



STATE BUDGET UPDATE WITH THE PASSAGE OF PROPOSITION 30

November 13, 2012

Themes for the 2012 School Finance and Management Conference

- ➡ ■ 2012-13 represents the fifth year of the deepest sustained cuts ever made to public education in California
- ➡ ■ Yet, the cuts to education roughly mirror the loss of General Fund revenues to the state
 - And the state's plan to avoid deeper immediate cuts to education depends on a continuation of the policy of replacing an immediate cut with the threat of a larger one later
- We have lost more than 10% of our teachers, and a greater percentage of classified employees and administrators
- We have higher class sizes, fewer school days, and prospects for even further losses
- ➡ ■ Relief offered by the state is partial and temporary
- Managing school agencies has never been more difficult

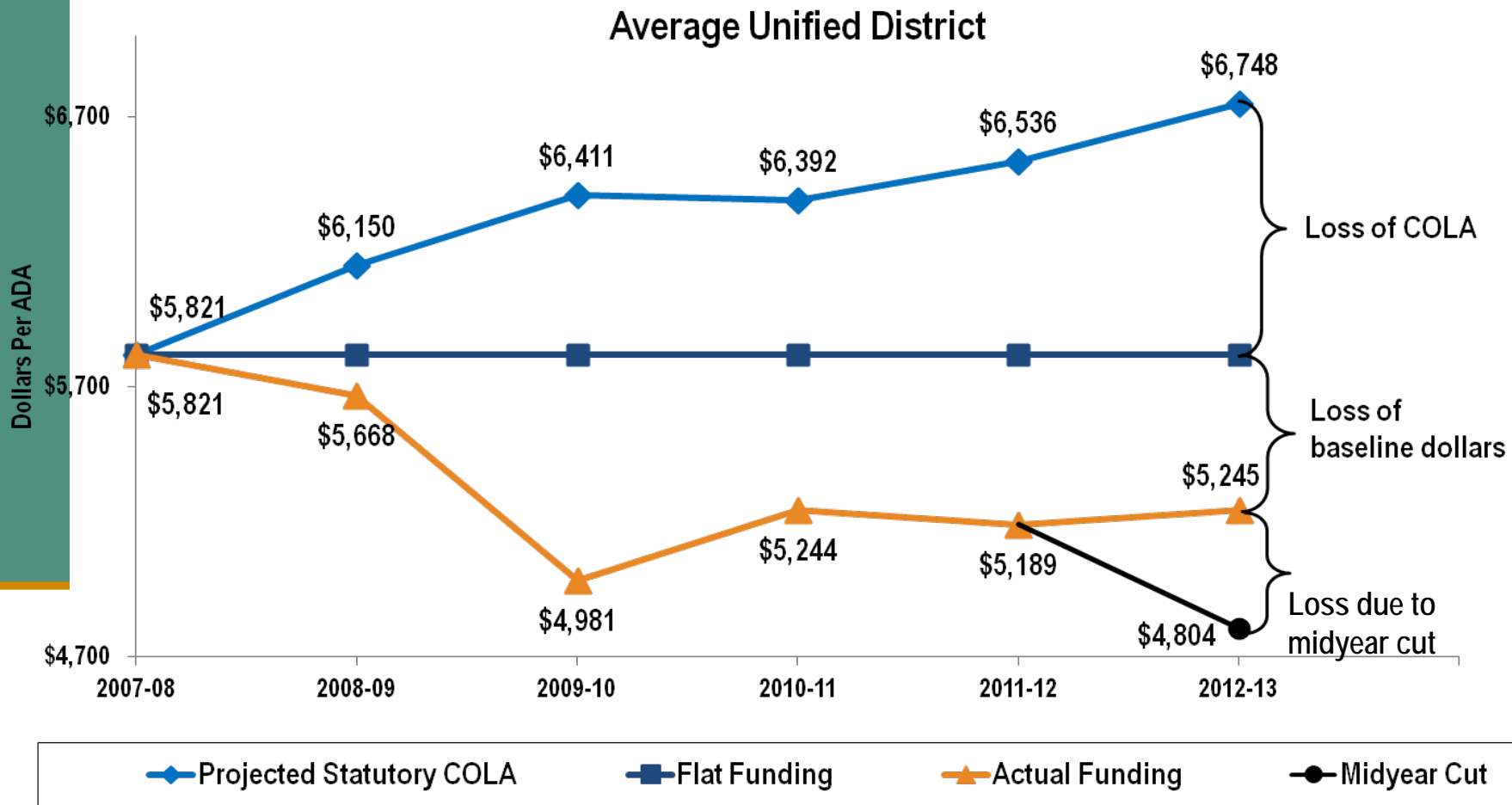
Effects of the Recession Are Still With Us

