



Santa Ana
Unified School District

State and District Budget Update

October 14, 2008

Jane A. Russo, Superintendent

**Ron Murrey, Associate Superintendent
Business Services**

**Kelvin Tsunozumi, Executive Director
Business Services**



- **News Flash! -3 weeks ago**

Before the ink is even dry on the 2008-09 budget bills, the Governor, Treasurer, Controller and Legislative leaders are warning that the state's cash flow is about to dry up.



- **News Flash! -2 weeks ago**

Revenue estimates for the first quarter are lower than expected and may be off more than \$3 billion for the year!



- **News Flash! -10 days ago**
 - **Now Governor is asking to receive a loan from the federal government.**



News Flash! – last week

- **The Governor's office is preparing a \$3 billion list of midyear cuts .**



- **News Flash!**- this week
 - **Governor's staff has been pulled together to identify \$3 billion in cuts.**



- **The facts so far:**

Because of the mess on Wall Street, the state has been unable to find any banks that are willing to loan money on a short-term basis to meet cash flow.



- **The facts so far:**

- **Lenders are concerned about the state's ability to repay the debt, that makes them reluctant to want to loan money to the state.**
- **Assuming someone does come through with a loan, it is expected that the loan will be more costly as the state has become a more risky borrower.**



Where will the cuts be?

- **Possibly in the areas of the Education budget that had more dollars than provided in the Governor’s May Revision.**
- **Those areas include the increased revenue limit COLA, the restored part of categorical funding and deferred maintenance are open for possible hits.**



- **For now, we need to prepare for the worst.**



- **With State revenues falling, we can expect midyear budget cuts.**



- **We have implemented contingency plans in preparation for midyear cuts.**



- **We are implementing contingency plans in preparation for midyear cuts.**
 - Keep cash flow and reserves a high budget priority.
If the state's cash flow problems are not addressed, school apportionments that would normally be issued late October could be delayed.
 - Freeze expenditures of the newly adopted state budget revenues and prior year budget carryover funds.
 - Analyze all staff vacancies for attrition reduction savings.
 - Create baseline systems to increase operating efficiencies to eliminate actual and probable cost increases.



Declining Enrollment & lack of adequate State funding of our schools has caused five years of educational program reductions.

- 2004-05, **\$29 million**
- ❖ 2005-06, **\$14 million**
- ❖ 2006-07, **\$15 million**
- ❖ 2007-08, **\$21 million**
- ❖ 2008-09 projected, **\$29.5 million**



Total Budget Cuts (2004-05 thru 2008-09): **\$108.5 million!**

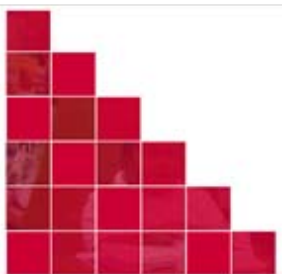
Our Board of Education continues to meet it's fiduciary responsibility to keep our schools fiscally solvent by making very difficult spending reductions.

Those decisions are made to continue to provide the very best education possible for our students.



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2008-09 Enrollment & Budget Update

