



# LOS ANGELES UNIFIED SCHOOL DISTRICT

## Board of Education Report

<b>Report Number:</b>	066-10/11
<b>Date:</b>	October 5, 2010
<b>Subject:</b>	Adoption of Revised 2010-11 Budget with General Fund Fiscal Stabilization Plan for Fiscal Years 2010-11 through 2012-13
<b>Responsible Staff:</b>	
Name	Megan K. Reilly
Office/Division	Office of the Chief Financial Officer
Telephone No.	(213) 241-7888

### BOARD REPORT

- Action Proposed:**
- (1) Adoption of Revised 2010-11 Budget with General Fund Fiscal Stabilization Plan for Fiscal Years 2010-11 through 2012-13, and that the Final Budget be filed as adopted with the County Superintendent of Schools on State Form SACS-2010. The Plan is described in greater detail in Attachment "A."
  - (2) That the Budget Services and Financial Planning Division and the Accounting and Disbursement Division be authorized to take actions necessary to implement the provisions of this Board Report, and that the Budget Policies indicated in Attachment "B" as set forth in this Board Report be adopted.

**Background:** Under section 42100 et seq. of the Education Code, the District must adopt a Final Budget for the 2010-2011 fiscal year and two subsequent fiscal years. The Board adopted a proposed Final Budget in June, 2010.

In a letter dated August 4, 2010, the Los Angeles County Office of Education ("LACOE") indicated its disapproval of the 2010-11 Final Budget. LACOE cited that the submitted budget was not consistent with a financial plan that will enable the District to satisfy its multiyear commitments for 2011-12 and 2012-13. LACOE requested that the District submit a revised 2010-11 budget which, incorporating the 2009-10 Unaudited Actuals and all revisions and/or modifications, addressed the following: (1) the reduction or elimination of deficient spending in 2011-2012 and 2012-2013 and (2) the establishment of General Fund reserves in 2011-2012 and 2012-2013.



## LOS ANGELES UNIFIED SCHOOL DISTRICT Board of Education Report

On September 7, 2010, the Board of Education subsequently adopted a resolution stating the District's intention to adopt a revised Fiscal Stabilization Plan by October 5, 2010.

**Expected Outcomes:** The outcome of this Board action is an adopted revised budget for 2010-11 fiscal year.

**Board Options and Consequences:** Adoption of a revised 2010-11 budget with Fiscal Stabilization Plan will enable the District to address budgetary imbalances for the 2010-2011 through 2012-2013 fiscal years with more specificity required for fiscal year 2012-13 in the future. A failure to adopt this Plan may subject the District, under section 42127 of the Education Code, to further regulatory deliberations with LACOE and/or the Superintendent of Public Instruction.

**Policy Implications:** Adoption of a revised 2010-11 budget with Fiscal Stabilization Plan will enable the District to address the budgetary imbalances for the 2010-2011 through 2012-2013 fiscal years with more specificity required for fiscal year 2012-13 in the future.

**Budget Impact:** Adoption of a revised 2010-11 budget with Fiscal Stabilization Plan

**Issues and Analysis:** n/a

### **Attachments:**

- Informative**
- Desegregation  
Impact Statement**



**LOS ANGELES UNIFIED SCHOOL DISTRICT  
Board of Education Report**

Respectfully submitted,

RAMON C. CORTINES  
Superintendent of School

APPROVED BY:

A handwritten signature in black ink, appearing to read "Michelle King", written over a horizontal line.

MICHELLE KING  
Chief of Staff

APPROVED &  
PRESENTED BY:

A handwritten signature in black ink, appearing to read "Megan Reilly", written over a horizontal line.

