



CALIFORNIA
DEPARTMENT OF
EDUCATION

JACK O'CONNELL
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

October 30, 2008

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

2008 BUDGET ACT AND RELATED LEGISLATION

As you are aware, the state faced a huge challenge in constructing the 2008–09 budget. As a consequence, there were more versions of the state's spending plan than usual. Furthermore, the economic crisis emerging since enactment of the budget package and the increasing state deficit leave us all with uncertainty about the future.

Nevertheless, at this point I want to provide you a summary of the budget package. I would like to emphasize that this letter represents a point-in-time view of the 2008–09 budget; it is likely that the Governor and the Legislature will revisit the budget in January, or sooner. As events unfold, I will work with the education community to protect funding for our schools.

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

Overview

On September 23, 2008, Governor Arnold Schwarzenegger approved the annual budget, including Assembly Bill 1781 (Chapter 268, Statutes of 2008), the Budget Act of 2008, and AB 88 (Chapter 269, Statutes of 2008), which contains amendments to the Budget Act. In addition to the Budget Act, the Governor signed various "trailer bills" that amend the California *Education Code (EC)* and other California codes to reflect technical changes necessary to implement the budget. This year's trailer bill affecting the education budget is AB 519 (Chapter 757, Statutes of 2008).

Together, the Budget Act of 2008 and the trailer bills make up a comprehensive package. A list of the trailer bills is provided in Appendix A. (See attachment.)

The 2008–09 budget authorizes a total spending plan of \$103.4 billion from the state General Fund. It assumes General Fund revenues and transfers of \$101.9 billion. It provides a modest reserve of \$1.7 billion for 2008–09 but projects a deficit of \$1 billion in fiscal year 2009–10. (Note: Since enactment of the 2008–09 budget, the revenue situation has worsened. New projections indicate that the state will receive \$3 billion less in revenues than projected.)

Governor’s Budget and Special Session

In constructing the proposed 2008–09 budget, released on January 10, 2008, the DOF projected a deficit of \$14.5 billion for 2007–08 and 2008–09. The Governor’s Budget proposed to partially close the deficit by making reductions in both 2007–08 and 2008–09. For 2008–09, the Governor’s budget proposed an across-the-board reduction to all state programs. The reductions applied to a “workload budget”, i.e., a budget calculated based on the costs of operating existing programs under current law, including growth, cost-of-living adjustments (COLAs), and various other adjustments. The Governor proposed a 10.9 percent reduction in Proposition 98 programs. To achieve this reduced funding level, the Governor proposed a \$4 billion suspension of the Proposition 98 guarantee, requiring a two-thirds vote of the Legislature.

To implement reductions in 2007–08, on January 10, 2008, the Governor declared a “fiscal emergency.” Pursuant to Proposition 58 (Article IV, Section 10[f] of the California Constitution) the Legislature is required to hold a special session and must act within 45 days to address the emergency.

In the special session, the Legislature passed a package of bills to address the emergency. AB 4 of the 2008 Third Extraordinary Session (ABX3 4, Chapter 2, Statutes of 2008) contained provisions affecting kindergarten through twelfth grade (K–12) education. This special session resulted in a reduction in 2007–08 Proposition 98 spending from \$57.1 billion to \$56.6 billion, a reduction of \$507 million.

Governor’s May Revision

The Governor’s May revision reflected the continued weakening of California’s fiscal condition. The administration revised its estimate of the budget gap from \$14.5 billion to \$17.2 billion. As a result of the decline in state revenues, the Proposition 98 guarantee was projected to drop considerably in the 2008–09 budget year. Suspension of Proposition 98 was no longer necessary to achieve budget year savings. The Governor proposed to realize this savings from the reduced guarantee.

The May revision proposed to fully fund Proposition 98 at its reduced level and provide full funding for revenue limits and special education. There was no funding provided for a COLA for LEA revenue limits or categorical programs, and the across-the-board cuts proposed in the Governor's Budget remained in place for almost all categorical programs.

