



Santa Ana
Unified School District

2009-10 Final Budget

June 23, 2009

Jane A. Russo, Superintendent

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- The District's 2009-10 Revenue budget is based on the Governor's May Revise information and the Federal Stimulus funds that have been received during 2008-09.
- The Board of Education has set educational priorities to provide the best educational programs based on the budgeted revenues.



- The “May Revision” is merely the Governor’s Proposal relating to the current and next State fiscal budget year
- Any cuts / changes aren’t authorized without Legislative action and the Governor’s signature
- At this point in time specifics and details are still vague and new information continues to be released as the Governor and Legislature work towards agreement
- School Services of California states.....
“The May Revision proposals have seeped out of the Capitol like molasses in December.”
- The direction from Orange County Department of Education (OCDE) is to incorporate May Revision assumptions into our 2009-10 Budget.





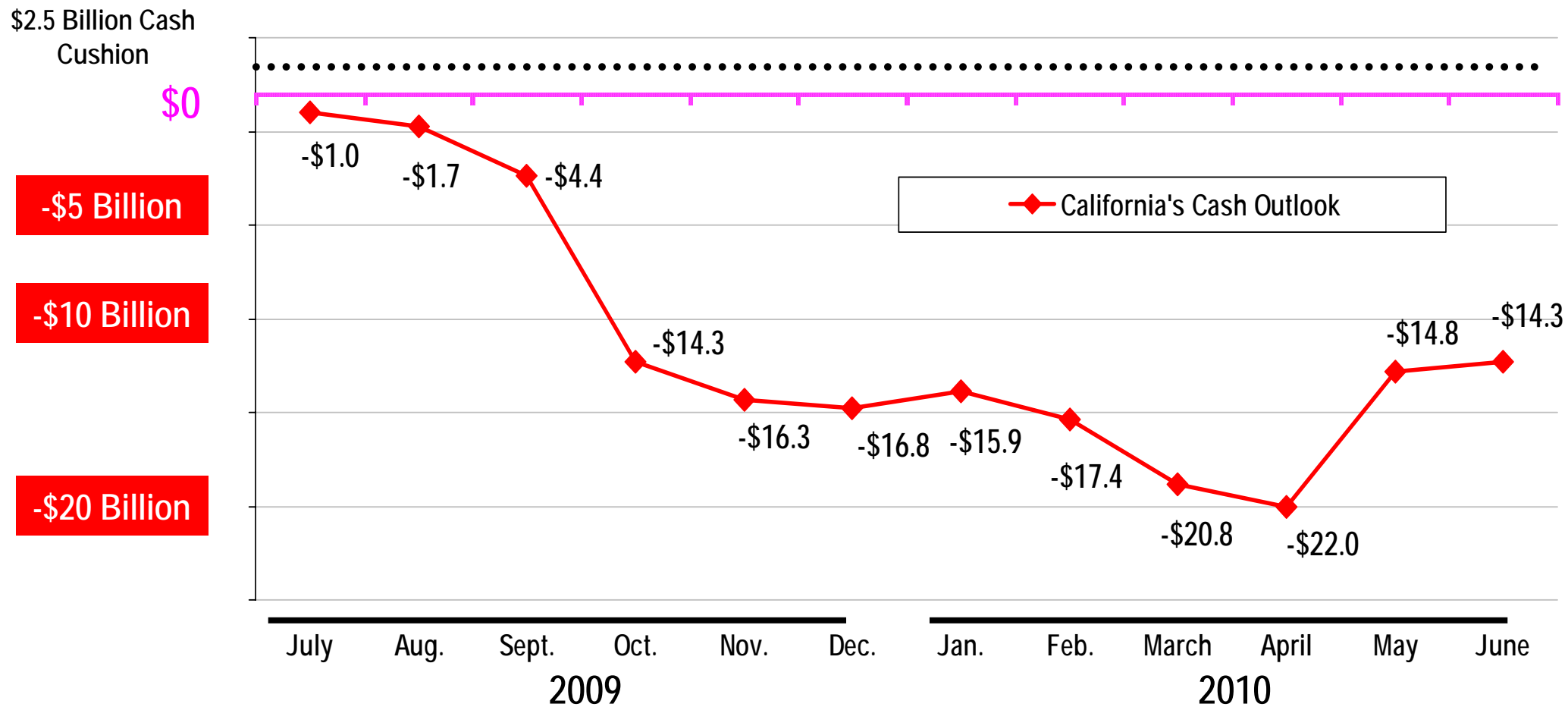
- Major Budget Reductions:
 - **\$16 billion** in cuts, with **\$7.2 billion** from Proposition 98
 - With **\$1.6 Billion** of this amount in **THIS** school year, 2008-09
 - **\$2.8 billion** from revenue accelerations and fees
 - **\$2 billion** from local government borrowing
(Note: The Governor may be backing off from this proposal)
 - **\$3.5 billion** from program consolidations, fund shifts, and other changes