Megan Reilly  
Chief Financial Officer  
Office of Chief Financial Officer

REVIEWED BY:

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DAVID HOLMQUIST  
General Counsel

No Legal Issues

Legal Informative

**Budget Adjustments and Balancing Proposals for Board Approval - Revised Final Budget 2010-11, October 5, 2010**

Attachment A  
Subject to Change

	2010-11	2011-12	2012-13	Total
<b>Cumulative Balance- Unaudited Actual Report - Sept 14, 2010</b>	\$ 93.7	\$ (268.0)	\$ (891.1)	\$ (891.1)
<b>Non-Cumulative Balance- Unaudited Actual Report - Sept 14, 2010</b>	\$ 93.7	\$ (361.6)	\$ (623.1)	\$ (891.1)
<b>Changes since unaudited actuals report</b>				
Technical adjustment	\$ -	\$ -	\$ 2.5	\$ 2.5
Classified position restorations ongoing	\$ -	\$ (20.6)	\$ (20.6)	\$ (41.2)
<b>Total changes since unaudited actuals report</b>	\$ -	\$ (20.6)	\$ (18.1)	\$ (38.7)
<b>Cumulative Balance</b>	\$ 93.7	\$ (288.6)	\$ (929.8)	\$ (929.8)
<b>Non-Cumulative Balance</b>	\$ 93.7	\$ (382.2)	\$ (641.2)	\$ (929.8)
<b>Solutions to reduce out year deficits that do not involve position reductions</b>				
Utilize Jobs Bill funding to save jobs	\$ -	\$ 103.3	\$ -	\$ 103.3
Use increase of Adult Education Fund carryover from Third Interim to Unaudited Actuals for General Fund relief	\$ 19.4	\$ -	\$ -	\$ 19.4
Finance Adult Education capital projects with COPs - use Adult Education Funding for General Fund relief	\$ 23.5	\$ -	\$ -	\$ 23.5
<b>Total solutions that do not involve position reductions</b>	\$ 42.9	\$ 103.3	\$ -	\$ 146.2
<b>Cumulative Balance</b>	\$ 136.6	\$ (142.4)	\$ (783.6)	\$ (783.6)
<b>Non-Cumulative Balance</b>	\$ 136.6	\$ (278.9)	\$ (641.2)	\$ (783.6)
<b>Alternatives to solving remaining deficit</b>				
<b>Alternative 1</b>				
Continue Central Office and Local District Reductions - rightsizing		\$ 5.0	\$ 5.0	\$ 10.0
Salary Reduction for All Employees	\$ -	\$ 137.4	\$ 137.4	\$ 274.8
Budget Balancing Solutions for 2012-13 to be identified	\$ -	\$ -	\$ 498.8	\$ 498.8
<b>Total Alternative 1</b>	\$ -	\$ 142.4	\$ 641.2	\$ 783.6
<b>Cumulative Balance- Alternative 1</b>	\$ 136.6	\$ -	\$ -	\$ -
<b>Non-Cumulative Balance- Alternative 1</b>	\$ 136.6	\$ (136.5)	\$ -	\$ -
<b>Alternative 2</b>				
Continue Central Office and Local District Reductions - rightsizing		\$ 5.0	\$ 5.0	\$ 10.0
Salary Reduction and Seven Furlough Days for All Employees	\$ -	\$ 137.4	\$ 137.4	\$ 274.8
Budget Balancing Solutions for 2012-13 to be identified	\$ -	\$ -	\$ 498.8	\$ 498.8
<b>Total Alternative 2</b>	\$ -	\$ 142.4	\$ 641.2	\$ 783.6
<b>Cumulative Balance- Alternative 2</b>	\$ 136.6	\$ -	\$ -	\$ -
<b>Non-Cumulative Balance- Alternative 2</b>	\$ 136.6	\$ (136.5)	\$ -	\$ -

