



Orange Unified School District

2009-2010 Estimated Actuals
2010-2011 Budget Adoption

June 10, 2010



Presentation Overview

- **Governor's May Revision Budget Proposal for 2010-11 and Impact on the District**
 - California Economy
 - Unemployment Rate Trends
 - Governor's 2010-11 Cash Forecast
 - Overview of the State Budget
 - The Education Budget
 - Impact of the Governor's Proposed Budget on the District
 - Historical Funded Base Revenue Limit
 - Budget Adjustments, including Multi-Year Projections
 - Update on Qualified/Negative Certifications
 - Budget Flexibility Expiration
 - Next Steps

California Economy



- **The State recovery continues to lag the Nation**
 - **State unemployment rate is 12.6%, is the third highest in the nation (Dec '09 = 12.4%)**
 - **National unemployment rate is 9.6% (Dec '09 = 10.0)**
 - **State tax receipts were running higher than the Governor's January 2010-11 Budget Proposal for the first three months**
 - **The last 10 days of April wiped out the surplus**
 - **May revenues released (on 6/10/10) were higher than projected**



Unemployment Rate Trends

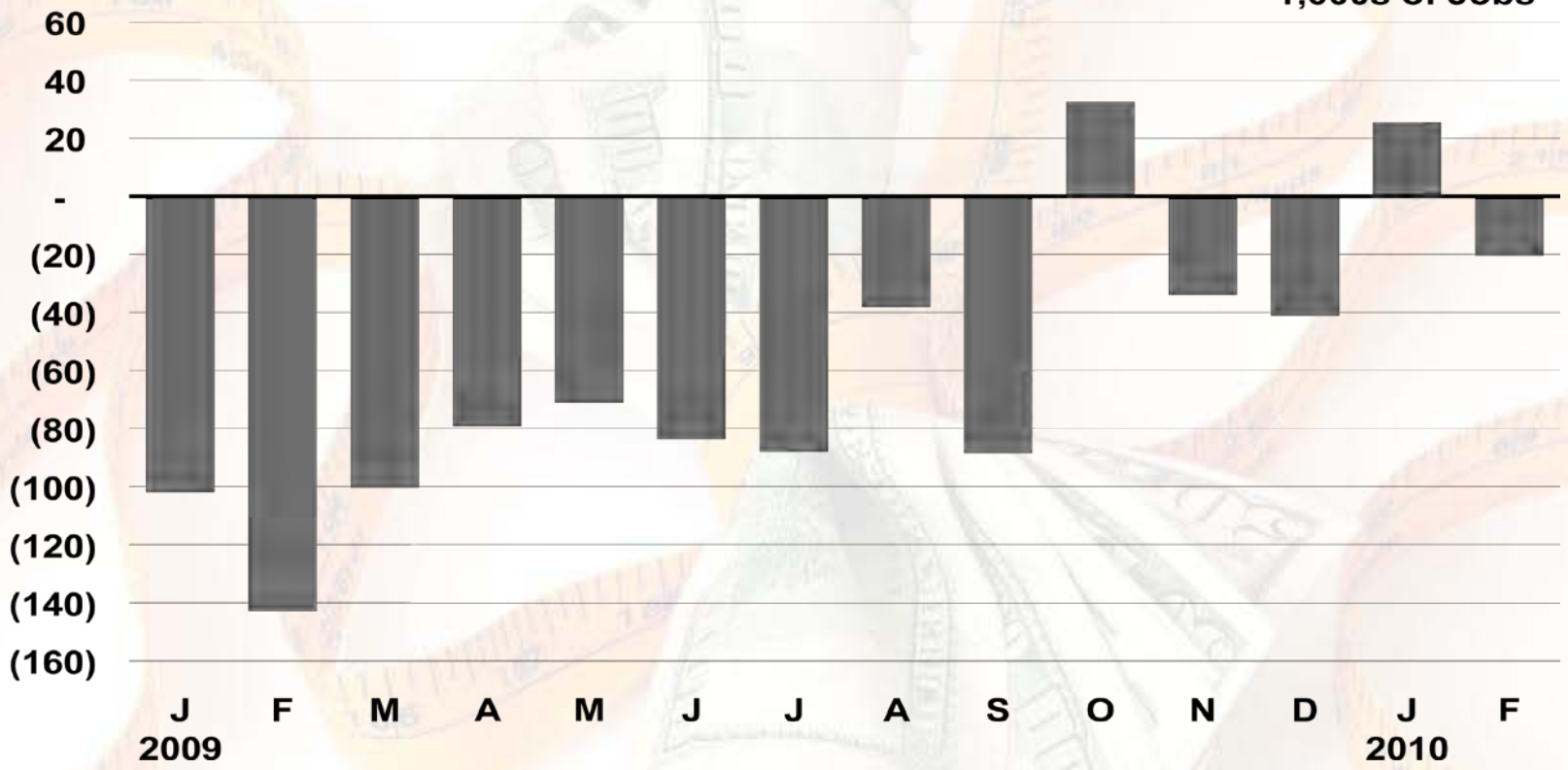
Three-Year Trend in California and U.S. Unemployment Rates
April 2010; Seasonally Adjusted Data





