



**State Budget Outlook
for 2008/09 and 2009/10
Presented January 12, 2009**





A Look Back and A Look Forward

- The road traveled thus far:
 - January 2008 Proposed Budget – suspended Proposition 98 and cut \$4 billion from education
 - May 2008 Revised Budget – withdrew the suspension, but still cut education by nearly \$3 billion
 - August 2008 – approved Budget, AB 1781, provided a 0.68% COLA, but cut education by about \$2.5 billion
 - November 2008 – Governor calls for Special Legislative Session to address “budget crisis” – No resolution
 - December 2008 – Governor calls second Special Legislative Session to address “budget crisis” – No resolution
- December 31, 2008 – Governor again calls for 2008/09 midyear budget cuts and releases his 2009/10 Proposed Budget (10 days ahead of statutory deadline)



State Revenues/Overall Budget

- Governor's Budget identifies a \$41.6 billion gap, including a \$2 billion reserve, between expected revenues and expenditures
- 75% of the Budget is a result of the collapse in State revenues (\$14.5 billion in the current year and \$16.3 billion projected next year)
- 25% of the Budget is attributed to General Fund cost increases to backfill for property tax shortfalls
- Revenue collapse is rooted in the broader national recession, which began in December 2007, but is compounded by California's precipitous drop in home prices and high unemployment rate
- Without Legislative action, State may run out of funds by the end of February



State Revenues/Overall Budget

- Proposed Budget describes \$41.6 billion in solutions in three broad categories:
 1. Expenditure reductions, which account for 42% of total
 2. Higher revenues, which account for 35% of total
 3. Borrowing (lottery, internal borrowing, and Reimbursement Warrants), which account for 24% of total



Education Budget





2008/09 Mid-Year Budget Cut Proposals

- Elimination of the 0.68% COLA for K-14 education
- Further reduction of K-12 revenue limits of \$1.6 billion, estimated to be 4.5%
- Higher General Fund expenditures of \$430 million to backfill K-12 property tax shortfalls
- \$4 million shortfall in community college property taxes, expected to be backfilled by additional fee revenue and oil/mineral revenues
- Reduction of \$42 million and \$108 million prior-year savings in CalWORKS funding
- Workload savings of \$55 million in General Child Care and Preschool programs



2008/09 Mid-Year Budget Cut Proposals

- Allocation of \$619 million directly to districts in Public Transportation Account and Mass Transportation Fund revenues for K-12 home-to-school transportation programs
- Savings of \$55.5 million from unappropriated funds from various programs
- Additional deferrals of cash payments to school districts:
 - \$2.6 billion in K-12 apportionment and K-3 CSR payments from April 2009 to July 2009 (already deferred from February as part of the 2008/09 State Budget)
 - \$230 million in community college apportionments from January/February 2009 to July 2009



2008/09 Proposed Flexibility

In order to assist school districts mitigate the effects of the 2008/09 mid-year reductions, the Governor proposes the following flexibility in the local use of State funds:

- Utilize categorical funds for any purpose after local public hearings
- Reduce the K-12 local Routine Restricted Maintenance Account set-aside requirement from 3% of General Fund expenditures to 1%
- Eliminate the K-12 Deferred Maintenance match
- Reduce the State-required level of K-12 unrestricted General Fund reserves to one-half (a reduction from 3% to 1½%)



2009/10 Proposed Budget

- \$152.7 million reduction in funding due to the projected decrease in K-12 enrollment
- \$185.4 million in growth (3%, or 36,000 full time equivalent students) for community colleges
- No COLA (estimated to be 5.02%) for K-14 education, including child care programs
- Reduction in revenue limit funding for K-12 education (\$1.1 billion) to allow school agencies to eliminate five days of instruction
- \$268.2 million in property tax backfill funding for K-12 revenue limits, along with proposed legislation to provide a similar backfill for community college apportionment



2009/10 Proposed Budget

- \$83.2 million in growth for K-12 Adult Education, Child Nutrition, Charter School Categorical Block Grants, K-3 CSR, and the Teacher Credentialing Block Grant
- \$35.5 million increase for K-12 Deferred Maintenance
- \$398.5 million shifted from Public Trans. Account and Mass Trans. Fund resources to K-12 home-to-school transportation, maintaining \$618.7 million in funding for this program
- \$287.5 million increase in CalWORKs child care funding, plus \$18.9 million (1.23%) increase
- Further deferral of the \$150 million in mandate settle-up funds scheduled for 2009/10



2009/10 Proposed Budget

- \$114.2 million to eliminate the High Priority School Grant Program
- Shift \$1.06 billion from the General Fund to K-14 education to replace Lottery revenues due to the securitization proposal, bringing this funding under the Proposition 98 umbrella
- \$65 million increase to pay for the special education behavioral intervention lawsuit settlement
- \$13.4 million for State mandated programs, thereby suspending all programs except for two K-12 mandates: inter-district and intra-district transfers and the California High School Exit Exam (This is apparent recognition of the recent judgment that the State must either fund or suspend mandates)



2009/10 Proposed Flexibility

The Governor proposes flexibility for school districts to be the same as proposed for 2008/09



What Does This Mean for the District?





Budget Assumptions

- 2008/09 Proposed Mid-year Budget Cuts:
 - Loss of Statutory COLA of 0.68% in 2008/09 = \$113,528
 - Loss of additional 4.5% revenue limit funding = \$751,284
 - Loss of deferred maintenance matching funding = approximately \$113,000
 - Possible backfill with unused categorical funds – amount to be determined
- 2009/10 Proposed Budget Cuts:
 - Loss of estimated Statutory COLA of 5.02% in 2009/10 = \$838,099
 - Loss of additional revenue limit funding (yet to be determined) = 5 days of instruction eliminated



Superintendent's Recommendations

- Continue hiring freeze on all non-essential positions
- Continue to monitor all purchases
- Estimate amount of dollars that can be “swept” from unused categorical funds
- Examine need to make mid-year cuts in the near future where possible
- Budget Committee to begin meeting in January 2009 to recommend 2009/10 and 2010/11 budget cuts by the end of February 2009 for inclusion in Second Interim Budget
- Continue to pursue outside grant funding



Concerns

- February apportionments deferred to April, and now recommended deferral to July
- Loss of additional revenue limit funding on top of cuts at the beginning of the fiscal year
- Loss of interest earnings on deferred cash
- Need to carefully monitor cash flow
- Difficulty in making budget cuts mid-year
- Importance of maintaining a healthy Reserve
- Declining enrollment



Questions





Lowell Joint School District Summary

State Action	2008/09	2009/10
	One-Time	Ongoing
Reduction in COLA of 0.68%	\$113,500	\$113,500
Reduction in K-12 Revenue Limit	\$751,300	\$751,300
Additional Reduction in K-12 Revenue Limit (permits Elimination of 5 School Days - to be Negotiated at Local Level)		Approximately \$490,000
	\$864,800	\$1,354,800

\$2.2 Million