



Working together to support and
improve California's public schools

**Association of California School
Administrators (ACSA)**
representing nearly 15,500
school administrators

**California Association Of School
Business Officials (CASBO)**
representing more than 4,000 school finance
and administrative managers

**California County
Superintendents Educational
Services Association (CCSESA)**
representing all 58 county superintendents
throughout California

**California Federation of
Teachers (CFT-AFL-CIO)**
representing nearly 90,000 education
employees

**California School Boards
Association (CSBA)**
representing more than 1,000 K-12 school
districts and county offices of education
throughout California

**California School Employees
Association (CSEA)**
representing more than 230,000 classified
school employees

California State PTA
representing more than one million parents,
teachers, and students in California

**California Teachers Association
(CTA)**
representing over 330,000 educators

**Service Employees International
Union (SEIU)**
representing more than 50,000 school
employees in California

**Legislative Consultant:
Peter Birdsall
Birdsall & Associates**
(916) 441-3302

EDUCATION COALITION BUDGET BRIEFING

**Wednesday, February 8, 2006
11:00 AM**

**CTA Conference Room
1118 10th Street
Sacramento, CA 95814**



*Working together to support and
improve California's public schools*

FOR IMMEDIATE RELEASE

February 8, 2006

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EDUCATION COALITION CALLS ON GOVERNOR/LAWMAKERS TO GIVE SCHOOLS THE MONEY OWED UNDER STATE LAW

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Sacramento - The Education Coalition today called on Governor Schwarzenegger and lawmakers to fully fund education and keep the promise made to public schools and students by allocating the money owed to schools under state law.

Barbara E. Kerr, president of the California Teachers Association said, "California schools and students need, and voters expect, the Governor to keep his promise to repay the money borrowed from Proposition 98. That money is desperately needed to restore class size reduction programs, to buy up-to-date textbooks, and to attract and retain high quality teachers and other educators."

According to a 2006 Education Week report "Quality Counts" California ranks 43rd in the nation in per pupil spending. California's schools also continue to have some of the largest class sizes and the greatest shortages of librarians, counselors and other critical support staff.

"Public schools need and deserve adequate funding. Together we must establish an investment strategy that not only upholds the promise to education, but also ensures the resources we provide for our students meet the high expectations we have for them in our standards-based educational system," added Henry Bietz, president of the Association of California School Administrators.

"The Governor must invest in public education and keep his promise to California's six million students," Brenda Davis, president of the California State PTA explained.

In addition to calling on the Governor to keep his promise, the Coalition also announced its strong opposition to the Governor's proposal to fund Proposition 49 with Proposition 98 funds without increasing the guarantee as required by law. "This flies in the face of the commitment the Governor made to voters and the education community in the 2002." explained Mary Bergan, president of the California Federation of Teachers.

- Continued -

Education Coalition News Release

February 8, 2006

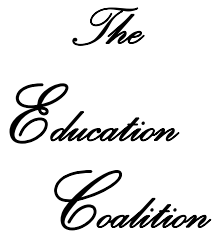
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"As school business officials we have had to make cuts to core classroom programs over the past few years in response to the state budget situation. We urge the Governor to help us restore the important programs first - before going forward with the new Proposition 49 program." Pearl Iizuka, president of the California Association of School Business Officials.

"This year we will say goodbye to the graduates from the class of 2006. Every year that we delay adequately funding our schools is a year we will never be able to retrieve," said Rob Feckner, president of the California School Employees Association. "We need a commitment from the Governor to fulfill the promise for *this* generation of students, and not on the backs of future generations."

Luan B. Rivera, president of the California School Boards Association, concluded, "Restoring the funding that has been cut from our schools and adequately funding all of our classrooms can only be achieved through commitment and leadership. We call upon the Governor to demonstrate such leadership, keep the promise he made to schools, and lead our state in the development of an education funding plan that invests in California's greatest resource: our students."

