

BUDGET WORKSHOP

Board of Education

February 9, 2010

Agenda

1. District Budget Overview
2. Budget Breakdown – Where the money goes
3. Previous Budget Cuts
4. Potential Budget Reductions for 2010-11
5. Next Steps

Part 1. Budget Overview

District Budget

- Includes both restricted (categorical) and unrestricted General Fund budget for all income/expense to support K-12
- Excludes bond construction, pre-school, cafeteria, capital facilities, adult education, deferred maintenance
- Information from 2009/10 Interim Financial Report (December 8, 2009)

2009-10 District Budget

	<u>2009-10</u>
Total expense	\$172,389,916
Total revenue	<u>\$160,967,961</u>
Deficit	\$ 11,421,955
Begin balance	\$ 24,744,191 *
Ending balance	\$ 13,322,236
Reserves	\$ 5,646,210 (3.3%)

** Beginning balance includes **\$7.4 million federal stimulus** received in June 2009 and budgeted for 2009-10 expense*

Projected 2010-11 Budget

	<u>2009-10</u>	<u>2010-11*</u>
Total expense	\$172,389,916	\$172,043,386
Total revenue	<u>\$160,967,961</u>	<u>\$150,055,312</u>
Deficit	\$ 11,421,955	\$ 21,988,074

**Spending cut required
to maintain 3% reserve - 0 - \$ 19,386,613**

Reserves	\$ 5,646,210	\$ 5,161,302
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** Budget projection for 2010-11 assumes status quo programs with no additional cuts in state funding and no added federal funding*

Why 2010-11 Budget is So Bad

– Federal Funding –

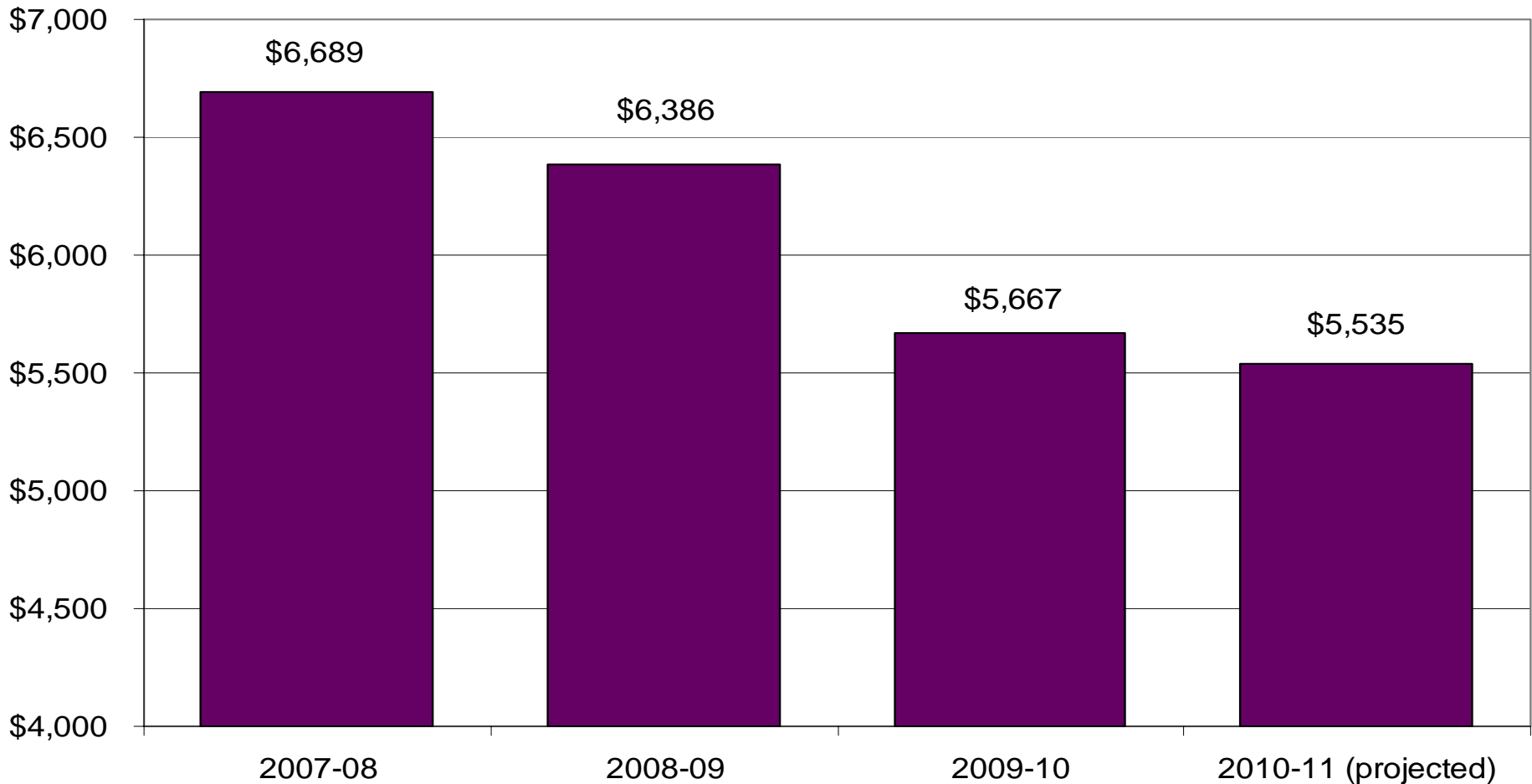
- **This year** – **\$14 million federal stimulus** funding and categorical “sweep-up” is being used to offset deep cuts in state funding. This helped avoid still deeper spending/staffing cuts for 2009-10.
- **Next year** – These **one-time funding** sources will be gone and we must reduce spending to reflect expected income.

