



School Finance Flexibility

The 2008 Budget Act was based on faulty revenue assumptions and borrowing and accounting gimmicks that failed to repair the structural problems with the state budget. The continued drop in the housing market and the October crash of the credit market had a direct impact on California's economy. By November, the state's revenues were dropping rapidly, causing the governor to call for a special session.

The governor noted that there is a budget deficit in the current year of \$11 billion and a \$28 billion deficit over the next 20 months. This budget deficit calls for innovative methods to ensure the solvency of the state and, in turn, the solvency of school districts. One of the many solutions proposed by the governor was a \$2.5 billion cut to Proposition 98 funding. This proposal included a \$1.7 billion cut to school district revenue limits in exchange for complete flexibility in the use of categorical programs.

The governor's proposal would allow school districts to move all restricted categorical programs to a district's unrestricted general fund for at least a two-year period. All of the programmatic requirements for any categorical programs would be suspended during this two-year span. For example, school districts would not have to purchase instructional materials within the 24-month mandate after the State Board adopts new textbooks, and districts would be allowed to increase class size without being penalized for exceeding the 20 to 1 Class Size Reduction Program mandate. In exchange for this flexibility, the governor is proposing to cut \$1.7 billion from school district revenue limits. This reduction to revenue limits does not include a deficit factor and the K-12 community would have to negotiate a method to ensure that these resources were restored in the future.

ACSA has and always will support flexibility and local control over the use of resources. ACSA supports local control and flexibility not only during times where budget deficits exist, but also during times where there are budget surpluses. This year is even more challenging given that education may be facing three consecutive years of dwindling resources and school districts are being forced to make difficult decisions. Therefore, ACSA wants to engage our members in a thorough discussion regarding flexibility in the use of funding. School district leadership should examine a variety of methods to keep their districts solvent while at the same time maintaining program integrity.

ACSA has heard several ideas to use flexibility to enact proposed mid-year cuts. These include increasing class size; eliminating programs such as adult education or ROC/P or not purchasing textbooks. Each of these ideas has merit, as well as downsides. For example, increasing class size will save districts large amounts of cash, but districts would likely have to lay off large numbers of teachers. In addition, district leadership could face huge criticism from parents and union officials. Similarly, eliminating other programs such as adult education or ROCs could also save districts money, but could cause a permanent end to those programs, or provide significant challenges with their unique funding models. Further, the long term prospects of continued flexibility are unknown. It is likely that districts will face significant challenges attempting to restore programs that may have been eliminated in an effort to maintain fiscal solvency.

Finally, the governor's proposal provides flexibility in exchange for massive cuts to district revenue limits. It is unclear whether the revenue limit cut will produce a deficit factor to be paid later or will become a permanent reduction.

Below is a list of other flexibility ideas to discuss.

Local flexibility options to help LEAs manage budget crisis in 2008-09 and 2009-10

November 19, 2008 Draft

Categorical Flexibility

- Allow districts to move all categorical program carryover or reserve funds from any prior year and from any program - to the district's unrestricted general fund. Seek to make it ongoing, but settle for current and budget years – especially if we get additional block grant flexibility per bullets below.
- Increase percentage caps to 50% out / 55% in on district transfer authority for AB 825 categorical block grants, and expand the transfer flexibility to all categorical programs. Expand the AB 825 categorical block grants to include EIA, TIIG, school nutrition, CSR, and other programs that have been “off limits.”
- Put all categorical programs into appropriate block grants with 50/50 fiscal flexibility. Exclude dollars outside LEA general and cafeteria funds including Adult Ed., Special Education, School Facilities, Child Development (these programs don't lend themselves easily to block granting for practical and legal reasons).
- Categorical flexibility must also include hourly supplemental programs to make programs more efficient and easier to administer.
- NOTE – Seek categorical changes as ongoing policy changes – not limited to the budget crisis

Reserve for Routine Maintenance

- Option 1: Reduce the required 3% reserve for routine maintenance in the current year and budget year.
- Option 2: Seek to eliminate the 3% reserve requirement with funding shifted to a general routine and deferred maintenance block grant. Leave it up to districts to meet their Williams and other maintenance requirements

Deferred Maintenance

- Suspend the local match for deferred maintenance, without disqualifying the district for any state funding that may be provided in the budget. Districts that must complete urgently needed deferred maintenance projects from now until 2010-11, should be allowed to count up to 100% of local dollars expended on those projects- toward the district's match requirement in budget year plus one.
- Allow districts to transfer up to a capped percentage of funds from deferred maintenance accounts and restricted routine maintenance reserves - to backfill any unrestricted or restricted program that receives a funding reduction.
- Or, seek to eliminate the local match requirement with funding shifted to a general routine and deferred maintenance block grant. Leave it up to districts to meet their Williams and other maintenance requirements.

