

32nd District PTA Presents:

School Finance 101

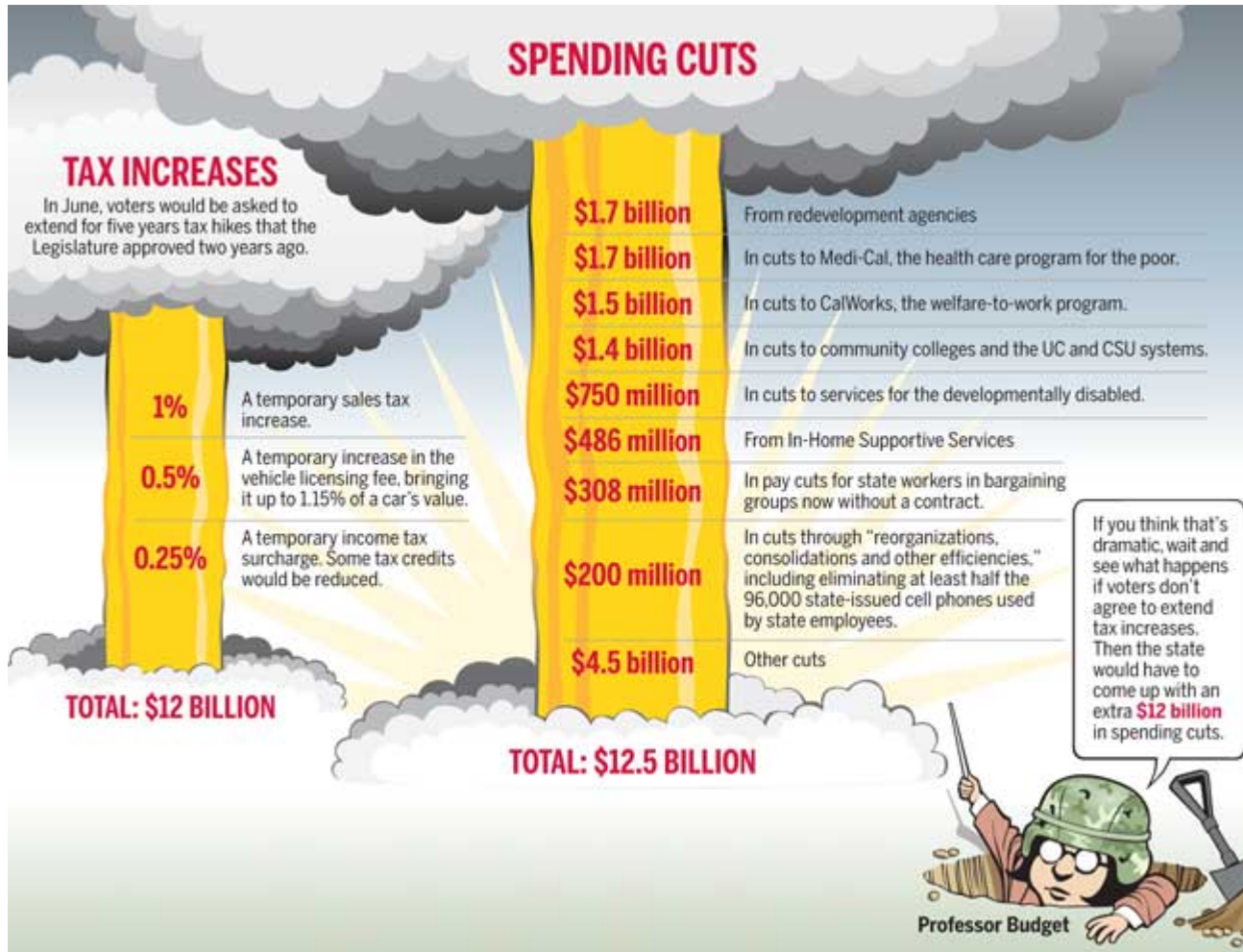
PTA[®]