Why 2010-11 Budget is So Bad

– State Funding –

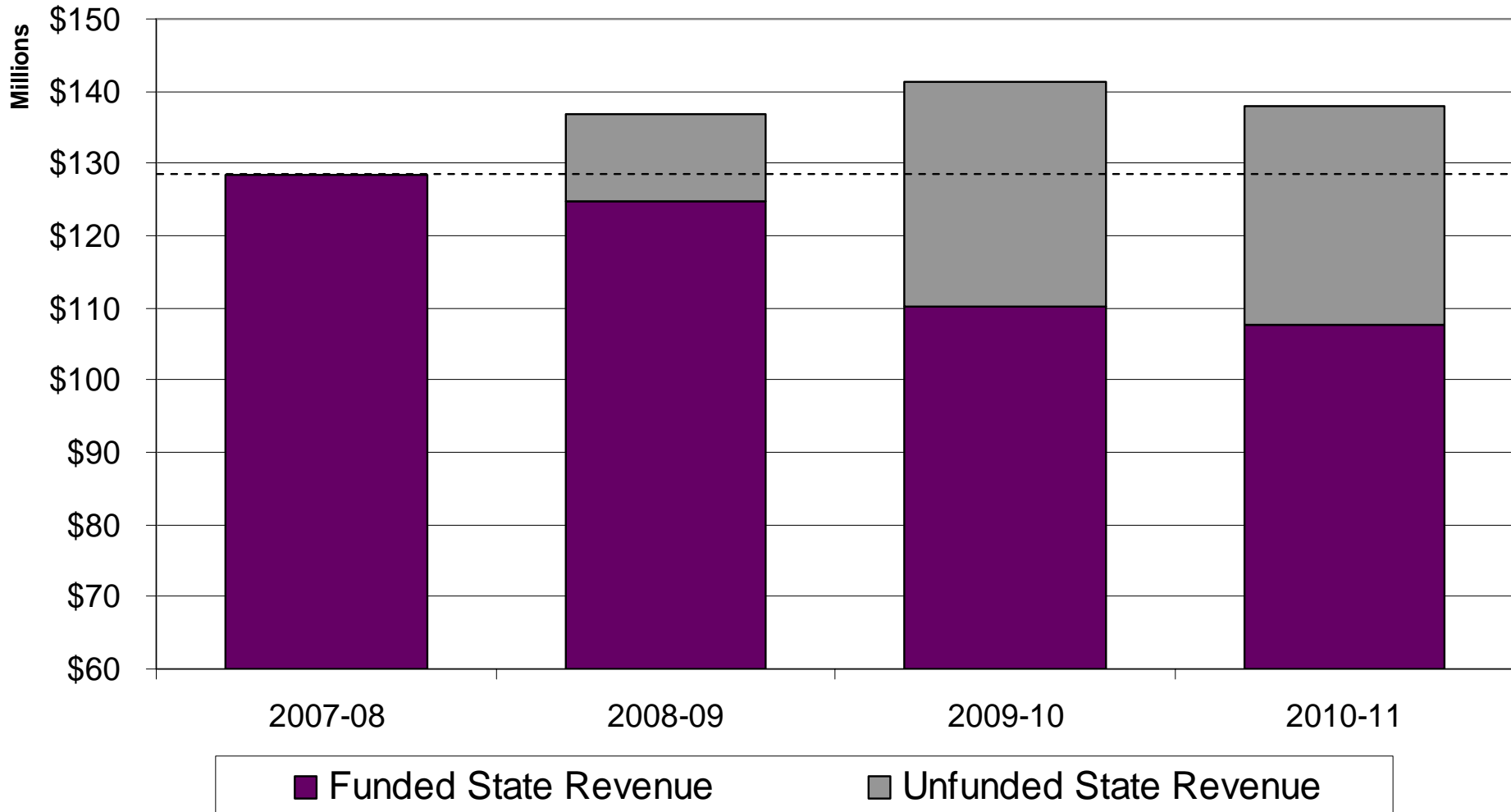
- Although the Governor has promised to “protect” education, his January budget proposed still deeper cuts to K-12 schools:
 - “Full funding” for a negative COLA
 - One-time cuts for 2009-10 now made ongoing
 - Manipulate Prop. 98 to lower K-12 funding guarantee now and in the future
- This follows two very BAD years for K-12 school funding...

State funding is **\$1,000 less per student** than in 2007-2008 and will decrease further next year



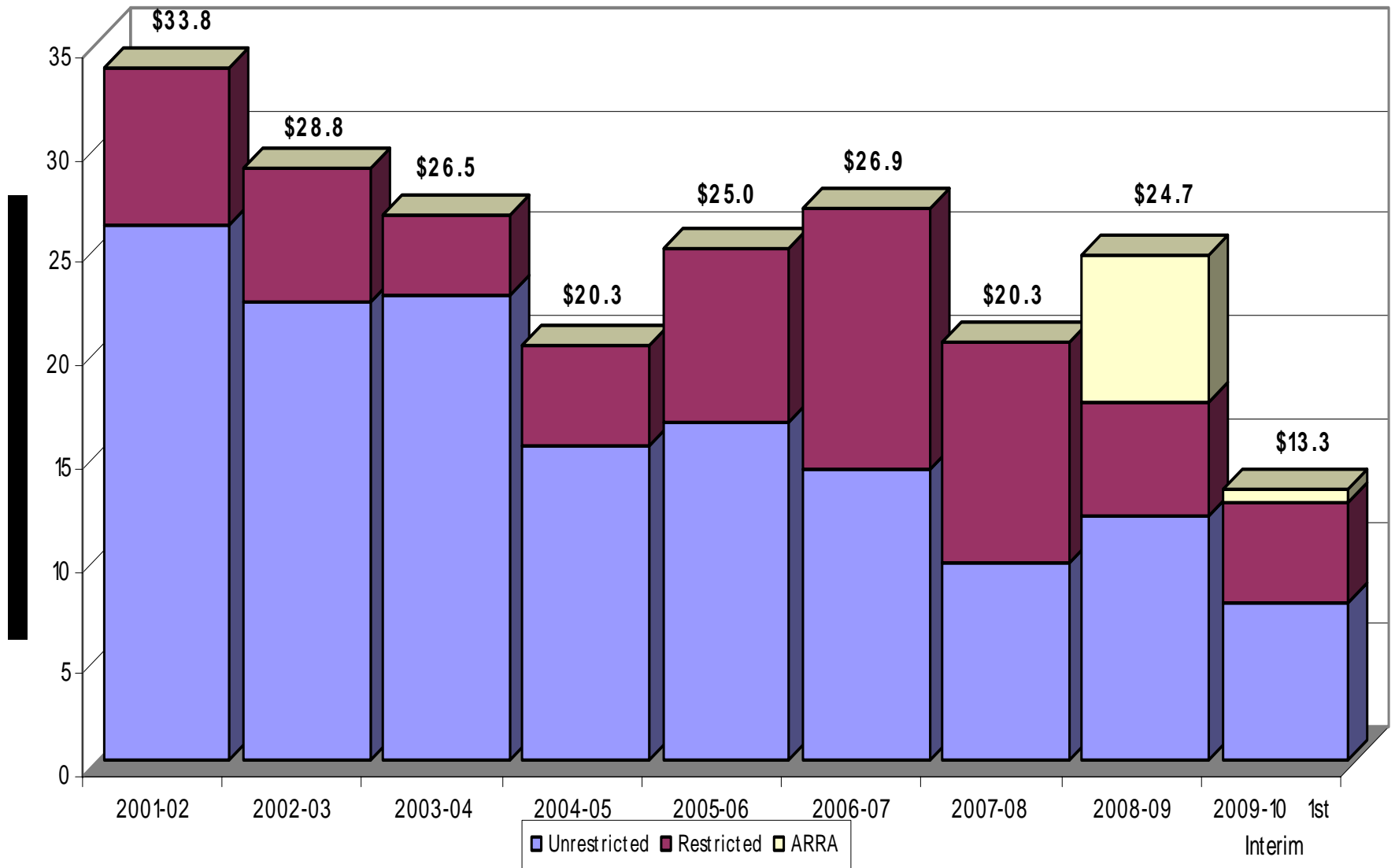
Source: OUSD State funding for Revenue Limit & Categorical

For OUSD, this equates to **\$18 million less revenue than 2007 and **\$30 million** less than our current entitlement**



