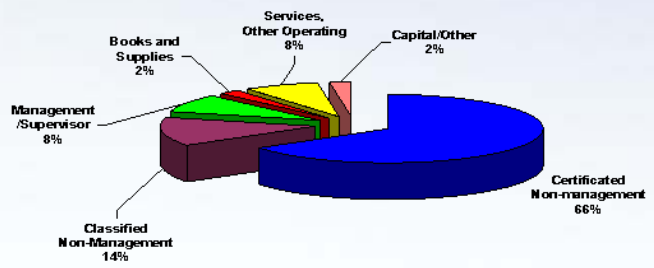


# Potential Budget Reductions in Response to the State Budget Shortfall



Orange Unified School District  
Board of Education  
Work Study Session  
February 05, 2009

- Orange Unified School District is Not Alone
- Moving Targets—State Deadlock and Federal Stimulus Package
- Tonight's Purpose
  - Understand facts – How has the state budget crisis and zero COLA affected us?
  - Potential budget reductions
  - Keeping solutions balanced



- Continue tightening the belt
  - Administrative staffing reductions
  - Moratorium on outside educational consultants
  - 3-year salary freeze for district level administration (34 administrative positions)

# Glossary of Common Finance Terms

- [ADA \(Average Daily Attendance\)](#) – Is equal to the average number of pupils actually attending classes.
- [Base Revenue Limit](#) – The amount of revenue that a district can collect annually for general purpose from local property taxes and State Aid. The total revenue limit of a school district is determined by multiplying the district's ADA times the base revenue limit.
- [Categorical Aid](#) – Funds from the State or Federal Government that are restricted for a particular purpose (i.e. Economic Impact Aid (EIA)).
- [Cost-of-Living Adjustment \(COLA\)](#) – A formula driven increase in funding for government programs, including revenue limits and categorical programs.
- [Deficit Spending](#) – Occurs when spending exceeds income. Opposite of budget surplus.
- [Encroachment](#) – The expenditure of school districts' general purpose funds in support of a categorical program (i.e. Special Education, Transportation).
- [Required Minimum Reserve for Economic Uncertainty](#) – Funds set aside in the budget required by the state to receive a positive certification.

- Assumptions are based on the Governor's proposed budget including furlough days.
- School site per-student allocation remains at last year's level.
- No increase in salaries except for step and column.
- Maintain health and welfare benefits at current level, including retiree benefits.
- All prior year carryover is expended in 2008-09.
- Staffing is based upon enrollment projections.
- An enrollment increase of 117 students from 2007-08 to 2008-09; an increase of 30 2008-09 to 2009-10 and no change for the next year.
- An attendance rate of 95.615% in 2008-09 and for the next two years.
- The assumptions developed are consistent with the guidelines from School Services of California, Fiscal Crisis and Management (FCMAT), and Orange County Department of Education.

These assumptions are essential building blocks for the budget and form a rational basis for revisions of the draft budget as they change.

