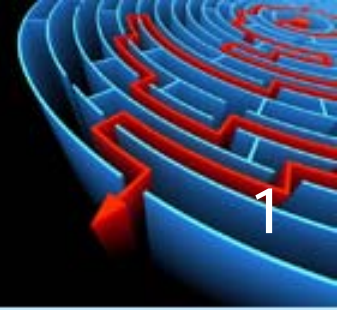


A 3D maze with blue walls and a red path leading to a red arrow pointing towards the text.

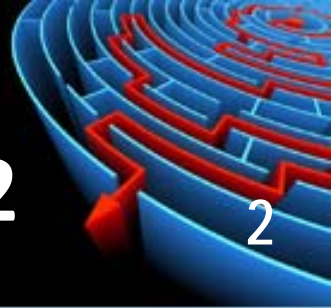
**Orange Unified School District  
2011-12 Budget Update  
February 17, 2011**

# Presentation Overview



- **Governor's Proposal's for 2011-12**
- **Flexibility Options Proposed to Continue**
- **Revenue Limits**
- **Historical Impact of Revenue Limit Deficit**
- **Impact of Governor's Proposal to OUSD**
- **Multi -Year Projections *Without* Tax Extensions**
- **Multi-Year Projections *With* Tax Extensions**
- **Risks to the Budget Proposal**
- **Next Steps**

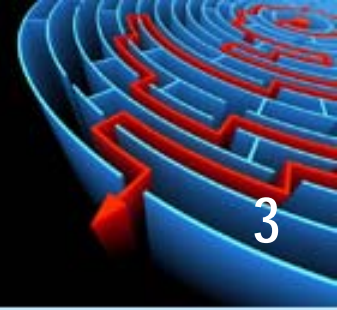
# The Governor's Proposals for 2011-12



2

- So, how does the Governor propose to dig the state out of this economic quagmire?
  - Cuts – lots of them
    - But with the acknowledgement that education has already taken more than its fair share of cuts
  - Realignment
    - Restore local control of services to save the state money
  - Continuation of taxes
    - Temporary taxes will be extended by five years
- The Governor has two tax plans:
  - If the taxes are extended, the cuts are as budgeted in January
    - Education would be flat funded for 2011-12
  - If the taxes are not extended, an estimated additional \$12.5 billion in cuts would be needed, including large cuts to education

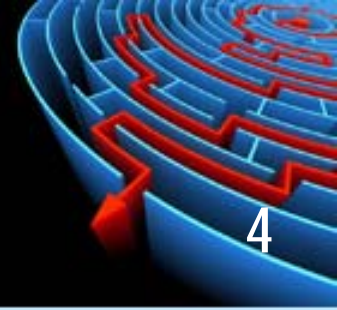
# Flexibility Options Proposed to Continue



- The Governor's Proposal and Trailer Bill will extend available flexibility options by two years beyond the current expiration dates

