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DATE: January 10, 2008
TO: Dr. George Mannon
Superintendent
AT: Torrance Unified School District
FROM: Your SSC Legislative Team
RE: *SSC's Governor's Budget Update*

Governor Proposes Massive Cuts for K-12 Education

This message is intended to provide a very quick summary of the major items in the Governor's Budget Proposal we sent out as a *Fiscal Report* article earlier today as it relates to public education. We are in the process of preparing our more detailed *Special Fiscal Report* to be released later today.

With the Governor's pledge to eliminate the state's budget gap through cuts alone with no tax increases, it wasn't surprising that he proposed major cuts to K-12 education funding. As expected, the budget proposes sweeping cuts across all segments of the Budget including Proposition 98, but the magnitude of these cuts is truly massive. As we have previously reported, revenue declines have reduced the Proposition 98 guarantee for 2007-08 substantially. Proposition 98 is now estimated to be appropriated above the minimum by \$1.4 billion in the current year. The Governor proposes to reduce the current-year appropriation by \$400 million to recapture some of the over appropriation.

The Governor's Proposed Budget Balancing Reductions for 2007-08

Of the Governor's proposed \$400 million in overall reductions to Proposition 98 funding for 2007-08, \$360 million would be attributed to K-12 education, with community colleges experiencing a \$40 million reduction. The Governor indicated that he expects the K-12 reductions to come from a redirection of savings from categorical programs (in other words, unspent categorical funds). The proposed budget does not identify specific programs that may be targeted, but the Governor has indicated that he will work with the Legislature, Superintendent of Public Instruction, and other stakeholders to determine the exact nature of the mid-year cuts.

The Governor's Proposed Budget Balancing Reductions for 2008-09

For 2008-09, the total proposed reduction of \$4.4 billion would largely be as a result of not funding the statutory cost-of-living adjustment (COLA) for revenue limits and categorical programs, but the proposed cuts go very deep and wide:

- \$2.6 billion to revenue limit apportionments resulting from elimination of the 4.94% statutory COLA and an additional roll-back of more than 2% to revenue limits—equivalent to a combined deficit factor of 6.99%
- \$1.1 billion to categorical programs from a combination of withholding COLA and funding reductions to programs including Class-Size Reduction, Charter School Block Grant, Instructional Materials, Supplemental Instruction, Transportation, Supplemental School Counselors, and various Career-Technical Education Programs
- \$357.9 million in reductions in state funding for special education from elimination of state COLA funding, as well as significant additional reductions
- \$198.9 million to child development programs from no COLA or growth—approximately 8,000 existing child care slots would be eliminated
- \$59.6 million to Before and After-School Programs through a redirection of unallocated and unspent funding
- \$14.2 million to Child Nutrition programs by reducing the free and reduced-priced meal rate by two cents

In addition to eliminating funding of the 2008-09 statutory COLA, the Governor has proposed changing the method for calculating the COLA. Current law specifies that the State and Local Implicit Deflator is the index from which the COLA is calculated. The Governor has proposed using the Consumer Price Index for Wage Earners and Clerical Workers. He also has proposed pushing out \$1.3 billion in Proposition 98 apportionment payments, which are currently deferred into July, further back to September as a means of reducing interest payments made by the state to meet its cash flow requirements.

If you haven't already heard from us by telephone, we will be calling to answer any questions you may have.

Terry Anderson
Ron Bennett