



Santa Ana
Unified School District

2008-09 Budget Update

First Interim

(Financial Information as of October 31, 2008)

November 25, 2008

Jane A. Russo, Superintendent

**Ron Murrey, Associate Superintendent
Business Services**

**Kelvin Tsunezumi, Executive Director
Business Services**



- State Budget Finally Approved on Sept. 23rd
 - Latest State Budget in California History!
 - Did not address California's structural deficit problem.
 - Economy has worsened further increasing the State's deficit
- Major elements of the State Adopted Budget (for K-12 Education) as of October 31, 2008.
 - .68% COLA
 - No equalization funding
 - No funding for mandate claims
 - Restoration of 6.5% cut to State categorical programs
 - All categorical flexibility options eliminated.





- Tonight's Budget is presented utilizing the Multi-Year Projection (MYP) for the years 2008-09 thru 2010-11 and using the most current information available.
- Does not include the impact of possible mid-year, State proposed cuts for 2008-09.





- For the District to maintain its positive certification, AB1200 requires a 2% Reserve for the current year, and in each of the two future years.
- The MYP:
 - Does not include COLA salary increases for 2008-09* or for any future years
 - Includes salary increases related to step & column and longevity.
 - Includes revenues for all future years, increased by any projected COLA.

* While 2008-09 negotiations with the classified association (CSEA) is settled, negotiations are still on-going with the certificated association (SAEA). The district's settlement with CSEA includes a "me too" clause for any salary increases that SAEA negotiates.



■ **General Fund (Unrestricted & Restricted)**

- **Total Revenue: \$506 million**

Unrestricted \$330 million / Restricted \$176 million

- **Total Expenditures: <\$529 million>**

- **Excess/Shortfall: <\$23 million>***

<\$16 million> Expenditures over Revenue and <\$7 million> in Interfund Transfers

- **Ending Fund Balance: \$21 million / 4.0% Reserve**

■ **Total Student Enrollment: 54,622****



* **Deficit Spending after Interfund Transfers (Debt Service & Deferred Maint. Funds)**

** **Does not include Charter Schools.**



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CBEDS / Enrollment Change

Fiscal Year	Enrollment	CBEDS Change (from Prior Year)
2001-02	60,788	+951
2002-03	60,973	+185
2003-04	59,895	(1,078)
2004-05	58,884	(1,011)
2005-06	56,563	(2,321) *
2006-07	54,839	(1,724)
2007-08	54,369	(470)
2008-09 Budget	54,369	0
2008-09 Projected	54,622	+253

* Includes one-time loss of 343 SAUSD resident students to OCEEA Charter School



	2008-09	Projected 2009-10	Projected 2010-11
COLA	5.66%	5.60%	3.50%
Deficit **	(4.71%)	(5.60%)	---
Net Funded Revenue Limit	0.68%	0.00%	3.50%

* Per School Services of California Dartboard

** If National & State economies continue to slow, future deficits may occur.



- 2008-09
 - Restoration of State Categorical Programs **+\$3.7 million**
 - COLA **(5.66% but deficated to .68%)** **+\$2 million**
 - CSR Revenue **+\$1.2 million**
 - MAA Revenue **+\$0.7 million**
 - No Equalization **+\$0 million**
 - No Mandate Claim Revenues **+\$0 million**
 - Reduction in Interest Income Revenue **<\$.5 million>**





- 2009-10
 - COLA (5.60% but deficated to 0%) +0 million
 - ADA Loss of (0) <\$0 million>
- 2010-11
 - COLA (3.50%) * +\$12 million
 - ADA loss of (0) <\$0 million>

* Assumes no new deficits in 2010-11 and no repayment of previous years deficits in any of the 3 years covered by the MYP.



The revenue increase is primarily attributable to (1) Approval of the State Adopted Budget which provided a .68% COLA & restored -6.5% in state categorical cuts and (2) Re-budgeting of categorical carryovers. Note: \$3.9 million in ROP revenues, previously reflected in "Other State Revenues" was moved to "Other Local Revenues" per OCDE direction.

