



Santa Ana
Unified School District

SAUSD Budget Update: Historical Perspectives

September 27, 2011

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- Enrollment Update
- The Budget Times that We Are In
- Historical Perspective – SAUSD Budget Reductions
- Budget Update and Budget Reductions
- Next Steps



Enrollment Projections

The District has utilized a three-level approach to enrollment projections the past two school years and bases staffing allocations on the final projection

- Input from site principal
- Demographic analysis include trends and historical cohort-survival rates (previously used Dolinka but now done by Facilities)
- District adjustments based upon multiple factors done in collaboration with Human Resources, Facilities, Business Operations

Year	Dolinka	District	CBEDS	Difference (CBEDS v. District)	% Difference
2011 - 12		53,996	53,514	(482)	(0.89%)
2010 – 11	53,289	53,256	53,942	686	1.28%
2009 – 10	55,025	54,813	54,084	(729)	(1.32%)
2008 – 09	54,314	54,210	54,584	374	0.68%
2007 – 08	53,693	55,043	54,449	(594)	(1.08%)
2006 – 07		55,053	54,899	(154)	(0.27%)
2005 – 06		58,169	56,574	(1,595)	(2.74%)
2004 – 05		58,656	58,884	228	0.38%
2003 – 04		62,656	59,895	(2,761)	(4.40%)
2002 – 03		58,953	60,973	2,020	3.42%

* Current enrollment estimate not finalized



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2011-12 Enrollment

	2010-11 CBEDS	2011-12 Projected Enrollment	Actual as of 9/22/11	Diff.	Percent Change
Elementary (includes K-6 sites)	26,586	27,055	26,817	(238)	(0.88%)
Intermediate	11,488	11,369	11,324	(45)	(0.39%)
High School	15,868	15,572	15,373	(199)	(1.28%)
Total	53,942	53,996	53,514	(482)	(0.89%)

Schools have monitored enrollment on a daily basis. Sites are continuing the outreach process of locating these students. The District has had an increased enrollment of 187 since our last Board presentation.

Changes since Previous Board	9/13/11 presentation Projection	Actual as of 9/22/11	Diff.
Elementary (includes K-6 sites)	26,736	26,817	81
Intermediate	11,295	11,324	29
High School	15,296	15,373	77
Total	53,327	53,514	187

