



**Santa Ana**  
Unified School District

# **Budget Update**

***August 24, 2010***

Jane A. Russo, Superintendent

Cathie Olsky, Ed.D., Deputy Superintendent

Michael P. Bishop, Sr., CBO, Associate Superintendent, Business Services

Kelvin Tsunozumi, Executive Director, Business Services

Tony Wold, Ed.D., Director, Program Quality Analysis



1. The Economy, State Budget & Education Funding
2. Historical Perspective – Negotiated Labor Settlements & Other Key Events
3. Budget Reductions & Timeline





- The National & State economy continues to be very volatile
  - Major swings in the stock market are now commonplace
  - Unemployment continues at record levels
  - Consumer confidence continues to be weak
- Approval of the State Budget is still pending
  - There is still a \$19+ billion State deficit that needs to be addressed
  - State Legislature still divided (one faction promoting tax increases, the other budget reductions)
  - Latest proposal by Democrats increases Education funding above May Revise levels
  - School Services continues to recommend that districts budget utilizing May Revise assumptions.....assumptions which they state may be a “best case scenario.”





- Federal government approves \$10 billion job bill to save 160,000 education jobs nationwide
  - \$1.2 billion slated for California
  - Funding specifics currently not available but using our rule of thumb (\$1 billion = \$9 million) equals approximately \$10.8 million for SAUSD
  - States need to apply for funding; California has already applied
  - Allowable uses of funds:
    - Salaries, benefits and other expenses (including incentives for early retirement, performance bonuses, tuition reimbursement, etc.)
    - Only school site personnel are covered (Certificated, Classified & Management)
    - District staff can not be funded from this source
  - Funds can be carried over to 2011-12.





- The Jobs Bill is great news but there are concerns:
  - No commitment from the State on when funds will be remitted
    - Estimates range from 2 weeks to several months
    - Similar to ARRA dollars, State allocation / funding could be protracted
  - Funds are restricted in use
  - Dollars are one-time dollars
    - This bill promotes spending one-time dollars on on-going expenditures
    - The Jobs Bill focus is solely on the short-term; no concern of long-term implications
  - \$10.8 million while significant:
    - Doesn't cover even one month's worth of payroll (approx. \$30 million)
    - Is equivalent to only 1/3 of our required 2011-12 Budget Reductions.

School Services of California advice on what districts should be doing:

***“Right time to plan but not the right time to spend.”***



**Santa Ana**  
Unified School District

# Historical Perspective

(Negotiated Labor Settlements & Other Key Events)





- July 2004: Salary Rollback
  - Significant downturn in enrollment results in a fiscal crisis
  - Spurs involvement of Orange County Department of Education (OCDE), School Services & FCMAT
  - Working with our associations, the district negotiates a 2 year salary rollback plan (2004-05 & 2005-06) to provide temporary, financial relief
  - The rollback
    - **Certificated**: -4% salary reduction
    - **Classified**: -1% salary reduction
    - **Management**: -4% salary reduction



- July 2006: Salary Restoration
  - District restores salary
    - plus deferred COLAs (on a compounded basis)
    - plus repayment of deficit reduction
  - Net increase in pay as follows:
    - **Certificated**: +13.44%
    - **Classified**: +10.01% (smaller increase as CSEA members took a -1% reduction vs. -4% for Certificated & management)
    - **Management** +13.44%
- Feb. 2007: Negotiated Salary Increase
  - **Certificated**, **Classified** & **Management** receive a 5% salary increase
- July 2008: Management Furlough Days
  - For 2008-09 & 2009-10, up to 10 furlough days (for 12 month employees) or a -4.5% annual reduction
  - Associations decline to participate
  - July 2010: Management agrees to a 3<sup>rd</sup> year of furlough days for 2010-11; a -4.5% reduction.





- Certificated Negotiated Settlements (post July 2008)
  - October 2008
    - No salary increase or reduction for 2007-08
    - New certificated staff no longer eligible for CLAD stipends (\$350K savings)
  - April 2009
    - No salary increase or reduction for 2008-09 and 2009-10
    - District agrees not to freeze step & column pay increases in 2009-10 (Cost of approx. \$6 million/year)
    - Various changes in Health & Welfare plan including increase in co-payments, deductibles & employee premiums:
      - Kaiser: No cost to employee (single, dual or family coverage)
      - Higher Cost HMO: Employee pays 5% of cost (up from 4%)
      - PPO Plan: Employee pays 11% of cost (up from 9%)
  - May/June 2010
    - SAEA challenges & district loses arbitration hearing and restores 2.5 staff development days (cost of \$3 million)
  - Nov 2009 & April 2010
    - Agreement with SAEA on various Memorandums of Understanding (MOUs) related to class sizes & intermediate athletic coach's pay (cost of \$230K)



- Classified Negotiated Settlements (post July 2008)
  - October 2008
    - No salary increase or reduction for 2007-08 and 2008-09
    - 436, 3.75 hour positions (ineligible for H&W) are converted to 4 hour positions and are now eligible for district paid H&W (\$3.6 million cost)
    - Kaiser: No cost to employee (single, dual or family coverage)
    - Higher cost HMO & PPO plan: Employee pays 20% of cost
    - New employees only eligible for lowest cost HMO plan (i.e. Kaiser)
    - Classified employees no longer eligible for dual coverage
  - May 2010
    - No salary increase or reduction for 2009-10.