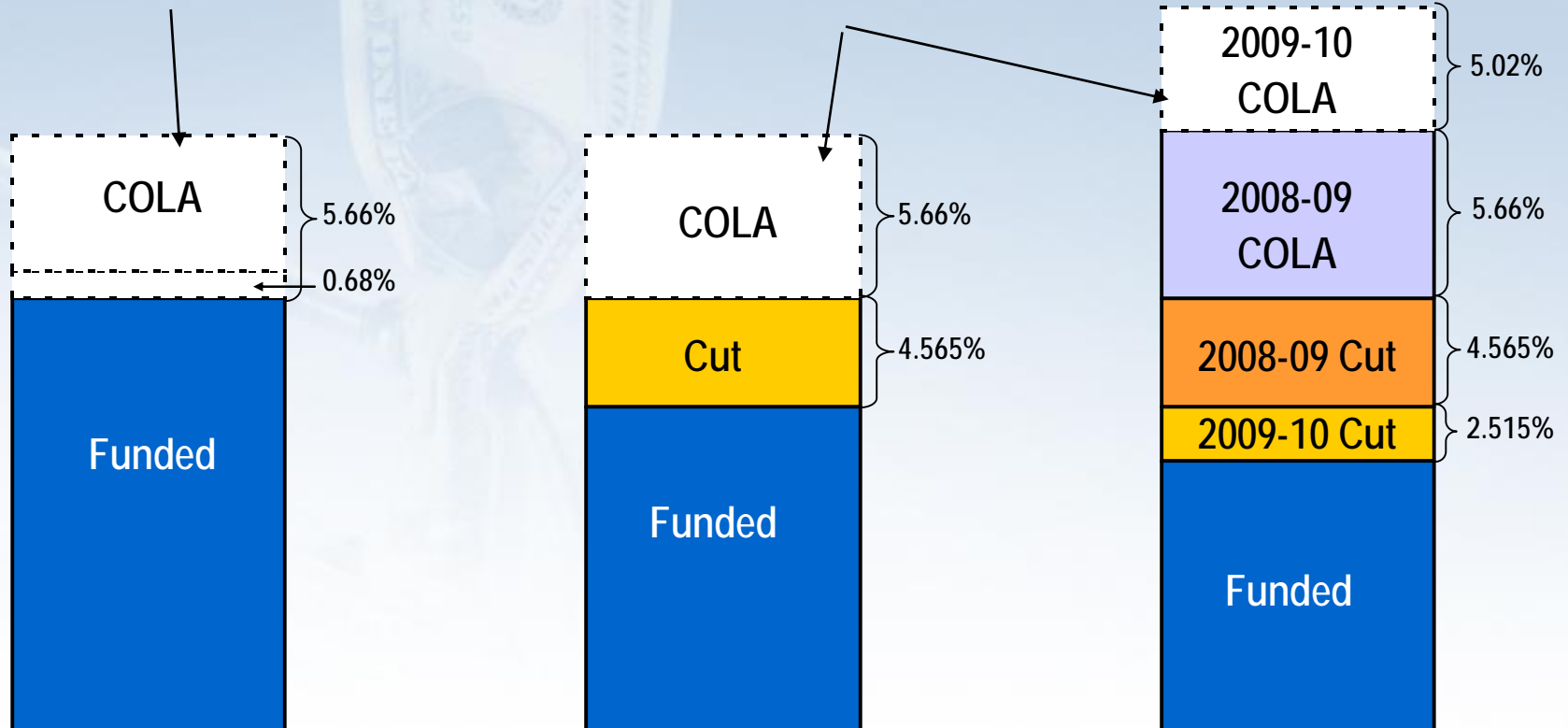
# Goals - By March 15, 2009

- Adopt 2<sup>nd</sup> Interim Report.
- Identify ongoing budget reductions to balance budget.
- Demonstrate and certify that the District can maintain solvency in the current and next two fiscal years.
- Comply with AB1200/2756 for Fiscal Year 2008-09 and Beyond.

# 2008-09 and 2009-10 K-12 Revenue Limits

Gov. signs 2008-09 budget  
**September 23, 2008**

Gov. releases 2009-10  
budget proposal  
**January 09, 2009**



2008-09 Budget Act

2008-09 Proposed Governor's Budget

2009-10 Proposed Governor's Budget

# Revenue Limit Impact of Governor's Proposal to OUSD

	2008/09 COLA = 5.66% Deficit = (9.685%)	2009/10 COLA = 5.02% Deficit = (16.161%)	2010/11 COLA = .50% Deficit = (16.161%)
Prior Year Base Revenue Limit (RL)	\$5,876	\$6,205	\$6,527
COLA	\$329	\$322	\$33
Current Year Base RL	\$6,205	\$6,527	\$6,560
Funded Revenue Limit	\$5,604	\$5,472	\$5,500
Per ADA Loss of Funding	(\$601)	(\$1,055)	(\$1,060)
Estimated ADA	26,754	26,784	26,784
<b>Total Loss of Funding Due to Deficit</b>	<b>(\$16,079,154)</b>	<b>(\$28,257,120)</b>	<b>(\$28,391,040)</b>