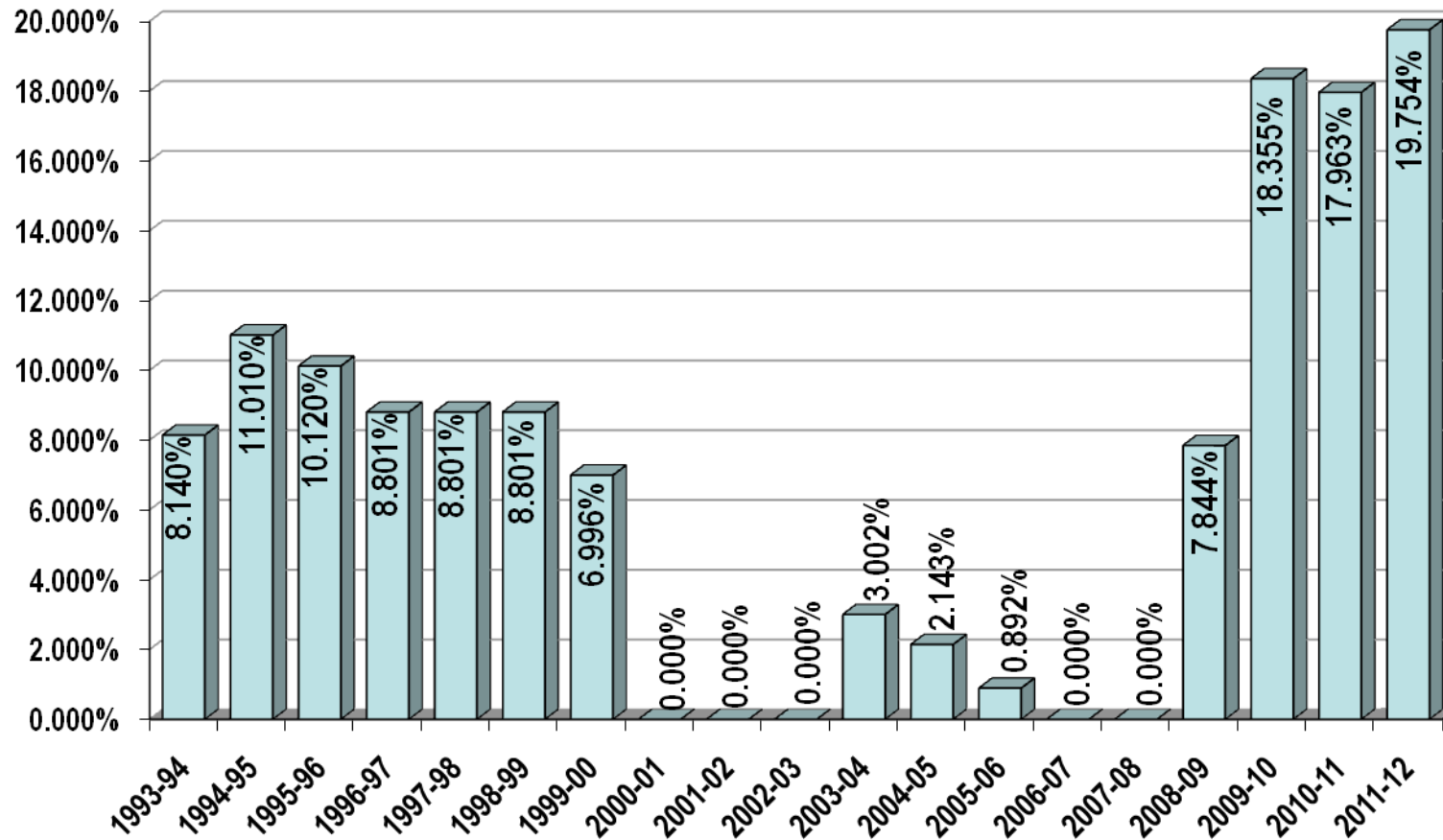


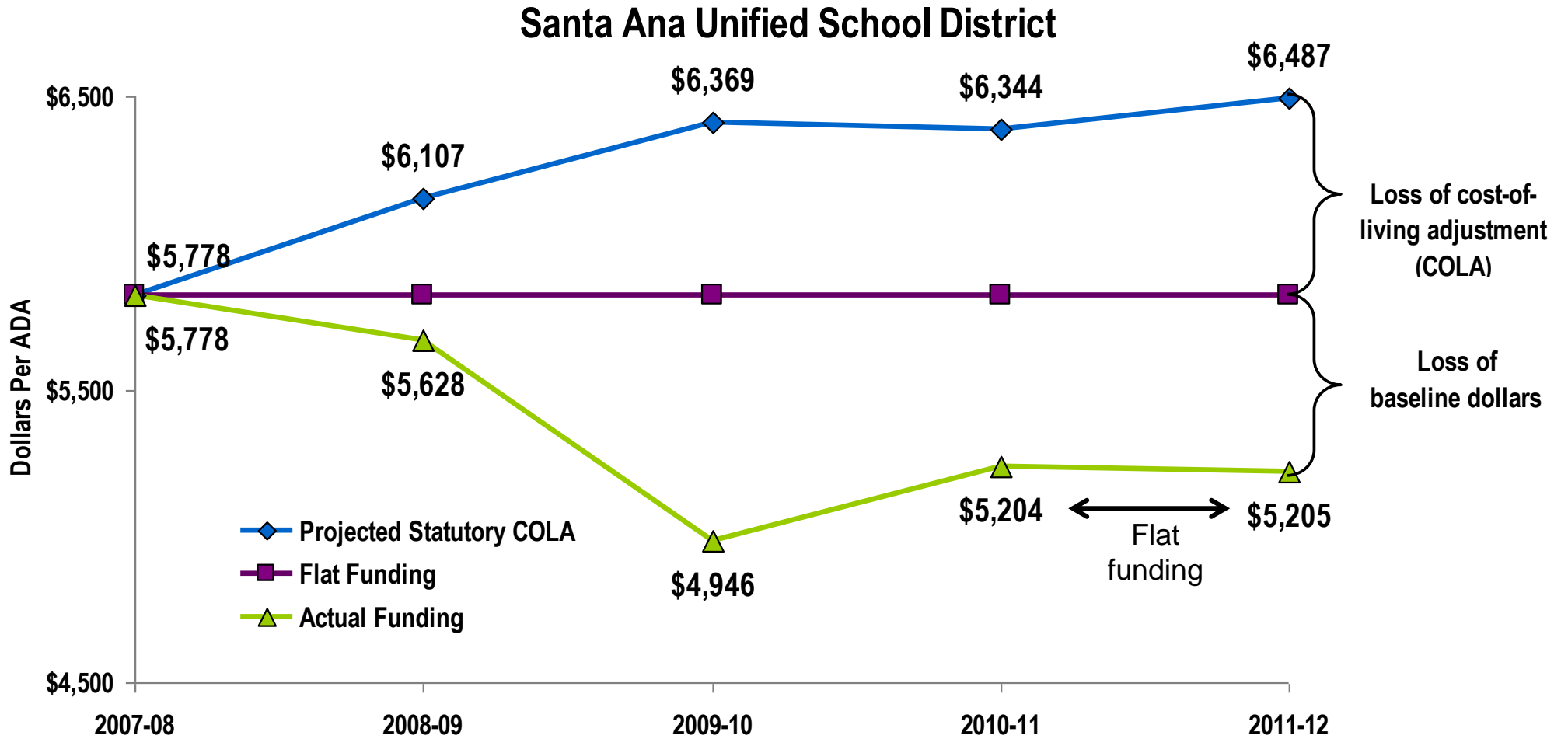
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The Budget Times That We Are In









