

San Francisco Unified School District

Summary of the Governor's 2012-13 Budget Proposal

The Governor's Budget

- Governor Jerry Brown's proposed budget for FY 2012-13 is based on an estimated budget gap of \$9.2 billion
- The budget proposes \$4.2 billion in cuts including \$544 million in Proposition 98 adjustments (rebenching gas tax)
- The Governor also proposes – and counts on – a November ballot measure to increase income and sales taxes by \$6.9 billion
 - Higher income taxes would affect individuals earning more than \$250k (and joint filers > \$500k)
 - Sales tax would be increased by 0.50%
 - These increases would be in effect through 2016
- If taxes are not approved, Proposition 98 funding would be significantly reduced
- Economic changes between now and enactment of the 2012-13 budget could cause a revision up or down

California's Economic Outlook

- California's fate is tied closely to the national economy
 - Signs of recovery include higher exports, consumer confidence, and job growth
 - Risks include federal deficit, European debt crisis, higher energy costs
- California lost 1.3 million jobs in the recession
 - About one-third of these jobs have been added back, and the state's unemployment rate is now 11.7%
 - Payroll employment is not projected to reach pre-recession levels until 2016, eight years from the beginning of the recession
- Growing sectors include high tech, export markets, and professional services
- Lagging sectors include housing and construction

The Education Budget

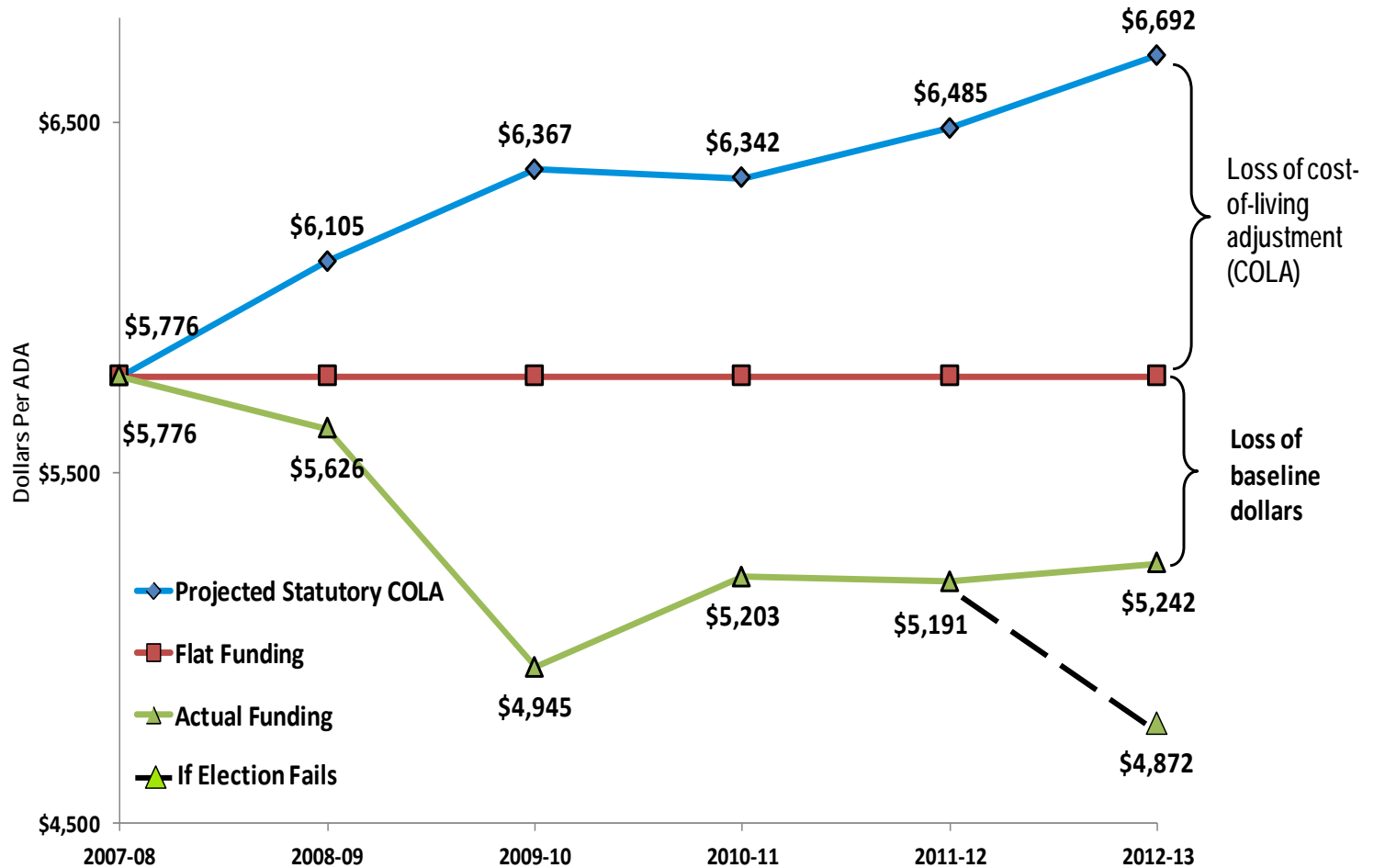
- The proposed budget again claims to protect funding for K-12 education
 - Similar to last year, “protection” means holding general purpose funding for schools flat – but only if new temporary tax increases are passed
 - Home-to-school and special education transportation funding is totally eliminated whether the initiative passes or not (representing about \$7 million each year for SFUSD)
- The proposal includes zero funding for a statutory COLA
 - COLA is estimated to be 3.17%
 - Deficit factor would increase to about 22%
 - Zero funding for COLA (vs. fully funding COLA) would represent about a loss of about \$8 million for SFUSD each year
- In other words, even if the tax initiative passes, SFUSD’s projected deficit grows under the Governor’s proposal

