



Budget Update

August 11, 2009

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- State Budget Update
- Board Budget Actions To Date
- CALifornia in CRISIS
- Identify Funding for Additional Priorities
- Superintendent's & Staff's Recommendation



- Revised State Budget approved on July 24, 2009
- The July State Budget has a **\$10 billion** deficit
 - Equates to an estimated **\$45 million** for SAUSD
- The good news:
 - Avoids suspension of Proposition 98 guarantee for 2009-10
 - Agreement that Maintenance factor will be repaid when the economy improves
 - Increased categorical flexibility:
 - Suspends purchase & adoption requirements for instructional materials (i.e. textbooks) until 2013-14
 - Mandatory contributions to Routine Restricted Maintenance eliminated for 5 years (2008-09 thru 2012-13) for districts that keep facilities in good repair.





- The terrible or not so good news:
 - Loss of **\$61 million** General Fund revenue for 2009-10
 - *New Cut* **\$11 million** loss of General Fund Revenue Limit (due to QEIA)
 - Reserve requirements temporarily reduced (a dangerous idea)
 - Current SAUSD requirement = 2%: would go to 0.67%
 - 2011-12: Reverts back to 2%
 - Additional apportionment deferral from November 2009 to January 2010
 - Further jeopardizing cash flow





- California's economy continues to falter
 - June 2009 State revenue less than forecasted
 - Personal Income Tax (off 18%) & Sales Tax (off 8%)
 - State unemployment rate at 11.6% and climbing
- State Budget contains numerous assumptions that may not be realized
 - Diversion of revenues from local governments
 - Sale of state assets
 - Receipt of federal funds to offset state cuts
 - Reductions to social services, correction system, etc.





- State Budget contains numerous one-time solutions that merely pushes the issue to a future year

- Limited term tax increases
- Accounting shifts
- Deferred State payroll payment, etc.



- School Services of California foresees *“another round of budget reductions in January 2010, or sooner”*
- School Innovations & Advocacy *is projecting (less than a week after Budget adoption) a State Budget shortfall of \$10 billion!*
- The Governor concurs that additional budget reductions are likely.



- The State Budget was solved with several accounting gimmicks and deferrals and still is a long way from balanced
- There will be mid-year and late-year budget cuts.
 - Now more than ever the maintaining of reserves is critical
- Using one-time funding for on-going expenditures will increase the **\$33 million** in reductions required by December 15, 2009 for 2010-11
 - The district has identified “must have” staffing. Further reductions in staffing will result in the inability to open the doors and provide a basic education for our students.





- Built budget and staffed 2009-10 based upon Board Priorities
- Created “Must have” staffing across the district.
 - Maintained or expanded Counseling, Library, Clerical, Safety, Technology, Athletics, Music programs, staff, and services at all sites.
 - Approved class size at approximately 23:1 for Grade 1.
 - Continued compliance with mandates and met DAIT requirements for support for English language learners by staffing every Elementary school site with a full time TOSA (Bilingual Resource Teacher)
- Maintained fiscal solvency



- Current approximate class sizes for 2009-10
 - Kinder -Option II 31:1 1/2 day
 - **1st 23:1 revised**
 - **2nd – 3rd Grade 30:1 revised**
 - 4th – 5th Grade 34:1
 - 6th – 12th Grade 39:1 approximately
- QEIA Elementary sites are staffed with one additional teacher for each grade (1st – 5th) which is approximately 5 FTEs per school.



- With the QEIA Revenue Limit Reduction in the State's July budget the District's reserve is lowered.

Multi-Year Projections (AB1200)

<u>Unrestricted Reserves</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
June 30, 2009 Adopted budget	5.8%	2.8%	2.5%	2.6%
July 24, 2009 Revised budget	5.8%	0.5%	0.0%	0.1%

Remember the minimum reserve is .67%

So the lower reserve will cause a negative budget certification



Santa Ana
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CALifornia in **CRISIS**

Be Prepared



- **C**uts
 - Additional State cuts are very likely
- **A**RRR not a Panacea
 - ARRA money, while significant, is only \$42 million. Is ARRA the cure all to solve all our fiscal problems?
 - ARRA funds are one-time.
 - California's opportunity to obtain additional ARRA stimulus dollars are at risk. The Federal government has identified California as not eligible for ARRA "Race to the Top" competitive grants since the State makes it unlawful to link student progress to teacher evaluations
- **L**essons Learned
 - Last year, the Board & District took significant criticism for fiscally, prudent actions. These difficult actions maintained the district's fiscal solvency and allowed us to avoid mid-year layoffs of classified personnel.
 - The lesson learned from recent QEIA cuts: Maintain reserves for unexpected events where we have no true opportunity to react.



