



Santa Ana
Unified School District



2009-10 Budget Update

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1. Governor's Proposal Update
2. Second Interim Assumptions (currently known)
3. TRANs Update
4. District Legislative Focus



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Governor's Proposal Update





- New information on Governor's Proposal is limited
- Only new information received relates to targeted administrative cuts
 - Information is very tentative and details sparse
 - Proposal initially targeted cuts only for function code 7000
 - Affected function codes has been expanded (see below)
 - Cuts of 12% from 2008-09 expenditure levels are being discussed
 - Approx. impact to SAUSD of **\$10.7 million** (\$88.8 million x 12%).

Function Code	Function Description	2008-09 Actual SAUSD Expenditure Amount
2100 - 2150	Instructional Supervision	\$28.3 million
7100 - 7700	Administration	\$17.6 million
8100 - 8400	Maintenance & Operations	\$42.9 million
Total		\$88.8 million



- Targeted administrative cuts – Affected number of employees

Classification	Number of Employees	% of Total
Classified – Non Mgt	506	77%
Certificated – Non Mgt	95	15%
Classified – Mgt	26	4%
Certificated – Mgt	23	3%
Board of Education	5	1%
Total	655	100%

Requires 45 day layoff notice

Requires layoff notice by March 15th



- Concern: Governor's Proposal does not have Education making cuts proportionate to Education's share of the State budget
- Proportionate cuts equates to additional cuts above & beyond the \$11.9 million previously quantified for the Governor's Proposal of:
 - \$175 - \$300 per ADA or \$9.1 - \$15.6 million *
- Orange County Department of Education (OCDE) recommends caution and conservatism in budgeting

“..... the Governor's Proposed Budget is the best case scenario and future changes could produce further reductions to Education.”

* Per School Services of California



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Second Interim Report Assumptions (as we currently know them)



- Second Interim Reports are financial projections based on:
 - Actuals as of January 31st
 - Incorporates Governor's Proposal assumptions *
 - Updated enrollment projections (for 2009-10 through 2011-12)
 - Any new revenue and cost trends

* Incorporate those proposals recommended by OCDE.



<u>(\$s in millions)</u>	<u>2010-11</u>
GROUP A (Items <u>likely</u> to occur & therefore <u>included</u> for 2 nd Interim)	
Reduced Revenue due to Negative COLA (-0.38%)	
Revenue Limit	(\$1.2)
Special Ed, Tier III Programs, & Reduced K-3 CSR Funding	(\$0.3)
District Administrative Cost Reductions	(\$8.3)
Elimination of Barriers to Contracting Out Reductions	(\$2.1)
Sub-total of Items (included for 2nd Interim)	(\$11.9)
GROUP B (Items <u>unlikely</u> to occur & therefore <u>excluded</u> for 2 nd Interim)	
Possible 2 nd allocation of ARRA- Stabilization (10% of prior allocation)	+\$1.9 *
Behavioral Intervention Mandate	+\$0.6 **
Elimination of Preferential Treatment of Substitutes	+\$4.7 **
Sub-total of Items (excluded from 2nd Interim)	+\$7.2



Enrollment

- 2009-10: A decline of <500> students was factored at 1st Interim
 - No financial impact due to this decline in 2009-10 as State legislation provides financial protection to declining enrollment districts (i.e. Revenue Limit for the year determined on higher of current or prior year's ADA)
 - (-\$3 million) impact 2010-11
- 2010-11 & 2011-12: Enrollment projected to decline by -767 students each year. (\$3.8 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
<i>2009-10 CBEDS</i>	<i>54,084</i>	<i>(500)</i>
2010-11 Projected	53,317	(767)
2011-12 Projected	52,550	(767)



- Of the \$41.8 million in ARRA awarded dollars, SAUSD has received only \$26.6 million (i.e. 64%)
- On several occasions, the State provided a timetable outlining when districts will receive their additional allocations
- We are now being told informally, that these are reimbursement programs
 - “You have to spend the money first and then you will be reimbursed”
- Based on this new direction, district staff has:
 - Spent out all ARRA-IDEA dollars already received
 - Will transfer as part of the 50% encroachment reduction opportunity an additional \$4.55 million in existing Special Ed expenditures to ARRA-IDEA.

