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# Budget Update

March 3, 2009

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# State Budget Package Proposal

- **\$15 billion** in spending reductions
  - **\$14 billion** in temporary revenues
  - **\$11 billion** of borrowing (\$6 billion from Revenue Anticipation Warrants (RAW) and \$5 billion from lottery securitization)
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# State Budget Package

- Temporary revenues are generated through new taxes:
    - 1 cent increase in sales tax
    - Increase in vehicle licensing fee to 1% of vehicle value
    - Reduction of the dependent care tax credit
    - Income tax surcharge
  - Over half of the reductions in spending originate from education (\$9.3 billion)
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# State Budget Package

- Reduced funding of \$9.3 billion for 2008-09, 2009-10 budget years to Education includes:
    - \$2.3 billion in programmatic reductions
    - \$3.2 billion in apportionment deferrals
    - \$1.1 billion in Proposition 98 “settle up” funds
    - \$618 million in “funding swaps” between General Fund and Public Transportation
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# State Budget Package

- Budget package stability depends on voters passing the following propositions on May 19, 2009
    - Proposition 1A: State Finance “Rainy Day Fund”
    - Proposition 1B: Education Finance (Proposition 98)
    - Proposition 1C: California State Lottery
    - Proposition 1D: Budget Act of 2008: California Children and Families Act
    - Proposition 1E: Mental Health Services Act (Prop 63)
    - Proposition 1F: State Officer Salary
  - State budget package may change based on Federal Stimulus Package.
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# State Budget Package --Current Year (2008-09)

- Elimination of .68% COLA (*~\$1million cut to GUSD*)
  - \$1.6 billion cut equally from revenue limit and categorical programs
    - Revenue limit cut by 2.5% (*~\$4 million cut to GUSD*)
    - Categoricals cut by approximately 15%
      - Categorical programs organized into three tiers indicative of flexibility and reductions
      - Cuts to District dependent on participation in programs
  - Ability to Sweep Some June 30,2008 Categorical Ending Fund Balances
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# Immediate Impact on GUSD

2008-09 Budget – Unrestricted General Fund

	<u>Decrease Amount</u>
■ Revenue Limit Decreases	
■ Cost-of-Living Adjustment (COLA) .68% decrease	\$1 million
■ Revenue Limit Decrease 2.5%	\$4 million
■ Categorical Programs Decreases (General Fund)	
■ Staff Development Buyback, Supplemental Hourly, 9 <sup>th</sup> Grade CSR, Law Enforcement	\$.8 million
	<u>Total Decrease</u>
	<b>\$5.8 million</b>

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# State Budget Package – Next Year (2009-10)

- No Cost of Living Adjustment (COLA)
  - \$530 million reduced equally from revenue limit and categorical programs
    - Revenue limit cut by .75% (\$1.3 million cut to GUSD).
    - Categoricals cut by approximately 4.90%
      - Categorical programs organized into three tiers indicative of flexibility and reductions
      - Cuts to District dependent on participation in programs
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# Impact on GUSD

## Summary 2008-09 and 2009-10

### ■ Revenue Limit Decreases

- Statutory Funding Increases Eliminated decrease
- Base Revenue Limit Decreases

### Decrease Amount

\$25.1 million

\$9.2 million

### Total Estimated Decrease

**\$34.3 million**

### ■ 20% Reduction to Most Categorical Programs

### ■ Flexibility Options Available

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# State Budget Package -- Categoricals

## *Tier 1 – Most Protected*

- Tier 1 (no COLA, no reductions, no flexibility)
    - **Special Education**
    - **Economic Impact Aid**
    - **K-3 Class Size Reduction**
    - **Proposition 49 – After School Programs**
    - **Home-to-School Transportation**
    - **Child Development**
    - **Child Nutrition**
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# State Budget Package -- Categoricals

## *Tier 2 – Reductions without Flexibility*

(2008-09 – 15% Reduction; 2009-10 – 4.90% Reduction)

- ❑ **Partnership Academies**
  - ❑ **State Testing**
  - ❑ **English Language Acquisition Program**
  - ❑ **K-12 High Speed Network**
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# State Budget Package -- Categoricals

## *Tier 3 – Reductions with Flexibility*

**(2008-09 – 15% Reduction; 2009-10 – 4.90% Reduction)**

- All programs not listed in Tier 1 or Tier 2
    - Arts and Music Block Grant
    - Community-Based English Tutoring
    - Education Technology Mega Item
    - Gifted and Talented Education
    - Instructional Materials Block Grant
    - Instructional Materials English Learner
    - Peer Assistance and Review
    - Physical Education Teacher Incentive
    - Regional Occupational Programs (ROP)
    - School and Library Improvement Block Grant
    - Supplemental Counseling Program
    - Supplemental Instructional Program
    - Teacher Credentialing Block Grant
    - Violence Prevention Program
    - 9<sup>th</sup> Grade Class Size Reduction
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# State Budget Package Flexibility (Additional Flexibility)