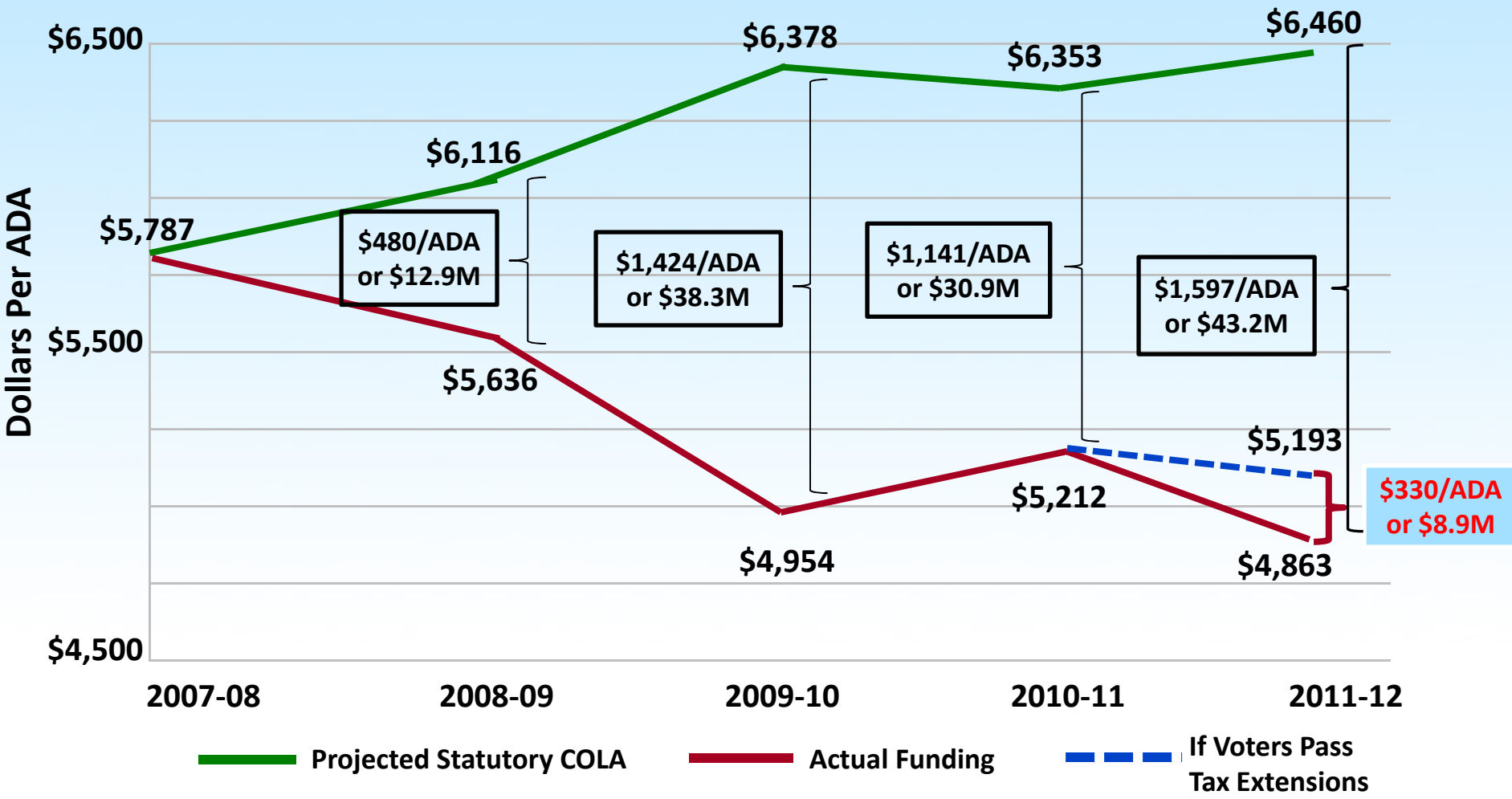
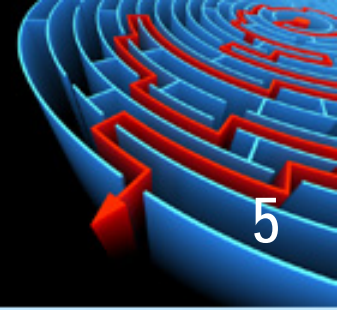
Current Law Expiration Date	Governor's Budget New Expiration	Description of Flexibility
June 30, 2012	June 30, 2014	Reduced penalties for K-3 Class-Size Reduction (CSR) (for up to the number of classes applied for as of January 31, 2009)
June 30, 2013	June 30, 2015	Routine restricted maintenance set aside reduced from 3% to 1%
		Suspension of deferred maintenance local match requirement
		Flexibility of Tier III categorical programs (funding level based on 2008-09)
		Suspension of instructional materials adoption requirement
		Reduction of school year by five days

# Revenue Limits



- **The Governor's Budget proposes the following for revenue limits:**
  - **For 2010-11:**
    - **No change to the enacted 2010-11 Budget Act levels**
  - **For 2011-12:**
    - **Full funding for an estimated 0.22% increase in ADA**
    - **No funding increase for the estimated 1.67% statutory COLA**
    - **19.608% deficit factor, which eliminates the statutory COLA**
    - **The actual statutory COLA is dependent on data published by the U.S. Department of Commerce in April 2011**

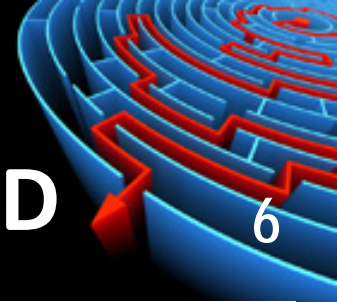
# Historical Impact of Revenue Limit Deficit



**\$330/ADA  
or \$8.9M**

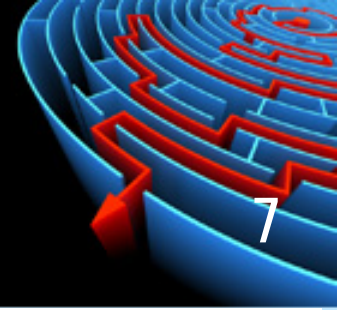


# Impact of Governor's Proposal to OUSD



Proposal	Impact
<input type="checkbox"/> Flat Funding resulting in \$19/ADA loss: On-going	(\$515,242)
<input type="checkbox"/> No Funding increase for estimated 1.67% statutory COLA: On-going	(\$2,901,626)
<input type="checkbox"/> Additional Revenue Limit of \$330/ADA if tax extension passes: Five Years (OCDE Common Message)	\$8,949,042
<input type="checkbox"/> Reduced Penalties for K-3 CSR: 2012-13, 2013-14	\$4,615,496
<input type="checkbox"/> Two year flexibility: June 2013-14 through June 2014-15: <ul style="list-style-type: none"> <li>▪ Routine restricted maintenance set aside from 3% to 1 %</li> <li>▪ Suspension of deferred maintenance local match requirement</li> <li>▪ Flexibility of Tier III categorical programs – based on 2008-09 funding level</li> <li>▪ Reduction of school year by five days</li> </ul>	\$916,377 \$964,921 \$3,631,210 \$3,498,442