California Job Losses

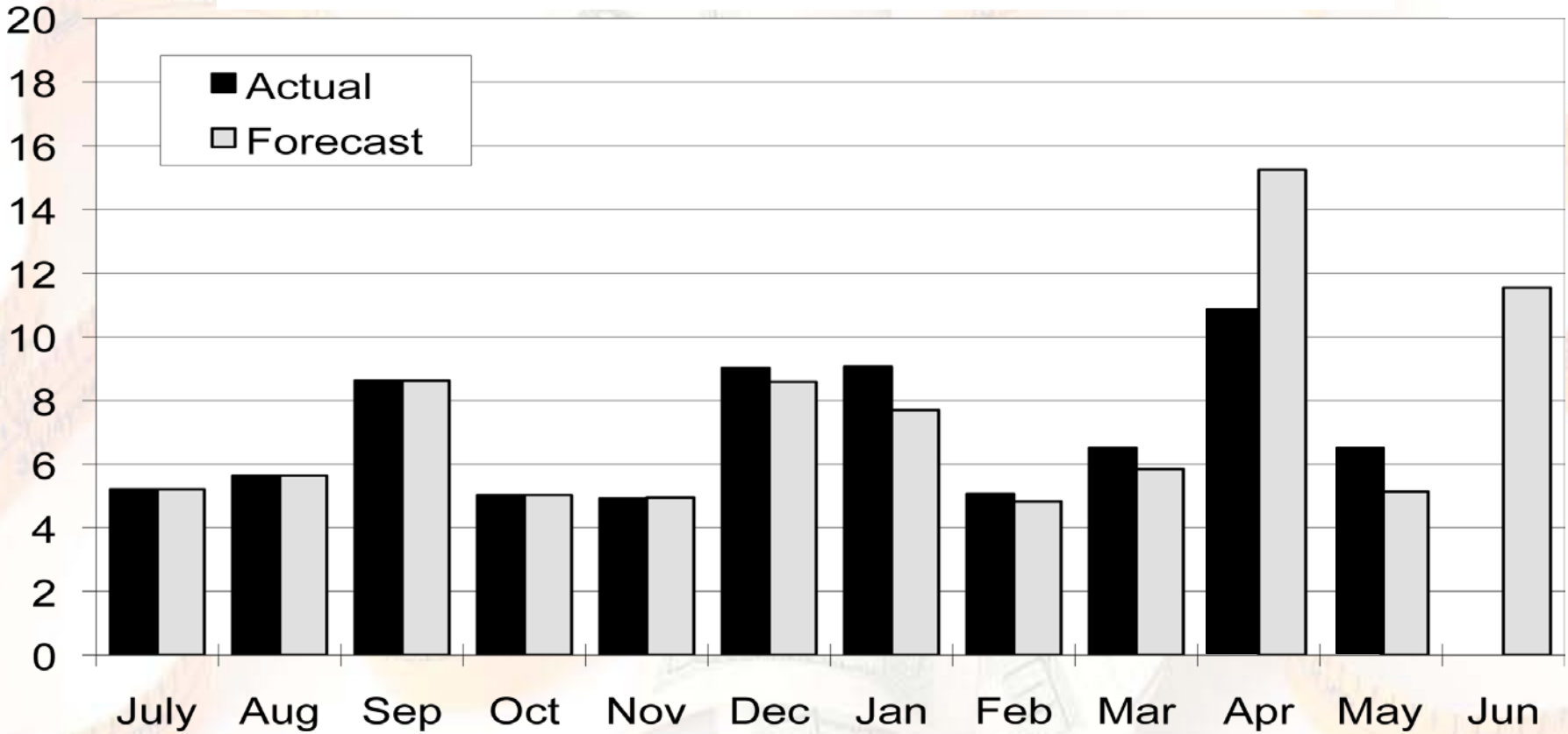
Month-to-Month Change in Nonfarm Employment
1,000s of Jobs