May 16, 2011

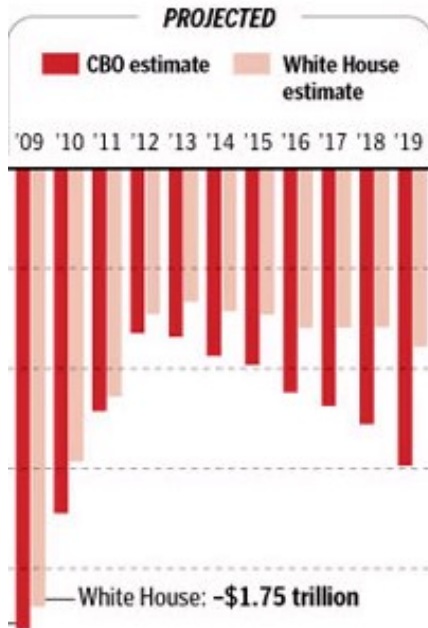
**CONTRA COSTA COUNTY
OFFICE OF EDUCATION**

THE SACRAMENTO BEE

Brown budget will spare schools if voters extend tax hikes



Economic Forecast



THE FORECAST

The California and national economies entered 2011 in the midst of a weak recovery from the worst recession of the post-World War II era. A sharp rebound does not appear likely. Rebuilding household balance sheets requires restrained consumer spending; and that restraint in turn will provide for only modest job growth for some time.

The loss of confidence in Greece, and most recently Ireland, presents the possibility of a spreading debt crisis whose fallout, although nearly impossible to anticipate at this point, could potentially rival the financial meltdown that struck the United States at the end of 2008. At the very least, the austerity measures proposed to deal with these crises will place a significant drag on European economic growth and put downward pressure on demand for U.S. exports. ✓

The outlook for the national economy is for tepid growth in 2011, followed by moderate growth in 2012 and 2013. Real Gross Domestic Product is projected to grow by 2.2 percent in 2011, 2.9 percent in 2012, and 2.7 percent in 2013. After falling 0.5 percent in 2010, nonfarm payroll employment is forecast to grow 1.0 percent in 2011, 1.8 percent in 2012, and 1.9 percent in 2013.