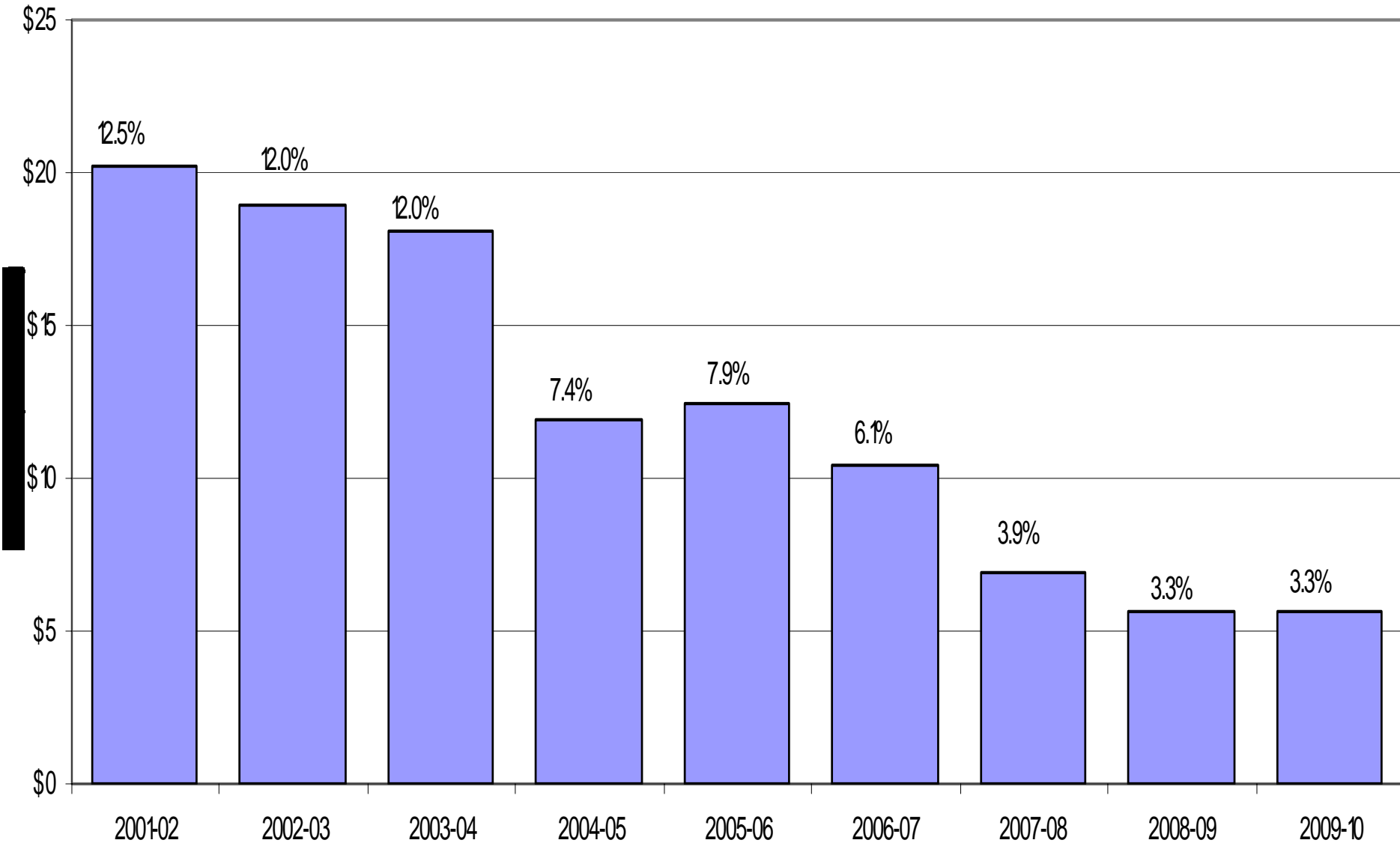
Source: OUSD State funding for Revenue Limit and Categorical

Ending balances diminished due to ongoing budget crises – temporary relief from federal stimulus



Source: Unaudited Actuals & 1st Interim Ending Balances

Reserves Have Been Depleted



Source: Reserve for Economic Uncertainty on June 30

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What Could Change for 2010-11?

- **More Federal Stimulus Funding** – We are closely monitoring the federal jobs bill that could help education.
- However, we have no assurance that the state will not further reduce K-12 school funding if additional federal dollars are forthcoming.

What Could Change for 2010-11?

- **Less State Funding** -- The Governor will revise his January budget proposal in May
- In bad economic years, the **May Revise** is often worse for K-12 education than the January proposal – especially when so much of the January budget is “smoke and mirrors”.

Why We Can't Wait

- District is required to develop a budget reduction plan **now** for 2010-11 that maintains financial solvency using the Governor's January budget and currently authorized federal funding
- If conditions improve (or worsen), then adjustments will be made at that time.

Qualified Budget

- The Second Interim Financial Report submitted in mid-March will certify the district budget as “qualified” rather than “positive”.
- Acknowledges district may not be able to meet its financial obligations for 2010-11.
- A qualified certification will place OUSD on the “watch list” with increased oversight from the County Office of Education and state.

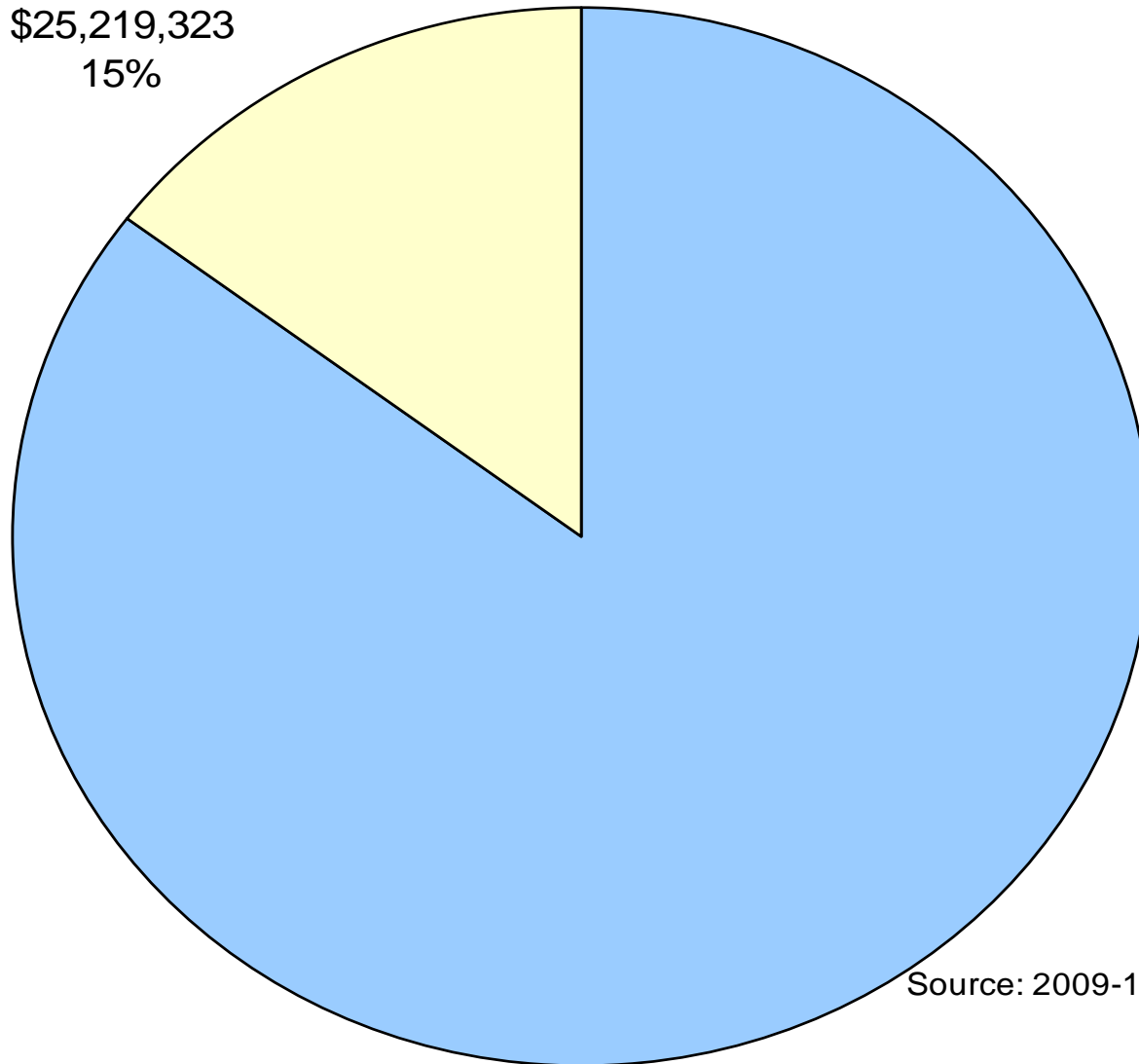
What Happens if the District Fails to Take Action to Maintain Fiscal Solvency