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POSITION PAPER

GOVERNOR'S PROPOSED BUDGET 2006-07

The Governor's budget proposal is a step in the right direction, but it still fails to honor the promise made to California's schools and school children in 2004. The top priority of the Education Coalition in the budget deliberations will be to work with the Governor and the Legislature to honor that promise, including the commitment to repay more than \$3 billion borrowed from schools during the state's budget crisis.

FULFILL THE PROMISE

Repay the more than \$3 billion owed to schools

The budget proposal fails to address more than \$3 billion, or approximately \$500 per pupil, owed to schools for 2004-05 and 2005-06. This money was borrowed by the Governor and the Legislature to help offset the state budget crisis. The Governor has a constitutional obligation to fund Proposition 98 and repay the money that was borrowed from our public schools in 2004.

Proposed Budget Fails to Eliminate Revenue Limit Deficit

The Governor's promise was that the top priority, after paying for cost-of-living adjustments (COLA) and enrollment growth, would be elimination of the deficit in school revenue limit funding. The proposed budget eliminates only two-thirds of the remaining deficit.

Pay Unreimbursed State Mandates

The Governor's promise was that the next priority would be to pay for unfunded state mandates. The budget proposal for 2006-07 pays for only a fraction of the unreimbursed state mandates.

OPPOSE MANIPULATION OF PROPOSITION 98

Contrary to the commitments made to the voters when they approved Proposition 49, the proposed budget would reduce the amount owed schools under Proposition 98 by \$428 million in order to fund the provisions of Prop. 49.



OFFICE OF THE GOVERNOR

FOR IMMEDIATE RELEASE

01/08/2004

Gov. Schwarzenegger, Members of the Education Coalition Announce Education Funding Agreement

SACRAMENTO -- Gov. Arnold Schwarzenegger and members of the Education Coalition announced an education funding agreement that will help alleviate the state's current fiscal emergency while protecting the integrity of Proposition 98 and increasing the per pupil funding from last year. The announcement was made today at a press conference at Sutter Middle School in Sacramento.

The historic agreement was negotiated between Gov. Schwarzenegger and members of the Education Coalition, including the California Teachers Association, Parent-Teachers Association, California School Boards Association, California Association of School Business Officials, Association of California School Administrators and California County Superintendents Educational Services Association. The agreement would keep Proposition 98 structurally intact for future years while providing \$2 billion in budget relief for the 2004-05 fiscal year.

"When I was elected governor, I said I would change the way business is done in Sacramento," said Gov. Schwarzenegger. "I am confident that this agreement will help us protect the long-term health of our budget. It will allow us to deal with the deficit today, rather than putting every program at risk for years to come. It will help us do what the people demand and deserve: real action and solving problems together. I want to thank our education leaders for joining the fight to get our budget back on track."

Highlights of the agreement include:

- Per pupil funding still increases year over year.
- Funds deferred by the rebasing process will be restored in future years.
- Trigger provisions contained in Prop. 98 that allow the funding level to be rebased in a fiscal emergency. The measure was included in Prop. 98 to relieve the budget burden in a fiscal crisis.
- Increase year-over-year funding for education from the 2003-04 budget act to the 2004-05 proposed budget by \$2 billion.

In the state budget that will be released on Friday, Gov. Schwarzenegger will keep his campaign promise that children are first in line for the state treasury.

"Education is the key to every future success for our state," said Gov. Schwarzenegger. "This Prop. 98 funding will be restored as required by law and our agreement. Today, I am making that promise to our teachers and students."

###

During the 2003 Recall Campaign, candidate Arnold Schwarzenegger pledged his love of Proposition 98.

Schwarzenegger Sketches Out Plans for Reform

Los Angeles Times
September 5, 2003

On education, he expressed support for the state's system of testing students, and he pledged his love for Proposition 98, which requires about 40% of the state's general fund to be spent on education.

In response to a question of whether he would be willing to delay Proposition 98 funds to balance the budget, as some legislators proposed this year, Schwarzenegger replied: **"There are certain fundamental things, I would just say, not over my dead body."**

THE AGREEMENT

Three Major Issues

\$2.0 Billion reduction to the actual 2004-05 Guarantee on a one time basis. This will be known as Maintenance Factor Offset and will not be increased.

