

## **Protecting Funding for the Classroom in a Challenging Fiscal Environment**

The Proposition 98 minimum guarantee is determined in large part based upon General Fund revenue. Thus, with the precipitous drop in revenue this year, the Proposition 98 guarantee drops substantially. Given the state's budget shortfall, the most challenging in the state's history, it is neither possible nor prudent to maintain funding for schools above the minimum guarantee. In this environment, the budget proposes a variety of strategies to minimize the impact of the revenue shortfall on funding for the classroom.

The budget proposes to allow schools to spend a total of \$56.1 billion in the current year and \$56.3 billion in the budget year, while funding the Proposition 98 guarantee at the revised minimum required levels in each year, \$51.5 billion and \$55.9 billion, respectively.

### **2008-09 Impacts**

General Fund revenues for 2008-09 were projected at \$102 billion when this year's budget was enacted. The Governor's 2009-10 Budget projects revenues for this year to be \$87.5 billion, a reduction of \$14.5 billion, or 14.2 percent. This precipitous drop in revenues drives a similar reduction in the Proposition 98 minimum guarantee, from \$58.1 billion to \$50.2 billion, a reduction of \$7.9 billion, or 13.6 percent.

Recognizing that a reduction in funding of this magnitude in the middle of the school year would be devastating to classroom instruction, the budget proposes new revenues to protect education. The budget also proposes a \$2.1 billion reduction to schools in the Current Year, combined with a variety of measures to defer payments, re-designate funds currently appropriated as counting toward the current year's minimum guarantee and program flexibility to help schools absorb these necessary reductions. This allows the budget to continue providing these funds to education even though the minimum guarantee drops substantially.

- The budget proposes to re-designate \$1.7 billion of funds currently appropriated to schools so that these funds are not counted toward the minimum guarantee. This will keep \$1.7 billion in funds going to the schools while reducing the appropriation by the same amount.

- The budget proposes to defer \$2.8 billion of funds currently appropriated toward the minimum guarantee into the next Fiscal Year. This will reduce the appropriation while delaying, but not actually reducing, the amounts provided to the classroom by the same amount.
- The budget proposes to give school districts authority to use categorical funding to maximize their flexibility to manage reductions.
- Finally, the budget proposes \$3.6 billion in new revenues in the current year. These increased revenues raise the minimum guarantee by \$1.3 billion.

While the strategies outlined above can reduce the impact of the revenue shortfall on education, they do not eliminate it entirely. To absorb the \$2.1 billion in cuts to funding that must be made this year the budget proposes the following programmatic reductions:

- \$1.6 billion reduction to general purpose funding for school districts and county offices of education.
- \$284 million from eliminating the COLA for K-14
- \$158 million for various K-12 savings that reflect natural program savings, as well as a reduction in child care caseload.

### **2009-10 Impacts**

The budget proposes to fully fund the minimum Proposition 98 guarantee in 2009-10 at \$56 billion. This funding level reflects \$11.2 billion in new revenues, which raise the Proposition 98 guarantee by more than \$4 billion.