



May 22, 2009

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From: Wendy Benkert, Ed.D., Assistant Superintendent
Business Services

Subject: **2009-10 Budget and Related Multi-Year Projections
(May Revise Update)**

Since May 2008, County Office Chief Business Officials have been working with various statewide educational organizations to craft common messages and advice to school districts on assumptions for budget and interim reports. The attached Common Message provides updated guidance for the 2009/10 budget development process based on the Governor's preliminary release of the May Revise.

Please note that this update contains clarifications on:

1. Federal ARRA Fiscal Stabilization funding (SFSF) - due to funding changes from the state, SFSF allocation estimates could shift between K-12 and higher education. Therefore, at this time, school districts should not count on any additional allocations from the \$1.1 billion for 2009-10 until they receive official notification from CDE
2. Federal ARRA Title I funding
3. Federal ARRA IDEA funding
4. Additional ongoing revenue limit reductions
5. Clarifications on Tier 3 flexibility
6. Sufficiency of Instructional materials and public hearing

If you have any concerns or questions regarding this information, please contact me at (714) 966-4229.

cc: Superintendents
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CCSESA BASC DISTRICT FISCAL OVERSIGHT COMMON MESSAGE TALKING POINTS TO COUNTY OFFICE OF EDUCATION CBOs 2009/10 BUDGET AND RELATED MYPS MAY 22, 2009

BACKGROUND

In May 2008, BASC (CCSESA's County Office CBO subcommittee) initiated the practice of developing common talking points for county offices to use as advice to districts on assumptions for budget and interim reports. Our goal is to have as consistent a county office message as possible to school districts on major points affecting the interim and budget reports. This Common Message provides guidance for the 2009/10 budget development process.

This update reflects the Enacted Budget for 2009/10, current information relative to the interpretation of the flexibility provisions enacted per SBX3 4, Chapter 12, Statutes of 2009 and the Governor's early release of the proposed May Revise. After months of delays, on Friday, February 20, 2009, Governor Schwarzenegger signed a 17 month budget SB 1, Chapter 1, Statutes of 2009 that runs through June of 2010. The Enacted Budget is devastating to K-12 education, reducing education spending by \$8.6 billion over the next 17 months. To address the \$41.6 billion budget deficit, State lawmakers reduced expenditures by \$14.9 billion, added \$12.5 billion in new taxes to the General Fund, borrowed \$5.4 billion and offset the difference with \$7.9 billion of funds from the Federal Stimulus Package.

The Enacted Budget was predicated on the passage of several ballot measures that went to voters on May 19, 2009. These propositions did not pass and the cost to the State is estimated to be \$5.8 billion. Additionally, current year revenues are projected to be approximately \$2 billion to \$3 billion short of budgeted projections.

The Enacted Budget imbalance, the current year revenue shortfalls and the projected defeat of the May 19 ballot propositions prompted the Governor to announce, in a letter to Legislative leaders on May 11, 2009, that the state faces a \$21.3 billion budget gap for 2009/10. The Governor's proposed May Revise is predicated on addressing this budget gap. The proposed May Revise relies on program savings primarily from reductions to Health and Human Services programs, Proposition 98; the early release of prisoners; borrowing in the form of Revenue Anticipation Warrants (RAWs); revenue acceleration and fees including increasing withholding tax by 10% and savings in state government.

The Governor's proposed May Revise, Scenario 2 must now become the starting point for proposed solutions to the budget gap. The total K-14 Proposition 98 reductions included in the proposed May Revise equal \$1.6 billion in 2008/09 and \$4.8 billion in 2009/10. In addition to these reductions, the Governor indicated that further deferrals may also be required. It is important to note that the \$4.8 billion includes \$965.6 million associated with Proposition 1C. The February Enacted Budget was built upon the assumption that Proposition 1C would be approved by voters. Hence the Proposition Guarantee was increased by \$965.6 million in order to hold education harmless for the lost lottery revenue stream. Since Proposition 1C was defeated, Proposition 98 must be reduced by \$965.6 million. However, education will continue to receive lottery proceeds. The result is a "wash" for public education.

Based on Scenario 2, the revenue limit reductions for education in the current year are proposed to be \$1.3 billion and grow to an ongoing \$1.4 billion in 2009-10. The proposal also calls for eliminating the \$114 million in funding for the High Priority Grant Program that would have provided support in 2009-10

for the program. In addition to the funding cuts, the Governor's plan also calls for increasing deferrals of education funding by \$1.7 billion. The Governor's proposed May Revise, Scenario 2 provides preliminary estimates which have been incorporated into this revised version of the Common Message. Final details will not be known until the full release of the May Revise, estimated to be around May 28.

Currently, it is assumed by the state that these reductions would not require a suspension of Proposition 98 nor would they invalidate the ARRA 2005/06 funding assurances.

There is still considerable uncertainty about the National and State economy and the future economic outlook continues to decline. Since the budget was signed on February 20th, economic indicators have deteriorated. The Governor indicated that both the state and the nation are in the deepest recession since the Great Depression. California's unemployment rate is 11% in April compared to 8.7% in December, and the National unemployment rate increased to 8.9% for April 2009. Economists at UCLA project the economy and labor market will continue to deteriorate through 2009, with the California unemployment rate reaching a peak of almost 12% by the middle of 2010. The current projection is that California's personal income will fall by 1% in 2009, which is the first decline in personal income since 1938.

