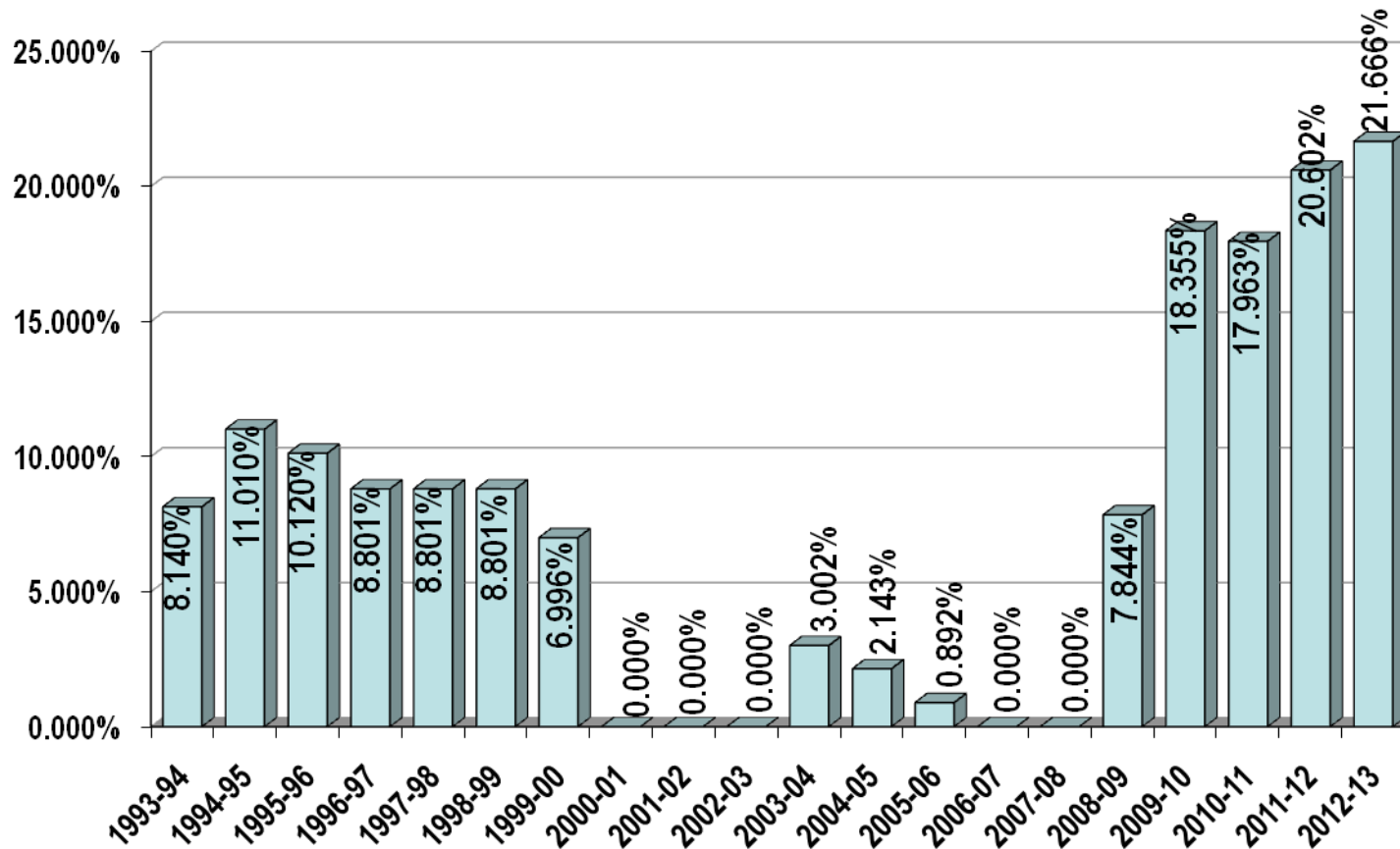
Per Student Revenue Limit Funding (Statutory vs Actual) Santa Ana Unified School District





