TO: Board of Education

FROM: Matthew E. Beecher

SUBJECT: RESOLUTION NO. 12-23 – THE EDUCATION PROTECTION ACCOUNT (EPA) 2013-14

ACTION ITEM
BUSINESS

ITEM 323
6/5/13

Background

Proposition 30, *The Schools and Local Public Safety Protection Act of 2012*, approved by the voters on November 6, 2012, temporarily increases the State's sales tax rate for all taxpayers and the personal income tax rates for upper-income taxpayers. Proposition 30 added Article XIII, Section 36 to the California Constitution effective November 7, 2012. The provisions of Article XIII, Section 36(e) create in the state General Fund an Education Protection Account (EPA) to receive and disburse the revenues derived from the incremental increases in taxes imposed by Article XIII, Section 36(f).

School districts, county offices of education, and charter schools (LEAs) will receive funds from the EPA based on their proportionate share of the statewide revenue limit amount. To allow time for the State to collect the increased tax revenues, EPA entitlements cannot be calculated for the 2012–13 Fiscal Year until June 2013. LEAs will receive their 2012–13 Fiscal Year EPA entitlement in one lump sum payment at the end of June 2013. A corresponding reduction is made to a LEAs revenue limit general purpose state aid equal to the amount of their EPA entitlement. LEAs will receive EPA payments quarterly beginning with the 2013–14 Fiscal Year. For 2013-14 through 2017-18, the rest of the years that Proposition 30 will be effective, the EPA spending plan should be approved by the Board at the time the budget for each year is adopted.

Nearly all of the increased revenue generated from Proposition 30 is used to pay K-14 expenses from the prior year and reduce delays in payments due to schools. Therefore, districts throughout California are estimating deferral payback funding which will allow for restoration of previous cuts imposed during the recession.

Education Protection Act

The Proposition 30 initiative was intended to minimize deeper cuts to school agencies and other state-supported programs in California. In addition, Proposition 30 prohibits the Initiative's tax revenues allocated to K-12 agencies from being used for administrative costs. While all revenues raised by Proposition 30 are distributed to school districts, a significant share of those resources simply reduce the amount of other state funding that schools receive.

Before June 30 of each year, the State Director of Finance is required to estimate the total amount of additional revenues, less refunds that will be derived from the incremental increases in tax rates made pursuant to Article XIII, Section 36(f) that will be available for transfer into the Education Protection Account during the next fiscal year.

As required, the Education Protection Account's estimated deposits and expenditure accounts are shown below:

2013-14 Education Protection Account	
Estimated Funds Calculation: Deficited 2013-14 Revenue Limit x 16%	$12,951,377
Estimated Expenditures *Instruction, instructional library, media, and technology, guidance and counseling services, psychological services, attendance and social work services, health services, speech pathology and audiology services, custodians, plant services, and, pupil testing services.* Note: As per Article XIII, Section 36 of the California Constitution, the district will post an accounting of the actual money received from the EPA and accounts where the money was allocated when we receive the funds.	$12,951,377

In summary, the public hearing and the resolution for the EPA is presented and meets the requirements as outlined in Article XIII, Section 30 of the California Constitution.

SUPERINTENDENT'S COMMENTS

Recommendation: That the Board of Education **ADOPT RESOLUTION NO. 12-23 – THE EDUCATION PROTECTION ACCOUNT 2013-14, AS PRESENTED ABOVE IN ITEM 323, DATED JUNE 5, 2013.**