

Governor's 2013-14 Budget Proposal

January 29, 2013



Governor Proposes Additional Funding for Education

- For the Proposed Budget, for the first time in five (5) years, the Governor is proposing a funding increase per-student for school districts
 - The revenue limit deficit continues to be more than 20%, but for the first time since 2007-08 does not grow
 - The Governor continues to deal with the “wall of debt”
 - The Legislative Analyst’s Office (LAO) forecasts that the Proposition 98 guarantee will grow at a 3.4% to 5.3% rate over the next several years
However, will they have money to pay?
 - Other forecasts have proven to be overly optimistic
 - But even if this forecast proves to be correct, the State may defer funding based on the deficit factor

Adult Education

- ▶ Governor proposes shifting responsibility for Adult Education programs from school districts to community colleges effective 2013–14
- New \$300 million block grant
 - Funding would be allocated based on the number of adults served and funds could only be used for core instructional areas
 - Students would be required to pay the full cost of all other courses
 - Community Colleges are “encourage to leverage the capacity and expertise currently available at K–12 district adult schools”
- ▶ In addition, the Governor’s Proposal shifts \$15.7 million along with the responsibility for the Apprenticeship Program from school districts to community colleges

Federal Sequestration

- ▶ Cuts to federal funding remain in flux for 2013–14
 - A temporary reprieve from tumbling over the federal “fiscal cliff” occurred when a “deal” was reached to extend the middle class tax cuts, increase income taxes on high-income earners, and delay the automatic cuts to nondefense discretionary programs, including most education programs, until March 1, 2013
 - SUSD estimates that cuts to federal funds and a decrease in the availability of carryover dollars would amount to about a 60% reduction
- ▶ Programs affected include:
 - Education for the Disadvantaged (Title I, Elementary and Secondary Education Act [ESEA])
 - School Improvement (Title II, ESEA)
 - Special Education (Individuals with Disabilities Education Act, Part B)
 - Career, Technical, and Adult Education
 - Federal Impact Aid

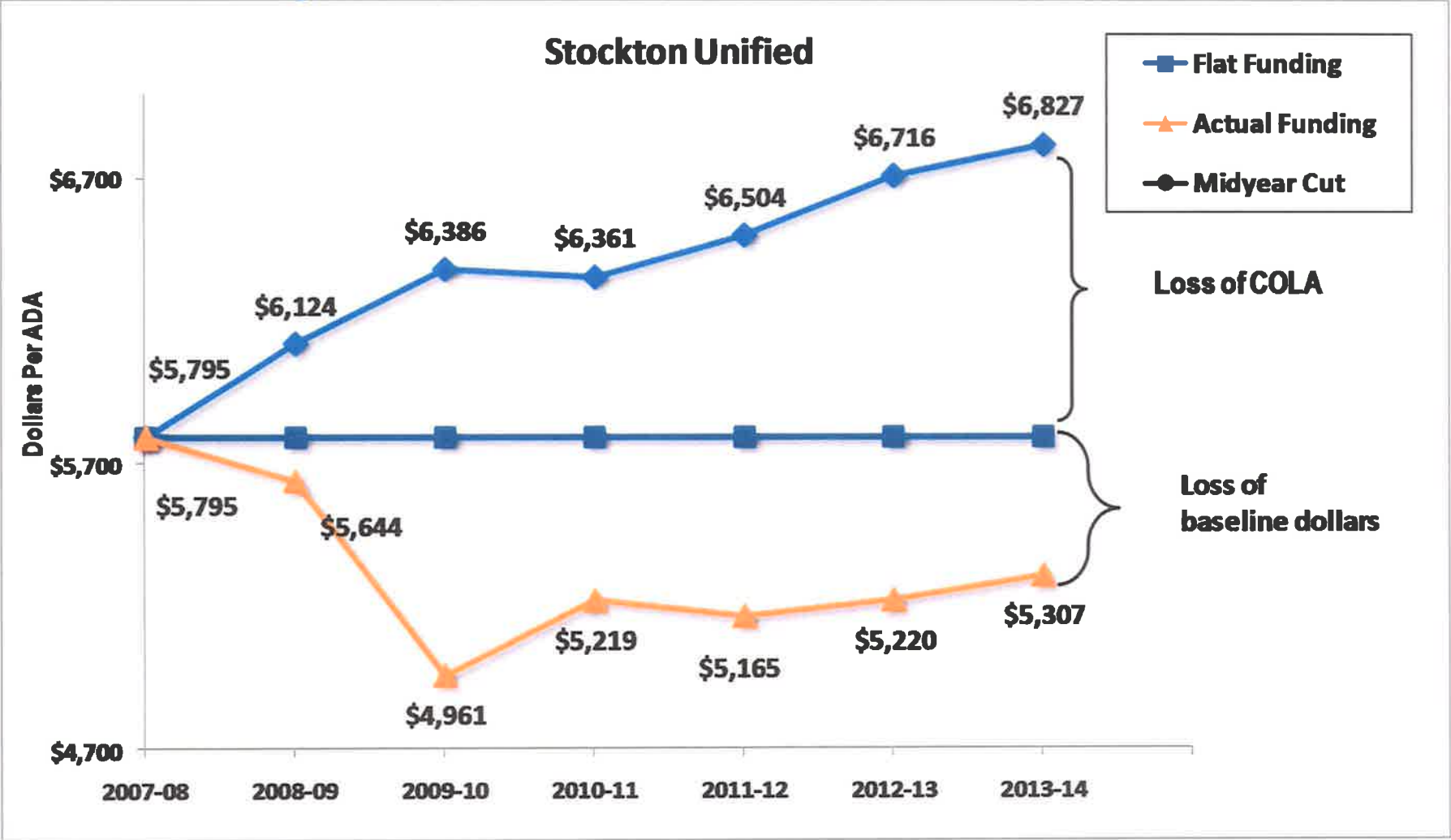
The Local Control Funding Formula (LCFF)

