



Santa Ana
Unified School District

Multi Year Budget Update

Identifying \$31 million in Budget Reductions

(Special Study Session)

November 3, 2009

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- 2009-10 Budget Development and Changes
- The Facts
- Discuss \$31 Million in 2010-11 Budget Reductions
- Set Board Priorities in Determining 2010-11 Budget
- Set Date for next Study Session



Santa Ana
Unified School District

2009-10 Budget Development and Changes



A wild ride!



Date	Event	Budgetary Impact
September 24, 2008	State Budget Approved	2 year budget for 2008-09 and 2009-10.
November 20, 2008	Governor announces potential mid-year reductions – Identified need to use categorical funds for CSR	Updated <u>current year</u> 08-09 deficit to \$25.7 million
December 31, 2008	Governor releases 2009-10 Budget Proposal	
January 9, 2009	Governor releases 2009-10 Budget Proposal – part 2	Elimination of 0.68% COLA, further reduction of revenue limit -4.5% for 2008-09 plus additional revenue limit reductions for 2009-10



Budget Review

Date	Event	Budgetary Impact
January 31, 2009	Board Study Session	Developed Board Budget Priorities <ul style="list-style-type: none"> -- Continue to offer K-3 Class Size Reduction (CSR) -- Preserve Counselor & Library Services -- Maintain Athletics & Music Programs (Urban Impact) -- Safety (Urban Impact) -- Minimize the Impact of Cuts to Our Students & Employees -- Ensure Fiscal Solvency
February 10, 2009	Board approved resolution 08/09-2770 Reduction and/or discontinuance of particular kinds of service (PKS) for the 2009-10 school year	Approval for Reduction of 581 Certificated positions including: <ul style="list-style-type: none"> -- 192 Out of Classroom Categorical Funded (BRT, Curriculum Specialist, Literacy Coach, BTSA, Program Specialist, ATM, Outreach Consultant, etc.) -- 14 Elementary Music -- 2 School Nurse -- 232 Class Size Reduction Grades K – 3 -- 30 Counselor -- 75 QEIA -- 36 9th Grade Class Size Reduction



Date	Event	Budgetary Impact
February 19-20, 2009	17 month State Budget approved	<p>Tier I, II, III Flexibility approved including 19.68% reduction to Tier II and III State Categorical programs</p> <p>CSR Flexibility changes adopted</p> <p>Voter Propositions created to be part of \$42 billion State deficit solution</p> <p>Elimination of 0.68% COLA</p> <p>Further reduction of revenue limit -4.5% for 2008-09</p> <p>Additional revenue limit reductions for 2009-10 Cash Deferrals of \$2.3 billion</p>



Budget Review

Date	Event	Budgetary Impact
<p>March 6, 2009 (1) (Based on February's 17-month budget)</p>	<p>Revised budget presented with known facts; much of the State's reductions are vague and unclear</p>	<p>Revised Budget Reduction Targets \$21.5 million in Mid-Year 2008-09 reductions \$35.0 million in 2009-10 \$13.5 million in 2010-11</p>
<p>March 6, 2009 (2) 2008-09 mid-year reductions identified and Board Approved</p>	<p>\$21.5 million in reductions \$9.4 million in <u>one-time</u> solutions Avoided mid-year layoffs</p>	<p>Return/Loss of COLA <\$2.0 million> No Deferred Maintenance <\$2.5 million> Categorical CSR transfer <\$3.5 million> <u>One time</u> Categorical Carryover <\$8.3 million> Tier II & III State Red. <\$4.1 million> <u>One-time</u> Reserves <\$1.1 million></p>
<p>March 6, 2009 (3) 2009-10 reductions identified and Board Approved</p>	<p>\$35.0 million in reductions \$11.3 million in <u>one-time</u> solutions</p>	<p>Return of 08-09 COLA <\$2.0 million> No Deferred Maintenance <\$2.5 million> Categorical CSR <\$12.2 million> Tier III Flexibility transfer <\$1.3 million> Tier II & III State Red. <\$5.4 million> District Office reorg. <\$0.3 million> <u>One-time</u> Reserves <\$11.3 million></p>



