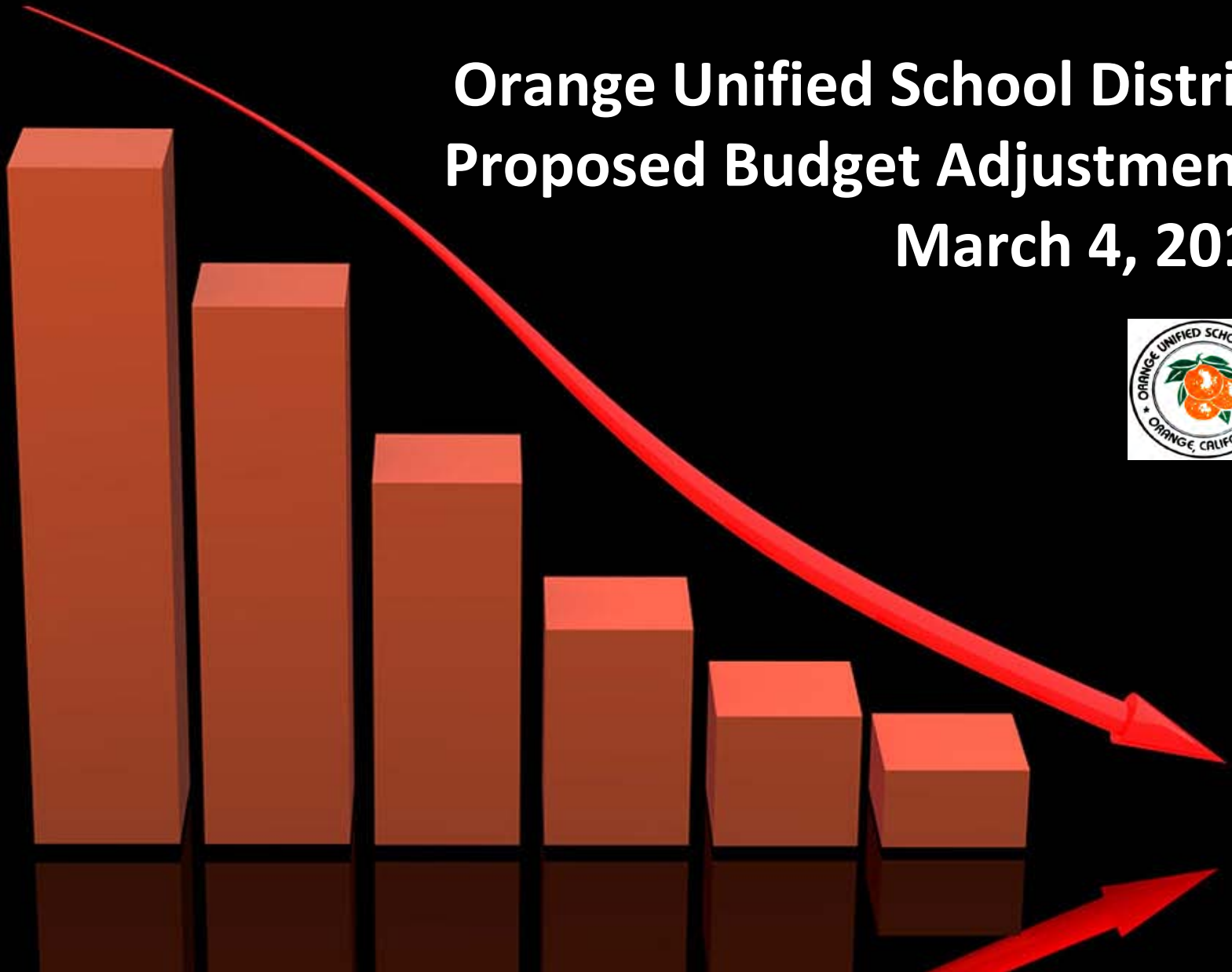


Orange Unified School District Proposed Budget Adjustments March 4, 2010



A bar chart with six bars of decreasing height from left to right, overlaid with a red curved arrow pointing downwards from the top left towards the bottom right.