Instructional materials

- Extend for at least two years, the current 24-month deadline for school district compliance with/purchase of any state instructional materials adoptions.
- Extend for two years, any textbook adoptions (e.g. science adoption, reading/language arts) which must be purchased in the 2008-09 budget year due to the closing of the 24-month window on that specific adoption.

Class sizes

- Remove current state penalties for class size reduction classes that exceed state class size maximums.
- Remove current state penalties for non-CSR classes that exceed state class size maximums.
- Allow for a district-wide class size average of 22 students maximum in CSR grades. Seek school site average if can't get the first option.

Professional development

- Eliminate buy back days and allow LEAs to shift funding to their general funds and shorten their school years by three days. Employees would be furloughed without pay for three days.
- Create a professional development block grant with BTSA and other state PD programs included within the block. Allow LEAs flexibility to choose how to use the funds.

Local District Budgets

- Extend local board approval of a school district budget until the state has approved a final budget.

Sonoma County Superintendents' Flexibility Proposal

Mere categorical flexibility will not compensate for further cuts-- resources are already stretched to the maximum. Further cuts simply mean we will do less for children.

The concept of "surgically" cutting various categorical programs, such as Peer Assisted Review or the Healthy Kids Survey, which are not meeting their intended goals, would be welcomed.

Flexibility regarding accountability has the potential for fiscal relief to districts as well as in the Department of Education.

There are many funds that require as many as 7 layers of regulatory oversight. For example, most districts receive Title 4 Safe and Drug Free Schools money. It is frequently insufficient to accomplish any one thing in and of itself, but when patched together with other grants and allocations schools often fund a part time counselors, recess supervisors, or outside consultants to present specialized curriculum. Those activities and the funding amount from Title 4 Safe and Drug Free Schools is reported on the following:

Consolidated Application, Parts 1 and 2: Gives us our entitlement for state and federal programs and makes us swear to legal assurances that we will spend it properly, and makes us demonstrate or sign to compliance on several mandates.

Safe and Drug Free Schools Annual Report: Requires that we tell the public how we are spending it.

SARC: There is part of the School Accountability Report Card that requires that we report on these funds.

No Child Left Behind Local Agency Plan: We must report on these funds in our annual update for **NCLB LEAP**, Goal #4.

Single Plan for Student Achievement: The use of funds is noted in our Single Plan.

Categorical Program Monitoring: Every three years, districts must write a lengthy self-review detailing compliance on all state and federal programs. A state team reads it and comes out, staying for a few days to validate compliance.

Annual Audit: Auditors ensure we spend the money as legally allowed.

What would be more efficient is if the Single Plan for Student Achievement was changed to require at least one "smart goal" (format below) for each funded program each year. Eliminate the rest of the planning and reporting reports. Build accountability for these categoricals into the Audit Guide and let the auditors continue to ensure we spend the funds as legally allowed and to test for compliance to specific compliance mandates.

Mandate or Requirement	What is required now?	What would be more efficient?	Potential Savings
School Accountability Report Card	All schools must produce SARC's annually. The Site Councils must assist in writing and approve the draft. It then goes for Board approval. Copies are made for the public.	Much of the data is already populated from the state and on the State's Data Quest website (as well as Just for the Kids and others) so even if this requirement were eliminated, the public would still have ready access to the information.	Time for administrators, site councils, and school boards
Consolidated Application	All Districts must complete the Con App. Small Districts do this in a coop.	Much of the data, particularly program entitlements, is already populated in the forms before we get them. Boards must approve the consolidated application twice per year (parts 1 and 2).	<p>State people work to update the con app, populate the data and send the drafts to Counties. County personnel analyze it and develop trainings for district people to complete the application.</p> <p>The Con App is costly in time and personnel. The requirement could be eliminated.</p> <p>Auditors already ensure that the monies were spent per compliance mandates.</p>
Single Plan for Student Achievement	All schools must update annually their single plans—they go through site council and the Board for approval. Much of the information is redundant of the SARC. The Single Plan could instead be a planning document that would address each special population/program and replace the Gate application, Tech Plan, EL Master Plan.	The planning portion is the important component. If the format were simplified to a "Smart Goals" type format, it would address each student program in a meaningful way.	Time, redundancy, efficiency.
English Learner Master Plan	Annual update to the Master Plan—goes to site council and Board for approval.	Replace this with a smart goal/paragraph in the Single Plan.	

