

2010-11 Fiscal Year Budget Assumptions

PURPOSE:

The purpose of this budget assumption document is to provide the District with a framework for preparing the 2010-11 budget. The overarching influence to the following assumptions is the Governor's proposed budget for the State of California. Other assumptions will be based upon District input and prior year trends, as well as external sources or conditions when appropriate. The following assumptions will be used in generating the initial budget proposal for the 2010-11 fiscal year.

OVERALL ASSUMPTIONS:

1. Enrollment projections for 2010-11 assume that enrollment will be flat as compared to 2009-10. The projected enrollment for revenue limit funding during 2010-11 is 51,873, compared to:
 - o 2005-06 50,704
 - o 2006-07 50,756
 - o 2007-08 51,531
 - o 2008-09 51,602
 - o 2009-10 51,873 (As of 2nd month reporting period)

The District's enrollment steadily grew from 2005-06 to 2009-10 by approximately 1,169 students, due mainly to influences from a strong housing market.

Funding received from the State is based on the district's Average Daily Attendance (ADA). ADA is calculated by dividing the total number of days of *student attendance* by the number of *days of school taught* during the same period. Funding for 2010-11 will be based on an ADA of 50,205 (including CUSD students educated through County of Orange programs), which is the same as the projected ADA for 2009-10. Actual ADA will not be known until P-2 is completed in mid-April.

As of this date, ADA is projected to be funded from the State of California at the rate of \$5,203.38 per unit of actual attendance. This calculation is detailed further in item 3.

2. Both site supply budgets and staffing allocations will be determined using the following formulas:

2.1 Site Supply Budget Formula ^{1,2}:

K-5	\$15.75 / student
6-8	\$18.75 / student
9-12	\$24.75 / student

¹ Site supply budgets are exclusive of copier allocation, which is centrally funded

² These amounts represent a 25% reduction that was instituted in relation to funding shortfalls from the State of California

2.2 Staffing Formula Guidelines:

K - 3	=	30.5 : 1	
4 - 5	=	31.5 : 1	
6 - 8	=	32.5 : 1	(includes prep periods and electives)
9 - 12	=	34.5 : 1	(includes prep periods and electives)

REVENUE ASSUMPTIONS:

3. The District revenue limit will be based on the 2009-10 funded revenue limit with a projected 0.50% cost of living adjustment (COLA) increase. However, the statutorily entitled revenue limit is still subject to a deficit factor of 18.355% as it was in the 2009-10 fiscal year. The District's 2010-11 deficiated revenue limit per ADA is estimated to be \$5,203.38 per unit of actual attendance. Based upon funded attendance projections of 50,205, the net revenue limit funding is estimated to be approximately \$262.4 million after pass through payments and adjustments to state allocations have been accounted for.
4. There is no equalization aid planned for 2010-11.
5. State categorical program funding is expected to receive 0.50% COLA for Tier I – III programs.
 - 5.1 The District will utilize the flexibility of the Tier III programs afforded through SBX 3 4. Currently, the District plans to utilize flexibility amounts equivalent to the 2009-10 fiscal year.
6. State Special Education funding is expected to receive 0.50% COLA.
 - 6.1 Actual costs for special education are dependent on the type of services the District is required to provide to each individual student. For the purposes of budgeting expenditures, the District is projecting an increase of approximately 2% to 5% in the overall cost of non-salary expenditures for operating the program during 2010-11.
7. Lottery unrestricted revenue will be calculated at \$111 per unit of annual attendance, multiplied by the excused absence rate, which is 1.04446. Unrestricted revenue is projected to be approximately \$5.8 million.
8. Lottery restricted revenue for instructional materials will be calculated at \$13.25 per unit of annual attendance, multiplied by the excused absence rate, which is 1.04446. Restricted revenue is projected to be approximately \$0.70 million.
9. Intentionally left blank.

10. The District is not budgeting any further allocation from the American Recovery & Reinvestment Act (ARRA) funds for 2010-11. All ARRA awards have been budgeted during the 2008-09 and 2009-10 fiscal years.

10.1 Under advisement from the Orange County Department of Education, the District has not budgeted any of the proposed second round of State Fiscal Stabilization Funds (SFSF) through ARRA. The District originally anticipated receiving approximately \$4.9 million through the second round of SFSF. The timing and final amount of any allocation of second round SFSF is unknown, and at this time the district is budgeting \$0 second round funds.

11. The State of California recently passed legislation that has the ability to make the State highly competitive for the new Federal Race to the Top (RTTT) program. Currently, there is no information available as to how, when, and the amount of funds CUSD may be eligible for through this program.

12. Intentionally left blank.

EXPENDITURE ASSUMPTIONS:

13. Salaries

13.1 Step and column increases will be reflected for those certificated, classified and administrative employees who qualify for movement based upon their longevity with the District, and earned education credits.

13.1.1 Salary costs for employee groups will increase by the following percentages due to employee movement across the salary schedule.