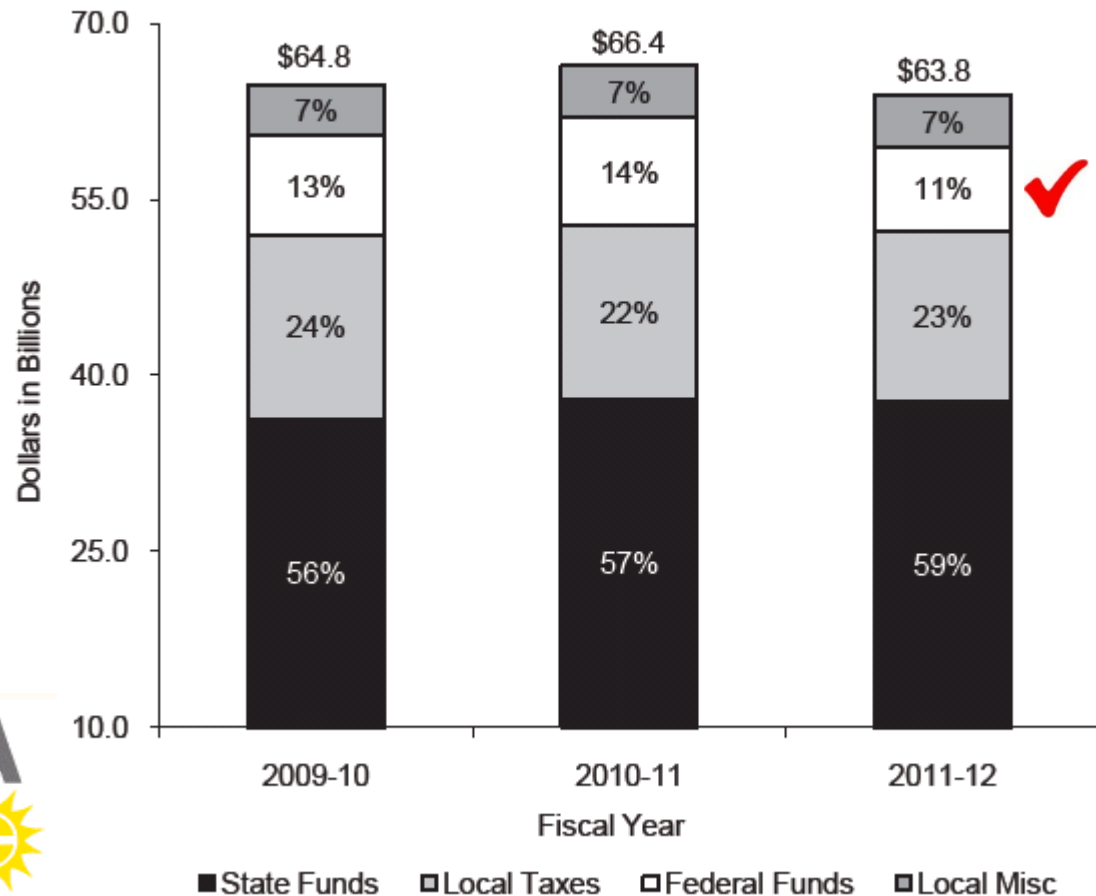


State's economic forecast fifth-worst in U.S.

California Debt Crisis, Muni Bonds At Real Risk of Default

The Market Oracle

Sources of Revenue for California's K-12 Schools
(As a Percent of Total)



**CALIFORNIA
WATCH**

Public education in California faces
perilous 'funding cliff'

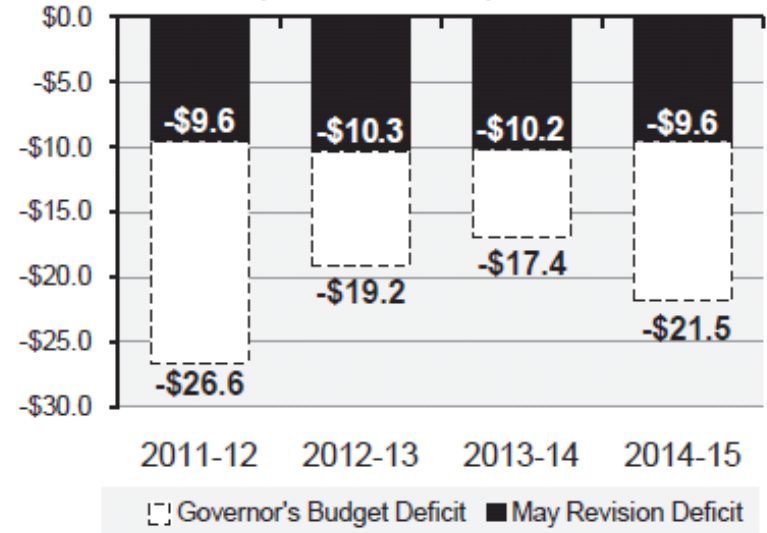
**Absent Permanent Solutions,
 Deficits Will Persist for Years**

General Fund (In Billions)