Budget Review

Date	Event	Budgetary Impact
May 19, 2009	Special Election Propositions rejected	Additional State Reductions are required
May 26, 2009 Based on Governor's May Revise	Third Interim Budget and "Must have" Staffing agreement Reduces number of Classified Layoffs & rescinds over 100 Certificated RIFs	Additional State Reductions proposed by Governor \$11.8 million one-time in 2008-09 cuts \$12.8 million ongoing in 2009-10 cuts EIA to be held in reserve (placed in consultant line item) for additional State Cuts, CSR; QEIA Staffing released by the Board to sites and corresponding RIFs rescinded; Maximizing of ongoing Federal funds & Tier III for "must have" staffing such as Counselors, IA Computers, Library Media Techs, Site Clerks, Office Assistants, Athletic Equipment Attendants, etc. approved by the Board



Budget Review

Date	Event	Budgetary Impact
June 9, 2009	Board Approval of Classified Layoffs	<p>The Board Approved the layoff of 117 Classified positions due to reduction in State funding:</p> <p>Job titles included: Admin. Asst; Admin Clerk, Athletic Secretary, Community Worker, IA & SSP Biliterate; Sr. Secretary; etc.</p>
June 23, 2009	Adopted 2009-10 Budget adopted by the Board	<p>Additional State Reductions revised</p> <p>\$11.8 million one-time in 2008-09</p> <p>\$16.4 million ongoing in 2009-10</p> <p>\$19 million in additional State deferrals</p> <p>CSR Revenue adjusted in budget based on revised State formula; State cuts to Special Education Transportation</p> <p>Budget Reduction targets updated</p> <p>\$33.0 million in 2010-11</p> <p>\$4.0 million in 2011-12</p>



Date	Event	Budgetary Impact
July 14, 2009	1 st Grade CSR @ approximately 23:1 added for 2009-10 and 2010-11 Rescinds an additional 50 Certificated RIFs	EIA site funds that had been held in reserve (Consultants line item) used to fund 1 st grade \$4.1 million + incremental CSR revenues
July 24, 2009 State Adopted Budget	State Adopted Budget for <u>both</u> 2008-09 and 2009-10	\$11.0 million QEIA Revenue Limit reduction; Shifts \$13.2 million in 2008-09 cuts to the 2009-10 school year Changes the ending fund balances temporarily for <u>all school districts in CA.</u>



Date	Event	Budgetary Impact
August 19, 2009	2 nd Grade CSR @ approximately 24:1 added for 2009-10 and 2010-11	EIA site funds that had been held in reserve (Consultants line item) used to fund 1 st grade \$4.0 million + incremental CSR revenues + Central categorical set-asides \$1.5 million
August 26, 2009	Displacement Meeting for Certificated Teachers	Over 100 Certificated RIFs are rescinded to staff Grade 1 and 2 CSR
September 22, 2009	Unaudited Actuals MYP has district deficit spending \$51.9 million due to State Budget changes	Budget is updated to reflect numerous changes including 2008-09 unaudited actuals, additional cuts from July 24 th State Budget and enrollment decline. Budget Reduction targets updated \$31.0 million in 2010-11 (NO COLA) \$12.5 million in 2011-12 (NO COLA)



Budget Review

Date	Event	Budgetary Impact
<p>October 13, 2009</p>	<p>ARRA Stabilization funds Board approved</p> <p>Board Approved \$13.9 million in reductions toward the \$31 million in required budget cuts</p>	<ol style="list-style-type: none"> 1. \$200K for Police from 11 to 12 months 2. \$600K for elementary Office from 4 to 6 hrs 3. \$3 million in staff reductions due to lower enrollment 4. Utilize \$10.9 million ARRA funding for classroom support expenditures including staff positions <ul style="list-style-type: none"> ➤ Certificated Stipends (CLAD, Bilingual, Dept. Chair, BTSA); <\$5.5 million est.> ➤ Activity Supervision Hours (before & after school + recess); <\$0.75 million est.> ➤ Report Card Release Days, 4th, 5th, and Kinder; <\$0.25 million est.> ➤ Classified Support positions (non-Special Ed); <\$4.4 million est.> <p>Note: All Federal ARRA funds received have now been allocated</p>
<p>October 27, 2009</p>	<p>Board Study Session scheduled for Nov 3, 2009</p>	<p>\$17.1 million in reductions need to be identified to OCDE by December 15, 2009</p>