Mandate or Requirement	What is required now?	What would be more efficient?	Potential Savings
GATE Application	Every 1-3 years each district must complete a GATE application to apply for GATE funds and every year a budget submittal for GATE must be sent to the state.	Make the GATE funding an entitlement as it once was. Replace the application with a smart goal/paragraph in the Single Plan. District personnel write this. It goes to the GATE parent committee and to the school board, then to the State for analysis and approval.	Reduces time of district and state personnel and, with the smart goal, makes for a meaningful annual update of the program.
Technology Plan	Every 3 to 5 years, districts must be trained and submit a Tech Plan. It goes to a tech committee, site council, Board, and then to the CTAP region for analysis and eventual approval.	Use the Smart goal format within the Single Plan.	This will save district time, CTAP regional time, and state time.
Categorical Program Monitoring	Every 3 years, districts and schools must write self-reviews. They go to the site council, board, and state. State personnel read them and then validate them through lengthy site visits.	Determine what is the most important in terms of program compliance and have auditors test that we are complying on an annual basis.	Districts already pay auditors. This will save the time of district personnel and state personnel, hotel rooms, paper, etc.
Student National Origin (SNOR) Report	Districts report on how many children they have from other countries.	With CSIS, this information is readily available to the state if they really need it.	Time of district and state personnel.
R30 Language Census	Districts report how many children speak a primary language other than English and how many have been redesignated fluent in the past year.	With CSIS, this information is already readily available to the State.	Time of district and State personnel.

Possible Revised Format for Single Plan for Student Achievement

The SMART Goals format could replace the current Single Plan and LEAP templates entirely and be used by each School and/or Grade level team, subject area, and special program such as GATE, Special Ed, Title 1, EL, also for Safe and Drug Free Schools...

Smart Goals are:

- S: Strategic and Specific
- M: Measurable
- A: Attainable
- R: Results-Oriented
- T: Time Bound

These SMART goals comprise plans for next steps in our continuous cycle of improvement. We endeavor to be very clear about what we want all students to know and be able to do asking the following essential questions:

- 1) What is it that we expect students to learn?
- 2) How will we know when they have learned it?
- 3) How will we respond when they don't learn it?
- 4) How will we respond when they already know it?

SMART Goal Worksheet

School: _____ Team Name: (e.g. Gate, etc) _____ Team Leader or Contact Person: _____

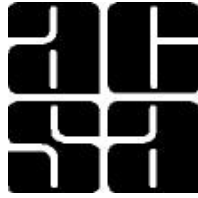
Team Members:

Overarching District Goal: eg. We will increase student achievement and close/narrow the achievement gap in all areas. We will assess students to determine where gaps exist and pinpoint the areas in need of intervention, and by implementing appropriate interventions, assist students in overcoming their learning deficits.

Team Goal #1: e.g District Directed-- Assessment/Intervention Related: To Increase the percentage of students achieving to the proficient or advanced level in reading by 10%.

Team Goal #2: Team choice

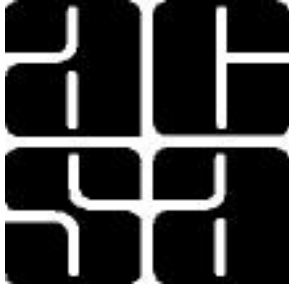
Team SMART Goal #1 (Detail)	Strategies and Action Steps (What will we do)	Responsibility (Who will do what part)	Potential Costs and Funding Source	Timeline (When will we do each step?)	Evidence of Effectiveness (That the goal is being implemented)	End of Year Report of Progress



