



Update on the State Budget

Board Meeting

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Background

On January 14, 2011

- Governor Jerry Brown released his plan to balance the State's \$26.6 Billion Budget Deficit with 50% in cuts and fund shifts and 50% in extending the tax cuts approved two years ago.

The special election in June was supposed to extend the tax cuts for 5 years by:

1. One-percent increase in the state sales tax;
2. A 0.5% increase in vehicle license fees that are set to expire in July;
3. A 0.25% increase in personal income tax and a reduced state tax credit for dependents that expired in January.

Process

- It is not legally required to take taxes to voters but Governor Brown made it a signature pledge in his campaign last fall that the electorate would decide on any taxes.
- It can be done with a two-thirds majority of the legislature, which would require two (2) Republicans in each house joining all the Democrats.
- During negotiations with Governor Brown last week Republicans presented a 7-page list, ranging from public employee pensions and environmental regulations to restoring money to county fairs.
- **Governor Brown suspended negotiations with Senate Republicans.**

Where are we now?

What was done:

Lawmakers and the Governor have already cut the deficit by slashing :

- \$11.2 billion from healthcare and services from the poor, elderly and welfare.
- \$1.4 billion for UC & CSU systems and community colleges.

What can happen:

- Some lawmakers are looking at the possibility of a second round of deep cuts.
- An all-cuts budget which would inflict major pain on 2 areas that had received broad support from Democrats and Republicans: public safety and **K-12 education (would face a cut of \$4B to \$5B if the taxes are not extended)**.
- Talk of an initiative campaign to put the taxes on the ballot in November.
- Various political figures have spoken options:
 - Increase flexibility in Tier I and II categorical progress (Title I, Title II, ASES, Prop 20 Lottery, EIA, ASSET, etc); remove state level restrictions on class sizes

Effect on Education

Prop 98

- With the expiration of the taxes and no other actions by the Governor or Legislature, it lowers the Proposition 98 minimum guarantee by almost \$2.1 billion or about \$330 per ADA
- **All-cuts Budget** would require *suspension* of Prop 98 (requires a two-thirds vote in the Legislature) and each additional billion cut from education translates to about \$165 per/ADA,

Note: \$4B to \$5B cuts mean \$660 to \$825/ADA

Effect on San Leandro USD

	Governor Brown's Proposal - 01/14/2011	2010-2011	2011-2012	2012-2013	2013-2014
4	2010-11 Second Interim Taxes are NOT extended: \$330/ADA Loss	\$ 3,186,548	\$ 1,276,513	\$ (2,043,881)	\$ (5,389,331)
5	2010-11 Second Interim Taxes are NOT extended: \$700/ADA Loss	\$ 3,186,548	\$ (1,822,181)	\$ (8,241,270)	\$ (14,685,414)
6	2010-11 Second Interim Taxes are NOT extended: \$850/ADA Loss	\$ 3,186,548	\$ (3,078,409)	\$ (10,753,725)	\$ (18,454,097)

District has 12% Reserve?

2009-2010 Combined General Fund Ending Balance

	What Would Have Happened	NOW	
Unrestricted General Fund (UGF)	\$2,751,283	\$2,751,283	38%
- Second round of cuts for 2010-11, included in the Fund Balance	(\$2,719,649)	0	
Subtotal	\$31,634	\$2,751,283	
Adult Ed & Other Sweeps	\$1,243,000	\$1,243,000	17%
Sites: Tier III Carryover (IMF, SLIP, Safety Grant, CAHSEE, SB472)	\$1,547,905	\$1,547,905	21%
Sites: Restricted Funds (Title I, Title II, EIA, ASES, ASSET)	\$1,761,332	\$1,761,332	24%
Total GF Combined	\$4,583,871	\$7,303,520	100%

Fund 17 – As of 2010-2011 Second Interim

Reserve for Economic Uncertainty	\$2,180,623
Mandated Cost Reimbursement	\$762,155



Enough for 13 days of payroll