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Budget deal details – it ain't pretty

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General details are beginning to seep out of the Capitol building on how last night's budget deal is going to impact education. Most of the specific details are going to become available in the next day or so as language is drafted and shared. But what we know now is that the "deal" isn't really a deal and it contains a lot of chewing gum, baling wire, and in recognition of the loss of all those art programs, hot glue. For right now, here is what we know:

- In 2008-09, the proposal calls for capturing \$1.6 billion in unallocated categorical program funds in order to lower the Proposition 98 guarantee in 2009-10. We do not yet know which programs are going to be impacted by this move, but we are told that it represents mostly Tier 3 program money that was appropriated as part of the February budget but that has not been sent yet to LEAs. We are waiting for a list of the programs and the dollar amounts.
- For 2009-10, a calculation will be made for each county office of education, school district and charter school to estimate the value of the loss of categorical funds from the 2008-09 cut mentioned above. That amount will be given back to those entities as a revenue limit add-on. Non-revenue limit-funded entities that lose money from the 2008-09 cut will not be backfilled. In essence, instead of a straight 2008-09 revenue limit cut of \$1.6 billion, the deal calls for directing the cut to categorical program money that has not been sent out yet by the state controller. The money will be given back in 2009-10 as general purpose revenue.
- Also in 2009-10, revenue limits across the board will be reduced by \$2.6 billion, which translates to about \$440 per ADA on average.
- For LEAs receiving QEIA money in 2009-10, the deal calls for eliminating the \$450 million K-14 payment for a state General Fund savings. Then school districts that receive that money will have their revenue limits reduced by the amount of QEIA money they were expecting and that money will be shifted to fund QEIA. To make matters more confusing, the revenue limits of those districts will then be backfilled using \$450 million in federal money. The federal money is partly from Title I money that is available for state initiatives, but some \$350 million of that is federal School Improvement Grant money that was to be allocated to the lowest performing schools later this year. Since the QEIA payment is part of a court settlement, the state still needs to eventually pay out the \$450 million they are not paying in 2009-10, so the deal calls for adding an additional year to the QEIA program which will now be funded through 2014-15.
- Statutory language will be included to define the Proposition 98 maintenance factor for 2008-09 as \$11.2 billion, K-14. The language will not specify when the money will be paid to schools, nor will it specify the split between K-12 and community colleges. While there is a generally accepted split currently of 89 percent to K-12 and 11 percent to community colleges, K-12 has taken more cuts than community colleges so that will have to be taken into consideration when it comes time to pay maintenance factor money back.
- The earlier proposal to defer \$1.7 billion from 2009-10 to 2010-11 is contained in this proposal.
- Instructional materials flexibility is being addressed by delaying state board of education adoptions for five years with a similar delay for purchasing requirements for LEAs.

- The requirement for special education students to pass the high school exit exam would be suspended. The original proposal by the budget conference committee was to suspend the requirement for all students; this proposal is for special education only.
- No additional categorical program flexibility is being given or taken away. Discussions will continue concerning greater flexibility with K-3 class size reduction, but with the leverage of the budget deal possibly going away, this issue will be a tough sell.
- The cut to home-to-school transportation remains at the conference committee level of 20 percent.

The earlier reference to the budget deal being held together loosely is in reference to the Big 5 agreeing in whole and in part to all of the pieces. For example, while the Big 5 agreed to take money from schools in 2008-09, the whole group did not agree to the maintenance factor language. We are told that both of those issues will be in the same bill, which will require a two-thirds vote, so for it to pass the bill will need bipartisan support. That will remain to be seen.

Legislative leaders are pushing their respective staffs to have all language in bill form ready for a vote on Thursday evening. There are some 25 bills that need to be prepared.

Lastly, we have seen press reports that schools are being cut \$6 billion in this proposal. Here is how that number came to be: The \$1.6 billion in 2008-09 categorical fund cuts plus the \$2.6 billion in 2009-10 revenue limit cuts plus the \$1.7 billion deferral. That all adds up to \$5.9 billion.

We'll keep you posted.

All CASBO NewsBreaks are posted on the CASBO website at www.casbo.org. The legislative status indicated for the bills in this report reflect the location of each of these measures as of the day the report was posted. To get up-to-the-minute status of bills including additional information on bills, bill text, analyses, legislative vote records, and veto messages, log on to the state's Official Legislative Information website at www.leginfo.ca.gov. For other questions regarding topics covered, you may contact Dennis Meyers, CASBO Assistant Executive Director, Advocacy and Policy, at dmeyers@casbo.org.