

Placentia-Yorba Linda Unified School District
2009-10 All Funds Budget

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May 26, 2009

Dear Parents and Community:

As we present the budget for the upcoming 2009-2010 school year, it is gratifying to reflect on the achievements of our students, the hard work and dedication of our staff, and the invaluable partnership the Placentia-Yorba Linda Unified School District continues to enjoy with our community.

Even as California has experienced the state's worst fiscal crisis in history, our students have continued to excel academically, and 26 schools are now California Distinguished, National Blue Ribbon or state model schools. Tests scores are among the highest in the state and our standards-based curriculum is enriched through electives, special programs, and the visual and performing arts. In addition, parents, students, and staff can now access grades and attendance online.

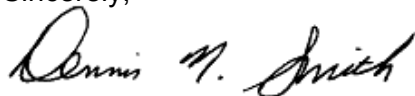
Thanks to the community's overwhelming support of the Measure Y and A school bond measures, three new schools have opened, 22 existing schools have been modernized, and our fourth comprehensive high school will open in September 2009. The community's support is also making it possible to continue modernization of schools; initiate construction of new performing arts, athletic, and vocational education facilities; and provide new technologies for our students and staff.

In looking to the 2009-2010 PYLUSD budget, the Board of Education has again been faced with some very difficult decisions due to the weakening state economy. The impact on all school districts across the state has been significant. Most particularly for the PYLUSD, the budget for the 2009-2010 is balanced after addressing an \$8.6 million funding shortfall to our district due to the state fiscal crisis. The target was achieved through a combination of categorical flexibility; tightening and reduction of positions; and new revenues.

While these reductions are significant, they have been made judiciously and reflect our Board of Education's guiding principles and goals, which foster a climate of high achievement, efficiency, and excellence in education.

These actions along with the caring, dedication and skill of staff, leadership of our Board of Education, and the support of our community will ensure that the PYLUSD will continue to offer outstanding educational opportunities for our students for many years to come.

Sincerely,

A handwritten signature in black ink that reads "Dennis M. Smith". The signature is written in a cursive style with a large initial "D" and "S".

Dennis M. Smith, Ed.D.
Superintendent

Placentia-Yorba Linda Unified School District
2009-10 All Funds Budget

Introduction

Purpose of the Budget

The purpose of the budget is to serve as a guideline for the utilization of resources to meet the needs of students in the Placentia-Yorba Linda Unified School District. The District's budget is an expression in dollars of the educational program. It is the intent of the Board of Education to expend the resources of the District in a manner designed to maximize benefits directly related to the students in the classroom and to the total educational program.

More specifically, the Budget serves as an outline for the estimated revenue and expenses for the fiscal year and is intended to serve a variety of purposes including but not limited to the following:

- A reflection of educational philosophy
- A statement of District priorities
- A description of the resources to support the educational plan
- A financial plan outlining proposed District actions
- An accountability tool
- A public relations document

General Description of the District

Organized originally as the Placentia Unified School District in 1936, the District merged with the Yorba Linda School District on July 1, 1989. Consisting of approximately forty square miles, the Placentia-Yorba Linda Unified School District is located twenty-five miles southeast of Los Angeles in the County of Orange. The district boundaries encompass all of the cities of Placentia, Yorba Linda, and parts of Anaheim, Brea and Fullerton and unincorporated areas of Orange County. The District maintains twenty-one elementary schools, six middle schools, four comprehensive high schools, one continuation high school and two special schools.

In 2008-09, the District provided quality educational services to almost twenty-six thousand kindergarten through twelfth grade students. In addition, many community members participated in the Adult Education and Child Care programs operated by the District.

Oversight

The District's budget and financial condition is reviewed and monitored by the Orange County Department of Education (OCDE) and the California Department of Education (CDE) several times throughout the fiscal year. This is accomplished by an examination of the following District documents and publications:

- Adopted Annual Budget (prepared prior to July 1 of the upcoming fiscal year).
- Any substantial changes or updates to the Annual Budget (ongoing throughout the year; primarily after the State Budget is adopted).
- Financial status report through October 31 (the "First Interim" report).
- Financial status report through January 31 (the "Second Interim report").
- Projected Ending Balances for the fiscal year (prepared with the proposed Budget for the following fiscal year).
- Annual Audit Report prepared by independent Certified Public Accountants (CPA's) (prepared 60-120 days after the close of the fiscal year).

Any deficiencies or declining financial trends are noted by the OCDE, CDE or the independent CPA's and are promptly reported to the District for corrective action.

PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT
2009-2010 BUDGET PLANNING CALENDAR

2008

December 16 Present 3-year financial projections (with 2008-2009 First Interim report) to Board

2009

January 13 Attend School Services workshop on Governor's proposed 2009-2010 budget

January 29 Begin reviewing site and departmental budgets for 2008-2009 and 2009-2010

February 20 Review 2009-2010 enrollment projections

February 20 Generate estimated salaries, statutory benefits, and health insurance for regular positions through budget prep process

February 24 Second Interim report ends January 31, due by March 15, 2009

March 13 Review 2009-2010 budget documents with managers with budgetary responsibility for discretionary accounts (Objects 4000-7999, overtime, substitutes, etc.)