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**WHY DOES SAUSD STILL NEED
TO MAKE CUTS WHEN FUNDING
TO EDUCATION IS “FLAT”?**



- Why does SAUSD still need to cut \$31.5 million in 2011-12 and \$32.0 million for 2012-13?
 - State has not funded up to approximately \$60 million annually since 2008-09 that is “owed” to SAUSD (deficit reduction)
 - Tier III flexibility has since 2008-09, allowed SAUSD to temporarily not make \$18.5 million in ongoing reductions
 - CSR Penalty flexibility since 2008-09, allowed SAUSD to temporarily not make \$10 million in ongoing reductions
- The \$31.5 million reduction that was needed for 2011-12 is due to the State deficit factor that remains in Governor Brown’s current budget, with or without the trigger being engaged



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Historical Perspective

(Negotiated Labor Settlements & Other Key Events)





SAUSD has been required to make reductions to the budget each year beginning in 2004-05.

The cuts from 2004-05 through 2008-09 were predominantly due to declining enrollment and totaled **<\$120.6 million>**



Cuts in 2009-10 and 2010-11 totaled **<\$42.6 million>** were due primarily due to reductions in **base revenue limit and categorical programs**, which includes **\$20 million in one-time solutions** pushing the ongoing cut requirement to the following year



The current reductions required for 2011-12 were **<\$31.5 million>** which includes the **\$20 million in one-time solutions** from 2010-11

The second year in the MYP, 2012-13 will require an **additional <\$32.0 million>** in budget reductions which includes the **\$27.5 million in one-time solutions** from 2011-12

In the 9 year span beginning in 2004-05 SAUSD has been required to identify and implement over **<\$226.7 million>** in budget reduction solutions



- Spring 2004: Salary Rollback
 - Significant downturn in enrollment results in a fiscal crisis
 - Spurs involvement of Orange County Department of Education (OCDE), School Services & FCMAT
 - Working with our associations, the district negotiates a 2 year salary rollback plan (2004-05 & 2005-06) to provide temporary, financial relief
 - The rollback
 - **Certificated**: 4% salary reduction
 - **Classified**: 1% salary reduction
 - **Management**: 4% salary reduction



- July 2006: Salary Restoration
 - District restores salary
 - plus deferred COLAs (on a compounded basis)
 - plus repayment of deficit reduction
 - Net increase in pay as follows:
 - **Certificated**: 13.44% restoration and COLA
 - **Classified**: +10.01% restoration and COLA (smaller increase as CSEA members took a -1% reduction vs. -4% for Certificated & management)
 - **Management** +13.44% restoration and COLA
- March 2007: Negotiated Salary Increase
 - **Certificated**, **Classified** & **Management** receive a 5% salary increase
 - Significant changes to Health and Welfare plan leading to \$9.6 million in savings
 - Employee contributions from \$5 single/\$40 2 party or family – to a percentage of District cost
 - Increased employee co-pay by \$5
 - Implemented Emergency Room co-pay of \$50
 - Increased employee co-pay on prescriptions by \$5
- July 2008: **Management** Furlough Days
 - For 2008-09 & 2009-10, up to 10 furlough days (for 12 month employees) or a 4.5% annual reduction
 - July 2010: Management agrees to a 3rd year of furlough days for 2010-11; a 4.5% reduction.



- Certificated Negotiated Settlements (post July 2008)
 - October 2008
 - No salary increase or reduction for 2007-08
 - New certificated staff no longer eligible for CLAD stipends (\$350K savings)
 - April 2009
 - No salary increase or reduction for 2008-09 and 2009-10
 - District agrees not to freeze step & column pay increases in 2009-10 (Cost of approx. \$6 million/year)
 - Various changes in Health & Welfare plan including increase in co-payments, deductibles & employee premiums:
 - Kaiser: No cost to employee (single, dual or family coverage)
 - Higher Cost HMO: Employee pays 5% of cost (up from 4%)
 - PPO Plan: Employee pays 11% of cost (up from 9%)
 - May/June 2010
 - SAEA challenges & district loses arbitration hearing and restores 2.5 staff development days (cost of \$3 million)
 - Nov 2009 & April 2010
 - Agreement with SAEA on various Memorandums of Understanding (MOUs) related to class sizes & intermediate athletic coach's pay (cost of \$230K)