(\$s in millions)	Total Award Amount	Amounts Received	Amounts Still Pending Receipt
Title I Restricted (site based)	\$11.3	\$5.1	\$6.2
IDEA Restricted (Special Ed)	\$11.3	\$2.3	\$9.0
Stabilization	\$19.2	\$19.2	---
Total	\$41.8	\$26.6	\$15.2



Program Description (\$s in millions)	Current Year Cost 2009-10	On-going Cost 2010-11 on
Unemployment Insurance Rate Increase (mandatory; .30% to .72%)	---	\$1.0
Add'l Custodians	\$0.1	\$0.2
Centralization of Custodial Supplies	\$0.1	\$0.5
Cost of TRANs	\$0.1	\$0.1
Early Notice Incentive	\$.3	---
Maintenance & Operations		
- Reduction to previously authorized budget cuts	\$0.6	\$0.6
- Repairs due to recent rain damage	\$0.3	---
CSR Categorical Funding Shortfall	\$0.6	\$3.1
Miscellaneous		
- Addt'l Hours for Kindergarten Registration	\$0.02	\$0.02
- School Police Services Admin. Clerk (.5 FTE)	---	\$0.05
Sub-total (New Expenses – already approved or mandatory)	\$2.12	\$5.57



Program Description (\$s in millions)	Current Year Cost 2009-10	On-going Cost 2010-11 on
Add'l Elementary Activity Supervision Hours	\$0.8	\$0.8
Copier Leases	\$0.1	\$0.1
Increased Special Ed costs	---	\$2.0
Maintenance & Operations		
- Other maintenance projects	\$0.5	\$0.5
- Enhanced maintenance plan / replacement vehicles & equipment	\$0.6	\$0.6
Master Schedule – Add'l Extra Duty Costs (yearly)	\$0.1	\$0.1
Sub-total (Potential New Expenses – under review)	\$2.1	\$4.1
Grand Total	\$4.22	\$9.67



- Budget Reductions
 - Preliminary estimates calls for need for further budget reductions given (1) the Governor's Proposal, (2) continuing declining enrollment and (3) additional new costs
 - Note: These revised budget reductions are estimates using First Interim financials as a starting point. District staff will provide finalized budget reduction amounts at the March 9th board meeting when Second Interim Financial information is presented.

(\$s in millions)	2010-11	2011-12
At First Interim	\$31.0	\$23.5
Add'l Reductions Required (est. & subject to change)	\$15.9	\$8.0
Total	\$46.9	\$31.5



- Second Interim Reports must be submitted to OCDE by March 15th
 - Budget staff is currently working to complete this report
 - Board action will be taken at our March 9th Board Meeting
 - Specifics related to additional reductions for 2010-11 (above & beyond the \$31 million already authorized) needs to be identified by June 1st

***These additional reductions are currently
estimated at \$15.9 million***

- If the Second Interim Report is submitted with a “qualified” certification, a Third Interim Report (financials as of April 30th) is required.

“What-if” Utilizing First Interim Report as Our Starting Point



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2009–10 MYP

(including unspecified cuts)

<u>(\$s in millions)</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Net Increase/(Decrease) as of First Interim	(\$25.3)	(\$22.4)	(\$5.3)
Adj. : Governor’s Proposal Impact	---	(\$11.9)	(\$11.9)
Declining Enrollment (Revenue Loss)	---	---	(\$3.8)
Teacher Savings due to Declining Enrollment	---	\$2.5	\$4.8
New Expenses	(\$4.2)	(\$9.7)	(\$9.7)
Misc. (including CPI increase)	---	(\$0.3)	(\$0.8)
ARRA-IDEA Special Ed Encroach. Reduction	\$4.6	---	---
<u>Increase in Budget Reductions</u> <i>(above & beyond those noted at 1st Interim)</i>	---	\$15.9	\$23.9 <i>(\$15.9 + \$8.0)</i>
Total Adjustments (incl. budget cuts not yet made)	\$0.4	(\$3.5)	\$2.5
Proj. Net Increase/(Decrease) after Adjustments	(\$24.9)	(\$25.9)	(\$2.8)
Designation for Economic Uncertainties %	5.1%	3.8%	3.1%

These numbers will definitely change once Second Interim financial reports are completed.



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TRANS Update



- February 9: Board authorized issuance of \$9 million TRANs
- February 17: Date of TRANs sale
 - Sale via competitive bid process
 - Four (4) bidders
 - Successful low bidder was Stone & Youngberg LLC
 - Coupon rate: 2%
 - All-In True Interest Cost (TIC%): 1.21%
 - Stone & Youngberg to pay cost of TRANs issuance (approx. \$46.9K)
 - Including impact of paying above issuance cost, net interest cost: 0.52%
 - Compares favorably to initial estimated interest rate of 1.00%
- March 3: Anticipated TRANs closing date & receipt of \$9 million in TRANs borrowings.
- Caution: Additional State cash deferrals are a possibility.
 - On January 22nd, State controller John Chiang issued a letter warning of potential State cash shortfalls.



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SAUSD Legislative Focus



- The State's education funding model needs to be revamped
- District to promote reform at all levels
- **Federal Reform Measures:**
 - Relax requirements for Program Improvement (PI) districts with respect to Supplemental Education Service
- **State Reform Measures:**
 - Define baseline programs
 - Expand categorical program flexibility to all categorical programs
 - Provide districts the same flexibility afforded charter schools
 - One common set of rules/guidelines for all educational entities versus one unique to districts and another for charter schools
 - Performance based measurement vs. compliance monitoring
 - Elimination of mandate compliance/process
 - Roll "revenue" for mandates directly into district revenue limits.