



CALIFORNIA
DEPARTMENT OF
EDUCATION

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State Superintendent of
Public Instruction

PHONE: (916) 319-0800

October 1, 2007

Dear County and District Superintendents, Charter School Administrators, and County and District Chief Business Officers:

2007 BUDGET ACT AND RELATED LEGISLATION

It is my pleasure to provide this summary of the 2007 Budget Act and related legislation. Prepared by staff of the California Department of Education (CDE) Fiscal Policy Division, it contains information that will be useful to local educational agencies (LEAs) and schools. This letter, as well as other budget-related documents, is available on the CDE Education Budget Web page at <http://www.cde.ca.gov/fg/fr/eb/>. Copies of budget documents themselves are available on the Department of Finance (DOF) Web site at <http://www.dof.ca.gov/>.

On August 24, 2007, Governor Arnold Schwarzenegger approved the annual budget, including Senate Bill 77 (Chapter 171, Statutes of 2007), the Budget Act of 2007, and SB 78 (Chapter 172, Statutes of 2007), which contains amendments to the Budget Act. In addition to the Budget Act, the Governor signed various "trailer bills" that amend the *Education Code* or other California codes for technical changes necessary to implement the Budget. The primary trailer bill affecting the education budget is SB 80 (Chapter 174, Statutes of 2007). Together, the 2007 Budget Act and the trailer bills make up a comprehensive package. A list of these and other related bills is provided in Appendix A.

OVERVIEW

The 2007-08 budget authorizes a spending plan of \$145.5 billion, including \$102.3 billion from the state General Fund. It assumes General Fund revenues and transfers of \$101.2 billion. The DOF projects that the 2007-08 year-end General Fund reserve will be \$4.1 billion. There is a projected operating deficit of \$1.1 billion for 2007-08.

General Fund revenue projections for 2006-07 fluctuated up and down throughout the 2007-08 budget process. The fluctuations in revenue projections caused the Proposition 98 guarantee for both 2006-07 and 2007-08 to change as well. At the time the Governor's Budget was introduced in January, the revenue projections and Proposition 98 guarantee had increased from the level assumed in the 2006-07 enacted budget. The Governor's Budget proposed an additional \$76 million in one-time spending in 2006-07 to meet the revised Proposition 98 guaranteed funding level. The 2007-08 Proposition 98 amount was sufficient to fund a cost-of-living adjustment (COLA) for schools but no new programs.

By May, the projected revenues and the Proposition 98 guarantee had increased again. The May Revision of the Governor's Budget proposed a total of \$411 million in one-time spending in 2006-07 and proposed a number of new programs from ongoing funds in 2007-08.

Immediately after the release of the May Revision of the Governor's Budget, a \$364 million error in the revenue limit projections was discovered and the funding seemingly available for new ongoing programs within the Proposition 98 guarantee evaporated. Subsequently, actual revenues received by the state for May and June were much lower than expected. The result was that the Proposition 98 guarantee for both 2006-07 and 2007-08 dropped significantly. The Legislature, dealing with effect of the revenue shortfalls on funding for all parts of the budget, reduced funding for K–14 education by eliminating all the proposed new programs and using various one-time funding sources to pay for existing ongoing “base” programs to avoid cutting COLA funding in 2007-08. While this action will protect LEAs from suffering cuts in the 2007-08 school year, it creates a large hole going into the 2008-09 fiscal year that will have to be addressed as part of the next budget cycle.

2006-07 Proposition 98 Changes

The budget package reflects the expenditure of \$55 billion in state and local funds for kindergarten through grade fourteen (K–14) programs under Proposition 98 in 2006-07, representing a decrease of \$138 million, or 0.2 percent, from the funding level assumed in the enacted budget for 2006-07. This level of funding is \$411 million below the amount proposed in the May Revision of the Governor's Budget. The change in expenditures is primarily due to a greater decline in enrollment than projected.

2007-08 Proposition 98 Changes

The budget provides \$57.1 billion in state and local funds for K–14 programs under Proposition 98 in 2007-08. This represents an increase of \$2.1 billion, or 3.9 percent, above the revised 2006-07 level. In addition, the budget provides \$701.8 million in one-time funds from various sources to pay for 2007-08 programs.