Adhere to strict K-14 priority funding for 2004-05 and beyond until this \$2 billion is restored.

Settle up all prior years Proposition 98 financial issues up to and including 2003-2004 by June of 2005. Provide for an annual Continuing Appropriation of \$150 Million to pay all settle-up requirements.

Details of Agreements

1) Maintenance Factor Offset

- ◆ Will be accomplished with separate legislation passed by a 2/3rds vote, referencing Article XVI Section 8(h), limited to a maximum of the 2004-05 Guarantee calculation including full 2003-04 requirements minus \$2.0 Billion.

2) K-14 funding requirements 2004 and beyond

- ◆ Restore Community Colleges funding to 2003-04 spending levels (About \$200 million)
- ◆ Growth and COLA for all K-14 Programs and Services for 2004-05 and as a matter of priority continue this policy for 2005-06 and each year thereafter. (\$1.579 Billion)
- ◆ Fully pay increased PERS costs as required by current law. (\$106 Million)
- ◆ Funds available in excess of these requirements up to the \$2 billion restoration will be allocated as follows:

First Restore any remaining K-12 Revenue Limit Deficit (\$894 Million)

Second Fund approved and legally required Mandated Costs to K-14 Districts

Third 75% of all additional restored funding will be used to provide per pupil general aid funding to K-14 schools.

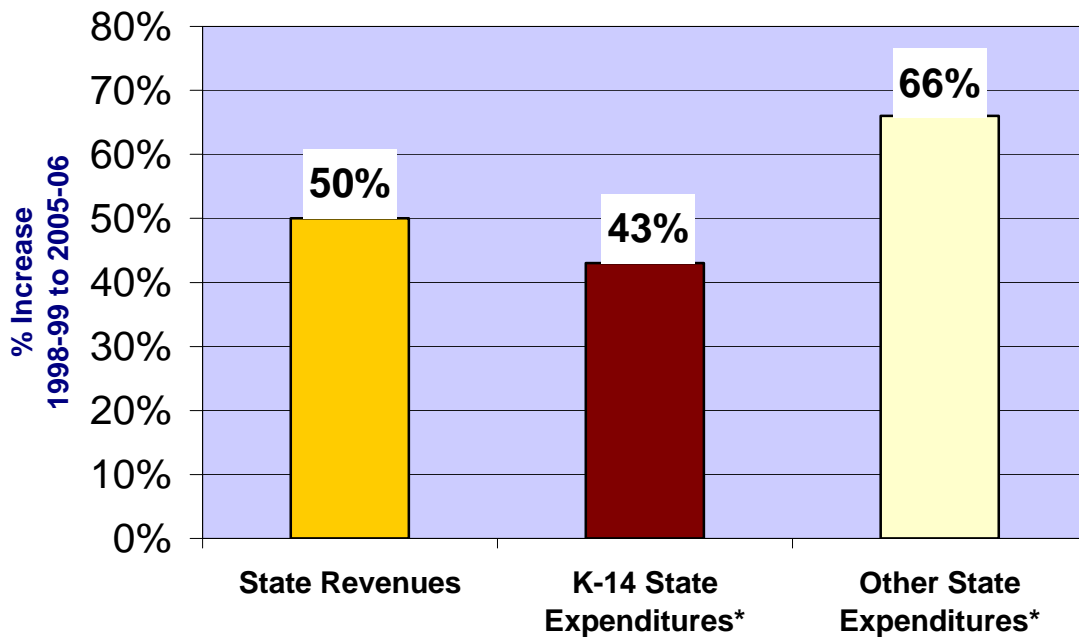
3) Settle up all prior years Proposition 98 finance issues.