Source: Legislative Analyst's Office

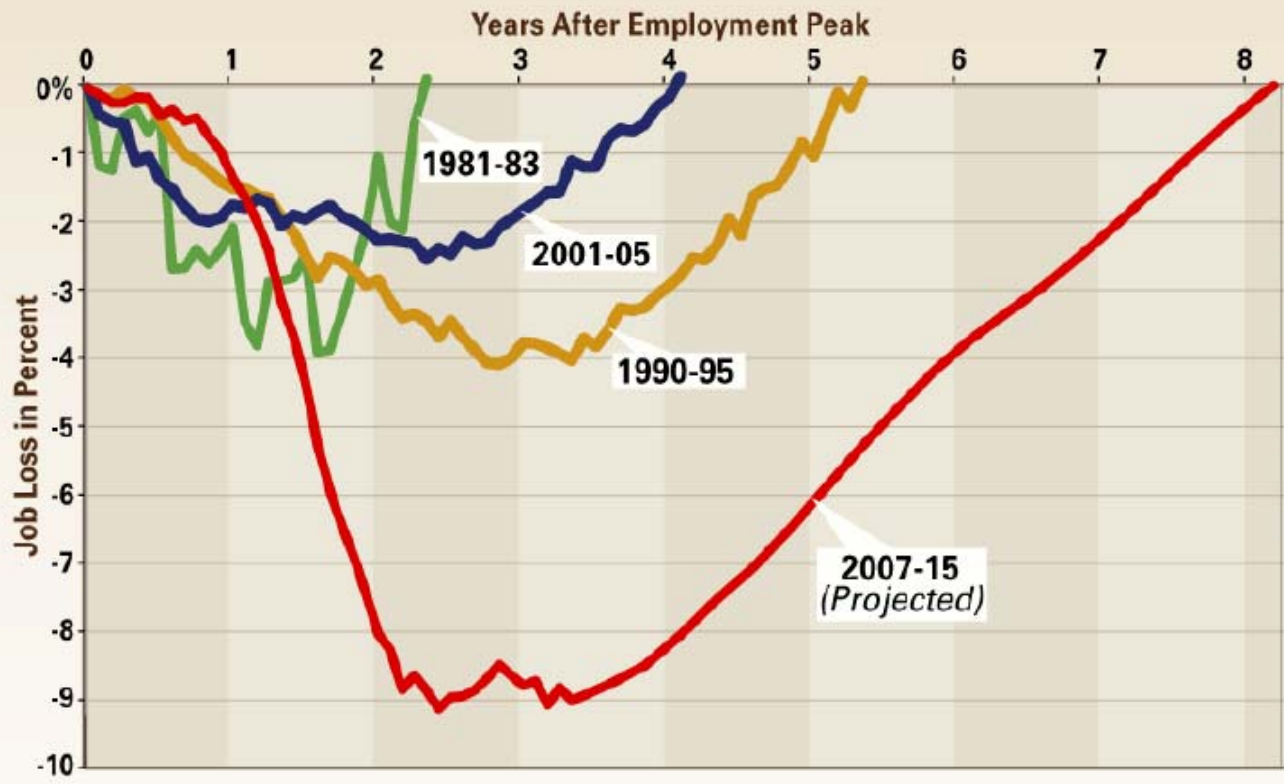
**State's Budget Gaps Have Been Reduced
 to \$10 Billion Annually**
 (Dollars in Billions)