# Trends Analysis of Governor's Proposal to OUSD - FY 2008-09 General Fund

	September 11, 2008 COLA = 5.66% Deficit = (5.357%) ADA = 26,651	December 11, 2008 COLA = 5.66% Deficit = (4.71%) ADA = 26,606	February 05, 2009 COLA = 5.66% Deficit = (9.685%) ADA = 26,754
Revenues	\$233,065,390	\$237,182,224	\$229,620,841
Less: Expenditures	(\$246,750,355)	(\$251,196,525)	(\$251,196,525)
Increase/(Decrease) in Fund Balance	(\$13,684,965)	(\$14,014,301)	(\$21,575,684)
Beginning Fund Balance	\$29,517,255	\$29,517,255	\$29,517,255
Ending Balance	\$15,832,290	\$15,502,954	\$7,941,571
Less: Restricted Reserves	(\$8,583,638)	(\$8,667,022)	(\$8,667,022)
Unrestricted Balance	\$7,248,652	\$6,835,932	(\$725,451)

# Trends Analysis of Governor's Proposal to OUSD - FY 2008-09 Unrestricted Only

	September 11, 2008 COLA = 5.66% Deficit = (5.357%) ADA = 26,651	December 11, 2008 COLA = 5.66% Deficit = (4.71%) ADA = 26,606	February 05, 2009 COLA = 5.66% Deficit = (9.685%) ADA = 26,754
Revenues	\$151,665,722	\$149,859,100	\$142,297,716
Less: Expenditures	(\$158,273,088)	(\$156,795,802)	(\$156,795,801)
Increase/(Decrease) in Fund Balance	(\$6,607,366)	(\$6,936,702)	(\$14,498,085)
Beginning Fund Balance	\$22,439,656	\$22,439,656	\$22,439,656
Ending Fund Balance	\$15,832,290	\$15,502,954	\$7,941,571
Less: Restricted Reserves	(\$8,583,638)	(\$8,667,022)	(\$8,667,022)
Unrestricted Balance	\$7,248,652	\$6,835,932	(\$725,451)

