



# 2008-09 Budget Update

*August 12, 2008*

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### • Approval of State Budget Still Pending

- The California Constitution requires the Legislature to have the budget on the Governor's desk by June 15, and for the Governor to sign it by midnight on June 30.
- As of August 1<sup>st</sup>, it is now the eighth latest Budget in history

## – School Starts in 16 days





- **State deficit at \$15.2 billion**
  - More than 30 states face deficit; California's is the largest.



- **The State's Economy is in Crisis**
  - **The State is spending more than what is received.**



**The State pays Santa Ana Unified**

**89% of the \$\$\$**

**budgeted for educating our students**



# • The State's Economy is in Crisis

## Current Economic Factors:

- Sub-prime mortgage collapse & housing market crisis
  - Most recent corporate casualty, IndyMac Bank
  - Median sales price of Santa Ana, single-family homes declined 47% year-over year (*Moody's*)
- U.S. unemployment rate at 4-year high (*Wall Street Journal*)
- Gas prices above \$4/gallon



## Legislative Inaction

- **Governor issues Executive Order**
  - Temporarily reduces State worker's pay to federal minimum wage of \$6.55/hour
  - Lays off 22,000 temporary & seasonal employees
- **The Legislature is divided regarding solutions:**  
raising taxes by \$9.7 billion, making budget reductions, and creating a cap on spending



- **California's School Budget Crisis**
  - **Cash shortfall**
    - **The State has deferred school districts' apportionment for June 2008 until September 2008**
    - State is out of General Fund cash & surviving on internal borrowing
    - Mid to late Sept, the state will be totally out of cash, including ability to borrow internally
    - Seeking to borrow funds from the financial market





- **Governor's May Revise** (cuts for K-12 Education)
  - No COLA
  - No funding for mandated claims
  - **6.5% cut to State categorical programs (except Special Ed)**
  - No Deferred Maintenance State match





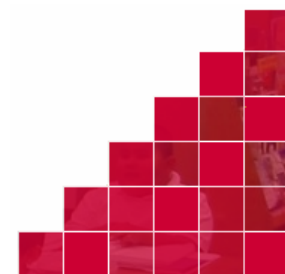
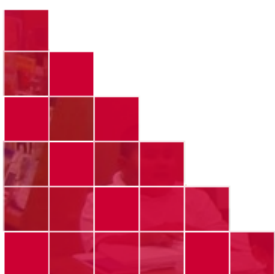
Governor’s May Revise Proposals	SAUSD \$ Impact (\$s in millions)	Risk Level	Incorporated into SAUSD Budget
State Categorical Carryover Sweep (one-time)	\$8.3	Lower	One-time; Use for Cash Flow
Deferred Maintenance – SAUSD Contribution	\$2.4	High	May be Required for Cash Flow
Routine Restricted Maintenance	\$4.8	High	No
Categorical Programs - 2% of Revenue Limit	\$5.7	High	No
Reduce District Reserve Requirement of 2%	\$4.8	High	No
<b>Total</b>	<b>\$26.0</b>		<b>\$0.0</b>



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



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





## District Budget Actions

- During June 2007 the Board of Education and Administration started to make reductions necessary to balance our budget.
- In December, the Budget Review Committee made up of community members, employees and administrators presented possible reductions for the Board's consideration. The Board approved budget reductions totaling \$16.2 million.



## District Budget Actions

- In January, 2008 the Governor presented his mid-year budget proposal for the 2008-09 school year requiring school district's to make additional reductions.
- The District was once again forced to continue to make difficult choices to remain financially solid and prioritize programs and services.



## District Budget Actions

- Starting in March the Administration and Board worked to establish a new budget plan to:
  - **Balance the budget**
  - **Keep CSR and Elementary Music**
  - **Create a base school and support services funding allocation**



## District Budget Actions

**The base funding budget allocations to balance the budget required reductions in staff which included teachers, administrators and classified support staff.**

**The reduced funding has resulted in staff and administration reductions of work days, hours per day and elimination of jobs.**



# District Budget Actions

**There have been additional cuts in other budget areas including services provided by contractors, consultants and materials.**

**The latest cuts of \$13.3 million have been made as follows:**

<b>Centralized Support Services (District Office)</b>	<b>\$2.2 million</b>
<b>Special Education</b>	<b>\$1.3 million</b>
<b>School Site Base Allocations</b>	<b>\$3.8 million</b>
<b>Reduction of Class Size program encroachment</b>	<b>\$6.0 million</b>





- The Board of Education is charged with the fiduciary responsibility to take actions that insure the fiscal integrity and accountability by the District.
- The Board has made tough decisions to maintain vital student programs and services:
  - **Class size reduction in K-3 and 9<sup>th</sup> grade were saved.**
  - **560 Teachers were reinstated from lay-offs**
  - **Elementary Music programs and teachers were maintained.**



