

# Governor's Proposal for the 2009-10 State Budget and K-12 Education

*presented to the  
Twin Rivers Unified School District  
Board of Trustees on January 20, 2009*

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Business Support Services

The following information has been provided by  
School Services of California and modified  
to include specific data regarding  
Twin Rivers Unified School District



# What Makes a Good State/District Budget?

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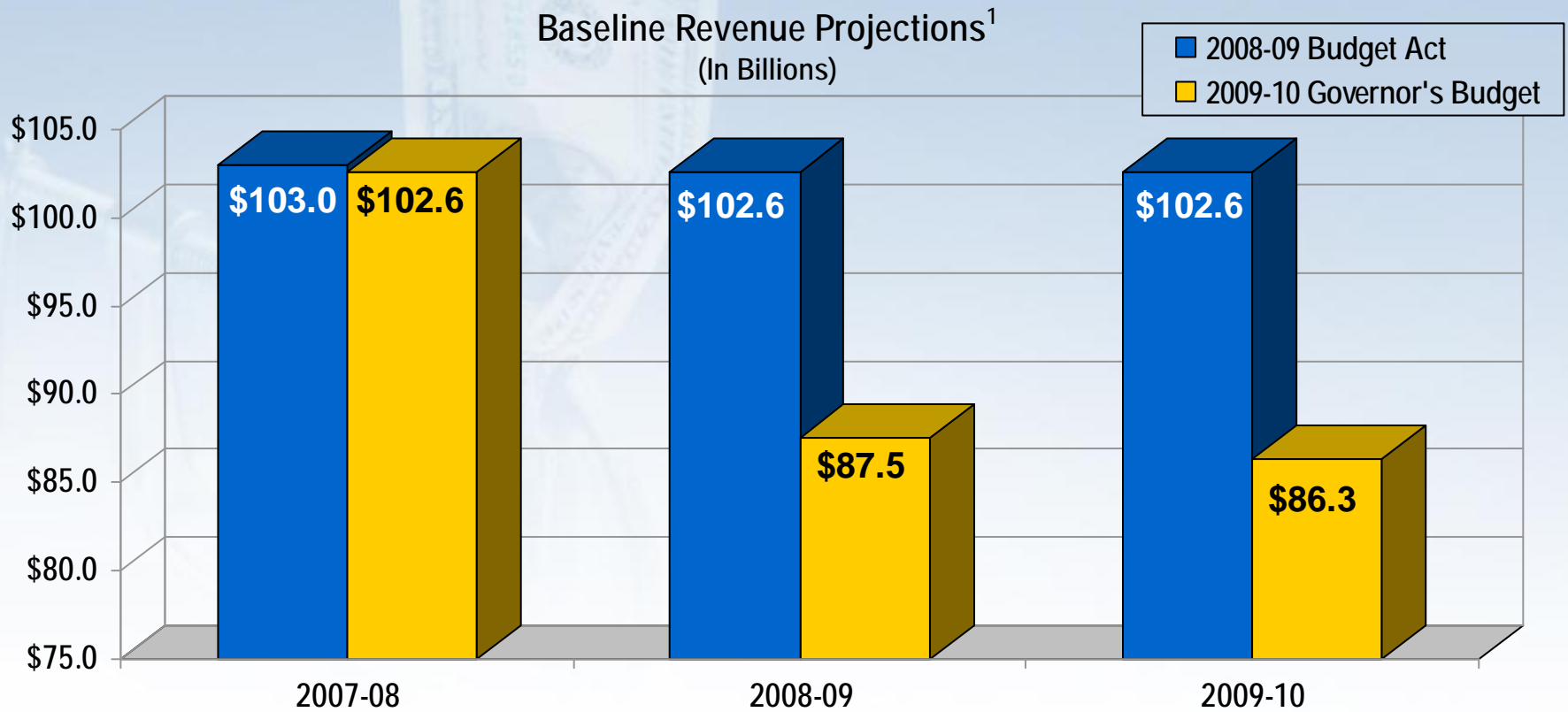
- A good State (and District) Budget:
  - Represents a balance between the needs of the people and the resources of the state or District
  - Funds the state's and District's highest priorities at a satisfactory level
  - Is balanced in both the short and long term
  - Provides adequate reserves to avoid crises
  - Is stable and sustainable once adopted
  - Can be executed as planned
  - Provides cash flow as needed through the year
  - Allows the state and District to meet its obligations as they accrue
- By that definition, this Budget is a reactionary Budget that deals with the crisis du jour
- We appreciate the difficulties faced in this State Budget, but nonetheless, it is not a good Budget and makes it impossible to create a good District budget