Distribute 2009-2010 staffing reports to managers for review of permanent assigned staffing

April Review State budget news in anticipation of May revisions

Review new positions information with Personnel

April 7 Collect 2009-2010 budget reports with requested budget changes

Collect 2009-2010 staffing reports with updates

Estimate 2009-2010 new positions needed (Personnel)

April 13 -
April 17 SPRING RECESS

May 11-15 Post notice of dates for public review and publish public hearing date
(PUBLICATION NOTICE PUBLISHED IN O.C. REGISTER)

May 18 Review preliminary budget with Cabinet

May 26 Present preliminary budget to Board

June 4 Attend Governor's May Revise Workshop (Late due to Special Election Impact)

June 18-22 Make budget available for public inspection

June 23 Present final 2009-2010 budget for Board adoption

July 1 Constitutional deadline for State Budget Bill to be signed

Placentia-Yorba Linda Unified School District
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Budget Guidelines

Budget Guidelines are drafted each year to serve as a focus in the budget development process. The set of guidelines is directed toward the following:

1. The budget shall support the Guiding Principles of the District. In order to support the Guiding Principles, the budget development process will involve the following key precepts:
 - Improve our curriculum and instruction to all students through personnel recruitment and selection, curriculum development, and support staff training in instructional strategies and legal mandates, materials selection and student assessment.
 - Improve our schools' academic program through annual comprehensive program evaluations.
 - Improve public relations by effectively communicating and disseminating accurate and reliable information to the board, staff and the public.
 - Enhance effective communication between the district office, school sites and departments.
 - Implement a systematic plan to review and improve our district policies and procedures.
 - Develop a facility and maintenance plan to meet the needs related to growth, repair and community use.
 - Continue to improve the budget process to effectively manage the district resources.
2. A Budget Calendar shall be developed and used as a Planning Guide.
3. Budget assumptions shall be developed, reviewed and updated on a regular basis.
4. A minimum of 3% in General Fund Reserve for Economic Uncertainty shall be maintained.
5. Funds shall be made available in the budget prioritization to provide fair and equitable total compensation to all employees.
6. Staffing shall be maintained to comply with current collective bargaining agreements.

7. General Fund Categorical and Grant programs, with the exception of Special Education, Home-to-School Transportation and K-2 Class Size Reduction shall be self-supporting.
8. The Child Development Fund and Cafeteria Fund shall be self-supporting.
9. State allowed direct support and indirect support charges shall be consistently applied, at the maximum allowable rates, to all funds and programs.
10. Unrestricted General Fund school site year-end balances shall be carried forward. Deficits, which occur because of unforeseen situations, shall be brought forward.
11. Restricted fund and program year-end balances shall be carried forward in accordance with terms and conditions of the grantor.
12. Provision shall be made to preserve the use and value of existing facilities and equipment through capital improvements and preventive maintenance.
13. Deferred Maintenance shall be budgeted up to the maximum allowable amount to take full advantage of statutory matching funds.
14. When a new goal, project or program is recommended for authorization the specific funding source shall be identified.
15. One-time funding allocations or resources shall not be used for on-going expenditures.
16. The budget documents shall be summarized by program and type of expenditure to allow for ready comparison among these areas and comparison with previous years. Detailed budget information shall be available so that the Board, as well as the public can examine the components of a specific program.
17. The budget document shall include financial data from at least two previous years as well as projected current budget data.
18. The First and Second Interim Reports shall include a minimum two-year budget projection beyond the current year to comply with the provisions of the Education Code.
19. All funds of the district, such as Adult Education, Cafeteria, Special Reserve (Capital Projects), Deferred Maintenance, Child Development and Capital Facilities, Insurance and Building Funds shall be included in the budget document.
20. A Fiscal Review Team, involving district level leadership, was established to participate in the 2009-10 budget development process.
21. The following budgets shall be presented to the Governing Board for approval:
 - First Interim Report (within 45 days of October 31)
 - Second Interim Report (within 45 days of January 31)
 - Adopted Budget- June

Placentia-Yorba Linda Unified School District
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Staffing Trends and Projections

Staffing at PYLUSD elementary, middle and high schools is driven by a combination of fixed and formula-driven allocations. The chart below shows the district's current staffing standards for all three school levels. It should be noted that these formula numbers can be augmented by special purpose dollars that the site designates to be converted to full-time equivalent employees. Non-school site staffing, including district office and department personnel, is not formula driven. The budgets for non-school departments are created based on need and are analyzed on a yearly basis.

School staffing for certificated teachers and administrators is based on student enrollment and the grade levels served. Classified positions are also allocated by both the enrollment at a site and the grade levels served.