The DOF projects that the final Proposition 98 guarantee in 2007-08 will be calculated under “Test 3,” however, due to a “3B” adjustment calculated for 2007-08, the guarantee is virtually equal to the “Test 2” level, which is based on changes in enrollment and California per capita personal income. Figure 1 provides an overview of Proposition 98 principles and calculation methodology.

Figure 1 - Proposition 98 Overview

Basic Principles

Proposition 98, approved by the voters in 1988, provides a constitutionally guaranteed minimum level of funding to K–12 schools and community colleges.

In years of “normal” state revenue growth, K–14 education is guaranteed a level of state and local funding at least equal to the funding level received in the prior year, adjusted for changes in enrollment and per capita personal income.

In years of extraordinarily good or bad revenue growth, K–14 education participates in the state’s gains or losses according to specified “fair share” formulas.

Proposition 98 may be suspended in a statute passed with a two-thirds vote, enacted separately from the budget. Following a “fair share” reduction in the level of the Proposition 98 funding guarantee or a suspension of the guarantee, the state eventually must restore K–14 education funding to the level that would have been provided had no reduction occurred. The pace of this restoration is tied to the pace of the state’s economic recovery.

The Specifics: Test 1, Test 2, Test 3, and Restoration

K–14 education is guaranteed a minimum funding level based on the greater of:

- Test 1—Percent of General Fund Revenues: The percentage of state General Fund tax revenues received by schools and community colleges in 1986-87 as adjusted for the impact of shifts in property taxes from local governments to schools (currently about 40.8 percent).
- Test 2—Maintenance of Prior-Year Service Levels: The prior-year level of funding from state aid and local property taxes increased for enrollment growth and inflation as measured by the change in per capita personal income.

However, in years when the percentage growth in per capita General Fund revenues is less than the percentage growth in per capita personal income and the difference exceeds 0.5 percent, the following alternative test is substituted for Test 2:

- Test 3—Adjustment Based on Available Revenues: The prior-year level of funding from state aid and local property taxes increased for enrollment growth and inflation as measured by the change in per capita General Fund revenues plus 0.5 percent. Test 3 ensures that K–14 education bears a fair share of the state’s General Fund revenue growth or decline in extraordinarily good or bad revenue growth years.
- Test 3B—“Equal Pain, Equal Gain”: Test 3B is the same as Test 3, except that K–14 education cannot suffer more cuts than the rest of the state budget.

Restoration: If the Proposition 98 guarantee is reduced because of the application of Test 3 or a suspension of the guarantee, the amount lost is never repaid. The funding level must eventually be restored in the future, however, according to a formula that is tied to the pace of the state’s economic recovery.

Proposition 98, Kindergarten through Grade Twelve (K–12)

The budget package provides \$49 billion in state and local funds for K–12 programs under Proposition 98 in 2006-07, representing a decrease of \$131 million from the 2006 enacted budget. For 2007-08, the budget package includes \$50.8 billion for K–12 programs under Proposition 98. This funding level represents an increase of \$1.8 billion from the revised 2006-07 funding level. On a per pupil basis, K–12 Proposition 98 funding for 2007-08 is \$8,564 per unit of average daily attendance (ADA). This is an increase of \$346 (4.2 percent) over the revised 2006-07 level of \$8,218.

CHANGES IN ONGOING FUNDS

Figure 2 lists the major funding changes for ongoing programs or activities in the 2007-08 budget.

**Figure 2 - Ongoing K–12 Proposition 98 Changes
(in millions)**

Program or Activity	Amount
Cost-of-living adjustment (COLA)	\$2,125.7
Growth	-11.0
Baseline adjustments	47.2
Child Care—shift Stage 2 into Proposition 98	269.0
Child Care—fully fund Stage 3 and Stage 3	7.7
Child Care—state median income adjustment	6.8
Child Nutrition—school meals rate increase	24.9
Home-to-School Transportation—backfill with one-time and other	-349.1
Deferred Maintenance—backfill with one-time	-115.5
High Priority Schools—base reduction	-100.0
High Priority Schools—backfill with one-time	-102.0
Early Mental Health Initiative increase	5.0
Preschool wraparound care (pending signature of AB 194)	5.0
Other adjustments	-0.2
Total	\$1,813.5

Cost of Living Adjustments (COLAs) and Growth Adjustments

The budget provides \$2.1 billion to fund a COLA of 4.53 percent for revenue limits and most categorical programs. COLA amounts for 2007-08 school district base revenue limits are estimated to be \$241 per ADA for elementary school districts, \$290 per ADA for high school districts, and \$252 per ADA for unified school districts.

