

Small School Districts' Association Annual Conference

Implications of the 2010-11 State Budget and the Impact on Your District

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State Budget

- 2009-10 Where We Are
 - No mid-year cuts
 - Mid-year sweeps for savings
 - Proposition 98 changes
 - New state revenue
 - Tax cuts
 - Gas tax shift



Figure 5

Proposition 98: Governor's Major Spending Proposals *(In Millions)*

Midyear 2009–10 Proposals	
Recognize K–3 Class Size Reduction (CSR) savings	–\$340
Make various other baseline adjustments	–228
Total Changes	–\$568



State Budget

- 2010-11 Where We Are Going
 - Governor's Budget
 - Deferrals
 - Cuts
 - Revenue Limit
 - Categoricals
 - Proposition 98 Manipulation
 - Policy Changes



Assembly Bill 5 of the Eighth Extraordinary Session Deferrals

- Dates

- July 2010
- October 2010
- March 2011



Assembly Bill 5 of the Eighth Extraordinary Session Deferrals

- General Fund payments shall be deferred for no more than 60, 90 and 60 days respectively.
- In addition to all other deferrals.
- Not to exceed \$2.5 billion at any time to K-12 (\$420 per ADA).



Deferrals

- Senate Bill 1136 (Cox)
 - Deferral relief for districts
 - 500 or fewer ADA (excluding charter school ADA)
 - Less than \$5.0 million General Fund budget
 - Deferrals limited to no more than reserve for economic uncertainties

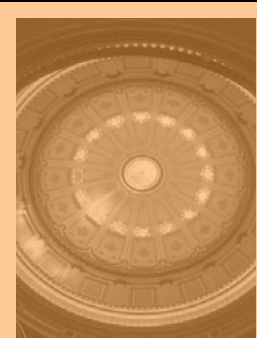
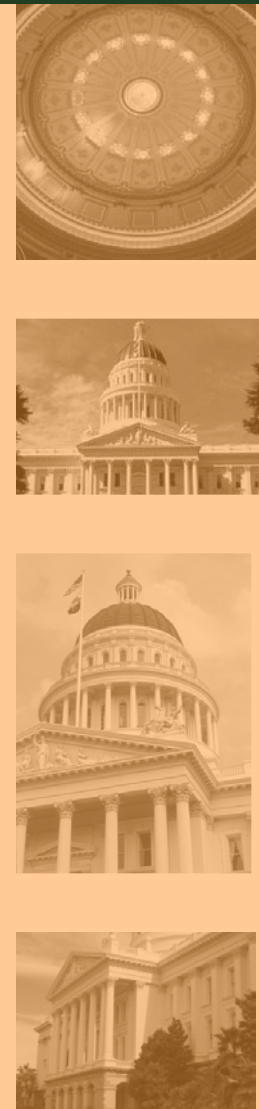


Figure 5

Proposition 98: Governor's Major Spending Proposals (In Millions)



2010–11 Proposals	
Backfill prior-year one-time solutions	\$1,908
Make various other adjustments	238 ^a
Reduce K–12 revenue limits:	
Spend less on noninstructional activities	–1,184
Remove restrictions on contracting out	–300
Consolidate County Office of Education functions	–45
Make K–14 cost-of-living adjustments (–0.38 percent)	–230
Recognize additional K–3 CSR savings	–210
Reduce CalWORKs Stage 3 child care funding	–123
Reduce child care reimbursement rates	–77
Fund CCC apportionment growth (2.21 percent)	126
Total Changes	\$103
^a Includes growth for revenue limits, special education, and child nutrition. Also includes funding for three K–12 mandates.	

Revenue Limit

- Cut for lower COLA (-\$34 per ADA or -0.38%)
 - Temporary until deficit factor paid
- Permanent cut for 60% of non-classroom expenses (-\$200 per ADA)
- Permanent cut for contracting out savings (-\$50 per ADA)



Categoricals

- County Office of Education savings from regional service consolidation (-\$45 million)
- Child Care
- Other



Proposition 98 (K-14) (*In Billions*)

State and Local Funding

	2009-10	2010-11
LAO November 2009	\$51.4	\$51.0
LAO February 2010	\$52.1	\$53.2
Difference	\$0.7	\$2.2

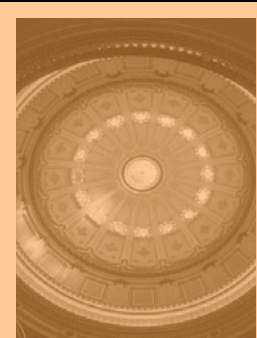
LAO Proposition 98 Minimum Guarantee

	2009-10	2010-11
Current Law (LAO)	\$52.1 B	\$53.2 B
Governor's Budget	\$49.9 B	\$50.0 B
Difference	\$2.2 B	\$3.2 B
Change from tax cuts and gas tax shifts	(-\$0.5 B)	(-\$0.6B)



Proposition 98 Suspension?