- The state and national economies may continue to deteriorate through 2009 and into 2010, rather than turn around at the end of the year
- The Department of Finance estimates that more than \$23 billion is needed early in the new fiscal year to meet the state's cash flow requirements
 - California has the lowest credit rating of any state in the nation
 - Capital markets are still very weak.



The State is again in danger of running out of cash this summer and the State has increased the amount of deferred payments to schools in 2009-10.





What are State Cash Deferrals?



The State will pay the District, not on Tuesday but several months later, for money they owe us!

They will pay us late even though we have obligations such as payroll, vendor invoices that must be paid on a timely basis.



- The State previously initiated \$70 million in deferrals (for SAUSD). The May Revise proposes deferral of an additional \$19 million.
 - Potential interest income lost (assuming a 2% rate): **\$405K** (or \$34K/month)

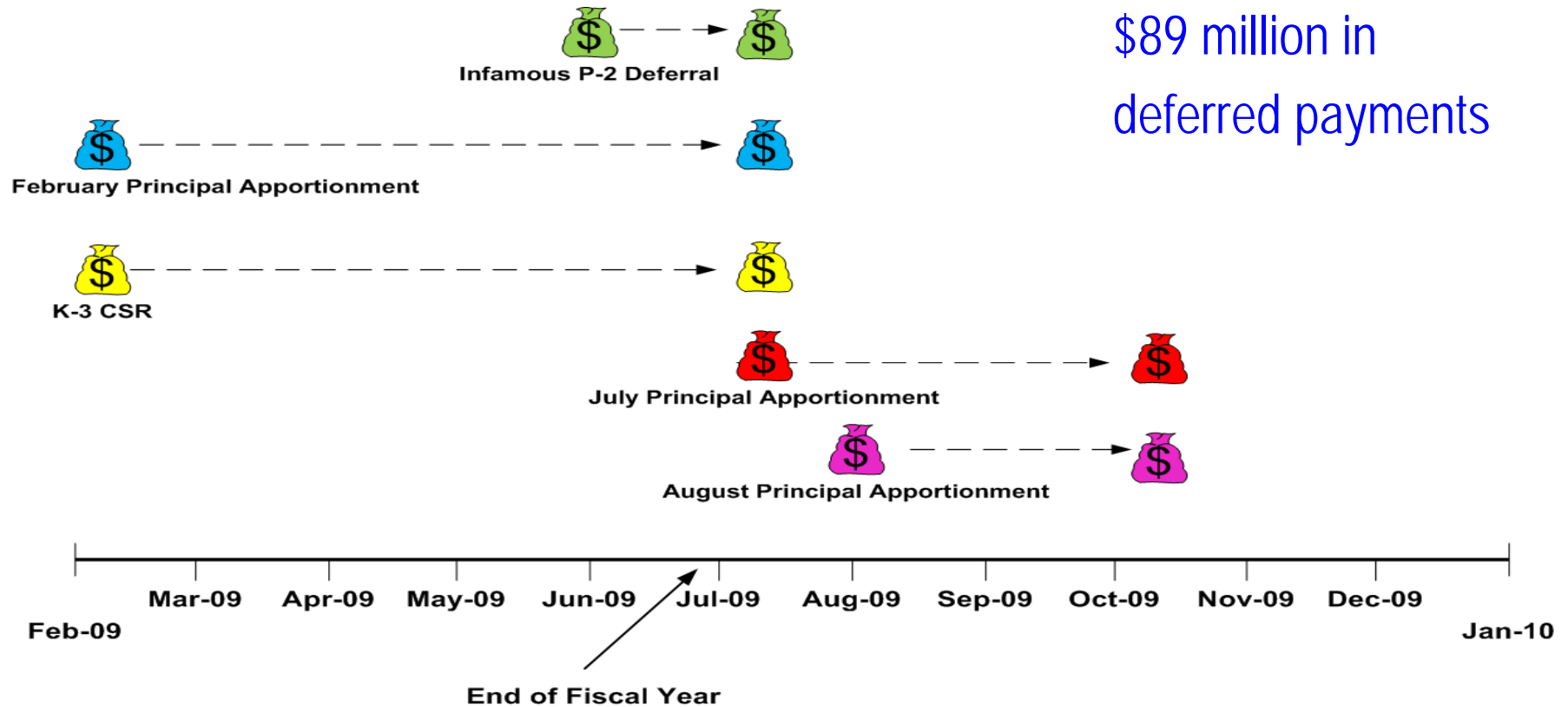
Cash Deferral	From / To	SAUSD \$ Amount of Deferral
Revenue Limit Deferral	From June to July	\$20 million
Revenue Limit Deferral	From Feb to July 2009	\$16 million
K-3 CSR Apportionment Deferral	From Feb to July 2009	\$5 million
Revenue Limit Deferral	From July to Oct. 2009	\$3 million
Revenue Limit Deferral	From Aug. to Oct 2009	\$26 million
Revenue Limit Deferral **New**	From April/May to Jul/Aug 2010	\$19 million
Total		\$89 million