- Certificated Negotiated Settlements (post July 2008 Cont'd)
 - February 2011
 - No salary increase or reduction and no furlough days for 2010-11
 - No freeze to step and column pay increases for 2010-11
 - Established a joint District/SAEA Benefits Authority
 - Through 2014-15 change Summer School pay from hourly rate to factor rate
 - May 2011
 - Contract settled and ratified prior to start of 2011-12 school year
 - No salary increase or reduction for 2011-12
 - No freeze step & column pay increases in 2011-2012
 - Impact of 5 furlough days offset by Federal Education Jobs Bill funds
 - Various changes in Health & Welfare plan including increase in co-payments, deductibles & employee premiums:
 - Kaiser: hospital and emergency room co-pay increase, \$150 annual deductible for brand name drugs
 - Blue Cross HMO: hospital and emergency room co-pay increase, \$150 annual deductible for brand name drugs
 - Blue Cross PPO Plan: hospital and emergency room co-pay increase, \$150 annual deductible for brand name drugs



- Classified Negotiated Settlements (post July 2008)
 - October 2008
 - No salary increase or reduction for 2007-08 and 2008-09
 - 436, 3.75 hour positions (ineligible for H&W) are converted to 4 hour positions and are now eligible for district paid H&W (\$3.6 million cost)
 - Kaiser: No cost to employee (single, dual or family coverage)
 - Higher cost HMO & PPO plan: Employee pays 20% of cost
 - New employees only eligible for lowest cost HMO plan (i.e. Kaiser)
 - Classified employees no longer eligible for dual coverage
 - May 2010
 - No salary increase or reduction or furlough days for 2009-10.
 - No freezes to the salary schedule or step increases for 2009-10



- Classified Negotiated Settlements (post July 2008 Cont'd)
 - April 2011
 - No salary increase or reduction or furlough days for 2010-11
 - No freezes to the salary schedule or step increases for 2010-11
 - 3 Classifications- Site Clerks, Library Media Techs, and Instructional Assistant moved from 3.75 hour per day to 5.75 (cost of \$1.5 million)
 - Various changes in Health & Welfare plan including increase in co-payments, deductibles & employee premiums:
 - Kaiser: 2% employee contribution tenthly, hospital (\$250) and emergency room co-pay increase (from \$50 to \$100), \$150 annual deductible for brand name drugs
 - Blue Cross HMO: 5% employee contribution tenthly, hospital (\$250) and emergency room co-pay increase, \$150 annual deductible for brand name drugs
 - Blue Cross PPO Plan: hospital (\$250) and emergency room co-pay increase (from \$50 to \$100), \$150 annual deductible for brand name drugs
 - Self-insurance for prescription drugs for employees on Blue Cross HMO and PPO



- District Action

- Eligible employees continue to receive step & column pay increases
- Supplemental Employee Retirement Plans (SERP)
 - Provides additional retirement incentives for eligible employees
 - Purpose: (1) Reduce salary expense by incentivizing senior, higher paid employees to retire & (2) reduce employees on “layoff” list
- 5 SERPs offered in the past 8 years
 - 2002: Annual cost of \$2.3 million for 5 years
 - 2003: Annual cost of \$1.8 million for 5 years
 - 2004: Annual cost of \$1.8 million for 5 years
 - 2008: Annual cost of \$1.1 million for 5 years - 159 employees retired
 - 2009: Annual cost of \$1.1 million for 5 years - 85 employees retired
- 2 Lump sum payment retirement incentives
 - 2010: Cost of \$0.8 million - 66 employees retired
 - 2011: Cost of \$2.5 million - 160 employees retired
- Common wisdom dictates against (1) Issuing SERPs in successive years and (2) Offering multiple SERPs in such a short period of time
- These actions dilute SERP impact and increase the tenuous nature of achieving financial savings.



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District's Goal is to continue to work collaboratively with our associations.





