



Revenues and Revenue Limits

A Guide to School Finance in California—2012 Edition

By the School Services of California, Inc. Team

Why This Year's Edition is a "Must Read"

Revenue Limits for 2011-12 were budgeted at the same level as 2010-11, despite uncertainty about the state's General Fund revenue assumptions. To cope with this uncertainty, the state subjected K-12 funding, and many other state programs, to midyear trigger cuts. At the same time, school districts were directed to budget flat funding, but were also prohibited from budgeting for potential midyear reductions.

Trigger Reductions exposed school district revenue limits to a potential cut of up to \$1.5 billion, or a 4% loss, and transportation funding to a \$248 million reduction, or about half of districts' funding, based upon revenue forecasts provided by the Legislative Analyst's Office and the Department of Finance.

Proposition 98 should have provided K-14 education billions more than was ultimately acknowledged in the 2011-12 Budget Act. Because of several manipulations by the Legislature, additional funds were not provided. As a result, several school districts and the California School Boards Association have filed a lawsuit challenging the Legislature's actions on Proposition 98.

Apportionment Deferrals now exceed \$10 billion, with almost 40% of districts' 2011-12 apportionment being provided in the following fiscal year. School districts face major cash flow challenges and must carefully plan their borrowing needs in order to avoid running short of cash. At the state level, a projected 2012-13 budget gap exceeding \$10 billion could mean further deferrals in the upcoming year.

Billions of dollars, midyear trigger reductions, lost riches—the plot of this year's holiday blockbuster? Or the story of California school finance exclusively told in the 2012 Edition of *Revenues and Revenue Limits*? For more than 30 years, School Services of California, Inc., (SSC) has published *Revenues and Revenue Limits*, the authoritative guide on California school finance. Each new edition includes updates on changes to revenue limit, special education, categorical funds, and other state and federal revenue. If you're faced with questions or just curiosity regarding any of the following, the 2012 Edition of *Revenues and Revenue Limits* is a must read:

- How much have revenue limits been reduced in recent years? What does this mean for calculating revenue limit funding?
- How did the Legislature manipulate Proposition 98 and what are the consequences for school funding?
- How did the 2011-12 revenue limit deficit factor get reduced when funding did not increase?
- If we reduce the school year, how does this affect our revenue limit and other funding?
- Will the trigger reductions impact education funding?
- How do I explain to my school board and/or community the basics of California school finance, what just happened with the State Budget, and what may come?

Since 1981, SSC's books on school finance have helped tens of thousands of people understand everything from the basics to the intricacies of California's unique school finance system. Like previous editions, the 31st Edition is detailed enough to be of use to the most experienced readers, yet clear enough for newcomers to the field. By helping readers make the most of 2011-12 revenues and plan for the future—including forecasts for weathering the state's fiscal downturn—the 2012 Edition of *Revenues and Revenue Limits* will be of value to everyone interested in California school finance. The information included in *Revenues and Revenue Limits* is especially helpful as a reference to understand how options to address the current state fiscal crisis are constrained or influenced by past funding decisions. In addition, with history as our window to the future, you can gather ideas for ways to ensure revenue is maximized in times such as now.

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