If we do not take steps to reduce district spending to reflect the available funding, then the County Office of Education or a state receiver will determine how to balance our budget...**We lose local control and the cuts happen anyway.**

Part 2. Budget Breakdown – Where the Money Goes

85% of district budget pays for employee salaries and benefits

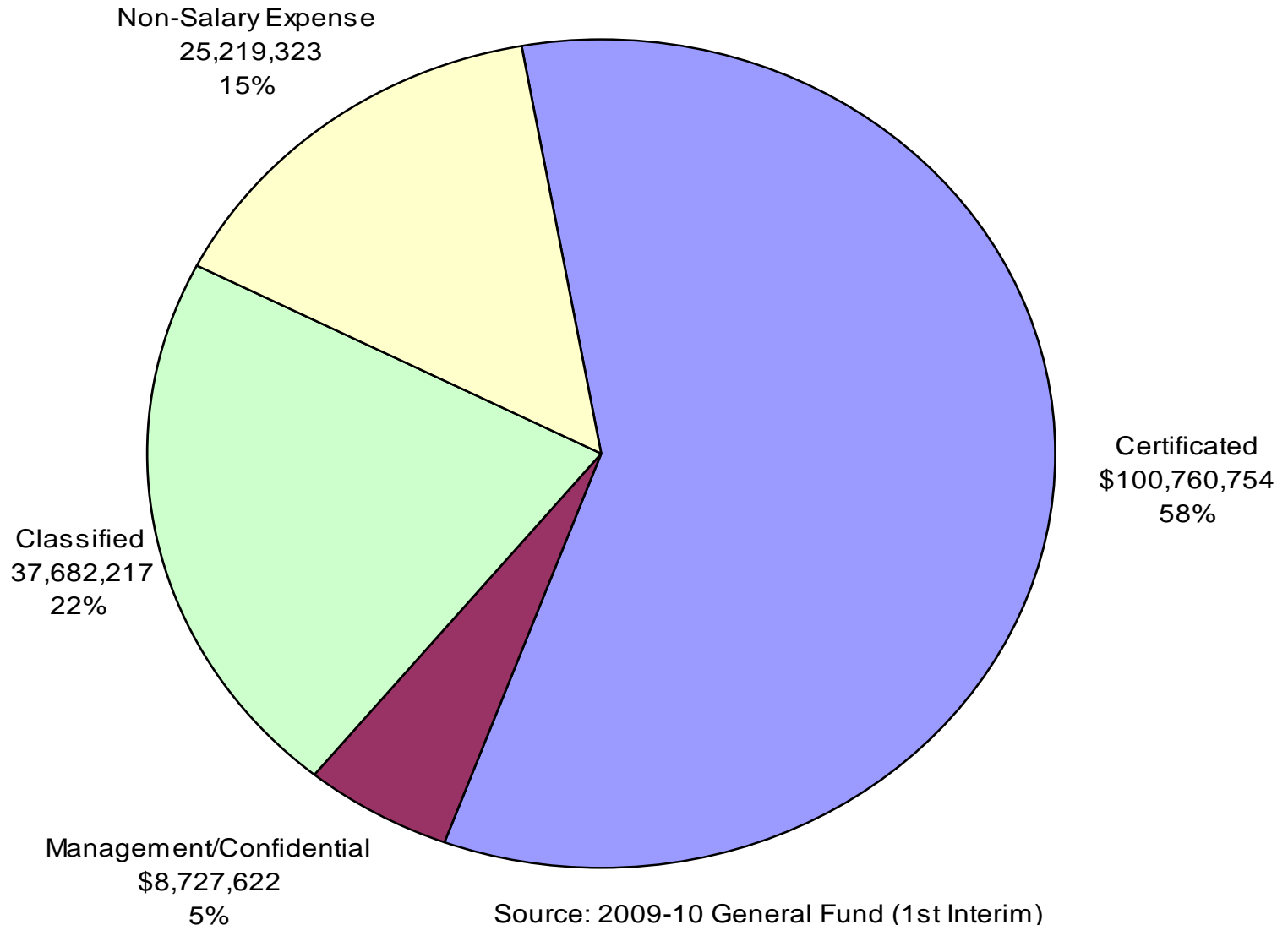
Non-salary expense
\$25,219,323
15%



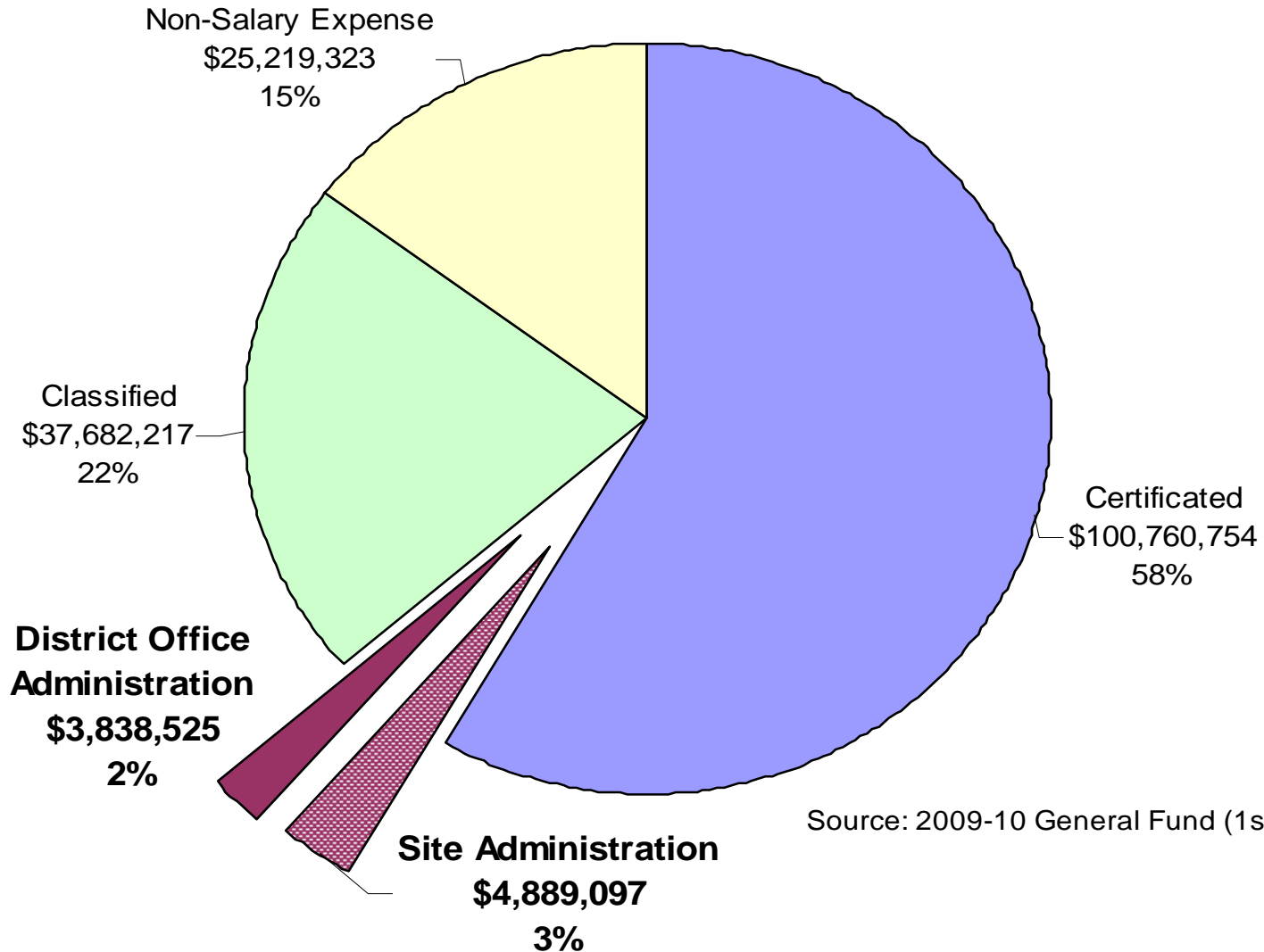
Employee salary &
benefits
\$147,170,593
85%

