



Santa Ana
Unified School District



Budget Update

September 8, 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



- State Budget Update
- QEIA Revenue Limit Reduction of \$11 million
- Cash Flow Update



- The newly adopted State budget (July 24, 2009) contains numerous accounting **gimmicks** and **deferrals**
- **The State has yet to resolve the loss of revenue connected to the District's QEIA program.**
- There is an estimated new State budget shortfall for this year (09-10) of between **\$7 - \$10 billion**
- Education is approximately 50% of the State Budget
 - Possible mid-year reductions could result in an additional unbudgeted
 - \$1 Billion in State reductions equals \$9 million in SAUSD reductions
 - **A potential \$45 million loss to SAUSD this school year!**



- The State budget enacted on July 24, 2009 included a Revenue Limit reduction only to districts that had QEIA schools.
 - **\$11 million was reduced from SAUSD**
 - This cut was unexpected and occurred too late to reduce staff expenses for the current year
 - The reduction is to the General Fund affecting all 55 SAUSD sites
- The Legislature identified Federal funds to back fill the loss of revenue and ensure that districts “were not harmed”
 - It has been determined that it is not legal to use these funds
- The loss of Revenue significantly reduces the reserve for economic uncertainties.



- A Statewide QEIA Legislative Action Day was held in Sacramento on September 2, 2009 to represent over 130 QEIA districts across the State
- Santa Ana Unified sent a delegation to urge legislators to reinstate the QEIA Revenue Limit cut.
 - Rob Richardson, Vice President, Board of Education
 - Jane A. Russo, Superintendent
 - Susan Mercer, President, Santa Ana Educator's Association (SAEA)
 - Victoria Zaragoza, Parent Advisory Council / DELAC President
 - Tony Wold, Ed.D., Director, Program Quality Analysis



- The SAUSD delegation met with local legislators to deliver the message that the QEIA Revenue Limit reduction affects the most disadvantaged students in the State and to request legislation to restore the Revenue Limit





- During the meetings the delegation was informed that the intent was to hold district's "harmless"



- Feedback received was that the Legislators were hoping for a Federal waiver or would wait until January to see what other funds might be available



- With the QEIA Revenue Limit Reduction in the State's July budget the District's reserve is lowered to an unacceptable level.

Multi-Year Projections (AB1200)

<u>Unrestricted Reserves</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
June 30, 2009 Adopted budget	5.8%	2.8%	2.5%	2.6%
July 24, 2009 Revised budget	5.8%	0.5%	0.0%	0.1%

The minimum reserve is now .67%

So the revised lower reserve will cause a negative budget certification



- As a result of the QEIA Legislative Action Day activities, new proposed legislation was drafted late last Friday.
- The new bill AB47 3x (Bass) includes the following language:
 - The QEIA revenue limit reduction will only occur upon certification from the State Superintendent of Education that an equivalent amount of State or federal funds will be available and **can** be used for restoration of the affected school districts' revenue limits.

Concerns

- The State has not identified the funding source (State or Federal)
- If the bill passes and funds are not found there is the possibility that the State will **deficit all school districts' revenue limits**
- **If the bill passes, until the funds are received these funds will not be allocated within the district budget**
- Further legislation may be necessary to fully resolve this issue.



- The State has already announced over \$89 million in deferrals to SAUSD
- School Services of California and Orange County Department of Education urge districts to “hold on to reserves” above the previous minimum 2% reserve level for cash flow purposes
- Previous estimates had the district needing to borrow funds to make payroll in May/June 2010 due to the State cash deferrals.



- The district has been working to “close” our financial records for 2008-09. Ending balances are anticipated to be higher than planned due to the following:
 - State action reducing revenue limit deferrals for 2008-09 but increasing 2009-10 deferrals by an equivalent amount (Impact: \$13 million).
 - District freeze on positions & expenditures.
 - Aggressive district action to:
 - Utilize categorical dollars and conserve unrestricted dollars
 - Conserve Tier III program expenditures & sweep to unrestricted.
 - Allowed the District to change traditional restricted categorical carry over into unrestricted funds for **one year** providing a larger reserve.
 - » Which may allow the District to defer a portion of the projected \$33 million of cuts slated for this December into the 2011-12 budget!