



**Santa Ana**  
Unified School District

# **Budget Update**

***August 24, 2010***

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1. The Economy, State Budget & Education Funding
2. Historical Perspective – Negotiated Labor Settlements & Other Key Events
3. Budget Reductions & Timeline





- The National & State economy continues to be very volatile
  - Major swings in the stock market are now commonplace
  - Unemployment continues at record levels
  - Consumer confidence continues to be weak
- Approval of the State Budget is still pending
  - There is still a \$19+ billion State deficit that needs to be addressed
  - State Legislature still divided (one faction promoting tax increases, the other budget reductions)
  - Latest proposal by Democrats increases Education funding above May Revise levels
  - School Services continues to recommend that districts budget utilizing May Revise assumptions.....assumptions which they state may be a “best case scenario.”





- Federal government approves \$10 billion job bill to save 160,000 education jobs nationwide
  - \$1.2 billion slated for California
  - Funding specifics currently not available but using our rule of thumb (\$1 billion = \$9 million) equals approximately \$10.8 million for SAUSD
  - States need to apply for funding; California has already applied
  - Allowable uses of funds:
    - Salaries, benefits and other expenses (including incentives for early retirement, performance bonuses, tuition reimbursement, etc.)
    - Only school site personnel are covered (Certificated, Classified & Management)
    - District staff can not be funded from this source
  - Funds can be carried over to 2011-12.





- The Jobs Bill is great news but there are concerns:
  - No commitment from the State on when funds will be remitted
    - Estimates range from 2 weeks to several months
    - Similar to ARRA dollars, State allocation / funding could be protracted
  - Funds are restricted in use
  - Dollars are one-time dollars
    - This bill promotes spending one-time dollars on on-going expenditures
    - The Jobs Bill focus is solely on the short-term; no concern of long-term implications
  - \$10.8 million while significant:
    - Doesn't cover even one month's worth of payroll (approx. \$30 million)
    - Is equivalent to only 1/3 of our required 2011-12 Budget Reductions.

School Services of California advice on what districts should be doing:

***“Right time to plan but not the right time to spend.”***



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# Historical Perspective

(Negotiated Labor Settlements & Other Key Events)





- July 2004: Salary Rollback
  - Significant downturn in enrollment results in a fiscal crisis
  - Spurs involvement of Orange County Department of Education (OCDE), School Services & FCMAT
  - Working with our associations, the district negotiates a 2 year salary rollback plan (2004-05 & 2005-06) to provide temporary, financial relief
  - The rollback
    - **Certificated**: -4% salary reduction
    - **Classified**: -1% salary reduction
    - **Management**: -4% salary reduction



- July 2006: Salary Restoration
  - District restores salary
    - plus deferred COLAs (on a compounded basis)
    - plus repayment of deficit reduction
  - Net increase in pay as follows:
    - **Certificated**: +13.44%
    - **Classified**: +10.01% (smaller increase as CSEA members took a -1% reduction vs. -4% for Certificated & management)
    - **Management** +13.44%
- Feb. 2007: Negotiated Salary Increase
  - **Certificated**, **Classified** & **Management** receive a 5% salary increase
- July 2008: Management Furlough Days
  - For 2008-09 & 2009-10, up to 10 furlough days (for 12 month employees) or a -4.5% annual reduction
  - Associations decline to participate
  - July 2010: Management agrees to a 3<sup>rd</sup> year of furlough days for 2010-11; a -4.5% reduction.





- Certificated Negotiated Settlements (post July 2008)
  - October 2008
    - No salary increase or reduction for 2007-08
    - New certificated staff no longer eligible for CLAD stipends (\$350K savings)
  - April 2009
    - No salary increase or reduction for 2008-09 and 2009-10
    - District agrees not to freeze step & column pay increases in 2009-10 (Cost of approx. \$6 million/year)
    - Various changes in Health & Welfare plan including increase in co-payments, deductibles & employee premiums:
      - Kaiser: No cost to employee (single, dual or family coverage)
      - Higher Cost HMO: Employee pays 5% of cost (up from 4%)
      - PPO Plan: Employee pays 11% of cost (up from 9%)
  - May/June 2010
    - SAEA challenges & district loses arbitration hearing and restores 2.5 staff development days (cost of \$3 million)
  - Nov 2009 & April 2010
    - Agreement with SAEA on various Memorandums of Understanding (MOUs) related to class sizes & intermediate athletic coach's pay (cost of \$230K)



- Classified Negotiated Settlements (post July 2008)
  - October 2008
    - No salary increase or reduction for 2007-08 and 2008-09
    - 436, 3.75 hour positions (ineligible for H&W) are converted to 4 hour positions and are now eligible for district paid H&W (\$3.6 million cost)
    - Kaiser: No cost to employee (single, dual or family coverage)
    - Higher cost HMO & PPO plan: Employee pays 20% of cost
    - New employees only eligible for lowest cost HMO plan (i.e. Kaiser)
    - Classified employees no longer eligible for dual coverage
  - May 2010
    - No salary increase or reduction for 2009-10.



- District Action
  - Eligible employees continue to receive step & column pay increases
  - Supplemental Employee Retirement Plans (SERP)
    - Provides additional retirement incentives for eligible employees
    - Purpose: (1) Reduce salary expense by incentivizing senior, higher paid employees to retire & (2) reduce employees on “layoff” list
    - Given the number of SERPs offered, the District has offered multiple SERPs
  - 5 SERPs offered in the past 8 years
    - 2002: Annual cost of \$2.3 million for 5 years
    - 2003: Annual cost of \$1.8 million for 5 years
    - 2004: Annual cost of \$1.8 million for 5 years
    - 2008: Annual cost of \$1.1 million for 5 years
    - 2009: Annual cost of \$1.1 million for 5 years
  - Common wisdom dictates against (1) Issuing SERPs in successive years and (2) Offering multiple SERPs in such a short period of time
  - These actions dilute SERP impact and increase the tenuous nature of achieving financial savings.