Source: 2009-10 General Fund 1st interim

Salaries include 58% certificated, 22% classified and 5% management

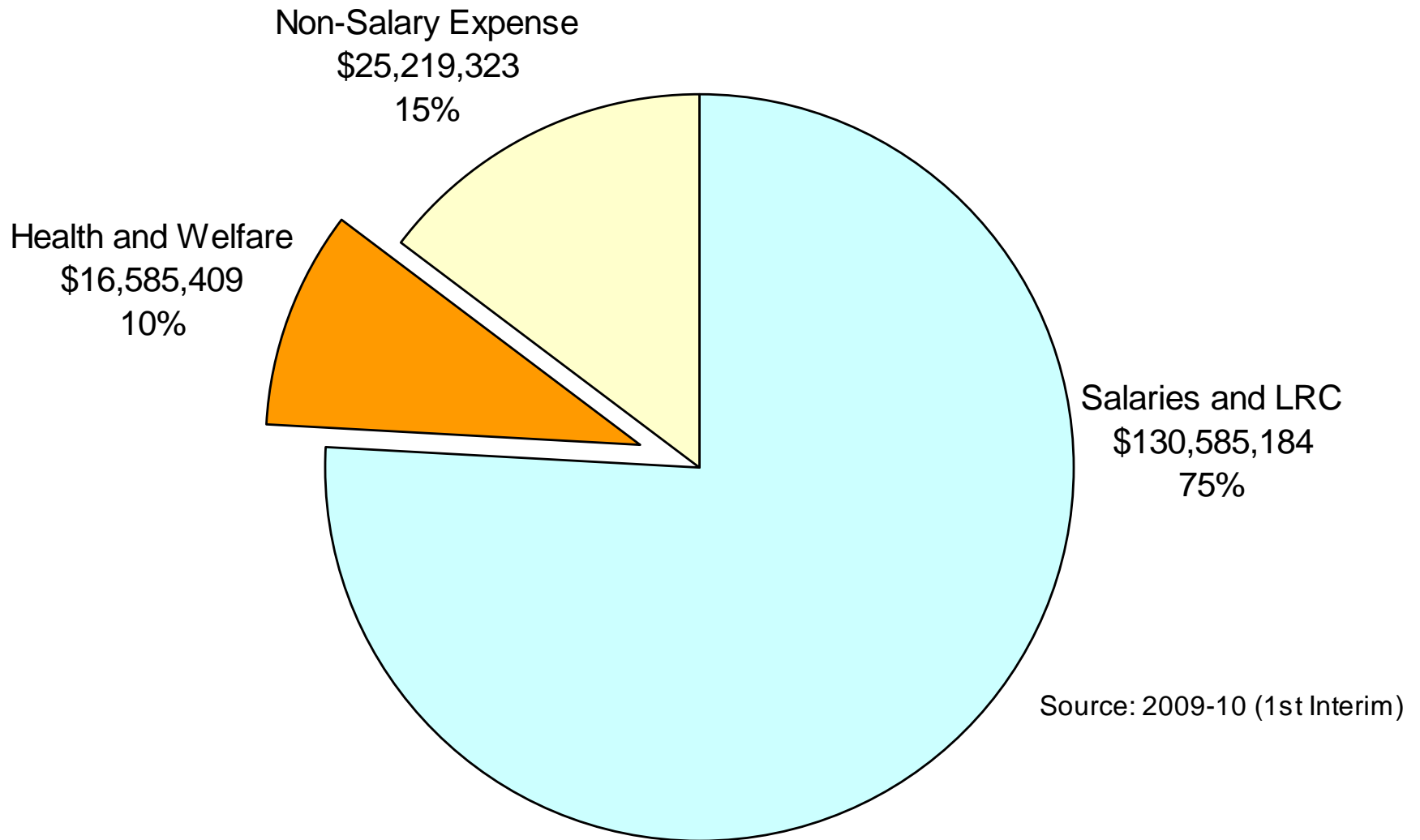


DO/ESS Admin 2% - Site Admin 3%

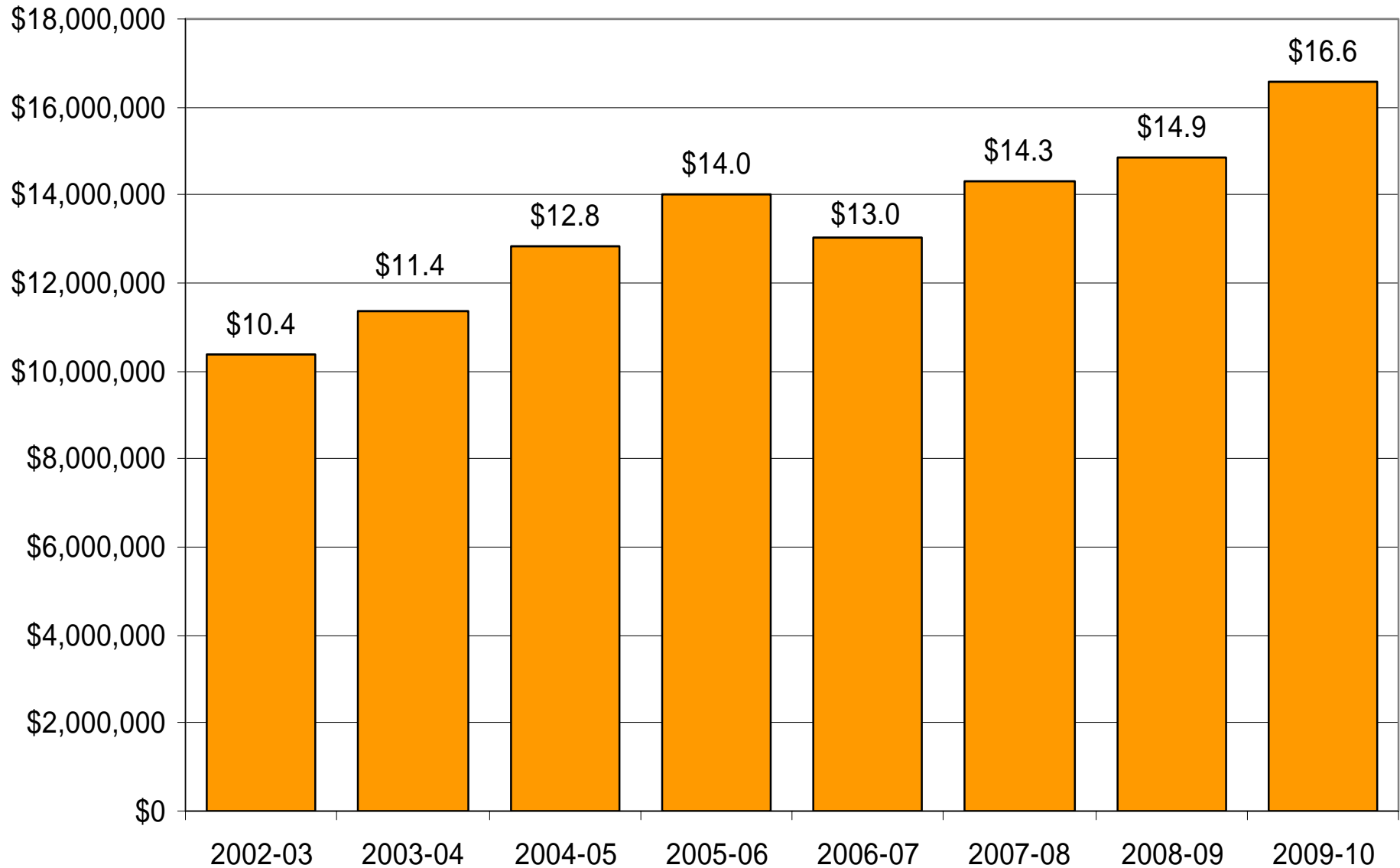


Source: 2009-10 General Fund (1st Interim)

Health & Welfare exceeds \$16 million – nearly 10% of total district budget

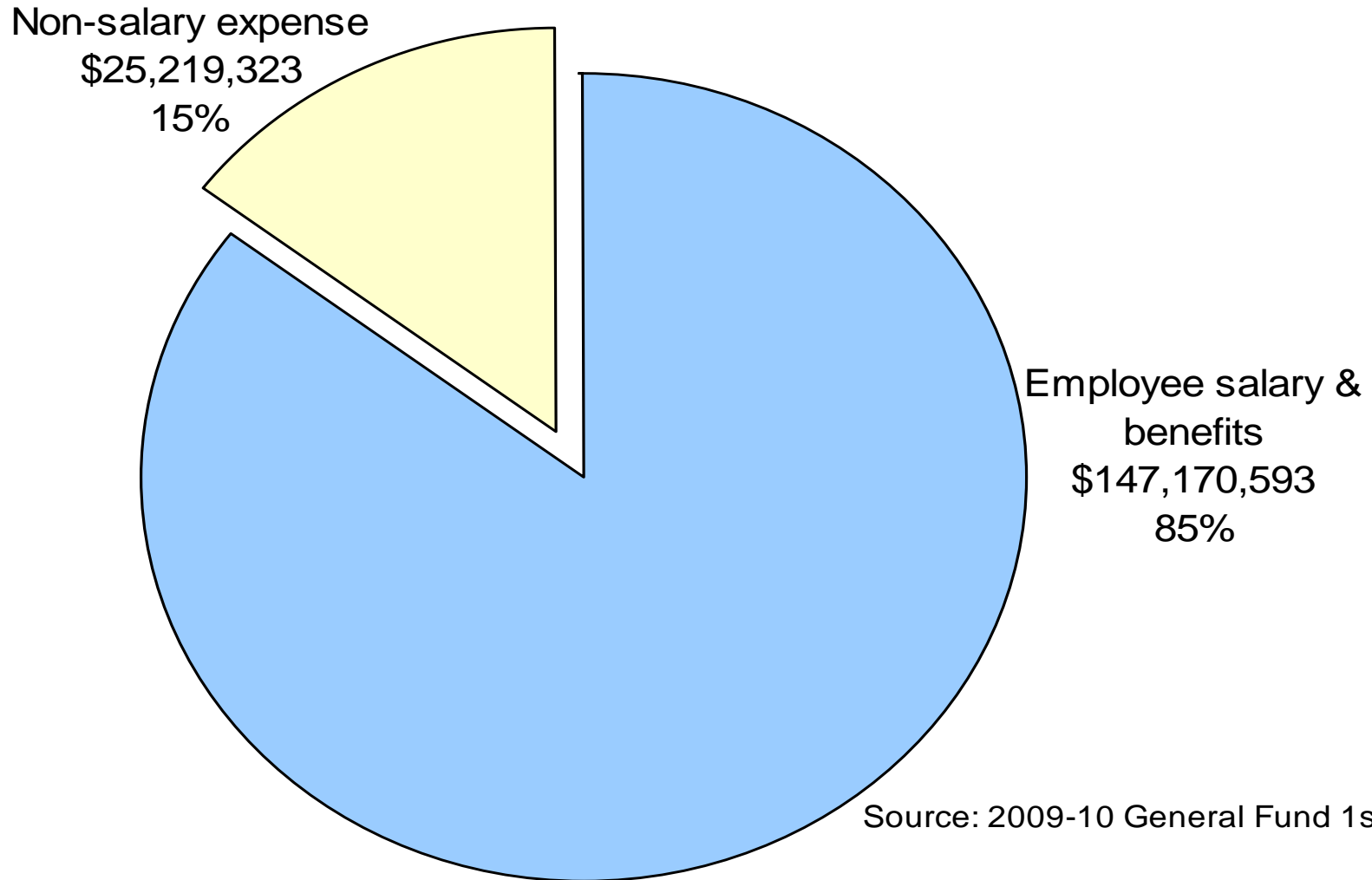


H&W has increased 60% since 2002



Source: Insurance Office Reports

15% for Non-Salary Expense



Source: 2009-10 General Fund 1st Interim

Books and Supplies \$8,952,866

	<u>Unrestricted</u>	<u>Restricted</u>
Textbooks	\$ 1,566	\$ 324,825
Other books	\$ 68,392	\$ 63,011
Materials & supplies*	\$2,234,746	\$4,667,211
Equipment <\$5000	<u>\$ 233,677</u>	<u>\$1,359,438</u>
	\$2,538,381	\$6,414,485

*Includes instructional materials (paper, crayons, etc.), office supplies, fuel, tires and fleet parts, maintenance and custodial supplies

Services and Operating Expense \$15,862,429

	<u>Unrestricted</u>	<u>Restricted</u>
Travel/conference*	\$ 162,180	\$117,993
Dues & Memberships	\$ 76,239	\$ 7,211
