

Orange Unified School District Budget Update



October 14, 2010

Presentation Overview



- **National Economic Outlook**
- **California's Economic Outlook**
- **The State Budget**
- **Major Changes from May Revision to Final Budget**
- **Impact of the 2010-11 Final Budget vs. May Revision on the District**
- **Budget Flexibility Expiration**
- **State Budget Assumptions**
- **Next Steps**

The Economy



2

- **The economy is the key to financial recovery for the state as a whole and for public agencies**
 - **Unemployment remains higher than the rest of the nation**
 - **Predictions of an early recovery in the spring of 2010 proved to be overly optimistic**
 - **Recovery is slow at best**
 - **Projections are that the economy will remain sluggish until at least 2012**
- **The keys to recovery**
 - **Increased construction activity**
 - **Improvement in real estate**
 - **Decreased unemployment**

California's Economic Outlook



- **California's economy remains weak**
 - **The state unemployment rate is 12.4%, among the highest in the country (May '10 = 12.6%)**
 - **Home sales slowed in August, down 2.7% from July and down 14.0% from August 2009**
 - **Foreclosed homes made up more than one-third of August sales**

- **UCLA forecasts some improvement in 2011**
 - **Employment will rise 1.90%, after declining three years**
 - **Personal income will increase 3.70%**
 - **Unemployment rate will remain high at 11.0% in 2011**

The State Budget



4

- **What are the provisions of the new State Budget?**
 - **Improved from the May Revision**
 - **Reverses 3.85% revenue limit cut**
 - **Holds school agencies harmless for the negative .39% COLA**
 - **No supplanting with Federal Jobs Bill funding**
 - **Still, there are concerns**
 - **Class-size reduction (CSR) flexibility was not extended**
 - **Tier III flexibility was not extended**

- **Longer term, we need real Budget reform**
 - **Districts need more dollars, and a more stable source of funding**
 - **California is still ranked at the bottom in education spending**