- ◆ Proposition 98 has not been reconciled as required by law since 1994-95. This part of the agreement requires the following:
- ◆ Reconciliation will begin no later than January 2005 and it will be completed by June of 2005
- ◆ In 2004 a continuous appropriation will be provided for in legislation which, beginning 2006, will provide an annual appropriation of \$150 million until all settle up financial requirements are fully met. All such funds are to be used for one time purposes such as unpaid prior years mandated cost claims and Instructional Materials to meet the provisions of EC 60019 (Williams Case).

December 23, 2003
10:22 AM

The Growth in K-14 State Expenditures Is Not the Main Cause of California's Budget Problem

1998-99 to 2005-06

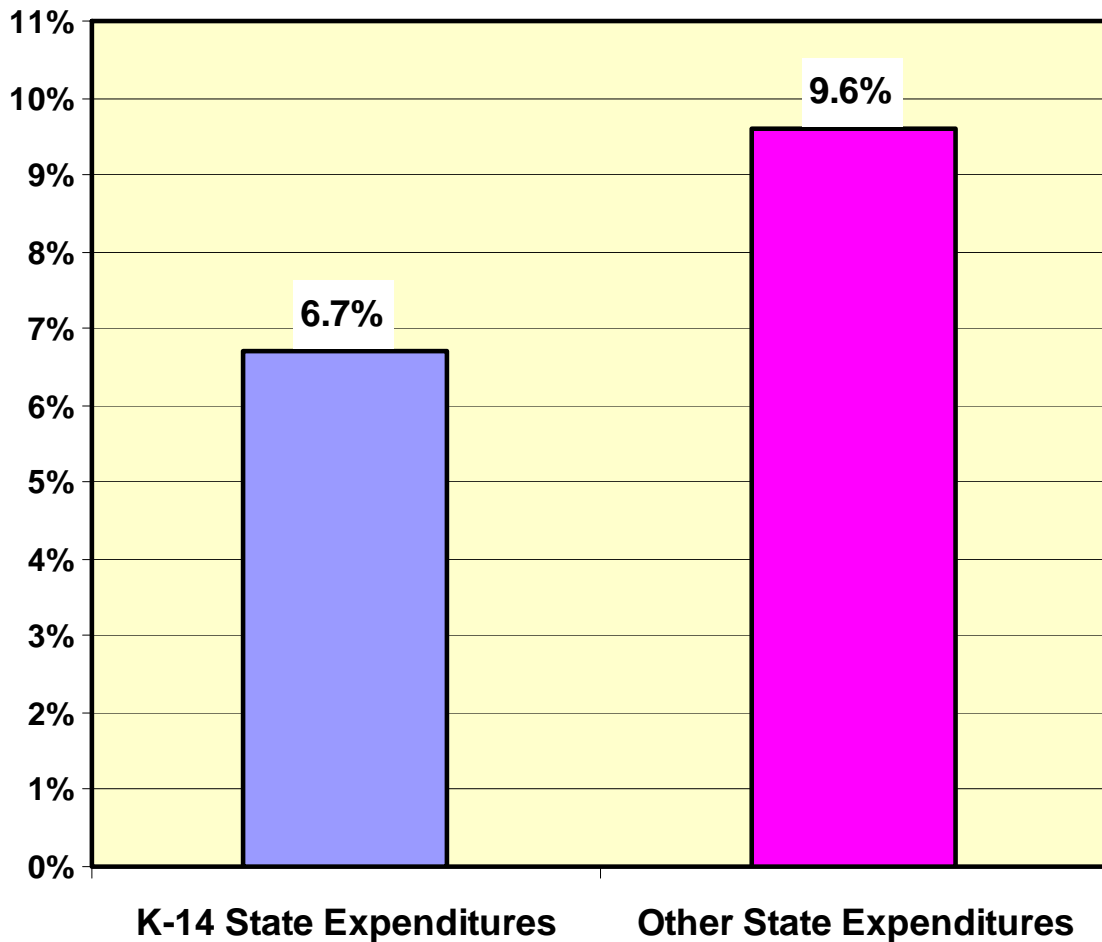


- ✎ From 1998-99 to 2005-06 state revenues have increased by 50%, compared to only a 43% increase for state K-14 expenditures.
- ✎ Other state programs have grown by 50%. When the other state programs are combined with the shift of local property tax revenues to local government, the increase is 66%.
- ✎ Clearly, K-14 education did not cause the state's current fiscal crisis.