P/L Insurance	\$ 653,661	\$ -0-
Utilities	\$3,850,000	\$ 46,650

*Travel includes mileage reimbursement for itinerant employees

Cont'd.

Services and Operating Expense \$15,862,429 (Cont'd)

	<u>Unrestricted</u>	<u>Restricted</u>
Leases/Repairs*	\$ 775,731	\$ 655,155
Communications**	\$ 276,629	\$ 100,686
Contracted Services***	\$ 2,034,646	\$7,109,148
Transfers of Direct Cost	<u><\$3,500></u>	<u></u>
	\$7,825,586	\$8,036,843

*Leases/repairs include copier leases

**Communications includes telephone and postage

***See following slide

\$9.1 Million Contracted Services

Non-public school (Special Education)	\$2,012,737
After-school programs (categorical)	\$1,414,771
Special Education Services	\$1,472,927
Legal Services	\$ 819,487
Administrative Services*	\$ 471,887
Security (OPD, Legacy)	\$ 500,250
Facility repairs (M&O)	\$ 256,934
SES Providers (Title I)	\$ 256,170
SIS system (SDCOE)	\$ 232,150
TRANS financing	\$ 298,128
Parent Training (Title I)	\$ 111,500
Instructional intervention/software*	\$ 896,636
Consultants	\$ 231,028

*Audit, fingerprint, TB testing, W/C admin, SARC, Mandate cost claims, etc.