CUEA	1.5%
CSEA	2.0%
CUMA	1.5%
Teamsters	2.0%

13.2 Vacancies created due to retirements or those employees indicating the intent not to return will be budgeted as follows:

Certificated:	Column C, Step 11
Classified:	Step 3, Range per Classification
Administrative:	Step 3, Range per Classification

13.3 2009-10 and salary agreements have not been reached with any of the represented groups. Salary negotiations for 2010-11 have not been started.

13.3.1 In the absence of a negotiated settlement with the represented groups, no additional changes to compensation amounts have been included in the budget.

14. Intentionally left blank.

- 15. Costs resulting from earlier golden handshake commitments will be budgeted within the General Fund. A cost of \$60,000 will be incurred during 2010-11, which will cover the final payment of the previous golden handshake commitments.
- 16. For categorically funded programs, the positions allocated will reflect the funding available.
- 17. Intentionally left blank.
- 18. Benefits:

18.1 The District has used 2009-10 rates in the initial preparation of the 2010-11 budget. Revised estimated employer rates for all statutory benefits for the 2010-11 budget year will be released in Spring 2010. These rates will be incorporated below when available.

STRS -	8.25 %
PERS -	9.71 %
PERS Reduction -	3.31 %
OASDI -	6.20 %
Medicare -	1.45 %
Workers Comp -	0.90 %
Unemployment -	0.30 %

18.2 The Public Employees Retirement System (PERS) revenue limit reduction transfer will total \$1,224,868, which matches the amount budgeted as an income appropriation as it is a flow-through account to the state.

- 19. Health and welfare insurance premium increases for the 2010-11 fiscal year will be budgeted to increase by 7%.

19.1 Health and welfare expenditures for 2010-11 are currently budgeted to be approximately \$42.5 million.

- 20. Liability insurance rates will be budgeted for at the 2009-10 rate in preparation of the 2010-11 budget. Currently, it is unknown if liability insurance rates will increase over the 2009-10 rates. Risk Management is in consultation with the District's insurance provider.

20.1 Property & Liability insurance costs for 2010-11 are currently budgeted at approximately \$2.2 million.

- 21. The following increases over the prior year are anticipated for utilities:

Natural Gas	2.0%
Electricity	2.0%
Water	2.0%
Sewer	2.0%

Storm Drain	2.0%
Telephone	2.0%
Trash Disposal	2.0%
Gas and Diesel	2.0 %

22. Transfers & Capital Outlay:

22.1 The District will not contribute to the Deferred Maintenance Fund during the 2010-11 fiscal year.

22.2 A total of \$50,000 will be allocated for capital outlay needs such as furniture and equipment replacement.

22.3 The District will transfer approximately \$2.8 million from each of the following funds to the general fund to help offset revenue limit reductions.

Fund 40 (Special Reserve):	\$ 650,000
Fund 11 (Adult Education):	\$ 900,000
Fund 14 (Deferred Maintenance):	\$1,200,000

23. Indirect / Direct Costs:

23.1 Inter-program direct and indirect costs will be calculated at the maximum allowable rate per program.

23.2 The Cafeteria Fund will be charged a 3.1% indirect cost for the 2010-11 fiscal year. Ed. Code Sections 38101(c) and 52616.4(a)(3) specify that the indirect cost charge for Cafeteria Funds is the lesser of the school district rate (4.77%) or the statewide average rate. In addition to indirect charges, the District charges applicable direct costs including telephone, electricity, natural gas, waste disposal, and laundry services.

23.3 The Child Development Fund will be charged based on direct staff time used to support the childcare program, utility costs, rent, insurance, and maintenance and warehouse services.

24. Debt Service and Major Lease Payments:

24.1 The District is projected to incur approximately \$477,000 in debt service payments from the General Fund in 2010-11. These amounts consist primarily of final golden handshake payments and bus leases.

24.2 The District currently does not plan to enter into significant additional lease obligations during the 2010-11 fiscal year.

25. Reserve for “Economic Uncertainty” of 2% will be maintained.

26. Intentionally left blank.

ADDITIONAL ASSUMPTIONS:

- 27. Interest earnings on funds in custody will be budgeted at 1.35%.
- 28. Charter Schools
 - 28.1 This district currently has executed contracts with three charter school groups. The charter schools are provided with pass-through funding for revenue limit funding, and receive a categorical block grant from the state. The District provides general financial review for the charters and their respective budgets.
 - 27.1.1 The District receives fees from the charter school groups for administrative oversight, which amount to approximately \$82K.
 - 27.1.2 One charter school also makes lease payments to the District, which are budgeted at \$134K per year.
- 29. State Budget Adoption
 - 29.1 The Governor's Budget, released in January 2010, is projected to have aspects which will have a significant impact upon education funding. Based upon this early version of the 2010-11 budget, the District will incorporate the appropriate changes in to our budget planning for 2010-11.
 - 29.2 The Governor will release the May Revise to the proposed 2010-11 State Budget in mid-May 2010. At this point, the District will incorporate these further assumption changes into the budget, prior to submitting to the Board for final approval.