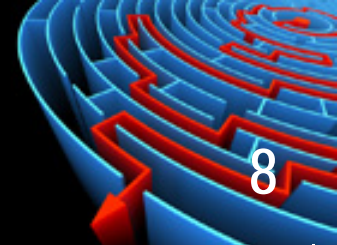
# Multi Year Projections *Without Tax Extensions*



	2010-11	2011-12	2012-13
Revenues	\$227,903,743	\$203,536,718	\$203,045,978
Additional SFSF/ARRA Funding	\$1,957,617	0	0
Total Revenues as Adjusted	\$229,861,360	\$203,536,718	\$203,045,978
Expenditures	\$228,739,155	\$218,434,733	\$231,235,320
OPEB Contribution	(\$2,500,000)	0	0
Total Expenditures as Adjusted	\$226,239,155	\$218,434,733	\$231,235,320
Inc. (Dec.) in Fund Balance	\$3,622,205	(\$14,898,015)	(\$28,189,342)
Beginning Fund Balance	\$37,941,250	\$41,563,455	\$26,665,440
Ending Balance	\$41,563,455	\$26,665,440	(\$1,523,902)
Less: Restricted Reserves	(\$10,618,302)	(\$9,534,169)	(\$9,168,187)
Unrestricted Balance	<u>\$30,945,153</u>	<u>\$17,131,271</u>	<u>(\$10,692,089)</u>

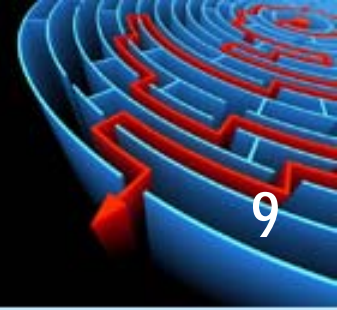


# Multi Year Projections *With* Tax Extensions



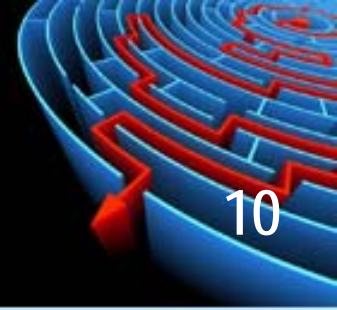
	2010-11	2011-12	2012-13
Revenues	\$227,903,743	\$203,536,718	\$203,045,978
If Voters Pass Tax Extensions	0	\$8,949,042	\$8,949,042
Additional SFSF/ARRA	\$1,957,617	0	0
Total Revenues as Adjusted	\$229,861,360	\$212,485,760	\$211,995,020
Expenditures	\$228,739,155	\$218,434,708	\$231,235,240
OPEB Contribution	(\$2,500,000)	0	0
Total Expenditures as Adjusted	\$226,239,155	\$218,434,708	\$231,235,240
Inc. (Dec.) in Fund Balance	\$3,622,205	(\$5,948,948)	(\$19,240,220)
Beginning Fund Balance	\$37,941,250	\$41,563,455	\$35,614,507
Ending Balance	\$41,563,455	\$35,614,507	\$16,374,287
Less: Restricted Reserves	(\$10,618,302)	(\$9,534,168)	(\$9,168,187)
Unrestricted Balance	<u>\$30,945,153</u>	<u>\$26,080,339</u>	<u>\$7,206,100</u>

# Risks to the Budget Proposal



- Flat funding for K-12 education in 2011-12 is dependent upon the extension of the current temporary taxes and flexibility
  - The Legislature must pass legislation enacting the Governor's proposed changes, including extending flexibility
    - Requires a majority vote
  - The Legislature must place the tax extension proposal on the ballot
    - Requires a two-thirds vote, two Republicans in each house must agree
  - Voters may turn this down even if it gets on the ballot
  - Court Challenges

# Next Steps



## ● State Action:

- **March 2011: Legislative action to adopt the Governor's Budget proposals**
- **May 2011: May Revise**
- **June 2011: Voters will decide whether to continue the temporary taxes**

## ● Deadlines: Education Code (42127, 42130)

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