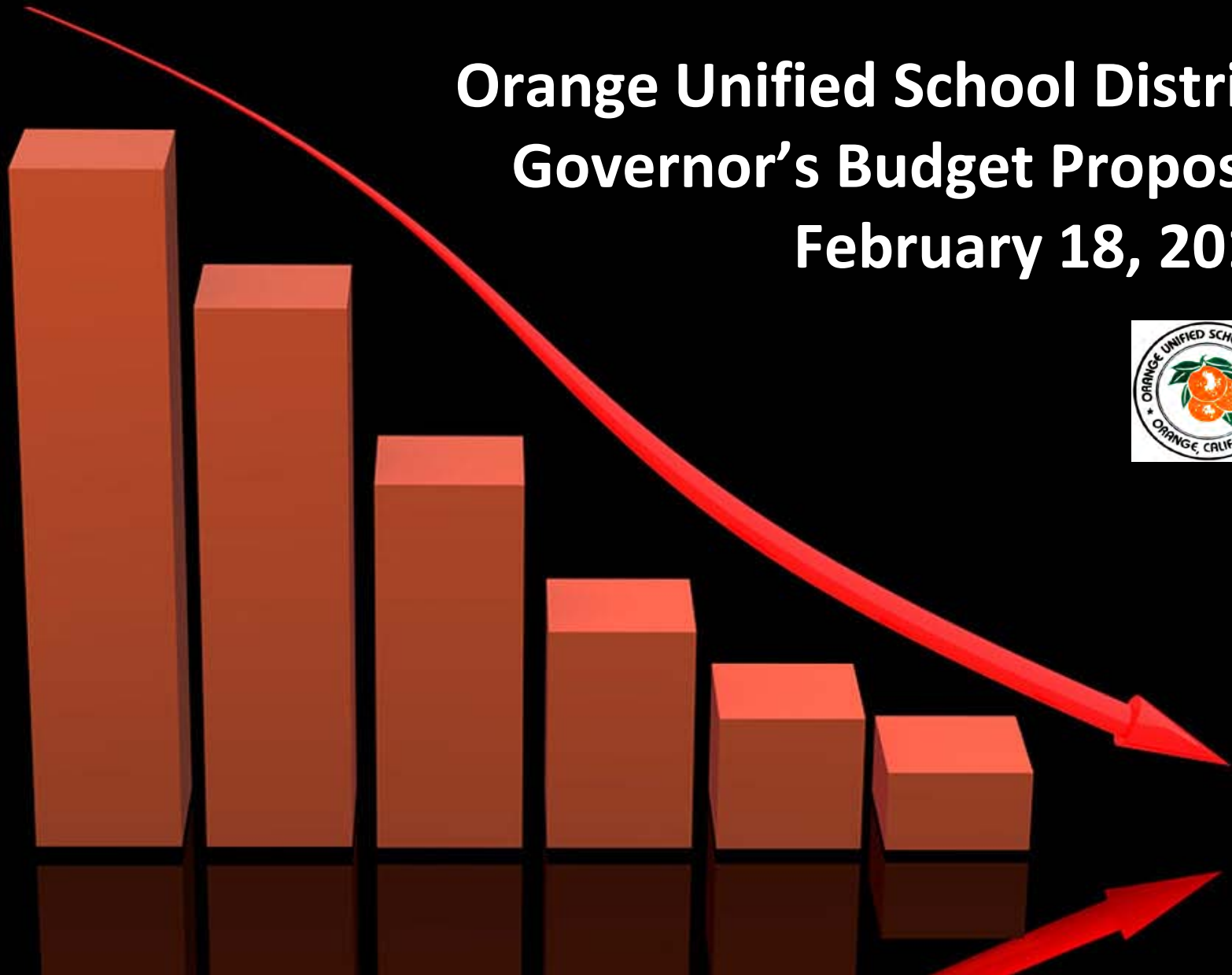


Orange Unified School District Governor's Budget Proposal February 18, 2010



A decorative graphic in the top left corner consisting of a bar chart with six bars of decreasing height from left to right, and a red arrow pointing downwards and to the right, starting from the top of the first bar and ending at the bottom of the sixth bar.

Presentation Overview

- **Presentation and discussion of the 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**
 - **Budget Adjustments Under Study**
 - **Next Steps**

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 to the bottom right.

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

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

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 imminent
- 2010-11 promises to be the toughest year of the recession

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The Education Budget

● Highlights of the Education Budget

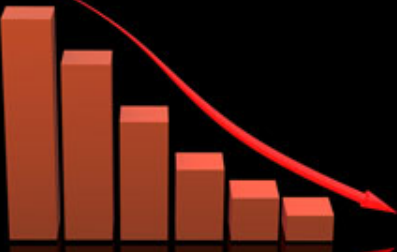
- 2009-10 Fiscal Year - no further cuts proposed
- 2010-11 Fiscal Year - \$1.5 billion in cuts
 - Applying the cut to the revenue limit, the reduction is **(\$201)** per student for all unified school districts
 - This reduction will reduce each LEA's base revenue limit on a permanent basis, but the 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



