



**Santa Ana**  
Unified School District

# **2009-10 Budget Update**

***November 10, 2009***

**Jane A. Russo, Superintendent**

**Cathie Olsky, Ed.D., Deputy Superintendent**

**Ron Murrey, Associate Superintendent, Business Services**

**Kelvin Tsunezumi, Executive Director, Business Services**

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



- Breaking News - State Budget
- Timeline & Rationale for Budget Reductions
- Response to Board Member Questions from the November 3, 2009 Board Study Session
- Update on QEIA
- Quantify Board Priorities for 2010-11
- \$17.1 Million in Required Budget Reductions
  - Program Reduction Options



## Breaking News - State Update



*Another  
wild ride!*



- Governor's Press Conference:
  - On Monday, November 9, 2009, the Governor stated that California's budget will fall out of balance by an additional \$5-\$7 billion **this fiscal year (2009-10)**, on top of a \$7.4 billion gap already projected for 2010-11.
  - A total 2 year budget deficit of \$12.4 - \$14.4 billion
  - He emphasized **deep spending cuts** as a budget solution but did not mention tax increases

***“We are not out of the woods yet... The key thing is, we have to go and still make cuts and still rein in the spending. It will be tougher because I think the low-hanging fruits and the medium-hanging fruits are all gone. I think that now we are going to the high-hanging fruits, and very tough decisions still have to be made.”***

*Governor Arnold Schwarzenegger*

*November 9, 2009*



- What does this mean to SAUSD?
  - Based on Governor's statements, it is very apparent that additional budget cuts are likely
  - The current year budget deficit up to \$7 billion could mean additional cuts this year of \$31.5 million to SAUSD
  - Adding the additional State Budget deficit projected for next year (\$7.4 billion) could result in another \$33.3 million in cuts
  - Total possible 2 year cuts of \$64.8 million!

**The impact of these State cuts are NOT currently included in our current or next year's budget figures**



- SAUSD and other school districts are facing a fiscal crisis
- Given reduced State funding we (the Board of Education & District) have been **forced** to make decisions that we do not like making
- To a great extent our hands are tied
  - Ron Bennett, President of School Services: “School districts are the tip of the tail of the dog that gets wagged.”
- Misdirected Anger
  - We need your help in lobbying our leaders in Sacramento to ensure that education’s interests are protected.



*"..... we are really reaching a point where we are going to have some very tough decisions to make."*

*"..... the only things left (to cut) are going to impact the classroom, whether it's class size or salary or benefits or the length of the school year."*

David Barton, Long Beach Board of Education

Former SAEA President

November 5, 2009 *Long Beach Press Telegram*

All of our fiscal experts including School Services of California, Financial Crisis Management & Assistance Team (FCMAT), Orange County Department of Education (OCDE) and even the State's Department of Finance is advising to be cautious and to "Hold on to our reserves!"



**Santa Ana**  
Unified School District

# Timeline & Rationale for Budget Reductions





- Objective & Rationale:
  - By December 15, 2009, identify a total of \$31 million in needed budget reductions to maintain district fiscal solvency given reductions in State funding
  - Budget reductions should ideally be on-going
    - One-time solutions compound the problem by just pushing the problem out to the next year.
- Timeline:

Date	Meeting
11/3/09	1 <sup>st</sup> Special Study Session Held
11/10/09	Further Budget Discussions (Budget Update)
11/23/09	2 <sup>nd</sup> Special Study Session
?	3 <sup>rd</sup> Special Study Session
12/8/09	First Interim Budget approved including \$31 million in specified budget reductions for 2010-11



**Santa Ana**  
Unified School District

# Response to Board Member Questions

## Question #1. What was the Result of OCDE's Review of SAUSD's \$93 Million Ending Fund Balance?

- The Orange County Department of Education (OCDE) has reviewed our financials and in a letter dated November 3, 2009 stated:
  - “.....the 2008-09 ending fund balance and designations appear appropriate and prudent.”
  - “The District's budgeting practices are consistent with the recommendations from our office and the District is transparent in providing assumptions that are built into the budget.”
  - “Most school districts in California ended the 2008-09 fiscal year with much higher ending fund balances than projected because of a number of factors: funding cuts in 2008-09 were shifted to 2009-10, infusion of one time federal stimulus funds, and categorical flexibility.”