Los Angeles Times

California's credit rating cut to lowest of all 50 states

Very Modest Recovery Forecast



Source: Legislative Analyst's Office



sacbee.com

Dan Walters: Slow recovery may bring California to a spending crisis

FCMAT Predictors

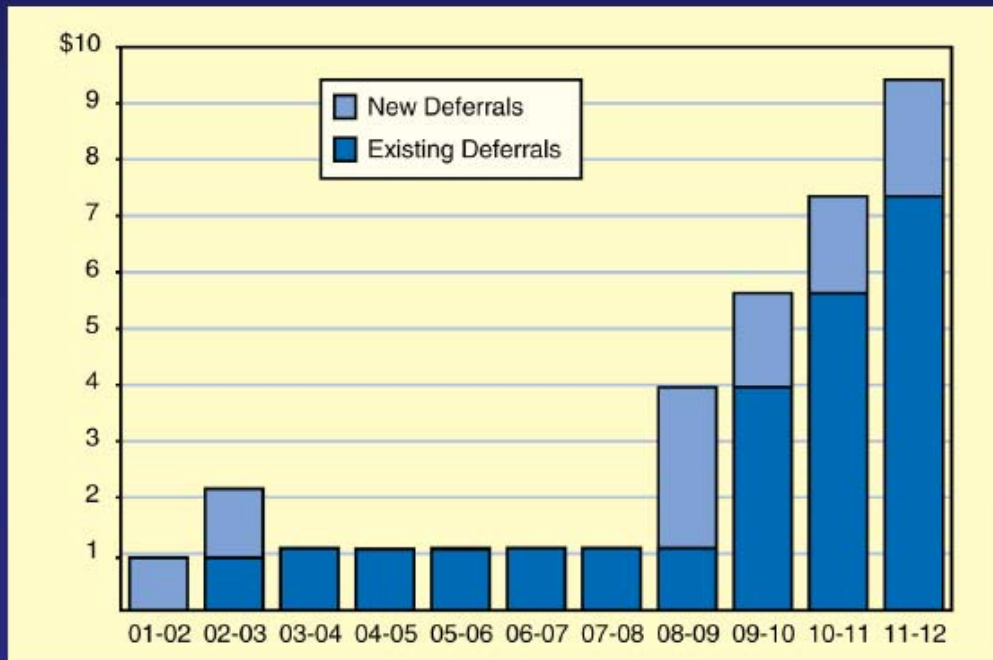
4. Inadequate Budget Development*

Flawed multi-year projections
Poor cash flow analysis and
reconciliation**

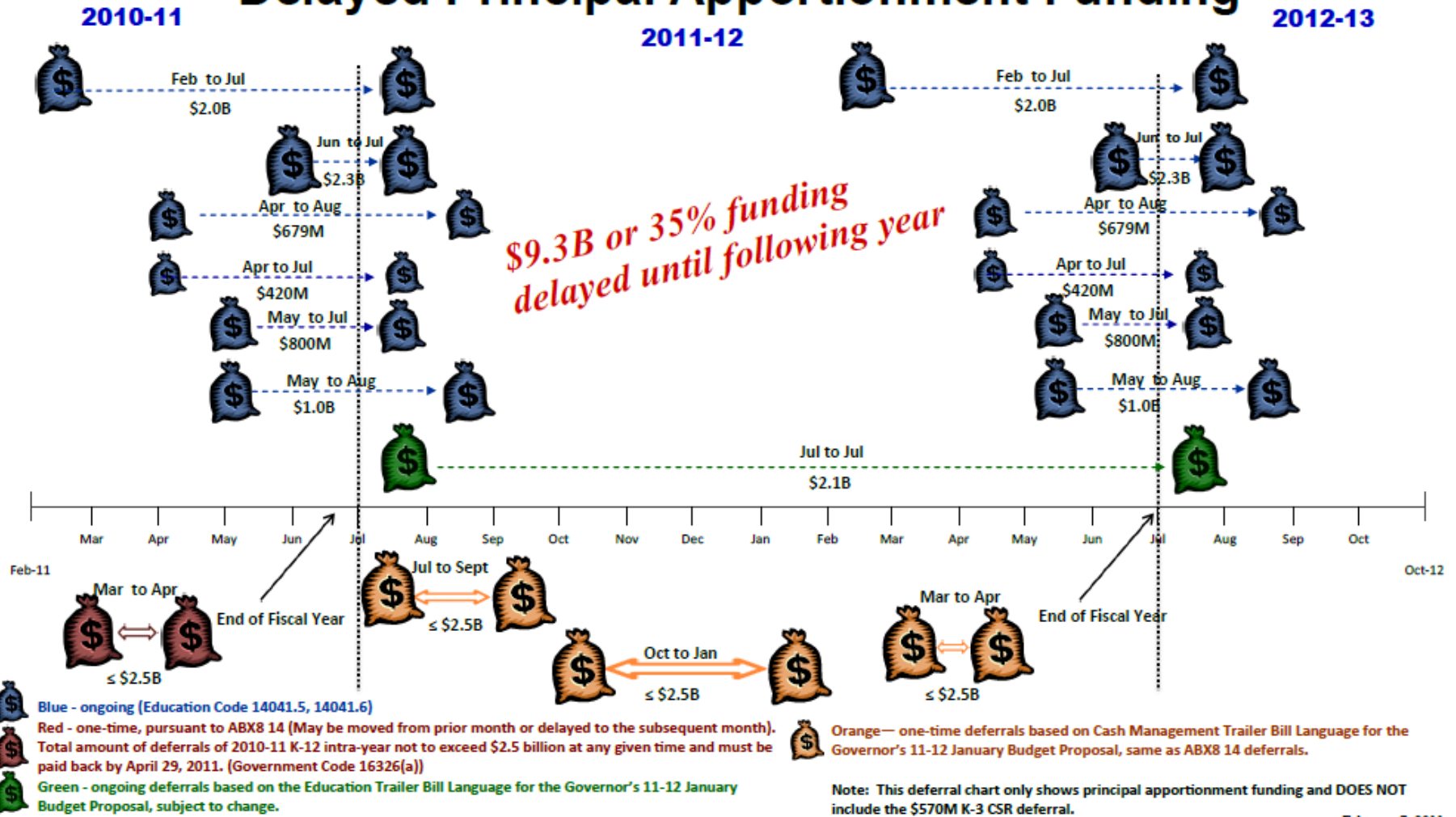
** Represents the 15 conditions that have been found most frequently to indicate fiscal distress

K-12 Deferrals Now \$9.4 Billion

(In Billions)



Delayed Principal Apportionment Funding





THE LATEST ON CALIFORNIA POLITICS AND GOVERNMENT

February 14, 2011

Legislative analyst identifies massive cuts if taxes fail

As was expected, the alternatives are grim - \$4.5 billion less for K-12 schools than Brown proposed, as well as a \$1.7 billion reduction to universities and community colleges. The Analyst's Office also laid out \$2.6 billion in cuts to corrections and courts, \$1.2 billion in health and social services reductions, \$1.8 billion in cuts to "general" state and local government operations and \$1.7 billion in cuts to transportation and resources.