The Education Budget (cont.)

- The Governor proposes spending increasing Prop 98 dollars (if taxes pass) toward reducing deferrals instead of actually increasing school funding
 - The State has accumulated about \$10 billion of inter-year deferrals to K-12 education funding
 - The Governor proposes spending \$2.2 billion to reduce these deferrals, which has zero effect on increasing districts' spending authority
 - These dollars could instead be used to fund COLA or restore transportation funding, which SFUSD advocates
- If the tax initiative fails, the inter-year deferral buyout would be rescinded and existing deferrals would be maintained
- And if taxes fail, K-12 funding would be reduced by about another \$370 per ADA (about \$18.7 million each year for SFUSD), roughly equal to the costs of three weeks of school

Projected vs. Actual Funding Per ADA

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Chronic Underfunding of Schools

- Average unified school districts should be receiving Revenue Limit of \$6,742 per ADA in 2012-2013 (if deficit factor were eliminated)
 - Based on the Governor’s budget “protecting” education (taxes pass), we expect to receive \$5,242 per ADA => representing **underfunding of more than \$75 million** annually.
 - If the tax proposals fail, we expect underfunding of more than **\$93 million**

Other Issues

- **Mandates:** Governor proposes to eliminate half of existing reimbursable mandates and make the rest optional. LEA's that maintain services under optional mandates would receive funding through a new incentive block grant.
- **Weighted Pupil Formula:** The Governor proposes to combine revenue limit and most state categorical programs into a new funding system that would be phased in over a five-year period beginning FY 2012-13. Funds would be distributed based on a weighted allocation formula based on English Learner and low-income student populations.
- **Transitional Kindergarten:** Governor's budget does not fund the TK program and eliminates the requirement that schools provide TK beginning in FY 2012-13
- **Child Care:** Governor's budget cuts child care by \$517 million, by increasing welfare-to-work requirements, reducing income eligibility ceilings, and reduced reimbursement rates

Draft Budget Development Timeline*

Feb. 11	School Planning Summit
March	Preliminary notification of certificated layoffs
March 23	School budgets and BSC's due
Mid-May	Governor's May Revise; layoff notification for certificated (final notice) and other employees
May-June	Superintendent's recommended budget developed based on updated projections
June 26	Board of Education adopts budget for FY 2012-2013
Nov. 6	Election Day (State Ballot Initiatives)

**Some dates are subject to change pending new information*