# Santa Ana

Unified School District

District's Goal is to continue to work collaboratively with our associations.



Santa Ana  
Educators' Association

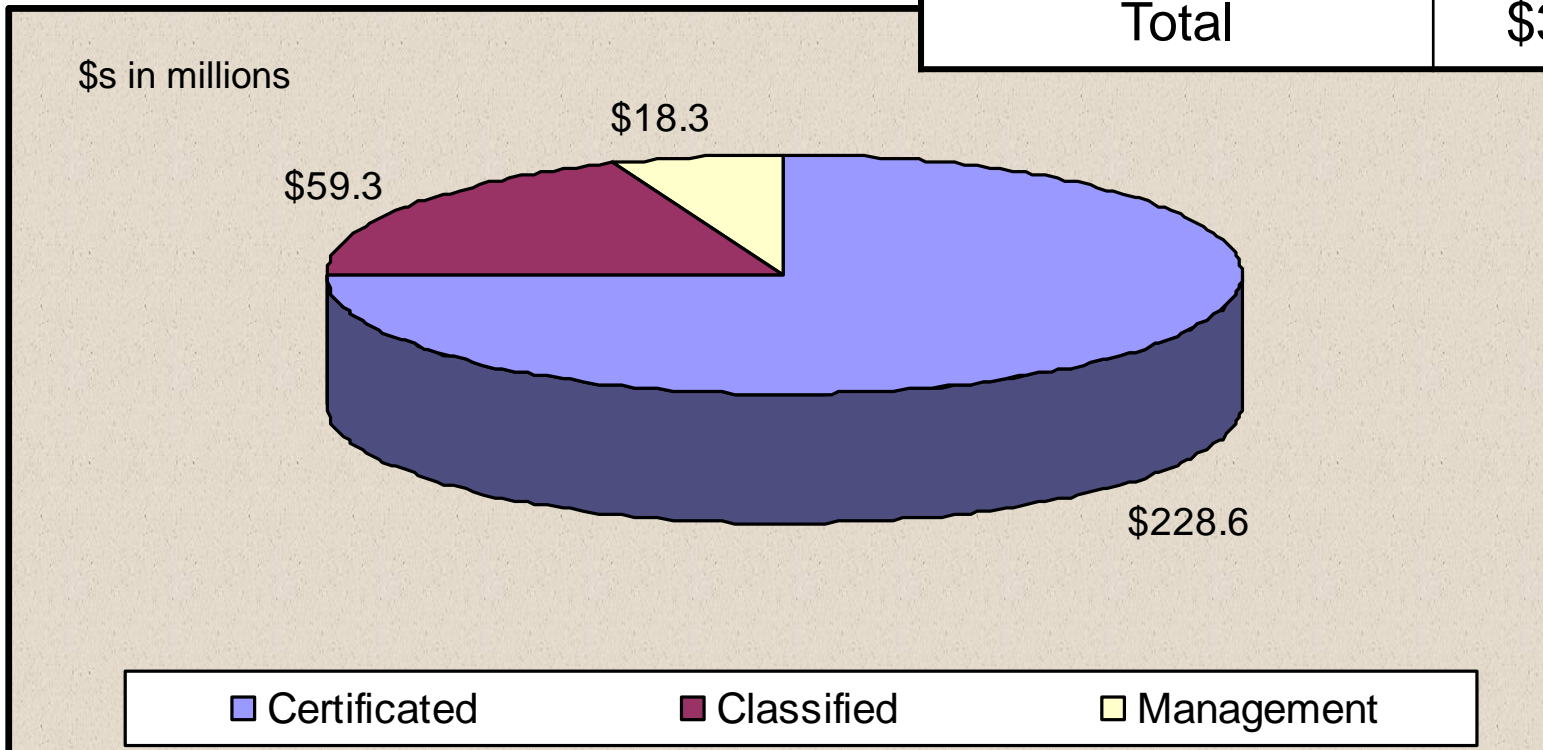
*SASAA*

Santa Ana School  
Administrator's Association



### 2008-09 Actuals

(\$s in millions)	Amount	% of Total
Certificated	\$228.6	74.6%
Classified	\$59.3	19.4%
Management	\$18.3	6.0%
Total	\$306.2	100.0%





**District needs to identify & approve \$32.5 million\*  
in 2011-12 budget cuts by December 15, 2010.**

\* Number is preliminary & subject to change depending on State Adopted Budget and closing of 2009-10 financial records.



Date	Event or Activity
On-going until Settled	Negotiations with our certificated & classified associations (SAEA & CSEA respectively)
Sept. 14	Budget Update & Presentation of 2009-10 Unaudited Actuals
Sept. 28, Oct. 12 & Oct. 26	Budget Update & (if applicable) 45 Day Budget Revision <i>Note: 2011-12 Budget reduction target will be adjusted (either up or down) dependent on Unaudited Actuals and approved State Budget</i>
Nov. 9	Presentation of Proposed 2011-12 Budget Reductions
Nov. ?	Special Board Meeting on Proposed Budget Reductions
Dec. ?	Special Board Meeting on Proposed Budget Reductions
Dec. 14	Presentation of First interim Report, Approval of 2011-12 Budget Reductions & Reach Decision on CSR for 2011-12 & future years.

