



AB 114 (2011-12 BUDGET TRAILER BILL FOR EDUCATION) UNRESOLVED ISSUES

Prepared July 19, 2011

For More Information:

K Street Consulting

pamela@kstreet.us.com

sandra@kstreet.us.com

afrack@kstreet.us.com

(916) 658-1688

As mentioned in our previous memo, the Governor and Legislative Democrats attempted with their 2011-12 State Budget to support K-14 education at the same level of funding as provided in the 2010-11 fiscal year (with the Proposition 98 calculation adjusted to reflect the removal of child care services.)

The challenge in reassuring local education agencies—and the public—that K-14 education funding is upheld at prior year levels comes from a series of cuts to education programs that will be triggered if revenues anticipated in the 2011-12 State Budget don't materialize. To address this, the budget and related legislation (trailer bills) includes a series of vague provisions intended to force education agencies to plan only for current funding levels and ignore the potential impact of "trigger list" cuts.

Budget Projections and Certification (AB 1200):

1. In the 2011-12 fiscal year, each local education agency is required to project the same level of revenue per unit of average daily attendance as it received in the 2010-11 fiscal year.

If the "trigger list" cuts do not occur, this projection will be relatively accurate, given that the 2011-1 State Budget provides roughly the same level of funding as the previous year's budget.



2. Additionally, in the 2011-12 fiscal year, education agencies will not be required to demonstrate the ability to meet financial obligations for the two subsequent fiscal years.

The language provides no further clarity on carrying out these provisions. We understand, however, that education agencies are still encouraged to provide budgets that anticipate the subsequent two fiscal years, whether they balance or not. County Offices of Education, in review of district budgets, and the State Superintendent, in review of COE budgets, will be prohibited from assigning qualified or negative certifications to budgets that do not meet financial obligations for the following two years.

Staffing and Layoffs:

1. In addition to requiring that each local education agency is required to project the same level of revenue as it received in 2010-11, the 2011-12 State Budget requires that each district shall maintain the same level of staffing and programs that were supported by the 2010-11 funding level.

This is, perhaps, the most nebulous provision of the Budget, and the document itself provides no further clarity on the issue. (The requirement was a clear nod to the California Teachers Association and bought the CTA's support of 2011-12 Budget.) It is not clear how this provision will be enforced, and "the same level of staffing and programs" remains vague and undefined. For example, it is not clear if staff laid off at the close of the 2010-11 fiscal year in anticipation of the 2011-12 budget must be rehired to maintain "the same level of staffing," or that programs already eliminated by districts prior to the passage of the state budget must be restored. We are working to gain more clarity on this issue, but early briefings with the Governor's top education officials indicate that even his office had not considered the full details of this provision before the budget was finalized.

2. Current law provides a provision for school districts to adjust their own budgets following the (presumably) late adoption of a state budget for the same year. If a school district governing board determines that its state revenue limit funding per average daily attendance (ADA) has not increased by at least 2% from the previous fiscal year, and determines that this necessitates a reduction in the number of permanent employees at the district, the board may authorize layoffs of certificated employees in the current fiscal year within the window of 5 days following the passage of the state budget and August 15th.



The 2011-12 State Budget (Budget Trailer Bill AB 114) suspends this local authority for the 2011-12 fiscal year.

“Trigger Cut” provisions:

If 2011-12 state revenues are forecast to be at \$2 billion below projected in the Budget, 2011-12 K-12 revenue limit funds will be reduced by up to \$1.5 billion, with the cut increasing to a full \$1.5 billion in proportion with revenue shortfalls that reach a full \$4 billion.

This funding cut is intended to be offset by a budget provision that allows local education agencies to reduce the school year by up to 7 instructional days, however, any local action to shorten the school year would still be subject to collective bargaining.

Funding for home-to-school transportation will also be eliminated.

We won't know the final decision to impose the “trigger list” until December 15, 2011, when the Department of Finance releases its final revenue forecasts, following the agencies' review of similar projections to be released by the Legislative Analyst's Office in November.

Until then, the state remains committed to its projection of roughly flat year-over-year funding for K-14 education, and is requiring local education agencies to plan accordingly.