PYLUSD Staffing Standards

Category	Elementary School (FTE)	Middle School (FTE)	High School (FTE)
Principal	1	1	1
Assistant Principal	0-1	1	2
Counselor	-	1	1.5-4
Athletic Director	-	-	2.0*
Activities Director	-	-	1.0*
Library Services	0.375-0.75	1	1.469-1.938
Custodial	0.5-3.5	1.5-3.5	6.0-10.5
Secretary/Clerical	1.49-3.75	3.0-4.469	7.5-9.0
K-2 Staffing Ratio	32:1(K), 20:1(1-2)	-	-
3-6 Staffing Ratio	32:1(3), 36:1(4-6)	-	-
Middle School Staffing Ratio	-	Varies	-
High School Staffing Ratio	-	-	Varies
# Classes per Student	1	7	6
# Classes per Teacher	1	6	5

*Includes a partial teaching assignment

Placentia-Yorba Linda Unified School District
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Supply / Material / Unit Resource Allocations

Each school receives a total unit resource allocation for supplies and materials (i.e., textbooks, library books, reference books, instructional classroom supplies, instructional media materials, instructional media supplies, office supplies, replacement equipment and capital outlay equipment, based upon a student allocation adjusted at the end of the second school month to reflect actual enrollment for the year.

In addition to the per student enrollment, additional funds are allocated to the school sites for K-6 library extended hours, copy machine maintenance (a fixed amount per school), and athletics and maintenance supplies. The principal at each school site, with the assistance of the teaching staff, then determines how to expend the available discretionary dollars.

The amount of student allocation per educational level for 2009-10 is as follows:

Educational Level	<u>Supply / Material Allocations per Student Enrollment</u>
Elementary (K-6)	\$ 44.97
Intermediate (7-8)	61.33
High School (9-12)	87.25
Valencia HS	88.50
El Camino Real	143.48
George Key	107.71

These amounts are supplemented by materials provided by the state under the state textbooks and instructional materials program, the district's lottery program, and categorical programs, as authorized by state and federal programs for 2009-10.

2009-10 All Funds Budget **Budget Highlights**

Overview

It is a pleasure to present the 2009-10 Placentia-Yorba Linda Unified School District All Funds Budget.

The following narrative will provide you a summary of highlights from the entire budget. As usual, the budget process was a collaborative one, involving principal's and district level leadership. This section is broken into segments representing summaries of the 2009-10 budgets and projected year-end financial position of each of the district's fourteen funds. Consider that these budgets are a starting point as the State Budget process has yet to conclude (see below for more on the State budget process). Upon the State's passage of the statewide budget, any necessary changes will be brought to the Board for consideration. Additionally, as the District's goals and objectives evolve throughout the year, the District's working budget will reflect any changes.

State Budgetary Process

As is customary in the California budgetary process, Governor Schwarzenegger disclosed a preliminary State Budget in January based on projections of statewide revenues and proposals of how this money should be spent among the myriad of State agencies, including school districts. Using the Governor's preliminary budget as a prototype, the State Legislature then entered the political fray as several committees and subcommittees debated the merits of the initial budget.

Introduction

Our state faces the most challenging budget in its history. This year, the Governor's assessment of the state of the California economy has provided a foundation for what are likely to be among the deepest Budget cuts in the history of the state.

For the first time in state history, the annual "May Revision" came out after the adoption of the State Budget rather than before. Complicating matters further this year has been the Administration's release of subsequent revisions to both 2008-09 and the 2009-10 State Budgets due to the recent failure of several initiatives on the May 19, 2009, special election ballot.

May's Key Revisions

- The already reduced 17-month Budget adopted in February is reduced by another \$24.3 billion
- No cost-of-living adjustment (COLA) and a huge deficit factor
- More cuts to K-12 - \$3.9 billion - between the February Budget and the May Revision
- Even more funding deferred - placing an even greater burden on cash flow

January Budget vs. the May Revision

	January Budget	May Revision
States Budget Gap	\$21 Billion	\$24 Billion
COLA	5.02% not funded	4.25% not funded
Deficit Factor	No COLA: Year cut to revenue limits, yielding a 13.094% deficit factor	No COLA: Year-over-year cuts to revenue limits, yielding a deficit factor of 17.967%
Mandates	No reimbursement	No reimbursement
Categorical Programs	No COLA	No COLA
Home to School Transportation	No COLA, but funded at the 2008-09 Level	No COLA, Funding reduced by 65%

Flexibility Options

- The offset of Stimulus Stabilization funding to the Budget proposed cuts
- District's local match toward Deferred Maintenance Fund is eliminated for fiscal years 2008-09 through 2012-13
- Funding for most state programs are permitted to be shifted to any other education purpose as of 2008-09 through 2012-13
- Relaxation of K-3 class-size reduction penalty
- *New proposal – Reduction in school year (District would need to renegotiate contracts)*

Status of PYLUSD Fiscal Picture

We had previously anticipated the financial impact to the district of the State's economic shortfall. In so doing, the district convened the Fiscal Review team earlier this year with the goal of reducing the proposed budget by the anticipated shortfall. As a result of their work, \$8.6 million in reductions were identified. This is not a new experience for the district as the following illustrates:

A. 2001-02 Budget Reductions equaled \$1.3 million and were in the following areas:

Personnel savings and reallocations, categorical program reallocations, capital outlay and one-time expenditure savings.

B. 2002-03 Budget Reductions equaled \$3.6 million and were in the following areas:

Staffing, travel & conference, dues, supplies, property loss/liability insurance fund reduction, adjustments (one time), and student information system (delayed).