## Question #1. What was the Result of OCDE's Review of SAUSD's \$93 Million Ending Fund Balance?

- OCDE's assessment is:
  - SAUSD's budget actions are proactive and fiscally prudent.
  - The district's reserve for economic uncertainties as of June 30, 2009 totaled \$39 million ending fund balance
  - One month's payroll equals approximately \$35 million.
- It is clear to us that the \$39 million in ending fund balance is inadequate to offset current and future projected State funding shortfalls.
- We need to put this issue to rest and focus on budget reductions to provide fiscal solvency.

## Question #2. Why is there an increase in the Budget for Professional/Consulting Services & Operating Expenditures?

- Budgets are not static, they change every day!
  - What was reflected in the Unaudited Actuals document was what was in the budget on June 30, 2009 and contains both restricted and unrestricted funds
- The increase in restricted professional / consulting services & operating expenditures is due to including **\$16 million in EIA dollars** as a reserve in this line item pending district direction on how the dollars should be spent.
  - Given Board authorization on July and August 25<sup>th</sup> to spend these dollars on CSR (Grade 1 & 2) and for additional secondary positions, the budgeted dollars in this category have declined.
- In addition on October 13<sup>th</sup>, the Board released categorical funds to school sites.
  - Beginning October 14<sup>th</sup> School sites reallocated budget dollars to meet site needs.

	A	B	C	C - B
\$s in millions	2008-09 Unaudited Actuals	2009-10 Budget (Adopted Budget)	2009-10 Budget (Budget as of 11/5/09 which includes carryovers)	Change in 2009-10 Budget
Restricted	\$6.8	\$27.2	\$11.2	<\$16.0>

### Question #3. Why is there a \$3.1 million increase in the Budget for Materials & Supplies?

- 2009-10 site funding for non-salary expenses were allocated and initially budgeted in this line item.
- These dollars are, and will continue to be moved to other non-salary, budget line items as sites determine where the funds are needed

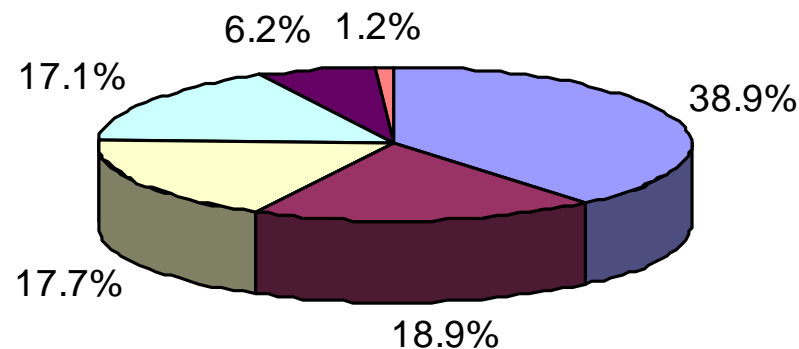
Amount	Description
\$1.4 million	Site unrestricted budgets not yet allocated to other site, non-salary accounts
\$1.7 million	Restricted budgets not yet allocated to other accounts (Primarily: Title I, Title III, ASES, Reading First – Special Ed)

- In addition on October 13<sup>th</sup>, the Board released categorical funds to school sites.

## Question #4. What are “General Administration” function costs and why are they increasing?

- Functions are (operational) activities
  - While the “General Administration” function includes the cost of administrators, it also includes classified staff, their benefits, and non-salary expenditures (Example: Administration of vision screening)
  - In fact, classified non-management staff is the largest component of “General Administration costs