- No legal issues
- Legislature can set funding
- Continues maintenance factor repayment obligation
- Delays 2010-11 maintenance factor payment to 2011-12



Proposition 98 Suspension?

- Factors Leading to Suspension
 - Fewer new federal funds for health and welfare
 - New federal funds for school employment (Stimulus 2010)
 - Enough state money to fund 2009-10 budget level for both 2009-10 and 2010-11 without new revenue limit and categorical cuts
 - Deal made with education groups



Proposition 98 Suspension?

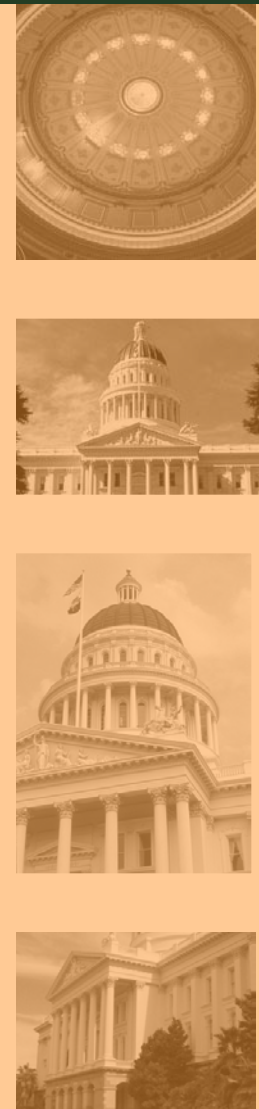
- Factors Leading Away from Suspension
 - This is an Election Year
 - Can always finagle guarantee lower and accept legal risk
 - Deal made with education groups to under-appropriate



Figure 11

K–12 “Programmatic” Funding^a

(Dollars in Millions)



Programmatic Funding	2007–08 Final	2008–09 Revised	2009–10 Revised	2010–11 Proposed
K–12 ongoing funding ^b	\$48,883	\$43,215	\$40,765	\$42,708
Payment deferrals	—	2,904	1,679	—
One–time fund swaps	862	1,766	—	64
Freed–up restricted reserves ^c	—	1,100	1,100	—
American Recovery and Reinvestment Act (ARRA) funds ^c	—	1,192	3,575	1,192
Totals	\$49,745	\$50,176	\$47,118	\$43,964
Per–Pupil Programmatic Funding				
K–12 attendance	5,947,758	5,957,111	5,921,510	5,927,728
K–12 per–pupil funding	\$8,364	\$8,423	\$7,957	\$7,417
Percent Changes From 2007–08	—	0.7%	–4.9%	–11.3%

^a Excludes non–ARRA federal funds, lottery, and various other local funding sources.

^b Includes ongoing Proposition 98 funding, certain categorical funding adjustments, and funding for the Quality Education Investment Act.

^c LAO estimates of ARRA and restricted reserve funds spent in each year.

Per Pupil Programmatic Funding

Governor's Budget Funding Per ADA *State, Local and Federal*

2007-08	2008-09	2009-10	2010-11
Actual	Revised	Revised	Proposed
\$8,364	\$8,423	\$7,957	\$7,417

Source: Legislative Analyst's Office

2010-11 LAO Recommendations

- Add Home-to-School Transportation and Class Size Reduction to Flexibility
- Do not reduce revenue limit for reduced COLA
- Reject Governor's \$1.5 billion revenue limit cut
- Reform contracting out but allow districts to keep savings
- Restructure County Office of Education funding