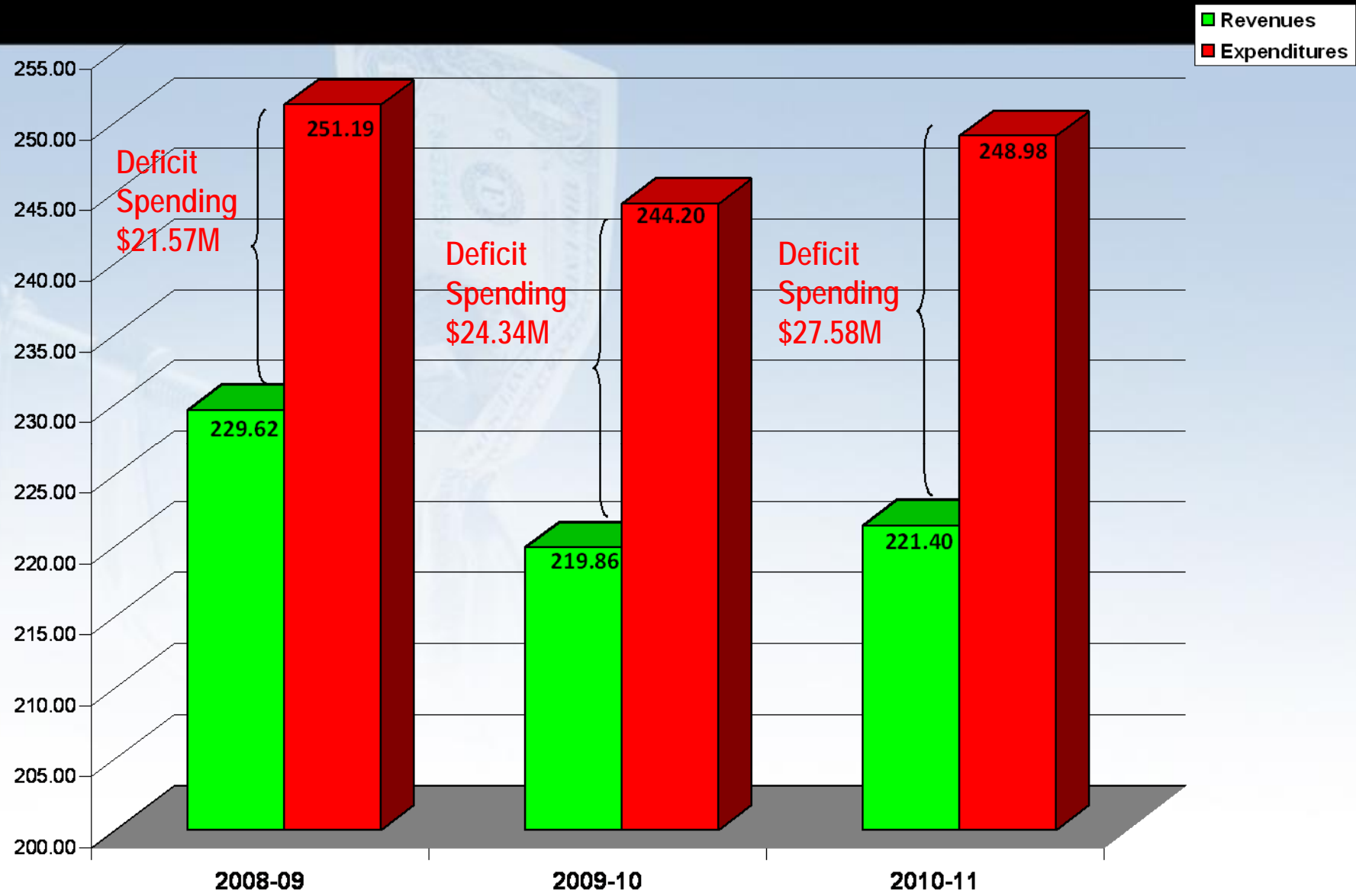
# Trends Analysis of Governor's Proposal to OUSD - FY 2009-10 Unrestricted Only

	September 11, 2008 COLA = 4.83% Deficit = (5.357%) ADA = 26,681	December 11, 2008 COLA = 5.6% Deficit = (4.71%) ADA = 26,681	February 05, 2009 COLA = 5.02% Deficit = (16.161%) ADA = 26,784
Revenues	\$155,746,380	\$146,066,488	\$135,685,750
Less: Expenditures	(\$161,614,689)	(\$160,017,675)	(\$160,017,675)
Increase/(Decrease) in Fund Balance	(\$5,868,309)	(\$13,951,187)	(\$24,331,925)
Beginning Fund Balance	\$15,832,291	\$15,502,955	\$7,941,570
Ending Fund Balance	\$9,963,982	\$1,551,768	(\$16,390,355)
Less: Restricted Reserves	(\$8,104,892)	(\$8,057,127)	(\$8,057,127)
Unrestricted Balance	\$1,859,090	(\$6,505,359)	(\$24,447,482)