(\$s in 000's)	2008-09 Adopted Budget	2008-09 First Interim	Difference
Revenue Limit	\$306,700	\$308,688	\$1,988
Federal Revenue	\$49,482	\$67,047	\$17,565
Other State Revenue	\$119,964	\$119,669	<\$295>
Other Local Revenue	\$5,889	\$11,011	\$5,122
Total	\$482,035	\$506,415	\$24,380



Declining enrollment and inadequate State funding of our schools has resulted in 5 years of educational program reductions.

- ❖ 2004-05, **\$29 million**
- ❖ 2005-06, **\$14 million**
- ❖ 2006-07, **\$15 million**
- ❖ 2007-08, **\$21 million**
- ❖ 2008-09, **\$29.5 million (to date)**
- ❖ No Cola in 2009-10 = further cuts!



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



- Increased class size
- Closing of a school
- Implemented a hiring freeze
- Defined school base programs / minimum school staffing
- Eliminated administrative positions to a 4% administrative ratio
- Imposed unpaid furlough days for administrators
- Adjusted health benefits
- Eliminated programs
- Reduced Instructional Assistants to 3.75 hours
- Slashed department budgets
- Laid off classified staff
- Reduced the number of nurses.



- 2008-09
 - Salary & Benefit:
 - Salaries & Benefits constitutes:
 - **93.6% of Unrestricted Budget**
 - **84.3% of SAUSD's Combined Budget** (Unrestricted & Restricted)
 - Step & Column Increase = +2.1% +\$4 million
 - BRC Reduction Shortfall +\$3.1 million
 - Salary Negotiation Settlement (incl. H&W) +\$2.6 million *
 - 15 Addt'l Teachers Hired +\$1.7 million
 - Restoration of Music Program/Staff +\$0.5 million
 - Vacancy Credits <\$2 million>

* The salary negotiation settlement cost is less than that specified on the AB1200 document as only 351 of 436 eligible employees chose to accept the 4 hour position with Health & Welfare Benefits.



- 2008-09 (cont'd)
 - Other
 - School Site Funding – Prop 20 Lottery **+\$0.5 million**
 - Budget Reductions **<\$26.4 Million> ***

* The Board approved \$29.5 million in budget reductions but based on most current stop light report, the district projects attainment of \$26.4 million in savings.



- 2009-10
 - Unspecified Budget Reductions to be made \$6.5 million
 - Vacancy Credit <\$2 million>
 - SERP Maturity (i.e. early retirement incentive premium) <\$2 million>
- 2010-11
 - Unspecified Budget Reductions to be made \$5 million
 - Vacancy Credit <\$2 million>



Bulk of the expenditure increase is attributable to (1) Re-budgeting of categorical carryovers, (2) Costs related to salary settlements, and (3) BRC reduction shortfalls.

(\$s in 000's)	2008-09 Budget	2008-09 First Interim	Difference
Certificated Salaries (Incl. Mgmt.)	\$247,443	\$255,069	\$7,626
Classified Salaries (Incl. Mgmt.)	\$63,287	\$65,595	\$2,309
Employee Benefits	\$95,569	\$100,767	\$5,198
Non-Salary Expenses	\$80,879	\$107,966	\$27,086
Total	\$487,178	\$529,397	\$42,219



- * Includes Other Sources & Uses.
- ** COLA Salary increases for these years have not yet been negotiated and are thus not included. However, all revenues associated with COLAs for these years are included and the cost of step, column & longevity are budgeted.
- *** Deficit is due primarily to spending down of categorical carryovers from prior years..

<u>(\$s in 000's)</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Revenues*	\$506,415	\$505,575	\$521,498
Expenditures*	\$529,397	\$513,940	\$523,902
Net Increase – Decrease	(\$22,982)	(\$8,365)	(\$2,404)
Unrestricted	(\$4,194)	(\$6,847)	(\$391)
Restricted	(\$18,788)***	(\$1,518)	(\$2,013)
Reserves	4.0% **	2.8% **	2.7% **



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Projected Ending Balances (All Other Funds)