- ➡ ■ Compared with 2007-08, beginning in 2008-09, ongoing state General Fund revenues have been consistently down by about 15%
- ➡ ■ Beginning in 2008-09, the state immediately cut education funding by about 15% and has maintained that cut through 2012-13
 - Cuts to other segments of the State Budget came later and were not as deep
- Unemployment remains near record levels
 - Former taxpayers remain as “tax receivers”
 - There is likely to be little improvement at the state or national level in the near term – job creation continues to lag
 - Over the past five years, California’s biggest export has been jobs!
- ➡ ■ The state deficit continues to grow, and it is unlikely that the situation will improve much in 2012-13 or 2013-14

Cuts to Education are likely to Continue

- The state has balanced its Budget based upon a continuation of its policy of projecting higher revenues and proposing cuts to education if those revenues are not received
- ➡ ■ But even if the temporary taxes proposed by Governor Jerry Brown pass, education funding will not increase in 2012-13
- The public is confused; declarations of increases to Proposition 98 are contradicted by budget cuts at the local level
- The state simply does not have the money to provide additional funds to education
- ➡ ■ Claims that education funding is going up are simply untrue
- ➡ ■ Local educational agencies (LEAs) have not received a single new ongoing dollar since 2007-08
- We understand that funding can't be restored; we don't understand why state politicians continue to claim that more money is going to schools

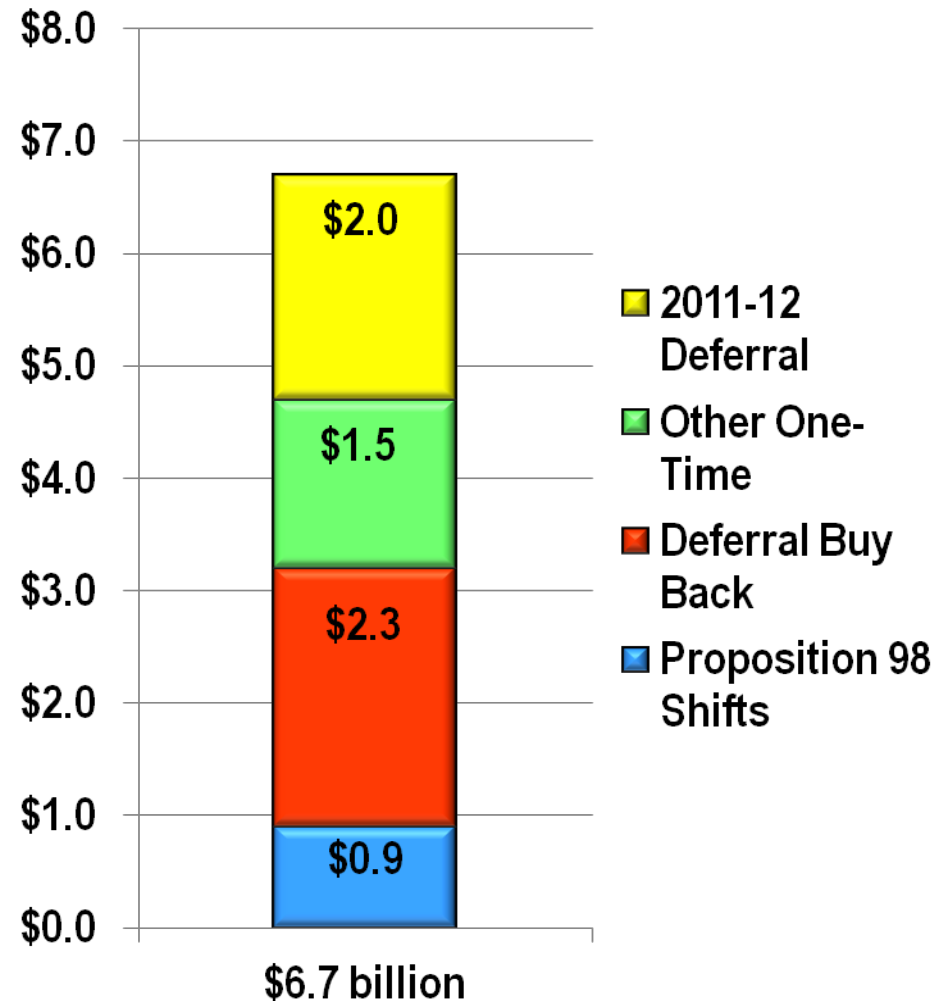
Funding Per ADA – Actual vs. Statutory Level