Major Changes from May Revision to the Final Budget

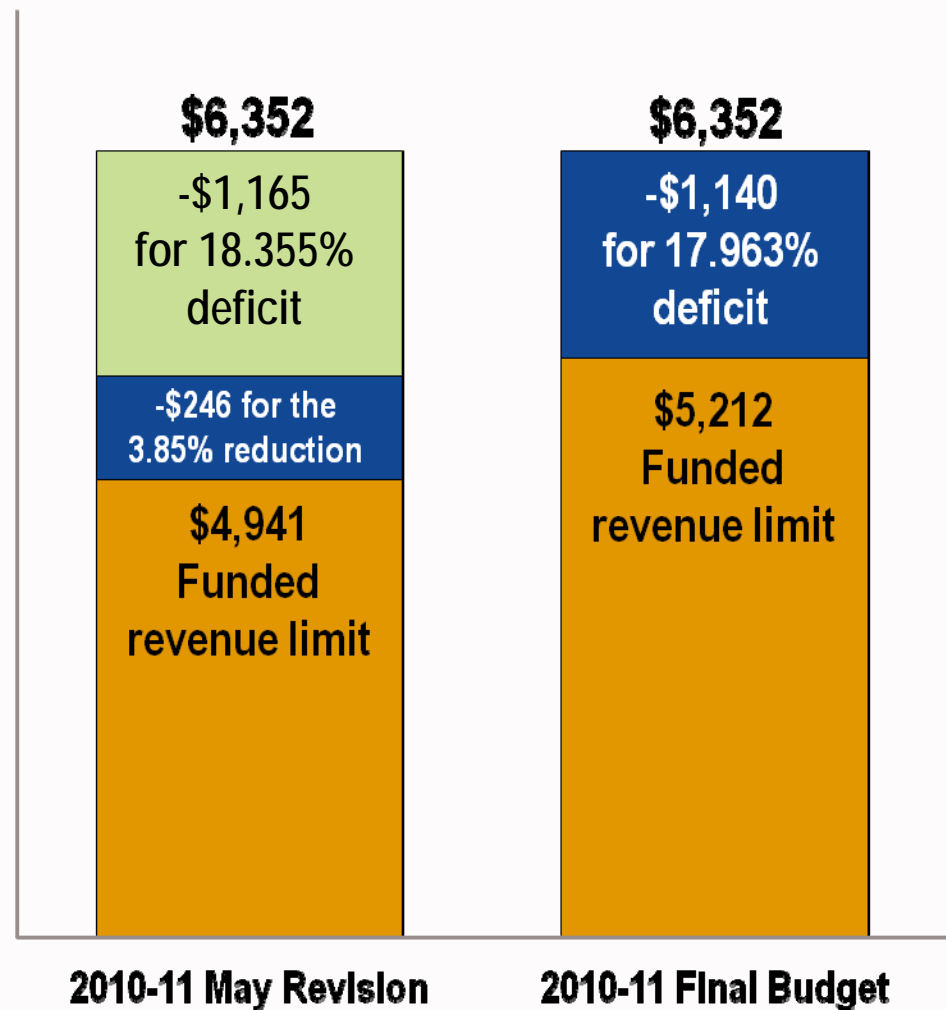


- **May Revision: Reduced revenue limits by \$1.5 billion**
 - **Final Budget: Fully restores revenue limit cut**
- **May Revision: “Fully funded” negative 0.39% COLA**
 - **Final Budget: Holds school agencies harmless from negative COLA**
- **May Revision: No funding for prior-year mandates**
 - **Final Budget: \$300 million in one-time mandate funds, of which \$100 million is for 2010-11 claims and \$200 million is for prior-year claims (unknown impact – up to \$750,000)**

Impact of the 2010-11 Final Budget vs. May Revision on the District



- Restores the 3.85% revenue limit cut of \$246 per ADA
 - On-going: + \$6,629,700
- Applied the .39% negative COLA to the deficit factor saving \$25 per ADA
 - On-going: + \$673,750



Multi-Year Projections Before New Revenues



	2010-11	2011-12	2012-13
Revenues	\$215,494,123	\$204,463,110	\$201,467,393
Total Expenditures	<u>\$227,435,275</u>	<u>\$221,235,040</u>	<u>\$228,869,415</u>
Inc./ (Dec.) in Fund Balance	(\$11,941,152)	(\$16,771,930)	(\$27,402,022)
Beginning Fund Balance	<u>\$37,941,250</u>	<u>\$26,000,098</u>	<u>\$9,228,168</u>
Ending Balance	\$26,000,098	\$9,228,168	(\$18,173,854)
Less: Restricted Reserves	<u>(\$8,404,185)</u>	<u>(\$7,368,178)</u>	<u>(\$7,597,209)</u>
Unrestricted Balance	\$17,595,913	\$1,859,990	(\$25,771,063)

Multi-Year Projections After New Revenues



	2010-11	2011-12	2012-13
Revenues	\$215,494,123	\$204,463,110	\$201,036,193
• Fully restores revenue limit cut = \$246/ADA	6,629,700	6,629,700	6,629,700
• Hold harmless from neg. COLA = \$25/ADA	673,750	673,750	673,750
• Federal Jobs Bill Funding	4,881,000	0	0
Total Revenues	227,678,573	211,766,560	208,339,643
Total Expenditures	<u>\$227,435,275</u>	<u>\$221,235,040</u>	<u>\$228,869,415</u>
Inc./ (Dec.) in Fund Balance	\$243,298	(\$9,468,480)	(\$20,529,772)
Beginning Fund Balance	<u>\$37,941,250</u>	<u>\$38,184,548</u>	<u>\$28,716,068</u>
Ending Balance	\$38,184,548	\$28,716,068	\$8,186,296
Less: Restricted Reserves	<u>(\$8,404,185)</u>	<u>(\$7,368,178)</u>	<u>(\$7,597,209)</u>
Unrestricted Balance	\$29,780,363	\$21,347,890	\$589,087

Budget Flexibility Expiration



9

- **Class Size Reduction Flexibility will sunset in 2011-12**
 - **Reduces unrestricted general fund revenue by \$5.1M on-going, beginning with the 2012-13 fiscal year.**

- **Tier III Flexibility will sunset in 2012-13**
 - **Reduces unrestricted general fund revenue by \$3.6M on-going, beginning with the 2013-14 fiscal year.**

- **Reduction of school year by five days will sunset in 2012-13**
 - **Increases unrestricted general fund expenditures by \$3.4M on-going, beginning with 2013-14 Fiscal Year.**

State Budget Assumptions



- **Higher revenues: Assumes \$1.4 billion higher revenues, on top of the 5.7% revenue increase projected in the May Revision**
 - July and August revenues are tracking the May Revision forecast, not exceeding it
- **Federal funds: \$5 billion are assumed, \$1.6 billion more than the May Revision**
- **Expenditure cuts: \$7.5 billion are assumed**
 - One-third of the fiscal year has already elapsed without implementation
- **The economy: Assumes personal income growth of 3.2% in 2010 and 4.5% in 2011**
 - UCLA forecasts weaker growth: 1.9% in 2010 and 3.7% in 2011

Next Steps



11

● State Action:

- 2011-12 Proposed Budget – January 2011
- Unforeseen economic/legislative events
 - New Governor & Legislature
 - Midyear Budget Cuts
- May Revise – May 2011
- 2011-12 Adopted Budget – June 2011

● Deadlines: Education Code (42127, 42130)

- December 15, 2010: Adopt 2010-11 First Interim Budget
- March 15, 2011: Adopt 2010-11 Second Interim Budget
- June 30, 2011: Adopt 2011-12 District Budget