

Budget Update: 2011-12 Budget

January 11, 2011



Governor's January Budget Proposal: Addressing a \$25.4 billion shortfall¹

Governor taking balanced approach to solution:

- Identified \$12.5 billion in expenditure reductions, including:
 - MediCal (\$1.7 billion) and CalWORKS (\$1.5 billion), Department of Developmental Services (\$750 million), and higher educ (\$1 billion)
 - NOTE: Many of these reduction have been proposed in past budget, but were not implemented in final budgets
- Identified \$12 billion in revenues and \$1.9 billion in “other solutions”, including:
 - Extending temporary income and sales tax, vehicle license fee, and dependent deduction (\$8.8 billion)
 - Extension of temporary taxes ***requires: (1) two-thirds vote of Legislature and/or (2) majority vote of voters.***

¹ - This is less than the \$28 billion shortfall identified by the Legislative Analyst's Office (LAO) in November 2010.

Governor's January Budget Proposal: Impact to K-12 Education¹

- Continues to fund education at October State budget, on assumption that voters approve tax extension in June 2011:
 - Otherwise, education loses approximately \$2.3 billion in 2011-12 as a result of declining state revenues.
- Extends Tier III categorical flexibility through 2014-15.
- Continue relaxation of K-3 CSR penalties through 2013-14.
- Continue other flexibility provisions through 2014-15 such as routine, repair, and maintenance; deferred maintenance; and instructional materials.
- Continued payment deferrals totaling \$10 billion that put pressure on cash obligations (payroll and accounts payable).

¹ - This is preliminary summary update, a more extensive update will be provided in the coming weeks.

Impact to Stockton Unified: Governor's January Budget Proposal¹

- Governor's proposal acknowledges that K-12 has taken majority of the state's budget reductions.
- However, Governor's education proposals do not afford the District any more certainty about stable, ongoing increases in funding for 2011-12 because they are predicated on voter election in June 2011.
- **Therefore, the District continues to face a \$25 million shortfall for 2011-12.**
 - Further, if no action is taken to address the \$25 million shortfall in 2011-12, the District will face a \$55 million shortfall in the following 2012-13 fiscal year.

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SUSD Financial Condition

The County Office of Education affirmed the District's qualified certification.

- Required reserve for economic uncertainty (2%) continues to be met in the current 2010-11 year, but
- District does not meet reserve requirements for the two subsequent fiscal years (2011-12, 2012-13).

Additional support for the District?

- County Office of Education has assigned a fiscal expert to help District staff in our efforts to achieve necessary budget reductions in future years (EC 42127.6).

Questions & Answers