May 17, 2006

LAO
65 YEARS OF SERVICE

Update on the Education Credit Card

(In Millions)

	Outstanding in 2005-06	2006-07 Payments	
		Governor	LAO
Deferrals			
K-12	$1,103	—	$718
Community Colleges	200	—	200
Mandates			
K-12	1,100[a]	$959	959
Community Colleges	100	38	100
K-12 revenue limit deficit	309	309	309
Total Paid		**$1,306**	**$2,286**
Total outstanding after payments	**$2,812**	**$1,506**	**$526**

[a] Includes Standardized Testing and Reporting (STAR) mandate. Issues have been raised about how the state should address local implementation costs for this mandate.

☑ ***Use One-Time Funds to Retire Outstanding Debts.*** With the significant amount of one-time funds available, the Legislature faces a unique opportunity to retire even more of the debts that have accumulated in K-14 education.

☑ ***Reduce Deferrals.*** We think eliminating deferrals is a critical step in restoring the fiscal integrity of the state budget. This would also enable districts to balance their books and account for funds in the year they are committed.