- Identified a portion of the needed \$31 million in budget reductions for 2010-11
 - Ongoing reduction from not hiring staff due to reduced enrollment (\$3 million)
 - Utilized ARRA Stabilization, one-time funds, to defer reductions required from 2010-11 to 2011-12 (\$10.9 million)

(\$s in millions)	Amount
Required 2010-11 Budget Reductions (Includes use of one-time funds)	\$31.0
Less: Reduce staffing due to lower enrollment (-500 students less) (one-time) 10/13/09	<\$3.0>
Less: Unrestricted expenditures paid with ARRA Stabilization (one-time) 10/13/09	<\$10.9>
Budget Reductions still Needed	\$17.1



Santa Ana
Unified School District

Fact Book





*Everyone is entitled to their own opinion
but there is only one set of facts.”*

Anonymous

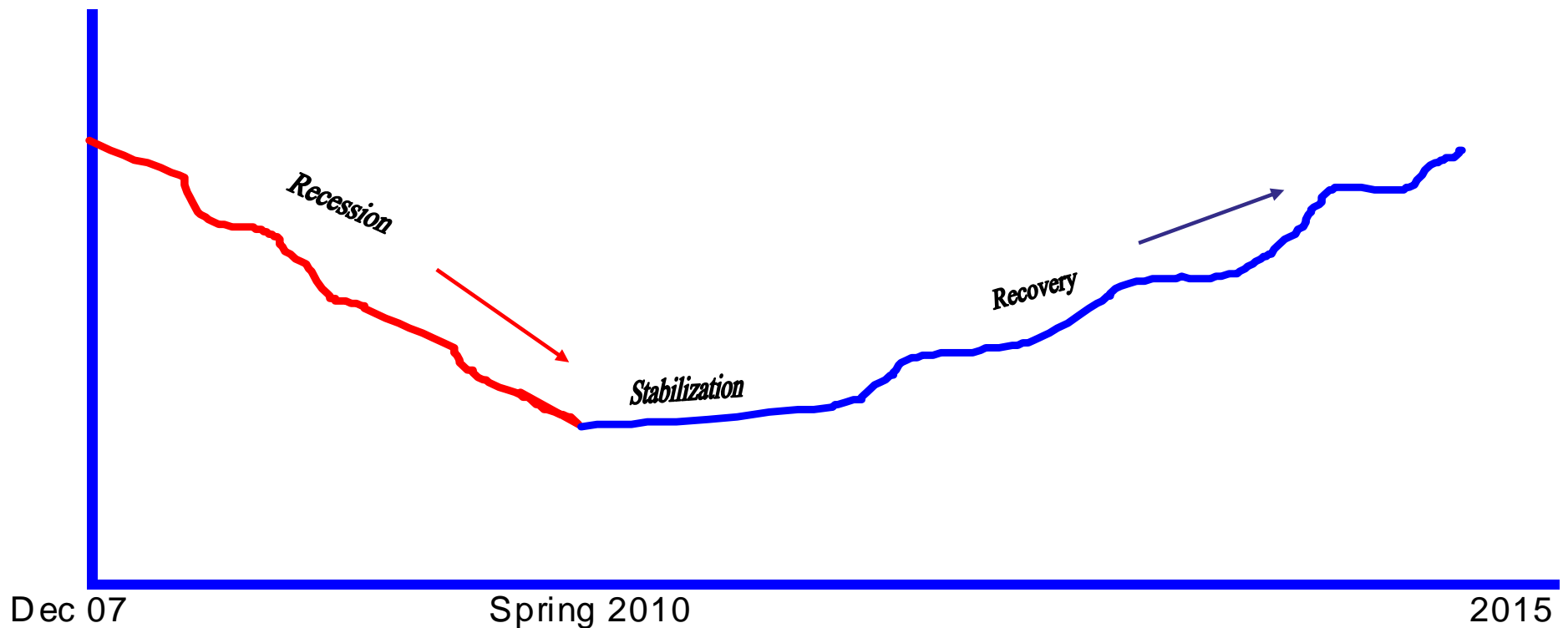


- One-third of the World's wealth has been lost during this economic downturn
- California & the nation is in the worst economic downturn since the Great Depression!
- California revenues have declined 20% over the last year (\$102 billion to \$80 billion)
- Education comprises approximately 50% of the State's budget
- Education historically takes 50% of any State budget cuts