# The Size and Duration of the Budget Shortfall

- The projected State Budget shortfall is huge and continues to grow
  - The Administration's current estimate is \$40 billion over the two-year period of 2008-09 and 2009-10
  - A "normal" State Budget has expenditures of about \$100 billion
    - So the shortfall equates to 40% of a single year Budget or 20% of the combined expenditures for two years – either way, a huge number
- Thus far, no action has been taken to deal with the deficit
  - The Governor has vetoed the Legislature's plan
  - The Legislature has rejected the Governor's plan
  - This 2009-10 Governor's Budget represents yet another proposal that has not yet been accepted

# General Fund Revenue Collapse

- Three-year shortfall totals \$31.3 billion



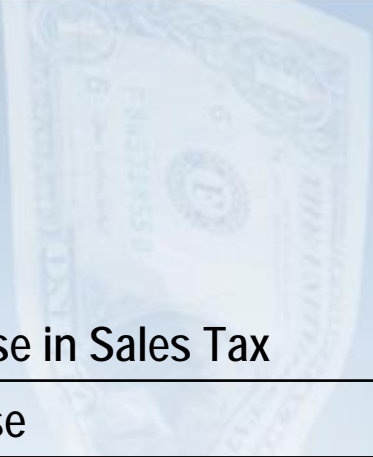
<sup>1</sup> Excludes new tax proposals

Source: 2009-10 Governor's Budget

# Governor's Approach to 2009-10

- The 0.68% COLA included in the adopted Budget for 2008-09 is eliminated and additional amounts to be cut from Proposition 98 in the current year
- The overall reduction to Proposition 98 proposed for 2008-09 is about \$6.3 billion
- For 2009-10, the Governor's proposals include:
  - COLA is declared at 5.02%, but not funded
  - Revenue limit deficit is imposed at <16.161%> of new base revenue limit
  - Categorical and other flexibility is proposed to help school agencies deal with the loss of funding
- Between the two years, education loses both COLA and another \$7.5 billion

# Governor's Revenue Proposals



<u>Proposal</u>	<u>Revenue Increase (In Millions)</u>	
	<u>2008-09</u>	<u>2009-10</u>
Temporary 1.5¢ Increase in Sales Tax	\$2,350	\$7,114
Broaden Sales Tax Base	272	1,154
"Nickel-per-drink" Beverage Excise Tax	244	585
9.9% Oil Severance Tax	358	855
Reduce Dependent Exemption Credit Equal to the Personal Exemption Credit	–	1,440
Increase Vehicle Registration Fees	92	359
Shift Tribal Gaming Revenues from Transportation to General Fund	101	101
Special Fund Transfers and Loans	298	94

# Governor & Legislature's Approach to 2008-09 Midyear Cuts

- The Governor's proposal uses the same approach as his November proposal to resolve the Budget crisis
- It is the size of the problem that changed with time
  - November deficit of \$27.8 billion with \$2.5 billion in cuts to education
  - January deficit is \$41.7 billion with \$6.3 billion in cuts to education
- The Legislature's vetoed proposal would have included many of the same elements as that of the Governor's (tax increases, reduction in expenditures, etc.), but the emphasis on the reduction in funding for K-12 education was different
- The Legislative proposal concentrated the reductions in the restricted programs as opposed to the revenue limit
  - Flexibility was proposed by utilizing prior-year ending balances to backfill programs