Governor's 2010-11 Cash Forecast

General Fund Agency Cash (Dollars in Billions)



Overview of the State Budget



- **The revised Budget gap is projected to be \$19.1 billion, slightly smaller than the \$19.9 billion gap in the January Budget**
- **The Governor proposes to close the gap without raising taxes**
 - \$12.4 billion in cuts to services
 - \$3.4 billion in additional federal funds (Feds say to expect \$1.9B)
 - \$3.4 billion in borrowing fund shifts, asset sales, and surcharges
- **The Budget reflects two major unresolved problems:**
 - California's finance system serves the state poorly in both good and bad times
 - The current economic woes remain unresolved



The Education Budget

● Highlights of the Education Budget

- **2009-10 Fiscal Year - no further cuts proposed**
- **2010-11 Fiscal Year - \$1.5 billion in Revenue Limit cuts**
 - ◆ **The Department of Finance (DOF) is proposing to implement the cut by reducing every district's undeficitated revenue limit by 3.85%**
 - ◆ **The proposal is to reduce base revenue limits permanently instead of increasing the deficit factor from 18.355% to 22.205%**
- **2010-11 Fiscal Year – “fully-fund” the COLA**
 - ◆ **The Cost of Living Adjustment (COLA) is negative 0.39% for revenue limit funding and negative 0.38% for categorical program funding**