Figure 7

Summary of Governor's 2010–11 Proposals and Accompanying LAO Recommendations

Governor's Proposal K-12 Education	LAO Recommendation
Mandates. Suspends all but three K–12 mandates.	Modify
Noninstructional Spending. Reduces school district revenue limits by \$1.2 billion and caps noninstructional spending.	Reject
Contracting Out. Reduces school district revenue limits by \$300 million and removes restrictions on contracting out for noninstructional services.	Modify
County Services. Reduces county office of education revenue limits by \$45 million and encourages consolidation of more functions.	Modify
Class Size Reduction. Recognizes \$550 million in savings due to new program rules.	Modify
Negative COLA. Applies –0.38 percent cost-of-living adjustment (COLA) to most K–12 and child care programs, for savings of \$207 million.	Reject
Child Care Reimbursement Rates. Lowers maximum amount state will reimburse child care providers (\$132 million savings, including \$77 million Proposition 98 savings).	Modify
CalWORKs Stage 3 Child Care. Reduces by \$123 million and eliminates 18,000 slots.	Modify
Layoff Notifications. Changes date for final notification from May 15 to last day of school.	Modify

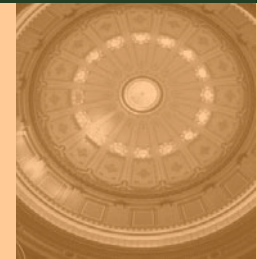


Figure 7

Summary of Governor's 2010–11 Proposals and Accompanying LAO Recommendations





 Governor's Proposal K-12 Education	LAO Recommendation
 Layoff Hearings. Eliminates Reduction-in-Force hearings.	Adopt
Teacher Seniority. Removes requirement that seniority be used in making certain personnel decisions.	Modify
Priority for Substitute Teaching. Removes requirement that laid-off teachers get priority for positions and paid at pre-layoff rate.	Adopt
Probationary Period. Would increase the probationary period from two to four years, with the option of granting tenure after two years.	Adopt
 Dismissal Notices. Allows district to notice teachers of dismissal over summer months.	Reject
Dismissed Teacher Salary. Allows districts to cease paying salary and benefits to a teacher once the dismissal notice is served.	Modify
Dismissal Hearings. Lifts the four-year limit on evidence introduced in dismissal hearings.	Adopt
 Commission on Professional Competence. Eliminates two teachers from panel and makes administrative law judge's ruling advisory to the local governing board.	Modify
Federal Special Education Funding. Seeks \$1 billion in one-time funding to reimburse state for past special education costs.	Modify

Figure 14

Summary of Teacher Policy Proposals






Teacher Policy	Current Law	Governor's Proposal	LAO Recommendation
 <p>Layoff notices</p>	<p>Requires districts to notify teachers of possible layoff by March 15, with final layoff decisions to be made by May 15.</p>	<p>Give districts until the last day of school year to make layoff decisions.</p>	<p>Give districts until June 1 to make layoff decisions, with exception for major midyear budget adjustments.</p>
 <p>Layoff hearings</p>	<p>Allows laid-off teachers of a given district to collectively participate in a "Reduction-in-Force" hearing to ensure district had cause to lay off the noticed teachers.</p>	<p>Eliminate hearings.</p>	<p>Adopt Governor's proposal. (Teachers still could file suit in court.)</p>
 <p>Use of seniority in staffing decisions</p>	<p>Requires that districts must use seniority to determine the order in which teachers are laid off, transferred, assigned, or reassigned.</p>	<p>Base decisions instead on "effectiveness and subject matter needs."</p>	<p>Require districts to use evaluations instead of seniority, beginning 2012.</p>
 <p>Priority for substitute teaching positions</p>	<p>Requires that laid-off teachers be given first priority for substitute teaching assignments and that districts pay at pre-layoff rates.</p>	<p>Remove restrictions on substitute hiring and pay.</p>	<p>Adopt Governor's proposal.</p>
 <p>Probationary period</p>	<p>Probationary teachers are observed for two years before districts must decide whether to grant permanent status.</p>	<p>Allow two additional years of observation before districts must make decision to grant permanent status.</p>	<p>Adopt Governor's proposal.</p>