Presentation Overview

- **Governor's Budget Proposal for 2010-11 and the impact on the District**
 - **State economics**
 - **The Governor's proposal for the 2010-11 Education Budget**
 - **Impact of the Governor's proposed budget on OUSD**
 - **Cumulative Budget Adjustments since March 2009**
 - **Multi-Year Projections**
 - **Recommended Budget Adjustments**
 - **Multi-Year Projections with Budget Adjustments**
 - **Next Steps**

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State Economics

● The economic crisis is not over for California

- As of December 2009, the state's unemployment rate was 12.4%, compared to 10.0% for the U.S. (December 2008 = 8.7%)
- Income and sales taxes tend to lag during a recovery
- The Governor acknowledged that the state faces a Budget gap of \$19.9 billion for 2009-10 and 2010-11 combined

● Federal Funding

- One-time funds appear to be a thing of the past



State Economics – cont.

- **Other factors that will impair the recovery include**
 - Very weak construction and manufacturing sectors
 - Political gridlock in Sacramento
 - Property values are not recovering

- **Bottom Line**
 - The state economy continues to struggle
 - The one-time dollars are gone
 - More budget cuts are likely
 - 2010-11 promises to be the toughest year of the recession

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The Education Budget

● Highlights of the Education Budget

- 2009-10 Fiscal Year - no further cuts proposed
- 2010-11 Fiscal Year - \$1.5 billion in cuts
 - Applying the cut to the revenue limit, the reduction is **(\$201)** per student for all unified school districts
 - This reduction will reduce each LEA's base revenue limit on a permanent basis, but the proposal is not to increase the deficit factor of 18.355% (should be 21.51%)
- 2010-11 Fiscal Year – “fully-funded” COLA
 - However, the COLA is **(0.38%)** or **(\$24)** per student for all unified school districts

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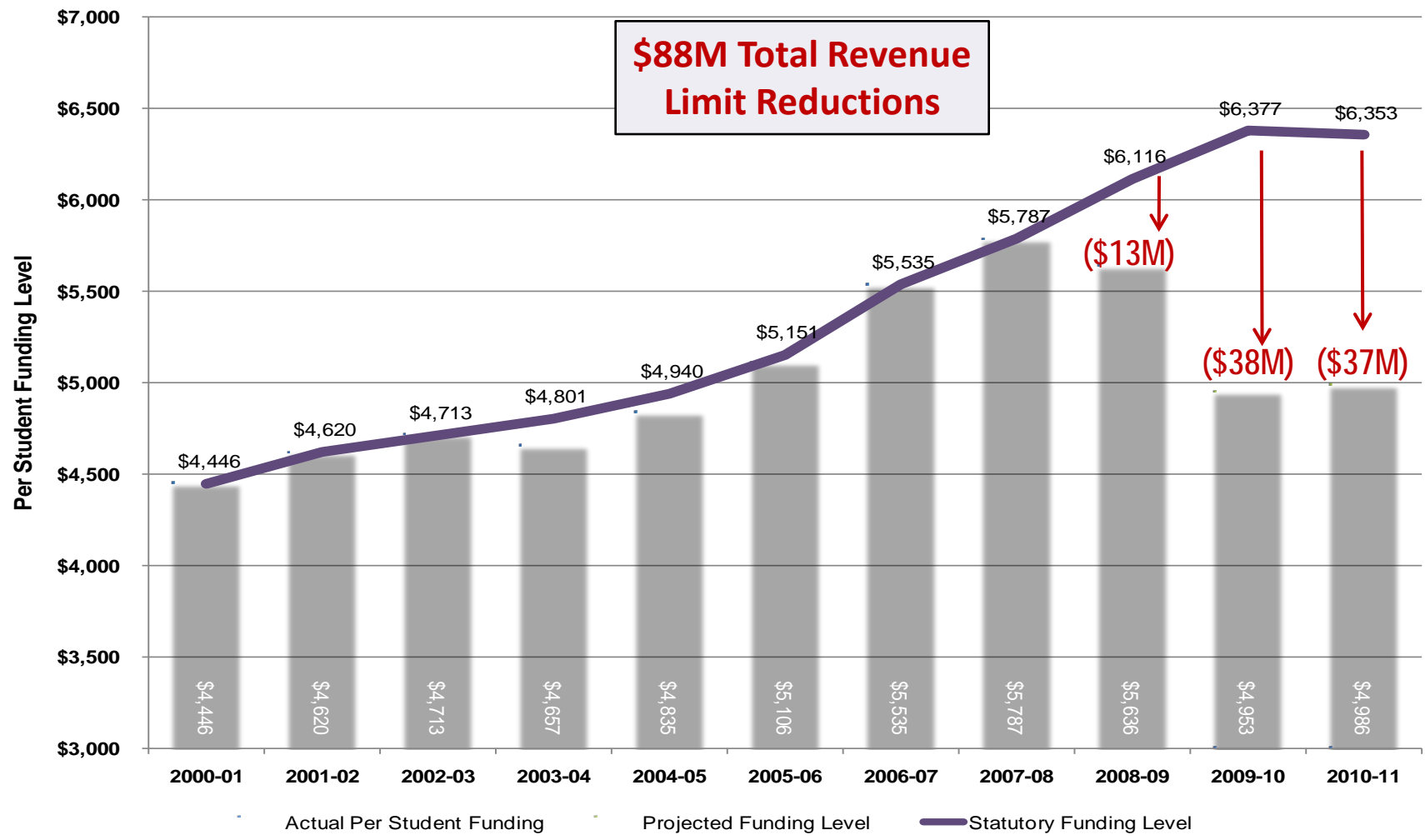
Impact of the Governor's Proposed Budget on the District

