

The State Education Budget 2008-09 and 2009-10

Special Presentation for the
Regional System of District and School Support

By: Jannelle Kubinec
California Comprehensive Center

School
Services
of California
INC. TM



The State (and Our) Fiscal Emergency

- In September when California passed the original budget for 2008-09 there was an expectation that it was not going to balance
- But, no one expected that the imbalance would be in the tens of millions of dollars
 - Estimate that deficit for 2008-09 and 2009-10 climbed to over \$40 billion
- What does this mean for education?
 - The good news: No longer can we simply blame special education for our budget problems – blame the state!
 - The bad news: Local education agency budgets may drop by \$500 per student
 - Cuts to staff and programs
 - Could this result in more referrals to special education?

Same Year, New Budget

- The 2009-10 Budget Act includes both 2008-09 and 2009-10
 - The actions proposed for the current year, 2008-09, are incorporated in the Budget
 - The enacted 2009-10 Budget also meets statutory requirements as a completed Budget for 2009-10
- This historic early adoption was necessary to conclude legislative agreements for both years simultaneously
 - The state has met its obligation to adopt a 2009-10 Budget prior to June 30, 2009
- But it is unlikely that this Budget will escape the need for significant revisions
- We are in uncharted waters as we watch the Legislature and the Governor deal with changes to a Budget that has already been enacted

Major Revisions for 2008-09

- New taxes and other revenues to be implemented as soon as possible
- Increased borrowing
- Reductions to all state-funded programs – especially education
 - Proposition 98 has fallen on the natural and can be cut without suspension
 - In January, the Governor proposed direct reductions to the revenue limit with flexibility in categorical funding shifts
 - Those reductions are decreased and categorical programs are targeted directly
 - Some categorical program flexibility has been granted for the current year

Major Revisions for 2008-09

- We lose the 0.68% cost-of-living adjustment (COLA) and more in the current year
- No relaxation of the Designated Reserve for Economic Uncertainties requirement
- Cuts are now evenly split between revenue limit and categorical programs
- Cuts come too late to save anything this fiscal year – most districts will lose the revenue for this fiscal year and then make cuts in the next fiscal year to restore the reserve

Where the Cuts Fall

- Overall level of reductions to K-12 education comparable to January Governor's Budget Proposal, but shared between revenue limits and categorical programs
 - \$944 million in 2008-09 reductions, plus an additional \$267 million in 2009-10, to both revenue limits and state categorical program funds
- Compared to the Governor's proposal to apply the cuts to revenue limits alone, this approach results in:
 - Differences to the actual impact to school agency budgets depending upon how much of their budgets are comprised of the affected programs
 - There is no mechanism to track a deficit factor for categorical funding so the loss in revenue results in a permanent ratchet down

Categorical Program Funding

- Most but not all categorical programs are reduced for 2008-09 with further reduction in 2009-10
- To help offset the impact of categorical and revenue limit cuts, the Budget provides two types of flexibility:
 - Ending balance sweeps – based on 2007-08 ending balance for state categorical programs with specific exceptions
 - These transfers may be executed in 2008-09 or 2009-10, but do not include ending balances accrued after June 30, 2008
 - Transfer flexibility for 42 state categorical programs – funds may be transferred from eligible programs to any other educational purpose
 - Permitted as of 2008-09 until 2012-13

Categorical Ending Balance Sweeps

- Eligible funds include state categorical programs in the General Fund and Cafeteria Fund with the following exceptions:
 - Economic Impact Aid (EIA)
 - All funds for instructional materials – includes Instructional Materials Realignment Program (7156) among others
 - Targeted Instructional Improvement Program (7394)
 - Special Education (65XX)
 - California High School Exit Exam Intervention Grants (7055)
 - Quality Education Investment Act (QEIA) (7400)
 - Home-to-School Transportation (7230)
 - Adult Education (0000)
 - Deferred Maintenance (6205)
 - Any funding sources for capital outlay, bond funds, or federal funds
- Local agreements or matching requirements for funds are not suspended by the availability of this flexibility and must be considered when evaluating whether the option can be exercised