2008-09 Unaudited Actuals



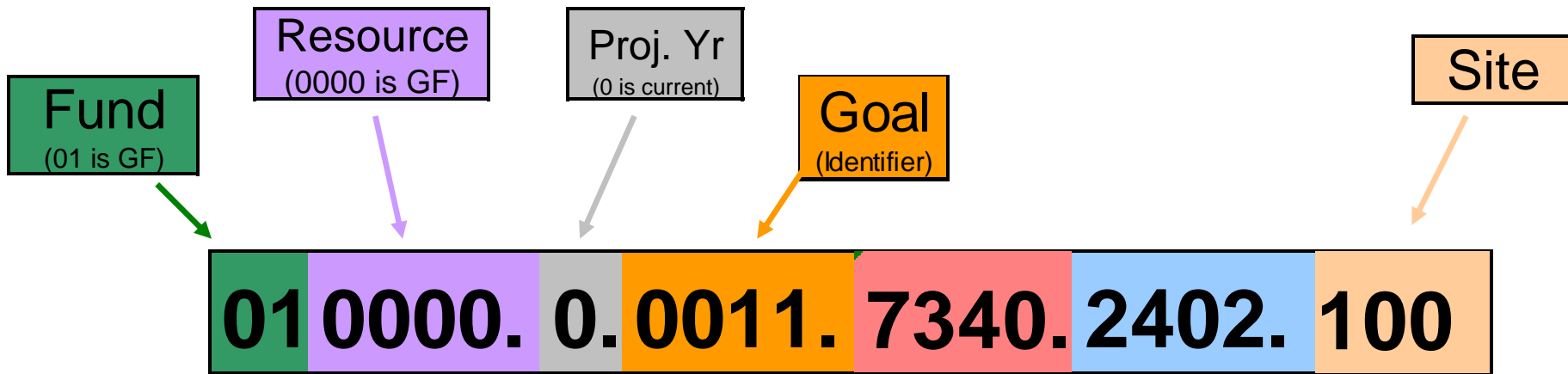
## Question #4. What are “General Administration” function costs and why are they increasing?

- The increase in this function is attributable to:
  - Property/Liability Insurance will be charged to the 7000 Function in 2009-10 (In 2008-09, it was charged to the 8000 Function which actually decreased by over \$3.1 million)
  - Legal Costs are budgeted at the same level as 2008-09
  - Increase in Technology costs
    - Continuing School Max license costs
    - Cost of Aeries (DAIT funded)
    - Oracle license and technology support costs.





- Standardized Account Code Structure (SACS)
  - All Public School Districts use SACS codes to track expenditures and positions, which is a statewide, uniform financial reporting format



Function	
1000-1999	INSTRUCTION
2000-2999	INSTRUCTION-RELATED SERVICES
3000-3999	PUPIL SERVICES
4000-4999	ANCILLARY SERVICES
5000-5999	COMMUNITY SERVICES
6000-6999	ENTERPRISE
7000-7999	GENERAL ADMINISTRATION
8000-8999	PLANT SERVICES
9000-9999	OTHER OUTGO

**Object**

1000-1999	Certificated Salaries
2000-2999	Classified Salaries
3000-3999	Employee Benefits
4000-4999	Books and Supplies
5000-5999	Services and Other Operating Expenses
6000-6999	Capital Outlay
7000-7999	Other Outgo
8000-8999	Revenue Sources
9000-9999	Fund Balances



- Budget Reports can be generated by Object or Function
  - These budget reports can not be compared together because they contain the same information analyzed (sorted) in different ways as shown in the following example:

Function
Object

Position Title / Expense	Job Type	FTE	Account	Salary
Facilities Planner	Admin.	1.00	010000.0.0000. <b>7510</b> .2351.xxx	\$80,232
Payroll Tech	Classified	1.00	010000.0.0011. <b>7340</b> .2402.xxx	\$56,232
Coordinator of Student Achievement (Research and Evaluation)	Admin.	0.50	010000.0.0018. <b>7510</b> .1332.xxx	\$54,480
Legal Services June 2009	Expense		010000.0.0011. <b>7400</b> .5804.xxx	\$53,501
Duplications and Bindery Operator (Publications)	Classified	1.00	010000.0.0011. <b>7550</b> .2402.xxx	\$46,392
Lead Benefits Tech	Classified	1.00	010000.0.0011. <b>7200</b> .2402.xxx	\$62,028

Object Report	
1000-1999 Certificated Salaries	\$54,480
2000-2999 Classified Salaries	\$244,884
5000-5999 Services & Other Operating Expenses	\$53,501
<b>Total Expenses</b>	<b>\$352,865</b>