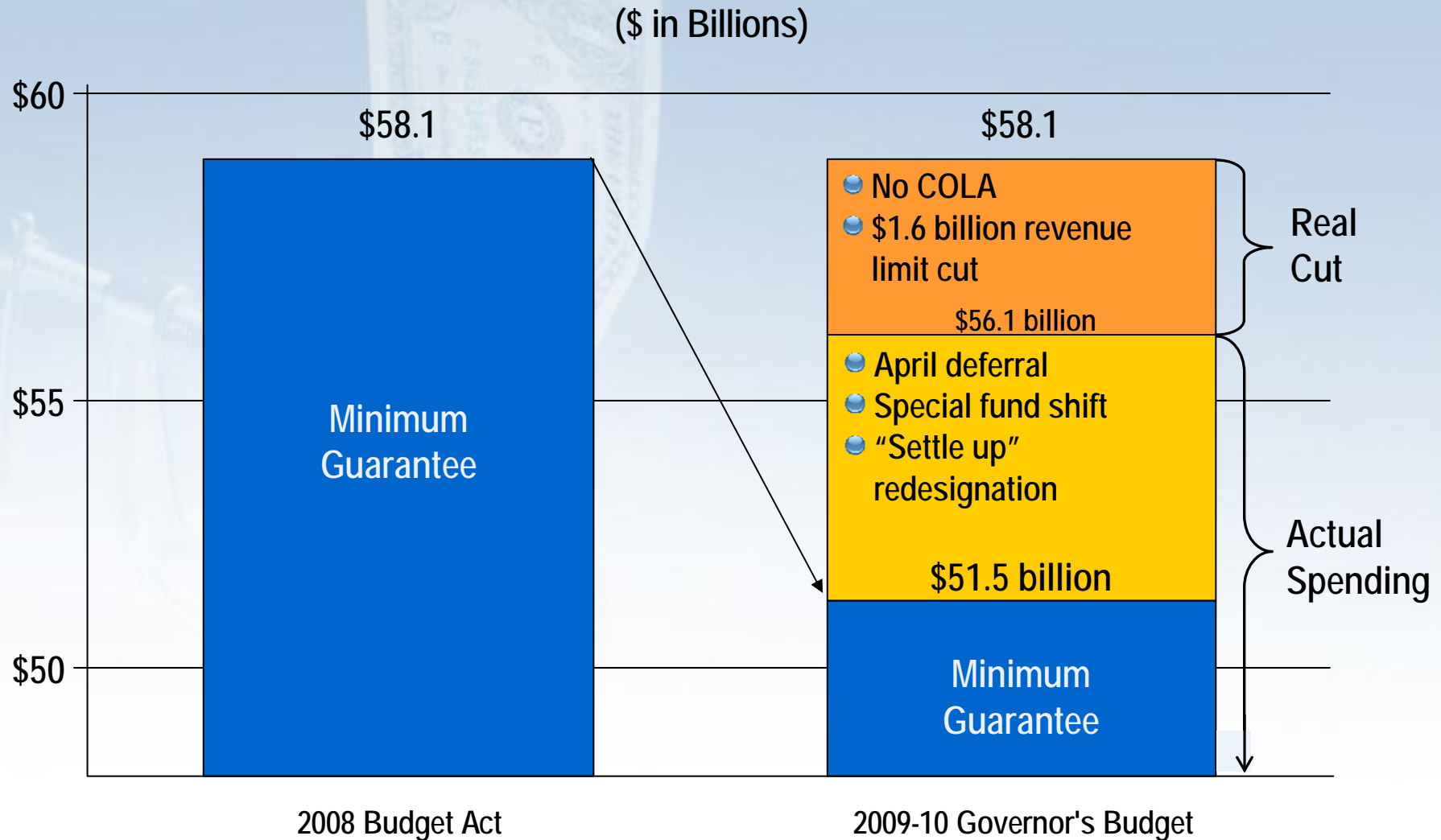
# 2008-09 Proposed Cuts – Governor’s and Legislature’s Major Proposals

Provision	Governor’s January Proposal	Legislative Proposal (SBX1 4, vetoed)
Revenue Limit	Eliminate 0.68% COLA; reduce further by 4.50%	Eliminate 0.68% COLA
Categorical Programs		Eliminate High Priority Schools Grant, Math and Reading Professional Development Program, Deferred Maintenance, Instructional Materials, Professional Development Block Grant, others
Categorical Program Reductions	Minor changes	Many programs

