



Santa Ana
Unified School District



State and District Budget Update

February 24, 2009

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Overview of Tonight's Presentation

- State Budget Update
- Federal Economic Stimulus Package Update
- Next Steps



- The Legislature passed the State Budget on February 19th
- Governor signed the budget on February 20th
- Details are still vague and short on specifics
- \$41+ billion State budget deficit addressed via a combination of:
 - Budget cuts
 - Education accounts for approx. 40% of the State's overall budget
 - Education's share of cuts are disproportionate at 62% of total State budget cuts
 - Tax increases
 - Raises sales tax by 1%
 - Doubles the vehicle license fee
 - Increases personal income tax rates
 - State borrowings & transfers (which requires voter approval)





- Preliminary estimates indicate a need for SAUSD Budget cuts close to those previously reported
 - **\$21.9 million in cuts for 2008-09**
 - **\$35.9 million in cuts for 2009-10**
- Extent of cuts to SAUSD cannot be accurately determined at this time given limited, available information.



- The Governor's Proposal called for cuts to be focused on Revenue Limit coupled with sweeping categorical budget flexibility
- The approved State Budget calls for:
 - Cuts from both the Revenue Limit & State categorical programs
 - Categorical program flexibility (but not to the extent proposed by the Governor)
- Revenue Limit Cuts
 - Elimination of .68% COLA
 - Addt'l Revenue Limit cuts for 2008-09 & 2009-10.



- Program cuts & flexibility has been selectively applied by the Legislature
- Cuts & flexibility categorized into 3 groupings or tiers
- Tier I (*Programs not subject to cuts and no budget flexibility*)
 - Affected programs include: Special Ed, QEIA, EIA, K-3 CSR, etc.
- Tier II (*Programs subject to cuts and no budget flexibility*)
 - 15.4% in mid-year 2008-09 cuts & 4.5% in addt'l 2009-10 cuts
 - Affected programs include: English Language Acquisition Program, Academy programs, etc.
- Tier III (*Programs subject to cuts and with budget flexibility*)
 - 15.4% in mid-year 2008-09 cuts & 4.5% in addt'l 2009-10 cuts
 - Other state categorical programs not listed under Tier I or Tier II
 - Flexibility granted through Fiscal Year 2012-13 & can be used for any other educational purpose.



- Categorical budget flexibility not to the extent proposed by the Governor
- Specific details on select budget cuts / flexibility still unclear (or not yet released) & legislative trailer bills to “clean-up” budget language still being worked on by the Legislature
 - May affect extent of budget cuts
 - Meanwhile, budget cuts need to be identified by March 15th
- Voter approval required on initiatives related to Lottery securitization, Budget Stabilization fund, Proposition 98 Maintenance Factor, etc.
 - Without approval, the State Budget will unravel & further budget cuts will be required
- May Revision (to be issued late May 2009), could lead to additional budget reductions for this year and next.