- Economists are predicting that economic recovery to pre-recession levels will be a prolonged process
 - Full economic recovery is **not** anticipated until **2015**



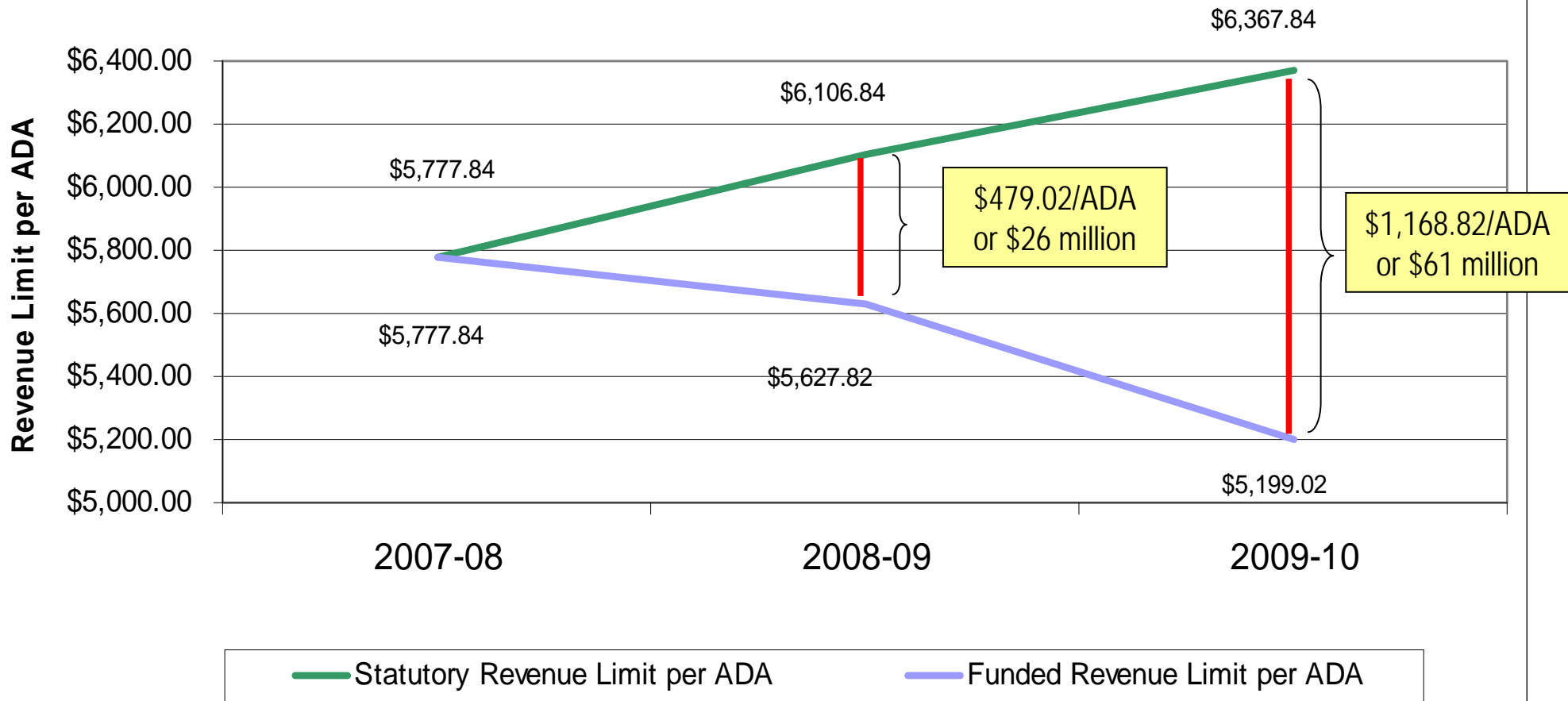


- SAUSD's 2008-09 State revenues declined by \$27 million from the previous year
- The State reduced SAUSD's 2008-09 per pupil funding by \$479.02 per student (Revenue Limit decrease by \$26 million)
- The State reduced SAUSD's 2009-10 per pupil funding by \$1,168.82 per student (Revenue Limit decrease by \$61 million)
- The current year per pupil funding is the same as in 2005-06.