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\$89 million in deferred payments



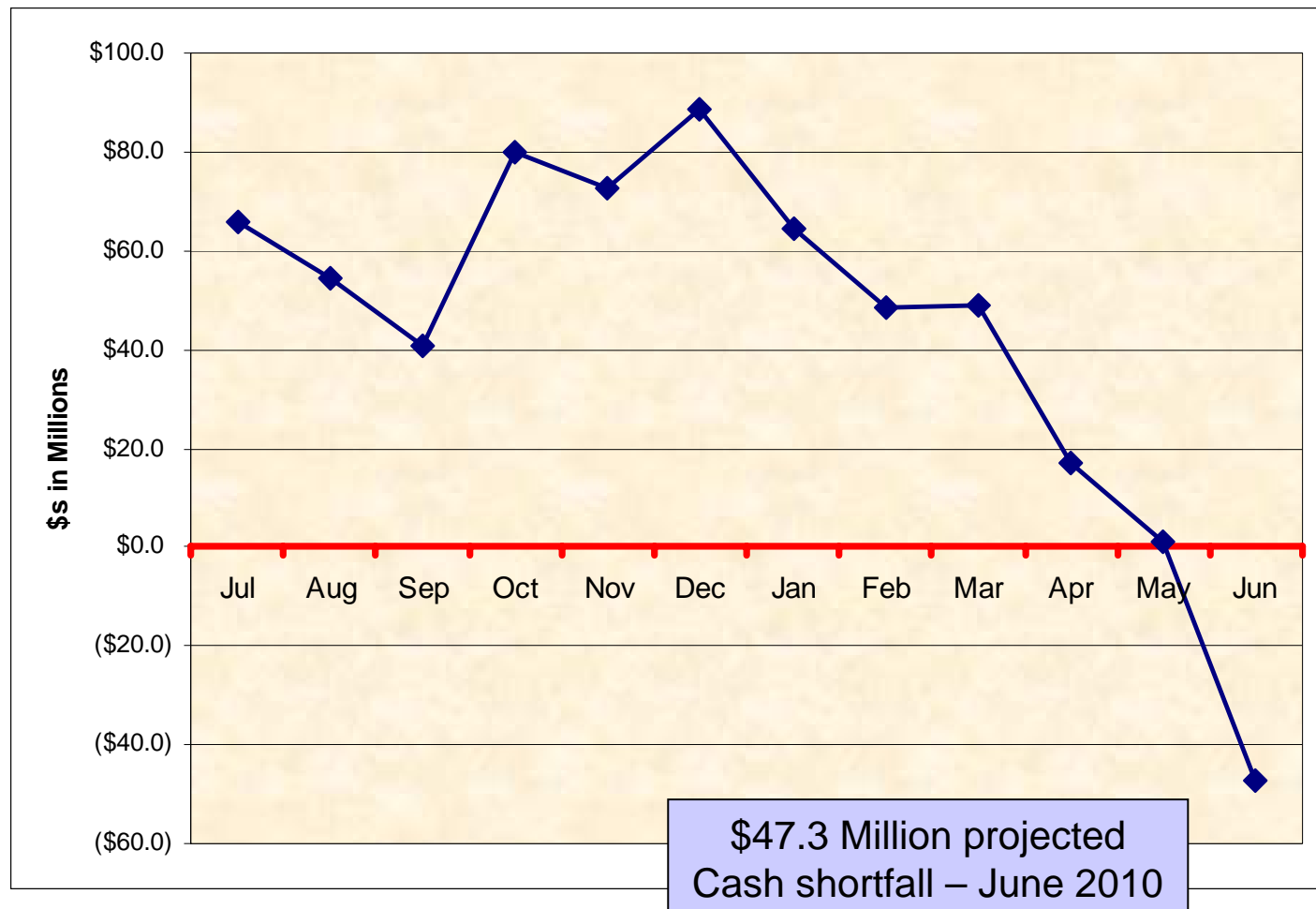
*** Remember, all of the deferrals are ongoing!**



Plus the New Proposed Deferral from April/May 2010 to July/August 2010.



State deferrals results in a **projected cash shortfall in 2009-10** and a **probable need to borrow funds to meet payroll & other district obligations.**





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SAUSD's 2009-10 Adopted Budget