- ▶ The Governor's Budget calls for a major change: implementation of a new finance formula called Local Control Funding Formula (LCFF)
 - Complexity - There are too many categorical programs
 - Administrative burden - These programs require school districts to administer
 - Lack of equity - They do not reflect today's reality

Major LCFF Elements

- ▶ The LCFF would replace revenue limits and most categorical program funding
 - Funding allocated through the formula would generally be flexible and could be used for any educational purpose
- ▶ Elements of the proposed formula
 - A base grant target equal to the undeficitated statewide average based revenue limit per ADA – \$6,816
 - Differential adjustments for early primary, primary, middle, and high school grade spans; added funding for K–3 Class–Size Reduction (CSR) and 9–12 Career Technical Education (CTE)
 - 7–year phase–in period starting in 2013–14
 - Additional funding based on the demographics of the schools, including:
 - English Learner population
 - Pupils eligible for free and reduced–priced meals
 - Foster youth

Funding Per ADA – Actual vs. Statutory Level



Multiyear Projections for the 2013-14 Budget

	Budget Year 2013-14	Budget Year Plus 1 2014-15	Budget Year Plus 2 2015-16
<u>For Now</u>	1.65% COLA on revenue limit and few categorical programs	2.20% COLA on revenue limit and few categorical programs	2.40% COLA on revenue limit and few categorical programs
	Not enough information on LCFF	Not enough information on LCFF	Not enough information on LCFF
	Back to full reserve requirement	Full reserve requirement	Full reserve requirement
	Refer to workshop materials for more		

Democrat Supermajority

- ▶ With two-thirds control in both houses, legislative Democrats can pass legislation without Republican votes, including:
 - Tax and fee increases
 - Constitutional amendments
 - Statewide bonds
 - Democrats can also override a Governor's veto
- ▶ One idea already being considered is Senate Constitutional Amendment 3 (Leno, D-San Francisco), which would reduce the threshold for passing parcel taxes to 55%

What to Watch

	Description	Timeline
A	Economic indicators to determine where the economy is heading	Ongoing
B	Federal Sequestration which may impact categorical allocations	March
C	March 15 th Notices	March
D	2012–13 Second Period Interim Report and submission to Board	March
E	“May Revise” – Updates on Governor’s January Budget Proposal	May
F	Adoption of SUSD 2013–14 School District Budget	June 11, 2013