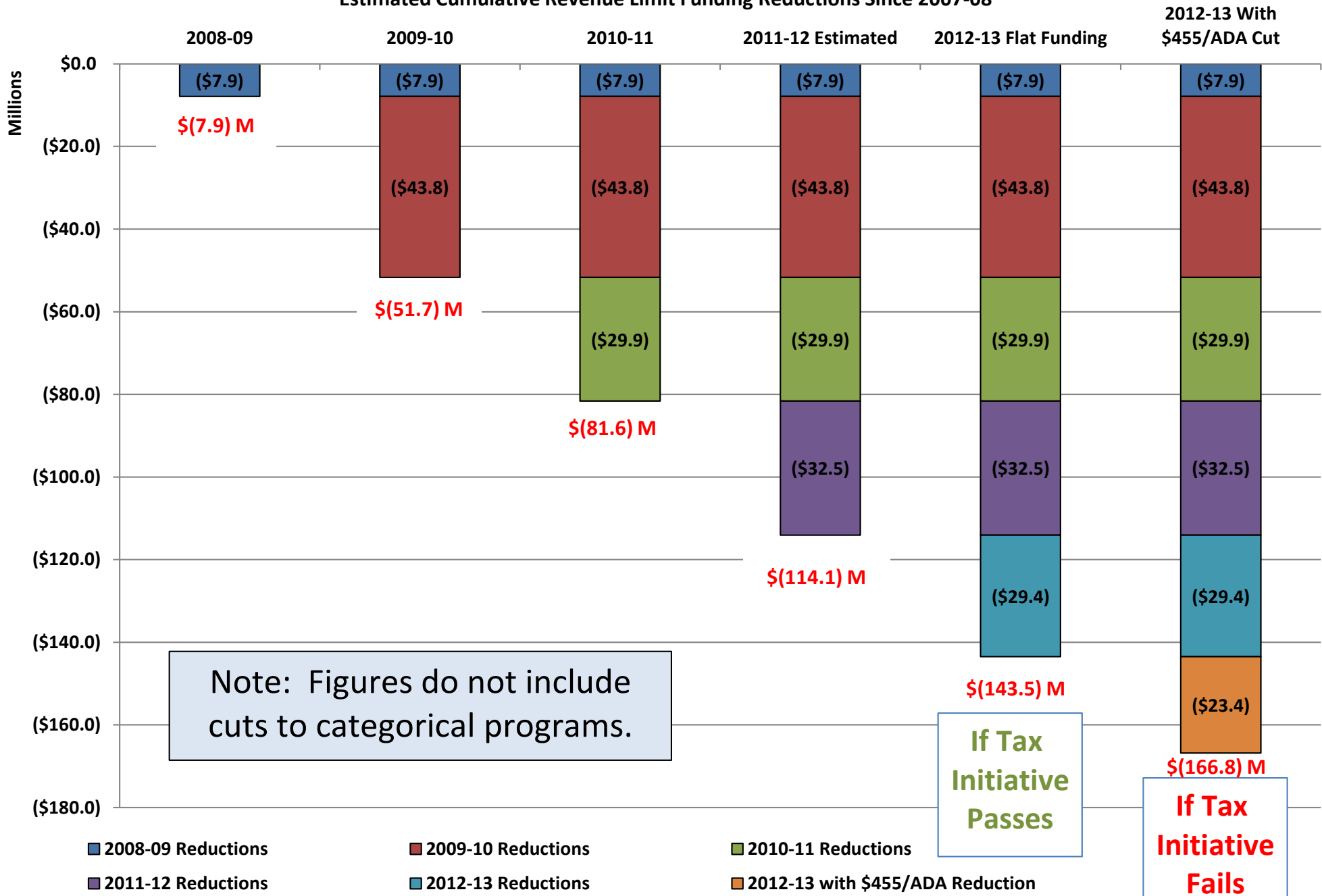
Per ADA Revenue Limit Reductions Compared to 2007-08 Santa Ana Unified School District



