

# Gov. Arnold Schwarzenegger's Budget Proposal for 2009-10

- \$40 - 41.6 billion – Expected deficit by July 1, 2010 if no action is taken by the legislature.
- February, 2009 – The state runs out of cash.
- January 9, 2009 – Details of the Budget Proposal will be released.
- \$5.2 billion – The proposed cuts to K-14 Education to start now with the mid-year.

## **Mid-Year Adjustments**

Falling revenues allow for a reduction to the Prop 98 Minimum Guarantee. When the budget was signed, the guarantee was \$58.1 billion. With the following changes, the guarantee will drop to \$51.5 billion. However, schools will be allowed to spend \$56.1 billion.

- ✓ Eliminate COLA of .68% = \$287 million.
- ✓ Reduce K-12 by \$1.6 billion due to lower state revenues bringing down the Prop 98 guarantee.
- ✓ Re-designate \$1.7 billion from other accounts to cover K-12 expenses (i.e. K-12 busing from Public Transportation Accounts). This move allows the state to lower the Prop 98 guarantee.
- ✓ Sweep up unappropriated funds of \$55.5 million.
- ✓ Back fill property tax shortfalls.
- ✓ Defer \$2.6 billion in Revenue Limit and K-3 CSR payments from April to July.

## **2009-10 Budget Cuts/Adjustments**

The Prop 98 minimum guarantee for 2009-10 is projected to be \$55.9 billion. The State funded spending level is budgeted at \$56.3 billion. (The LAO lists the Prop 98 guarantee at \$54.9 billion).

- ✓ Decrease funding by \$1.1 billion allowing school districts to reduce school year by five days.
- ✓ Eliminate all COLA = \$2.5 billion
- ✓ Eliminate funding for High Priority Schools Grant Program = \$114 million.
- ✓ Replace state lottery funding (\$891.6 million) with General Fund dollars to be counted toward the Prop 98 guarantee. Currently, lottery funds are above and beyond the Prop 98 funding.
- ✓ Suspend all education mandates except CAHSEE and interdistrict/intradistrict transfers.
- ✓ Provide complete and permanent flexibility with respect to categorical funding allowing districts to transfer money to their general funds.

## **School District Funding**

- 21.0% Property Taxes (Revenue Limit or General Fund) – Part of Prop 98 Guarantee
- 61.0% State Dollars (Revenue Limit and Categoricals) – Part of Prop 98 Guarantee
- 11.0% Federal Dollars (Title I, Special Education)
- 1.5% Lottery
- 5.5% Other Local Funds/Miscellaneous (leases, parcel taxes)

## **Revenues in the Governor's Budget Include:**

- Raising sales tax by 1.5 cents for three years and taxing services and activities.
- Raising alcohol tax by 5 cents per drink.
- Increasing Vehicle License Fee by \$12 per vehicle.
- Securitization of the Lottery – replaces lottery money with State General Funds and moves the amount into Prop 98 guarantee. Must be approved by the voters.
- Eliminating the First Five Commission and shifting money to children's health programs. Voters would have to approve changes to Proposition 10.
- Diverting money set aside in Proposition 63 for mental health services to fund mental health managed care. Voters need to approve the change.

Sources: CA Dept. of Finance [www.dof.ca.gov](http://www.dof.ca.gov), California Budget Project [www.cbp.org](http://www.cbp.org), Legislative Analyst's Office [www.lao.ca.gov](http://www.lao.ca.gov), School Services of California, Inc. Fiscal Report – available at [www.capousd.org/board\\_agenda/BoardAgenda1-12-09.pdf](http://www.capousd.org/board_agenda/BoardAgenda1-12-09.pdf)