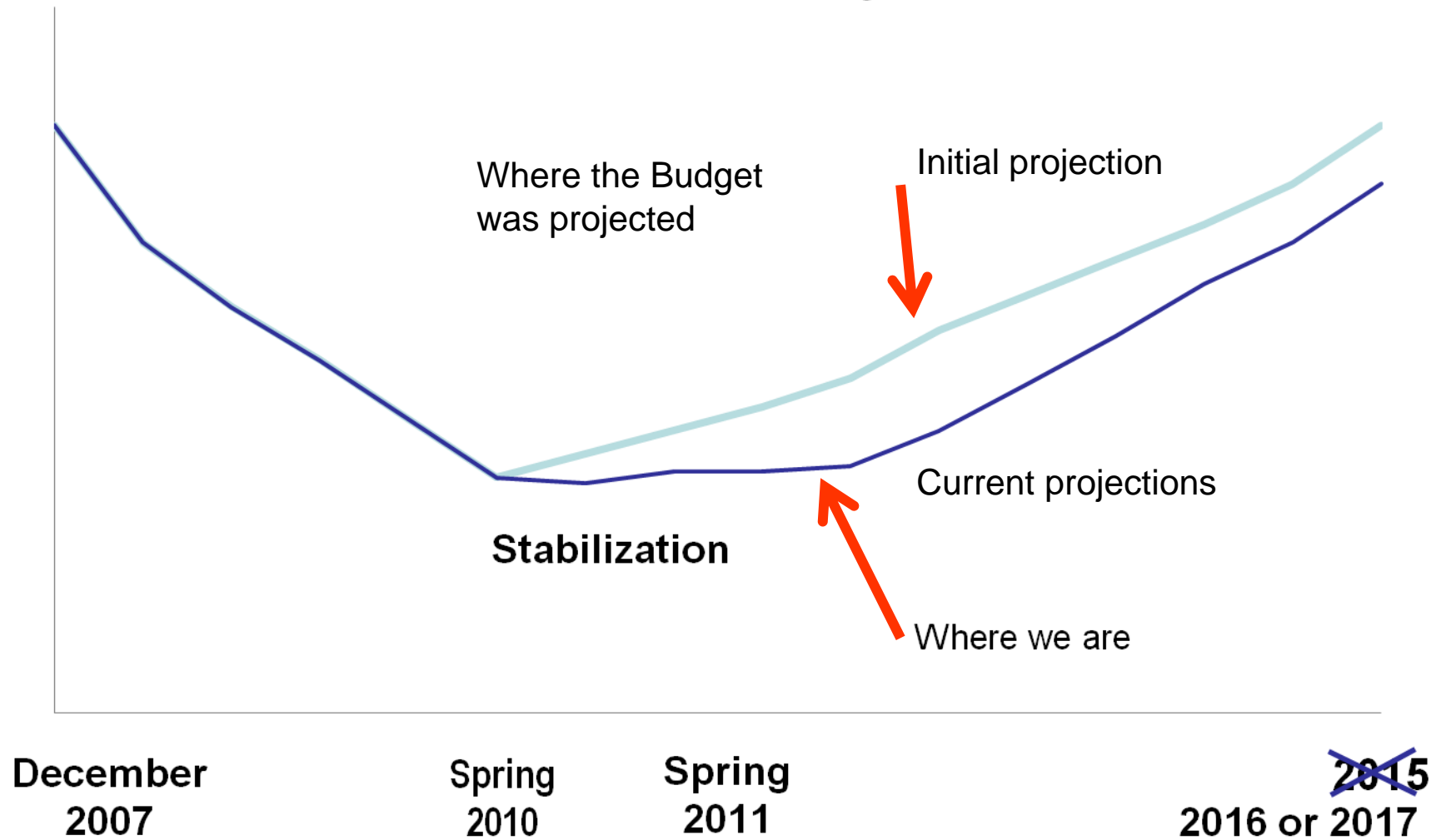
STATEWIDE AVERAGE			SANTA ANA UNIFIED SCHOOL DISTRICT		
Salaries & Benefits (Cert, Class, Mgmt) Object codes 1xxx through 3xxx			Salaries & Benefits (Cert, Class, Mgmt) Object codes 1xxx through 3xxx**		
1999-2000	2009-2010	Difference	1999-2000	2009-2010	Difference
% of Total Unrestricted GF Expense	% of Total Unrestricted GF Expense		% of Total Unrestricted GF Expense	% of Total Unrestricted GF Expense	
88.39%	90.57%	2.18%	89.16%	94.99%	5.84%

1999-2000: Does **not include PERS Reduction, object code 7270 (prior to SACS conversion)

2009-2010: Does include PERS Reduction, object code 3801-3802

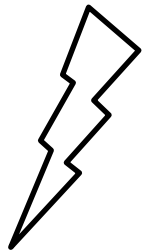


The Economic Cycle





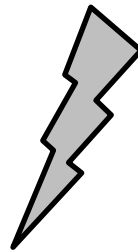
2010-11



- 2010-11 “Get out of Town” budget
- Mid-Year Cuts? - **NO**
- Will 2010-11 revenue deferred into 2011-12 be received? - **YES**



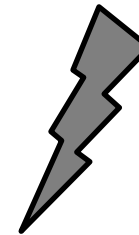
2011 - 12



- ARRA ends
- Jobs Bill ends
- **Temporary State tax measures end**
- \$31.5 million in cuts needed (**\$27.5 utilize one-time solutions**)
- **Mid-Year Cuts?** 22