# 2008-09 Proposed Flexibility – Governor’s and Legislature’s Major Proposals

Provision	Governor’s January Proposal	Legislative Proposal (SBX1 4, vetoed)
Prior-Year Categorical Balances	Transfer (with limitations)	Transfer (with limitations)
Current-Year Categorical Allocations	Transfer (no dollar limitation) after public hearing	Limit Mega-Item transfer for Home-to-School Transportation to “in” only
Routine Restricted Maintenance Set-Aside	Reduce from 3% to 1%	Reduce from 3% to 1%
Deferred Maintenance Match Requirement	Eliminate	Eliminate
Reserve for Economic Uncertainties	Reduce by half for 2008-09 and 2009-10	–

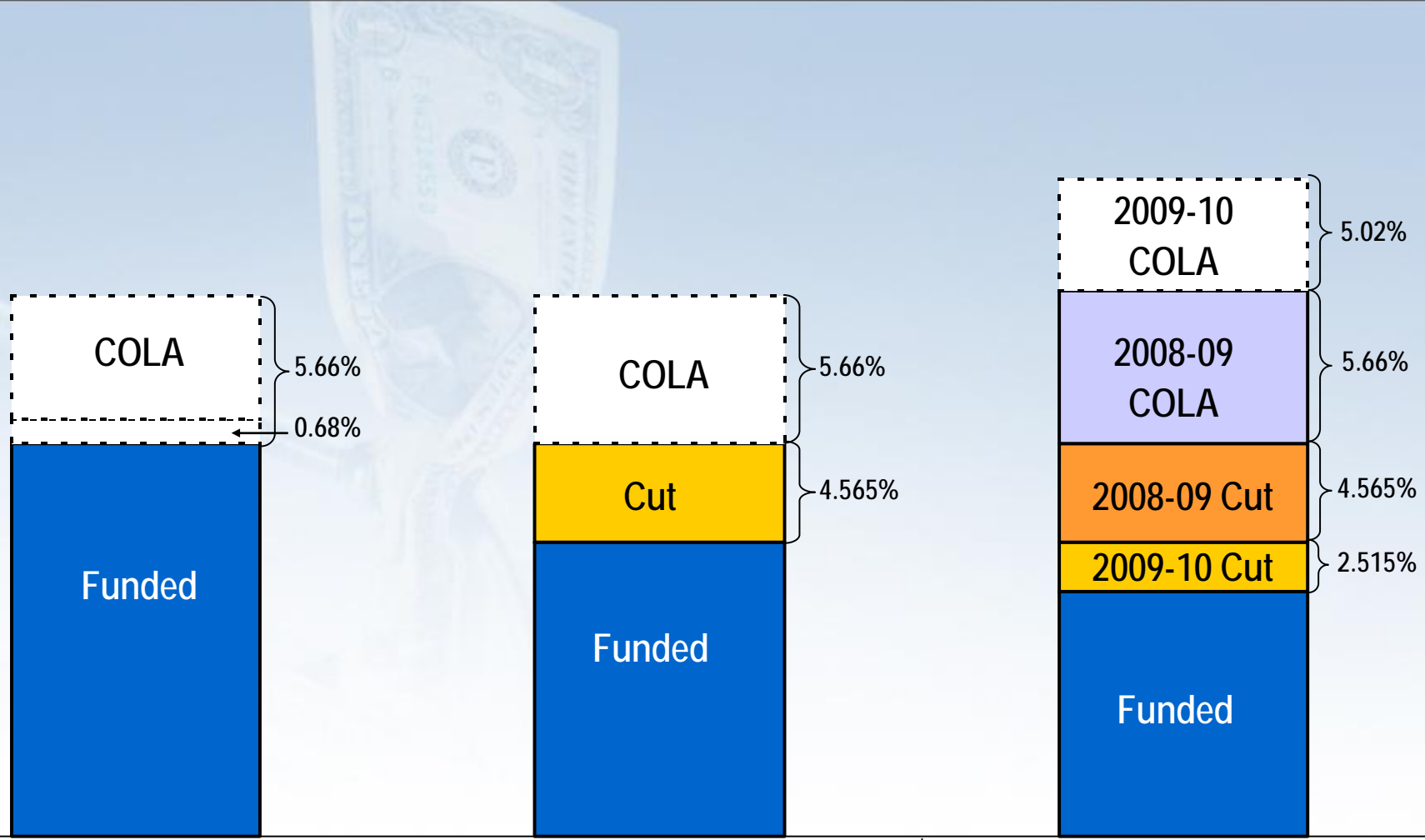
# 2008-09 Proposition 98 Guarantee



- Assuming enactment of the midyear proposals, the Governor's Budget displays a 2009-10 Proposition 98 level of \$55.9 billion, an increase of \$4.4 billion
  - This increase, however, is largely consumed by funding the April 2008 deferral and backfilling the one-time savings and property tax shortfalls
- Actual spending exceeds the minimum guarantee because it includes \$399 million in special fund revenues to support Home-to-School Transportation
- In addition to the April deferral, the Governor also recommends the already deferred July apportionment be deferred further until October 2009