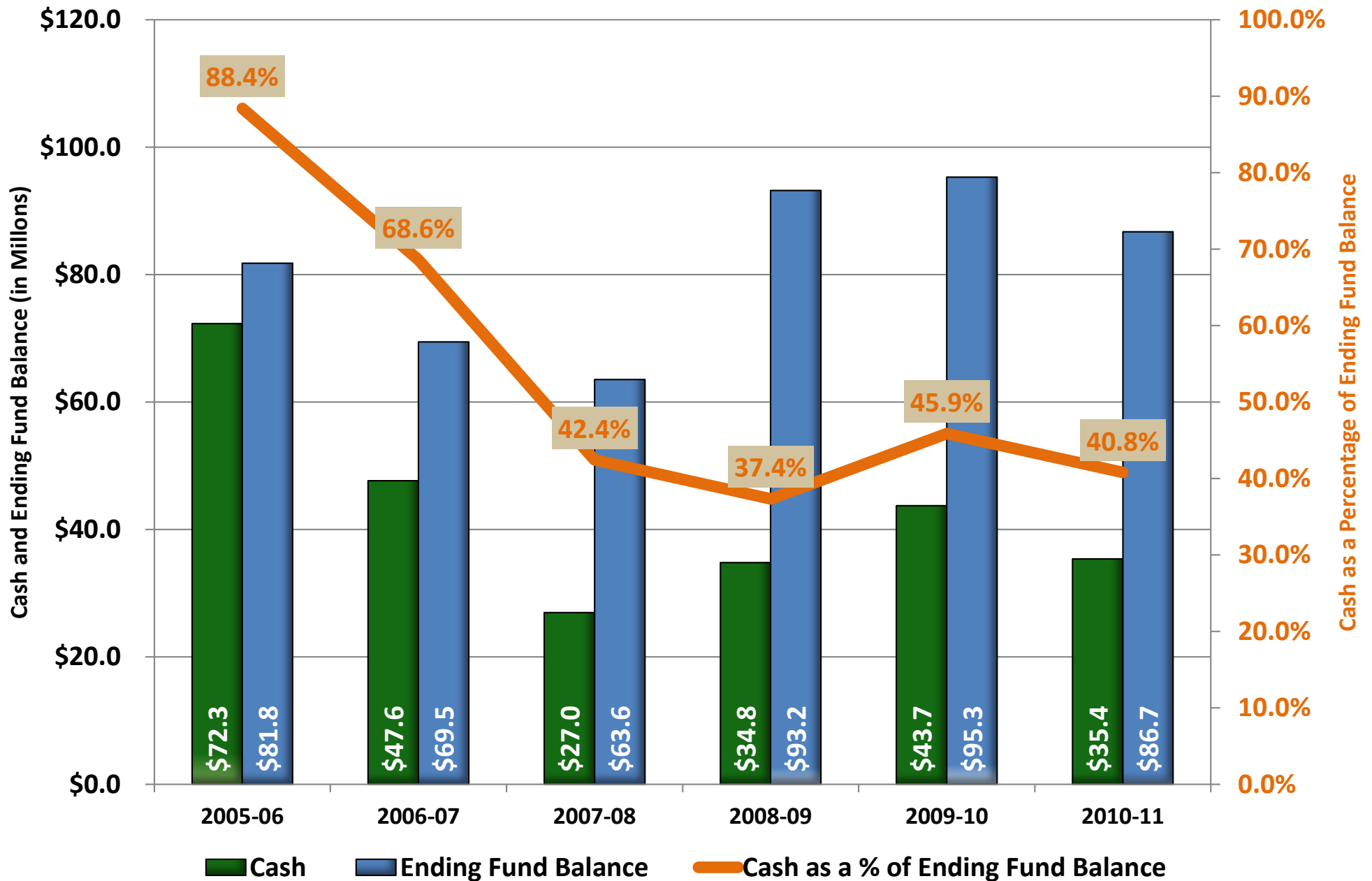


Santa Ana Unified School District

Estimated Cumulative Revenue Limit Funding Reductions Since 2007-08



Santa Ana Unified School District Comparison of General Fund Cash and Ending Fund Balance