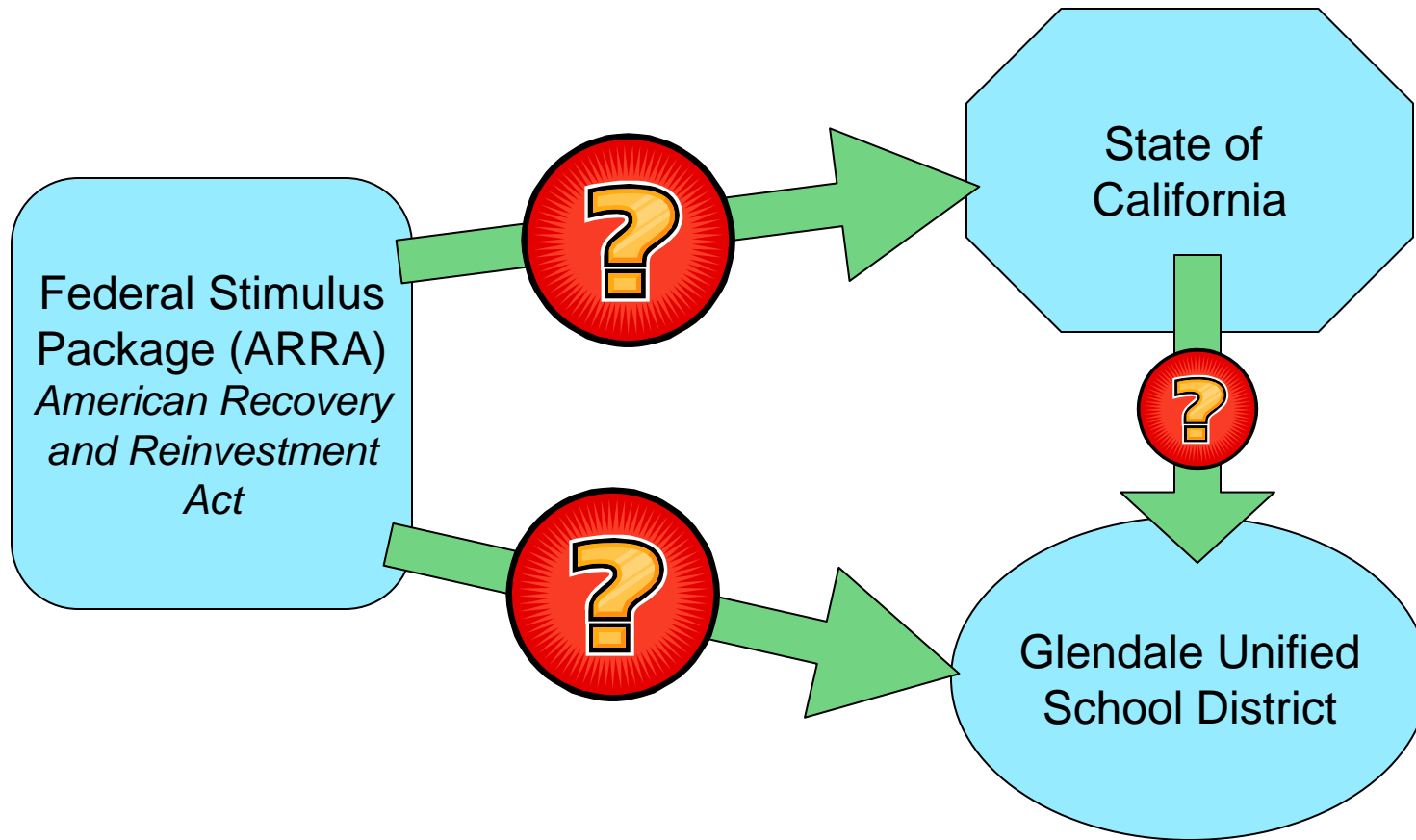
- *Routine Restricted Maintenance* – District contribution reduced from 3% to 1% through 2012-13.
  - *Deferred Maintenance* – Eliminates District .50% local match through 2012-13
  - *Categorical Funds Balance* – Balances as of June 2008 may be transferred for any educational purpose with exceptions stipulated by the legislation
  - *Class Size Reduction* -- Eased Penalties in Class-size Reduction
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# Federal Stimulus Package Uncertainties

- Federal Stimulus Package
    - Stabilization Funds
      - Will funds go to the State or the District?
      - How will Revenue Limit be impacted?
    - Additional Title I-A Funds
      - How much money will go to the District?
      - Will the 15% “Carry-Over” Allowance be removed?
    - Special Education IDEA Funds
      - How much money will the District receive?
      - How will “maintenance of effort” be calculated?
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# Will Federal Stimulus Dollars Directly Benefit Glendale Unified?



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# State Budget Package Uncertainties

- Voter Approval on Propositions (May 19, 2009)
    - What will happen if voters reject any of the measures?
    - What if all measures are defeated?
  - Revenue to Districts
    - How will categorical programs based on ADA, hourly, or reimbursements be calculated?
  - New Flexibility
    - How long will flexibility be allowed? Can flexibility be “stopped short” by the legislature?
    - When will districts receive clear direction?
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# District Budget Package Uncertainties

- Federal Funding & Regulations
- State Funding for Categoricals
- Flexibility Options
  - Exit Strategy
- Penalties Not Clearly Defined

Stability of State Funding based on May 19, 2009 Election

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# Fiscal Responsibility and Stewardship

*Projected Reserve, First Interim 2008-09*