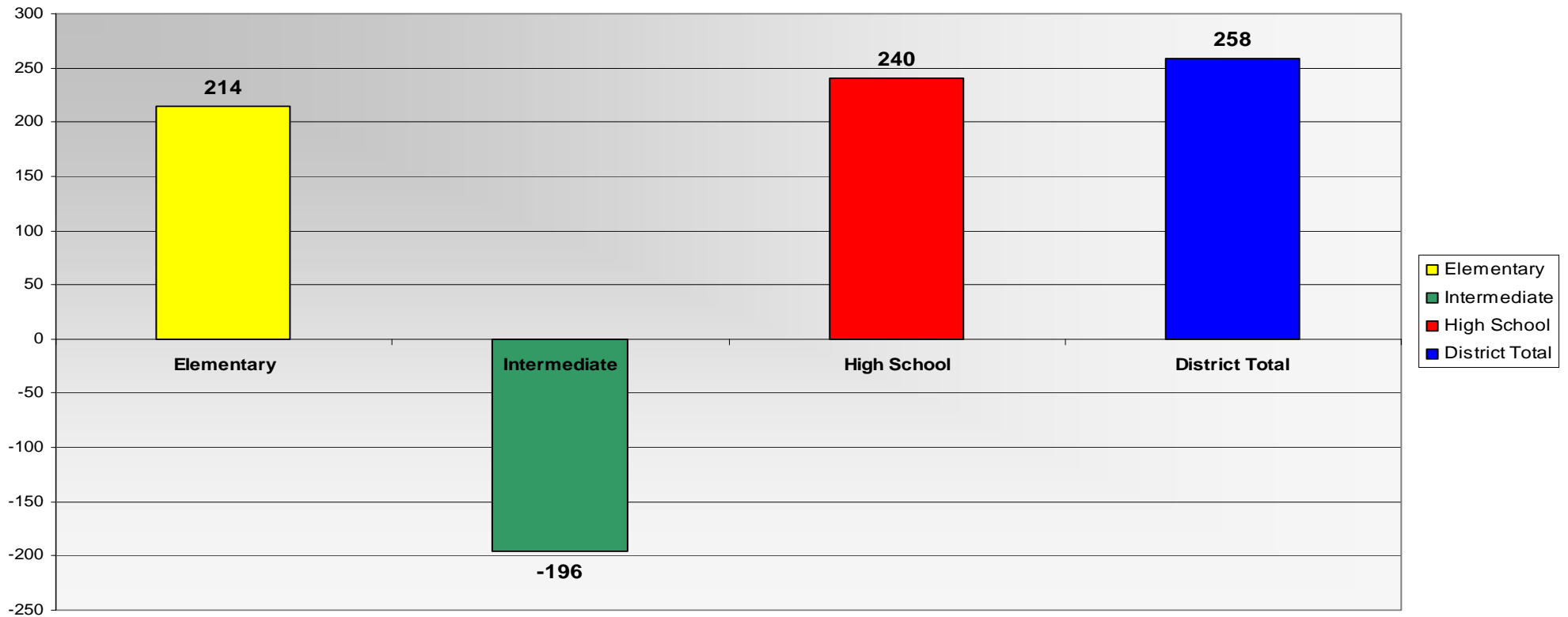


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Current Enrollment * vs. Projections



* Current Enrollment as of 10/9/08



2008-09 Sources of New Unrestricted Revenue (est.)

COLA Increase	\$ 2.0M
Lottery	\$.2M
Partial Restoration - Supp. Hours Deficit	\$ <u>.3M</u>
Total Change	\$ 2.5M



2008-09 New Unrestricted Expenditures Since Budget Adoption (est.)

Increased Music program costs	\$.5M
Student enrollment increased staff cost	\$ 1.4M
Budget Reduction shortfall	\$ 3.1M
Bargaining Unit Tentative Agreement	<u>\$ 3.3M</u>
Total Costs	\$ 8.3M



**Over View of 2008-09
Unrestricted General Fund Budget Changes
Revenues & Expenditures**

Increased Estimated Revenue	\$ 2.5M
Increased Estimated Expenditures	<u>(\$ 8.3M)</u>
Estimated Change	(\$ 5.8M)
Adopted Budget Deficit	<u>(\$ 4.5M)</u>
Estimated Total Revised Budget Deficit	(\$10.3M)



**Over View of 2008-09
Unrestricted General Fund Budget Changes
Revenues & Expenditures**

Beginning Unrestricted Reserve Balance	\$ 27.4M
Less: Revised Budget Deficit	<u>(\$ 10.3M)</u>
Estimated Ending Unrestricted Reserve Bal.	\$ 17.1M
Estimated Ending Unrestricted Reserve %	3.5%