# Multi-Year Budget Projection Based on Governor's Proposal

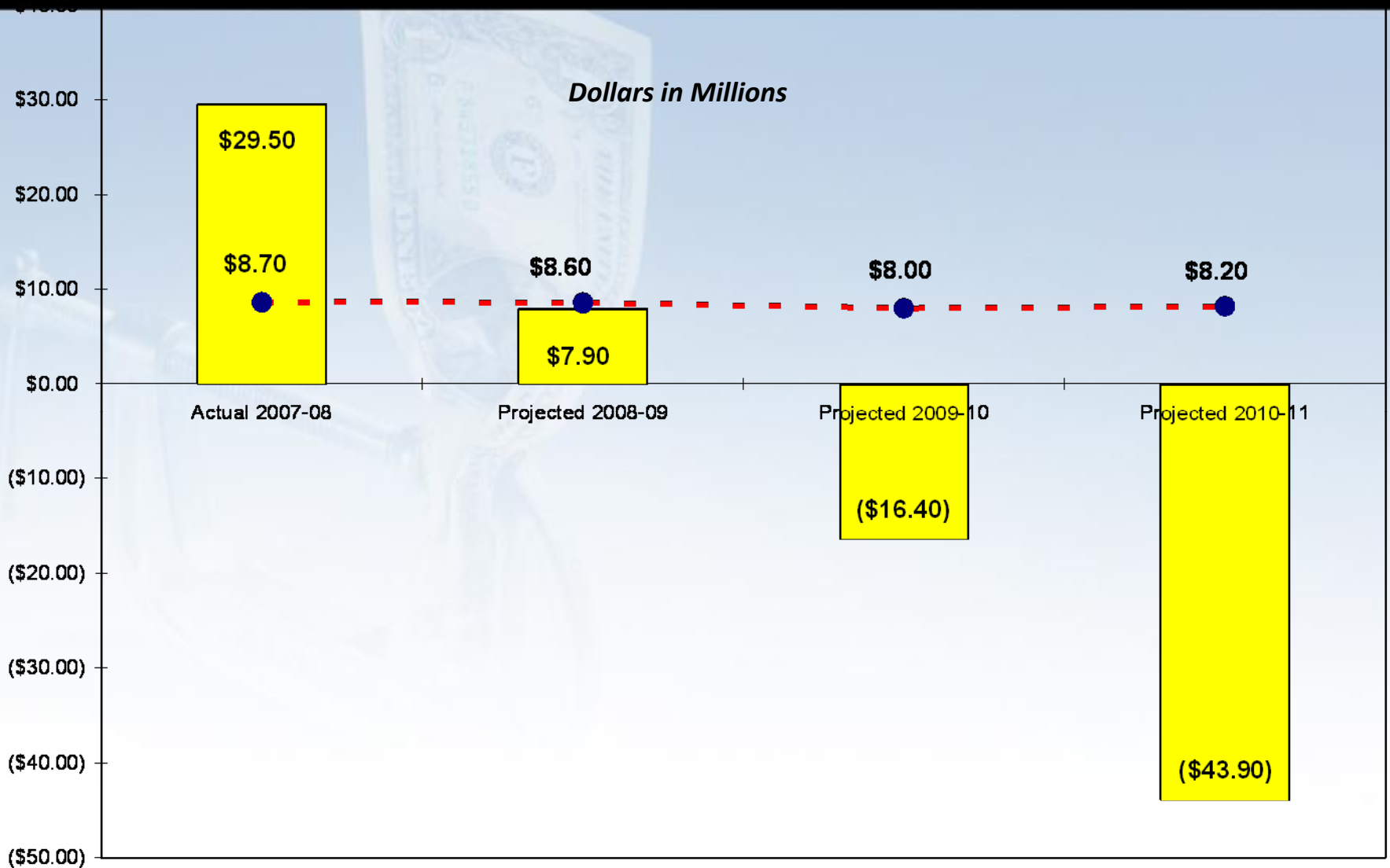
	<u>2008-09</u> COLA = 5.66% Budgeted = (9.685%) ADA = 26,754	<u>2009-10</u> COLA = 5.02% Budgeted = (16.161%) ADA = 26,784	<u>2010-11</u> COLA = .50% Budgeted = (16.161%) ADA = 26,784
Revenues	\$229,620,841	\$219,868,075	\$221,404,062
Less: Expenditures	(\$251,196,525)	(\$244,200,001)	(\$248,978,782)
Increase/(Decrease) in Fund Balance	(\$21,575,684)	(\$24,331,926)	(\$27,574,720)
Beginning Fund Balance	\$29,517,255	\$7,941,571	(\$16,390,355)
Ending Balance	\$7,941,571	(\$16,390,355)	(\$43,965,075)
Less: Restricted Reserves	(\$8,667,022)	(\$8,057,127)	(\$8,200,490)
Unrestricted Balance	(\$725,451)	(\$24,447,482)	(\$52,165,565)

