



July 26, 2007

Rob Richardson, Board President  
Santa Ana Unified School District  
1601 East Chestnut Ave.,  
Santa Ana, CA 92701-6322

Jane Russo, Superintendent  
Santa Ana Unified School District  
1601 East Chestnut Ave.,  
Santa Ana, CA 92701-6322

**Subject: 2007-08 Final Budget - Single Adoption District**

Dear Mr. Richardson and Ms. Russo:

Thank you for the timely submission of the 2007-08 Final Budget along with the supporting documentation provided to assist us in reviewing the financial condition of the Santa Ana Unified School District.

As required by Education Code Section 42127(d), the Orange County Superintendent of Schools has examined the Final Budget of the District. In addition, an examination has been performed in compliance with Education Code Section 42127(c)(2). The Criteria and Standards have also been reviewed pursuant to Education Code Section 33127. On the basis of the comprehensive review and analysis by the County Office of the District's Final Adopted Budget, 2005-06 Audit Report, and the State adopted Criteria and Standards, the 2007-08 Final Budget of the Santa Ana Unified School District is hereby approved.

The District's Governing Board and Administration continue to act proactively to maintain fiscal solvency and bring revenues in line with expenditures. This is evidenced by the Governing Boards' action to approve \$15 million in ongoing, non-enrollment based budget reductions for the 2007-08 fiscal year. Under current assumptions, the District will need to make additional ongoing, non-enrollment budget reductions of \$17 million in 2008-09 and \$10 million in 2009-10 to maintain fiscal solvency and eliminate operating deficits.

These reductions are in addition to staffing reductions associated with the continuing decline in student enrollment. The Governing Board is aware of this potential shortage and the need to make budget reductions if current budget assumptions are realized. Based on previous actions taken by the District's Governing Board and Administration, our office remains confident that the District is committed to making the necessary budget reductions in future years to maintain fiscal solvency. Our office will continue to monitor future budget submissions to confirm that necessary, planned adjustments are being implemented.

It is also important to note that projections for the budget and two subsequent fiscal years include revenue increases associated with statutory cost of living adjustments, yet negotiations with the certificated and classified bargaining units

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Mr. Richardson  
Ms. Russo  
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have not been completed, and no corresponding expenditures are included.

The District began to experience substantial declines in student enrollment in 2003-04 with further declines in each subsequent year. This trend is projected to continue with future enrollment declines anticipated through 2009-10. This is not unique to the Santa Ana Unified School District. In 2006-07 twenty-one of the twenty-seven K-12 school districts in Orange County experienced declines in student enrollment and more than half of the school districts in California are experiencing declines in student enrollment. Historically when District's begin to experience declines in student enrollment, the declines are not isolated to one year, rather additional declines occur in subsequent years. However, based on enrollment projections commissioned by an outside consultant, the rate of decline experienced by the District in recent years is projected to start to diminish. Therefore the District's projections of future enrollment declines appear prudent.

Education Code Section 42238.5 provides revenue limit funding based on Average Daily Attendance (ADA) for either the current or prior fiscal year, whichever is greater. The District has appropriately budgeted 2006-07 ADA for the budget year. We encourage the District to closely monitor future enrollment trends and prepare for appropriate budget adjustments should enrollment projections fluctuate adversely.

Education Code Section 42127(l)(4) specifies that **"not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act."**

According to the Criteria and Standards, negotiations for the certificated and classified bargaining units have not been settled. In accordance with AB1200 (Statutes of 1991, Chapter 1213), Government Code 3547.5, amended by AB 2756, please complete the Disclosure of Collective Bargaining Agreements prior to board action of the proposed settlements and send a copy to this office along with the certification pages.

With the current uncertainty of the State's financial position complicated by the most recent negative fluctuations in State revenue and the corresponding potential implications on long term education funding, our office recommends that the District continue to maintain unrestricted reserves above the State recommended minimum. Through experience, we have all learned that by maintaining reserves greater than the State recommended minimum level, districts are better prepared to face the uncertainty of the future.

Sincerely,



Wendy Benkert, Ed.D.  
Assistant Superintendent  
Business Services

WB:jf

cc: Don Trigg, Associate Superintendent