- **No Certificated or Classified Layoffs**
 - Impact of Education Code Section 44956(a)(5) Preferential Substitute Service
 - Cost of maintaining staff built into budget reduction targets
- **Staffing of 1st and 2nd 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 May 2012 meeting for Int./H.S.
- **Grades 4 – 8 staffing formula Education Code adjustments**
 - Districtwide staffing ratio to meet 1964 Education Code Section 41376
- **Jobs Bill funding that reinstated five (5) furlough days for Certificated/Management (\$5.5 million) expires at the end of 2011-12**



Use **one-time** sources of funds such as ARRA or Jobs Bill to address reductions for **one year**, effectively moving the ongoing budget reduction from one year to the next...this option is running out



Utilize **one-time fund balances** to address required reductions for **one year**, effectively moving the ongoing budget reduction from one year to the next



An ongoing reduction: elimination or reduction of program; negotiated reduction; or reduction in staffing resulting in reduced expenditures






Over 94% of the District budget is currently used to pay for staffing costs



- Preferential Sub costs were built into the budget, but now there is not a layoff. Shouldn't those costs be removed?
 - The Budget had an estimated cost of **\$6.5 million** for preferential subs, this was increased by **\$2.5 million** to a total of **\$9.0 million** to ensure no layoff
 - After retirements and the release of temporary contract teachers the District had 67 Multiple Subject teachers to place. Many of these will be placed using categorical funds saving the District \$5.5 million in general funds expenditures
 - **The credit in reduced expenditures of \$5.5 million was brought to the Board at the February 14, 2012 meeting**
 - See Slide 15 to reflect credit toward reduction target
 - This adjustment reduced the target down to the **\$15.1 million** that we have been working to address



\$ 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 for 2011-12) | \$13.8 | \$44.3 |
|  | Jobs Bills (one-time for 2011-12) | \$5.8 | \$50.1 |
|  | Tier III (one-time for 2011-12) | \$5.5 | \$55.6 |
|  | CSR Penalty Flexibility continues | \$9.9 | \$45.7 |
|  | <i>One-time Utilization of District Reserve funds (Fund 17) - OPTIONAL</i> | \$13.5 | \$32.2 |
| | Enrollment projection adjustment – reduced enrollment decline from down to 457 at 1st Interim | \$1.6 | \$30.6 |
| | No certificated/classified layoff for 2012-13 | \$2.5 | \$33.1 |






2012 Mid-year State Cuts, District categorical reorg., Governor's Proposed cuts

\$7.0

\$40.1



\$ in millions

| | Description of Reduction | Proposed Amount of Reduction/ Increase | Reductions Required |
|---|---|--|---------------------|
| | Reductions required for 2012-13 | | \$40.1 |
|  | 11-12 Base Revenue Limit (one-time from 2011-12 due to less than anticipated mid-year cut) | \$17.0 | \$23.1 |
|  | 2011-12 mid-year base revenue cut one-time | \$1.0 | \$22.1 |
|  | Transitional K students may be claimed in ADA once they turn 5 | \$1.5 | \$20.6 |
|  | Placement of MS Credential Staff (This adjustment removes the initial cost of preferential subs and no layoff while maintaining cost for grade 4-5 staffing at 30:1) | \$5.5 | \$15.1 |
|  | Mid-year reductions if tax initiative does not pass (\$370/ADA estimate) | \$20.0 | \$35.1 |