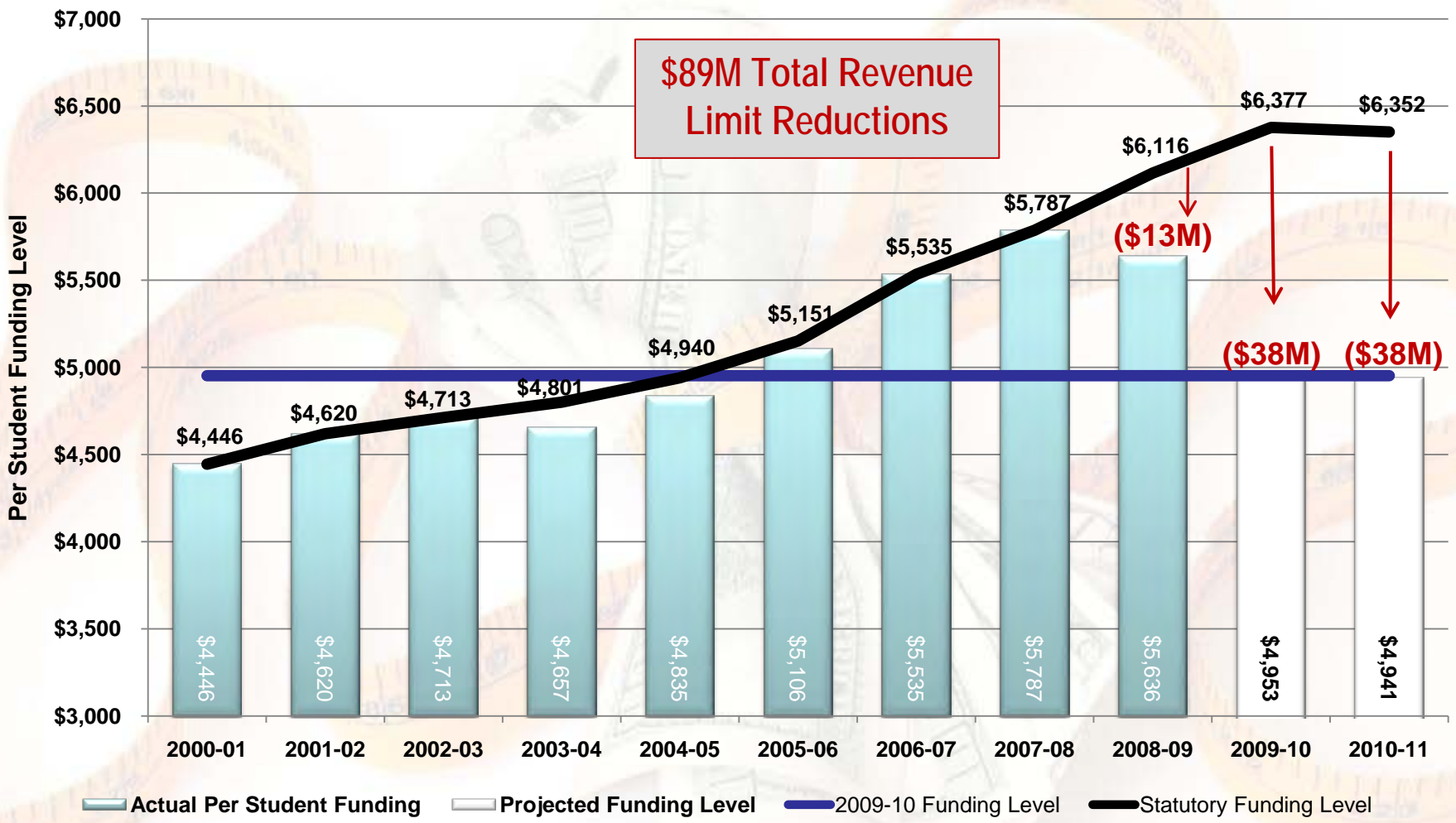
Impact of the May Revise and Adjusted COLA on the District

- The Governor's January proposal for the 2010-11 budget reduced General Fund revenues by \$6.1 million on-going
 - \$5.5 million from across-the-board reduction of \$201 per student in revenue limit funding
 - \$0.6 million from the application of a negative 0.38% COLA equaling \$24 per student in reduced revenue limit funding
- The Governor's May Revision proposes additional on-going cuts of over \$1.2 million to the General Fund
 - The \$201 cut to the revenue limit is increased to \$246 by application of the 3.85% deficit (\$1.2 million)
 - The projected COLA of negative \$24 per student has increased to negative \$25 per student (\$0.03 million)



Historical Funded Base Revenue Limit

Historical Funded Base Revenue Limit





Cumulative Budget Adjustments

➤ Level 1 – Administrative Funding Adjustments

- Reduce site and department discretionary budgets
- Reduce staffing to contractual/legal requirement
- Freeze spending for non-mission critical services and supplies
- Increased Medi-Cal billing through more aggressive tracking of services
- Take advantage of the IDEA ARRA flexibility option
- Charge Fund 71 for retiree health benefits
- Reduce OPEB Interest to Estimated Actuals
- Sweep Instructional Materials' fund balance
- Eliminate Deferred Maintenance fund transfer
- Maximize energy conservation measures



Cumulative Budget Adjustments, con't.

➤ Level 2 – Board of Education Funding Adjustments

- Utilize maximum Tier III flexibility option
- Increase bus pass fees by \$60 and eliminate free GATE busing
- Suspend Elementary Music Program
- Suspend Elementary Summer School
- Restructure Secondary Summer School
- Suspend District Funding for Sports Transportation
- Restructure Custodial Staffing
- Close Riverdale Elementary School
- Restructure Class Size Reduction Program to 30:1 (K-2nd)
- Reduce Leadership salaries by 2% (effective 2009-10 thru 2012-13)
- Reduce Leadership salaries by 5 furlough days (effective 2010-11 thru 2012-13)

Cumulative Budget Adjustments, con't.