TALKING POINTS December 2008

PROPOSED CUTS WILL HAVE CATASTROPHIC CONSEQUENCES FOR CALIFORNIA'S SCHOOLS AND STUDENTS

- California's school funding could be cut by a total \$8 billion in 2008-09 if lawmakers don't vote for new revenues. Schools need ongoing, stable revenues now more than ever.
- For K-12 schools alone this would be a cut of \$7.2 billion. These cuts are equivalent to shutting down every school across the state for twenty-five days, increasing class sizes statewide by over 50%, reducing per-student spending by almost \$1,200, laying off 160,000 classroom teachers or 180,000 bus drivers, janitors, food service workers, maintenance workers, and other education support professionals, cutting more than \$31,500 per classroom, cutting \$12.4 million per school district (assuming 10,000 students in the school) or eliminating all music, art and career technical education programs statewide with room to cut even more.
- California already has some of the most overcrowded classrooms and the greatest shortages of librarians, counselors and other critical support staff in the nation. And before this year's devastating budget cuts, California already ranked 46th out of 50 states in per pupil funding, according to *Education Week*. Further cuts will have catastrophic consequences for California's schools, students and their futures.
- Schools and teachers are working hard to continue to meet the ever-rising academic achievement standards, even while the state's lack of funding threatens to erase all of the improvement we've made. And the governor's proposed midyear cuts would force us to cut the very programs our community values halfway through the year.
- Our elected leaders need to be reminded of what hard-working Californians already know: these devastating cuts to public education are undermining our state's future. That's why parents, teachers and other educators across California are united against further mid-year budget cuts.
- California spends \$1,900 less per student than the national average. The "Getting Down to Facts" studies from Stanford University show that California seriously underfunds its public schools and would need to spend 40 percent more to ensure that all students meet the state's rigorous academic standards. The studies also show that other states like New York spend 75 percent more on students than California.
- California business leaders say the best way to improve our economy is to make sure we have a well-educated work force. The governor and lawmakers must make California's students a top priority. Refusing to support solutions to raise revenues for schools shortchanges our students and California's future.



**ACTION:
WHAT YOU CAN DO NOW TO
PROTECT
STUDENTS AND PROP. 98**

December 2008

- ✓ Contact the governor and lawmakers immediately to urge them to support new revenues, to avoid massive cuts to education and to support flexibility options that ensure maximum resources are directed to classroom instruction. Remind the governor and lawmakers that schools have already been cut by \$3 billion in 2008-09 and describe how these cuts have harmed schools and students in your district.

- ✓ Contact your local newspaper editorial board to remind journalists about the cuts that your district has made in recent years and to describe how further cuts would harm local schools. Urge the editorial board to call on lawmakers to support new revenues and more flexibility options so districts can maximize resources for classroom instruction.

- ✓ Host a local Education Coalition news conference to urge lawmakers to support revenue increases to avert catastrophic consequences for local schools.

- ✓ Speak to your local civic clubs and community organizations and ask for their support in voicing concern about the mid-year budget cuts and the need for increased revenues.



Mid-Year Reductions by Agency
(Dollars in Millions)

	<u>2008-09</u>	<u>Reduction Amount</u>	<u>%</u>
Legislative, Judicial, and Executive *	\$3816	\$0	0%
State and Consumer Services	563	0	0%
Business, Transportation & Housing	1,628	-230	-14.1 %
Resources	1,832	-35	-1.9 %
Environmental Protection	81	-0	0 %
Health and Human Services	31,121	-817	-2.6 %
Corrections and Rehabilitation	10,342	-328	-3.2 %
K-12 Education	41,579	-2,168	-5.2 %
Higher Education (Including Community Colleges)	12,113	-332	-2.7 %
Labor and Workforce Development	98	0	0%
General Government	228	-0	0%
Employee Compensation **		-\$320	
Total	\$103,401	\$4,504	4.4%

Please note: K-12 education is 40% of the General Fund expenditures, yet K-12 receives 48% of the cuts. The cut to education is 5.2%. The cut to other General Fund expenditures is 3.8%. K-12 expenditures are cut 37% more than other General Fund programs.

* The Governor's Office, Attorney General, and the Judicial Branch will be taking reductions of 10%

** Reduction is spread among all non-educational programs

(Source: California Department of Finance)



STATEWIDE IMPACTS¹

Potential 2008-09 Mid-Year Education Cuts if there are no new revenues

What does a \$7.2 billion cut to California public schools look like?