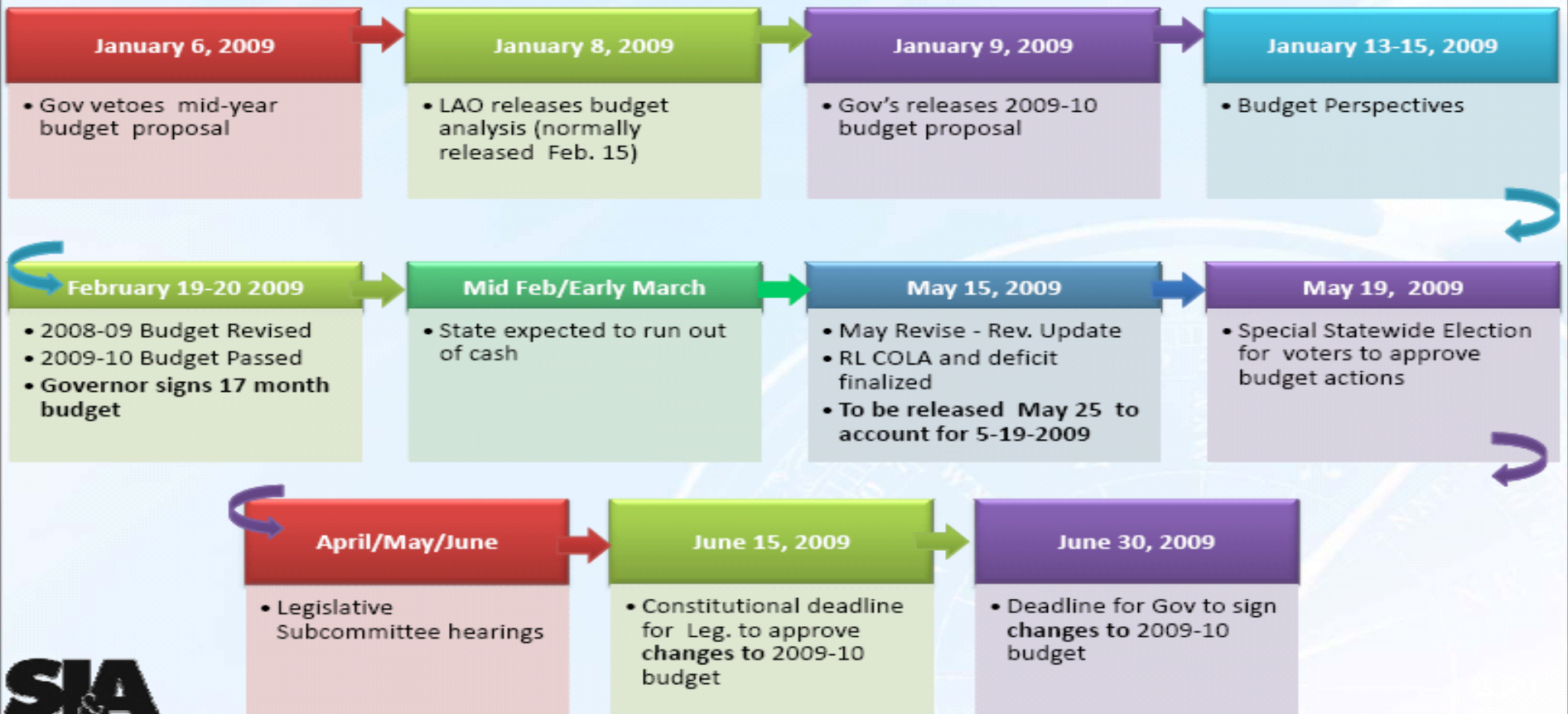


Commentary This and next years' budget Events





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- Orange County Department of Education (OCDE) directive
 - Given uncertainties with funding, for 2nd Interim Budgeting purposes, do not include any revenues associated with the Federal Stimulus Package.
- Details on the Federal Stimulus Package or American Recovery & Reinvestment Act (ARRA) is also limited
- Nationwide, ARRA provides \$77 billion in addt'l education funding
- Details on California's (and SAUSD's) share of funding is still not finalized
- While the stimulus dollars are welcome, there is concern given:
 - The stimulus package provides funding for just 2 years
 - Funding comes with restrictions including those mirroring No Child Left Behind guidelines
 - Any funds provided may be offset by further State funding reductions.



- **March Special Budget Study Session**
 - Review proposed budget reductions (for 2008-09 & 2009-10)
 - **Reminder: Per OCDE guidelines, cuts need to be approved by March 15th**
 - Schedule additional special board meeting(s) as needed

- **March 10th Board Meeting**
 - Approve budget reductions (for 2008-09 & 2009-10)
 - Approve 2nd Interim Report
 - Positive, Qualified or Negative Certification

