

**Education & Budget presentation by Rick Simpson and Paul Navarro**  
**CUSD Education Center**  
**Nov. 7, 2008**

**Rick Simpson, Deputy Chief of Staff to Speaker Karen Bass**  
**Paul Navarro, Deputy Legislative Secretary to Gov. Schwarzenegger**

Rick Simpson and Paul Navarro met with 4<sup>th</sup> District PTA representatives and CUCPTSA PTA Leg Chairs & Presidents to discuss education and budget issues. They also spoke to Government classes at several area high schools during their visit.

**Budget Highlights:**

**Simpson:**

- Our budget shortfall is a very serious situation. We have a revenue shortfall of **\$11.2 billion dollars, which is a greater than 10% reduction** to anticipated revenues.
- The governor has released a proposal for mid-year budget cuts, and has called an emergency legislative session.
- The governor's plan calls for **\$4.7 billion in revenue increases** for the current year, including:
  - a temporary sales tax increase of 1.5 % for the next 3 years,
  - expansion of the sales tax to certain services,
  - application of an oil severance tax for oil production in California, and
  - an increase in alcohol excise taxes of 5 cents per drink.
- The plan calls for **\$2.5 billion in cuts to Prop. 98 funding**.
- The education proposal will result in a roughly 5% reduction in district revenue limits.
- The education proposal also includes:
  - categorical flexibility to all districts to "backfill" the revenue loss,
  - reduction of the required unrestricted reserves, and
  - elimination/reduction of the requirement to match deferred maintenance funds from the state.
- The emergency session will be over by the end of November, because the new legislature will be sworn in on Dec. 1.

**Navarro:**

The governor wanted to keep education cuts below \$2 billion, but the math did not work. The governor is also against tax increases, because it goes against his core values, but feels it is something he has to do. The governor's proposal is "the endgame", i.e. where the legislature needs to end up, because we don't have much time to resolve these issues.

Q&A:

- 1. Will the governor suspend mandates?** The governor does not have the power to do this, only the legislature could suspend California education mandates. Also, most mandates are a small amount of the budget, with the exception of the federal mandate for special education. There are two possible approaches – (1) allow local control, or (2) cut or reduce mandates that are removed from the classroom, like training, textbooks, transportation, and deferred maintenance. The governor prefers local control.
- 2. What is the timing of the emergency session?** The session must end by Nov. 30, because the new legislature is sworn in on Dec. 1. Currently, the Big 5 or Big 6 are meeting with the governor, and assembly hearings will start the week of Nov. 11.
- 3. Can we cut the County Board of Education budget?** It will get the same proportional cuts that districts get. The County Boards spend most of their budgets directly on services for students – special education for severely disabled children, ROP programs, programs for students in custody, etc.
- 4. What about increasing taxes elsewhere, or changing Prop.13?** An all tax budget will not pass. The governor has started with his best proposal because there isn't much time to solve the problem.
- 5. Can we take money from ballot-box budgeting programs like the governor's after school programs?** No. The propositions do not have a provision to suspend them that would allow the state to unlock the budget item, so the state would have to go back to the voters to get permission.
- 6. Even if the governor's proposal is passed, we still have the problem of how the state is financed. What will be done about that?** The problem is that we have two views of how government should be run – the Republican view, which is that we have a fixed amount of money, and then decide how to spend it, and the Democratic view, which is we first decide what government should be doing, and then go from there. The state is not even talking about next year yet, which is also going to have severe problems. Speaker Bass is planning to introduce a constitutional amendment to reduce the budget vote requirement from a 2/3 vote to a simple majority or 55%.
- 7. Can the state enact emergency legislation to transfer money from construction funds to general funds for schools?** Probably not, because most construction funds are limited by the terms of the bond/Mello-Roos agreement, and the legislature does not have the power to change those terms.
- 8. Will the governor be the next energy secretary?** No, not in the next two years. The governor has said that he is committed to finishing the job in California.

- 9. Will CSR be open to flexibility, or will the state be willing to cut CSR across the board?** No, the state will not cut CSR. There is some flexibility in CSR calculations. Legislation extended this flexibility for another 5 years.
- 10. Will Special Education funding from the state be cut?** There are no planned cuts.
- 11. Can the state lower standards for testing to bring California in line with other states, since we appear to have much higher standards that can add costs to education?** No, this would not be a good idea. The budget will turn around in a few years, and then we would be stuck with lower standards, which is not good for the schools in the long run.
- 12. Should we change Prop. 13?** Prop. 13 changed a lot of things, not just local property taxes. It created the requirement for a 2/3 vote, created a distinction between general and special taxes, and gave authority to the state for education budgeting. Previously, local school boards could impose property taxes without going to the voters.
- 13. Will class sizes increase with mid-year cuts?** Probably not, because districts would have to fire teachers and do not have the legal authority to do this mid-year.
- 14. Would we save any money if the state moved from ADA funding to enrollment funding model?** No, this wouldn't save much money. Some states use a monthly enrollment figure because it is easier and less burdensome for schools to take roll once a month.
- 15. Can the legislature reinstate the VLF tax?** There is no support from Republicans to do this. It is a hot button issue for them.
- 16. What happened to the Stanford studies on education and education finance?** Nothing will happen in the next year because there is no extra money to start new programs. The foundations that paid for the studies are very interested in keeping them "alive" and are running "choice dialogs", which are intensive focus groups with voters to discuss the issues.
- 17. Is the state freezing spending in response to the budget crisis?** Yes, the governor's proposal includes an across the board 10% pay cut for state employees, a furlough day, and a cut of two holidays.