### ■ General Fund (Unrestricted & Restricted)

- **Total Revenue: \$482 million**

Unrestricted \$287 million/Restricted \$195 million

- **Total Expenditures: <\$487 million>**

- **Excess/Shortfall: <\$5 million>\***

- **Ending Fund Balance: \$14 million / 2.9% Reserve**

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





## CBEDS / Enrollment Change

Fiscal Year	Enrollment	CBEDS Change (from Prior Year)
2000-01	59,837	+1,794
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



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



<u>(\$s in 000's)</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>
Revenues*	\$482,035	\$501,741	\$514,393
Expenditures*	\$487,178	\$497,358	\$513,511
Net Increase – Decrease	<b>(\$5,143)</b>	<b>\$4,384</b>	<b>\$882</b>
Unrestricted	<b>(\$4,505)</b>	\$2,258	\$128
Restricted	<b>(\$639)</b>	\$2,126	\$754
Reserves	2.9% **	3.3% **	3.2% **
Total Budget Reductions	<b>\$29.5 million</b>	<b>\$0 million</b>	<b>\$0 million</b>

\* 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.



- **Enrollment** (Budgeted at 54,369 students)
  - At the current time, data does not support an increase in enrollment projections
  - District is closely monitoring enrollment trends
- **Cash flow & borrowing**
  - Board authorized resolution allowing borrowing from other funds with exception of Measure G funds
  - District borrowing from OC Treasury authorized by OC Board of Supervisors
- **Year-end financial books not closed until week of August 18<sup>th</sup>**
- **Possibility of mid-year cuts**
- **Continued economic weakness and possible deficit reductions.**
- **Salary negotiations still pending: 2007-08 & 2008-09**



- Music Program

- If Board concurs, increase expenditure budget for additional staffing (4 Accompanists and 1 Administrative Secretary)



- 2008-09 Unrestricted impact: \$330K
- 2009-10 & beyond Unrestricted impact: \$830K
- If approved, funded from Unrestricted reserves
- Would reduce 2008-09 General Fund-Unrestricted reserves from 2.9% to 2.8%

- Additional cost related to delayed lay-off notices

- Increase expenditure budgets as follows:

- Addt'l H&W cost for 2 months for approx. 450 employees: \$800K
- Implementation of shorten work year for 250 targeted employees unattainable for 2008-09: \$525K
- Above costs are one-time and can be funded from Fund 17 reserves.



<u>(\$s in 000's)</u>	<u>2008-09 *</u>	<u>2009-10 *</u>	<u>2010-11 *</u>
<b>Original: Net Increase – Decrease</b>	<b>(\$5,143)</b>	<b>\$4,384</b>	<b>\$882</b>
<b>Original: Reserves</b>	<b>2.9%</b>	<b>3.3%</b>	<b>3.2%</b>
<b>Music Program</b>	<b>(\$330)</b>	<b>(\$830)</b>	<b>(\$830)</b>
<b>Late Layoff Notice</b>	<b>**</b>	<b>**</b>	<b>**</b>
<b>Total Adjustments</b>	<b>(\$330)</b>	<b>(\$830)</b>	<b>(\$830)</b>
<b>Revised: Net Increase – Decrease</b>	<b>(\$5,473)</b>	<b>\$3,554</b>	<b>\$52</b>
<b>Revised: Reserves</b>	<b>2.8%</b>	<b>3.0%</b>	<b>2.8%</b>

\* 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.

\*\* Costs associated with Late Layoff Notices are one-time costs and will be funded with Fund 17 dollars.



- **2009-10 COLA currently projected at 4.83%**
- **School Services warns of possibility that schools may not get COLA in 2009-10**
- **Given uncertainties, School Services recommends not to spend this money and/or to identify potential program reductions (i.e. BRC cuts).**





<u>(\$s in 000's)</u>	<u>2008-09 *</u>	<u>2009-10 *</u>	<u>2010-11 *</u>
<b>Net Increase – Decrease (After Music/Late Layoff Impact)</b>	<b>(\$5,473)</b>	<b>\$3,554</b>	<b>\$52</b>
<b>Reserves (After Music/Late Layoff Impact)</b>	<b>2.8%</b>	<b>3.0%</b>	<b>2.8%</b>
<b>Revenue impact if State Provides no COLA again in 2009-10</b>	<b>n/a</b>	<b>(\$15,374)</b>	<b>(\$15,789)</b>
<b>Net Increase – Decrease (if no COLA in 2009-10)</b>	<b>(\$5,473)</b>	<b>(\$11,820)</b>	<b>(\$15,737)</b>
<b>Reserves (if no COLA in 2009-10)</b>	<b>2.8%</b>	<b>-0.1%</b>	<b>-3.3%</b>

The State mandates a 2% minimum reserve for SAUSD.

\* COLA Salary increases for these years have not yet been negotiated and are thus not included. Assumes no COLA salary increase in 2008-09 and 2009-10.