

Millbrae School District

Budget Update

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Budget Update

The State Budget suffers from several years of severe economic downturn and ten years of budget tricks, gimmicks, and one time fixes. This State level of fiscal mismanagement results in financial insecurity and insufficient funding to the Education community, as well as a chronic \$25 billion State budget deficit. Although the State has been allowed to practice such poor budget policy, school districts are subject to much stricter budget standards and have carefully patched together viable balanced budgets in spite of State funding uncertainties and significant K-12 funding reductions.

With the election of Jerry Brown, we have a new Governor who proposes a more balanced solution and an end to the old “smoke and mirrors” budget practices of past. The current State budget proposal comprises \$12.5 billion in cuts and requests taxpayers to approve ongoing tax increases to preserve the bare bones funding of Education and Public Safety.

Major State program cuts are necessary to achieve this goal, including salary concessions from public employee unions as well as reductions to Medi-Cal, Calworks, higher education, and other social services. Some services and related authority would be returned to local government. Acknowledging that over the past several years, K-12 Education has suffered more than its fair share of cuts, one of the goals of this Governor’s budget is stabilizing K-12 funding. Of course, with a \$25 billion hole in the State budget, the only way the Governor can maintain Education funding is with the voter approval of ongoing tax increases – so the June election becomes a crucial lynch pin in Education funding. And convincing the Legislature to agree to place this proposal on the ballot could be a challenge!

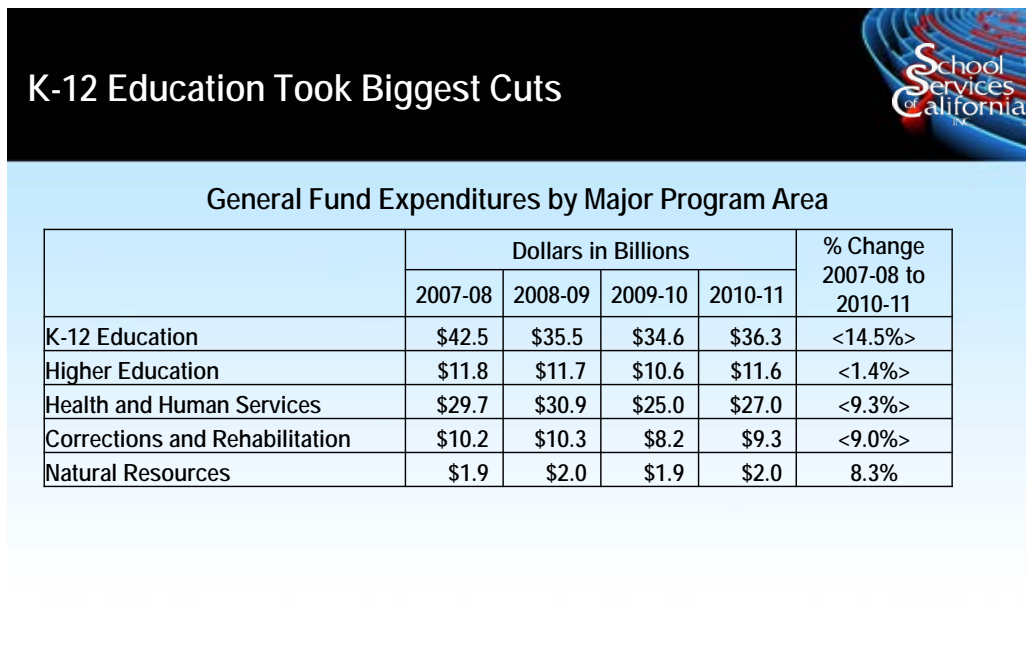
What does this mean to us in Millbrae? Like all California school districts, we will carefully watch the voters’ feeling toward higher taxes. And like all California school districts, we won’t know the results of that election until June, but will have to plan for the outcome long before June. If the tax increase does not pass, we face a Doomsday budget, with an estimated loss of \$330/ per student , totaling over \$700,000. This would be a devastating loss of funding. If the tax increase is passed by the voters, we look at almost stable funding – an estimated decrease of \$20/student, totaling just over \$40,000.