* Please note: The 2005-06 K-14 state expenditures and other state expenditures have been adjusted to reflect the \$5.1 billion shift of education property tax revenues to local government.

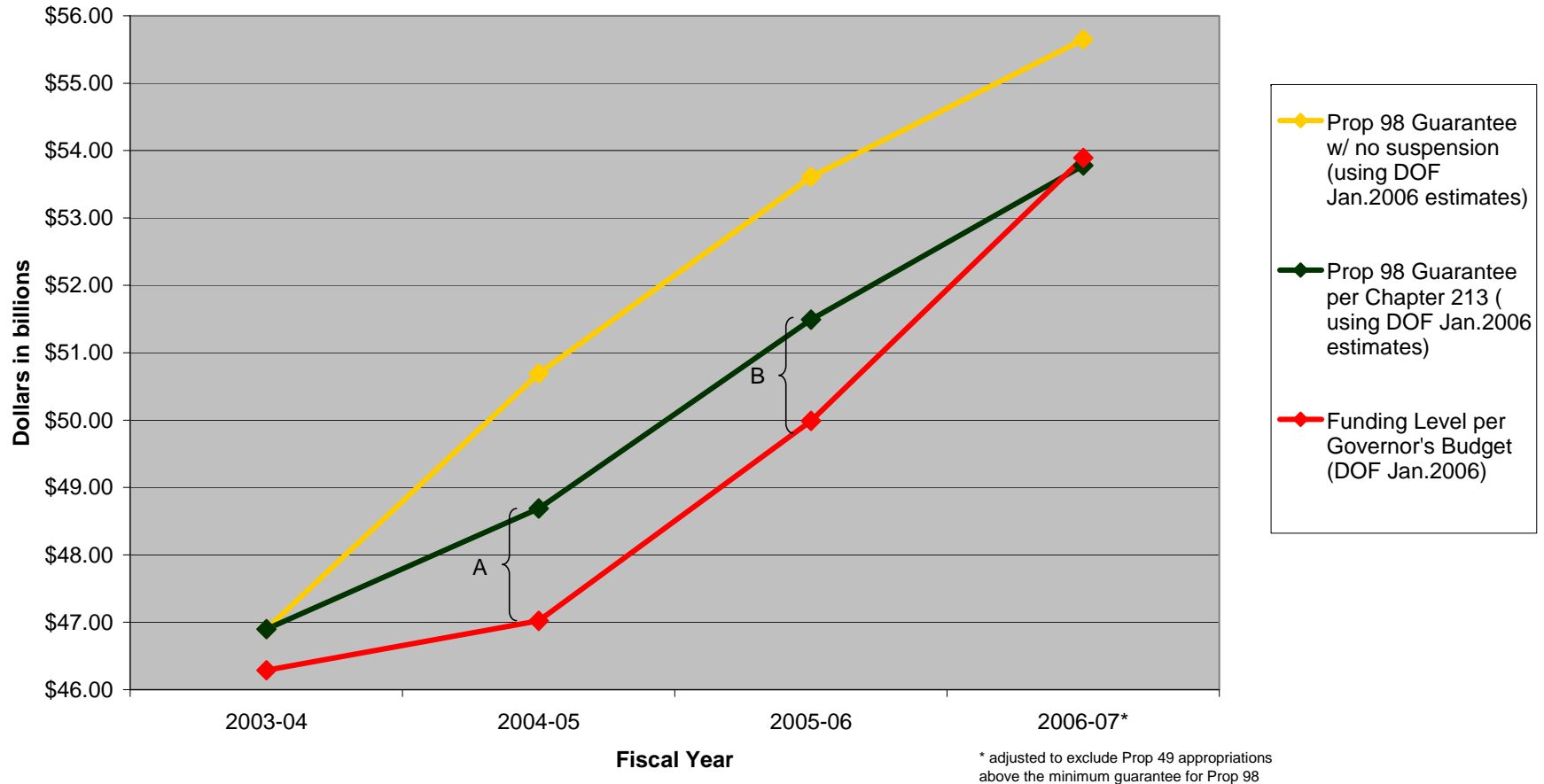
Governor's Proposed 2006-07 Budget

Comparison of the Real Increase in State Aid for Proposition 98 to Other State Programs