Jason Sisney, LAO director of state finance, emphasized that his office was not necessarily recommending the cuts, but offering options that responded to a hypothetical suggested by Leno.

"We tried to score savings we thought were realistic under the law," Sisney said. "We attempted to identify as many options that would avoid touching core programs as much as possible."

Here's a sampling of what the Analyst's Office proposed as alternatives to higher tax extensions proposed by Brown (savings in parentheses):

K-12 Schools

- Eliminate K-3 class size reduction (\$1.275 billion)
- Require that kindergarteners be 5 years old at enrollment in 2011-12 (\$700 million)



CAPITOL WEEKLY

THE NEWSPAPER OF CALIFORNIA GOVERNMENT AND POLITICS

Lawmakers push schools to show what an all-cuts budget looks like

State Schools Chief Tom Torlakson to Districts: Plan for the Worst



California Department of
EDUCATION

Superintendent Seeks to Gauge Impact of \$4.5 Billion in School Cuts

SACRAMENTO—State Superintendent of Public Instruction Tom Torlakson is warning school districts to plan for the worst and took steps to tally the impacts on California schools if the state's temporary taxes expire July 1.

guardian.co.uk

Wall Street shares slump as S&P downgrades US debt outlook

Ratings agency cuts long-term outlook from stable to negative for first time since Pearl Harbor attack 70 years ago

School administrators warn of 160-day year



Contra Costa Impact

| <u>District</u> | Instructional Days | <u>District</u> | * <u>Certification</u> |
|-------------------|--------------------|-------------------|------------------------|
| ACALANES | 10/11 178 days | ACALANES | positive to qualified |
| ANTIOCH | 180 days | ANTIOCH | positive to negative |
| BRENTWOOD | 10/11 180 days | BRENTWOOD | positive to qualified |
| BYRON | 177 days | BYRON | positive to negative |
| CANYON | 180 days | CANYON | remains positive |
| JOHN SWETT | 10/11 178 days | JOHN SWETT | remains negative |
| KNIGHTSEN | 10/11 175 days | KNIGHTSEN | remains positive |
| LAFAYETTE | 11/12 176 days | LAFAYETTE | positive to qualified |
| LIBERTY | 10/11 180 days | LIBERTY | positive to negative |
| MARTINEZ | 178 days | MARTINEZ | positive to qualified |
| MORAGA | 180 days | MORAGA | positive to qualified |
| MT. DIABLO | 10/11 177 days | MT. DIABLO | positive to negative |
| OAKLEY | 11/12 175 days | OAKLEY | positive to negative |
| ORINDA | 10/11 180 days | ORINDA | remains positive |
| PITTSBURG | 180 days | PITTSBURG | positive to negative |
| SAN RAMON | 10/11 179 days | SAN RAMON | positive to negative |
| WALNUT CREEK | 180 days | WALNUT CREEK | remains positive |
| WEST CONTRA COSTA | 180 days | WEST CONTRA COSTA | positive to negative |

* Assumes all cuts budget with \$800 ADA reduction and no additional corrective action 11

May Revise – News

Gov’s “May revise” forces switch to budget tax plan

5:18 p.m. | Julie Small | KPCC

TAXES

Brown hopes to hold a special election asking voters to extend a series of temporary increases to the sales, personal income and vehicle taxes. Because all the taxes will expire by July 1, Brown hopes the Legislature will temporarily approve the tax increases until a special election could be held, possibly in the fall. The proposed tax solutions are:

EDUCATION

_ K-12 funding will rise by about \$3 billion under the voter-approved Proposition 98, bringing total school spending to \$66 billion, or \$38.7 billion from the general fund. That represents about 43 percent of all general fund spending. It would be the highest education guarantee since the 2007-08 fiscal year.



Tough Budget Spot for Governor (No Plan B) Brown



Governor’s May Revision Ties \$1 Billion CSU Cut to Tax Extensions