

**Santa Ana Unified  
School District  
2006-07 Preliminary  
Budget**



**June 13, 2006**

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**Don Trigg, Associate Superintendent  
Business Services**

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Business Services**



A small photograph in the top-left corner shows a classroom with several students sitting at desks. One student in the foreground is raising their hand.

# 2006-07 SAUSD Preliminary Budget

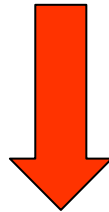
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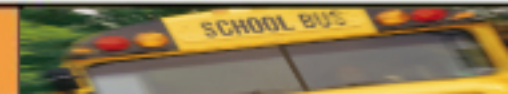
**State Economy & Politics**



**State Education Budget**



**SAUSD Budget**





# The State Economy

## ▶ The California economy continues to expand

- ❖ Job creation in 2005 reached a five-year high with 255,000 jobs added
- ❖ California's personal income growth rate exceeds the national average
- ❖ California's exports grew 6.2% in 2005

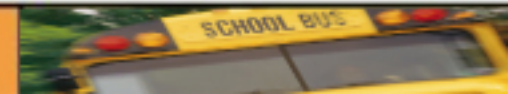




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# The State Economy

- ▶ This economic activity generated billions more in tax revenue
  - ❖ General Fund revenues for 2005-06 are up \$4.8 billion from the January forecast (a 12.5% revenue increase over 2004-05)
    - ▶ Significant amount of personal income tax growth is related to capital gains and stock options – shades of 1999 and 2000!
  - ❖ *Most of the revenue gain is believed to be one time and will not carry forward into 2006-07.*





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# Politics

(School Services of California's Assessment)

- ▶ The Governor's ability to say "yes" rises and falls with state economics
  - ❖ Booms and busts may not be caused by the Administration, but they have a dramatic effect on what the Administration can accomplish
  - ❖ For 2006-07, the positive economic outlook means the Governor can address many issues
  - ❖ That has not been true of the past several years
- ▶ This is also an election year.





# State Education Budget

- ▶ The May Revise represents the Governor's final recommended Budget
  - ❖ Revenues are up substantially
  - ❖ Budget gap is reduced – uncertain how much because of the effect of one-time items
  - ❖ There are no major budget cuts
- ▶ Major elements of the May Revise (for K-12 Education)
  - ❖ Increased COLA
  - ❖ Elimination of the deficit factor
  - ❖ Increased equalization funding
  - ❖ Increased funding for mandates and categorical programs
  - ❖ Settlement of the Proposition 98 lawsuit





# Proposition 98 Lawsuit Settlement

- ▶ Last year, CTA and Superintendent O'Connell sued the Governor to force him to honor the 2004-05 Budget "Deal" with Education
- ▶ Settlement has been reached
- ▶ \$2.9 billion in one-time funds to be paid 2007-08 through 2013-14
  - ❖ \$300 million in 2007-08 plus \$450 million thereafter for 6 years
- ▶ Expect new proposals each year, but settlement specifies:
  - ❖ Focus on high poverty areas and English learner students
  - ❖ Possible uses: Lower class size, improve teacher and principal training, additional school counselors, etc.



A photograph showing a group of students in a classroom setting, some with their hands raised as if participating in a discussion or activity.

# Feedback on the Governor's May Revise

## School Services of California:

*"There is no argument - this is a great budget for education."*

## California Association of School Business Officials:

*"Education walks away with the lion's share of new revenues in the Governor's May Revision...."*

A photograph showing a group of students in a classroom setting, some with their hands raised.

# 2006-07 SAUSD Preliminary Budget

- ▶ Tonight's Preliminary Budget is presented utilizing the Multi-Year Projection (MYP) for the years 2006-07 thru 2008-09.
- ▶ Assumptions utilized are based on the most current information available and will undoubtedly change.
- ▶ Note: The Governor's May Revise is a proposal and subject to modifications and final approval by the Legislature.



## Important Reminders - FY 2006-07

- ❖ For the District to maintain its positive certification, AB1200 requires a 2% Reserve for the current year, and in each of the two out years.
- ❖ The 2006-07 Preliminary Budget includes restoration of salaries for certificated, classified & management employees effective July 1, 2006.