C. 2003-04 Budget Reductions equaled \$4.7 million and were in the following areas:

Carry over caused by slowed spending, staffing reductions certificated/classified, reduction in anticipated increase to benefits, overtime, special education aide funding shift, management symposium, travel & conference, dues & memberships, consultants, cell phones, short-term hours, professional development academy, and an early retirement incentive.

D. 2004-05 Budget Reductions equaled \$4.3 million and were in the following areas:

The Class Size Reduction (CSR) Programs were reduced to eliminating 3rd grade CSR and deletion of 8th and 9th grade Language and Math CSR classes. The Transportation Department increased revenue and reorganized starting times. In addition, as in the three previous years, all departments were asked to review and submit a reduction in supplies, staffing, conferences, short term hours, substitutes, etc., overtime and equipment.

E. 2005-06 Budget Reductions equaled \$3.7 million and were in the following areas:

Staffing reallocation and attrition savings, along with school sites reduction in their unit resource allocation by 5%. In addition, as in the four previous years, all departments reduced their program budgets.

F. 2006-07 Budget Reductions equaled \$2.9 million and were in the following areas:

Middle Schools staff reduction and outside service contracts reduced (maintenance & technology). In addition, as in the five previous years, all departments reduced their program budgets. To offset further reductions, revenue will be received from mandates reimbursement.

G. 2007-08 Budget Reductions equaled \$2 million and were in the following areas:

Staffing reallocation at the High Schools, reduction in Transportation services due to decline in ridership, various school site support services will be provided by outside sources, and a reduction in District level staff due to attrition, resulting in the reallocation of job duties within each department.

H. 2008-09 Budget Reductions equaled \$10.5 million and were in the following areas:

Program reductions of elementary instrumental music by one grade along with the elimination of elementary vocal music, maximize use of categorical fund flexibility, reduce district operating unit budgets by 5%, Personnel reductions of district office management and clerical positions, and reduce custodial positions.

I. 2009-10 Budget Reductions equaled \$15.2 Million and were in the following areas:

Maximizing categorical flexibility (Tier III transfer), Personnel/Staffing program cost reductions and enhancement of revenues, Modification to Summer School Program, Class Size Reduction staffing ratios increased and Home to School Transportation cost reduction.

General Fund

Description

The General Fund is used to account for the main operations of the District. Revenues are derived from a variety of sources, ranging from property taxes to State assistance to individual gifts and donations. This money is then expended to educate the children of the District. This includes salaries and fringe benefits for teachers, classroom aides and counselors, student textbooks, computer labs and special education costs that exceed State funding

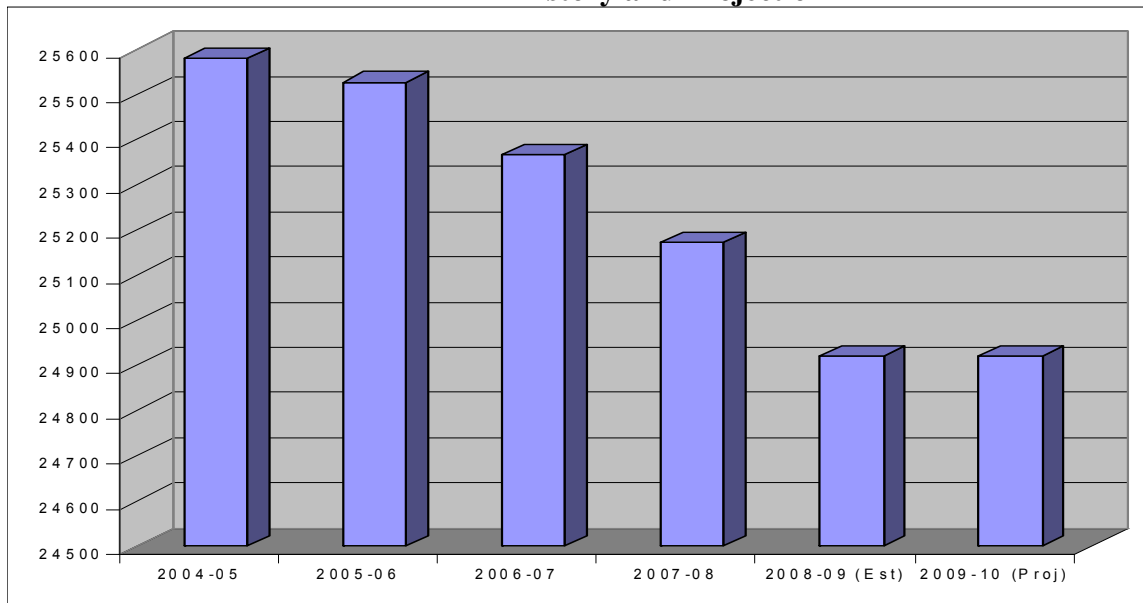
Revenues

70% of the District's revenues are generated from the District's revenue limit

Most of the District's General Fund revenue is generated from the District's revenue limit, which provides funds to the District based on a State-determined dollar amount times the average number of students who are in attendance (ADA) throughout the school year. Public education—unlike any other public agency—receives most of its revenue based on the population it serves.

Since ADA is such an important part of the District's income base, the projection of ADA for this next fiscal year is an important part in projecting district income. Even small fluctuations in the district's ADA can mean tens of thousands of dollars in gained or lost income. District attendance records are monitored monthly and ADA is updated throughout the year to ensure that the projected revenue limit income matches the District's budgeted or revised projections.