Revenue limit funding is also decreased by \$42.1 million because statewide average daily attendance (ADA) is projected to decline by 0.48 percent in 2007-08. This decrease is partially offset by a net increase of \$31.1 million for growth in designated categorical programs.

Child Care Funding Shift

The budget shifts \$269 million in funding for Stage 2 child care from federal funds to Proposition 98 funding, and uses the federal funds instead for child care programs administered by the Department of Social Services, thus freeing non-Proposition 98 General Fund money for other state priorities.

Reductions Backfilled with One-time Funds

As mentioned in the overview, the Legislature used one-time funds to backfill cuts in ongoing 2007-08 Proposition 98 funding. This action affected the following programs:

- Home-to-School Transportation: \$99.1 million from the Public Transportation Account and \$250 million from the Proposition 98 Reversion Account (reverted from the *Williams* Emergency Repair Account)
- Deferred maintenance: \$115.5 million from the Proposition 98 Reversion Account
- High Priority School Grant Program: \$102 million reappropriated from 2006 Budget Act

The use of one-time funding for these programs will not affect the allocations to LEAs in the 2007-08 fiscal year.

Other Actions Affecting Ongoing Funds

The budget also reflects the following actions:

- Continuation of \$50 million for community-based English tutoring originally authorized under Proposition 227.
- Increase of \$5 million for the Early Mental Health Initiative, administered by the Department of Mental Health.
- Continuation of \$2.1 million for second grade testing, which had been scheduled to sunset on June 30, 2007.
- Appropriation of \$848,000 (non-Proposition 98 General Fund) to the State Controller to conduct an audit of collection, distribution, and reporting practices related to K–14 local

property taxes, including pass-through payments received from redevelopment agencies.

FEDERAL FUNDS

The 2007-08 budget reflects the following changes in federal funds:

- \$34.9 million from Reading First program carryover available over three years for a pilot project to encourage professional development in reading for special education teachers. The three-year grants would be used for training special education teachers in the use of standards-aligned instructional strategies and materials.
- \$23.8 million in Title I set-aside carryover funds that are being set-aside in anticipation of an increase in the number of Program Improvement schools and districts in the 2008-09 fiscal year.

The Governor vetoed \$11.8 million in federal funds in various programs. Some of the programs affected include:

- \$7.1 million for District Assistance and Intervention Teams (DAITs) to assist local educational agencies facing corrective actions.
- \$1.6 million for English learner monitoring and technical assistance for alternative schools.
- \$500,000 for evaluation of the English Learner Best Practices Pilot Program.

ONE-TIME FUNDS

Figure 3 lists the major items of funding from one-time funds for programs or activities in the 2007-08 budget.

School Facilities Emergency Repairs (*Williams*)

In accordance with the *Williams* lawsuit settlement in 2004, the budget provides \$100 million for emergency facility repairs. However, because the claims for the accumulated funds in the School Facilities Emergency Repair Account have not reached anticipated levels, the Legislature and Governor agreed to revert \$250 million from this fund and reappropriate it to the Home-to-School Transportation program, as discussed above. The resulting balance in the Emergency Repair Account is estimated to meet the future need for payments for the Emergency Repairs Grant program. Should the fund balance become insufficient to cover the approved grants, then the amount needed to pay all approved grants will be transferred back from the Proposition 98 reversion account.