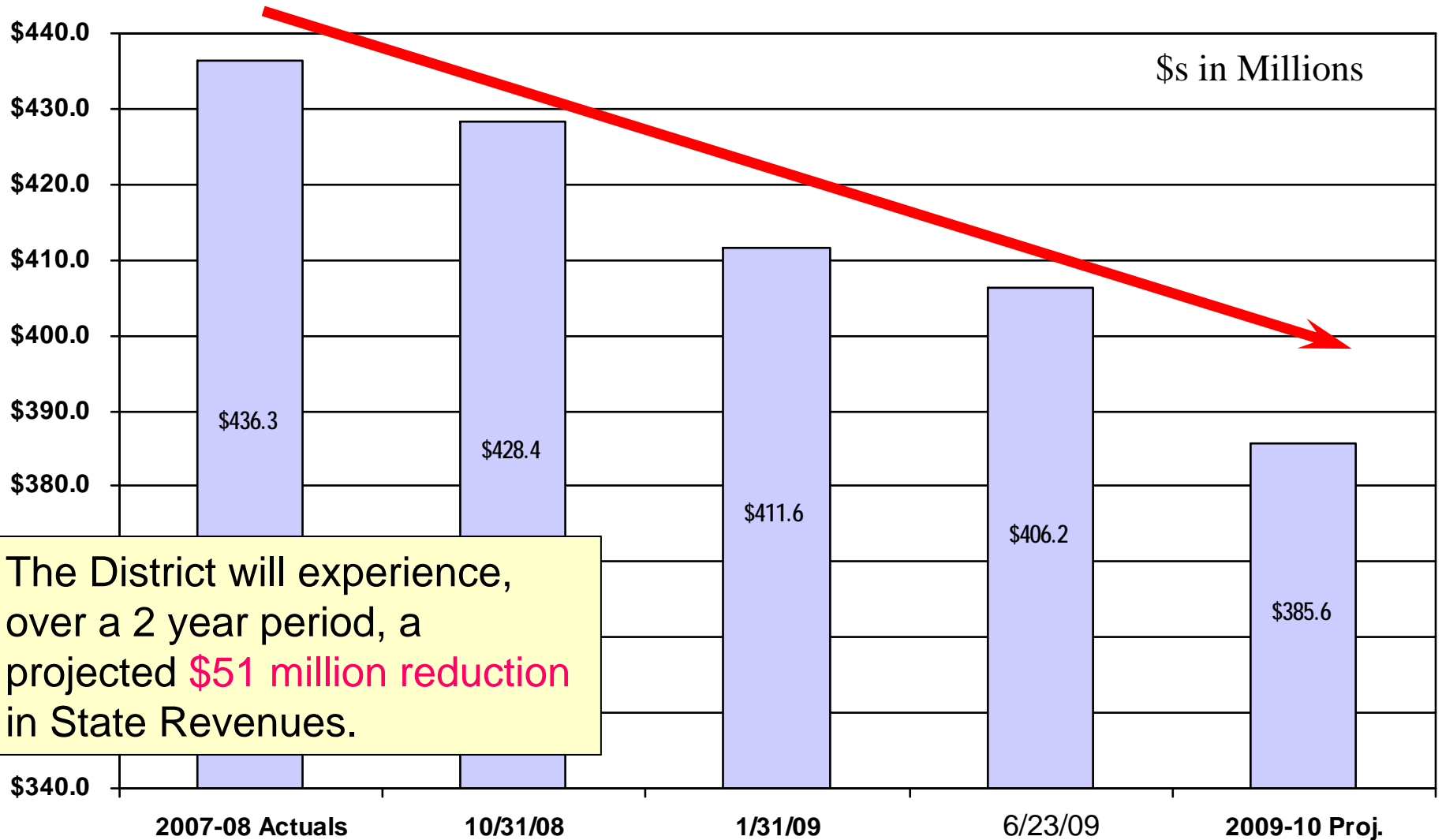


- Enrollment/ADA loss has stopped
 - 240 enrollment growth in 2009-10 & assumed flat thereafter
- Additional Revenue Limit reductions (per the May Revise):
 - 2008-09: **-\$11.8 million**
 - 2009-10: **-\$16.4 million** (-\$12.8 million original + -\$3.6 million add'l reduction)
- Revenue reduction as Grades 1-3 no longer at 20:1 (effective 2009-10) **-\$7 million**
 - Kindergarten still at 20:1
- Increased Contributions due to higher Special Education costs **-\$7 million**
 - The Special Education & Budget departments are reanalyzing this budget



- Reduction in Home to School and Special Education Transportation of 65%
-\$1.5 million
 - Program already under funded by \$6 million. With cuts, shortfall grows to \$7.5 million! *
- Tier II & III Categorical Cuts for 2009-10 (4.5%) -\$1 million
- Lower Interest Income Revenue -\$1 million
- Elimination of contribution for deferred maintenance district match +\$2.5 million
- 2009-10 EIA categorical funds set aside for (1) additional State Budget reductions and/or (2) supplemental positions
- Does not include Special Ed Behavioral Intervention Mandate revenues (originally anticipated starting 2009-10)

* The numbers shown are corrected figures as verbally noted at the Board Meeting.



The District will experience, over a 2 year period, a projected **\$51 million reduction** in State Revenues.