# 2006-07 District Budget at a Glance

- ❖ **General Fund (Unrestricted & Restricted)**
  - ▶ **Total Revenue: \$466 million**  
Unrestricted \$329 million/Restricted \$137 million
  - ▶ **Total Expenditures: <\$468 million>**
  - ▶ **Excess/Shortfall: <\$9 million>\***  
<\$2 million> Expenditures over Revenues and <\$7 million> in Interfund Transfers
  - ▶ **Ending Fund Balance: \$49 million / 7.0% Reserve**
- ❖ **Total Student Enrollment: 54,589\*\***

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

\*\* **Does not include Charter Schools.**



# Revenue Components

- ▶ The Revenue Limit is:
  - ❖ The District's major source of income
  - ❖ Comprised of the following elements
    - ▶ Enrollment
    - ▶ ADA (average daily attendance) factor
    - ▶ COLA (cost of living of adjustment), if any.

$$\underline{\text{Revenue Limit} = \text{Enrollment} \times \text{ADA factor} \times (100\% + \text{COLA})}$$





# We Continue To Lose Students

- ▶ The Legislative Analyst's Office estimates that **42% of school districts** are experiencing declining enrollment
- ▶ Reason:
  - ❖ Slowdown in birth rates
  - ❖ It takes four minimum wage earners' income to rent a two bedroom apartment in Santa Ana
  - ❖ High home prices in urban and suburban regions (i.e. affordability)
  - ❖ Families are moving to more affordable areas

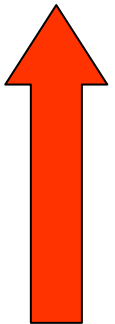




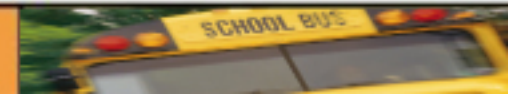
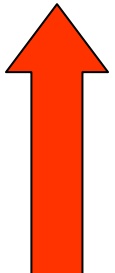
# 2005-06 Orange County Housing Cost

<u>Square Footage</u>	<u>Cost</u>
<1,000	\$384,500
1,000-1,500	\$565,000
1,501-2,000	\$688,500
2,000-2,500	\$825,000
>2,500	\$1,002,000

Median Home Price  
Increased 6%  
Nov. 2005 = \$589,000  
April 2006 = \$623,000



Apartment Rent  
Increased 7% over year-ago qtr.  
to \$1,441 per month





# CBEDS / Enrollment Change

Fiscal Year	CBEDS Change
2000-01	+1,794
2001-02	+951
2002-03	+185
2003-04	(1,138)
2004-05	(1,003)
2005-06	(2,293)
2006-07 Budget	(1,950)*

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





# Key Assumptions

## Enrollment Actual & Projected

	Actual 2005-06	Projected 2006-07	Projected 2007-08	Projected 2008-09
Beginning District Enrollment	58,832	56,539	54,589	53,589
Less Loss in Enrollment	(2,293)	(1,950)	(1,000)	(1,000)
Ending District Enrollment	56,539	54,589	53,589	52,589
Plus Charter Schools	2,736	2,327	2,327	2,327
Total CBEDS Enrollment	59,275	56,916	55,916	54,916



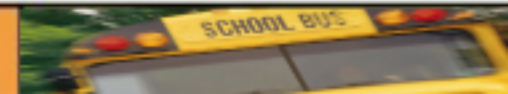


# Key Assumptions

## Average Daily Attendance (ADA)

	2005-06	2006-07	2007-08	2008-09
Enrollment	56,539	54,589	53,589	52,589
ADA Factor *	95.75%	94.98%	94.98%	94.98%
P2 ADA	54,136	51,849	50,899	49,949

\* 2005-06 ADA Factor of 95.75% does not appear sustainable. Utilized 94.98% factor which is consistent with past SAUSD trends.



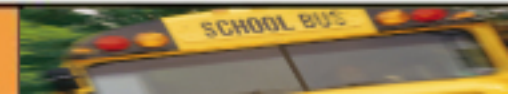


# Key Assumptions

## Cost of Living Adjustment (COLA\*)

	2006-07	2007-08	2008-09
COLA	5.92%	4.70%	2.70%

**\* Per School Services of California Dartboard**





# Revenue Assumptions Used in Budget

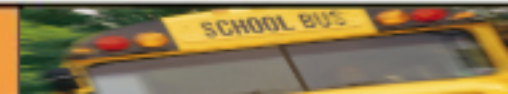
- ❖ Revenue Limit ADA = 54,369\*
- ❖ Revenue Limit COLA = 5.92%
- ❖ Base Revenue Limit = \$5,512.39 per ADA
- ❖ Revenue Limit = \$300 million (Unrestricted)

**\* Due to declining enrollment, figure is based on higher, 2005-06 ADA rather than 2006-07 projected ADA. Figure also includes County student ADA which are not reflected in District ADA statistics.**



# Important Reminder

- ▶ Revenues reflect adjustments for COLA. However, 2006-07 negotiations have not yet begun and as a result, salary & benefit expenditures currently reflect only previously negotiated salary increases.