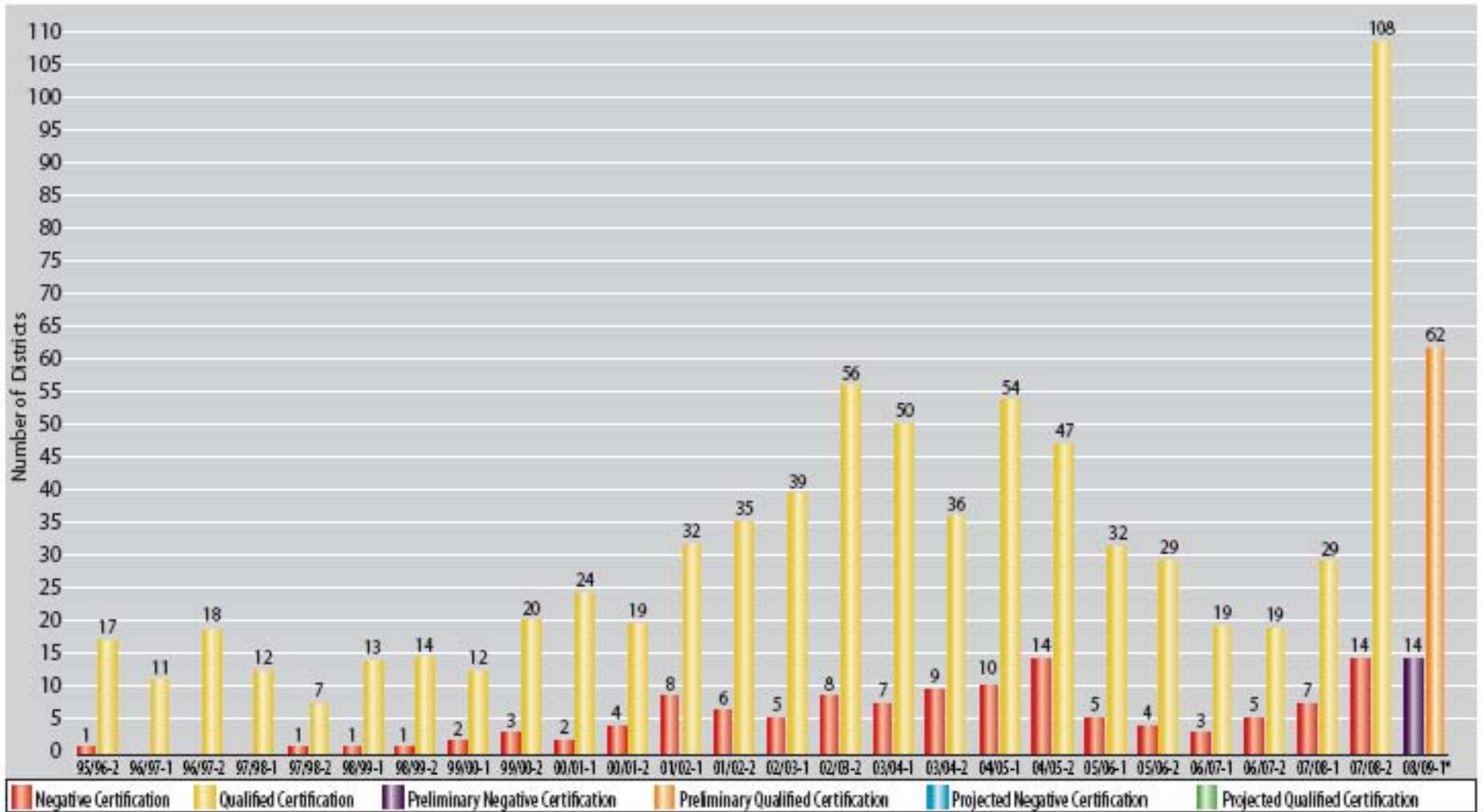
Certifications of Financial Reports

California School Districts – 1995 to Present

Education Code Section 42130 (Reports by District Superintendents)

1st Interim covers period ending October 31st and Board approved by December 15th • 2nd Interim covers period ending January 31st and Board approved by March 16th

3rd Interim covers period ending April 30th and filed by June 1st (required if 2nd Interim is Qualified or Negative)



Positive Certification: Shall be assigned to any school district that, based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

Qualified Certification: Shall be assigned to any school district that, based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

Negative Certification: Shall be assigned to any school district that, based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year.

*Unofficial Projection. Total number of districts reported: 968. Total positive certifications: 892.