

Governor's Proposals for the 2006-07 State Budget and K-12 Education

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2006-07 Budget

Tonight's Report is Intended to Inform the Board of the Potential Impact of the Governor's Proposed Budget on SAUSD's 2006-07 Budget (As Identified In Our First Interim Report)

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The Governor's Proposed Budget is
Just That - -

A Proposal

The Proposal Will in All Likelihood Be
Modified by the State Legislature



School Services of California's Assessment of the Governor's 2006-07 Proposed Budget

"...a good, but not a great budget"

Governor's Proposed Budget for 2006-07

- The proposed budget funds:
 - COLA
 - Growth (new enrollment)
 - Deficit Reduction
 - Equalization
 - Mandates
 - New Programs
- Is a significant improvement over prior years' budgets.

Governor's Proposed Budget for 2006-07

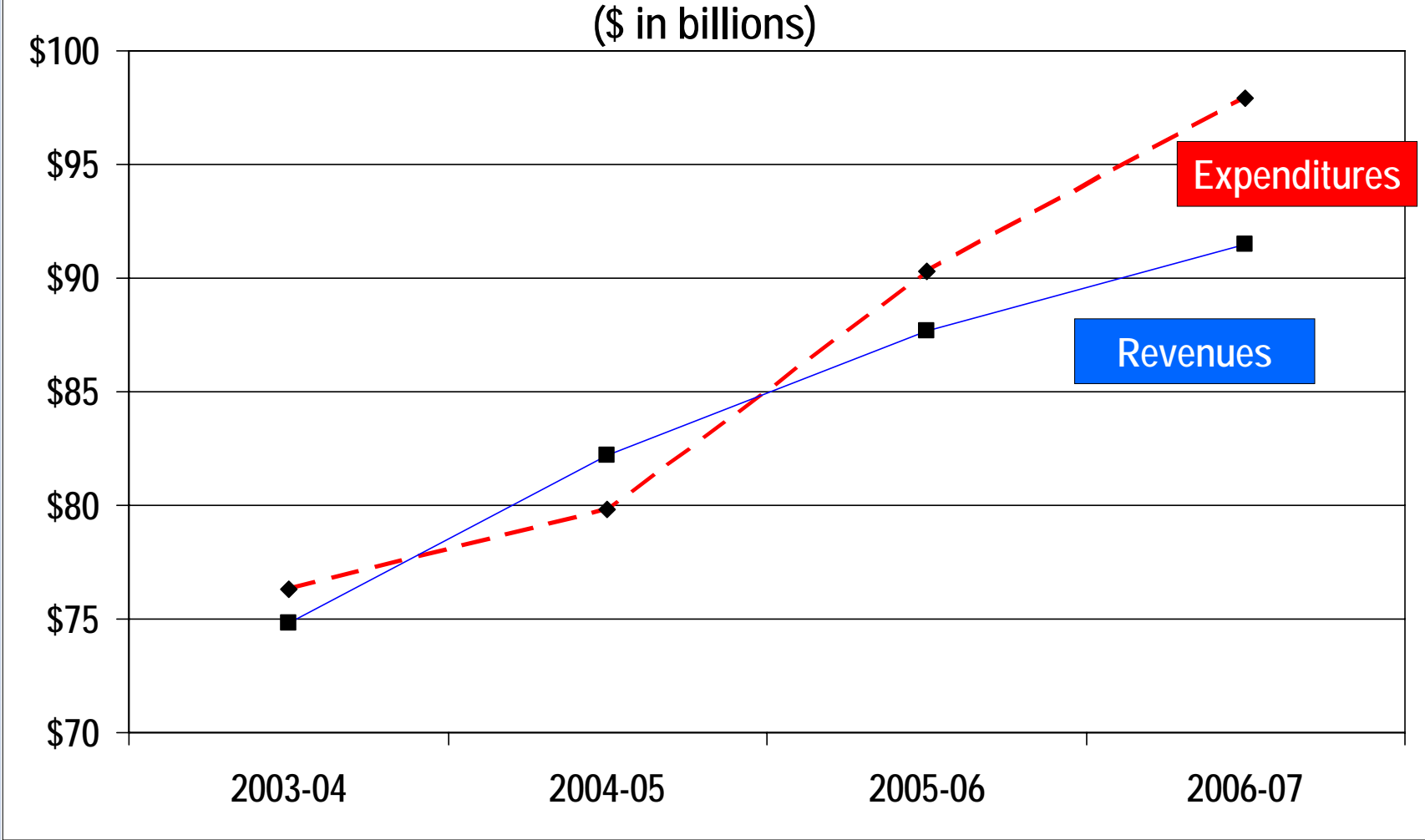
- With initiatives such as the Strategic Growth Plan (\$222 billion in infrastructure improvements), the proposed Budget attempts *"to provide something for everyone"*
- But the "left-outs" for Education are still significant
 - No relief for declining enrollment districts
 - Still have huge IOU's for mandates and the Maintenance Factor
 - Likely to remain in the bottom quartile of state funding levels

Governor's Proposed Budget for 2006-07

- This Budget proposal does not offer a long-term solution
 - Is balanced – using reserves
 - The Department of Finance estimates that the State's deficit spending will continue to grow
- Revenues are up 4.4% and expenditures up 8.4%
- It is unlikely the State can grow out of the problem without spending less and/or raising taxes

State's Operating Deficits Balloons

General Fund Revenues and Expenditures
(\$ in billions)



Source: 2006-07 Governor's Budget

Fiscal Year

Risks to Governor's Proposal

- Major Risk in Housing
 - Construction accounted for one-third of the employment gain in 2004, but only one-fourth in 2005
 - Job growth could stall if housing falters and spinoff spending related to new home sales falls
- Risk in Energy
 - Increase in energy costs would put upward pressure on interest rates and prices
 - Interest-sensitive sectors, like housing, would suffer.