- **C**ontract
 - Per Ed Code, Certificated staff not noticed by May 15th must be retained and their salaries paid for the entire year
 - Per Ed Code, during the period of their preferred right to reappointment, by order of seniority, teachers shall be offered prior opportunity for substitute service
 - If they serve as a certificated substitute for 21 or more days within a period of 60 school days, they shall receive their per diem rate of pay retroactively to the first day of substitute service
 - Bringing back additional teachers will reduce sub costs but this reduces district flexibility to address the expected upcoming additional State budget reductions.
 - A simple example of the sub cost for a teacher earning \$78,000 vs. rehiring
 - Salary + Statutory Benefit & Medical cost (HMO) = \$100,500
 - Per Diem (\$419.35) + Statutory Benefits less regular sub rate (\$105) = \$64,500
 - Total savings = \$36,000 * 151 teachers = \$5.4 million in additional costs.



- **R**eserves
 - A 2% reserve is inadequate based on the current projected State deficit.
 - State authorization to temporarily reduce reserve requirements is not fiscally prudent.
 - A 2% reserve as recommended by OCDE and is equal to \$9.6 million or one week's payroll!
- **I**dentification of additional budget reductions for 2009-10 & 2010-11
 - **\$33 Million** in 2010-11 cuts are required by OCDE and are due by Dec. 15, 2009, when the 1st Interim report is presented to the Board for approval.
 - **\$4 Million** in cuts for 2011-12 are projected..
 - These amounts will grow if there are additional State cuts or increased budget expenditures.



- **S**tate Revenue Limit Deficits
 - Our 2009-10 revenue limit has been reduced by **\$63 million**. It is just common sense that when income is reduced you cannot continue to spend the same dollars.
- **I**t's not Over
 - The State Budget crisis has not yet been solved.
- **S**tudent Education First
 - Our first obligation is to ensure the best possible student education using the funds that are available.



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Identify Funding for Additional Priorities



- SAUSD is projected to receive Federal Stimulus as follows:

(\$s in millions)	Estimated Total Award	June 2009	July 2009	Aug. 2009	Sep. 2009	Oct. 2009
Title I Restricted (site based)	\$11.3	\$5.1 *	---	---	---	\$6.2
IDEA Restricted (Special Ed)	\$11.3	\$2.3 *	<u>\$1.1</u>	\$1.1	\$1.1	\$5.7
Stabilization	\$19.2	\$14.3 *	\$4.9*	---	---	---
Total	\$41.8	\$21.7	\$5.8	\$1.1	\$1.1	\$11.9

- Note: An unspecified amount of Federal Stimulus dollars will be allocated for Education Technology
 - Funds tentatively slated to be received by the end of 2009-10.

* These amount have already been received.



Ongoing



Unallocated <u>Ongoing</u> Categorical Funds	Total Funds
EIA – Site Funds	\$10.9 Million

One-time



Unallocated <u>One-time</u> Stimulus (Categorical) Funds	Total Funds
ARRA Title I Stimulus – over 2 years Restricted Site Funds	\$11.3 million (\$5.3 in 09-10)
ARRA IDEA - Restricted Special Education Funds*	\$0.0 million
ARRA Stabilization Funds** 1 year	<u>\$4.9 million</u>
TOTAL	\$16.2 million (\$10.2 in 09-10)



* Additional Autism and Moderate/Severe programs added for 2009-10

** Funds were previously utilized to Fund increased Special Ed costs

Unallocated <u>One-time</u> District Reserves	Total Funds
Fund 17	\$9.0 Million
Fund 40	\$2.0 Million

Staff recommends maintaining Fund 17 and 40 in reserve in anticipation of additional State budget reductions