← 2008-09 Revenues →



General Fund Revenue Distribution (Combined Restricted/Unrestricted)

(\$s in millions)	2008-09 (Actuals + Projection)	2009-10 Budget	Difference
Revenue Limit	\$291.2	\$279.9	<\$11.3>
Federal Revenue	\$85.2	\$53.1	<\$32.1>
Other State Revenue	\$115.1	\$105.7	<\$9.4>
Other Local Revenue	\$11.8	\$7.7	<\$4.1>
Total	\$503.3	\$446.4	<\$56.9>

The revenue decrease is attributable to (1) Revenue Limit & State Categorical budget reductions, (2) Grades 1-3 class size no longer at 20:1, (3) One-time Federal Stimulus revenues received in 2008-09, and (4) Categorical carryovers which will be re-budgeted in Fiscal Year 2009-10.



Inadequate State funding of our schools has resulted in Educational program reductions

- 2004-05, <\$29 million>
- 2005-06, <\$14 million>
- 2006-07, <\$15 million>
- 2007-08, <\$21 million>

- 2008-09, <\$41.6 million>
- 2009-10, <\$11.6 million>
- 2010-11, <\$33 million>
- 2011-12, <\$4 million>



Total Budget Cuts (2004-05 thru 2011-12): <\$169.2 million>



- Includes standardized or “must-have” site staffing
- Unspecified budget reductions: (Increase in budget reductions needed due to add'l State budget reductions & 39 month teacher substitute cost impact)
 - 2010-11: **-\$33 million**
 - 2011-12: **-\$4 million**
- Grades 1-3 CSR no longer at 20:1 (effective 2009-10) **-\$23 million**
- Textbooks (\$s held in reserve for future years) **-\$3 million**
- Vacancy Credit **-\$2 million**
- Health & Welfare **-\$1 million**



- Portable rental costs paid entirely by the General Fund due to lower developer fee collections. **+\$1 million**
- Expenditures do not include COLA salary increases for 2009-10 or for any future years
- Includes salary increases related to step & column and longevity
 - Estimated at **+\$6 million** for 2009-10 (Unrestricted & Restricted Combined)
- Includes incremental increase in Special Education costs **+\$7 million**
- Includes incremental substitute costs related to 39 month preferential treatment **+\$7 million**



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General Fund Expenditure Distribution (Combined Restricted/Unrestricted)

(\$s in millions)	2008-09 (Actuals + Projection)	2009-10 Budget	Difference
Certificated Salary (incl. Mgt)	\$253.1	\$230.9	<\$22.2>
Classified Salary (incl. Mgt)	\$63.8	\$59.2	<\$4.6>
Employee Benefits	\$95.8	\$91.3	<\$4.5>
Non-Salary Expenses	\$98.0	\$92.9	<\$5.1>
Total	\$510.7	\$474.3	<\$36.4>

The expenditure decrease is attributable to (1) Reduction in salaries & benefits associated with Grades 1-3 class size no longer at 20:1, (2) Reduction in categorical staffing due to State budget reductions, (3) Dollars for textbooks held in reserve rather than expended and (4) Categorical carryovers which will be re-budgeted in Fiscal Year 2009-10.



- Orange County Department of Education is now allowing districts to include Federal Stimulus dollars into the 2009-10 Budget
- Good news: The district received a portion of our Stimulus dollars earlier this month (**\$5.1 million** & **\$14.3 million**)*
- Over 2 years, 2008-09 & 2009-10, SAUSD is projected to receive Federal Stimulus as follows:

(\$s in millions)	Estimated Total Award	June 2009	July 2009	Aug. 2009	Sep. 2009	Oct. 2009
Title I	\$11.3	\$5.1 *	---	---	---	\$6.2
IDEA	\$11.3	\$2.3	\$1.1	\$1.1	\$1.1	\$5.7
Stabilization	\$19.2	\$14.3 *	\$4.9	---	---	---
Total	\$41.8	\$21.7	\$5.8	\$1.1	\$1.1	\$11.9

While \$41.8 million sounds like a lot, it equates to a little over one month's worth of payroll for SAUSD.