Fund (all \$s in 000's)	2008-09 Adopted Budget	2008-09 First Interim	Difference
Fund 11 - Adult Education	\$17	\$0	<\$17>
Fund 12 - Child Development	\$123	\$115	<\$8>
Fund 13 - Cafeteria	\$3,736	\$6,246	\$2,510
Fund 14 - Deferred Maintenance	\$0	\$3,235	\$3,235
Fund 17 - Special Reserve	\$9,555	\$9,459	<\$96>
Fund 21 - Building	\$0	\$1,810	\$1,810
Fund 25 - Capital Facilities	\$39	\$393	\$354
Fund 30 - State Sch Bldg-Lease-Purchase	\$0	\$0	\$0
Fund 35 - School Facilities	\$0	\$0	\$0
Fund 40 - Special Reserve/Capital Outlay	\$471	\$0	<\$471>
Fund 49 - Capital Projects (COP)	\$200	\$3	<\$197>
Fund 51 - Bond Interest & Redemption	\$7,967	\$7,776	<\$191>
Fund 56 - Debt Service	\$17,502	\$10,211	<\$7,291>
Fund 67 - Workers' Comp/Self-Ins.	\$7,604	\$14,349	\$6,745



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Economic Trends & The Prospect of Significant Mid-Year Cuts