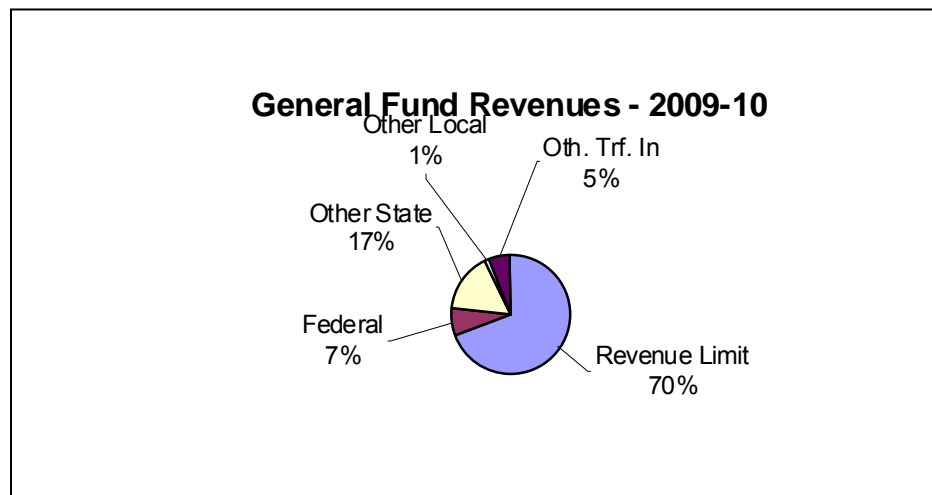
ADA History and Projection



General Fund Revenues – Continued

Public schools are the only agencies that receive income based on the population they serve. Cities or counties, as an example, do not have either increases or decreases in their revenue based on the number of citizens in their community. Public schools, however, receive most of their income based on attendance and if a student misses even one day in Placentia-Yorba Linda USD, the District will lose approximately \$35 dollars. The state does not pay the District for enrollment, just attendance, and thus all of the costs of setting up the instructional program will be a loss unless the student attends.

Federal income is a small corner of the entire district income but it is growing as new federal commitments are added. Again, federal income is restricted since it must be expended for purposes that are determined by the grantor.



Other State Sources

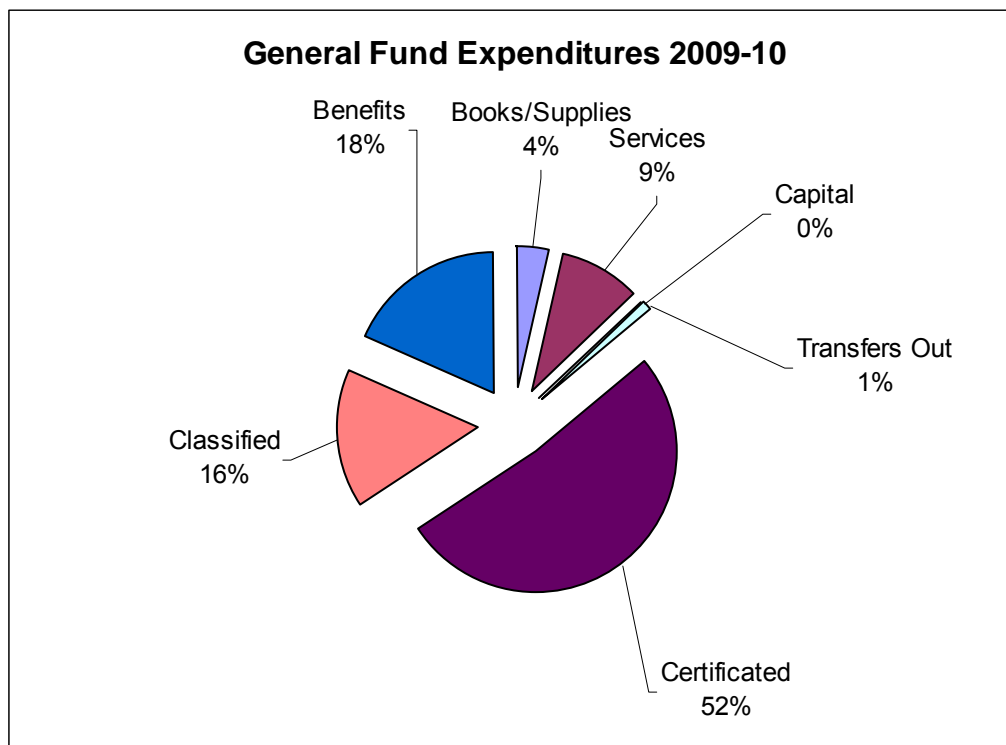
Income of \$33 million is derived from State sources other than the Revenue Limit. \$19 million of this total is restricted for particular programs. Included in the restricted portion are programs such as School Improvement, Special Education, Transportation, and Instructional Materials at the elementary and secondary levels. In addition, the District has budgeted \$3 million to continue Class Size Reduction (CSR) in Grades K-2 and \$2.8 million unrestricted for lottery.