- Governor's Budget Proposal for:
  - 2008-09 reduces the already budgeted COLA of 0.68%, eliminating the entire 5.66% (\$309/ADA) statutory COLA
  - 2009-10 provides a zero funded COLA, eliminating the projected statutory COLA of 5.02% (\$329/ADA) through the deficit
- Governor's Budget made further cuts to revenue limit funding
  - \$1.6 billion in 2008-09 is equal to a cut of 4.565%
  - \$1.1 billion in 2009-10 is equal to a reduction of 2.515%

# 2008-09 and 2009-10 K-12 Revenue Limits



2008-09 Budget Act

2008-09 Proposed Governor's Budget

2009-10 Proposed Governor's Budget

- Adult Education
  - NO COLA plus 2.5% growth
- Regional Occupational Programs
  - No COLA added, and negative growth of 0.63% applied



- General Purpose rates are based on statewide average revenue limits\*
  - Reflect 5.02% COLA, 12.09% deficit, and other anticipated changes
  - CDE will recalculate the General Purpose rates at each apportionment
    - Final amounts could vary by  $\pm$ \$20 per ADA
- Categorical rates reflect the 2008-09 funding levels
- Estimated 2009-10 funding rates for charter schools are:

	K-3	4-6	7-8	9-12
General Purpose Block Grant (will vary)	\$5,360	\$5,440	\$5,596	\$6,493
Categorical Block Grant	\$500	\$500	\$500	\$500
Total	\$5,860	\$5,940	\$6,096	\$6,993

Source: Department of Finance

\*Ref. Education Code Section 47633(a)

- Like other categoricals – no growth or COLA in state funding
- But some 2009-10 adjustments are proposed
  - \$30.9 million increase in federal aid to be distributed as supplement to base
  - \$65 million for the Behavior Intervention Plans settlement
    - Adds approximately \$10.92 per ADA to AB 602 base

# What a Difference Between First and Second Interim!

## Unrestricted General Fund 2008-09

<i><u>First</u></i> Interim Multiyear Projection (2008-09 Adopted Budget)			
	2008-09	2009-10	2010-11
Beginning Fund Balance	\$2,000,000	\$2,000,000	\$1,440,000
Revenues	\$20,000,000	\$20,000,000	\$20,605,157
Expenditures/Other Outgo	<u>\$20,000,000</u>	<u>\$20,560,000</u>	<u>\$21,074,000</u>
Ending Fund Balance	\$2,000,000	\$1,440,000	\$971,157