Revenue Limit Comparison for Santa Ana Unified





- Total State loss of revenue limit per pupil funding for 2008-09 and current year combined is \$1,647 or \$49,435 per average classroom
- SAUSD will have made budget cuts totaling \$175.7 million (2004-05 through 2011-12)
- All SAUSD Permanent RIF teachers were offered employment for 2009 – 10
- Classified RIFs are reduced from 117 to 50 FTE lost from 2008-09
- SAUSD is not the only district making budget cuts





Santa Ana Unified School District

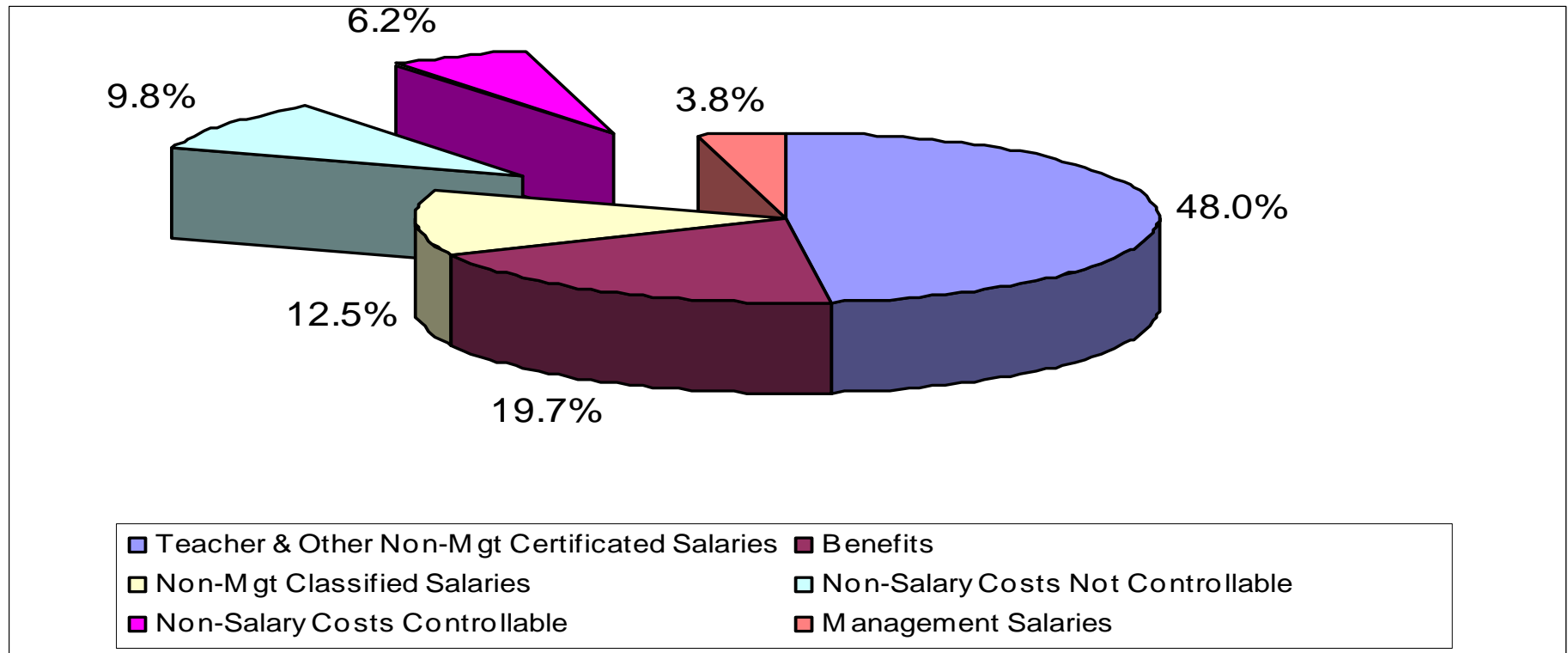
Recent News on Education Cuts



- ❑ "Anaheim teachers face up to 11.75% pay cut"
- ❑ "2% pay cut approved for Orange teachers"
- ❑ "PYLUSD teacher union bracing for cuts"
- ❑ "Oxnard Union looks to cut school year by 6 days"
- ❑ "Lodi USD facing \$20 million budget shortfall"
- ❑ "Riverside school trustees hear grim budget report"
- ❑ "Natomas schools hit by harsh budget bloodletting"
- ❑ "South Whittier school budget approved, but teachers still upset over cuts"