Figure 14

Summary of Teacher Policy Proposals

Teacher Policy	Current Law	Governor's Proposal	LAO Recommendation
Dismissal notices	Districts must issue notices to dismiss teachers between September 16 and May 14.	Allow districts to issue dismissal notices at any time.	Reject Governor's proposal.
Compensation for dismissed teachers during hearing process	With exception of teachers immediately suspended, districts must provide salary and benefits to teachers until the conclusion of their dismissal case (until all appeals exhausted).	Allow districts to cease paying salary and benefits to teachers immediately upon service of dismissal notice. Pay back wages to teachers ultimately reinstated.	Adopt Governor's proposal but require districts to pay interest on foregone salary payments if teacher prevails.
Allowable evidence in dismissal hearings	Only evidence from the four years prior to the date on which the district served notice to a teacher may be heard in a dismissal case.	Remove limitation on prior evidence. Allow all relevant evidence to be heard.	Adopt Governor's proposal.
Dismissal panel	Permanent teachers' dismissal hearings are heard before a three-person panel (CPC), including an administrative law judge and two teachers.	Remove two teachers from panel.	Adopt Governor's proposal.
Dismissal rulings	The ruling of the CPC is binding.	Change the ruling of the CPC to advisory. Give local governing board final decision-making power.	Reject Governor's proposal.



What to Expect?

- Remember, this is an Election Year
- No changes to contracting out
- No real changes to teacher dismissal and rehire provisions
- No increase in flexibility (Home-to-School Transportation and Class Size Reduction not added)
- More funding than in Governor's Budget, but less than current law



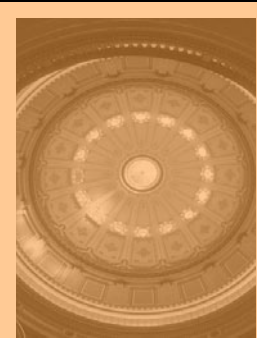
What to Expect?

- Gas tax shift is approved (cut guarantee by about \$800 million)
- Budget assumes federal MOE waiver (-\$600 million)
- Revenue Limit cuts not specific and made by increasing deficit factor



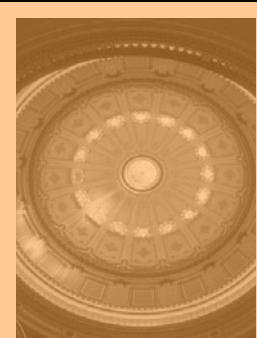
What to Expect?

- Same percentage hits on county revenue limits as district revenue limits
- Basic aid fair share cuts
- Categorical flexibility programs and Home-to-School Transportation cuts
- Percentage equal to additional revenue limit deficit



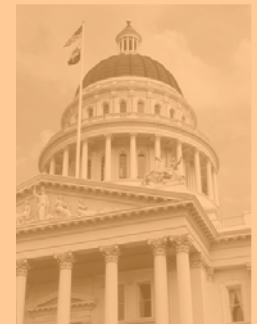
SSDA Budget Positions

- Oppose manipulation of Proposition 98
- Support current law 2008-09
Proposition 98 base of \$49.1 billion
- Oppose gasoline tax change that costs schools



SSDA Budget Positions

- Oppose \$1.5 billion cut to 2009-10 Proposition 98 guarantee
- Oppose 2010-11 revenue limit cuts of \$1.5 billion (\$1.2 billion from non-classroom operations and \$300 million from assumed contracting savings)
- Oppose \$45 million cut to County Offices of Education



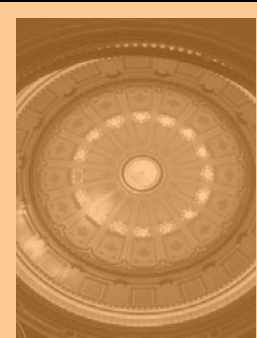
SSDA Budget Positions

- Oppose \$1.3 billion maintenance factor manipulation
- Oppose reduction of the federal maintenance of effort for state funding of K-14 education



Federal Budget

- Program consolidations
- More competitive grants
- REAP level funded
- Title 1 and IDEA essentially level funded
- Expansion of RTTT and i3 competitive grants



Federal Budget Expectations

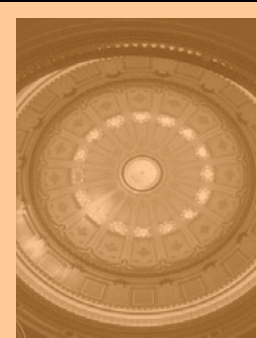
- President's proposals deferred to ESEA reauthorization
- Movement to more competitive grants
- Additional Title 1 and IDEA funds but not a lot



Formula Fairness

Small High Poverty Rural Districts Lose Significant Funds Transferred to Larger Lower Poverty Districts Due to Number Weighting