**Budget Adjustments and Balancing Proposals for Board Approval - Revised Final Budget 2010-11, October 5, 2010**

Attachment A  
Subject to Change

	2010-11	2011-12	2012-13	Total
<b>Alternative 3</b>				
Continue Central Office and Local District Reductions - rightsizing	\$ -	\$ 5.0	\$ 5.0	\$ 10.0
Seven furlough days for all employees	\$ -	\$ 96.8	\$ 96.8	\$ 193.5 *
Freeze step advances on the salary schedule for 2011-12	\$ -	\$ 36.2	\$ (36.2)	\$ - *
Budget Balancing Solutions to be identified	\$ -	\$ 4.4	\$ 575.7	\$ 580.1
<b>Total Alternative 3</b>	<b>\$ -</b>	<b>\$ 142.4</b>	<b>\$ 641.2</b>	<b>\$ 783.6</b>
<b>Cumulative Balance- Alternative 3</b>	<b>\$ 136.6</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Non-Cumulative Balance- Alternative 3</b>	<b>\$ 136.6</b>	<b>\$ (136.5)</b>	<b>\$ -</b>	<b>\$ -</b>

	2010-11	2011-12	2012-13	Total	# positions
<b>Alternative 4</b>					
Continue Central Office and Local District Reductions - rightsizing	\$ -	\$ 5.0	\$ 5.0	\$ 10.0	TBD
<b>Implement reductions that were reversed per 2010-11 certificated collective bargaining agreements</b>					
Reduction of school site administrators restored by AALA agreement	\$ -	\$ 11.9	\$ 11.9	\$ 23.7	110
Increase of K-3 Class Size from 24:1 to 29:1	\$ -	\$ 56.7	\$ 56.7	\$ 113.4	1,434
Increase Grade 6-8 Class Size (+2)	\$ -	\$ 14.6	\$ 14.6	\$ 29.1	208
Increase Grade 4-5 Class Size (+2)	\$ -	\$ 14.1	\$ 14.1	\$ 28.2	183
Reduce 85 Counselor Positions	\$ -	\$ 7.5	\$ 7.5	\$ 14.9	85
Reduce 80 ROC-ROP Instructors	\$ -	\$ 7.1	\$ 7.1	\$ 14.2	80
Reduce 69 Librarian Positions	\$ -	\$ 6.6	\$ 6.6	\$ 13.1	69
Adjustment to Teacher Staffing Ranges for K-8	\$ -	\$ 6.4	\$ 6.4	\$ 12.8	85
Reduce 56 Nursing Positions	\$ -	\$ 5.3	\$ 5.3	\$ 10.6	56
<b>Total certificated reductions</b>	<b>\$ -</b>	<b>\$ 130.1</b>	<b>\$ 130.1</b>	<b>\$ 260.1</b>	<b>2,310</b>
<b>Implement reductions that were reversed per 2010-11 classified collective bargaining agreements</b>					
Unit B position restorations	\$ -	\$ 8.2	\$ 8.2	\$ 16.5	263
Unit D position restorations	\$ -	\$ 5.6	\$ 5.6	\$ 11.2	569
Unit C position restorations	\$ -	\$ 4.8	\$ 4.8	\$ 9.6	71
Unit S position restorations	\$ -	\$ 1.9	\$ 1.9	\$ 3.8	95
<b>Total classified reductions</b>	<b>\$ -</b>	<b>\$ 20.6</b>	<b>\$ 20.6</b>	<b>\$ 41.2</b>	<b>998</b>
Delay in Implementation of Reduction in Force	\$ -	\$ (10.0)	\$ -	\$ (10.0)	
Budget Balancing Solutions for 2012-13 to be identified	\$ -	\$ -	\$ 482.4	\$ 482.4	TBD
<b>Total Alternative 4</b>	<b>\$ -</b>	<b>\$ 145.6</b>	<b>\$ 638.0</b>	<b>\$ 783.6</b>	<b>3,308</b>
<b>Cumulative Balance- Alternative 4</b>	<b>\$ 136.6</b>	<b>\$ 3.2</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Non-Cumulative Balance- Alternative 4</b>	<b>\$ 136.6</b>	<b>\$ (133.3)</b>	<b>\$ (3.2)</b>	<b>\$ -</b>	

\*Savings amounts will be confirmed

## BUDGET ASSUMPTIONS AND POLICIES

The Superintendent's 2010-11 Final Budget reflects the following:

