

Governor's 2012-13 Budget Proposal Open Session

February 14, 2012



Key Reference Points: 2011-12 “Trigger” Provisions – Will Not Occur

▶ Department of Finance

- State revenue projections are down by \$2.2 billion based on December 13th calculation
- “Trigger II” cuts will apply to SUSD transportation and revenue limit for a total loss of \$2.6 million:
 - Transportation cut occur in January 2012 (\$2.2 million)
 - Revenue Limit cut occur in February 2012 (\$400k)

Key Points: Senate Bill (SB 81)

Impacts

- ▶ Senate Bill (SB) 81 was signed by the Governor and instead of a \$2.6 million cut it is a \$1.9 million cut to the revenue limit – for 2011–12 ONLY
- ▶ Legislation restored current year cut to regular and special education transportation of \$2.2 million – for 2011–12 ONLY
- ▶ Revenue limit cut from \$425,000 to about \$1.9 million
- ▶ SB 81 was signed by the Governor on February 10, 2012

Key Points: Governor Signed Senate Bill 81 for 2011-12 ONLY

Before SB 81

Transportation	\$	(2,200,000)
Revenue Limit	\$	<u>(425,397)</u>
Total	\$	(2,625,397)

Key Points: Governor Signed Senate Bill 81 for 2011-12 ONLY

Increase/(Decrease)

Transportation \$ 2,200,000

Revenue Limit \$ (1,440,000)

Total \$ 760,000

Key Points: Governor Signed Senate Bill 81 for 2011-12 ONLY

		<u>After SB 81</u>
Transportation	\$	0
Revenue Limit	\$	<u>(1,865,397)</u>
Total	\$	(1,865,397)

Key Points: 2012–13 Budget Proposal

- ▶ Proposed elimination of transportation funding will occur regardless of success or failure of ballot initiative

- ▶ Passage of November Ballot Initiative
 - Income tax rate increase up to 2% on high income earners (more than \$250,000); effective 2012 tax year through the 2016 tax year (up to 5 years)

 - State sales tax increase by ½ cent; effective January 1, 2013, until January 1, 2017 (up to 5 years)

 - Generate \$6.9 billion per year and schools would receive \$2.5 billion

 - Assumes flat funding

- ▶ Failure of November Ballot Initiative
 - Loss of \$4.8 billion:
 - Would equal a \$2.4 billion decrease in funding about 15 days (three weeks) of instruction equivalent to **\$370/ADA**

 - Rescind \$2.4 billion repayment of deferred apportionment would result in less cash to SUSD and greater dependence on TRANS for short term borrowing

Key Points: 2012–13 Budget Proposal (continued)

▶ Transitional Kindergarten Postponed

- SB 1381 (Chapter 705/2010):
- Changed the eligible birth dates enrolling in kindergarten and 1st grade: from December 2nd to November 2nd
- Established “Transitional Kindergarten”
 - Based on current law, Transitional Kindergarten is to start in 2012–13
 - Requirement and funding are proposed to be eliminated as a Budget solution
 - Future start date now unclear
 - Transitional Kindergarten is optional

Key Points: 2012–13 Budget Proposal (continued)

- ▶ New Model Proposed– Weighted Student Funding Formula
 - Would create a student funding formula to replace revenue limits and most state categorical program funding formulas
 - State categorical programs included in the formula “will immediately become completely flexible” to support any local education priorities
 - ***Would not include:*** Special education, child nutrition, Quality Education Investment Act (QEIA), After School Education and Safety (ASES), and other federally mandated programs
 - Additional funding is based on the demographics of the schools including: English Learner population and pupils eligible for free and reduced-price lunches