➤ Level 3 – Adjustments Requiring Negotiations

- Reduce Certificated compensation by 2% (effective 2009-10 thru 2012-13)
- Reduce certificated salaries by 5 furlough days (effective 2010-11 thru 2012-13)
- Reduce Classified compensation by 2% (effective 2009-10 thru 2011-12)
- Increase 3rd thru 12th grade classroom staffing ratios to 33:1
- Reduce the instructional calendar from 180 to 175 days
- Implement Full Day Kindergarten (effective 2011-12)
- Restructure Certificated employee column advancement
- Freeze District contribution to H & W plans (all employee groups)



Multi-Year Projections

	2009-10	2010-11	2011-12	2012-13
Revenues	\$220,475,080	\$207,592,954	\$203,865,803	\$200,946,670
Expenditures	\$221,741,423	\$223,021,260	\$219,160,938	\$227,503,799
Level 1: Admin. Funding Adj.	0	0	0	0
Level 2: BOE Funding Adj.	0	0	0	0
Level 3: Adj. Requiring Neg.	0	0	0	0
Total Expenditures	<u>\$221,741,423</u>	<u>\$223,021,260</u>	<u>\$219,160,938</u>	<u>\$227,503,799</u>
Inc./((Dec.) in Fund Balance	(\$1,266,343)	(\$15,428,306)	(\$15,295,135)	(\$26,557,129)
Beginning Fund Balance	<u>\$37,975,586</u>	<u>\$36,709,243</u>	<u>\$21,280,937</u>	<u>\$5,985,802</u>
Ending Balance	\$36,709,243	\$21,280,937	\$5,985,802	(\$20,571,327)
Less: Restrict. Reserves	<u>(\$19,323,722)</u>	<u>(\$8,271,765)</u>	<u>(\$7,305,955)</u>	<u>(\$7,556,241)</u>
Unrestricted Balance	\$17,385,521	\$13,009,172	(\$1,320,153)	(\$28,127,568)

Budget Adjustments Under Negotiation - CSEA



Level 3: Board of Education Approved Under Negotiations	2010-11	2011-12	2012-13
Extend the three year 2009-10 furlough agreement by one year	\$0	\$0	\$421,838
Limit H & W to new hires after 6 months (employee coverage only)	\$0	\$0	\$0
Eliminate employee contribution of \$100/\$250 for dependent coverage	(\$40,309)	(\$40,309)	(\$40,309)
Decrease Health & Welfare waiver to \$1,200	\$33,924	\$33,924	\$33,924
Increase number of furlough days by five	\$523,595	\$523,595	\$523,595
Freeze step/longevity advancement	\$253,818	\$253,818	\$253,818
Total	\$771,028	\$771,028	\$1,192,866