Function Report	
7000-7999 General Administration*	\$352,865
<b>Total Expenses</b>	<b>\$352,865</b>
*Actual Administrative Salary Cost	\$134,712

Totals are the same in both reports



The District has 8 more Admin. FTE but **4 fewer** Administrators from 2008-09

The Categorical Funding from 57.17 FTE of Out of Classroom Teachers in 2008-09 is being utilized at the Site and District level to support Counseling and CSR

Administrator / Out of Classroom Support 2008-09 vs. 2009-10		Full Time Equivalent (FTE)			
		2008-09	2009-10	Change	Total % Change
<b>Elementary Schools</b> (Note: there were 17 Assistant Principals who were 50% Teachers in 2008-09)	AP	7.50*	17.00	9.50*	<b>-32.14%</b>
	Out of Classroom Teacher	73.55	38.00	(35.55)	
	<b>Total</b>	<b>81.05</b>	<b>55.00</b>	<b>(26.05)</b>	
<b>Intermediate Schools</b> (Note: there were 3 Assistant Principals who were 50% Teachers in 2008-09)	AP	17.50	17.00	(0.50)	<b>-20.18%</b>
	Out of Classroom Teacher	16.70	10.30	(6.40)	
	<b>Total</b>	<b>34.20</b>	<b>27.30</b>	<b>(6.90)</b>	
<b>High Schools Schools</b> (Note: Godinez added one Assistant Principal position)	AP	24.00	25.00	1.00	<b>-7.36%</b>
	Out of Classroom Teacher	18.10	14.00	(4.10)	
	<b>Total</b>	<b>42.10</b>	<b>39.00</b>	<b>(3.10)</b>	
<b>Central Support Services</b> (All Certificated Administrators including Special Education services)	Admin	25.00	23.00	(2.00)	<b>-18.10%</b>
	Out of Classroom Teacher	47.50	36.38	(11.12)	
	<b>Total</b>	<b>72.50</b>	<b>59.38</b>	<b>(13.12)</b>	
<b>District Total</b>	Out of Classroom Teacher	<b>155.85</b>	<b>98.68</b>	<b>(57.17)</b>	<b>-36.68%</b>
<b>District Total</b>	ALL positions	<b>229.85</b>	<b>180.68</b>	<b>(49.17)</b>	<b>-21.39%</b>

## Question #5. What is the District doing to communicate the budget in a clear, transparent manner?

- The District works to keep the public and our staff updated on the ever changing State budget crisis and it's impact on SAUSD
- We strive to make presentations and communication as clear as possible
- Since June 2008, SAUSD has presented a total of [41 board, budget presentations](#) or 2 - 3 presentations per month! This does not include a multitude of other presentations provided to parents, teachers, and staff.
  - See all of these presentations at [www.sausd.us](http://www.sausd.us)
    - Click on the State Budget Crisis logo
    - Select “Listing of Past Presentations to Board”
- A review of websites for 2 neighboring, comparably sized districts reveals the following:
  - District #1: Total of 7 presentations/reports posted over a 7 month period (i.e. 1 presentation/report per month)
  - District #2: No presentations are posted.





Santa Ana  
Unified School District

# Update on QEIA



QEIA Update: It's too Soon to Tell.  
Addt'l details will be provided at our  
Nov. 23rd Special Study Session.

- AB 3x 56 (The QEIA “Fix-it” Bill) was signed by the Governor on November 5, 2009
  - The bill’s intent (fix?) is to remove the QEIA Revenue Limit reduction **(one-time)** of \$11 million to SAUSD
  - The State has identified remaining **one-time Federal ARRA Stabilization** and **Title I Funds at the State Level** to “backfill” the Revenue Limit Funds with these categorical funds
  - The Department of Finance is still unsure of how, when, and what funds will be sent to the district
  - On-going Concerns:
    - Lack of definitive answers from the State
    - Availability of State funding
    - Legality of funds suggested by the State to backfill the cuts (Title I)
    - Strong possibility of additional future reductions to offset the QEIA fix
    - Similar to Stimulus funding, we do not know when these funds will be sent to us.