- ❑ "Superintendent tells of rough road ahead for Elk Grove Unified"
- ❑ Shorter school year could be on tap for San Gabriel Valley, Whittier-area schools
- ❑ Editorial: "Parcel taxes in Fremont Union, Santa Clara deserve 'yes' vote"
- ❑ "UCI to close for 7 days to reduce costs"
- ❑ "Big teaching cuts this week at CSUF"
- ❑ "3 O.C. colleges cut classes for 2000 students"
- ❑ LAUSD coaches face 50% cut in stipend pay
- ❑ Jurupa school board scraps class-size reduction a second time
- ❑ LBUSD to attempt parcel tax for school funding

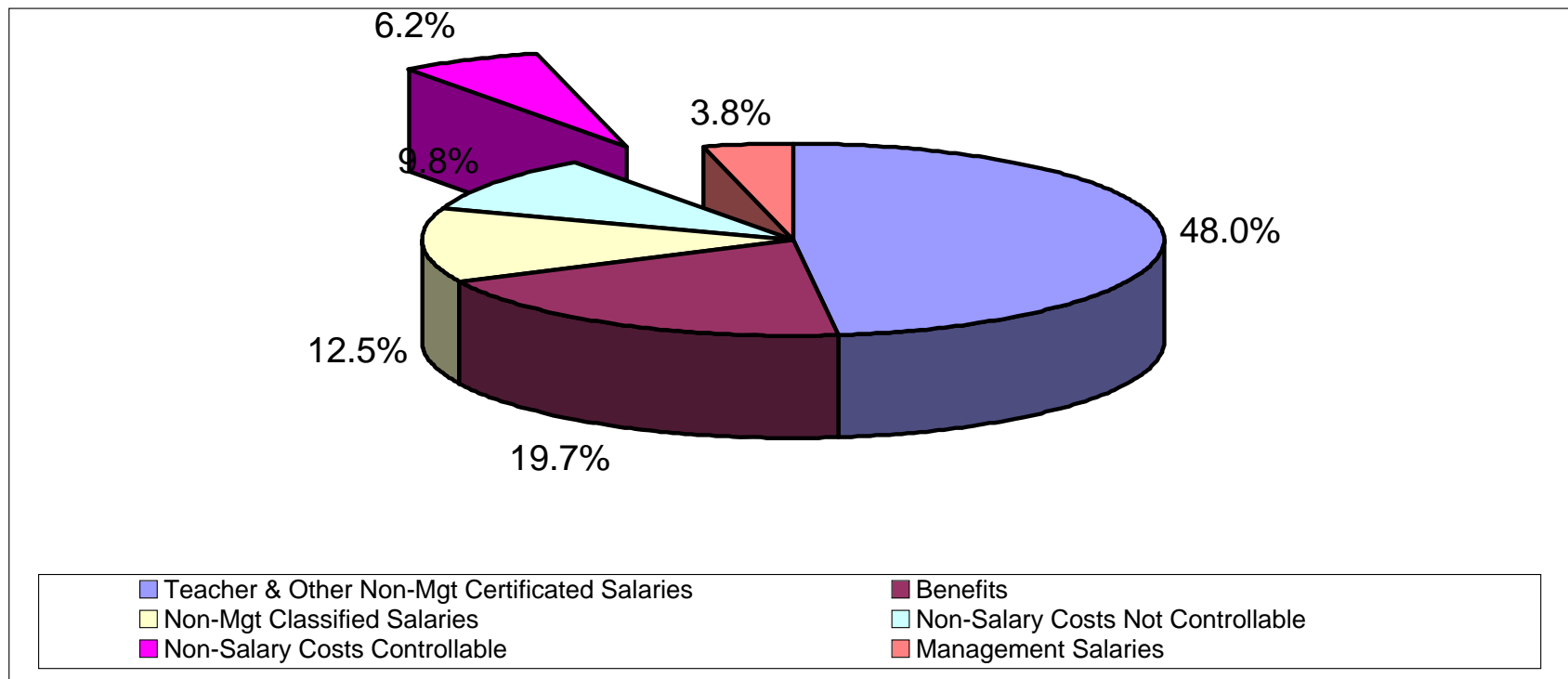


- Salaries & Benefits account for 84% of the District's total costs (Unrestricted and Restricted Combined)
 - **Unrestricted** Salaries & Benefits account for 92% of the District's costs
 - Given these high percentages, budget cuts invariably affect our employees





- The amount of “controllable” non-salary expenses are a small portion of our total budget.