● District Impact

- The Governor's initial proposal for the 2010-11 budget is estimated to be a reduction of \$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 cost of living adjustment or COLA of **(.38%)** equaling **(\$24)** per student in reduced revenue limit funding
 - Also, the negative COLA will apply to all state categorically funded programs

Historical Funded Base Revenue Limit

Historical Funded Base Revenue Limit - Orange





Cumulative Budget Adjustments since March 2009

Description	One Time	On-Going
<p>➤ Level 1 – Administrative Funding Adjustments</p> <ul style="list-style-type: none"> • Reduce site-department discretionary budget • Reduce staffing to contractual/legal requirement • Freeze Spending • Increase Medi-Cal Revenue Billing • Take advantage of the IDEA Flexibility Option • Charge Fund 71 for Health Benefits • Reduce OPEB Interest to Estimated Actuals • Sweep Instructional Materials • Eliminate Deferred Maintenance Transfer 	\$17,241,000	\$7,322,587
<p>➤ Level 2 – Board of Education Funding Adjustments</p> <ul style="list-style-type: none"> • Reduce District Administration Staff • Close Silverado Elementary School • Tier III Flexibility Option • Increase Bus Pass Fee by \$60 • Eliminate GATE Busing 		



Cumulative Budget Adjustments since March 2009 – cont.

Description	One Time	On-Going
<p>➤ Level 2 – Funding Adjustments – cont.</p> <ul style="list-style-type: none"> • Eliminate Elementary Music Program • Eliminate Elementary Summer School • Restructure Secondary Summer School • Eliminate District Funding for Sports Transportation • Restructure Custodial Staffing • Close Riverdale Elementary School • Restructure Class Size Reduction Program to 30:1 	\$2,582,491	\$12,111,658
<p>➤ Level 3 – Board of Education Funding Adjustments Requiring Negotiations</p> <ul style="list-style-type: none"> • Reduce compensation for all employee groups by 2% through a combination of monetary adjustments and/or furlough days • Increase High School Staff Ratio to 33:1 (pending negotiations) 	-0-	\$4,096,960
TOTAL	\$19,823,491	\$23,531,205

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Budget Flexibility Expiration

- **2% Negotiated Settlement will sunset in 2011-12**
 - Increases unrestricted general fund expenditures by \$3.6M *on-going* beginning with the 2012-13 fiscal year.
- **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 \$4.6M *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.