- District Action
  - Eligible employees continue to receive step & column pay increases
  - Supplemental Employee Retirement Plans (SERP)
    - Provides additional retirement incentives for eligible employees
    - Purpose: (1) Reduce salary expense by incentivizing senior, higher paid employees to retire & (2) reduce employees on “layoff” list
  - 5 SERPs offered in the past 8 years
    - 2002: Annual cost of \$2.3 million for 5 years
    - 2003: Annual cost of \$1.8 million for 5 years
    - 2004: Annual cost of \$1.8 million for 5 years
    - 2008: Annual cost of \$1.1 million for 5 years
    - 2009: Annual cost of \$1.1 million for 5 years
  - Common wisdom dictates against (1) Issuing SERPs in successive years and (2) Offering multiple SERPs in such a short period of time
  - These actions dilute SERP impact and increase the tenuous nature of achieving financial savings.



# Santa Ana

Unified School District

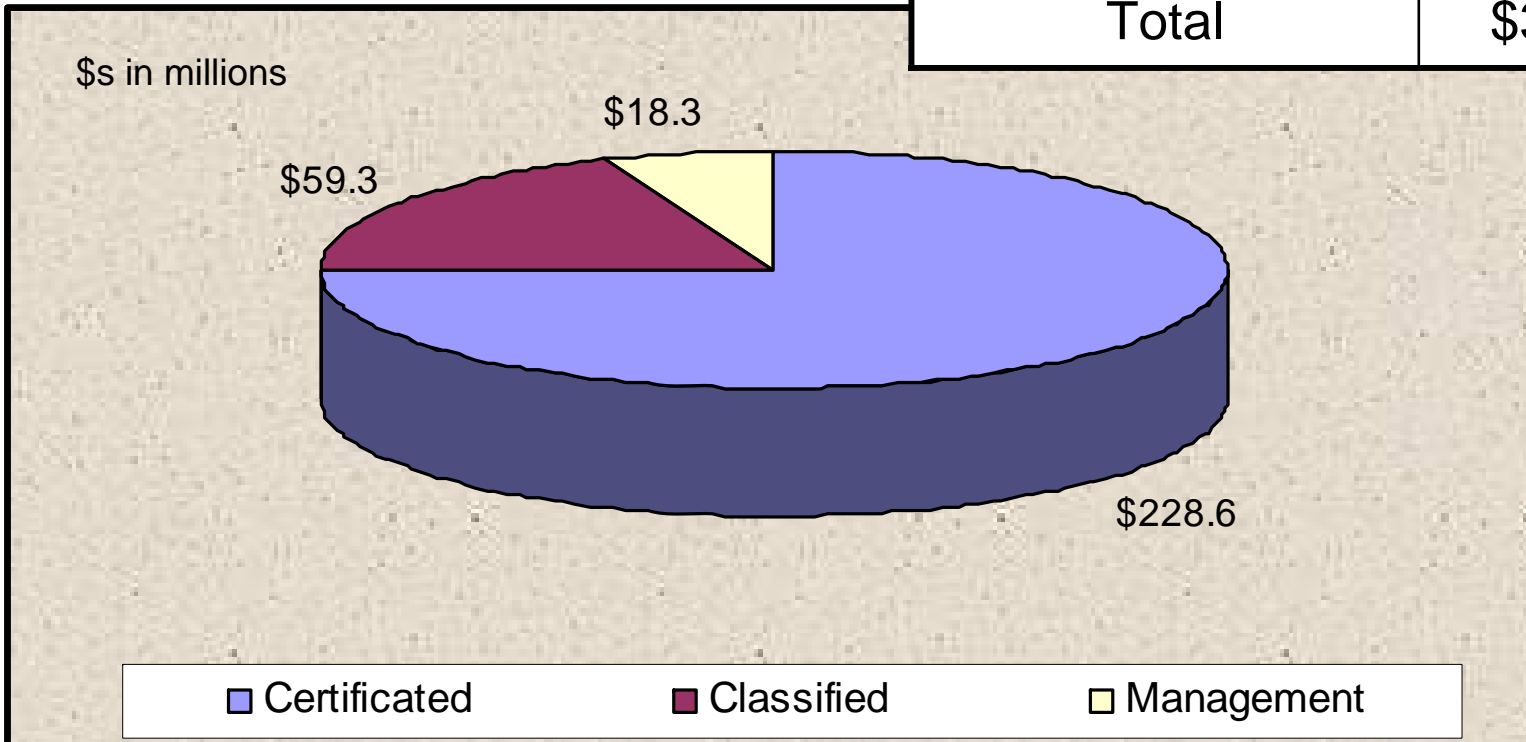
District's Goal is to continue to work collaboratively with our associations.





### 2008-09 Actuals

(\$s in millions)	Amount	% of Total
Certificated	\$228.6	74.6%
Classified	\$59.3	19.4%
Management	\$18.3	6.0%
Total	\$306.2	100.0%





**District needs to identify & approve \$32.5 million\*  
in 2011-12 budget cuts by December 15, 2010.**

\* Number is preliminary & subject to change depending on State Adopted Budget and closing of 2009-10 financial records.



Date	Event or Activity
On-going until Settled	Negotiations with our certificated & classified associations (SAEA & CSEA respectively)
Sept. 14	Budget Update & Presentation of 2009-10 Unaudited Actuals
Sept. 28, Oct. 12 & Oct. 26	Budget Update & (if applicable) 45 Day Budget Revision <i>Note: 2011-12 Budget reduction target will be adjusted (either up or down) dependent on Unaudited Actuals and approved State Budget</i>
Nov. 9	Presentation of Proposed 2011-12 Budget Reductions
Nov. ?	Special Board Meeting on Proposed Budget Reductions
Dec. ?	Special Board Meeting on Proposed Budget Reductions
Dec. 14	Presentation of First interim Report, Approval of 2011-12 Budget Reductions & Reach Decision on CSR for 2011-12 & future years.