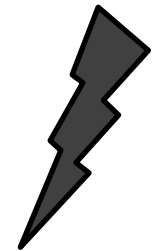
2012 - 13



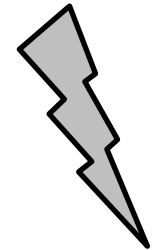
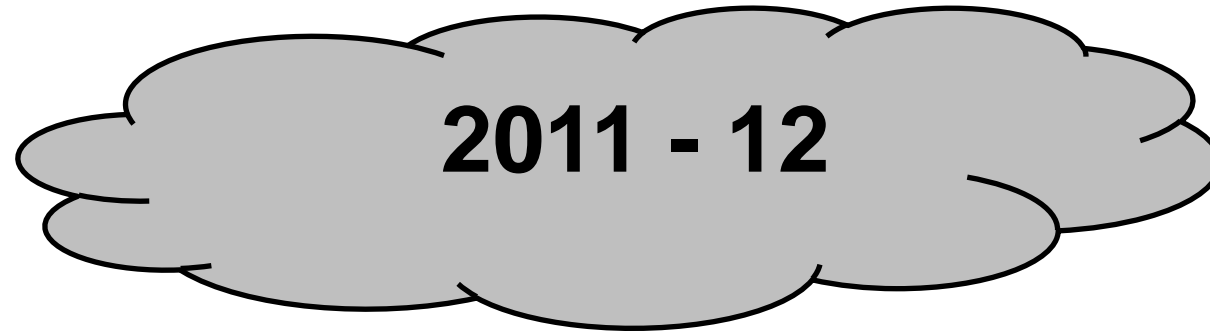
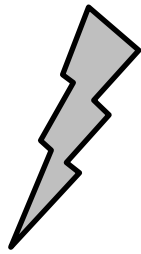
- CSR Penalty Flexibility ends – **extended to 2013-14 by SB 70**
- **Temporary State tax measures ended**
- \$32.0 million in cuts needed
- **QEIA at risk**



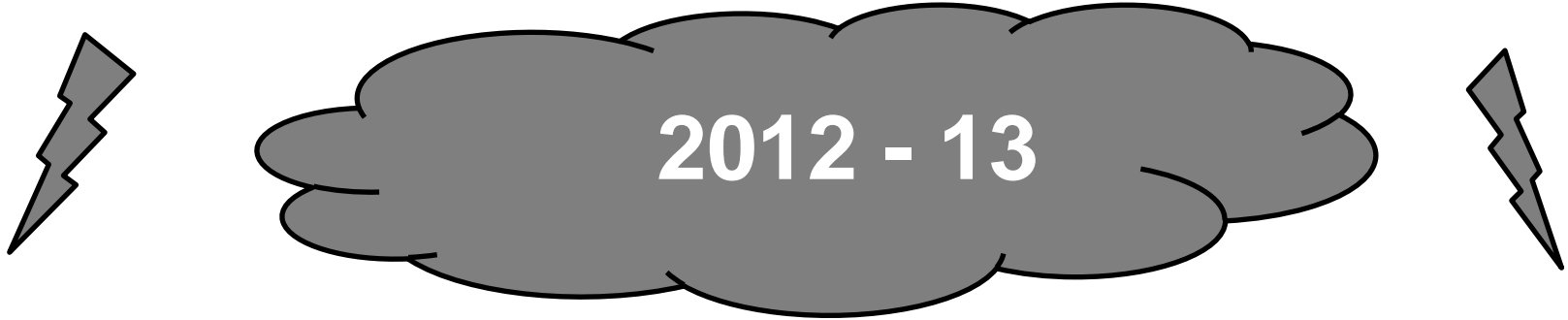
2013-14



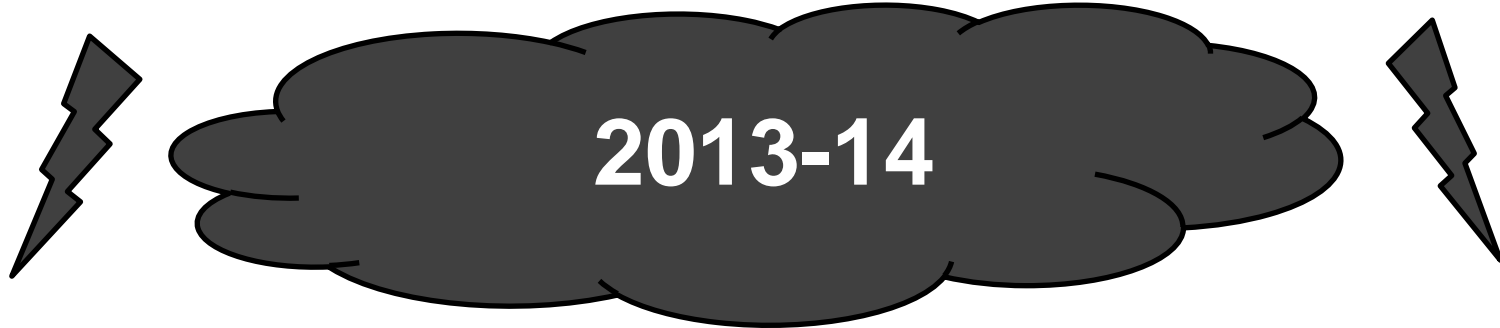
- Tier III flexibility and ability to reduce instructional year ends – **extended to 2014-15 by SB 70**
- QEIA sunsets