- In 2006-07, an additional \$1.7 billion of property tax revenues will be shifted from education to local government.
- Adjusting for this property tax shift shows that the real state increase for education is 6.7%. The adjusted increase for the other state expenditures is 9.6%.

What's Been Happening to Proposition 98?



“A” = \$1.7 billion

“B” = \$1.5 billion

Total: \$3.2 billion

The state owes K-12 schools and community colleges \$3.2 billion due to underfunding Prop. 98:

- **\$1.7 billion in one-time funds in 2004-05 and**
- **\$1.5 billion in one-time funds in 2005-06.**

\$3.2 Billion More for Education Is Equivalent to:

\$515 more per student

\$12,875 more per classroom

\$5.15 million more per school district
(assuming district enrollment of 10,000)

California's public schools are facing a revenue problem!

State	Unadjusted per-pupil expenditures (2003)	State Average Per-Pupil Expenditure, Adjusted for Regional Cost Differences (2003)	Rank
District of Columbia	\$11,847	\$11,031	1
New Jersey	\$12,568	\$10,908	2
New York	\$11,961	\$10,665	3
Vermont	\$10,454	\$10,571	4
Wyoming	\$8,985	\$9,811	5
Connecticut	\$11,057	\$9,605	6
Maine	\$9,344	\$9,521	7
Delaware	\$9,693	\$9,472	8
Wisconsin	\$9,004	\$9,414	9
Rhode Island	\$10,349	\$9,386	10
West Virginia	\$8,319	\$9,286	11
Nebraska	\$8,074	\$9,117	12
Maryland	\$9,153	\$8,968	13
Massachusetts	\$10,460	\$8,921	14
Pennsylvania	\$8,997	\$8,777	15
Ohio	\$8,632	\$8,735	16
Michigan	\$8,781	\$8,646	17
Indiana	\$8,057	\$8,620	18
Iowa	\$7,574	\$8,586	19
Georgia	\$7,774	\$8,346	20
Kansas	\$7,454	\$8,334	21
Minnesota	\$8,109	\$8,270	22
Montana	\$7,496	\$8,249	23
New Hampshire	\$8,579	\$8,186	24
Hawaii	\$8,100	\$8,123	25
Virginia	\$7,822	\$8,071	26
North Dakota	\$6,870	\$8,056	27
U.S. Averages	\$8,041	\$8,041	—
Illinois	\$8,287	\$8,030	28
Alaska	\$9,870	\$7,791	29
South Carolina	\$7,040	\$7,776	30
Oregon	\$7,491	\$7,753	31
Louisiana	\$6,922	\$7,746	32
Missouri	\$7,349	\$7,741	33
New Mexico	\$7,125	\$7,668	34
South Dakota	\$6,547	\$7,663	35
Texas	\$7,136	\$7,570	36
Colorado	\$7,384	\$7,490	37
Kentucky	\$6,661	\$7,451	38
Arkansas	\$6,482	\$7,439	39
North Carolina	\$6,562	\$7,153	40
Alabama	\$6,300	\$7,058	41
Washington	\$7,252	\$6,985	42
California	\$7,552	\$6,765	43
Oklahoma	\$6,092	\$6,756	44
Florida	\$6,439	\$6,729	45
Tennessee	\$6,118	\$6,704	46
Mississippi	\$5,792	\$6,646	47
Idaho	\$6,081	\$6,609	48
Nevada	\$6,092	\$6,394	49
Arizona	\$6,282	\$6,331	50
Utah	\$4,838	\$5,067	51

Data Source: *Education Week, Quality Counts 2006*