Local Sources

An additional \$2.9 million (1% of the District's total revenue) is budgeted to be received from local income, primarily from interest income, community gifts, transportation fees, rental income and use of facilities. In 2009-10, the District's excess transportation costs will again be partially offset by the collection of transportation fees from eligible bus riders.

Expenditures

It takes people to teach and support our pupils and 86% of the District's total expenditures are committed to the employees of the District



Employee salaries are divided into three separate line items—certificated, classified, non-management and management employees. The certificated employees include teachers, nurses, librarians, or others who provide services that require credentials from the state of California. Management employees include principals, vice principals, instructional leaders and district superintendents.

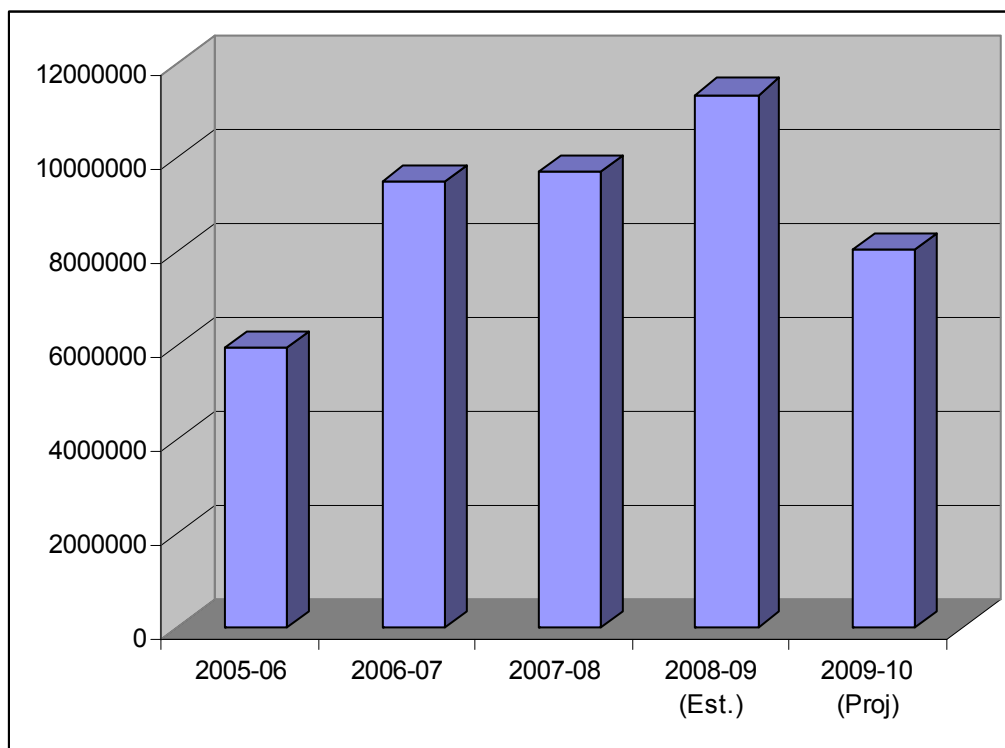
Classified employee salaries include all of the support personnel in the District including salaries for positions such as secretaries, accountants, bus drivers, mechanics, painters and custodial personnel.

Payroll employer expense rates and health and welfare benefits of the District represent an additional 18% of the budget and include expenses for areas such as retirement—both state and federal—medical, dental and life insurance plans, State Teacher's Retirement, Public Employees Retirement, Social Security, Unemployment Insurance and Workers Compensation.

General Fund Unrestricted Balance

A school district's unrestricted ending balance is a district's savings account to fund unforeseen events or pay for multi-year needs

Revenues that have not been expended during a budget year are carried over for expenditure in the subsequent year and identified as the District's "Unrestricted Ending Balance." In most cases, this is the only savings account that a school district has for general operational purposes. The Unrestricted Ending Balance of one year becomes the Unrestricted Beginning Balance of the subsequent year



Included within the projected Unrestricted Ending Balance is a "Reserve for Economic Uncertainties," which is a minimum balance that the State of California requires to be retained to cover unforeseen shortfalls in revenues or expenditures that are higher than those budgeted. The State's minimum "Reserve Requirement for Economic Uncertainties" for Placentia-Yorba Linda USD is 3% of the total expense. Placentia-Yorba Linda USD is projecting a 4.03% reserve. This reserve does not include salary or Health & Welfare premium increases.

Also included in the Unrestricted Ending Balance are carryover balances that originated from sources that can only be used for selected purposes. These revenues, referred to as "restricted," can only be expended for the purposes as determined by the grantor, and the balances in these accounts carry the same restrictions as the originating income.