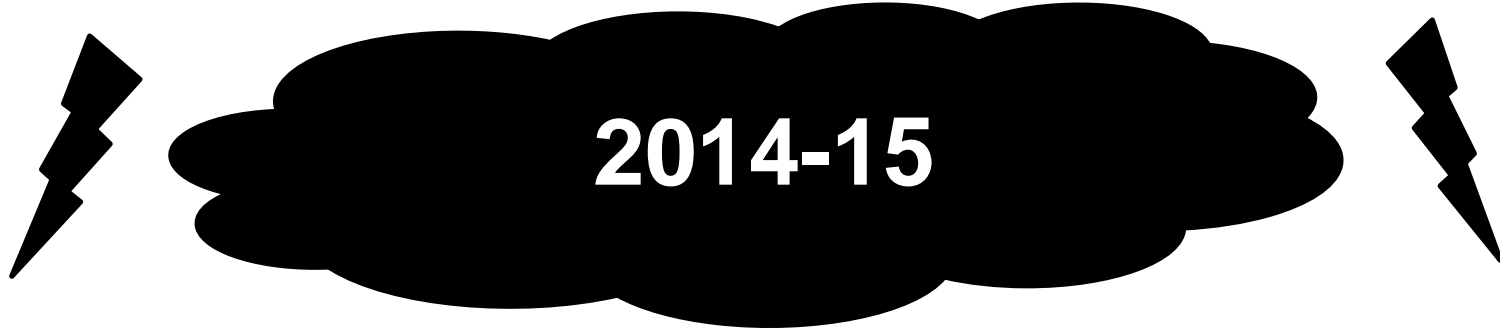
- ARRA and Jobs Bill funding ends
- State adopts budget with “trigger language” for mid-year cuts
- Apportionment deferrals continue impacting cash flow and disproportionately affect low wealth, high SES districts
- District cuts of at least **\$31.5 million** were identified (\$27.5 million in one-time solutions)



- Apportionment deferrals continue impacting cash flow and disproportionately affect low wealth, high SES districts
- State Budget deficit projected through at least 2015-16
- District cuts of **\$32.0 million** need to be identified
- Health and welfare costs projected to increase by double-digit percentages
- QEIA program at-risk without State Board of Education Waiver
- Stricter Categorical program compliance requirements



- CSR penalty flexibility ends – results in \$10.5 million in required cuts for SAUSD though the State still has the funds available
- QEIA program sunsets
- Class Size requirements in Grades 4 – 8 impact district
- Preferential Substitute Education Code impact complicated by prior three bullets
- Health and welfare costs projected to increase by double-digit percentages
- Apportionment deferrals continue impacting cash flow and disproportionately affect low wealth, high SES districts
- State Budget deficit projected through at least 2015-16
- District cuts of at least \$30 million required



- Tier III flexibility ends the following year results in \$15-20 million in required cuts for SAUSD specifically impacting classified staffing though the State still has the funds available
- Ability to reduce instructional year also ends
- Class Size requirements in Grades 4 – 8 impact district staffing ratios
- Preferential Substitute Education Code impact projected to continue to complicate the labor picture
- Health and welfare costs projected to increase by double-digit percentages
- Apportionment deferrals continue impacting cash flow and disproportionately affect low wealth, high SES districts
- State Budget deficit projected through at least 2015-16
- District cuts not yet quantified



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2011-12 Adopted Budget MYP

<u>(\$s in millions)</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Beginning Fund Balance	\$95.3	\$86.7	\$58.0	\$53.9
Adjustment to Beginning Fund Balance	(\$1.0)	---	---	---
Add: Revenues	\$478.9	\$457.8	\$460.6	\$444.9
Less: Expenditures (incl. Budget Reductions)	\$486.5	\$486.5	\$464.7	\$442.5
Net Increase/(Decrease) in Fund Balance	(\$7.6)	(\$28.7)	(\$4.1)	\$2.4
Ending Fund Balance	\$86.7	\$58.0	\$53.9	\$56.3
Less: a) Non-spendable (Revolving Cash/Stores)	\$1.1	\$1.2	\$1.2	\$1.2
b) Restricted	\$9.0	\$7.6	\$3.4	\$2.0
c) Committed: Stabilization Arrangements	\$24.4	\$16.3	\$6.4	\$11.1
d) Assigned: Future State Cuts/COLA		\$17.2	\$26.7	\$25.3
Board approved one-time cuts for 2011-12	\$21.5			
Est. one-time/mid-year cuts	\$13.5			
Other Designations (est. site carryover, Instr Materials, CalSafe, Community Day, CASHEE)	\$7.5	\$5.9	\$6.9	\$7.9
e) Unassigned: Reserve for Economic Uncert. (%)	\$9.7 (2%)	\$9.9 (2%)	\$9.3 (2%)	\$8.8 (2%)
Budget Reductions *included in Adopted Budget		(\$31.5)*	(\$32.0)	(\$30.0)



(\$s in millions)	2010-11	2011-12	2012-13	2013-14
Budget Cuts <u>not</u> yet Identified &/or Approved	---	---	\$32.0	\$30.0
Reserves with above cuts	2.0%	2.0%	2.0%	2.0%
Reserves without above cuts	2.0%	2.0%	7.2%	26.1%