- Each year the ending fund balance seems to be higher than projected and expenditures increase at First Interim then are reduced at the end of the year. Why are expenditures changed back and forth?
 - Staff has taken a quick look at fund balances since 2007-08 and questions have been raised
 - We are reviewing the trend information



- Why does the District need to cut when it has a projected ending fund balance of \$61.4 million?
 - This is the combined fund (includes restricted funds)
 - The District continues to deficit spend and must monitor cash flow monthly to meet payroll due to State deferrals
 - The ending fund balance decreased by \$25 million this year and is projected **after cuts** to decrease another \$12 million in 2012-13
 - **For the past three years the State has built possible mid-year cuts into the budget**
 - **The District must follow OCDE guidance and plan on mid-year reductions and as a practice has not budgeted new revenue until the year after it is received (using it one-time)**
 - Due to the State uncertainty, all districts in California have been forced to maintain ending fund balances to remain solvent



Santa Ana

Unified School District

2011-12 Second Interim MYP (including unspecified cuts)

| \$s in million | 2010-11 Unaudited Actuals | 2011-12 Budget | 2012-13 Budget | 2013-14 Budget |
|---|---------------------------------|-------------------|-------------------|-------------------|
| Beginning Fund Balance (a) | \$ 95.3 | \$ 86.7 | \$ 61.4 | \$ 49.0 |
| Add: Adjustment to Beginning Fund Bal. (b) | (\$1.0) | \$ 0.3 | ---- | ---- |
| Add: Revenues (c) | \$478.9 | \$477.4 | \$454.0 | \$420.2 |
| Less: Expenditures (incl. Budget Reductions) (d) | \$486.5 | \$503.0 | \$466.4 | \$421.2 |
| Net Increase / (Decrease) (e) = (c) - (d) | (\$7.6) | (\$25.6) | (\$12.4) | (\$1.0) |
| Ending Fund Balance (a) + (e) | \$ 86.7 | \$ 61.4 | \$ 49.0 | \$ 48.0 |
| <u>Non-spendable:</u> Revolving Cash/ Stores / Prepaid Expend. | \$1.2 | \$1.2 | \$1.2 | \$1.2 |
| <u>Restricted:</u> Desig. for Restricted Fund Bal. | \$9.0 | \$5.0 | \$2.8 | \$1.5 |
| <u>Committed:</u> Stabilization Arrangements | \$24.4 | \$22.6 | \$9.4 | \$3.6 |
| <u>Assigned:</u> | | | | |
| - Restoration of State cuts / Future State cuts / COLA | \$13.5 | \$17.2 | \$20.0 | \$25.9 |
| - Desig. for Unrestricted Reserve (Instr. Mat'l, CalSafe, Community Day, CAHSEE, Summer School, etc.) | \$7.4 | \$5.3 | \$6.3 | \$7.4 |
| - Board approved carryover utilized one-time in 2011-12 | \$21.5 | ---- | ---- | ---- |
| <u>Unassigned/Unappropriated:</u> | | | | |
| - Desig. for Economic Uncertainties (f) | \$9.7 | \$10.1 | \$9.3 | \$8.4 |
| (f) / (d) | 2.0% | 2.0% | 2.0% | 2.0% |
| Additional Budget Cuts | ---- | ---- | \$15.1 | \$47.0 |



- Based upon the preferential substitute Education Code SAUSD did not plan layoffs for the 2012-13 school year
 - The teachers who were laid off would likely receive their full daily rate salary and the District would still also pay all statutory benefits
 - The only savings would be from Health and Welfare
- Savings from a layoff would be minimal.
 - Legal cost of implementing a layoff would further reduce savings
 - The impact and disruption to the educational program from layoff would be significant and not provide measureable savings to the general fund
- The District is utilizing retirement incentives and attrition to better manage the need to reduce staffing and obtaining the savings from that arena