Impact of the Governor's Proposed Budget on the District

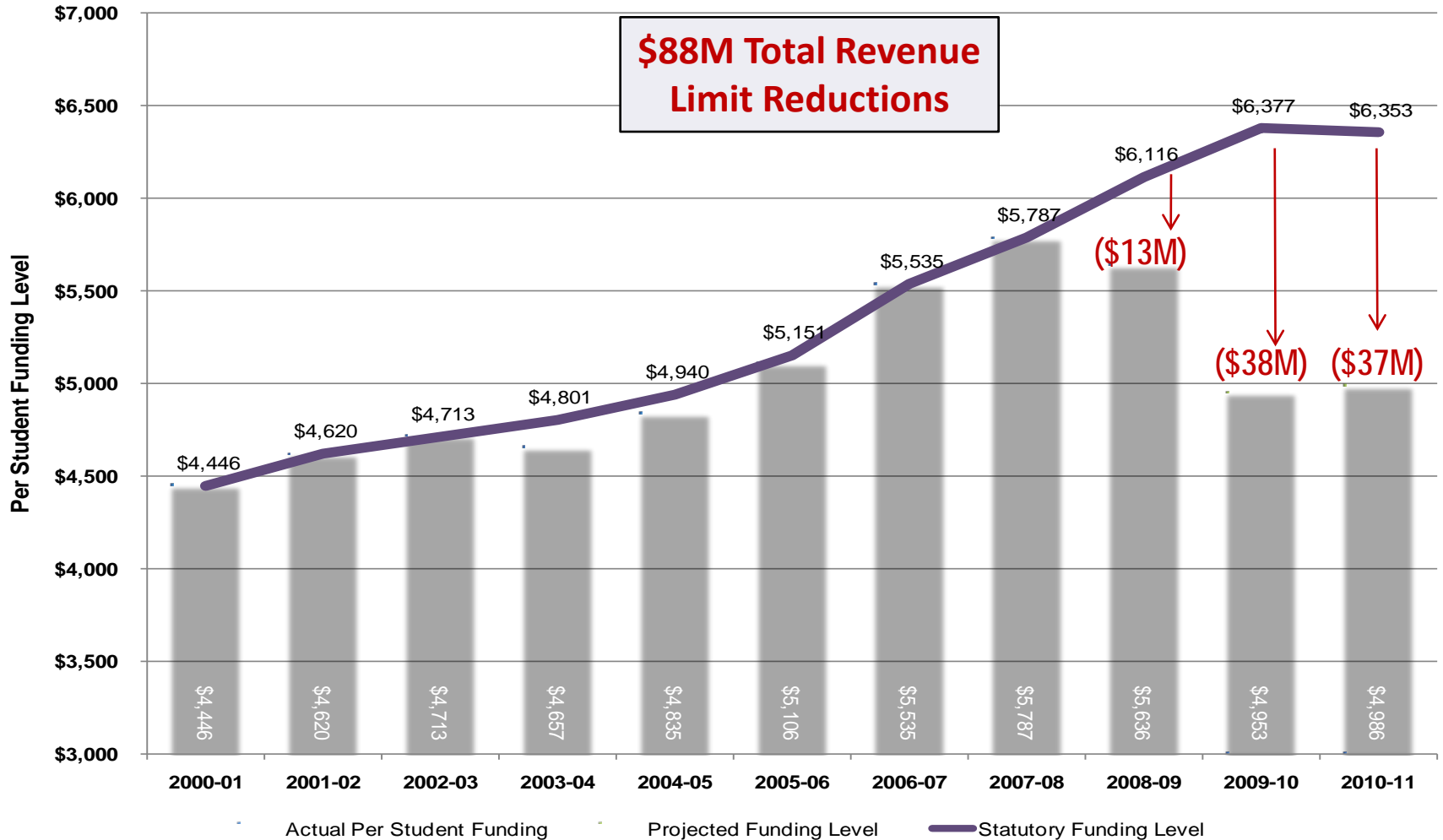
● District Impact

- 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 – Board of Education 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 Staffing Ratio to 33:1 (pending negotiations) 	-0-	\$4,096,960
TOTAL	\$19,823,491	\$23,531,205

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

Budget Adjustments Under Study

- **Support Staff Reductions**
- **Reduce Number of School Days from 180 to 175 Days**
- **Increase Grades K – 8 Class Size to 33:1 (CDE Waiver)**
- **Implement Full Day Kindergarten**
- **Restructure Salary Schedule (freeze steps)**
- **Restrict Column Advancement (one time per year)**
- **Reduce Salaries**



Reduction in Staffing due to Increase in Class Size

Grades	Class size increases	Reduction in Staffing *
Grades 4-8	32:1	11
Grades 4-8	33:1	22
Grades K-2	30:1	
3-8	33:1	29
Grades K-3	32:1	
4-8	33:1	31
Grades K-8	33:1	48

* Estimated based on current enrollment



Implement Full Day Kindergarten

● Five year average increase in enrollment from K to 1st grade = 147 annually

- Estimated increase in revenue using 66% capture rate (147 x .66 = 97 additional students) **\$485,000**
- Less: Additional staffing cost **(\$195,000)**
- Add: Transportation savings from Kindergarten early/late start **\$145,000**
- Estimated increase in revenue for implementing Full Day Kindergarten **\$435,000**

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Budget Flexibility Expiration

- **The K-3 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.



Next Steps

- **Staff will continue to work with:**

- **Site Administrators**
- **Certificated Representatives**
- **Classified Representatives**
- **Parent Group Representatives**

- **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**

- ***Remember, the Governor's Proposal is the beginning of the process, not the end.***