The majority of non-salary expenses are non-controllable expenses. e.g.: utilities, debt service, etc. (Note: Assumed 25% of consulting services are non-controllable.)



- Average daily compensation range
 - SAUSD teachers* = \$463 - \$509 per day **
 - SAUSD administrators = \$446 - \$595 per day
- Administrative to Teacher ratio
 - SAUSD has 133 certificated administrators
 - State reported formula SAUSD is eligible for 200+ certificated administrators
 - **67** below the State formula for number of administrators

* 80% of our teachers fall within this range.

** In addition, teachers receive stipends ranging from \$1,600 to \$36,000 which are not reflected in these numbers



- The following individuals / agencies recommend that Districts hold on to their reserves:
 - School Services of California
 - OCDE
 - Jeannie Oropeza, Dept. of Finance
Program Budget Manager of the Education System Unit (K-20)



- On October 28, district staff attended an OCDE workshop on County Fiscal Oversight of School District Budgets
- The presenters were:
 - Ron Bennett, President of School Services of California
 - Joel Montero Chief Executive Officer - State Fiscal Crisis Management Assistance Team - FCMAT
- In working with Districts close to State receivership both individuals stated that the number one observed problem with these districts was that they were in **DENIAL**, as evidenced by statements such as:



- “The State’s economy will improve so we don’t have to make cuts.”
- “The District must be hiding money so we don’t have to make cuts.”



2010-11 Budget Reductions





2009-10 Board Priorities

- Continue to offer K-3 Class Size Reduction (CSR)
- Preserve Counselor & Library Services
- Maintain Athletics & Music Programs (Urban Impact)
- Safety (Urban Impact)
- Minimize the Impact of Cuts to Our Students & Employees
- Provide Elementary Sites with Support Staff to Ensure Academic Achievement
- Ensure Fiscal Solvency



- The State has not solved its structural budget problems and there may be additional cuts to education
- 2010-11 will not be a good economic year
- 2011-12 will be worse as:
 - Federal ARRA funding will have ended and expended by Sept. 30, 2011
 - Temporary State tax increases of \$10 billion will expire on June 30, 2011
- State Funding is not sufficient to support the base, “must have” operations of the district



- 92% of the SAUSD unrestricted budget is spent on people (salary and benefits)
- Many painful, difficult cuts have been made in the past years. Due to continuing State cuts, further reductions will impact the classroom and the students we serve.
- School Sites are already funded at the bare minimum level thus limiting the ability to find additional reductions



- Statewide, many districts are finding that:
 - The extent of budget reductions makes it impossible to continue funding needed instructional programs
 - There is no other alternative but to consider reductions such as:
 - Employee compensation
 - Reduction in the school year



- **Current Status**

- The Board previously approved \$13.9 million of the required \$31 million in budget reductions as follows:

(\$s in millions)	Amount
Required 2010-11 Budget Reductions (Includes use of one-time funds)	\$31.0
Less: Reduce staffing due to lower enrollment (-500 students less) (one-time) 10/13/09	<\$3.0>
Less: Unrestricted expenditures paid with ARRA Stabilization (one-time) 10/13/09	<\$10.9>
Budget Reductions still Needed	\$17.1



- Staff has the challenge of seeking alternative, compliant budget interventions to cut \$17.1 million
- Staff's goal is to bring recommendations that preserve Board priorities:
 - Ensure Fiscal Solvency
 - Continue to offer Grades 1-2 Class Size Reduction (CSR) through 2010-11 (Grade 1 at approximately 23:1 /Grade 2 at approximately 24:1)
 - Preserve Counselor & Library Services
 - Maintain Athletics & Music Programs (Urban Impact)
 - Safety (Urban Impact)
 - Minimize the Impact of Cuts to Our Students & Employees
 - Provide Elementary Sites with Staff to Support Academic Achievement



Balanced Approach to Budget Reductions

- Staff is considering the following approach to reductions:
 - Program reductions, reorganization and funding changes
 - e.g. use qualified categorical funds for general fund unrestricted expenditures
 - Negotiations with Employee Groups
 - Shorten the school year; 1 day reduction = \$2 million est.
 - Reduce employee compensation; 1% = \$4.5 million est.
 - Suspend/eliminate step & column; \$4 million est.
 - Suspend/eliminate stipends (i.e. supplemental employee compensation): \$5.5 million est.
 - Implement furlough days; 1 day reduction = \$2 million est.