**Figure 3 - One-time K–12 Proposition 98 Funds
(in millions)**

Program or Activity	Amount
Proposition 98 Reversion Account	
<i>Williams</i> facilities Emergency Repair Account (ERP)	\$100.0
Deferred maintenance backfill	115.5
Teacher Credentialing Block Grant—fully fund 2006-07 participation	8.8
High speed internet maintenance	1.9
Fiscal Crisis and Management Assistance Team (FCMAT) for Oakland, Vallejo, and West Fresno studies	0.4
Community day school—fund 2006-07 deficiencies	4.1
Charter school facilities	18.0
Subtotal	\$248.7
Other one-time sources	
California School Information Services (CSIS), from the Education Telecommunications Fund (pending signature of AB 194)	\$2.0
Reappropriate prior year High Priority Schools grant funds for 2007-08	102.0
Public Transportation Account backfill for home-to-school transportation	99.1
Use <i>Williams</i> ERP funds to backfill home-to-school transportation	250.0
Subtotal	\$453.1
Total	\$701.8

Other Actions Affecting One-Time Funds

Miscellaneous one-time items from Proposition 98 reversion funds include:

- \$8.8 million for the Teacher Credentialing Block Grant to fully fund 2006-07 participation levels.
- \$4.1 million to backfill the deficit in the community day school program. This is projected to provide full funding to districts and county offices of education that operated community day school programs in 2006-07.
- \$1.9 million for maintenance of the K–12 high speed network.
- \$385,000 to the Fiscal Crisis and Management Assistance Team (FCMAT) for comprehensive assessments of the Oakland Unified, Vallejo City Unified, and West Fresno Elementary school districts.
- \$18 million for charter school facility grants.

- \$2 million for CSIS program administration and technology costs related to implementation of the California Longitudinal Pupil Achievement Data System (CALPADS), pending enactment of Assembly Bill 194.

IMPACT ON SELECTED PROGRAMS

The remainder of this letter provides additional detail on the impact of the 2007-08 budget on selected programs.

Quality Education Investment Act (QEIA) of 2006

Chapter 751, Statutes of 2006 (SB 1133), implemented the *CTA and O'Connell v. Schwarzenegger* settlement. It established the Quality Education Investment Act (QEIA) of 2006, which provides \$2.9 billion Proposition 98 General Fund over seven years to assist the lowest performing schools (schools that are ranked in deciles 1 to 2 of the 2005 Academic Performance Index) to increase student achievement. This year marks the first installment of \$300 million, with \$450 million to be provided each year thereafter through 2013-14. These funds are not reflected in the budget schedules, so they do not appear in our tables.

Career Technical Education (CTE)

In addition to over \$615 million in base funding for CTE programs, the 2007-08 budget provides \$52 million to California Community Colleges for career technical education programs administered in collaboration with the CDE. This funding is to expand CTE programs and improve articulation in the public secondary education and lower division public higher education systems. This amount includes \$20 million of ongoing Proposition 98 funding and \$32 million from the *CTA and O'Connell v. Schwarzenegger* settlement, which was legislatively implemented by Chapter 751, Statutes of 2006 (SB 1133), and also established the QEIA as described above.

Charter Schools

- **General-purpose Block Grant**—General-purpose funding for charter schools funded through the block grant will be automatically adjusted to reflect the impact of the increase to school district revenue limits for COLA. Estimates of the general-purpose entitlement amounts per ADA will be available in late February 2008 and will be adjusted as necessary at subsequent apportionments.
- **Categorical Block Grant**—The 2007-08 budget provides \$151.5 million (including \$5.9 million deferred to 2008-09) for charter school categorical block grants. This represents an increase of \$50.4 million above the 2006-07 funding level reflecting the revised methodology for computing the charter school categorical funding enacted in AB 740 (Chapter 359, Statutes of 2005). Charter school categorical funding rates will increase to

\$500 per ADA in 2007-08, a 25 percent increase over 2006-07. The charter school “equivalent” rate for Economic Impact Aid funding is \$303 per eligible student.

Child Care and Development

The 2007-08 budget provides \$2.6 billion for K–12 child care and development programs, or enough for about 950,000 child care slots.

\$50 million is included to continue the establishment of the Pre-kindergarten and Family Literacy (PKFL) preschool program for four-year-olds residing in the attendance areas of schools ranked in the lowest three deciles of 2005 API scores. The Governor vetoed \$5 million earmarked for full-day wrap-around child care services for families participating in the Pre-kindergarten and Family Literacy (PKFL) program. The Governor’s veto message indicated he objected to budget language inserted by the Legislature to make these funds available for full-day services in all preschool programs. The Governor wanted the \$5 million focused on the PKFL, so he set aside the funds for possible subsequent legislation. These funds are contained in AB 194, which is awaiting the Governor’s signature. In the meantime, the CDE will fund the 2007-08 full-day PKFL contracts with funds available for that purpose appropriated in AB 172 (Chapter 211, Statutes of 2006).

