

GLENDALE UNIFIED SCHOOL DISTRICT

January 17, 2012

INFORMATION REPORT NO. 3

TO: Board of Education
FROM: Dr. Richard M. Sheehan, Superintendent
SUBMITTED BY: Eva Rae Lueck, Chief Business and Financial Officer
SUBJECT: **Governor's 2012-13 January Budget Proposal**

The Governor released his proposed budget for 2012-13 last week. As expected, the proposed budget assumes voter approval of the Governor's tax initiative on the November, 2012 ballot. In light of this, schools will need to plan for two very different budget scenarios this spring – one where the temporary taxes are approved (Plan A) and one where they are rejected (Plan B).

Summary of Initial Information (Source: SSC, CASBO, CSBA, Frost, Davis, & Donnelly)

The Department of Finance is projecting a \$9.2 billion deficit, which the governor is proposing to bridge this gap through a combination of increased taxes and further spending cuts. The key revenue proposal, subject to voter approval in November 2012, is to raise income tax rate on high income earners and increase the sales tax by one-half percent through 2016. It is anticipated that these temporary taxes will generate \$6.9 billion in revenue annually for the next five years.

The proposed spending cuts include the following areas:

- Health and Human Services programs - \$2 billion
- Proposition 98 - \$544 million
- Child care - \$447 million in non-Prop. 98 funds and \$70 million in Prop. 98 funds
- Mandated programs - \$828 million
- Funding shifts, payment deferrals, and fee increases - \$1.4 billion

Impact to K-12 Education

There are some key policy and restructuring of funding levels that impact K-12 education in the Governor's proposed budget. Among the major changes are:

- Weighted Student Funding – Categorical programs that are not mandated by the federal government (e.g., special education) would be combined with revenue limits and allocated “on a single formula,” based on the number of students in a school and the concentration of English learners and pupils eligible for free and reduced-price lunches. It is anticipated that this will be implemented in the beginning of 2012-13.

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Page 2

- Elimination of Home-to-School Transportation – The Budget reaffirms the current-year trigger reduction of \$248 million for transportation and proposes a complete elimination of funding reduction (\$619 million) for the program in 2012-13.
- Mandates – The Budget provides \$200 million for new K-12 and community college mandate incentive block grant and also proposes to eliminate more than half of the existing mandates.
- Transitional Kindergarten – No funding is provided for Transitional Kindergarten, but the change of kindergarten eligibility for children turning five in November is retained, resulting in a state savings of \$224 million.
- Child Care – Alignment of eligibility with federal welfare-to-work participation requirements and reduced reimbursement rates, resulting in a decrease of \$447 million in non-Proposition 98 funds and \$70 million in Proposition 98 funds.

Governor's tax initiative is adopted (Plan A)

Key adjustments to Proposition 98 will include:

- \$2.2 billion to reduce inter-year deferrals from approximately \$10 billion to \$8 billion, but does not result in additional funds for schools.
- Elimination of Transitional Kindergarten beginning in 2012-13, resulting in a decrease of \$224 million.

Governor's tax initiative is not adopted (Plan B)

If the voters reject the Governor's proposal to increase state taxes, he will again propose midyear trigger reductions. These cuts would be effective January 1, 2013 and would result in a \$4.8 billion cut to Proposition 98. The potential impact of this trigger to the District would be an ongoing cut between \$11.3 million (\$450/ADA) and \$18.9 million (\$750/ADA).

What's next?

In February, the Legislative Analyst's Office will release its detailed review and recommendations concerning the Governor's budget proposal. Legislative hearings on the budget will begin in February.