- Concerns:
 - Uncertainty as to:
 - When funding will be received
 - While the newspapers & Governor cites district receipt of these funds, as of today, we have only received a portion of these funds.
 - The total award amount
 - The amount to be received in the first year
 - Guidelines & restrictions
 - Maintenance of Effort issues
 - Dollars received may be offset by additional State budget reductions
 - These are one time source of funds. We receive it only for 2 years.
 - Dollars will help but it will not resolve all of our budget issues.



William M. Habermehl
Superintendent of Schools

William M. Habermehl, County Superintendent of Schools (OCDE)
“...the stimulus funding will not fill the gap created by State cuts.”



- Only Federal Stimulus dollars actually received, are currently budgeted
- Remaining funds to be budgeted pending Special Study Session (tentatively planned for July 14th)
- Of funds received to date, the following actions have been taken:
 - \$5.1 million Title I Stimulus
 - Dollars have been set aside pending Special Study Session
 - \$14.3 million Stabilization
 - Given magnitude of State budget cuts, increased substitute costs related to 39 month preferential treatment, and increased Special Education costs, **temporarily** utilized these dollars to offset cost increases.
 - At Special Study Session, funds can be diverted to Board directed areas.



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Multi-Year Projection

<u>(\$s in millions)</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>
Revenues*	\$503.4	\$446.4	\$448.1	\$456.3
Expenditures*	\$510.7	\$474.3	\$447.0	\$455.5
Net Increase – Decrease	(\$7.3)	(\$27.9) ^	\$1.1 ^	\$0.8 ^
Unrestricted	\$2.7	(\$13.7)	\$0.9	\$3.7
Restricted	(\$10.0)***	(\$14.2)***	\$0.2	(\$2.9)
Required Reserve	5.8%	2.8% **	2.5% **	2.6% **

^ Does not include anticipated negotiations savings

* Includes Other Sources & Uses. Figures include **\$33 million** in unspecified budget reductions (2010-11) and **\$4 million** in unspecified budget reductions (2011-12).

** COLA Salary increases for these years (with the exception of 2008-09 and for SAEA, 2009-10) have not yet been negotiated and are thus not included. However, all revenues associated with COLAs for these years are included as is the cost of step, column & longevity are budgeted.

*** Deficit is due primarily to spending down of State categorical carryovers from prior years.



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Projected Ending Balances (All Other Funds)

Fund (all \$s in millions)	2008-09 Projected	2009-10 Budget	Difference
Fund 11 - Adult Education	\$0	\$0	\$0.0
Fund 12 – Child Development	\$0.1	\$0.1	\$0.0
Fund 13 – Cafeteria	\$6.8	\$2.9	(\$3.9)
Fund 14 – Deferred Maintenance	\$0.3	\$0.0	(\$0.3)
Fund 17 – Special Reserve	\$9.5	\$9.6	\$0.1
Fund 21 – Building	\$47.0	\$6.2	(\$40.8)
Fund 25 – Capital Facilities	\$0.0	\$0.0	\$0.0
Fund 30 – State Sch Bldg-Lease-Purchase	\$0.0	\$0.0	\$0.0
Fund 35 – School Facilities	\$37.3	\$35.8	(\$1.5)
Fund 40 – Special Reserve/Capital Outlay	\$0.0	\$0.0	\$0.0
Fund 49 – Capital Projects (COP)	\$2.0	\$0.0	(\$2.0)
Fund 51 – Bond Interest & Redemption	\$10.2	\$9.9	(\$0.3)
Fund 56 – Debt Service	\$9.9	\$9.7	(\$0.2)
Fund 67 – Workers’ Comp/Self-Ins.	\$14.1	\$11.9	(\$2.2)



- This Budget is a long way from being done
- The State deficit appears to be worsening
- The Legislature and the Administration are still arguing about how to close the deficit
- **School Services foresees revisions throughout 2009-10**
 - **There will likely be early, midyear, & late-year cuts**
 - **Advises district to, “Hold on to reserves!”**