Governor's August Proposal

On August 20, 2008, with no agreement on a state budget from the Legislature, the Governor proposed a compromise to close a budget gap by then estimated at \$15.2 billion, a slight decrease from the \$17.2 billion in the May revision. New elements introduced in the Governor's August proposal included: a temporary 1-cent sales tax increase for three years followed by a permanent 1¼-cent reduction beginning in year four, suspending the net operating loss deduction on businesses for two years, and restoration of the remaining across-the-board reductions proposed in January.

Final Budget Act

Finally, after much controversy and debate, the budget standoff ended on September 23, 2008, with a budget package that addressed the state's \$15.2 billion budget shortfall with a combination of cuts and increased revenues. The overall cut is \$9.7 billion in 2008–09. The budget package also includes changes in law intended to help alleviate future budget crises. Among these are increasing the size of the rainy day fund, limiting the withdrawals from the fund, and authorizing the Governor in specified circumstances to freeze and reduce spending mid-year in future economic downturns. Listed below are major components of the budget package, some of which are contingent on voter approval.

Additional Revenue

- Imposes a 20 percent penalty on any corporation that under-reports taxes owed to the state by more than \$1 million. Taxpayers are allowed to file an amended return by May 31, 2009, to avoid the penalty. The budget assumes that these changes will generate approximately \$1.5 billion.
- Accelerates tax payments for individuals and businesses required to pay estimated taxes. The budget assumes that the accelerated payments will bring in \$1.3 billion in 2008–09 and \$240 million in 2009–10.

Budget Stabilization Fund

- Increases the size of the Budget Stabilization Account from 5 percent of General Fund revenues to 12.5 percent of General Fund resources, approximately \$13 billion, and renames the account the Budget Stabilization Fund (BSF). The term “resources” encompasses transfers as well as revenues.
- Requires annual transfers to the BSF of 3 percent of General Fund resources and limits the state’s ability to suspend those annual transfers.
- Limits the ability of the state to transfer out of the BSF to the General Fund. Transfers are permitted only when General Fund revenues are not sufficient to support spending at the prior-year level adjusted for population growth and inflation, and in case of Governor-declared emergencies.
- Captures “April surprise” revenues for certain one-time uses.

Mid-Year Authority

- Authorizes the Director of Finance to reduce state operations budgets by up to 7 percent without obtaining legislative approval.
- Authorizes the Governor to suspend COLAs and rates as designated in the Budget Act for up to 120 days. If the Governor declares a fiscal emergency, then no COLA or rate increase funded in the annual Budget Act for that fiscal year would take effect until the Legislature addresses the fiscal emergency. Revenue limits are exempt from this provision.

Lottery

- Places a measure on the ballot to modernize the state lottery and improve its performance.
- Beginning 2009–10, pending approval by the voters, replaces the allocation of lottery revenues to education with annual appropriations from the General Fund. LEAs that receive lottery funding in 2008–09 will receive annual appropriations of an equal amount from the General Fund, adjusted by the change in average daily attendance and by the change in per capita personal income. Lottery funding for K–12 schools is estimated to be \$936 million in 2008–09.

The changes related to budget reform, mid-year authority, and the lottery are contingent on voter approval.

2008–09 Proposition 98 Changes

The budget provides \$58.1 billion in state and local funds for K–12 and community college (K–14) programs under Proposition 98 in 2008–09 of which \$41.9 billion comes from the General Fund. This funding level represents an increase of \$1.5 billion, or 2.7 percent, above the revised appropriations enacted in 2007–08 and reflects changes in enrollment and the California per capita personal income. The \$1.5 billion is used primarily to replace one-time funds that were provided in the 2007–08 budget.

The DOF projects that the Proposition 98 guarantee in 2008–09 will be calculated under “Test 3B”. Figure 1 provides an overview of Proposition 98 principles and the calculation methodology.