Categorical Cuts and Transfer Flexibility

- The state categorical programs are organized into three categories:
 - Tier I – programs for which funding remains at 2008-09 original Budget enacted level
 - No cuts, no additional flexibility
 - Tier II – programs for which funding is reduced
 - Funding reductions, no additional flexibility
 - Tier III – programs for which funding is reduced, but flexibility to transfer funding to other education purposes is allowed
 - Funding reductions, flexibility to transfer up to 100% to another purpose

Categorical Cuts and Transfer Flexibility

- Tier II and III programs are reduced as follows
 - 15.38% in 2008-09 plus an additional 4.46% in 2009-10 – cumulative reduction of 19.84%
 - Cuts applied to 2008-09 funding level
- Flexibility to transfer applies as of 2008-09 and extends to 2012-13
 - Must allow for comment at a public hearing
 - Must report to the California Department of Education (CDE) how it is being used

American Recovery and Reinvestment Act – Funding for Education

10

Pre K-12 Education Estimates

| Program | Total Amount | California Total (est.) |
|---|-----------------------|----------------------------|
| Title I | \$10 billion | \$1.1 billion |
| School Improvement Grant | \$3 billion | \$377 million |
| Title II, Part D, Education Technology | \$650 million | \$71 million |
| Individuals with Disabilities Education Act (IDEA) | \$11.7 billion | \$1.3 billion |
| McKinney Vento Homeless School Renovation, Repair | \$70 million | \$8 million |
| | \$0 | \$0 |
| Fiscal Stabilization | \$53.6 billion | \$4.9 billion ¹ |
| Child Development Block Grant | \$2 billion | \$220 million |
| Total | \$80.6 billion | \$8.0 billion |

¹Includes higher education

Source: U.S. Department of Education

Distribution of the Funding

- It is expected that both Title I and IDEA funding will be distributed following current allocation formulas
 - Title I based on Census data counts of low-income students in district area of residence
 - Title II, Part D (Education Technology), based on Title I counts
 - IDEA based on the AB 602 funding model
 - One-time funding adjustment – no permanent change to base funding
 - Child Development – includes Head Start, Early Head Start, and Low-Income Child Care Assistance
- There will also be some funding available based on state and/or district application
 - Targeted to low performing schools
 - Facilities
- Stabilization funds to be distributed based on state's primary funding formula (i.e., revenue limit)

Title I and IDEA – What We Know

- The average district will receive a one-time local educational agency (LEA) increase above base grant of approximately 50% for Title I and 25% for special education
- Funding will begin flowing for 2009-10
- Current Title I and IDEA rules apply to the use of the funding
 - Funding may not be used at non-Title I schools
 - IDEA must support special education students and it may be that a portion could be used to support other educational purposes consistent with No Child Left Behind (NCLB)
- The funds must supplement and not supplant, but with cuts in state funding there is a potential rebuttal to this argument
- State and local maintenance-of-effort requirements must be met for special education
- These funds are augmentations and are not allowed to be recaptured by the state

Title I and IDEA – What We Don't Know

- The exact amount of funding that will be provided to each agency
- When exactly the money will be provided
- Whether the funding will be issued all at once or over multiple fiscal years
- Whether current set-asides required for Title I must be made on the additional funding
- How long educational agencies will have to expend the funds
 - Current law allows for 27 months from the time the federal government issues the funding – but when will districts actually receive the funding?