# Projected Multi-Year Deficit Spending – Based on Governor's Proposal

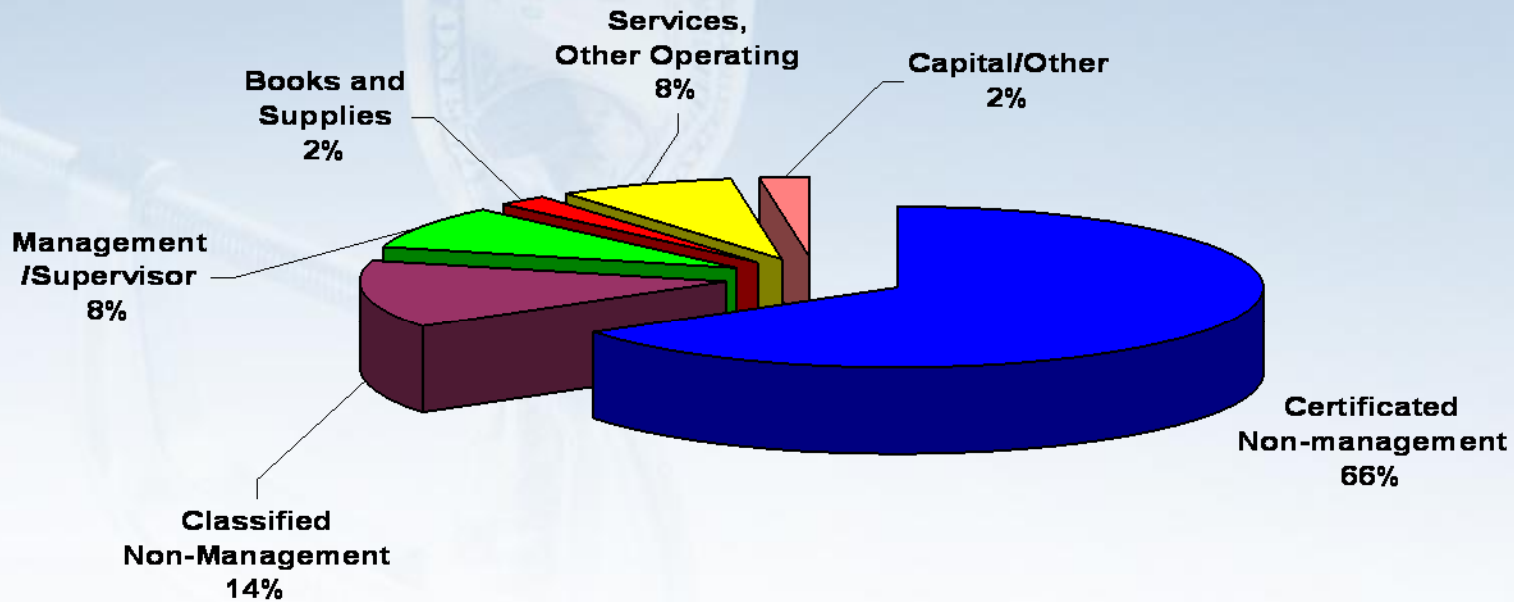


# Projected Multi-Year Ending Fund Balance Based on Governor's Proposal

Ending Balance Restricted Reserves

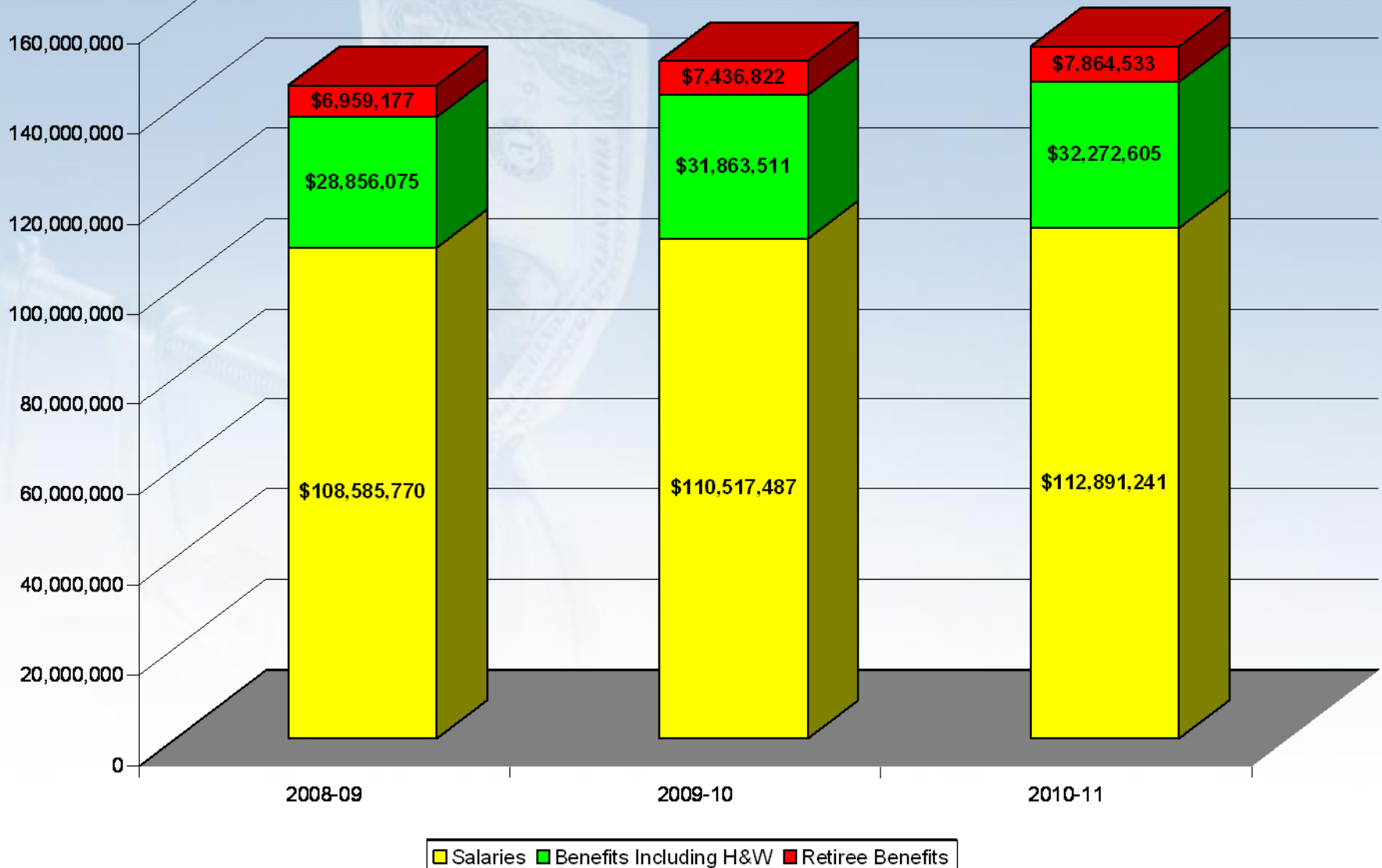


# Composition of Unrestricted General Fund Expenditures – 2008-09



**Salaries and Benefits = 88%**  
**Other = 12%**  
**Total = 100%**

# Composition of Unrestricted Compensation





- All budgets were reduced in the fall.
- Hard freeze on all expenditures unless legally mandated, ensuring school safety, or educationally required:
  - Elimination of District cell phones for personnel
  - Elimination of out-of-state travel/Restriction of conference attendance
  - Implementation of hiring freeze including substitutes
  - State categorical program budgets were frozen
  - All expenditures must be approved by Cabinet