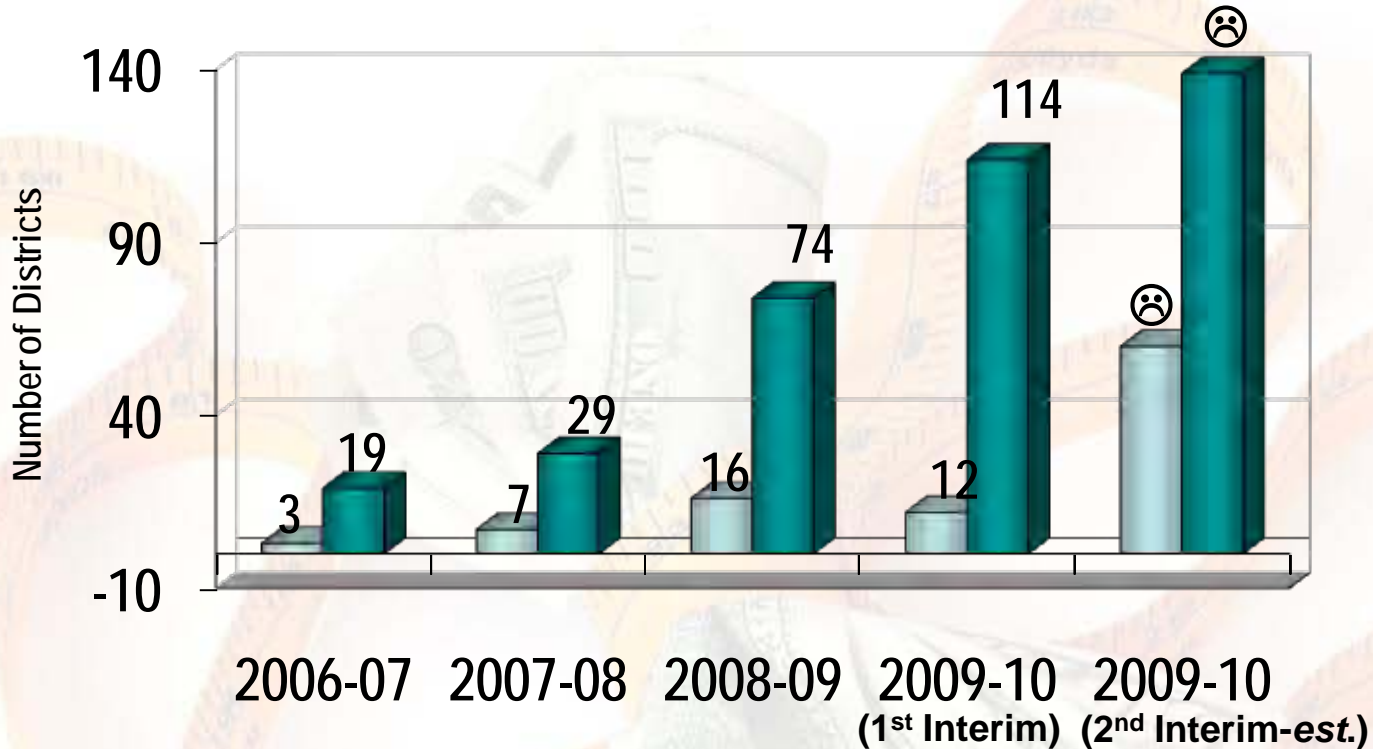


Multi-Year Projections After Implementation of Budget Adjustments

	2010-11	2011-12	2012-13
Revenues	\$207,592,954	\$203,865,803	\$200,946,670
Expenditures	\$223,021,260	\$219,160,938	\$227,503,799
Level 1: Admin. Funding Adj.	0	0	0
Level 2: BOE Funding Adj.	0	0	0
Level 3: Adj. Requiring Neg.	(771,028)	(771,028)	(1,192,866)
Total Expenditures	<u>\$222,250,232</u>	<u>\$218,389,910</u>	<u>\$226,310,933</u>
Inc./ (Dec.) in Fund Balance	(\$14,657,278)	(\$14,524,107)	(\$25,364,263)
Beginning Fund Balance	<u>\$36,709,243</u>	<u>\$22,051,965</u>	<u>\$7,527,858</u>
Ending Balance	\$22,051,965	\$7,527,858	(\$17,836,405)
Less: Restrict. Reserves	<u>(\$8,248,634)</u>	<u>(\$7,282,824)</u>	<u>(\$7,520,455)</u>
Unrestricted Balance	\$13,803,331	\$245,034	(\$25,356,860)



Update on Qualified/Negative Certifications



■ Negative Certifications ■ Qualified Certifications

Orange County :
1st Interim = 10 qualified districts
2nd Interim = 11 qualified districts



Budget Flexibility Expiration

- **CDE Class Size Waiver will sunset in 2011-12**
 - Increases unrestricted general fund expenditures by \$1.9M *on-going* beginning with the 2012-13 fiscal year.
- **Class Size Reduction Flexibility will sunset in 2011-12**
 - Reduces unrestricted general fund revenue by \$5.2M *on-going*, beginning with the 2012-13 fiscal year.
- **All Other 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.



Next Steps

- **Budget Updates:**

- **Adoption of State Budget**
- **Unforeseen economic/legislative events**

- **Deadlines: Education Code (42127, 42130)**

- **August 26, 2010: Adopt 2009-10 Unaudited Actuals & 2010-11 Revised Budget**
- **December 9, 2010: Adopt 2010-11 First Interim Budget**