Proposition 98, Kindergarten through Grade Twelve

For K–12 programs under Proposition 98, the budget package for 2008–09 includes \$51.6 billion. This funding level represents an increase of \$1.2 billion from the 2007–08 funding level. The \$1.2 billion increase is used primarily to replace one-time funds that were appropriated in the 2007–08 budget. On a per pupil basis, K–12 Proposition 98 funding for 2008–09 is \$8,716 per unit of average daily attendance (ADA). This is an increase of \$252 (3 percent) over the 2007–08 enacted budget level of \$8,464.

Property Taxes

Property taxes for K–12 education are projected to increase by \$1.1 billion from 2007–08. Part of this increase is the result of a recent report by the State Controller's Office that found that redevelopment agencies (RDAs) have not been passing through the full amount of property taxes owed to education agencies. As a result of this report, the 2008–09 budget assumes that an additional \$98 million owed to education agencies will be deposited into the Educational Revenue Augmentation Fund (ERAF). The 2008–09 budget also accounts for savings in Proposition 98 General Fund expenditures resulting from a one-time shift of \$350 million from RDAs to the ERAF.

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

Specifically, the guaranteed minimum funding level for K–14 education is 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 40.6 percent), or
- 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.

Programs or Activities Funded from New Ongoing Funds

Figure 2 lists the major funding changes for ongoing programs or activities in the 2008–09 budget. As shown in the table, most of the increased funding is used to replace one-time funding used for ongoing programs in the 2007–08 budget. A portion of the increased funds are used to provide a cost-of-living adjustment for revenue limits.

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

Program or Activity	Amount
Cost-of-living adjustment for revenue limits	\$244.2
Replacement of one-time funds	
Home to school transportation	349.1
Targeted Instructional Improvement Grant	289.8
Deferred maintenance	115.2
High Priority Schools Grant	70.8
Child care and development	40.2
Charter School Facility Grant Program	18.0
Change in ADA	
District revenue limits and county offices of education	-50.0
Charter school block grant	38.3
Adult education	18.8
Class size reduction (K–3)	17.3
Child care and development	10.9
Technical adjustments	
Physical Education Teacher Incentive	41.8
Economic Impact Aid	25.0
Special education	-25.8
School Safety Competitive Grant	18.0
Other	0.6
Total	\$1,222.2

Programs or Activities from One-time Funds

Figure 3 lists the major items of funding from one-time funds for programs or activities in the 2008–09 budget. These items are described further following the listing.

Figure 3
One-time K–12 Funding for Various Programs (in millions)

Program or Activity	Amount
CalWORKs Stage 2 child care	\$146.7
CalWORKs Stage 3 child care	164.7
Quality Education Investment Act	402.0
School facilities emergency repairs (<i>Williams</i>)	101.0
CSIS Best Practices Cohort	7.9
Career technical education (Public Interest Research, Development, and Demonstration Fund)	3.0
Total	\$825.3

Quality Education Investment Act of 2006

Pursuant to Chapter 751, Statutes of 2006 (Senate Bill 1133), which implements the *CTA and O'Connell v. Schwarzenegger* settlement, the budget provides \$450 million for Quality Education Investment Act (QEIA) of 2006. The settlement provides \$2.8 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. An installment of \$300 million was provided in 2007–08, with \$450 million to be provided each year through 2013–14: \$402 million to K–12 education and \$48 million to community colleges.

Settle-up Deferral

The budget defers \$150 million in settle-up payments provided to reduce prior year outstanding K–14 unfunded reimbursable costs for mandated programs.

School Facilities Emergency Repairs (*Williams*)

The budget provides \$101 million from the Proposition 98 Reversion Account for emergency facility repairs pursuant to the *Williams* lawsuit settlement in 2004. This funding for the program brings total transfers to \$392 million for the purpose of funding

school facility emergency repair projects. More information on the *Williams* case is available on the *Williams* Case Web page at <http://www.cde.ca.gov/eo/ce/wc/index.asp>.

California School Information Services Best Practices Cohort

The budget provides \$7.9 million from the Educational Telecommunication Fund for school districts that have not previously participated in California School Information Services (CSIS) or the CSIS Best Practices Cohort project. The allocation of funds will be consistent with the existing CSIS Best Practices Cohort Implementation Plan.

