



Dear Colleagues:

The Governor's Proposed State Budget has been released and CNTA's Negotiations and Organizational Development (NOD) Department has responded with a budget summary relative to the impact it has on education as well as bargaining implications.

As you will see in the following information, the economic picture for California just got worse based on the Governor's proposed budget. The total preliminary estimated shortfall for the Corona Norco Unified School District is approximately \$13 million in additional cuts. This is in addition to the \$18 million we already were preparing ourselves to cut. In all, CNUSD will have to cut about \$31 million from the 2010-11 budget.

There are many rumors flying around the district during this budget crisis and CNTA is attempting to address all concerns. The challenge we face is that we are trying to give information that is accurate and that can be confirmed and sometimes this takes a little time. Also, there is the problem of not having the answers to some concerns because not even the folks in Sacramento who are making budget decisions have answers.

In spite of the devastating budget news, CNTA will continue its campaign to conduct "Listening Sessions" at all sites. The information being collected is extremely valuable, and will drive CNTA's strategic plan in dealing with the budget as well as identify possible future negotiation priorities.

Let's take care of one another.

In Unity,
Bill Fisher, CNTA President

BACKGROUND

Latest projections show that California is facing a budget shortfall of \$19.9 billion by the end of 2010-2011. However the Governor's proposed budget for 2010-2011 claims "full funding of the Proposition 98 guarantee." This statement **does not** mean there are no cuts to K-14 education in 2010-2011. The Budget is built on lofty projections of income and deep cuts to health and human services programs. While it includes no new taxes, there is no guarantee that the legislature will go along with this proposal.

CURRENT YEAR (2009-2010) PROPOSALS:

Due to continuing reductions in General Fund revenues anticipated in 2009-2010 (including the Governor's proposal to substitute the sales tax on gasoline with a fee and thereby causing the revenue to bypass the general fund), the Proposition 98 minimum guarantee is projected to be \$568 million lower than the level appropriated in the 2009-2010 budget as revised in July. This drop in the guarantee has caused the Governor to propose some mid-year adjustments at the state level which include capturing unused amounts from K-3 Class Size Reduction and other programs. Therefore, local school districts have not been asked to bear mid-year cuts in 2009-2010, based on the Governor's proposal.

BUDGET YEAR (2010-2011) PROPOSALS: Revenue Limits: COLA, Growth & the unexpected

The Governor has proposed to fully “fund” the negative COLA (Est. -0.38%) which results in an estimated per ADA CUT to revenue limit funding as follows: Elementary -\$23, Unified -\$24, and High School -\$28. At this point the proposal includes no additional increase to the deficit factor (18.355%). County Offices of Education (COE) will also experience an estimated -0.38% COLA and maintain the same deficit factor (18.621%).

Statewide ADA is projected to increase by 0.117% and individual district growth is expected to be funded with the existing deficit applied.

The latest attempt by the Governor’s Administration to baffle us with nonsense is a proposal to cut school district central administration by \$1.2 billion and “protect classroom spending from further reductions,” and a reduction of \$300 million in anticipation of the “savings” to be achieved by eliminating the barriers to contracting out for school districts. Sadly there are little details on these proposals, but the state budget documents suggest the intention that these dollars to be deducted from the revenue limit funding. Since the Governor specifically stated that there will be no change to the revenue limit deficit, it can only be assumed that these dollars would be deducted from each district’s base revenue limit per ADA as a PERMANENT cut. It may be done as a flat rate much like the \$252.83 “one-time” cut in 2009-2010 (Est. \$200 - \$250 per ADA) or based on district type similar to the way COLA dollars are applied. **Please be aware that the \$252.83 per ADA cut in 2009-2010 is not continued into 2010-2011, but the \$1.5 billion (\$1.2 billion + \$300 million) cut as described above is approximately equal in magnitude.**

COE’s will also be expected to absorb a \$45 million reduction in administrative costs as a result of savings due to a consolidation of services.

Categorical Programs

Under the Governor’s proposed budget Tier II & III categorical programs will receive a modest cut in the form of the 0.38% negative COLA adjusted for the statewide growth estimate of 0.117% . The Governor proposes no additional flexibility for these programs and includes full funding for the Quality Education Investment Act (QEIA) Program.