	Amount
ARRA funds available	\$1.6 million
EIA funds available	\$5.2 million
Total funds available	\$6.8 million
Site identified needs	-\$11.0 million
Shortfall	<\$4.2 million>
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Recommendation #1: Secondary ELD Coordinator, AVID, CAHSEE support for all secondary sites	\$3.8 million
Recommendation #2: Allocate EIA & Title I Stimulus to sites (\$200K/site) Funds to be released each year to support at-risk students	\$3.0 million
EIA & ARRA Funds Available Balance	\$0 million



Elementary Principals Identified Program or Staffing Needs	Est. Per site	Estimated Cost for all sites	Possible Funding
Increased Elementary Clerical Support (3.75/4 hour positions increased to 8)	\$35,000	\$1.25 million	GF, Stimulus
Additional Activity Supervision – Safety	\$10,000	\$0.36 million	GF, Stimulus
Substitute Allocations for Data release days / Staff Development (.3FTE Sub)	\$20,000	\$0.72 million	Title I Stimulus, EIA
Instructional Supplies and Materials discretionary \$	\$15,000	\$0.54 million	Title I Stimulus, EIA
Funds for Teacher Extra Duty activities	\$10,000	\$0.36 million	Title I Stimulus, EIA
Tutoring / Intervention support	\$40,000	\$1.4 million	Title I Stimulus, EIA
Additional Certificated Support Teacher	\$130,000	\$4.68 million	Title I Stimulus, EIA
Discretionary funding for Deciles 1-3 sites, extra site-based support based on site needs	\$30,000	\$1.08 million	Title I Stimulus, EIA
CSR Staffing based on approximately 23:1 in Grade 1 Board approved 7/14/2009	\$125,000	\$4.5 million	Title I AND all EIA \$\$
Additional hours for Library / Computer Tech support / Community Liaison position (flexibility)	\$65,000	\$2.34 million	GF, Stimulus
TOTAL OF ALL LISTED ABOVE	\$574,000	\$17.23 million	



	Amount
ARRA funds available	\$1.7 million
EIA funds available	\$4.1 million
Total funds available	\$5.8 million
Site identified needs (not including CSR at 2nd and 3rd grades)	-\$12.4 million
Shortfall	<\$6.6 million>
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Recommendation: Allocate EIA & Title I Stimulus to sites. (\$160K/site) Funds to be released each year to support at-risk students	\$5.8 million
EIA & ARRA Funds Available Balance	\$0 million



- Maintain reserves at or above 2%
- Approve site-level EIA and Title I stimulus (over 2 years) for additional site priorities to support at-risk students
- Maintain the “must have” staffing of Santa Ana Unified Schools into future years.
- Identify organizational efficiencies that can reduce expenses in an ongoing nature.
- Work with our Legislators to demand adequate funding for education and eliminate costly mandates.



- Needed now:
 - Address **\$11 million** Revenue Limit gap caused by State handling of QEIA.
 - Prioritize use of ARRA and EIA funds (Slide #20 & 22).

- Needed by December 15, 2009 (i.e. 4 months from today).
 - Identify **\$33 million** in 2010-11 budget reductions.

- Needed by June 15, 2010.
 - Identify **\$4 million** in 2011-12 budget reductions.



- Use General Fund Reserves to address QEIA funding shortfall.
- Maintain Fund 17 & 40 for mid-year and end-of-year budget cuts.
- Approve EIA & ARRA Federal Stimulus funds for site priorities.
- Recommend returning General Fund reserves to at least 2%. It is the Board's fiduciary responsibility to submit a positive budget certification to the fiscal department of OCDE.



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Reference Slide



- Cost related to above estimated as follows:

(\$s in millions)	Cost	Projected Annual Savings	Comments
New Roof & HVAC	\$6.6	n/a	100% paid with Williams Settlement Emergency Repair Program
Solar Panels	\$5.9	\$0.6	Stimulus construction proceeds (approx. \$19.0 million to be received) &/or Measure G funds.

- Funds utilized can only be used to pay for Construction projects.
- Funds cannot be used to hire additional teachers, site personnel, administrators, student intervention programs, instructional material, etc.