Career Technical Education

The budget provides \$12.5 million from a special fund in the community college budget for a three-year period to create partnership academies that focus on “green” technologies. The budget schedules \$3 million in reimbursements in the CDE’s local assistance budget for 2008–09.

Other Program Information

No Child Left Behind Corrective Action

The budget provides \$102.2 million in federal Title I Program Improvement (PI) funds and \$78.1 million in federal School Improvement Grant funds for LEAs that are in corrective action under the No Child Left Behind (NCLB) Act of 2001. The budget trailer bill (AB 519) establishes the criteria for the allocation of funding for corrective action under NCLB depending on the severity of the LEA’s academic performance problems. The allocations of funds are as follows:

1. Minor Category—\$50,000 for each school in the district identified for PI
2. Moderate Category—\$100,000 for each school in the district identified for PI
3. Severe Category—\$150,000 for each school in the district identified for PI

Data Systems

The budget provides \$12.7 million in federal funds and \$13.9 from the Educational Telecommunication Fund for the student and teacher longitudinal data systems: \$25.4 million for the development of the California Longitudinal Pupil Achievement Data

System (CALPADS) and related school information services workload and \$1.2 million to support the development of the California Longitudinal Teacher Integrated Data Education System (CALTIDES).

Other Federal Funds

The 2008–09 budget reflects the following additional actions in federal funds:

- \$57.4 million for Reading First programs, a \$113 million reduction from 2007–08. The Budget Act limits funding to each participating school district to six years, anticipating federal phase-out of this program.
- \$1.25 million in special education carryover funds to develop and implement a standardized, evidence-based assessment, to allow eligible pupils with disabilities to demonstrate the competence necessary to pass the California High School Exit Examination.
- \$1.6 million in federal Title III carryover funds available over three years to contract with a county office of education or institution of higher education for specialized English language learner instructional training and technical assistance in county court and Division of Juvenile Justice schools.
- \$1.25 million in special education carryover funds available over three years to contract with a county office of education or institution of higher education for special education instructional training and technical assistance in county court schools.
- \$500,000 in federal Title III carryover funds to augment an evaluation of the English Language Learner Acquisition and Development Pilot Program.
- \$334,000 to fund the first year of a three-year, independent evaluation related to federal school improvement.

The Governor vetoed \$600,000 in federal Migrant Education Program carryover funds for a three-year program evaluation. The Governor also vetoed language designating \$1.8 million in federal Title III funds for an intervention and assistance program for coordinating federal Title I and Title III program improvement activities for LEAs that are not meeting their annual measurable achievement objectives for English language learners.

Child Care and Development

The budget provides \$10.9 million for growth at a rate of 0.69 percent for non-CalWORKs direct service programs. The budget also eliminates the CalWORKs child care reserve and funds Stage 2 child care entirely within the CDE budget; freezes income eligibility limits at the 2007 levels; and provides for a biennial, as opposed to the current annual, regional market rate (RMR) survey to establish provider reimbursement rates. The 2007 RMR survey rates will become effective on March 1, 2009, and will be in effect through the 2009–10 fiscal year.

The budget fully funds CalWORKs Stage 2 and Stage 3 child care. CalWORKs Stage 2 child care is funded at \$516.6 million, of which \$146.7 million is one-time Proposition 98 funds. CalWORKs Stage 3 is funded at \$432.9 million, including approximately \$23 million in reappropriated child care funds and \$164.7 million in one-time Proposition 98 funds.

After School Programs

The Governor vetoed AB 1526, which would have placed before the voters a proposal to repeal the continuous appropriation for the After School Education and Safety Program (Proposition 49). The measure would have allowed the Legislature to amend any part of Proposition 49 by a majority vote of each house. Currently, specific parts of Proposition 49 are prohibited from being amended by the Legislature, while other parts require a supermajority in each house. Funding for the After School Education and Safety Program thus remains at \$550 million, as approved by the voters in Proposition 49.