	Poverty %	Gain per Eligible Pupil
Fremont USD	8.80%	\$39.65
Newport- Mesa USD	9.37%	\$39.39
Placentia Yorba-Linda	6.66%	\$5.87
		Loss per Eligible Pupil
West Fresno ESD	53.60%	(\$281.34)
Earlimart ESD	48.84%	(\$303.77)
Orange Center ESD	47.67%	(\$256.52)



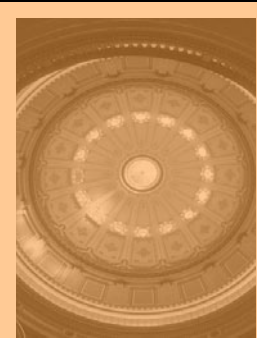
Legislation of Interest

- Pension / Retirement
- Sponsored
- Supported
- Opposed



Pension and Retirement

- AB 1987 (Hernandez) / SB 1425 (Simitian)
 - Pension Spiking – Definition
 - Return to work – sit out 6 months
 - More PERS than STRS
- No new benefit bills
- No benefit reduction bills
- CalSTRS Unfunded Obligation Legislation
 - 2011
 - Look to close \$20 billion - \$40 billion gap



Sponsored – Cosponsored Legislation

- **SB 898 (Ashburn (R))**

Summary: Relates to the After School Education and Safety Program to serve pupils in kindergarten and grades 1 to 9 at participating public elementary, middle, junior high and charter schools. Establishes a minimum total direct grant amount for small schools.

- **SB 1136 (Cox (R))**

Summary: Provides that a school district's apportionment deferral shall not exceed the school district's required reserve for economic uncertainties. Includes community colleges.

- **SB 1380 (Hancock (D))**

Summary: Increases the amount set aside for facilities under the Kindergarten-University Public Education Facilities Bond Act of 2006 for career technical education programs to reduce the amount set aside for new construction funding for severely overcrowded schoolsites.



Supported Legislation

- **AB 220 (Brownley (D))**

Summary: Amends existing law regarding ongoing eligibility of a school district for new construction funding using specified calculations. Revises the calculation. Requires a district to certify it has entered into a binding contract for professional services or for construction, or both, in order to complete an approved project as a qualifying factor for a district to receive funding for a new construction school facilities project. Provides that a district board may extend the time period to meet the criteria.

- **AB 314 (Brownley (D))**

Summary: Requires manufacturers of instructional materials to provide certain associated equipment for free and materials in an electronic format at a price that is less than the price for the printed version. Requires a public meeting before the meeting for adopting instructional materials for certain grades. Requires the list of materials to be made available to school districts and to be posted on the internet. Requires the list to also include the final assessments of expert reviewers and evaluators.

- **AB 317 (Solorio (D))**

Summary: Provides that pupil absences related to the H1N1 (2009) influenza virus in an public elementary or secondary school be deemed to be an epidemic for the purposes of provisions of existing law regarding the average daily attendance of any school district, county office of education, or regional occupational center.



Supported Legislation

- **AB 391 (Torlakson (D))**

Summary: Amends the Leroy Greene California Assessment of Academic Achievement Act that provides for the development of a statewide pupil assessment program and defines various terms for that purpose. Defines additional terms for that purpose. Requires the Superintendent of Public Instruction to contract for an independent evaluation of the Standardized Testing and Reporting Program. Requires the Superintendent to report on the evaluation to specified entities.

- **AB 868 (Perez V (D))**

Summary: Extends authorization requirements for a four day school week, including that participating schools achieve their API growth targets in order to maintain the authorization, to the Palo Verde Unified School District beginning in the 2010-11 fiscal year.

- **AB 1724 (Chesbro (D))**

Summary: Deems Gasquet Mountain Elementary School and Margaret Keating Elementary School to be necessary small schools and makes the Del Norte County Unified School District eligible to receive apportionments for each school pursuant to its status as a necessary small school.



Supported Legislation

- **AB 1802 (Hall (D))**

Summary: Authorizes a parent or guardian of a pupil with diabetes to designate one or more school employees as a parent-designated school employees for the purpose of administering insulin to the pupil as necessary during a regular school day. Authorizes an employee to administer insulin only on a volunteer bases in accordance with performance instructions set forth by the licensed health care provider of the pupil. Requires copies of a statement.