# Revenue Assumptions

## ▶ 2006-07

- ❖ COLA (5.92%)    +\$17 million
- ❖ Equalization (\$64.52 per ADA)    +\$3 million
- ❖ Elimination of Deficit Reduction    +\$3 million
- ❖ ADA loss of (1,852)\*    <\$10 million>
- ❖ Federal Revenue Projected to be Flat
- ❖ Note: Addt'l May Revise funding proposals not included pending specifics on funding, application processes and legislative approval.

\* Each year the projected loss for the following year will be updated to the actual of the current year.



# Revenue Assumptions Changes (from First Interim)

## ▶ 2007-08

- ❖ COLA (4.72%) +\$13 million
- ❖ ADA Loss of (950)\* <\$6 million>
- ❖ Note: CTA lawsuit settlement not currently included in 2007-08 or out years.

## ▶ 2008-09

- ❖ COLA (2.70%) +\$7 million
- ❖ ADA loss of (950)\* <\$6 million>

\* Each year the projected loss for the following year will be updated to the actual of the current year



# General Fund Revenue Distribution (Combined Restricted/Unrestricted)

2005/06	2005-06 Actual/Projected (000's)	2006-07 Budget (000's)	Difference (000's)
Revenue Limit	\$298,340	\$312,813	\$14,473
Federal Revenue	\$79,488	\$52,811	<\$26,677>
Other State Revenue	\$122,526	\$93,333	<\$29,193>
Other Local Revenue	\$8,035	\$7,232	<\$803>
Total	\$508,389	\$466,189	<\$42,200>

Bulk of the Decrease in Revenues is Attributable to Categorical Carryovers which will be re-budgeted in Fiscal Year 2006-07.



# District Budget Reductions

- ❖ 2004-05 cut, \$29 million
- ❖ 2005-06 cut, \$14 million
- ❖ 2006-07 cut, \$15 million
- ❖ 2007-08 projected cuts, \$15 million.



# Expenditure Assumptions (Used in Budget)

## ▶ 2006-07

### ❖ Salary Related:

- ▶ **Salary Restoration**    **+\$20 million** (Unrestricted)  
(11.19% certificated & 7.82% classified)
- ▶ **Step & Column Increase = +2.0%**    **+\$4 million**
- ▶ **Godinez/Heroes (Advance Staffing)**    **+\$0.5 million**
- ▶ **FTE Reductions (-136.5 FTEs)**    **<\$8 million>**
- ▶ **Vacancy Credits**    **<\$1 million>**
- ▶ **Class Size Reduction continues at:**
  - ❖ **Kindergarten: Option 2 / Grades 1-3: Option 1**
- ▶ **Salary Increase Pending Negotiations - Not Included**





# Expenditure Assumptions (Cont'd)

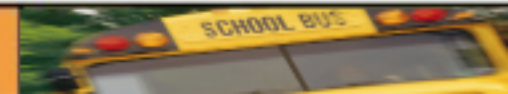
▶ 2006-07 (cont'd)

❖ Benefit Related:

▶ Health Benefit +11%    +\$3 million

▶ Does not include Amortization of Accrued Retiree Benefits (GASB-45)

❖ Coverage Cost of Current Retirees: \$6 million





# Expenditure Assumptions (Cont'd)

## ▶ 2006-07 (cont'd)

### ❖ Non-Salary

- ▶ **Various**    **+\$1 million**  
(Including Portable Removal, E-Rate Match & Energy Cost Increases)
- ▶ **Farmer's Site Repayment**    **+\$0.6 million**
- ▶ **Transportation Cost Increase (+8.21%)**    **+\$0.5 million**
- ▶ **Godinez / Heroes (Advance Operational Costs)**    **+\$0.4 million**
- ▶ **BRC Reductions**    **<\$7.8 Million>**



# Expenditure Assumptions [Cont'd]

## ▶ 2007-08

❖ **New Schools** (Godinez / Heroes / Lorin Grisot) **+\$6 million**

One-time & Recurring Costs

❖ **Otsuka Education Center** **+\$0.5 million**

❖ **Unspecified Budget Reductions** **<\$9 million>**

❖ **Decrease Staffing for Proj. Enrollment Loss** **<\$3 million>**

❖ **Vacancy Credit** **<\$0.8 million>**

❖ **Not included in 2007-08 and/or future out years:**

▶ Non-negotiated Salary Increases

▶ GASB-45 Amortization of Accrued Retiree Benefits





# Expenditure Assumptions [Cont'd]

## ▶ 2008-09

- ❖ **New Schools** (Godinez / Heroes / Lorin Griset) **+\$7 million**  
2<sup>nd</sup> Year One-time & Recurring Costs
- ❖ **Unspecified Budget Reductions** <\$7 million>
- ❖ **Decrease Staffing for Proj. Enrollment Loss** <\$3 million>
- ❖ **Vacancy Credit** <\$.8 million>