2009 – 10 Board Priorities	2010-11 Board Priorities
Grades 1-2 Class Size Reduction (CSR)	Continue to Offer Grade 1-2 Class Size Reduction (CSR) using Site EIA funds Grade 1 @ approx 23:1 Grade 2 @ approx. 24:1
Ensure Fiscal Solvency	
Preserve Counselor & Library Services	
Maintain Athletics & Music Programs (Urban Impact)	
Safety (Urban Impact)	
Minimize the Impact of Cuts to Our Employees	
Provide Elementary Sites with Staff to Support Academic Achievement	



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Addendum – Funds Available



- SAUSD was projected to receive ARRA dollars as follows: **The State is using the Funds for the State's cash flow!**

(\$s in millions)	Estimated Total Award	June 2009	July 2009	Aug. 2009	Sep. 2009	Oct. 2009	Nov. 2009	Feb. 2010	Apr. 2010	June 2010	TBD
Title I Restricted (site based)	\$11.3	\$5.1	---	---	---	<u>\$0**</u>	<u>\$1.55</u> **	<u>\$1.55</u> **	<u>\$1.55</u> **	<u>\$1.55</u> **	---
IDEA Restricted (Special Ed)	\$11.3	\$2.3	<u>\$0*</u>	<u>\$0*</u>	<u>\$0*</u>	<u>\$0*</u>	---	---	---	---	<u>\$9.0*</u>
Stabilization	\$19.2	\$14.3	\$4.9	---	---	---	---	---	---	---	---
Total	\$41.8	\$21.7	\$4.9	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1.55</u>	<u>\$1.55</u>	<u>\$1.55</u>	<u>\$1.55</u>	<u>\$9.0</u>

* ARRA Special Education funds have not been received! \$1.1 million in July, Aug, Sept and \$5.7 in October were delayed at the State with no revised timeline for distribution.

** ARRA Title I funds have not been received. \$6.2 million in October 2009 has been delayed at the State with a revised timeline for distribution

Funds from Both ARRA Title I and ARRA IDEA are planned to be used over 2 years



Summary of Categorical Funds Available

(\$s in millions)	Total Received	Amount Used	Available Amount	Comments
ARRA Stabilization	\$19.2	<\$19.2>	\$0	Utilized to (1) Pay for preferential treatment of sub costs (\$0.5 million), (2) Pay increased special ed costs, (3) to increase police officers to 12 month positions & Elementary clerical to 6 hours, & (4) Fund positions / expenses from General Fund allowing transfer of cuts from 2010-11 to 2011-12.
ARRA IDEA	\$2.3	<\$2.3>	\$0.0	Utilized to pay for addt'l Special Ed positions and to reduce general fund contributions to Special Ed.
ARRA Title I – Elementary	\$1.6	\$0.0	\$0.0	Utilized to fund District and Site Educational Priorities after one-on-one meetings with Dir EL Programs \$ Student Ach. Reserved for possible shortfalls in site ARRA funding & for mandated Professional & Parent Development.
Secondary	\$1.6	\$0.0	\$0.0	
Mandated	\$1.9	<\$1.9>	\$0.0	
EIA (ongoing) - Elementary	\$8.1	<\$8.1>	\$0.0	Utilized for Grade 1 & 2 CSR. District Central Categorical funding and/or incremental CSR revenues utilized for additional \$1.5 million in CSR expense for grades 1-2
EIA (ongoing) - Secondary	\$6.8	<\$6.8>	\$0.0	Utilized for ELD Coordinators, Outreach Consultant / AVID / CAHSEE and intervention support.
Total Available	\$41.5	<\$41.5>	\$0.0	