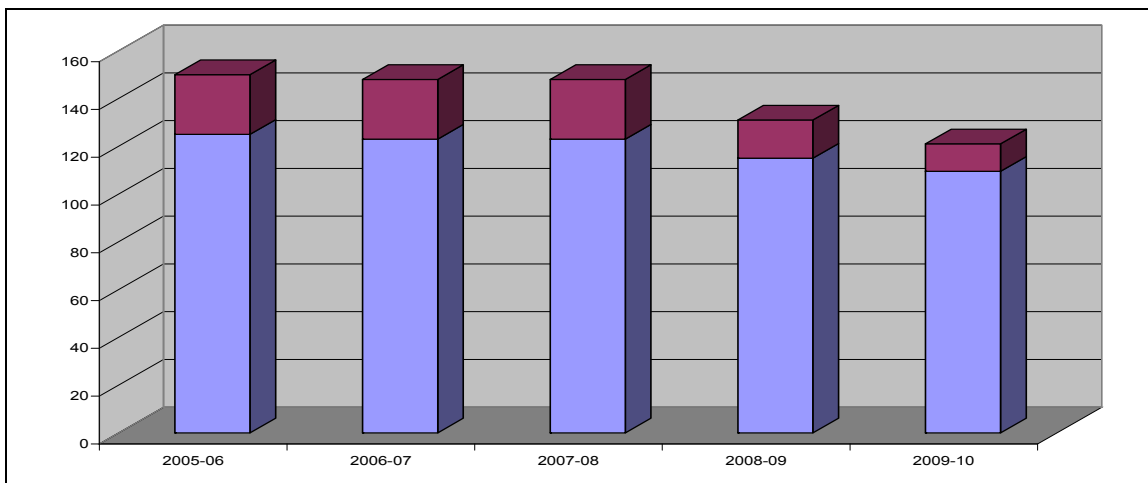
Lottery Income and its History

Lottery income is important but It is only 1.6% of the District's total income

The California State Lottery is projected to yield \$3.1 million or approximately 1.6% of the District's income in 2009-10. While the income is welcome it will yield only a small portion of the total income needed to support the District's educational program. The income in the budget year as an example would be sufficient to buy three textbooks per student, buy four computers per classroom, or pay for the energy costs per student for one year.

Lottery income is not a stable source of income for the District but instead has ranged from a low of \$77 in 1991-92 to a high of \$180 in 1988-89. The projection for 09/10 is \$121.00 (\$109.50 unrestricted + \$11.50 restricted)

Lottery Income History 2005-06 to 2009-10



School districts are required to use 50% of the growth in lottery allocations for the purchase of instructional materials (restricted). In 2009-10 it is projected that California school districts will receive \$2.8 million unrestricted and restricted \$.3 million dedicated for the instructional materials purchase.

In our district the lottery expenditures have been committed for the music program (K-12), counseling and Educational Services Center (ESC).

The District is proud of its management of the lottery expenditures for student needs and enhancements.

Placentia-Yorba Linda Unified School District
2009-10 All Funds Budget

State Underfunded Programs

Introduction

The adoption of each year's Publication Budget characteristically brings up the question of state underfunded programs. In an almost \$204 million General Fund budget, there is always the possibility that some particular effort of the school district is operating with insufficient revenue and thereby drawing away funds from the classroom or from money that could be used for other needed purposes. It would be impossible to answer all questions of state underfunded programs in this section, but the ones that come under general scrutiny each year have been included. They are:

- **Special Education**
- **Transportation**
- **Class Size Reduction**

Seeking to answer the state underfunded program question when reviewing the general budget is often difficult because the money is recorded as income in a separate section from where the expenses appear. Consequently, it is often difficult to determine whether a particular program or service is staying within its own means. A separate breakout of the accounting apart from the State accounting practice must be rendered in order to address the issue.

On the following pages in differing forms, the staff has attempted to address the question for each of the general areas listed above. With the notable exception of Special Education, and Transportation Programs, the 2009-10 Budget contains an anticipation of no underfunding in any of the District's other programs. These two programs, however, represent over \$17 million in excess cost beyond their own funding levels and therefore constitute a major focus when examining the question of state underfunded programs.

Special Education Expenditures

Special Education services are mandated by the Federal and State governments and provided to students with identified disabilities. Although both governmental agencies provide some funding, historically the funding has been significantly less than the cost of the required services. This shortfall in revenue creates an increased contribution from the General Fund that cannot be totally eliminated although the District makes every effort to manage and control it. Due to its specialized nature, Special Education programs are located at various school sites and attended by students from all over the District. Quite often special transportation is required. Due to the distances traveled and the individual routing necessary, the service is quite expensive and adds to the costs of providing special education.

Although the District is considerably below the statewide average for incidence of nonpublic school ADA, the expenditures for special education is further elevated by the expense of non-public school placement for those students whose needs cannot be met by district programs. In an increasing number of instances, federal law guarantees provide for a claim on district resources far in excess of the funding provided. The District must provide programs whether it has the program or not. In instances where out-of-state residential placement is required for a student the total costs, including transportation and required visitation costs for the parents, can far exceed the funding provided by the State. Recently, the district special education staff has successfully reduced the growth of out of district placements.

There are several reasons why the increased costs for Special Education are particularly troublesome. The underlying issue, confirmed by a School Services Report and a recent district analysis, is that the State woefully **underfunds** the Special Education effort. Since 1986-87 Special Education enrollment has grown 7% faster than the regular K-12 enrollment. The schools have more Special Education students on a proportional basis than they ever have had in the past. At the same time, however, Special Education funding has not kept pace. 1998-99 marked the inauguration of a new funding model for Special Education, based not on unit rates but on the total LEA ADA. In general, the new model is envisioned by the Legislature to encourage more cost-effective decision-making at the local level, since the formula's intent is to cap the State's responsibility for Special Education costs. The net effect appears to be however, an increase in the proportion of Special Education expenditures from the general fund.