**Santa Ana**  
Unified School District

# Board Priorities



## **2010-11 Board Priorities**

- Ensure Fiscal Solvency
- Continue to offer Grade 1-2 Class Size Reduction (CSR) for the second year
  - Grade 1 @ approximately 23:1; Grade 2 @ approximately 24:1
- Preserve Counselor & Library Services
- Maintain Athletics & Music Programs (Urban Impact)
- Safety (Urban Impact)
- Minimize the Impact of Cuts to Our Employees
- Continue to Provide Elementary Sites with Support Staff to Ensure Academic Achievement





- What was saved and/or added:
  - Grade 1 & 2 CSR (23:1 in Grade 1 and 24:1 in Grade 2)
  - Counselors
  - Added Library Media Techs / Computer Aides / Site Clerks for all Elementary sites
  - Athletics
  - The Elementary Music Program
  - School Police and District Safety Officers
  - Nurses
  - CalSafe and ROP programs maintained
  - Preserved funding for future textbook adoptions
  - GATE / CAHSEE / AVID Support
  - Preserved some of our TOSAs (Teachers on Special Assignment)
  - Outreach Consultants for Secondary sites
  - Restored School Police positions to 12 months
  - Increased elementary office assistants from 4 to 6 hour positions.



## Funding Sources and Cost of Board Priorities (for 2009-10)

Board Priority / Program	Funding	Total Amount (Unrestricted)	Total Amount (Restricted & ARRA)	Total Amount (\$ in millions)
Class Size Reduction - Grade 1 @ 23:1; Grade 2 @ 24:1	EIA (98 FTE) Increased CSR Revenues		\$8.1 \$1.5	\$9.6 million
Counselors	General Fund (31 FTE) Site Title I (33 FTE)	\$3.7	\$4.0	\$7.7 million
Library Media Techs	Tier III (51 positions)	\$1.5		\$1.5 million
Athletics	General Fund	\$3.5		\$3.5 million
Music Program	Tier III (12.8 teachers & 6 accompanists)	\$1.9		\$1.9 million
School Police (including DSOs (& Alarm Monitors)	Unrestricted, ARRA Stabilization & Title IV 20 Police, 38 DSO & 5 Alarm Monitors	\$4.65	\$0.75	\$5.4 million
Nurses (24 FTE)	Unrestricted & Central Categorical Funds	\$1.6	\$0.8	\$2.4 million
TOSA/Outreach Consultant Elementary (36); Secondary (24)	Site Title I – Elementary Site EIA – Secondary		\$4.0 \$2.8	\$6.8 million
Site “must have” Classified Staffing includes Site clerks, Registrar, Computer, Athletic Equipment Attendant	Tier III, General Fund, Site Title I, ARRA	\$9.3	\$0.6 \$1.1	\$11.0 million
<b>Total</b>		<b>\$26.15</b>	<b>\$22.85</b>	<b>\$49.0 million</b>



- Continue to increase academic performance despite economic constraints
- Maintain District fiscal solvency and sufficient reserves against mid-year cuts
  - The State allowed, temporary reserve requirement reduction to .67% is fiscally irresponsible
  - Maintain at least a 2%; Ideally 5% for current and next 2 fiscal years.
- Maintain focus on all Board Priorities within State & Federal Funding constraints
- Limit Staff Reductions / Lay offs
  - Within constraints of State funding avoid reduction of staff brought back in 2009-10
  - Ron Bennett, President, School Services: “There’s no such thing as cutting away from the classroom. There are only 2 kinds of people; teachers and people that support teachers.”
- Maintain Safety, Athletics and Music as a priority (urban impact).



## Staff is Considering a Balanced Approach to Budget Reductions

- Program reductions, reorganization, funding changes & revenue enhancers with a goal of identifying \$5-7 million in ongoing savings
  - Focus on High School and categorical funding changes for staffing
  - Evaluating cost saving enhancements and adjustments to the Intermediate School program
  - Evaluating delivery model of District wide music program to both maintain the program and achieve operational savings
  - Identifying possible energy and facility savings
  - Analyzing current year department budgets for reorganization and operational savings
  - Investigate revenue enhancers
- Implement as many current year reductions or savings as possible to lower cuts needed in the future