Current Multi-Year Projections

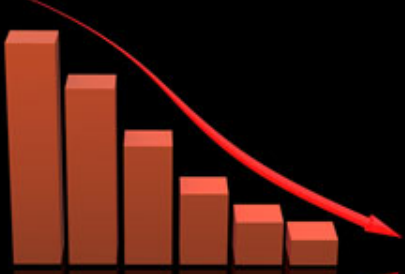
	2009-10	2010-11	2011-12	2012-13
Revenues	\$220,642,631	\$209,722,284	\$203,750,055	\$200,815,927
Expenditures	<u>\$236,005,030</u>	<u>\$219,155,589</u>	<u>\$224,772,984</u>	<u>\$234,589,261</u>
Inc./(Dec.) in Fund Balance	(\$15,362,399)	(\$9,433,305)	(\$21,022,929)	(\$33,773,334)
Beginning Fund Balance	<u>\$37,975,586</u>	<u>\$22,613,187</u>	<u>\$13,179,882</u>	<u>(\$7,843,047)</u>
Ending Balance	\$22,613,187	\$13,179,882	(\$7,843,047)	(\$41,616,381)
Less: Restricted Reserves	<u>(\$8,411,278)</u>	<u>(\$7,305,795)</u>	<u>(\$7,474,317)</u>	<u>(\$7,768,805)</u>
Unrestricted Balance	\$14,201,909	\$5,874,087	(\$15,317,364)	(\$49,385,186)



Recommended Budget Adjustments

Adjustments	2010-11	2011-12	2012-13
Level 1: Administrative Adjustments			
Total	-0-	-0-	-0-
Level 2: Board of Education Adjustments			
Reduce Administration/Support Staff	\$413,100	\$498,600	\$498,600
Total	\$413,100	\$498,600	\$498,600
Level 3: Board of Education Adjustments Requiring Negotiations			
Reduce School Days from 180 to 175	3,378,000	3,378,000	3,378,000
Implement Full Day Kindergarten	500,000	500,000	500,000
Restrict Column Advancement (Sept. 1 st)	500,000	-0-	-0-
Increase Grades 3-8 Staff Ratio to 33:1 (29 FTE's)	1,885,000	1,885,000	-0-
Restructure Salary Schedule (Freeze Steps)	2,079,000	2,079,000	2,079,000
Total	8,342,000	7,842,000	5,957,000
GRAND TOTAL	8,755,100	8,340,000	6,455,600

Multi-Year Projections After Implementation of Budget Adjustments



	2009-10	2010-11	2011-12	2012-13
Revenues	\$220,642,631	\$209,722,284	\$203,750,055	\$200,815,927
Expenditures	\$236,005,030	\$219,155,589	\$224,772,984	\$234,589,261
Level 1: Admin. Funding Adj.	0	0	0	0
Level 2: BOE Funding Adj.	0	(413,000)	(498,600)	(498,600)
Level 3: Adj. Requiring Neg.	0	(8,342,000)	(7,842,000)	(5,957,000)
Total Expenditures	<u>\$236,005,030</u>	<u>\$210,400,489</u>	<u>\$216,432,384</u>	<u>\$228,133,661</u>
Inc./((Dec.) in Fund Balance	<u>(\$15,362,399)</u>	<u>(\$678,205)</u>	<u>(\$12,682,329)</u>	<u>(\$27,317,734)</u>
Beginning Fund Balance	<u>\$37,975,586</u>	<u>\$22,613,187</u>	<u>\$21,934,982</u>	<u>\$9,252,653</u>
Ending Balance	\$22,613,187	\$21,934,982	\$9,252,653	<u>(\$18,065,081)</u>
Less: Restrict. Reserves	<u>(\$8,411,278)</u>	<u>(\$7,043,142)</u>	<u>(\$7,224,099)</u>	<u>(\$7,575,137)</u>
Unrestricted Balance	\$14,201,909	\$14,891,840	\$2,028,554	<u>(\$25,640,218)</u>

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Next Steps

● Budget Updates:

- Governor's May Revise
- Adoption of State Budget
- Unforeseen economic/legislative events

● Deadlines: Education Code (42127, 42130)

- March 15, 2010: Adopt Second Interim Budget 2009/10 through 2011/12
- June 30, 2010: Adopt District Budget 2010/11 through 2012/13