The 2007-08 budget also provides \$6.8 million for additional caseload as a result of increasing the income eligibility limits in accordance with the updated state median income as determined by the DOF.

Child Nutrition

The 2007-08 budget provides \$24.9 million in Proposition 98 General Fund to sustain the \$0.21 reimbursement rate for free and reduced-price school meals. As a condition for the higher reimbursement rate, trailer bill language also implements higher nutritional guidelines for free and reduced-price meals provided by LEAs, including a prohibition on fried foods and foods containing artificial trans fats.

Special Education

Overall funding for special education remained almost flat this year. The 2007-08 budget provides \$3.2 billion from the General Fund and \$1.2 billion from federal funds for special education programs for individuals with special needs. The 2007-08 budget includes \$154.6 million to fund a COLA (4.53 percent) on the state-funded portion of the special education program only. This was partially offset by a reduction of \$15.1 million due to the decline in ADA. The state’s federal funding for special education was increased by \$19.2 million, most of which is scheduled to flow to LEAs.

The 2007-08 budget continues \$100 million in funding for mental health-related services including \$31 million from state funds to provide early intervention services for children who are

experiencing mental health problems before they require special education services. These funds are allocated to special education local plan areas (SELPAs) on a per ADA basis. An additional \$69 million from federal funds is provided for county mental health services. The CDE distributes the latter funds to county offices of education, who in turn distribute the funds to county mental health departments. Additionally, the 2007-08 budget appropriates \$52 million to the Department of Mental Health for the provision of AB 3632 mental health services to special education pupils through a categorical program.

California High School Exit Examination (CAHSEE) Intensive Instruction and Services

The 2007-08 budget provides \$72.8 million for this program, which provides instruction and services for pupils who have not passed the CAHSEE. The per-pupil rate depends on the number of eligible pupils but may not exceed \$520 per pupil.

The requirements for providing intensive instruction and services to post-grade twelve students who do not pass the CAHSEE may change pursuant to AB 347, which would implement the settlement of the *Valenzuela v. O'Connell* lawsuit. AB 347 passed the Legislature September 11, 2007 and is pending the Governor's signature.

Supplemental Instruction

The downward revision of state revenue projections forced the Legislature to eliminate funding that the Governor had proposed to reduce some of the prior year deficits in supplemental instruction programs. However, the Legislature did fix an error in the 2006-07 budget package affecting the appropriation of \$26.7 million in funding for the non-mandated supplemental instruction programs. These funds had been erroneously appropriated for transfer to the wrong budget act item, making the funds unavailable for the recent July apportionment. The education trailer bill (SB 80) fixed this problem so that the funds will be available as part of the next apportionment at the end of February 2008.

AB 825 Categorical Block Grants

The 2007-08 budget continues to reflect the implementation of the categorical block grant programs established by AB 825 (Chapter 871, Statutes of 2004). AB 825 consolidated 26 programs into six block grants effective July 1, 2005. Funding for the six block grants is adjusted annually to reflect a COLA and statewide ADA change.

AB 825 allows for flexibility within each block grant, for transfers among the block grants, and for transfers between the various block grants and other categorical programs. Information on flexibility, implementation, and allocation issues related to the AB 825 block grants can be found on the AB 825, Categorical Program Block Grants Web page <http://www.cde.ca.gov/fg/aa/ce/#background>.

Categorical Program Flexibility

Section 12.40 of the Budget Act again provides funding flexibility for selected programs, as listed in Figure 4. LEAs may transfer up to 10 percent of the state funds apportioned in 2007-08 for any of the listed programs into any other listed program, provided that the receiving program's state funding does not increase to a level exceeding 115 percent of the 2007-08 state apportionment for that program.

The flexibility provisions in Section 12.40 are conditioned on the LEA's reporting to the CDE by October 15, 2008, any amounts shifted between programs. The CDE must provide this information to the Legislature and the DOF by February 1, 2009.

