



2011 Legislative Action Day 2011-12 State Budget: Education Prioritized Issue Paper

The Facts

In the past two years, the state budget has cut education funding by \$18 billion. Public education which amounts to almost 40 percent of the state budget has absorbed over 60 percent of the cuts. This year the state is again facing a budget deficit that has reached \$25 billion.

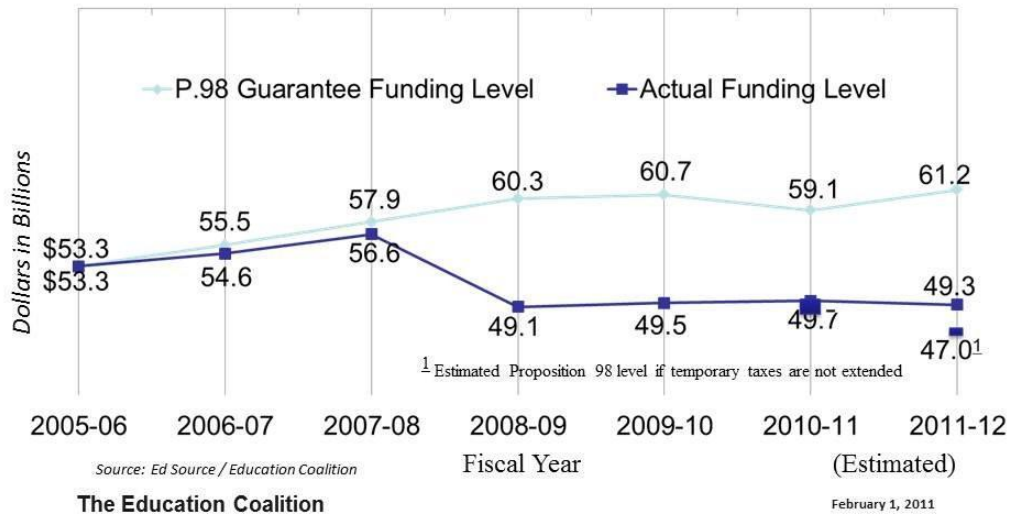
In addition, State Superintendent of Public Instruction Tom Torlakson has declared a fiscal emergency for public schools, with 174 of the state's 1,077 school districts on the brink of financial problems in the next three years. Of the state's 30 largest school districts, 16 are reducing the number of days in the academic year, according to a survey by California Watch. School leaders have been forced to decimate programs and services to students in the last several years in an effort to balance their budgets. The state's students have experienced the loss of instructional support and services. Further, school leaders have been forced to increase class sizes and layoff thousands of teachers, instructional aides, librarians, counselors, janitors and administrators. Consequently, California's schools rank at the very bottom of all 50 states in staff-to-student ratios, and California ranks 43rd in the nation in per-pupil spending.

Extension of Tax Revenues

The governor is prioritizing public education in his January Budget Proposal by limiting the reductions and investing in public education by proposing an extension of the temporary tax revenues adopted as part of the 2009 Budget Act. The extension of the temporary revenues will help prevent further cuts to schools and students. The Legislative Analyst reports that, without this extension, funding for schools would fall by more than \$2 billion, or more than \$335 per student. Voters understand the importance of investing in education as the foundation of a strong economy and a well-educated workforce. According to a statewide Public Policy Institute of California poll, 75 percent of Californians oppose reductions in K-12 schools to fix California's budget deficit.



The Constitutional Guarantee versus Actual Funding



The Deferral of School Funding

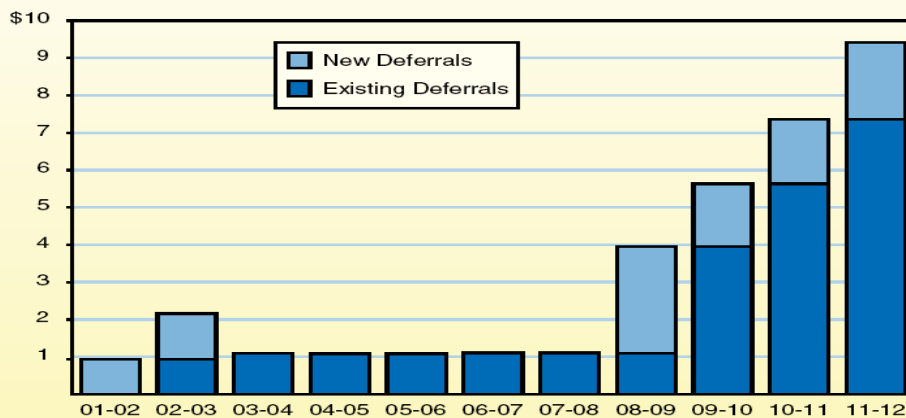
While the budget prioritizes public education, it defers more than \$2 billion in funding owed to schools and students until 2012-13. The state budget has consistently deferred funding to school districts for the past several years. Currently, the total amount deferred from one fiscal year to the next has reached more than \$7 billion. The governor's proposal would bring the total amount of Proposition 98 funding deferred each year to more than \$10 billion. These deferrals are on top of the fact that school district revenue limits have been reduced by almost 20 percent.

Deferrals also force districts to rely heavily on borrowing from external entities such as private lenders, County Offices of Education or County Treasurers. Borrowing from external sources can often be expensive and forces districts to spend resources on borrowing costs instead of dedicating those resources to instruction.

Figure 2

In Recent Years, State Has Increased Its Reliance on K-12 Payment Deferrals to Avoid Cuts

(In Billions)



State-Local Government Realignment and Redevelopment

The governor proposes to realign state and local responsibilities. This realignment includes changes in responsibilities for the criminal justice system, mental health services, public safety, and redevelopment agencies. While the majority of realigned services impact local city and county government, the realignment proposal could have an important impact on students and school leaders. The proposal would move the responsibilities of mental health services and the education of wards of the juvenile justice system to local cities, counties and school boards. It is important that appropriate funding follow the student to ensure that those students with mental health needs receive services and those juvenile offenders are provided a quality education.

The governor's proposal also eliminates redevelopment agencies. This is a contentious proposal that includes various components. Any reform to redevelopment agencies should ensure that the financial commitments for schools are honored. No reform proposal should attempt to eliminate or defer a school district's share of local property taxes.

Categorical Funding Flexibility

The flexible use of categorical programs is a tool to keep districts solvent and maintain services to the state's students. Flexibility is imperative to ensure that districts have the ability to mitigate any possible cuts and maintain district solvency. However, it should be noted that the implementation of flexibility does present many challenges with "categorical" programs that maintain their own revenue limits and are revenue generating programs (i.e. regional occupation centers and programs or adult education) distinct from traditional categorical programs. The state should examine other methods of implementing reductions to revenue limit programs instead of including them in any type of flexibility proposal.

In addition, even though categorical flexibility has provided districts with tools to keep their districts solvent, the state should look at the next iteration of categorical reform and flexibility. It is time to review categorical programs and funding, and determine if the current method is the best avenue to meet the needs of students.

AB 3632 Funding

The budget proposal uses General Fund resources to pay for prior year mandated costs for AB 3632 services and the Proposition 63 funds for the budget year as part of the governor's realignment proposal. However, the governor's January Budget Proposal has not attempted to address the current year fiscal concerns due to Governor Schwarzenegger's veto of the funding in the 2010 Budget Act. The failure to address this issue has caused an ongoing disagreement between the county mental health offices and local school districts regarding how the services will be provided and reimbursed. This failure has placed special education students without access to much needed mental health services.