### 2010-11 Fiscal Year:

1. -0.39% of COLA and 18.355% deficit rate on the Base Revenue Limit, or a net funded COLA of -0.39%
2. Additional 3.85% reduction to undeficitated revenue limit (\$244.96 per ADA)
3. ADA of 572,885 from 2009-10 P-2 ADA
4. -0.38% COLA on the State-funded portion of Special Education's AB 602 funding; included in 2010-11 AB602 funding is \$22.04 million of 2009-10 Special Disabilities Adjustment (SDA) anticipated to be received in 2010-11
5. -0.38% COLA for Tier I, II, and III categorical programs
6. An enrollment decline of 17,458 from 2009-10 for non-charter school enrollment. Charter school enrollment will increase by approximately 5,819
7. A California Consumer Price Index (CPI) of 2% on other operating expenditures, except utilities which was projected to increase by 7%
8. Implementation of balancing solutions adopted by the Board with the Second Interim Financial Report on March 9, 2010. Restoration of positions specified in bargaining unit agreements with UTLA, AALA, and Units B, C, and S have been implemented.
9. Seven furlough days for AALA and UTLA members; eight furlough days for District represented employees, Local 99 (Units B & C); and twelve furlough days for Unit S employees
10. A Reserve for Economic Uncertainties totaling \$65.4 million, reflecting the statutory 1% requirement for districts over 400,000 ADA
11. Funding for employee health and medical benefits at the level currently agreed to in collective bargaining negotiations
12. Ongoing and major maintenance resources totaling \$122.6 million, reflecting 2% of budgeted General Fund expenditures
13. Inclusion of 2010-11 beginning balances in each General Fund District Defined Program and each Special Fund, reflecting unaudited available ending balances as of June 30, 2010 based on the District's Unaudited Report

14. Estimated 2010-11 ending balances for each District Defined Program and for selected Special Funds, reflecting the difference between anticipated 2010-11 revenue and expenditure levels
15. Inclusion of amounts in the bond measure funds reflecting projected 2010-11 expenditures
16. Inclusion of amounts reflecting debt service and proceeds for new COPS issuance identified after the June 2010 Final Budget
17. Inclusion of total Workers' Compensation contribution liability of \$459.6 million
18. Inclusion of amounts reflecting new interfund transfers into General fund from other funds identified after the June 2010 Final Budget
19. Authority to transfer amounts, as necessary, to implement technical adjustments related to development of the 2010-11 budget
20. Authority to implement new 2010-11 grants and increase budgeted appropriations from them
21. The Board has approved the proposed uses of Tier III Categorical funds in the Final Budget adopted in June 22, 2010.

2011-12 and 2012-13 Fiscal Years:

1. For 2011-12, a statutory COLA of 2.10% with a deficit rate of 20.0330% for an effective COLA of 0%; For 2012-13, a statutory COLA of 2.4% with a deficit rate of 21.9116% for a net funded COLA of 0%
2. Additional reduction of 3.85% for both years was applied to the undeficit revenue limit
3. 0% COLA on the State portion of Special Education's AB602 funding for both 2011-12 and 2012-13
4. 0% COLA for Tier I, II, and III categorical programs for both 2011-12 and 2012-13
5. Projected ADA of 555,885 and 540,521 for fiscal years 2011-12 and 2012-13, respectively
6. For 2011-12, an enrollment decline of 18,368 for non-charter schools while charter school enrollment will increase by 9,381; for 2012-13, an enrollment decline of 17,508 for non-charter schools while charter school enrollment will increase by 9,077

7. CPI of 2.4% in 2011-12 and 2.7% in 2012-13 on other operating expenditures, except utilities which was projected to increase by 7% for each fiscal year
8. No Federal Stimulus funds are assumed in 2011-12 and 2012-13
9. Reduction of \$90 million in K-3 CSR revenue in 2012-13 to reflect the end of K-3 CSR flexibility
10. Increase in per participant contribution of 3% for calendar 2012 and 2013 per 2009-2011 Health and Welfare agreement
11. Further balancing adjustments of \$288.6 million are needed to balance 2011-12 and \$641.2 million are needed to balance 2012-13