- Estimated 67 permanent unassigned multiple subject teachers for 2012-13 due to:
 - Loss of QEIA funding for Elementary
 - Staffing of Grade 1 and 2 at 30:1
- Staff identified placement options which addresses all 67 multiple subject positions:
 - Creation of a Certificated Learning and Achievement Specialist support position
 - Vacancies within Education Services reorganization
 - Self-contained 6th grade based upon data at student need at Intermediate sites
 - Staffing of grades 4 and 5 to closer meet Education Code Section 41376
 - Approximately 1 teacher was maintained per elementary school (\$3.5 million)



Staffing Costs

| STATEWIDE AVERAGE | | | SANTA ANA UNIFIED SCHOOL DISTRICT | | |
|--|------------------------------------|--------------|--|------------------------------------|--------------|
| Salaries & Benefits (Cert., Class., Mgmt.) Object codes 1xxx through 3xxx | | | Salaries & Benefits (Cert., Class., Mgmt.) 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 | |
| 88.39% | 90.57% | 2.18% | 89.16% | 94.99% | 5.84% |

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

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



- The General Fund cost of one (1) furlough day for all employees is \$1.3 million

| Bargaining Unit | Amount |
|-----------------|-----------------|
| Certificated | \$1.03 million |
| Classified | \$0.24 million |
| Confidential | \$0.004 million |
| Management | \$0.07 million |
| TOTAL | \$1.34 million |

- The General Fund cost of 1% salary for all employees is \$2.5 million

| Bargaining Unit | Amount |
|-----------------|----------------|
| Certificated | \$1.94 million |
| Classified | \$0.46 million |
| Confidential | \$0.01 million |
| Management | \$0.15 million |
| TOTAL | \$2.56 million |






- Staff is continuing to investigate ongoing programmatic reductions toward the overall reduction target
- Based upon Board priorities individual reductions will be brought to the Board in subsequent meetings leading up to Budget adoption in June
- Some of the areas currently being investigated and researched include (but are not limited to):

| Category | Amount |
|--|----------------------|
| 2012-13 P2 ADA revenue (slowing of enrollment decline) | \$2.0 million |
| Transportation (possible bell schedule changes) | \$1.5 million |
| Maintenance and Operations Reductions (portable costs) | \$1.0 million |
| Health and Welfare Savings (actuals pending) | \$5.0 million |
| Step and Column adjustment (revised projection reduced to 2.01% certificated, 1.4% classified) | \$0.4 million |
| TOTAL REDUCTIONS: | \$9.9 million |



\$ in millions

| | Description of Reduction | Proposed Amount of Reduction/ Increase | Reductions Required |
|---|---|--|---------------------|
| | New Reductions required for 2012-13 | | \$15.1 |
| | 2011-12 P2 ADA (Attendance Percentage increase mitigated decline in enrollment) | \$2.0 | \$13.1 |
|  | Possible Transportation reductions (involves potential bell schedule adjustments) | \$1.5 | \$11.6 |
|  | Maintenance and Operations (portable costs funded by developer fees in Fund 25) | \$1.0 | \$10.6 |
|  | Health and Welfare costs (reduction from initial estimate – final amount still to be determined) | \$5.0 | \$5.6 |
| | Revised Step and Column (Reduced MYP estimate from 2.1% to 2.01% certificated, 1.4% classified) | \$0.4 | \$5.2 |
| | Updated Reduction Target for 2012-13 | | \$5.2 |



**Days
Remaining to
Identify 2012–
13 Reductions**

55

(as of May 2, 2012)



| Date | Event or Activity |
|---------------|---|
| \$4.6 | Negotiations with our certificated & classified associations (SAEA & CSEA respectively) for <u>ongoing reductions</u> |
| \$0.6 | Ongoing non-salary program reductions to be identified |
| \$20.0 | Mid-year reductions if Governor's tax plan does not pass |

2012-13 Remaining Reduction Target = \$5.2 million

2013-14 Budget Reduction Target = \$47.0 million



Santa Ana

Unified School District

District's Goal is to continue to work collaboratively with our associations.