Board Priorities 2011-12



- Ensure fiscal solvency (*legally required*)
- Preserve staff
 - Continue to provide Elementary support staff
- Maintain integrity of programs
 - Continue to protect services to the most vulnerable students
- Find other ways to reduce expenditures
- School Safety
- Maintain athletics and music programs
- Reduced class sizes in grades 1 & 2
- Maintain 180 day instructional calendar



Priority	Approximate \$ Impact
Ensure Fiscal Solvency	Needed cuts: \$62 million (2012-13 & 2013-14 combined)
Grade K-3 Class Size Reduction (CSR) <ul style="list-style-type: none">• Continue to offer Grades 1 & 2 CSR through 2011-12 using categorical funds• Grade 1 & 2 (25:1)	\$6 million encroachment (without use of categorical funds)
Preserve counselor & library services	Cost: \$9 million (Counselors = \$7 million; Library Services = \$2 million)
Maintain athletics & elementary music program	Cost: \$8 million (Athletics = \$5.5 million; Music = \$2.5 million)
Safety	Cost: \$6 million (Police & DSOs)
Continue to provide elementary sites with support staff to ensure academic achievement	Cost: \$3.5 million
Minimize the impact of cuts to our students & employees	PRICELESS



Use one-time sources of funds such as ARRA or Jobs Bill to address reductions for one year, effectively moving the ongoing budget reduction from one year to the next...this option is running out



Utilize one-time fund balances to address required reductions for one year, effectively moving the ongoing budget reduction from one year to the next



An ongoing reduction: elimination or reduction of program; negotiated reduction; or reduction in staffing resulting in reduced expenditures.

Over 94% of the district budget is currently used to pay for staffing costs.








\$ in millions

	Description of Reduction Actions	Proposed Amount of Reduction/ Increase	Reductions Required
			Plan B
	Reductions required for 2011-12		\$31.5
	10-11 Base Revenue Limit (<u>one-time</u>)	\$13.8	\$17.7
	Jobs Bills (<u>one-time</u>)	\$8.3	\$9.4
	Tier III balances (<u>one-time</u>)	\$5.5	\$3.9
	Health and Welfare negotiations	\$6.0	\$2.1
	Increase expenditures for 2011-12	<\$4.0>	\$1.9
	Loss of \$79/ADA 2011-12 Base Revenue Limit (Plan B)	<\$4.0>	\$5.9
	Increased base program for 2011-12	<\$2.5>	\$8.4
	Enrollment increase, Tier III Inst Materials/Summer, 2 nd Interim expenditure red.	\$8.4	\$0



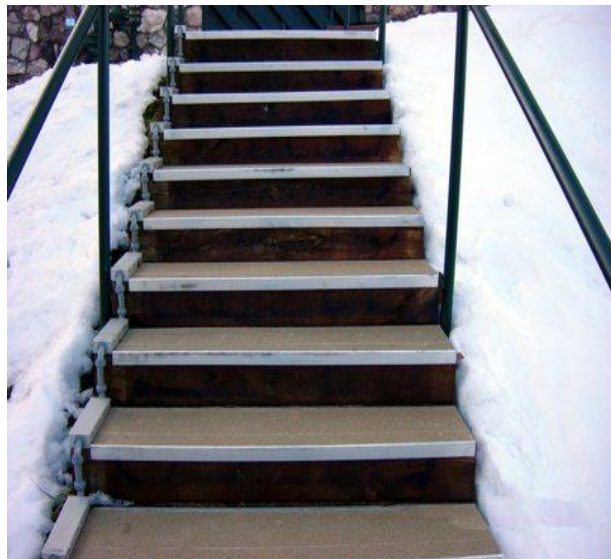
\$ in millions

	Description of Reduction	Proposed Amount of Reduction/ Increase	Reductions Required
	New Reductions required for 2012-13		\$30.5
	10-11 Base Revenue Limit (one-time from 2011-12)	\$13.8	\$44.3
	Jobs Bills (one-time from 2011-12)	\$8.3	\$52.6
	Tier III (one-time from 2011-12)	\$5.5	\$58.1
	CSR Penalty Flexibility continues	\$11.0	\$47.1
	One-time Utilization of District Reserve funds (Fund 17)	\$13.5	\$33.6
	Revised enrollment projection adjustment	\$1.6	\$32.0





Days
Remaining to
Identify
2012-13
Reductions
77



Date	Event or Activity
On-going until Settled (CSEA)	Negotiations with our certificated & classified associations (SAEA & CSEA respectively)
Oct. 11, Nov. 8 & 22	Budget Updates
Dec. 13	Presentation of First interim Report, Approval of 2012-13 Budget Reductions (current target \$32 million)
Jan. 9, 2012	Governor's Proposed Budget and possible mid-year "trigger" based upon State Revenue projections
Mar. 13, 2012	Presentation of Second Interim Report
Jun. 12, 2012	Presentation of 2012-13 Budget for adoption