Administration is reviewing and analyzing all legislative and Governor budget proposals as it relates to the District.

# Potential Budget Reduction Options

## Level 1: Administrative

	2008-09	2009-10	2010-11
● Freeze Spending	500,000		
● Reduce Discretionary Budgets	692,000	642,000	642,000
● Reduce Staffing to Contractual/Legal Required	125,000	1,519,000	1,519,000
● Move Unrestricted GF Expenditures to Restricted Funding	1,562,000	927,000	927,000

# Potential Budget Reduction Options

## Level 2: Board Discretionary

	2008-09	2009-10	2010-11
● Adopt District-wide Calendar		456,000	456,000
● Sweep Site Block Grant	306,000		
● Eliminate MS Athletics		90,000	90,000
● Charge HS Students \$30 Athletic Fee		200,000	200,000
● Consolidate Small Schools:			
■ Imperial ES (\$944/student)		342,000	342,000
■ Panorama ES (\$809/student)		268,000	268,000
■ Riverdale ES (\$1,146/student)		345,000	345,000
■ Silverado ES (\$2,712/student)		198,000	198,000
● Reduce District Administration Staffing		1,800,000	1,800,000
● Reduce School Site Staffing		420,000	420,000

# Potential Budget Reduction Options

## Level 3: Negotiable

	2008-09	2009-10	2010-11
● Furlough All Employees 5 Days (Governor's Proposal - 2.515%)		4,000,000	4,000,000
● Reduce All Salaries (1% = \$1.6M)		TBD	TBD
● Reduce Non-Certificated Staffing		232,000	232,000
● Reduce Certificated Non-Classroom Staffing		300,000	300,000
● Increase HS Staffing Ratio 35:1		1,560,000	1,560,000
● Freeze Step and Column (\$3.1 million)		TBD	TBD
● Increase Health & Welfare Co-pays		TBD	TBD

TBD = To Be Determined after the adoption of the State budget.

# State Flexibility Options/Federal Proposals

18

	2008-09	2009-10	2010-11
<u>State Flexibility Options:</u>			
• State Programs (excluding EIA, CSR, ASES, QEIA, & Special Ed)	3,700,000	6,200,000	6,200,000
• Economic Impact Aid (EIA)		3,282,000	3,282,000
• Class Size Reduction (CSR)		5,334,000	5,334,000
<u>Federal Proposals:</u>			
• Title 1 (Highly Restricted)		1,428,000	1,428,000
• IDEA		3,684,000	3,684,000

- ?? – Federal Stimulus Package
- ?? – 2008-09 Adoption of State Mid-Year Budget Cuts
- March 5<sup>th</sup> - Board of Education Next Budget Study Session
- March 12<sup>th</sup> - Presentation and Approval of 2<sup>nd</sup> Interim Report including identified ongoing budget reductions to balance budget
- May 15<sup>th</sup> - May Revise Release by the State
- June 18<sup>th</sup> - Presentation and Approval of 2009-10 Budget
- June 30<sup>th</sup> - 2009-10 Adoption of State Budget

- Contact our Legislators and ask them to:
  - Keep budget cuts away from Education.
  - If cuts need to be made, ensure Districts are provided flexibility and increased local control.
  - Eliminate requirements for unfunded mandates.
- Communicate with other community members and local legislators the impact of state budget cuts on our students.