Fiscal Stabilization Fund – What We Know

- California is estimated to receive \$4.9 billion in state Fiscal Stabilization funds for education
 - To support K-12 and higher education in fiscal years 2009, 2010, and 2011
 - Uses principal funding formula to fund the greater of fiscal year 2008 or 2009 funding level
- An additional \$1.1 billion can be spent for public safety and other services
 - Including modernization of public school facilities
- Governor must apply for funding and:
 - Maintain support for education at fiscal year 2006 level or higher
 - Achieve equity in teacher distribution between high and low poverty schools
 - Improve data collection by establishing longitudinal data system
 - Enhance quality of student achievement assessments
 - Comply with corrective action/restructuring under NCLB

Fiscal Stabilization Fund – What We Don't Know

- Details of the Governor's plan for how funds will be distributed and the application are not yet available
 - Will the funds be passed along as a supplement for new reform, or to supplant funding for current obligation to LEAs?
- The timeline for distributing funds
 - The state will have three years to give out funding

Planning and Thinking About Federal Funds

- While these are welcome resources – never forget it's one-time money
- The best use of a one-time dollar is a one-time expense – some examples for Title I, Title II, and IDEA:
 - Training/staff development, technology support, after school/extra learning time support, instructional materials, litigation support
 - And, while not advisable, it is a possibility to restore positions that may have been cut, but be aware that they still may have to be cut once the federal funding ends

The 9 EPCs and Budget Reductions

| Essential Program Component | Impact of Reduction/Flexibility |
|-----------------------------|---|
| 1—Instructional Materials | Protects funding that districts had from prior years, but as of 2008-09 until 2012-13 districts may redirect funding and will receive around 20% less in 2009-10; extends timeline for new adoptions, but only until July 1, 2010 AND districts must still continue to provide "sufficient instructional materials" |
| 2—Instructional Time | Hourly programs are subject to categorical reductions; but this is really about how core time is used – we may see increased class sizes though that can indirectly affect how instructional time is used |
| 3—Administrator Training | Program funding reduced and will no longer be based on the current reimbursement process – a base year will be selected that determines future years funding irrespective of need; in addition, districts have flexibility to redirect funding |

The 9 EPCs and Budget Reductions

| Essential Program Component | Impact of Reduction/Flexibility |
|-------------------------------|---|
| 4—Teacher Training | Same as EPC 3 |
| 5—Data Analysis | Funding for many professional development related activities is reduced as part of the latest budget, but EIA and Title I remain in tact – to support these areas as with the rest of the EPCs will require careful consideration of priorities |
| 6—Content Experts and Coaches | |
| 7—Collaboration Time | |
| 8—Pacing Guides | |
| 9—Fiscal Support | Less money for all districts and schools; the cuts will likely result in significantly less for school site allocations |

Budgeting to Support the EPCs

- Remember while there are reductions that affect 42 state categorical programs, including School and Library Improvement Block Grant, the two largest sources for sites are unaffected
 - Economic impact Aid
 - Title I – plus there will be additional federal stimulus provided, which is perfect for one-time costs
- In addition, it is important to remember that some initiatives such as SAIT, QEIA, High Priority Grant Program are specific to a school site, but most budget decisions reside with the district

Approach to the Work

- Get the right people participating
 - School leadership team
 - District support – program and budget
 - Parent/student involvement
- Don't overlook the base
 - It may be unrealistic to expect new funding will be available, but how is core supported
- Plan smart with Title I increase
 - One-time funds for one-time use
- Fund priorities
 - Need to know what they are
 - Need to be willing to put money behind what matters

Approach to the Work

- In addition, we must be realistic
 - Projected cuts to state funding will mean less of many things – programs, people, patience, time...
 - Likely cuts including professional development, academic coaching, intervention support programs, administration
 - Which could mean more of some things – pressure to reduce nonclassroom support (e.g., administrators and academic coaches), larger class sizes, anxiety regarding accountability requirements...
- Cuts will happen, but let's be smart and avoid cuts in those areas where we worked hardest to invest time, energy, and resources in recent years
 - For instance, if we've built up Professional Learning Communities through training and support – what happens next?



School
Services
of California
INC. TM

Thanks you

jannellek@sscal.com