**Read 180, Edusoft, Teleparent, CAHSEE tutoring, counseling

Capital Outlay \$302,500

	<u>Unrestricted</u>	<u>Restricted</u>
Site Improvements*	\$ -0-	\$120,000
Building Improvements**	\$ -0-	\$110,043
Equipment >\$5000***	<u>\$38,278</u>	<u>\$ 34,179</u>
	\$38,278	\$264,222

*Transportation

**ADA Accessible restrooms at Clair Burgener

***E-rate

Student Transportation

	<u>Regular</u>	<u>Special Ed</u>	<u>Total</u>
Students	2,600	660	3,260
Buses	20	43	63
Expense	\$3,875,504	\$2,692,278	\$6,567,782
State Funding	\$1,649,419	\$ 912,660	\$2,562,079
Parent-Pay*	<u>\$ 238,100</u>	<u>-0-</u>	<u>\$ 238,000</u>
District Pays	\$1,987,985	\$1,779,618	\$3,767,603

*82% of regular education riders pay reduced fare or receive a free bus pass.

Focus Spending Areas

Classroom Instruction	\$87,464,874
Special Education Instruction	\$31,587,180
Counselors/Psychologists/Nurses	\$10,214,803
Campus Security	\$ 2,805,873
School Libraries	\$ 1,566,519
Student Athletics/Activities	\$ 1,432,392

Part 3. Previous Budget Reductions

**2002-03 through 2005-2006
2008-2009 and 2009-10**

2002-2006 Budget Solutions

Spending reductions	\$21.0 million
Tap reserves *	<u>\$ 9.6 million</u>
Total budget solutions	\$30.6 million

* *Reserves fell from \$20 million (12.5%) in June 2002 to \$10.4 million (6.1%) in June 2006, to help cushion impact of state funding cuts and enrollment decline*

2002-2006 Budget Solutions

- **Close schools** - SBT, San Rafael and Pacifica
- **Reduce management** - central/site positions; salary rollback
- **Reduce central support** - 19 classified positions at DO/ESS
- **Reduce teachers** – enrollment loss and tighter staffing ratio
- **Reduce school site support** – positions/hours/days – counselors, librarians, nurses, psychologists, clerical and custodians
- **Transportation** – Eliminate buses for grades 6-12, magnet schools and special programs: reduce transportation for student athletics
- **Health & welfare** – Implement cost-containment measures; increase employee contribution for dependent coverage & part-time
- **Eliminate programs/staffing** – K-5 general music, IB program, independent study programs, HS academies, etc.
- **Reduce staff development days** – reduced work-year certificated

2006-07 and 2007-08

- State funding stabilize
- Enrollment stabilize

No budget cuts – Several items restored including middle school transportation, site clerical staffing and kindergarten class size

Then came the global financial crisis and state meltdown...

2008-09 and 2009-10 have been very challenging budget years for K-12 education in California

2008-09 & 2009-10 Budget Solutions

Spending cuts	2008-09	\$ 6.4 million
	2009-10	<u>\$12.3 million</u>
		\$18.7 million
Utilize flexibility	2008-09	\$ 5.8 million
	2009-10	<u>\$ 6.5 million</u>
		\$12.3 million
Federal stimulus	2009-10	\$14.2 million
Tap reserves	2008-09	<u>\$ 1.4 million</u>
Total budget solutions		\$46.6 million

2008-09 & 2009-10 Budget Solutions

- **Close schools** – Ditmar, CBA and Challenges
- **Increase class size** – ALL grade levels (teachers)
- **Reduce site support** – positions/hours
- **Reduce central support** – positions/hours
- **Reduce management** – central and site positions
- **Health and welfare** – increase employee contribution for medical insurance; further cost containment measures
- **Athletics** – reduce stipends for athletics/activities
- **Transportation** – cut MS bus; implement parent-pay
- Suspend textbook adoption – 2009-2010
- **Reduce facility maintenance** - cut 18 positions in grounds, maintenance & custodial; no deferred maintenance match

2008-09 & 2009-10 Budget Solutions

- **Use categorical flexibility to avoid deeper cuts**

2008-09 – Sweep **\$2.1 million** Tier III ending balances in response to mid-year cuts in state funding in February

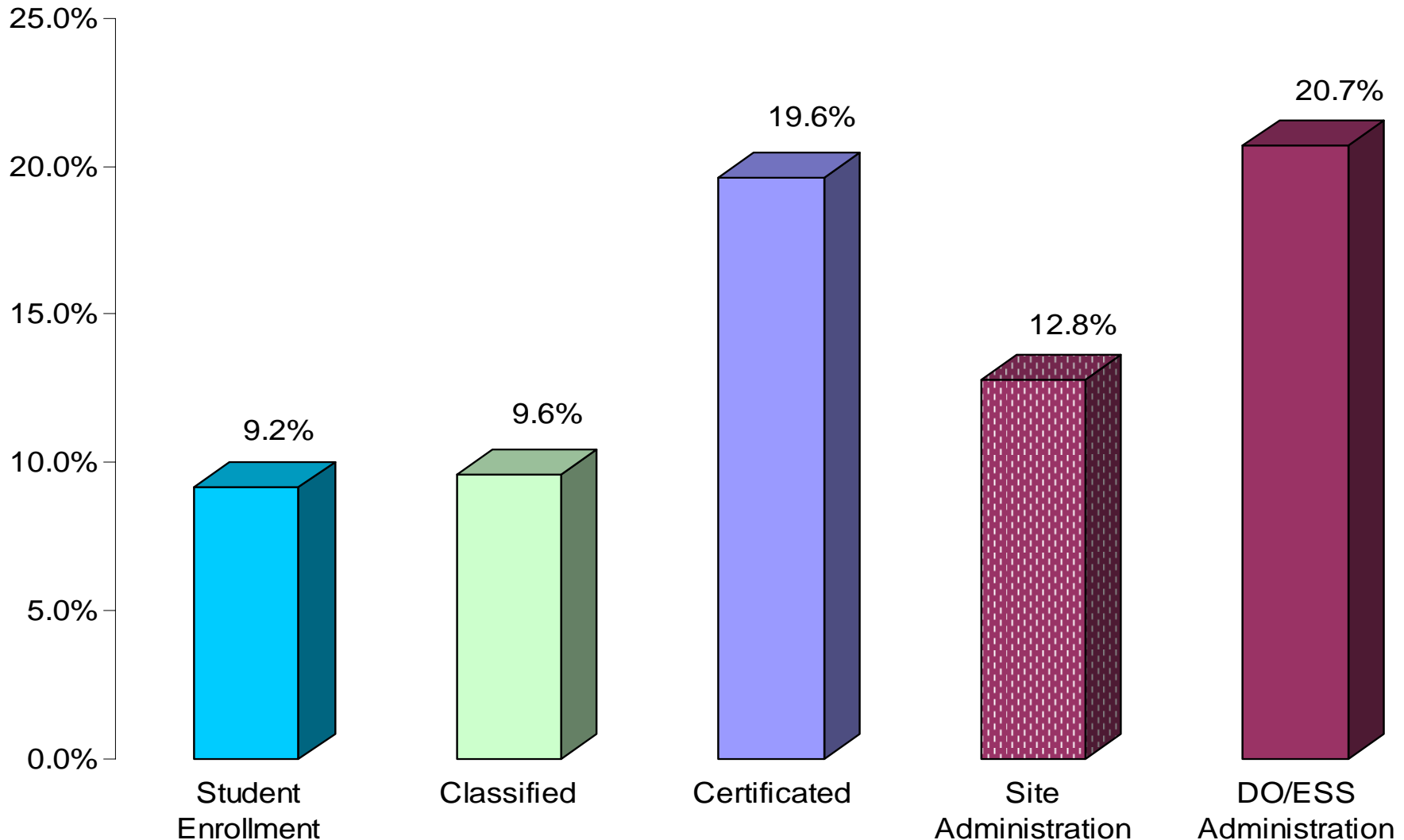
2009-10 – Transfer **\$6.5 million** categorical funding to protect core instructional program (\$4.0 million ongoing funding + \$2.5 million one-time balances)