Multi-Year Budget Projection

First Interim Financial Report 2011-12

	2011-12	2012-13	2013-14
REVENUE			
Revenue Limit	\$167,852,756	\$166,538,482	\$161,368,630
Other Revenue	\$35,067,984	\$34,004,279	\$33,915,750
Contributions	(\$26,678,296)	(\$26,515,167)	(\$26,911,642)
Total Revenue	\$176,242,444	\$174,027,594	\$168,372,739
EXPENDITURES			
Salaries, Benefits, Books/Supplies,Services, Capital	\$172,199,819	\$174,501,154	\$175,049,820
Total Expenditures	\$172,199,819	\$174,501,154	\$175,049,820
Net Increase/(Decrease)	\$4,042,625	(\$473,560)	(\$6,677,081)
FUND BALANCE			
Beginning Fund Balance	\$34,467,429	\$38,510,054	\$38,036,494
Ending Fund Balance	\$38,510,054	\$38,036,494	\$31,359,412
COMPONENTS OF ENDING			
Revolving Cash & Stores	\$1,270,000	\$1,270,000	\$1,270,000
Economic Uncertainty (2%)	\$6,653,072	\$5,615,628	\$5,636,576
Other Designations	\$30,586,982	\$31,150,866	\$24,452,836

Multi-Year Budget Projections Scenario (#1) - DRAFT

Assuming: Passage of Ballot Initiative *

	2011-12	2012-13	2013-14
REVENUE			
Revenue Limit	\$166,415,145	\$166,538,482	\$161,368,630
Other Revenue	\$35,631,293	\$35,594,157	\$35,505,628
Contributions	(\$27,667,002)	(\$32,450,651)	(\$32,847,126)
Total Revenue	\$174,379,436	\$169,681,988	\$164,027,132
EXPENDITURES			
Salaries, Benefits, Books/Supplies,Services, Capital	\$172,199,819	\$174,501,154	\$175,049,820
Total Expenditures	\$172,199,819	\$174,501,154	\$175,049,820
Net Increase/(Decrease)	\$2,179,617	(\$4,819,166)	(\$11,022,688)
FUND BALANCE			
Beginning Fund Balance	\$34,467,429	\$36,647,046	\$31,827,880
Ending Fund Balance	\$36,647,046	\$31,827,880	\$20,805,192
COMPONENTS OF ENDING			
Revolving Cash & Stores	\$1,270,000	\$1,270,000	\$1,270,000
Economic Uncertainty (2%)	\$6,653,072	\$5,961,357	\$5,979,920
Other Designations	\$28,723,974	\$24,596,523	\$13,555,272

*Note: 2011-12 year total cut of \$1.9 million to the revenue limit. Starting in 2012-13 proposed elimination of funding for regular and special education transportation of \$4.3 million.

Multi-Year Budget Projections Scenario (#2) - DRAFT Assuming: Failure of Ballot Initiative *

	2011-12	2012-13	2013-14
REVENUE			
Revenue Limit	\$166,415,145	\$166,538,482	\$161,368,630
Other Revenue	\$35,631,293	\$23,601,221	\$23,877,076
Contributions	(\$27,667,002)	(\$32,450,651)	(\$32,847,126)
Total Revenue	\$174,379,436	\$157,689,052	\$152,398,580
EXPENDITURES			
Salaries, Benefits, Books/Supplies, Services, Capital	\$172,199,819	\$174,501,154	\$175,049,820
Total Expenditures	\$172,199,819	\$174,501,154	\$175,049,820
Net Increase/(Decrease)	\$2,179,617	(\$16,812,102)	(\$22,651,240)
FUND BALANCE			
Beginning Fund Balance	\$34,467,429	\$36,647,046	\$19,834,944
Ending Fund Balance	\$36,647,046	\$19,834,944	(\$2,816,296)
COMPONENTS OF ENDING			
Revolving Cash & Stores	\$1,270,000	\$1,270,000	\$1,270,000
Economic Uncertainty (2%)	\$6,653,072	\$5,961,357	\$5,979,920
Other Designations	\$28,723,974	\$12,603,587	(\$10,066,216)

*Note: 2011-12 year total cut of \$1.9 million to the revenue limit. Starting in 2012-13 proposed elimination of funding for regular and special education transportation of \$4.3 million and loss of \$ 370/ADA

What to Watch – Key Economic Indicators

- The state and national unemployment rates
- Construction and real estate
- Actions by the Feds – both positive and negative – in controlling the federal deficit
- Consumer confidence indexes

Next Steps

Action	Date
Continue Negotiations	Ongoing
Issue March 15 th Notices	March
Adopt Second Financial Interim Report	March
Release of Governor's "May Revise"	May
Adopt District 2012-13 Budget	June
Watch Governor's Ballot Initiative	November