- **AB 2082 (Education Cmt)**

Summary: Expresses the intent of the Legislature that statutes creating a reimbursable state mandate on school districts be periodically reviewed, and that the Legislature consider recommendations on whether those statues should be amended, repealed, or remain unchanged.

- **AB 2083 (Education Cmt)**

Summary: Amends an existing law that requires the Superintendent of Public Instruction and the State Board of Education to establish a list of low-achieving schools and persistently lowest-achieving schools and to identify schools according to specified criteria, including, but not limited to, a criterion relating to a school's graduation rate.



Supported Legislation

- **AB 2400 (Block (D))**

Summary: Authorizes the Grossmont-Cuyamaca, San Diego, and San Mateo County Community College Districts to establish baccalaureate degree pilot programs.

- **AB 2446 (Furutani (D))**

Summary: Adds completion of a course in career technical education as an alternative to the requirement that a pupil complete a course in visual or performing arts or foreign language in order to receive a diploma of graduation from high school.

- **AB 2591 (Perez J (D))**

Summary: Requires that nonrecurring revenue be used only for one-time expenditures in the Budget Bill for the ensuing year. Specifies the process for estimating, evaluating, and determining the existence of nonrecurring revenue.

- **ACA 3 (Blakeslee (R))**

Summary: Proposes an amendment to the Constitution to require an initiative measure that would authorize the issuance of state general bonds in a total amount exceeding a specified amount to either provide additional tax or fee revenues, the elimination of existing programs, or both, as necessary to fully fund the bonds, as determined by the Legislative Analyst, in order to be submitted to the voters or have any effect.



Supported Legislation

- **ACA 4 (Bass (D))**

Summary: Proposes an amendment to the State Constitution. Adds, as statutes that take effect immediately and are exempt from referendum, statutes enacting the Budget Bill and statutes enacting bill identified in the Budget Bill as containing only changes in law necessary to implement the Budget Bill. Adds, as an exception to the 2/3 vote requirement, appropriations made in a Budget Bill for the ensuing fiscal year that is passed on or before June 15.

- **ACA 10 (Torlakson (D))**

Summary: Proposes and amendment to the State Constitution regarding the condition of imposition, extension, or increase of a special tax by an education finance district established pursuant to statute upon the approval of a majority of the voters of the district voting on that tax. Makes conforming changes.

- **AJR 31 (Buchanan (D))**

Summary: Memorializes Congress and the President to enact HR 1102 or one of the other bills pending before Congress that would fully fund the federal individuals with Disabilities Education Act.



Supported Legislation

- **SB 205 (Hancock (D))**

Summary: Relates to federal law that authorizes the Internal Revenue Service to publish the maximum face value amount of qualified school construction bonds that may be allocated by the United States Department of the Treasury to each state. Assigns specified amounts of the state's 2009 federal tax credit bond volume cap to the State Department of Education and the State School Finance Authority, to be assigned and distributed to school districts, county offices of education, and charter schools.

- **SB 363 (Hancock (D))**

Summary: Requires the Controller to establish the Solar School Subaccount in the State Energy Conservation Assistance Account. Provides that the subaccount would be available for the deposit of funds, including specified federal funds from the American Reinvestment and Recovery Act of 2009. Requires that the moneys in the subaccount, upon appropriation by the Legislature, be used for the purposes of providing loans to schools for energy efficiency and for the installation of solar energy systems.

- **SB 1051 (Huff (R))**

Summary: Authorizes a school district, in the absence of a licensed nurse onsite at the school, to provide employees with emergency medical training to provide emergency medical assistance to pupils with epilepsy suffering from seizures in accordance with performance standards developed by specified entities.



Supported Legislation

- **SB 1186 (Liu (D))**

Summary: Amends existing law that provides that the State Board of Education consists of 10 members appointed by the Governor. Requires that the 10 nonstudent appointees represent and reside in distinct geographical areas of the state, reflect the ethnic and gender diversity of the state's population. Eliminates the authority of the state board to establish statewide educational policy and issue rules and regulations for the governance of public elementary and secondary schools.

- **SB 1193 (Lowenthal A (D))**

Summary: Relates to the Leroy F. Greene School Facilities act, with regards to school district allocations including hardship funding and supplemental funding for site development and acquisition. Increases funding for construction and planning of high performance school facilities.



