The Governor’s Budget Proposal

• Governor Jerry Brown’s proposed budget for FY 2012-13 is now based on an estimated budget gap of $16 billion, reflecting lower revenues and federal government and courts blocking specific cuts to social services

• The budget proposes billions of dollars in spending cuts, generally outside of K-12 education, reflecting disproportionate cuts to schools in the past several years

• The Governor also proposes – and counts on – a November ballot measure to increase income and sales taxes by $8.5 billion
  – Higher income taxes would affect individuals earning more than $250k (and joint filers > $500k)
  – Sales tax would be increased by 0.25%
  – These increases would be in effect through 2016
The State Education Budget

- The Governor’s proposed budget would hold general purpose funding for schools flat – but only if new temporary tax increases are passed
- The proposal includes zero funding for a statutory COLA
  - COLA is estimated to be 3.24%
  - Deficit Factor would increase to about 22%, meaning schools only receive 78¢ of each dollar
  - Zero funding for COLA (vs. fully funding COLA) represents 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
- If taxes are not approved, Proposition 98 funding would be significantly reduced
Projected vs. Actual Revenue Limit Funding for SFUSD

- **Projected Statutory COLA**
- **Flat Funding**
- **Actual Funding**
- **Midyear Cut**

Loss due to midyear cut

Loss of baseline dollars

Loss of cost of living adjustment (COLA)
Chronic Underfunding of Schools

• SFUSD should receive Revenue Limit of $6,697 per ADA in 2012-2013 (if deficit factor were eliminated)
  
  – Based on the Governor’s budget “protecting” education (if taxes pass), we expect to receive $5,204 per ADA => representing underfunding by about $77 million annually

  – If the tax proposals fail, we would receive $4,764 per ADA => representing underfunding by about $100 million annually
California Falls Further Behind...

California’s K-12 Spending Per Student Lags Behind That of the Rest of the U.S. More Than at Any Time in 40 Years

* 2010-11 data estimated
Note: Rest of U.S. excludes the District of Columbia
Source: National Education Association
### UGF Summary 3-Year Projection ($ millions)

*Reflecting FY 2011-12 mid-year cuts and Governor’s proposed budget with taxes passing*

<table>
<thead>
<tr>
<th></th>
<th>FY 11-12</th>
<th>FY 12-13</th>
<th>FY 13-14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning Balance</strong></td>
<td>$55.796</td>
<td>$35.305</td>
<td>($18.631)</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>$325.916</td>
<td>$318.603</td>
<td>$326.635</td>
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<tr>
<td><strong>Expenditures</strong></td>
<td>$346.407</td>
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<td>$374.303</td>
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<td><strong>Revs. Less Expenses</strong></td>
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<td><strong>Ending Balance</strong></td>
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<td>($66.299)</td>
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<tr>
<td><strong>Designated Balance</strong></td>
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<td>$17.015</td>
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<tr>
<td><strong>Undesignated Balance</strong></td>
<td>$18.687</td>
<td>($35.532)</td>
<td>($83.314)</td>
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</tbody>
</table>

**Notes:** FY 2012-13 and FY 2013-14 figures do not include any Rainy Day Reserve funds and reflect 6/30/12 expiration of cost savings provisions of collective bargaining agreements.
UGF Summary 3-Year Projection ($ millions)
(Reflecting FY 2011-12 mid-year cuts and Governor’s proposed Jan. budget with taxes failing / additional cuts of $370 per ADA)

<table>
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</thead>
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<tr>
<td>Beginning Balance</td>
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<tr>
<td>Revenues</td>
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<tr>
<td>Expenditures</td>
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<td>$374.303</td>
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<tr>
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<tr>
<td>Undesignated Balance</td>
<td>$18.687</td>
<td>($53.602)</td>
<td>($119.454)</td>
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</tbody>
</table>

Notes: FY 2012-13 and FY 2013-14 figures do not include any Rainy Day Reserve funds and reflect 6/30/12 expiration of cost savings provisions of collective bargaining agreements
Some Positive Signs

• The Governor restored state transportation funding in the May Revision as expected ($7 million each year)
• The State (Public Works Board) has approved the purchase of 700 Font Blvd. for SF State University, which will allow SFUSD to reduce debt service costs each year beginning next year by $875k
• We hope the City will support SFUSD with Rainy Day Reserve funds ($6.3 million in FY12-13 and $4.7 million in FY13-14)
• These items would reduce the $83 million gap by $27 million
• Other glimmers include:
  • Average Daily Attendance is increasing, reflecting efforts to reduce truancy and chronic absence
  • Improving local revenues (e.g., sales tax, PEEF, parcel tax, foundation support)
Significant Risks

• SFUSD faces a mid-year cut of $23 million if no tax initiatives pass; this would also reduce the funding base for later years
  • The main solution school districts would have if taxes fail, as outlined in the May Revision, is to reduce up to 25 days from the school year between SY 2012-13 and SY 2013-14
  • SFUSD reduced the school year by 8 days over the past two years (4 days each year)
• A record-high 188 local educational agencies (nearly 20% of all California LEA’s) are now in qualified or negative financial status, serving 2.6 million of the California’s 6.2 million students
Expenditure Reductions

- SFUSD has implemented many spending reductions in the past two years including:
  - Forced school closure days
  - School site budgets
  - School security
  - Central services cuts
  - Teacher and principal sabbaticals
  - New teacher support
  - Instructional materials
  - Summer school
  - Home-to-school transportation
  - Professional development

- Most of these cuts will continue, and deeper cuts will be made
Guiding Principles for Budget Process

- **Fight for long-term solutions** - The SFUSD community can lead the call for systemic change to fund schools adequately
- **Consider students with the highest need** – To the greatest extent possible, prioritize resources and services to students with greatest academic needs
- **Prioritize services directly impacting achievement** – Focus on strategic priorities
- **Be willing to change the status quo** – Reduce investments that haven’t shown enough results and focus resources on research-based initiatives
- **Plan thoughtfully** – Consider short- and long-term impact of cuts and how other funding sources can help reduce the impact
- **Keep SFUSD financially healthy** – maintain solvency, avoid state takeover and survive to see better times ahead
- **Engage the community** – Provide meaningful opportunities for stakeholders to inform budget decisions at schools and at the district level

*We welcome suggestions from employees and community members
Please email your ideas to: budget@sfusd.edu*