- **Use federal stimulus funding to save jobs**

2009-10 – **\$14.2 million** used to back-fill state funding cuts and save jobs – ***140 positions for one-year***

- **Title I** - Provide funding for **23** intervention teachers
- **IDEA** - Provide funding for **4** intervention teachers plus \$2.1 million to offset encroachment and avoid **31** layoffs
- **SFSF** – Provide funding to avoid **86** layoffs for one year

Staffing Reductions 2002-03 to 2009-10 (by group)



Part 4. Potential Budget Reductions for 2010-11

To maintain fiscal solvency and address a
projected \$19 million budget shortfall

Immediate Reductions

- **Cell phones** – Eliminate most district-paid cell phones including administrators -
Estimated savings = \$50,000
- **Conference/Travel** – Mission-critical only
Estimated savings = \$140,000
- **Contracted Services/Consultants** –
Mission-critical only
Estimated savings = \$150,000

Immediate Reductions

- **Band Uniforms** – Suspend annual replacement contribution (2010 and 2011)
Estimated savings = \$25,000
- **Spending/hiring freeze** – January-June 2010
Estimated savings = \$400,000

Total immediate reduction = \$765,000

Management Reduction

For **ALL** management and confidential,
ongoing until financial situation improves:

- 5 percent rollback in salary
 - 5 fewer workdays
 - More out-of-pocket for medical insurance
- 7.28% *pay cut*

Estimated savings = **\$700,000**

- Reduce Management/Confidential Positions

Central Support Staff

- **Classified Staff at DO/ESS** – Reduce hours/days/positions (13 FTE)

Estimated savings = \$906,000

Consideration: Impact on district operations

Redirect State/Federal Categorical Funding to Protect Core Instructional Program

- Federal funding – Title I, II, III
- State funding – Tier III*, EIA/LEP

Estimated Savings = TBD

*Tier III includes School and Library (SAL), CalSafe, Supplemental Counseling, GATE, BTSA/PAR, Supplemental Hourly Programs, etc.

Consideration: Maintain compliance

Student Transportation

- Eliminate all non-mandated transportation including K-5 and base (24 FTE)
Estimated savings = \$2,000,000
or
- Reduce district contribution by increasing parent-pay revenue, adjusting bell times (7:05 AM start), consolidating routes, and/or increasing walking distance
Estimated savings \$100,000 - \$400,000

Consideration: Impact on families & attendance

School Support Staff

- **Noon-duty** – Reduce staffing allocation
Estimated savings = \$157,000
- **Campus supervision** – Reduce staffing allocation – hours/days/positions (11 FTE)
Estimated savings = \$390,000
- **Clerical allocation** – Reduce staffing allocation – hours/days/positions (16 FTE)
Estimated savings = \$600,000

Consideration: Impact on school operations & safety

Classroom Support Staff

- **Instructional Asst. Special Education –**
Reduce hours/days/positions (12 FTE
equivalent)
Estimated savings = \$409,000

Consideration: Impact on classroom instruction

Instructional Intervention

- **Intervention teachers** – Eliminate intervention positions added with federal stimulus funding (27 FTE)
Estimated savings = \$2,000,000
- **Summer School** – Eliminate non-mandated summer school programs
Estimated savings = \$300,000

Consideration: Impact on student achievement

Increase Class Size

<u>Grade</u>	<u>Ratio</u>	<u>Positions</u>	<u>Savings***</u>
K-3	30:1	55 FTE	\$1,665,000
4-5	36:1*	11 FTE	\$ 451,000
6-8	32:1* **	9 FTE	\$ 369,000
9-12	38:1**	<u>23 FTE</u>	<u>\$ 943,000</u>
		98 FTE	\$3,428,000

* Waiver required

** Average class size: **37** in middle school and **45** in high school

*** Savings reduced by per diem substitutes and CSR penalty

Consideration: Impact on classroom instruction

Instructional Programs

- **Elementary PE** -- Adjust staffing to reflect lower enrollment and larger class size (6 FTE)
Estimated savings = \$246,000*
- **Elementary Music** – Offer instrumental music at one school; offer as before/after school program at other sites (2.5 FTE)
Estimated savings \$102,500*

*Savings reduced by per-diem substitutes

Consideration: Impact on student opportunities

Instructional Support

- **Counseling** – Reduce staffing ratios (4 FTE)
Estimated savings = \$400,000
- **Athletics/Activities** – Eliminate district-pay transportation for athletic teams and student activities; rely on fundraising
Estimated savings = \$300,000

Consideration: Impact on student opportunities

Impact of Reductions on District

- Staff positions eliminated
 - 137.5 FTE Certificated
 - 66.0 FTE Classified
- Larger class size for all grades
- No bus transportation for K-5 or base students
- Reduce support staff at all levels
- Potential enrollment loss

. . . And still not total \$19 million . . .

Salary Rollbacks

	<u>OTA</u>	<u>CSEA</u>
1%	\$ 864,152	\$ 310,805
2%	\$1,728,304	\$ 621,610
3%	\$2,592,456	\$ 932,415
4%	\$3,456,608	\$1,243,220
5%	\$4,320,760	\$1,554,025

Furlough (Reduced Work Year)


	<u>CSEA</u>		
	<u>OTA</u>	<u>< 12 mo.</u>	<u>12 mo.</u>
1 days	\$ 464,407	\$ 85,043	\$ 47,867
2 days	\$ 928,994	\$170,086	\$ 95,738
3 days	\$1,393,491	\$255,129	\$143,607
4 days	\$1,857,988	\$340,172	\$191,476
5 days	\$2,322,485	\$425,215	\$239,345
10 days	\$4,644,970	N/A	\$478,690
12 days	N/A	N/A	\$574,428


Medical Insurance Premiums

	<u>Est. Savings*</u>
•Maintain current district contribution	\$2,381,351
•50/50 cost share premium increase	\$1,190,676
•District pay employee-only	\$8,907,396
•Dependent contribution \$2,000	\$ 762,000
•Dependent contribution \$2000/\$2500/\$3000	\$1,343,500

*Savings calculated on 15% increase in medical & Rx premiums and 5% all other premiums (all active employees)

If All Employees Matched Management Rollback

- 5% salary rollback
 - OTA \$ 4,320,760
 - CSEA \$ 1,554,025

\$5,874,785
- 5 fewer workdays
 - OTA \$ 2,322,485
 - CSEA \$ 554,560

\$2,877,045
- Increase employee contributions for H&W
Estimated savings = \$2,000,000

Total = \$10,751,830

Next Steps

Feb 23	Superintendent recommendation
March 9	Certificated layoff notices
	Interim budget report
April 13	Classified layoffs
May 11	Certificated layoff
June 22	Budget adoption
TBD	Negotiations with employee groups