- Shutting down every school across the state for twenty-five days.
- Increasing class sizes statewide by over 50%.
- Reducing per-student spending by almost \$1,200.
- Laying off 160,000 classroom teachers.
- Laying off 180,000 bus drivers, janitors, food service workers, maintenance workers, and other education support professionals.
- Cutting more than \$31,500 per classroom.
- Cutting \$12.4 million per school district (assuming 10,000 students in the school.)
- Eliminating all music, art and career technical education programs statewide with room to cut even more.

¹ Based on the Governor's November Special Session and his proposal to cut \$2 billion from the revenue limits of K-12 school districts.



GOVERNOR'S PROPOSED CUTS TO K-14 EDUCATION

(Workload Budget)

2008-09

With revenue increases:

\$3.1 Billion (Cuts made in 08-09 Budget)

+ \$2.5 Billion (Additional cuts proposed, assuming revenue increases)

= **\$ 5.6 Billion in Total Cuts for 08-09**

Without revenue increases:

\$3.1 Billion (Cuts made in 08-09 Budget)

+ \$4.9 Billion (Additional cuts proposed, assuming no new revenues)

= **\$8 Billion in Total Cuts for 08-09**

2009-10

With revenue increases: \$0.7 Billion in additional cuts

Without revenue increases: \$5.5 Billion in additional cuts

Total Cuts Over 2 Years (08-09 + 09-10, including loss of statutory COLA):

With revenue increases: \$11.4 Billion

Without revenue increases: \$18.6 Billion

\$7.2 Billion cut for Education is Equivalent to:

\$1,200 per student

\$31,500 per classroom

\$12.4 Million per district

(Assuming district enrollment of 10,000)



Ed Co Memo

December 1, 2008

RE: Response to Dan Walters: Education Coalition Remains United to Increase Revenues, Protect Students

Contact: Robin Swanson (916) 204-6890

During the nearly 30 years that the Education Coalition has existed, we have stood up for California's students during tough budget negotiations, and that continues to be the case today. Similarly, the issues surrounding school funding flexibility are not new, and during the last three decades, have never managed to change the coalition's unwavering position that our schools need stable revenues to ensure that students have the resources they need to succeed.

That's why the coalition wants to set the record straight in response to Dan Walters' column today asserting: "Schwarzenegger plan splits education coalition." In fact, the coalition has held press briefings every few weeks in the midst of the state's budget crisis to ensure that the press and others have a crystal clear understanding of the coalition's steadfast and united position that California's public schools need ongoing, stable revenues now more than ever.

The fact is, providing flexibility without adequate funding provides false hope that schools can do more with even fewer resources. We should not buy into this misleading premise, which only serves a distraction from the real crisis facing our students – potentially billions more in cuts to classrooms.

California's school funding could be cut by a total \$8 billion in 2008-09 if lawmakers don't vote for new revenues. For K-12 schools alone this would be a cut of \$7.2 billion. These cuts could have catastrophic consequences, and are equivalent to shutting down every school across the state for twenty-five days, increasing class sizes statewide by over 50%, reducing per-student spending by almost \$1,200, laying off 160,000 classroom teachers or 180,000 bus drivers, custodians, food service workers, maintenance workers, and other education support professionals, cutting more than \$31,500 per classroom, cutting \$12.4 million per school district (assuming 10,000 students in the school) or eliminating all music, art and career technical education programs statewide with room to cut even more.

California already has some of the most overcrowded classrooms and the greatest shortages of librarians, counselors and other critical support staff in the nation. And before this year's devastating budget cuts, California already ranked 46th out of 50 states in per pupil funding, according to *Education Week*. There is simply nowhere left to cut.

Our elected leaders need to be reminded of what hard-working Californians already know: devastating cuts to public education are undermining our state's future.

That's why the Education Coalition, including parents, teachers and other educators across California are united against further mid-year budget cuts and support increasing revenues to levels that can sustain our schools and ensure that every student has an opportunity to learn.

We agree with Walters on this point: "A tenet of the education coalition's success is that its members stand together to protect state education funds..." We will continue to do just that.

For more information, please visit our web site at www.protectourstudents.org.