San Francisco Unified School District

Summary of the Governor’s 2012-13 Budget Proposal

January 24, 2012
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

San Francisco Unified School District

<table>
<thead>
<tr>
<th>Year</th>
<th>Projected Statutory COLA</th>
<th>Flat Funding</th>
<th>Actual Funding</th>
<th>Loss of cost-of-living adjustment (COLA)</th>
<th>Loss of baseline dollars</th>
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</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>$5,776</td>
<td>$5,776</td>
<td>$5,776</td>
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<td>2008-09</td>
<td>$6,105</td>
<td>$5,626</td>
<td>$5,203</td>
<td>$4,945</td>
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<td>2009-10</td>
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<td>2010-11</td>
<td>$6,342</td>
<td>$4,945</td>
<td>$5,203</td>
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<td>2011-12</td>
<td>$6,485</td>
<td>$4,945</td>
<td>$5,203</td>
<td>$4,945</td>
<td>$5,242</td>
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<tr>
<td>2012-13</td>
<td>$6,692</td>
<td>$4,945</td>
<td>$5,203</td>
<td>$4,945</td>
<td>$5,242</td>
</tr>
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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*

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>Feb. 11</td>
<td>School Planning Summit</td>
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<tr>
<td>March</td>
<td>Preliminary notification of certificated layoffs</td>
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<tr>
<td>March 23</td>
<td>School budgets and BSC’s due</td>
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<tr>
<td>Mid-May</td>
<td>Governor’s May Revise; layoff notification for certificated (final notice) and other employees</td>
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<tr>
<td>May-June</td>
<td>Superintendent’s recommended budget developed based on updated projections</td>
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<tr>
<td>June 26</td>
<td>Board of Education adopts budget for FY 2012-2013</td>
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<tr>
<td>Nov. 6</td>
<td>Election Day (State Ballot Initiatives)</td>
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</tbody>
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*Some dates are subject to change pending new information*