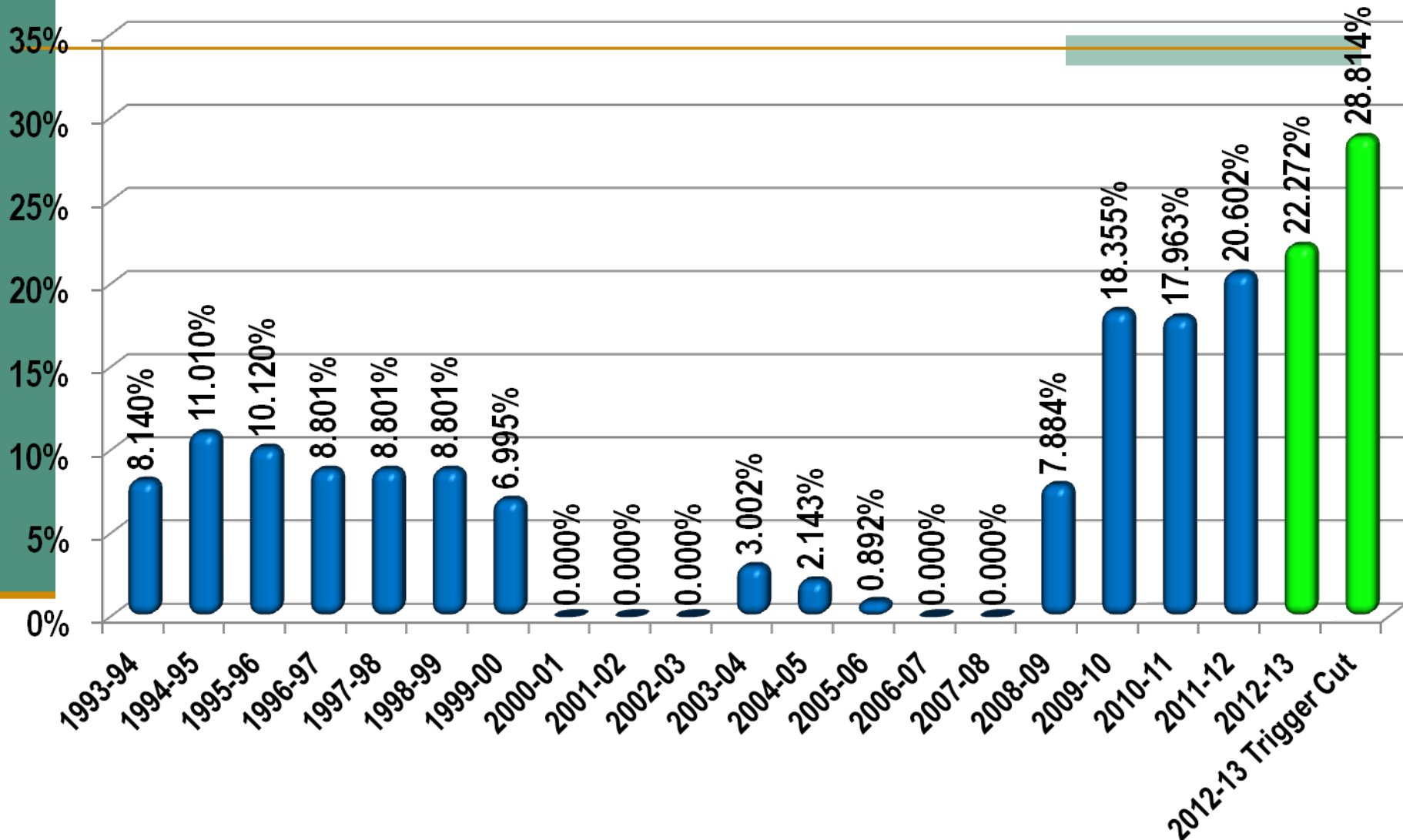
Proposition 98

- 2012-13 Proposition 98 funding increases by \$6.7 billion (14%), yet program funding for K-12 schools is virtually flat
- Where does the money go?
 - Pay for the cost of the 2011-12 deferral
 - Restore one-time resources with ongoing revenues
 - “Buy back” a share of \$9.4 billion in cross-year deferrals
 - Shift “noneducation” spending into Proposition 98

Note: Budget adds \$86.3 million in new funds for Mandate Block Grant



Revenue Limit Deficit Factors



2012-13 K-12 Revenue Limits

Example

	Average Unified School District for 2012-13	Base Revenue Limit per ADA (A)	Proration Factor (B)	Funded Base Revenue Limit (C) = (A) x (B)
1.	2011-12 Base Revenue Limit	\$6,536	0.80246*	\$5,244.88
2.	2012-13 COLA per ADA	\$212	–	–
3.	2012-13 Base Revenue Limit	\$6,748	0.77728**	\$5,245.09
4.	2011-12 "Trigger" Cut (0.85% times Line 1, Column A)			\$55.55
5.	Net 2011-12 Funded Revenue Limit (Line 1, Column C, Minus Line 4, Column C)			\$5,189.33
6.	Dollar Change (Line 3, Column C, Minus Line 5, Column C)			\$55.76
7.	Percentage Change (Line 6, Column C, Divided by Line 5, Column C)			1.07%
8.	Restoration of 2011-12 Trigger Cuts (Line 1, Column C)			\$5,244.88
9.	2012-13 Funding Compared to 2011-12 with Restorations (Line 3, Column C, Minus Line 8, Column C)			\$0.21

* 0.80246 = 1 – 0.19754 (2011-12 deficit factor)

** 0.77728 = 1 – 0.22272 (2012-13 deficit factor)

November 2012 Election

- A lot is riding on voter sentiment in November
 - Two major tax measures
 - ➡ ■ Governor's initiative – flat funding for schools
 - Munger initiative – \$3.0 billion to schools in 2012-13; more in future
- Governor's initiative is a State Budget solution that also helps schools
 - ➡ ■ “Launders” \$4 billion for state programs through schools
- Schools lose big if the initiative fails
 - Gain on paper of \$2.9 billion scored to Proposition 98 if it passes, but \$5.5 billion cut if it fails – we need the initiative to pass!
- We have to find a better way to support our public schools
 - Stable funding
 - Adequate funding
 - Equitable funding

What Follows Proposition 98?