Supported Legislation

- **SB 1444 (Hancock (D))**

Summary: Defines Science, Technology, Engineering, and Mathematics (STEM) education as courses or a sequence of courses that prepare pupils for occupations and careers that require technically sophisticated skills, including the application of mathematical and scientific skills and concepts.

- **SCA 5 (Hancock (D))**

Summary: Exempts General Fund appropriations in the Budget Bill from the 2/3 vote requirement.

- **SCA 6 (Simitian (D))**

Summary: Proposes an amendment to the Constitution that conditions the imposition, extension, or increase of a parcel tax by a school district, community college district, or county office of education upon the approval of 55% of its voters upon the proposition. Makes conforming changes to related provisions.



Opposed Legislation

- **AB 1605 (Coto (D))**

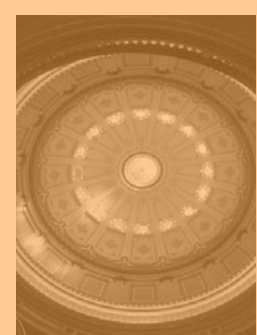
Summary: Relates to the design and construction of school buildings to ensure that plans and specifications comply with various structural safety standards. Authorizes a local educational agency to agree to pay an additional fee to the department for the department's cost to employ additional staff to expedite its review of that local educational agency's plan. Exempts employees funded by those fees from furloughs implemented by any state agency, board or commission.

- **AB 1646 (Hayashi (D))**

Summary: Requires all high school coaches taking or renewing first aid certification to take training that includes a basic understanding of the signs, symptoms, and appropriate emergency action steps regarding potentially catastrophic injuries, including, but not limited to head and neck injuries, concussions, 2nd impact syndrome, asthma attacks, heatstroke, and cardiac arrest.

- **AB 1665 (Swanson (D))**

Summary: Requires public school employers to give reasonable written notice to the exclusive representative of classified personnel of a public school employer's intent to make any change to matters within the scope of representation, including, but not necessarily limited to, start time. Requires public school employers to provide a recognized employee organization with the opportunity to meet and confer with the public school employer.



Opposed Legislation

- **AB 1716 (Torlakson (D))**

Summary: Requires a person subject to the increased development fee who has accepted an offer of a reimbursement election from a school district to also be reimbursed for any interest on that supplemental amount accrued during the interim time period prior to the district receiving those funds as determined by the district.

- **AB 1741 (Coto (D))**

Summary: Relates to high school graduation requirements.

- **AB 1893 (Hayashi (D))**

Summary: Requires high school spirit activities coach to complete specified safety certification. Requires a pupil participating in such activities to obtain consent from his or her parents to participate in such activities and to comply with specified requirements. Requires such activities to be conducted under the supervision of the coach in accordance with certain conditions. Prohibits a school from authorizes a person to coach such activities until completing safety certification. Imposes other requirements.



Opposed Legislation

- **AB 2454 (Torlakson (D))**

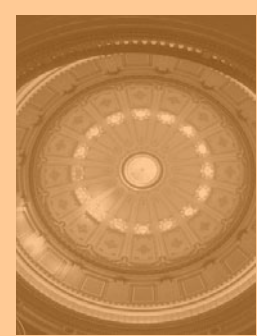
Summary: Requires every school district with over 500 pupils to employ at least once school nurse.

- **ACA 33 (Silva (R))**

Summary: Proposes an amendment to the Constitution to require that a ballot measure for the issuance of state general obligation bonds be approved by two thirds of the voters who vote on the measure, whether placed on the ballot by the initiative process or the Legislature.

- **SB 694 (Correa (D))**

Summary: Extends the time that the State Uniform Construction Cost Accounting Commission to review a public agency project that is to be performed after the rejection of all bids, and for review of work for which evidence was provided that the work has exceeded the force account limits or has been improperly classified as maintenance.



Opposed Legislation

- **SB 1227 (Runner G (R))**

Summary: Amends the Field Act which requires the Department of General Services to supervise the design and construction or reconstruction or alteration of any public elementary, secondary, and community college building to ensure that plans and specifications comply with adopted rules and regulations. Transfers those duties to the building department of the appropriate local jurisdiction.

- **SB 1278 (Wyland (R))**

Summary: Repeals the delay of the adoption of instructional materials and replaces the schedule for adoption instructional materials for specified subjects to be submitted in each year. Requires the Board of Education to adopt a revised curriculum framework and evaluation criteria for instructional materials in history-social science and science in 2011.



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