Under the best case scenario, with a loss of only \$20/student, we still face the economic reality that the one-time Federal funds we’ve received over the past three years that helped us maintain staffing and programs, were one-time resources we can’t continue to rely on. These federal funds help mask the dire funding situation K-12 schools have faced over the past few years – most districts have used a combination of ARRA and Federal Jobs funds to maintain core staffing levels. Meanwhile many of our operating costs continue to increase – salaries grow as employees advance on the salary schedules, fuel and utility costs continue to grow, facilities and equipment continue to require maintenance and upgrades, special education costs continue to climb, yet our funding in the **best case scenario** declines slightly.

Other important components in the Governors Budget Proposal include an extension of the flexibility provisions in “Tier III” programs, which allowed districts to use the funding originally allocated for specific programs (such as GATE, Summer School,) to help maintain our basic General Fund core program. And continued flexibility in Class Size Reduction, which allowed us to exceed 20:1 yet maintain part of the funding is extended for an additional two years. These are important flexibility provisions for Millbrae – we could not afford to continue our core operations without those flexibility provisions. The Governor also proposes in future years to reduce the number of categorical programs – we certainly hope this comes to pass, as the current system of many small pots of money with very restricted purposes is not practical or efficient, and certainly not the best way to serve students.

What is the long term outlook? The Governor’s budget (and the Legislative Analyst) expects the State budget to struggle due to high levels of unemployment through at least 2016. UCLA projects recovery to start earlier. It is a guessing game – either way, the next few years will be tough under a best-case scenario. And also important – at this point, this is only a proposal – the State budget is nowhere near ready to be approved and adopted! And even if approved, all is contingent on the taxpayers approving tax increases. In the words of Ron Bennett of School Services – “Hope is not a sound financial planning strategy”. The following slides are courtesy of School Services of California, and help illustrate what has happened to K-12 Education funding in California.

This slide illustrates how K-12 Education has taken the greatest cuts over the past 3 years, with a net reduction in funding of 14.5%



Source: 2011-12 Governor’s Budget Summary

Yet, when times were good, Education did not share in the increases at the same rate as other State funded programs – we see, over a 12 year period, K-14 education increased 41%, much lower than other State funded programs:

Major State General Fund Expenditures by Area

	Dollars in Billions		
	1998-99	2010-11	% Increase
K-14, Proposition 98*	\$35.2	\$49.7	41%
Higher Education (CSU and UC)	\$4.7	\$7.4	57%
Natural Resources	\$1.2	\$2.0	67%
Health and Human Services	\$15.3	\$27.0	76%
Corrections	\$4.4	\$9.3	111%
General Fund Revenues	\$57.3	\$94.1	64%

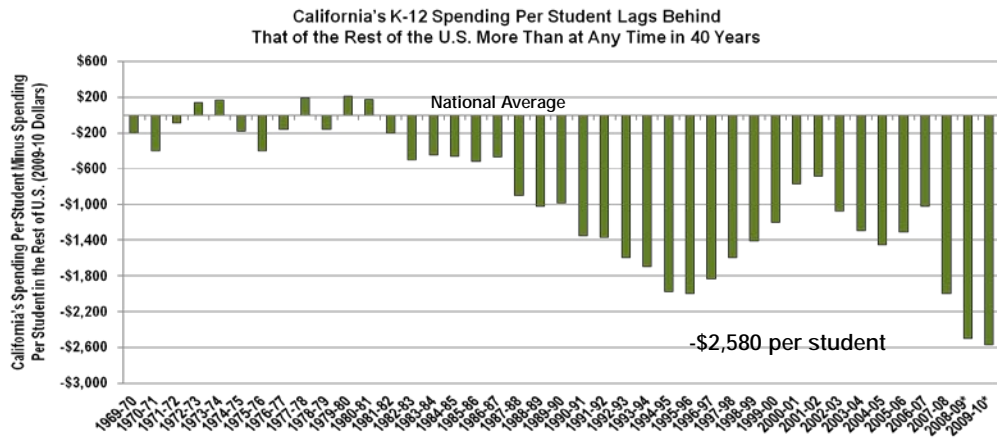
* Includes state general fund and local property taxes

Sources: Legislative Analyst's Office, State Spending Plan: 1998-99 and 2011-12 Governor's Budget Summary

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And California education funding continues to scrape bottom – in spite of a relatively wealthy population, and a high cost of living (resulting in high wages), we don't put a high level of resources into educating our children:

California's Education Spending Lags the Nation



*2008-09 and 2009-10 estimated.
 Note: Rest of U.S. excludes the District of Columbia
 Source: National Education Association

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