Special Education

Overall funding for special education remained almost flat this year. The 2008–09 budget provides \$3.1 billion from the General Fund and \$1.2 billion from federal funds for special education programs for individuals with special needs. The budget includes a reduction of \$296,000 due to the decline in ADA. The federal funding for special education was increased by \$15.8 million from 2007–08. Of this amount \$12.8 million will be passed through to LEAs and \$3 million will be used for the State Special Schools.

The 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.

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 March 2009 and will be adjusted as necessary at subsequent apportionments.

Categorical Block Grant—The budget provides \$189.8 million (including \$5.9 million deferred to 2009–10) for charter school categorical block grants. This represents an increase of \$38.3 million above the 2007–08 funding level.

AB 825 Categorical Block Grants

The 2008–09 budget package 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. The budget did not provide a COLA for the six block grants and reflected a 0.52 percent decrease for a statewide decline in ADA.

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 implementation of the AB 825 block grants can be found in the March 14, 2005, letter to County and District Superintendents, County and District Chief Business Officials, and Charter School Administrators Web document at <http://www.cde.ca.gov/fg/aa/ca/ab825guidanceltr04.asp>.

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 2008–09 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 2008–09 state apportionment for that program.

The flexibility is conditioned on the LEA's reporting to the CDE by October 15, 2009, any amounts shifted between programs. The CDE must provide this information to the Legislature and the DOF by February 1, 2010.

Figure 4
Programs Listed in Section 12.40 of the 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 (*EC* Section 32260), the Economic Impact Aid Program (commencing with *EC* Section 54020), and the Foster Youth Services Program (commencing with *EC* Section 42920).

Deferrals

The 2008–09 budget continues the deferral of the Second Principal Apportionment (P2) payment from June to July 2009. The payment delay affects all programs funded through the principal apportionment. (See Figure 6.) The total amount of deferrals is \$1.1 billion.

The 2008–09 budget also includes a new deferral. Section 35.80 of the Budget Act defers \$2.8 billion in K–12 payments from February to April. This \$2.8 billion deferral is made of up one-half of the February Principal Apportionment payment, with the remaining amount from the K–3 class size reduction program.

The 2008–09 budget also continues the practice of deferring a portion of certain categorical program funding into the following year. The programs listed in Figure 5 have some of their state funding deferred into the 2009–10 fiscal year.

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%

Cost-of-Living and Growth Adjustments

The budget provides \$244.3 million for a COLA of 0.68 percent (not the statutory rate of 5.66 percent) for school district and county revenue limits. No COLA is provided for categorical programs. Because the COLA increase for school district revenue limits is calculated based on the prior year average base revenue limit per ADA for each district type, the actual impact of the deficit factors on individual districts will vary depending on how their base revenue limit per ADA compares to the average for their district type. The actual COLA adjustments for 2008–09 district revenue limits per ADA are estimated to be \$315 for elementary school districts, \$379 for high school districts, and \$329 for unified districts, before application of the deficit factor.

The budget is based on projected statewide ADA decline of 0.52 percent in 2008–09. Figure 6 summarizes the cost-of-living and growth adjustments for each program.