Mandated Cost Reimbursement

The Administration proposes a net increase of \$79.5 million for K-12 mandates. As a result of a lawsuit that requires all education mandates be paid or suspended, the Administration proposes to **suspend all state¹ education mandates** with the exception of the following mandates which will be fully funded:

- \$7.7 million for mandated costs related to inter-district and intra-district transfers.
- \$6.8 million for mandated costs related to the California High School Exit Exam.
- \$65 million for Behavioral Intervention Plan (BIP) settlement agreement which is about \$10.92 per ADA added to the AB 602 base for special education funding.

The impact of suspending mandates is unclear, especially suspending the collective bargaining mandate.

Program Changes

The Governor is using the budget as an excuse to resurrect several legislative changes that should be characterized as an attack on collective bargaining and a comprehensive rollback of teacher and education employee rights. This includes changes to “state law to give local school districts the

¹ The Special Education and other federal mandates will not be suspended.

flexibility to layoff, assign, reassign, transfer, and rehire teachers based on skill and subject matter needs without regard to seniority.” Also, the Administration is proposing to alter substitute pay and rehire provisions for laid off teachers as well as changing the staffing notification window for layoffs from March 15 annually to “60 days after the state budget is adopted or amended.” Districts would then be able to lay-off the most expensive teachers and only pay them the substitute rate IF they were ever called back to sub! As mentioned previously, the Governor would also like to eliminate “barriers” to contracting out for school districts. These provisions, if enacted, would not supersede existing collective bargaining agreements, but you can likely expect districts to attempt negotiated changes reflective of the change in law that would further weaken employee rights.

Preschool/Child Care

In the current year, Administration proposes a decrease of \$12.4 million to reflect expected savings in CalWORKs Stage 2 Child Care (\$9 million) and CalWORKs Stage 3 (\$3.4 million) caseload-driven programs based on revised estimates.

For 2010-11, the Governor proposes adjustments for revised estimates in the caseload-driven CalWORKs Stage 2 and 3 programs, which are estimated to decrease by \$12.6 million and \$1.2 million, respectively. Also a decrease of \$5 million is proposed in one-time funding for the phase out of the Extended day/Latchkey Program. Consistent with most other Proposition 98 programs, the proposal includes a decrease in funding of \$5.9 million to reflect a – 0.38% COLA. Additionally, a decrease of \$77.1 million is included to reflect a policy proposal to reduce reimbursement rate limits in voucher-based programs from the 85th percentile of the market to the 75th percentile.

Community Colleges

In the 2010-2011 budget year, the Governor proposes a \$22.9 million reduction for community colleges in the form of a negative (-0.38%) COLA for apportionments and categorical programs, but will receive enrollment growth of about 2.2% (26,000 FTEs). Community colleges can also expect a suspension of all community college reimbursable state mandates. The Governor proposes a \$10 million reduction in both Part-Time Faculty Compensation and Extended Opportunity Programs and Services as well as a suspension of new awards for the Cal Grant Competitive Program. Additionally, the Administration proposes that the fees be maintained at the current level of \$26 per-unit.

Federal Funds

With a nearly \$20 billion state deficit expected over the next 18 months, the Governor might have proposed deeper cuts to education. Much of this budget proposal hinges on California obtaining \$6.9 billion from the federal government. Odds are slim to none that the Governor will get these funds. It is another attempt to shift the blame to Washington. The Administration maintains that unless the requested federal flexibility and funding increases are realized, additional spending reductions, delays in tax cuts and reductions in tax credits must go into effect. Most of the spending reductions will come from health and human services, but education can be indirectly impacted as CalWORKSs program may be eliminated, Healthy Families program may be eliminated, and the funding for enrollment growth at the UC and CSU systems may be eliminated as well. The Governor’s proposal does not, however, anticipate any additional federal funding as a result of the Jobs stimulus bill now in Congress which purports to include \$23 billion for states to save education jobs.

Bargaining Implications and Recommendations

Once again, the proposed State Budget from the Governor is built on smoke and mirrors. The Governor’s January Budget proposal is just the beginning of the budget process and we can expect many changes with the May Revision and the final legislatively approved budget later this year. Fortunately there are no noticeable mid-year cuts proposed for 2009-2010 as were feared. 2010-2011 promises to be more difficult in that the Administration is not only proposing cuts in real dollars, but school districts will feel the prior year cuts more acutely now that the federal stimulus monies are

nearly gone. We can expect some districts to continue pushing furlough days and salary cuts as the solution. In addition, the Governor has proposed several policy changes that strike at the core values of unions and the educators we represent. Attacks on Collective Bargaining, Union Security, seniority and pension rights will be part of the environment we face in 2010.