# BRC Reductions = <\$7.8 Million>

**BRC Committee  
40 Members**

Savings	Reductions
1. \$3,900,000	Defer Godinez High School Opening
2. \$1,000,000	Common Traditional Calendar
3. \$ 850,000	School Site Allocation Reduction
4. \$ 356,000	Instructional Materials reallocation of Funds
5. \$ 460,000	Adjust Teen Parent Program Teacher Allocation
6. \$ 200,000	BCLAD Stipend
7. \$ 200,000	Remove Portable Classrooms
8. \$ 120,000	Reassign Duties of Word Processing Department
9. \$ 113,000	Offer In-House Occupational & Physical Therapy Services
12. \$ 100,000	Teacher Substitute Pay
13. \$ 95,000	5% Department Budget Reductions
14. \$ 80,000	Eliminate Unrestricted Funding of the Academic Pentathlon Program
15. \$ 70,000	Eliminate Unrestricted Funding of ELD/Bilingual Department Positions
16. \$ 80,000	Relocate Community Day School
17. \$ 225,000	Fill Only Critical District Positions



# General Fund Expenditure Distribution (Combined Restricted/Unrestricted)

2005/06	2005-06 Projected Actuals (000's)	2006-07 Budget (000's)	Difference (000's)
Certificated Salaries (Incl. Mgmt.)	\$217,351	\$229,233	\$11,882
Classified Salaries (Incl. Mgmt.)	\$68,361	\$68,109	<\$252>
Employee Benefits	\$92,466	\$95,845	\$3,379
Non-Salary Expenses	\$122,536	\$74,773	<\$47,763>
<b>Total</b>	<b>\$500,714</b>	<b>\$467,960</b>	<b>&lt;\$32,754&gt;</b>

Bulk of the Increase in Expenditures is Attributable to Categorical Carryovers which will be re-budgeted in Fiscal Year 2006-07.



# What Does the MYP Tell Us? Combined Restricted/Unrestricted

	2006-07 Budget (000's)	2007-08 (000's)	2008-09 (000's)
Revenues*	\$466,188	\$473,374	\$478,722
Expenditures*	\$475,272	\$479,917	\$483,261
Net Increase – Decrease	(\$9,084)	(\$6,543)	(\$4,539)

\* Includes Other Sources & Uses.





# Projected Reserve

## Combined Restricted/Unrestricted

The State mandates a 2% minimum reserve for SAUSD.

	2006-07	2007-08	2008-09
Reserve Prior to Reduction	7.0%	4.5%	0.7%
Budget Reduction Amount (excludes reductions due to teachers)	\$7.8 million	\$9.0 million	\$7.0 million
Shortfall after Reduction	(\$9.1 million)	(\$6.5 million)	(\$4.5 million)
Reserve After Budget Reduction	7.0% *	6.5% *	5.9% *

\* 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.



# Projected Ending Balances (All Other Funds)

Fund	Est. Actuals 2005/06 (000's)	Preliminary Budget 2006/07 (000's)	Difference (000's)
Fund 11 - Adult Education	\$98	\$117	\$19
Fund 12 – Child Development	\$141	\$141	\$0
Fund 13 – Cafeteria	\$9,955	\$3,962	(\$5,993)
Fund 14 – Deferred Maintenance	\$2,463	\$1,768	(\$695)
Fund 17 – Special Reserve	\$3,152	\$3,342	\$190
Fund 21 – Building	\$6,005	\$615	(\$5,390)
Fund 25 – Capital Facilities	\$1,453	\$440	(\$1,013)
Fund 30 – State Sch Bldg-Lease-Purchase	\$0	\$0	\$0
Fund 35 – School Facilities	\$20,580	\$0	(\$20,580)
Fund 40 – Special Reserve/Capital Outlay	\$7,049	\$2,864	(\$4,185)
Fund 49 – Capital Projects (COP)	\$10,326	\$5,181	(\$5,145)
Fund 51 – Bond Interest & Redemption	\$7,892	\$7,900	\$8
Fund 56 – Debt Service	\$4,693	\$4,671	(\$22)
Fund 67 – Workers' Comp/Self-Ins.	\$6,818	\$5,989	(\$829)