

2009-10 State Budget Quick Summary

Below are highlights of the 17-month state budget approved by the Legislature and promised to be signed by Governor Schwarzenegger. These are preliminary reports and all information in this document is subject to change. Governmental Relations and NODD are analyzing all details and more detailed information is coming.

The Budget Package includes:

- \$15 billion in spending cuts
- \$12.5 billion in new revenues
- \$11.4 billion in borrowing

K-12 Education

K-12 Education was cut more than \$11.6 billion in this budget package.

The Chart below details the total reductions. It does NOT include the 2008-09 statutory COLA reduction of \$3 billion approved in September 2008.

K-12 Reductions (in millions of dollars)			
<u>Reduction</u>	<u>2008-09</u>	<u>2009-10</u>	<u>Total</u>
.68 Cola	\$244		\$244
Revenue Limit COLA*		\$2,800	\$2,800
Additional RL	\$944	\$944	\$1,888
Categorical (15%)	\$944	\$944	\$1,888
2009-10 RL		\$265	\$265
2009-10 Categorical (4.9%)		\$265	\$265
Deferral	\$3,200		\$3,200
Settle up	\$1,100		\$1,100
TOTAL			\$11,650
*2008-09 Revenue Limit Cola was eliminated in the September Budget			

Prop. 98 Maintenance Factor Restoration

CTA led efforts to protect Proposition. 98. Budget Plan recognizes \$9.3 billion owed to schools as required by Proposition 98 and places a Constitutional Amendment on the special election ballot. It repays \$9.3 billion to school districts and community colleges over five years beginning in 2011-12. These payments are contingent upon the passage of the Budget Stabilization Fund, which is also on the special election ballot.

Class Size Reduction and Categoricals

K-3 Class Size Reduction was protected. For three years, the following new penalties will be in effect for districts that go over the student caps.

<u>Class Size</u>	<u>Financial Penalty</u>
20.5 to 21.5 (less than)	5%
21.5 to 22.5 (less than)	10%
22.5 to 23.0 (less than)	15%
23.0 to 25.0 (less than)	20%
25 or over	30%

There are now three new tiers of categorical programs. With the exception of tier 1, there is an approximately 15% across-the-board reduction to all categorical programs.

In 2008-09, the tier 2 and 3 categorical programs are cut by 15% or \$944 million, and in 2009-10, they are cut by an additional 4.9% or \$268 million.

Tier 1 – Includes Special Ed, Child Development, K-3 CSR, Economic Impact Aid, After School Programs, Home-to-School Transportation, Child Nutrition, Quality Education Investment Act and AVID.

Tier 2 – 15% reduction in 2008-09 and an additional 4.9% reduction in 2009-10. There are no flexibility options with these programs. Some of the programs included in Tier 2 are Student Assessment and Testing, Year Round Schools, English Learner Student Assistance, Apprentice Programs, Agricultural Vocational Education.

Tier 3 – 15% reduction in 2008-09 and an additional 4.9% reduction in 2009-10. There is complete flexibility for the district to use these funds as the district wishes. Adult Education, Regional Occupational Centers, High Priority School Grant Program and 9th Grade CSR are included in this tier.

The Department of Finance is compiling a complete list of all programs in each tier.

Community Colleges

Current Year (2008-09):

- \$39.8 million cut to eliminate the 0.68 COLA.
- \$3.6 million reduction to capture unspent prior-year funds.
- \$3 million cut to mandate payments.
- Cash Management: There are two deferrals of community college apportionments. These deferrals will delay the payments the state makes to local community college districts for their apportionments.

Budget Year (2009-10):

- No student fee increase.
- No COLA.
- \$185.4 million augmentation to fund 3 percent enrollment growth.
- The budget does not include categorical flexibility provisions for the colleges as does the K-12 budget.

- The budget maintains funding for the Cal Grant program. The proposal to eliminate new Competitive Cal Grants was rejected.

CSU/UC

Adopts Governor's UC and CSU proposals:

- No funding for "compact."
- 10% across-the-board cut.

Revenue Package

- 1 percent increase in the sales tax
- Vehicle License Fee increase to 1.15 percent of the car's value
- Personal state income tax increase of 0.25 percent
- Reduces tax credit for dependents

Revenues are tied directly to the passage or failure of the Budget Stabilization Fund that will appear on the ballot in a statewide special election to be held May 19. If the BSF is approved by voters, then the revenues will stay in effect through the 2012-13 fiscal year. If the BSF is not approved by voters, then the revenue will stay in effect for only two years after enactment.

On the Ballot

All initiatives on May 19, 2009 Special Election, except for Open Primary.

- **Prop 1A – Budget Stabilization Fund (BSF):** Imposes a limit on the amount the state can spend each year based on state revenue over the previous 10-year period. Money above that amount would be saved in a rainy day fund. It is intended to smooth out peaks and valleys in state revenues. Money from the rainy day fund is used to repay the \$9.3 billion owed to schools. The BSF does not change Prop 98, downsize government, or give the Governor the authority to make midyear budget cuts.
- **Prop 1B – Education Repayment/Proposition 98 Maintenance Factor:** Asks voters to approve repayment of \$9.3 billion owed to local school districts and community colleges to restore recent budget cuts. *(Payment is contingent upon passage of the BSF. If the BSF fails, the state will have no mechanism in place to expedite the repayment.)*
- **Prop 1C – California State Lottery Modernization:** Asks voters to approve a \$10 billion plan to borrow against the lottery's future revenues over the next two fiscal years.
- **Prop 1D – Children's Services Funding (Prop 10):** Allows state to divert use of First 5 money to other children's programs.
- **Prop 1E – Mental Health Funding (Prop 63):** Allows state divert use of some mental health moneys to pay for low-income child development programs.
- **Prop 1F – Elected Official Salaries/Restricting Legislative Pay:** Prevents legislators from getting pay raises in years when the state ran a budget deficit.
- **Open Primary:** Asks voters to create open primary system in CA. Top 2 vote-getters - regardless of party - would advance to the general election. *(June 2010 ballot)*