Figure 4 - Programs Listed in Section 12.40 of the 2007-08 Budget Act

Budget Act Item	Program	Resource Code(s)
6110-167-0001	Agricultural Vocational Education Incentive Grants	7010
6110-150-0001	American Indian Early Childhood Education Program	7210
6110-203-0001	Child Nutrition	5310
6110-181-0001	Education Technology	7110, 7120
6110-124-0001	Gifted and Talented Education (GATE)	7140
6110-122-0001	Specialized Secondary Programs	7370
6110-193-0001	Staff Development—	
	Peer Assistance and Review	7271
	Bilingual Teacher Training Program	7275
	Reader Services for Blind Teachers	7295
6110-209-0001	Teacher Dismissal Apportionments	0000
6110-111-0001	Transportation:	
	Home-to-School	7230
	Small School District Bus Replacement	7235
	Special Education	7240
6110-224-0001	Year-round Education Grants	7380, 0000

Note: Funds may also be transferred into the Conflict Resolution program (*Education Code* Section 32260), the Economic Impact Aid (EIA) program (resource codes 7090 and 7091) and Foster Youth Services program, (resource codes 7365 and 7366).

Deferrals

The 2007-08 budget continues the deferral of the Second Principal Apportionment (P-2) payment from June to July 2008. This affects all programs funded through the principal apportionment (identified in Figure 6), regardless of whether a portion of the appropriation for that program has been deferred to 2008-09. The total amount of deferrals is \$1.1 billion.

The 2007-08 budget also continues the practice of deferring a portion of certain categorical program funding into the following year. Figure 5 shows the affected programs.

Figure 5 - Non-Principal Apportionment Categorical Program Deferrals

Program	Amount Deferred (in millions)	Percent of Total Funding
Home-to-School Transportation	\$52.6	8.4%
Targeted Instructional Improvement Block Grant	100.1	9.3%
School Safety Block Grant	38.7	38.5%

COLA and Growth Adjustments by Program

Figure 6 summarizes the COLA and growth adjustment for each program. For many programs, growth is based on statewide enrollment and, because that measure is now in decline, many of the growth adjustments are negative.

Figure 6 - COLA and Growth Adjustments by Program

Program and Resource Code	COLA	Growth
Principal Apportionment Programs		
Adult Education (6390)	4.53%	2.50%
American Indian Early Childhood Education Program (7210)	4.53%	0.00%
Apprenticeship Education (0000)	4.53%	-0.48%
Charter School Categorical Block Grants (0000)	4.53%	8.00%
Charter School General Purpose Funding (0000)	4.53%	n/a
County Office of Education Revenue Limits (0000)	4.53%	n/a
Community Day Schools (2430)	4.53%	0.00%
Gifted and Talented Education (GATE) (7140)	4.53%	-0.48%
Regional Occupational Centers and Programs (6350)	4.53%	1.53%
School District Revenue Limits (0000)	4.53%	-0.48%
Special Education—state portion only (various)	4.53%	-0.48%
Supplemental Instruction (0000)	4.53%	0.00%
Other programs		
Adults in Correctional Facilities (6015)	5.92%	2.50%
Advanced Placement Examination Fees (0000)	4.53%	-0.48%
Agricultural Vocational Education Incentive Grants (7010)	4.53%	-0.48%
American Indian Early Childhood Education (7210)	4.53%	0.00%
American Indian Education Centers (0000)	4.53%	0.00%
Arts and Music Block Grant (6760)	4.53%	0.00%
Bilingual Teacher Training Program (7275)	4.53%	-0.48%
CAHSEE Intensive Instruction and Services (7055)	4.53%	0.00%