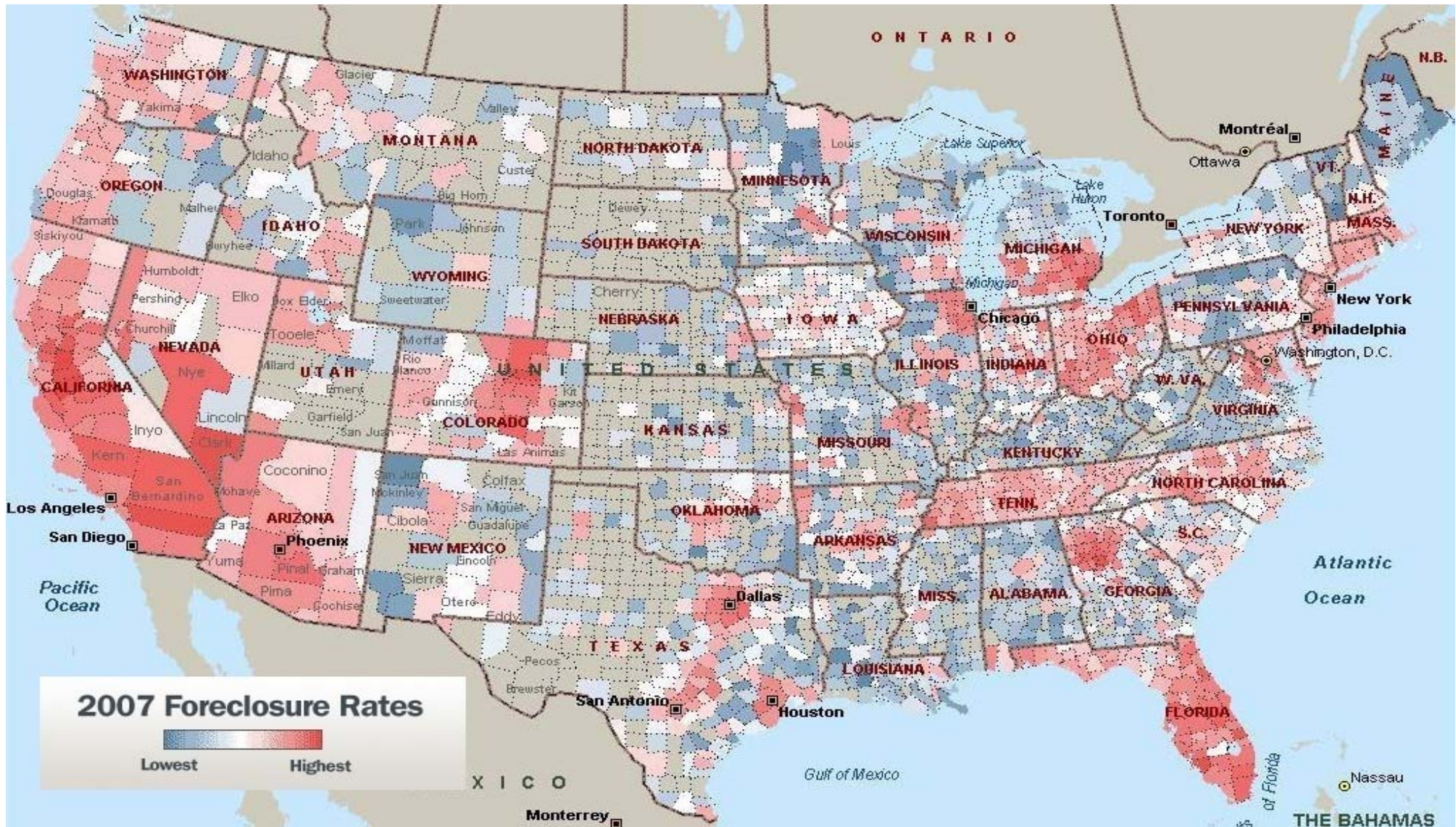




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Foreclosure Rates

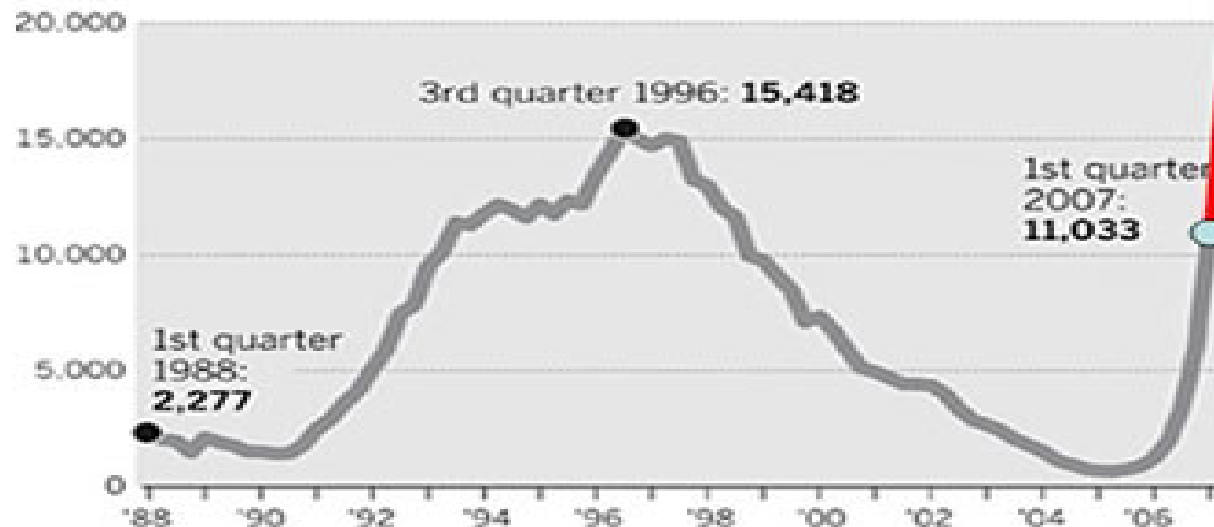




Mortgage foreclosures

Home foreclosures are up sharply in California as many borrowers struggle to make higher payments on adjustable-rate mortgages.