- Proposition 98 no longer provides a minimum guarantee of funding for K-12

➡ education and community colleges

- The state was supposed to provide funding to accommodate changes in workload and inflation
- There have been very few years when the Legislature provided more than the bare minimum

- Over the years, the Legislature and Governor have chipped away at this

➡ constitutional requirement so that now it provides only what they are willing to spend

- Education must compete for funding against safety net programs, prisons, environmental protection, higher education and other priorities
- The Solution: A local revenue option that addresses equity issues raised in the Serrano lawsuit

KEY FACTS-2011/12

■ Base Revenue Limit	\$6,501
■ Revenue Limit Deficit Factor	.79398 20.602%
■ Revenue Limit ADA	8,943
■ Loss of funding due to deficit factor	\$11,977,682
■ October Enrollment	9,605
■ Class Size Reduction (K-3) without any penalties and up to 20 students per class.	\$1,071 Full Day
■ Lottery	\$117.25/\$23.25

Unrestricted Revenues*	\$56,098,062
Restricted Revenues *	<u>\$24,543,805</u>
TOTAL REVENUES *	\$80,641,867

*(Includes Other Financing Sources/Uses)

Components of the 2011-2012 Unaudited Actuals Ending General Fund Balance

2011-12 Unaudited Actuals

Revolving Cash	\$ 30,000
Stores	315,356
Restricted Balance	1,941,441
Reserve for Economic Uncertainties 3%	2,410,683
Other Assignments	694,681
Unassigned/Unappropriated	<u>5,900,076</u>

Total Estimated Ending General Fund Balance \$ 11,292,237

NOTE: The “Reserve for Economic Uncertainties” is currently maintained at the state minimum of 3%

LISTING OF CATEGORICAL PROGRAMS WITH RESTRICTED BALANCES

The District has received categorical funding in several programs not subject to deferred revenue. This results in a “Restricted Balance” and has the effect of reducing expenditures in the current year and increasing expenditures in subsequent year(s).

<u>Resource</u>	<u>Description</u>	<u>2010-11</u>	<u>2011-12</u>
5640	Medi-Cal Billing Option	\$73,211	\$135,180
6286	English Language Acquisition	71,486	60,818
6300	Lottery – Instructional Materials	285,679	442,799
6512	Mental Health Services	-----	66,472
7090	Economic Impact Aid (EIA)	523,085	522,890
7091	EIA: Limited English Proficiency (LEP)	379,642	318,423
7400	Quality Education Investment Act	17,717	17,717
9010	Other Local	153,709	377,142
TOTAL		\$1,504,529	\$1,941,441

Net Increase (Decrease) in Fund Balance 2011-12

Unrestricted

Beginning Fund Balance 07-01-11	\$ 9,501,909
2011-12 Results	<u>\$(151,113)</u>

Ending Fund Balance 06-30-12	\$ 9,350,796
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Restricted

Beginning Fund Balance 07-01-11	\$ 1,504,529
2011-12 Results	<u>\$ 436,912</u>

Ending Fund Balance 06-30-12	\$ 1,941,441
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UNRESTRICTED BUDGET SAVINGS

<u>2006-07 Third Interim</u>		\$(760,452)
Actuals		<u>56,452</u>
	Difference	\$816,904
<u>2007-08 Third Interim</u>		\$(836,682)
Actuals		<u>(232,884)</u>
	Difference	\$603,798
<u>2008-09 Third Interim</u>		\$(84,351)
Actuals		<u>3,660</u>
	Difference	\$88,011
<u>2009-10 Third Interim</u>		\$(1,138,535)
Actuals		<u>757,979</u>
	Difference	\$1,896,514
<u>2010-11 Third Interim</u>		\$2,703,149
Actuals		<u>3,118,598</u>
	Difference	\$ 415,449
<u>2011-12 Third Interim</u>		\$(621,589)
Actuals		<u>(151,113)</u>
	Difference	\$470,476

2 Year Average= \$442,963

6 Year Average= \$715,192

Estimate per Multi Year Projections = \$500,000

Projected Net Increase/Decrease to the General Fund

	2012/13 Adopted	2012/13 First Interim
■ Unrestricted	\$(372,062)	TBD
■ Restricted	<u>\$ 164,671</u>	TBD
TOTAL	\$(207,391)	
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TBD= The 2012-13 First Interim Budget is scheduled to be presented at the 12/11/12 Board Meeting.

2012-13 Adopted Budget- 6/26/12 Board Meeting; updated 11/13/12 Board Meeting