Program and Resource Code	COLA	Growth
CalSAFE (6091, 6092, 6093)	4.53%	-0.48%
Certificated Staff Mentoring Program (7276)	4.53%	0.00%
Child Care & Development (various)	4.53%	0.97%
Child Nutrition (5310)	4.53%	0.00%
Class Size Reduction, Grade Nine (1200)	4.53%	n/a
Class Size Reduction, K-3 (1300)	4.53%	n/a
County Office Fiscal Oversight (FCMAT) (0000)	4.53%	0.00%
Economic Impact Aid (7090, 7091)	4.53%	0.00%
Educational Technology (7110)	4.53%	-0.48%
English-Language Acquisition Program (6286)	4.53%	-0.48%
Foster Youth Services (7365, 7366)	4.53%	-0.48%
Home-to-School Transportation (7230,7235)	4.53%	0.00%
Instructional Materials Program (7156)	4.53%	-0.48%
International Baccalaureate Diploma Programs (7286)	4.53%	-0.48%
Partnership Academies (7220)	0.00%	0.00%
Peer Assistance and Review Program (7271)	4.53%	-0.48%
Physical Education Teacher Incentive Grants (6258)	4.53%	0.00%
Professional Development Block Grant (7393)	4.53%	-0.48%
Pupil Retention Block Grant (7390)	4.53%	-0.48%
School and Library Improvement Block Grant (7395)	4.53%	-0.48%
School Breakfast Startup Grants (5310, 5380, 5453)	0.00%	0.00%
School Safety Block Grants (6405)	4.53%	-0.48%
School Safety Consolidated Competitive Grant (7391)	4.53%	-0.48%
Specialized Secondary Programs (7370)	4.53%	-0.48%
Staff Development: Math and Reading (7294)	0.00%	0.00%
Supplemental School Counseling Middle & High School (7080)	4.53%	0.00%
Targeted Instructional Improvement Block Grant (7394)	4.53%	-0.48%
Teacher Credentialing Block Grant (7392)	4.53%	0.00%
Teacher Dismissal Apportionments (0000)	4.53%	0.00%
Year-round Education Grants (0000)	4.53%	-0.48%

WHAT'S NEXT?

The Legislature has ended its work on the 2007-08 budget and related legislation and the regular session has recessed for the year. In the meantime, state revenues for 2007-08 have been below May Revision forecasts, worsening the budget outlook for 2008-09.

In addition to state revenues, there are concerns about the level of local revenues that will be available to offset General Fund spending for Proposition 98 and revenue limits. These concerns prompted the state to provide funding to the State Controller's Office (SCO) to audit

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the collection, distribution, and reporting practices by LEAs related to local property taxes and pass-through payments from redevelopment agencies. The SCO has already begun work on these audits and will provide an initial report to the Legislature, the DOF, the CDE, and the State Board of Equalization by November 1, 2007, with supplemental reports as necessary.

The CDE continues to implement the Funding Web page, which contains additional information about individual programs, and profiles for each program, including the legal authority, a program description, the allocation methodology, eligibility criteria, application process, and important dates, including the deadlines for applications. The Funding Web page can be found at <http://www.cde.ca.gov/fg/fo/>.

Interested individuals may subscribe to the Funding mailing list to receive e-mail messages when requests for applications are announced and posted on the Web site. To subscribe, choose the "Join the Funding Mailing List" link at the bottom of the Available Funding Web page at <http://www.cde.ca.gov/fg/fo/af/>.

If you have any program specific questions regarding the impact of the 2007-08 budget package please utilize the Search CDE Funding Web page at <http://www.cde.ca.gov/fg/fo/sf/> to locate CDE funding and contact information.

If you have any questions regarding this letter or the 2007-08 budget please contact the Fiscal Policy Division at (916) 324-4728. You may also contact Carol Bingham, Director, Fiscal Policy Division, by e-mail at cbingham@cde.ca.gov.

Sincerely,

JACK O'CONNELL

JO:ss
Attachment

NOTICE: The guidance in this letter is not binding on local educational agencies or other entities. Except for the statutes, regulations, and court decisions that are referenced herein, this letter is exemplary, and compliance with it is not mandatory. (See *Education Code* Section 33308.5.)

APPENDIX A - 2007 Budget Package

Bill Number	Chapter Number	Description
Budget Act		
SB 77	171	Budget Act of 2007
SB 78	172	Amendments to Budget Act of 2007
2007-08 Budget Trailer Bills		
SB 80	174	Education trailer bill
SB 84	177	Human services trailer bill (including child development)
SB 86	179	State government trailer bill (including mandates)
AB 194	pending	Amendments to Budget Act of 2007
Other 2007-08 Bills		
AB 347	pending	CAHSEE supplemental instruction and services
AB 1222	pending	Mandate reform
SB 132	pending	Education omnibus bill
SB 20	215	Charter school facilities/statewide benefit charters