

# BUDGET BULLETIN #22

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Don't forget to visit our District website for updated budget information:  
[www.ovsd.org](http://www.ovsd.org)

To keep our parents and community informed regarding the status of the state budget and its impact to our District, we will be issuing regular Budget Bulletins.

## State Budget Update: What is the Potential Impact on the District?

For the first time in quite some time, the State of California passed a budget before July 1<sup>st</sup>. However, as is typical with our State government, the budget passed has some items included which were both favorable and unfavorable to K-12 education.

### 2011-12 State Budget: The Good

The first piece of good news received from the 2011-12 State Budget was the passage of the State Budget in June 2011 and not after the start of the school year. When the State Budget is not passed on time, school districts must develop and implement budgets without knowing its true funding. If the funding comes in lower, the District is forced to implement changes during the year.

The second piece of good news received from the 2011-12 State Budget was that K-12 education would be flat-funded for the 2011-12 school year. "Flat-funding" means that OVSD will not receive less state funding in 2011-12 than it received in 2010-11. While flat-funding is not ideal, it is much better than additional funding cuts. However, the District must balance rising costs with no additional State funding.

### 2011-12 State Budget: The Bad

The State Budget was passed assuming \$4 billion more in revenues than assumed in the Governor's May 2011 Revised Budget. Why? Since the Governor made a commitment to not cut K-12 education during 2011-12, the higher revenues were needed in order to have a balanced budget. In addition, the State Budget includes "triggers" which may be pulled if the \$4 billion in additional State revenues does not materialize. One of the triggers will result in mid-year K-12 education funding cuts. If the "trigger" gets pulled, OVSD could lose approximately \$2.8 million in State funding in the current school year.

### 2011-12 State Budget: The Ugly

After three months of the State's fiscal year (July to September), State revenues are approximately \$650 million (or 3.4%) below projections. The decision to pull the "triggers" will be made December 15, 2011. Based upon the revenues received through September 2011, it is very possible that OVSD may experience some kind of a mid-year State funding cut. This could result in the following:

- A 50% reduction in State transportation funding (approximately \$450,000); and
- A reduction in average daily attendance (ADA) funding up to a \$250 per ADA (approximately \$2.35 million).

### What are the District's plans?

OVSD is required by State law to maintain a 3% reserve (Designated for Economic Uncertainties). On June 30, 2011, the District's 3% reserve was \$2.2 million. While this is part of OVSD's available funds, it cannot be spent.

Due to conservative spending, the Board of Trustees and District leaders have also been maintaining an Emergency Reserve for these difficult economic times. Over the past several years, the District has been very frugal with its spending. On June 30, 2011, OVSD had an Emergency Reserve of \$7.58 million. The Emergency Reserve has been used to assist with funding cuts. Over the past several years, the Emergency Reserve has saved programs (such as class size reduction at a 24:1 student-to-teacher average ratio), saved certificated and classified jobs, and enabled OVSD to make fewer cuts compared to other school districts in the area.

As you are aware, the District has not reduced the 2011-12 school year with furlough days, as permitted by the State. When necessary, it is the District's desire to minimize the educational impact on any changes implemented.

Because the District is concerned about the possibility of funding cuts in 2011-12, 2012-13, and the future, we remain fiscally conservative in order to keep OVSD solvent on a multi-year basis. In addition, the District continues to offer a rich, award-winning curricular program supported by an outstanding certificated, classified and management team.