Impact of Governor's 2006-07 Proposal on SAUSD Budget

Proposals (Impact Included in MYP)

- COLA
 - Estimated at 5.18% (applies to revenue limit and virtually all state categorical programs)
 - Highest COLA in 20 years!
- Deficit Reduction
 - Governor proposes \$205 million to cut the revenue limit deficit
- Equalization aid
 - Governor proposes \$200 million For K-12 equalization aid

Estimated
SAUSD Impact

\$2.4 million

\$1.7 million

\$2.3 million

\$6.4 million

Proposed Programs (Impact not Included in MYP)

- Prop. 49 Before/After School Programs (Statewide: \$550 million)
 - Voters approved Proposition 49 in 2002
 - Significantly increases after-school program funding
 - Provides additional learning time & augmentation of specific instructional programs
- Preschool for All (Statewide: \$2.4 billion)
 - Provides voluntary, free preschool option to all four-year-olds (starting September 2010)
 - Funded by new tax on high-income earners
 - Funding does not count toward Proposition 98
 - Funding of approximately \$7,000/child

Proposed Programs (Impact not Included in MYP)

- California High School Exit Exam (Statewide: \$40 million)
 - Supports remediation for Class of 2006 & 2007 students who have yet to pass one or both sections of the CAHSEE
- Beginning Teacher Support & Assessment (Statewide: \$65 million)
 - Funds for beginning teachers in Decile 1-3 schools
- School Enrichment Block Grant (Statewide: \$100 million)
 - Funding for Decile 1-3 schools to attract and retain staff
 - \$50 per pupil with a minimum of \$5,000 per site

What Does the “Preliminary” MYP Tell Us?

Combined Restricted/Unrestricted

	2005-06 (000's)	2006-07 (000's)	2007-08 (000's)
Revenues	\$496,609	\$513,965	\$523,913
Expenditures	\$498,091	\$518,824	\$529,156
Net Increase – Decrease After Budget Reduction	(\$1,482)	(\$4,859)*	(\$5,244)**
Budget Reduction Amount		\$7.8 million	\$4.6 million
Reserve After Budget Reduction	3.7%	5.9%	5.5%

* Includes new revenues & **salary restoration**, however, salary increase for 2006-07 not yet negotiated and not reflected

** Salary increase not negotiated and not reflected

Why Are We Still Pursuing Budget Reductions Given the Governor's Proposed Budget?

- Governor's Budget is Still a Proposal, Thus Subject to Change
- Items with Unknown Cost Impact: (not included in MYP)
 - Salary Negotiations for 2006-07 & Out Years
 - GASB-45 Funding
- Continued Enrollment Decline
- Delaying Cuts Increase Magnitude of Cuts in Out Years
 - \$1 Cut Today = \$2 Cut Next Year = \$3 in Two Years
- Continued Deficit Spending Pattern
- Even After Budget Reductions, Still Deficit Spending.

Given the Reasons Noted.....

- The Budget Reduction Committee (BRC) is still being asked to identify budget cuts
 - The BRC is close to recommending \$7.8 million in potential cuts to Superintendent
 - Superintendent will review and present his recommendations to the Board of Education





2005-06 RFC Cut Update

RFC Proposed Reductions = <\$6.4 Million>

Reductions to Date = <\$5.6 Million>

No.	Orig. Savings	Revised Savings		Proposal
1	\$900,000	\$900,000	●	Music Teacher Funding
2	\$1,700,000	\$1,200,000	●	Special Education Transportation
3	\$200,000	\$0	●	Pre-school Transportation
4	\$115,763	\$115,763	●	Information Technology Center
5	\$100,000	\$100,000	●	-5% Department Budget Reduction
6	\$375,000	\$375,000	●	-5% School Site Budget Reduction
7	\$700,000	\$700,000	●	Instructional Materials Reallocation of Funds
8	\$190,000	\$190,000	●	Police Services Reduction
9	\$620,000	\$620,000	●	Modify Assistant Principal Staffing Ratios
10	\$60,000	\$0	●	Eliminate Additional Portables
11	\$250,000	\$250,000	●	Teacher Substitute Pay
12	\$40,000	\$40,000	●	Minimize Pre-Employment Physical Exams
13	\$10,000	\$186,000	●	Associations and Sub-Pay
14	\$20,400	\$20,400	●	Alton Warehouse A/C
15	\$110,000	\$87,000	●	Eliminate Two Shop Store Positions
16	\$200,000	\$200,000	●	Bilingual Resource Teachers (BRT)
17	\$225,000	\$0	●	Legal Fees Reduction
18	\$600,000	\$600,000	●	Elimination of Select Vacant Positions

● = On target ● = Variance within \$250,000 ● = Variance above \$250,000