# What a Difference Between First and Second Interim!

## Unrestricted General Fund

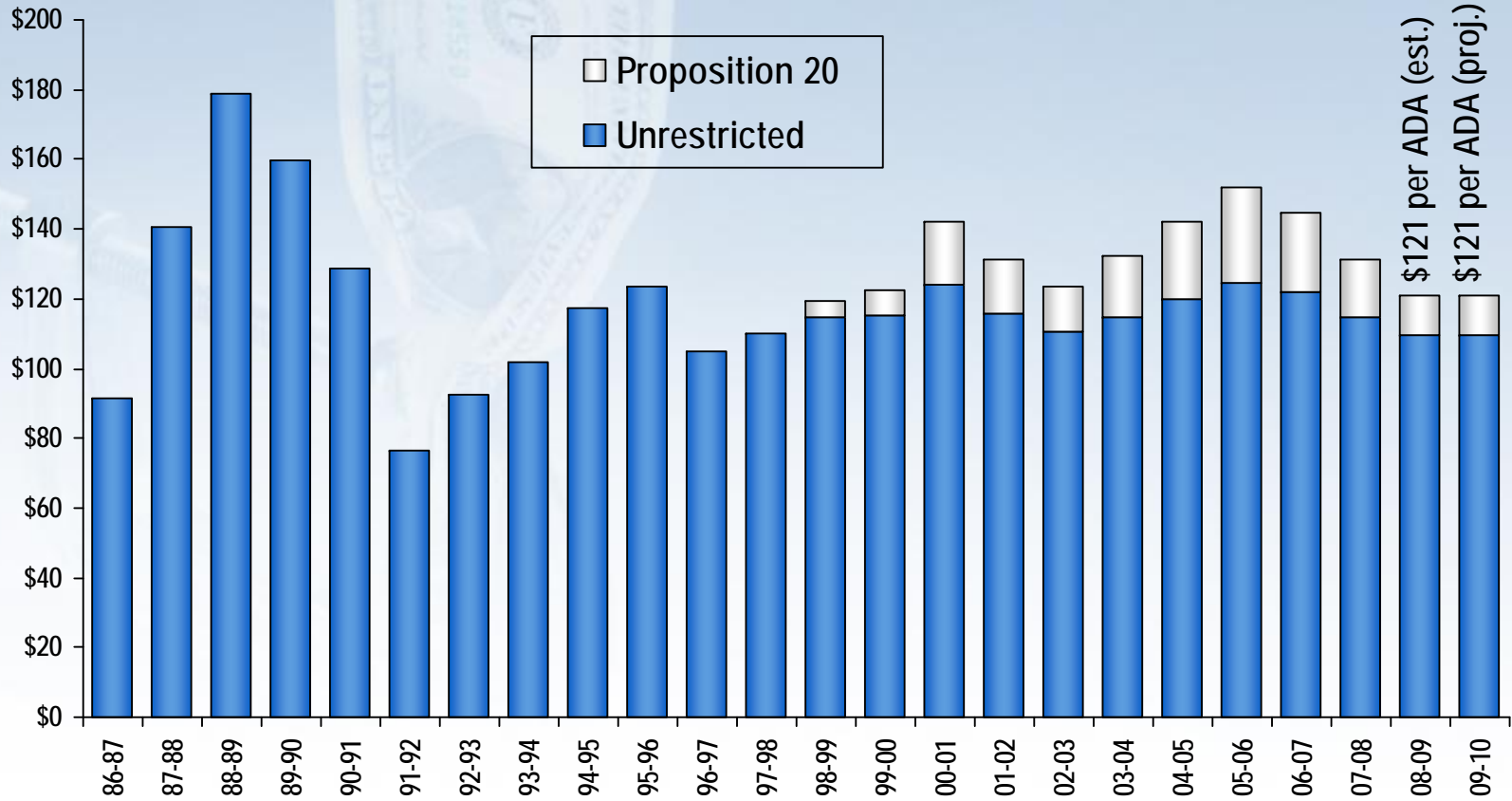
Ending Fund Balance from First Interim	\$2,000,000	\$1,440,000	\$971,157
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### Second Interim Multiyear Projection (2009-10 Governor's Proposal)

	2008-09	2009-10	2010-11
Beginning Fund Balance	\$2,000,000	\$1,104,367	\$(692,366)
Revenues	\$19,104,367	\$18,763,266	\$18,763,266
Expenditures/Other Outgo	<u>\$20,000,000</u>	<u>\$20,560,000</u>	<u>\$21,074,000</u>
Ending Fund Balance	\$1,104,367	(\$692,366)	(\$3,003,100)
Difference	(\$895,633)	(\$2,132,366)	(\$3,974,257)

- The Governor proposes allowing districts to shorten the school year from 180 days to 175 days
- This is clearly subject to local negotiations
- Should you do it?
  - For the district – YES
    - It could save about 2.5% of the district budget
    - Better than cutting more programs or more layoffs
  - For the union – YES
    - 100% of the employees earn 98% of full salary
    - Lost jobs don't come back; lost days do
    - Teachers' unit retains membership
- Caution: Do not use savings for salary increases – sooner or later the year will be restored to 180 days
  - Treat savings as “one-time money”

## Funding per Annual ADA



- 2008-09 state funding for free and reduced-price meals will run out before the end of the fiscal year
  - Claims are still outstanding from May and June of 2008
- 2009-10 Budget proposes \$8.4 million for growth
- Fresh fruit and vegetable incentive will remain intact and has a proposed increase in funding of \$4 million