Number of foreclosures statewide, quarterly data

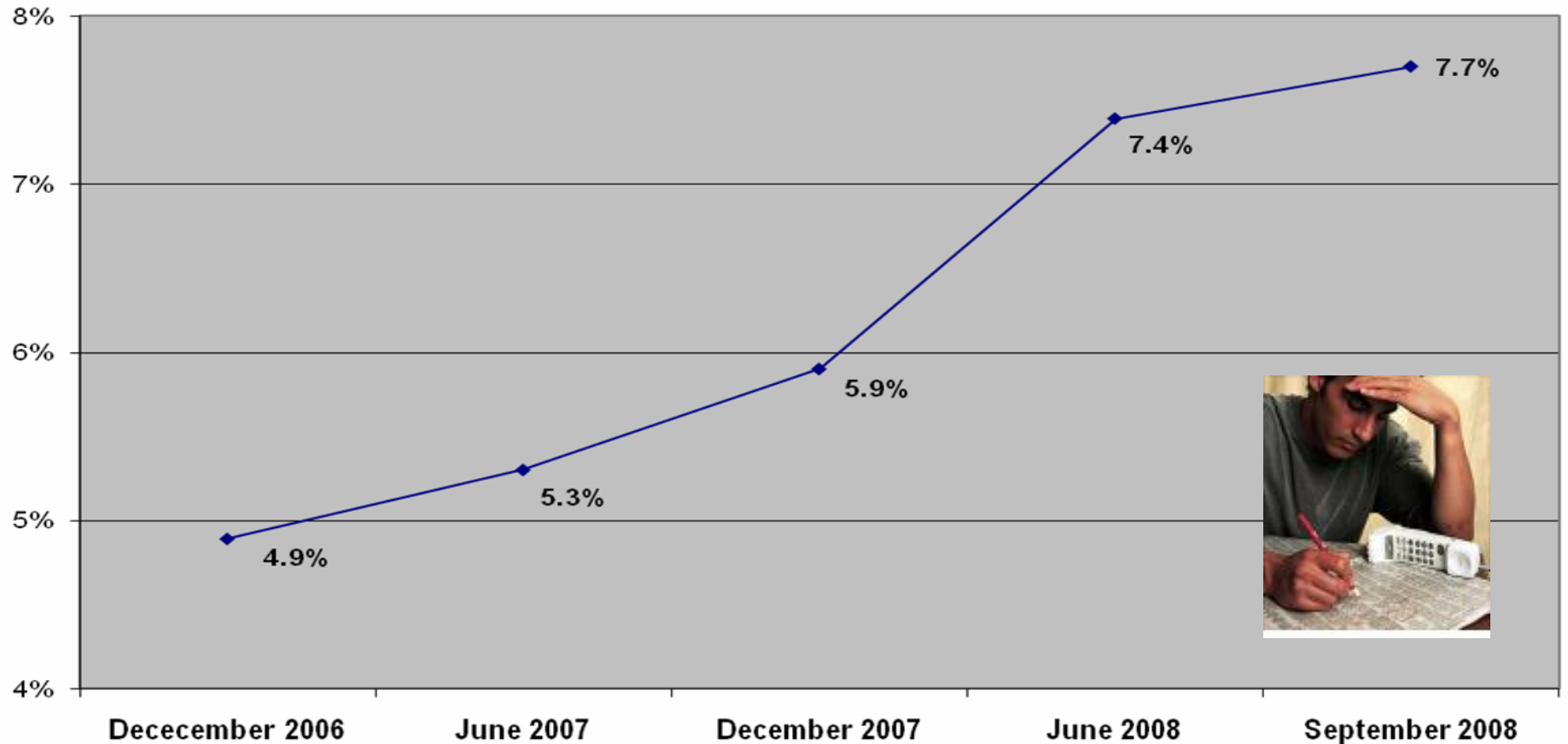


Source: DataQuick Information Systems

Los Angeles Times



State Unemployment Rate



Sources: School Services of CA & Department of Finance



Two weeks ago:

- **Governor announces that school budgets need to be cut this year to help balance the State's budget.**



One week ago:

- **The magnitude of cuts caused by the State's projected revenue shortfall, now estimated at \$10+ Billion**
- **Governor announces that Schools' share of the cut will be \$2 - \$4 billion dollars.**



- Per analysis by Strategic Education Services, SAUSD's share of the cuts estimated at:

	\$2 Billion State Cut	\$4 Billion State Cut	\$5 Billion State Cut
Estimated SAUSD Cut	\$19 million	\$37 million	\$47 million



What does a \$19 million cut to SAUSD look like for this school year?

- Shutting down each of our schools for 10 days
- Layoffs, salary reductions and/or furlough of district employees
- Elimination of educational, above basic programs (State approval is required to implement these cuts mid-year).



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MYP assuming
\$19 Million Reduction

	2008-09	2009-10	2010-11
Reserve at First Interim	4.0%	2.8%	2.7%
\$19 Million Unrestricted Revenue Reduction	(\$19 million)	(\$19 million)	(\$19 million)
Reserve after Revenue Reduction	0.4% *	-4.6% *	-8.2% *

* The State mandates a 2% minimum reserve for SAUSD.