**Figure 6
COLA and Growth Adjustments by Program**

Program and Resource Code	COLA	Growth
Principal Apportionment Programs		
Adult Education (6390)	0.00%	2.50%
Apprenticeship Education (0000)	0.00%	0.52%
Charter School Categorical Block Grants (0000)	0.00%	15.00%
Charter School General Purpose Funding (0000)	0.00%	N/A
County Office of Education Revenue Limits (0000)	0.68%	-0.52%
Community Day Schools (2430)	0.00%	0.00%
Gifted and Talented Education (GATE) (7140)	0.00%	-0.52%
Regional Occupational Centers and Programs (6350)	0.00%	-0.55%
School District Revenue Limits (0000)	0.68%	-0.52%
Special Education—state portion only (various)	0.00%	-0.52%
Supplemental Instruction (0000)	0.00%	0.00%
Other programs		
Adults in Correctional Facilities (6015)	0.00%	0.00%
Advanced Placement Examination Fees (0000)	0.00%	0.00%
Agricultural Vocational Education Incentive Grants (7010)	0.00%	-0.52%
Bilingual Teacher Training Program (7275)	0.00%	-0.52%
CalSAFE (6091, 6092, 6093)	0.00%	-0.52%
Child Care & Development (various)	0.00%	0.69%
Child Nutrition (5310)	0.00%	1.00%
Class Size Reduction, Grade Nine (1200)	0.00%	0.00%
Class Size Reduction, K-3 (1300)	0.00%	0.00%
Economic Impact Aid (7090, 7091)	0.00%	0.00%
Educational Technology (7110)	0.00%	-0.52%
English-Language Acquisition Program (6286)	0.00%	-0.52%
Foster Youth Services (7365, 7366)	0.00%	-0.52%
Home-to-School Transportation (7230,7235)	0.00%	0.00%
Instructional Materials Program (7156)	0.00%	-0.52%
International Baccalaureate Diploma Programs (7286)	0.00%	-0.52%
Peer Assistance and Review Program (7271)	0.00%	-0.52%
Professional Development Block Grant (7393)	0.00%	-0.52%
Pupil Retention Block Grant (7390)	0.00%	-0.52%
School and Library Improvement Block Grant (7395)	0.00%	-0.52%
School Breakfast Startup Grants (5310, 5380, 5453)	0.00%	0.00%
School Safety and Violence Prevention Act (6405)	0.00%	0.52%
School Safety Consolidated Competitive Grant (7391)	0.00%	-0.52%
Specialized Secondary Programs (7370)	0.00%	-0.52%
Targeted Instructional Improvement Block Grant (7394)	0.00%	-0.52%
Teacher Credentialing Block Grant (7392)	0.00%	0.00%

What's Next?

After enacting the 2008–09 budget and related legislation, the Legislature recessed for the year. In the meantime, California's fiscal condition continues to weaken. The State Controller has already indicated that revenue for the first quarter of 2008–09 is \$1.1 billion below May revision forecasts, and new projections indicate that the state will take in \$3 billion less in 2008–09 than anticipated in the 2008–09 budget, worsening the budget outlook for 2009–10. Current problems in the credit market are tightening the terms and conditions that the state could be subject to when it goes to market for Revenue Anticipation Notes (RANs) it needs to provide temporary cash needs.

With the decline in state revenues and slowing economy, a special legislative session to address gaps in the 2008–09 state budget is likely.

You can find detailed information about individual programs through the Funding Web page at <http://www.cde.ca.gov/fg/fo/>. The information available includes a program description, the allocation methodology, eligibility criteria, application process, and important dates. You can also subscribe to the Funding mailing list to receive e-mail notifications as requests for applications are announced and posted on the Web. To subscribe, select the "Join the Funding Mailing List" link on 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 2008–09 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 subject or the 2008–09 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:ap
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 *EC* Section 33308.5.)

Appendix A
2008 Budget Package

Bill Number	Chapter	Description
Budget Act		
AB 1781	268	Budget Act of 2008 (amended by AB 88)
AB 88	269	Amendments to Budget Act of 2008
2008-09 Budget Trailer Bills		
AB 519	757	Education
AB 1279	759	Human services (SSI/SSP, CalWORKS)
AB 1389	751	General government, including mid-year cut authority
AB 1452	763	Net operating loss, tax credit changes, and "yacht tax" (amended by SB 28)
AB 1654	Pending	California State Lottery modernization
AB 1741	Pending	California State Lottery securitization
AB 2246	762	Charter schools
SBx1 28	1x	Amendments to AB 1452
SCA 12	143	Constitutional changes related to lottery securitization
SCA 13	144	Budget Stabilization Fund and related provisions (amended by SCA 30)
SCA 30	167	Amendments to SCA 13