Additionally, there are programmatic reasons within the Special Education effort itself that increase expenditures. Today more and more Special Education dollars go to attorneys' fees. The Special Education community itself has increased its advocacy of Special Education needs and consequently is placing higher and higher demands on school districts to provide for the specialized

needs of these youngsters. The issues surrounding full inclusion are merely a case in point in this regard. With the overall fiscal constraint on school districts, caseloads in Special Education have increased and more and more internal and costly services are being demanded (e.g. autism). It is of course unfortunate that a period of high demand and high cost is coming at a time of severely constrained fiscal resources available for school districts.

Transportation

District staff does everything in its power to run an efficient transportation system that minimizes General Fund encroachment. The current program is restricted to bus runs which serve district purposes for enrollment balance or in which students reside specific distances from their school of attendance. The distance required to be eligible for these services is greater than the average for other districts throughout the county.

In order to maximize the efficiency of the District's school buses, staff has combined services to several schools that previously had relatively few riders. Student riders are counted several times during the school year and routes adjusted on an ongoing basis. Most buses serve three schools in either the morning or the afternoon due to staggered bell schedules. These efforts have resulted in costs per student that are below the state and county averages.

The State continues to **underfund** both Home-to-School and Special Education transportation. Consequently, to minimize the encroachment on classroom funds, the Board of Education established a bus fee as provided by State law. This home-to-school transportation fee of \$2.10 per day, or \$396.00 annually, is greater than the average for other districts throughout the county.

Class Size Reduction Program

The State of California developed Class Size Reduction Programs. The District implemented class size reduction on a full day basis at grades one, two and three, and on a half day basis at kindergarten. The kindergarten half-day configuration was different because of the statutorily shorter day for kindergarten. Most kindergarten teachers already had 90 minutes of overlap where kindergarten teachers team teach with one another in corresponding classrooms. While it was hoped that the funding for the 1-3 grade CSR program from Sacramento would cover the costs of the program; the reality of implementation was quite different. Based on the actual average salary for teachers in grades one through three, which included the cost of health and welfare benefits and the District's costs for teacher retirement and payroll taxes, each teacher represented an investment which would exceed the funding provided by the State. Additionally, increased staffing occurred due to combination classes (K-1 and 3-4).

In 2005-06 the District reduced overall encroachment in Class Size Reduction by \$1.5 million by eliminating the following:

- 3rd Grade Class Size Reduction
- Math and Language Arts in High School 9th grade

For 2009-10 through 2011-12, the Governor has provided Class Size Reduction program flexibility and reduction in the penalty provisions. By increasing class sizes in first and second grades, the District anticipates an overall net savings of \$2.5 million with no encroachment of this program to the General fund.

Placentia-Yorba Linda Unified School District
2009-10 All Funds Budget

Summary of Assumptions

INCOME

Revenue Limit Sources

- Cost of Living Adjustment (COLA) of 4.25% (an increase in Revenue Limit per ADA of \$261) with a deficit factor of 17.967%. By including the deficit factor, PYLUSD will have a revenue limit loss per ADA of $\$562 \times 25,213 = \14.2 Million
- Decline in Average Daily Attendance projected @ 150 for 09/10
- Revenue limit calculation will be based on 08/09 ADA due to declining enrollment
- Most State categorical program revenues were reduced by 15.38% in 08-09 and an additional 4.46% in 09-10
- Special Education
 - No COLA, but no further reduction in revenue as the above state programs
- Class Size Reduction
 - Grades 1-2, \$1,071 per enrolled student
 - Kindergarten: \$535 per enrolled student
 - The State established new funding reduction percentages in classes exceeding 20.44 pupils
- State Lottery: \$121.00 per ADA
 - \$109.50 per ADA Unrestricted
 - \$11.50 per ADA for Prop 20 (instructional materials, textbooks, etc.)
- Home to School Transportation Funding has been reduced by 65%, a loss of \$1.2 Million
- Deferred Maintenance – State's revenue match is \$840,828. The District's local match requirement has been eliminated
- Educational Pool Interest Earned at a rate of 1.25%

Placentia-Yorba Linda Unified School District
2009-10 All Funds Budget

Summary of Assumptions

EXPENDITURES

Certificated Salaries

- Step and column movements budgeted for certificated employees

Classified Salaries

- Step and column movements budgeted for classified employees

Estimated Employee Benefits

- Health and Welfare premium for active employees: \$13,225
- Rates:
 - State Teachers' Retirement System (STRS): 8.25%
 - Public Employees Retirement System (PERS): 9.428%
 - PERS Reduction (recapture by State of PERS expense savings): 3.592%
 - Social Security (OASDI): 6.20% (maximum wage limit \$106,800)
 - Medicare: 1.45%
 - Unemployment Insurance: .30%
 - Workers' Compensation (contribution to Self-Insurance Fund): 1.38%

Other Services and Operating Expenditures

- Contribution to Comprehensive Property and Liability Insurance Funds: \$850,000

Other Financing Sources/Uses

- Transfer to Deferred Maintenance Fund, the District's match will be \$0