In addition, trailer or clean up legislation is anticipated to clarify language contained in the Enacted Budget. It is expected that it could take from three to six months or even longer before this process is completed. Until then, there are proposed agreements between various State agencies as to interpretations of the Enacted Budget. However, as a note of caution, until the trailer or clean up legislation is signed by the Governor, it is always possible that these agreements could change.

This update recommends that school districts use the Enacted Budget information, as amended by the Governor's proposed May Revise, Scenario 2.

While recognizing and acknowledging the unique individual school district circumstances that will influence budget and financial review, we strongly recommend that the following guidelines be used by all school districts as they develop their 2009/10 Budgets including multi-year projections for 2010/11 and 2011/12.

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

On Tuesday, February 17, 2009, President Obama signed into law the \$789 billion Federal Stimulus Package, the American Recovery and Reinvestment Act (ARRA), to boost the National economy. Comprehensive federal guidance for each of the programs can be found at <http://www.ed.gov/policy/gen/leg/recovery/index.html#apps>. The Governor has established a website for California that contains information including funding estimates for California and additional regulations and clarifications. The website is www.recovery.ca.gov.

On March 10, 2009, the LAO released its analysis and estimates that California will receive more than \$31 billion in federal dollars that can be used to address budget shortfalls and to supplement existing spending.

There are three major components of the ARRA that will be addressed in this update. The components are Title I funds, IDEA funds, and the State Fiscal Stabilization Funds. It should be noted that these are one-time funds and should not be used for ongoing expenditures. CDE has posted the estimated allocations for these ARRA components on their website www.cde.ca.gov/fg/aa/ar. Please refer to this website for the latest information for California for funding, compliance and reporting requirements.

As a note a caution, currently, there are still unknowns including the final allocation to school districts (CDE allocations are preliminary estimates and could change), when the apportionments will be received, and a final determination of allowable uses. We urge school districts to keep all their options open during these uncertain financial times.

Title I

California will receive \$1.1 billion in Title I ARRA funds. Of this amount \$985 million will be distributed as Title I ARRA local assistance grants. To date, California has received \$564 million, which is equal to 50% of the ARRA allocation for Title I. CDE has posted school district allocations and it is anticipated that the first ARRA payment of the entitlement equal to 45% will be made in May, 2009. It is anticipated that the remaining 50% will be distributed from USDE to CDE sometime between July 1 and October 1 of 2009 pending federal cash management requirements. This is contingent on the USDE approvals.

Title I ARRA allocations were calculated based on two of four Title I funding streams. Only those school districts that receive funding through the Targeted and Education Finance Incentive Grants (EFIG) portion of Title I are eligible to receive Title I ARRA funding. These two funding streams require a minimum formula count of ten and a poverty rate greater than or equal to 5%. As a result, there are several dozen school districts that do not receive ARRA funds but do qualify for Title I regular entitlement funding.

The Title I ARRA funds will continue to follow the current Title I expenditure guidelines including "supplement not supplant" requirements and the same reservations and set-asides as required for regular Title I funds to the extent they apply to the school district.

Approximately 45% of the Title I ARRA funds will be apportioned by CDE in May, 2009. Funding is available for expenditure for the period from 2/17/09 to 9/30/2010. A school district may apply for a waiver to extend the deadline to 9/30/2011. Details relative to the waiver process will be forthcoming. The 15% carryover limit will be calculated as of September 30, 2010 for these ARRA funds. The ability to file for a waiver for the 15% carryover requirement is available. This option is available to LEAs every three years. More specifics on additional waivers will be forthcoming from the USDE.

Please note that Title I ARRA funds will be required to be accounted separately from the non-ARRA Title I funds in Resource Code 3011. LEAs may be required to demonstrate how the funds were used to help improve pupil performance. More specifics on uses of these funds and reporting requirements may be forthcoming from the USDE and CDE.

IDEA, Part B

California has received \$634 million, or about 50% of the total allocation for IDEA, Part B, Special Education. These funds will be distributed to each SELPA based on a grant award. CDE has posted the preliminary grant awards to SELPAs and the apportionment details will follow. In order to receive the remaining funds, each state will need to submit, for review and approval by the USDE, additional information that addresses how the state will meet the accountability and reporting requirements in section 1512 of the ARRA. The second half of the awards will be made from USDE to CDE by September 30, 2009 upon approval of the state's recordkeeping and reporting submission. School districts are required to track the ARRA IDEA Part B 611 allocations separately from the regular IDEA, Part B allocations.

The ARRA IDEA Part B 611 grant award is in addition to the SELPA's regular 2009 Part B IDEA 611 Grants to States award. Agencies must track these two grant award allocations separately. State spending authority for this grant has been equally divided between state fiscal years 2008-09 and 2009-10. The 2008 amount on the grant award notification is the portion of ARRA 2009 funds that may be forward funded (available) beginning February 17, 2009 through September 30, 2011. The 2009 amount on the grant award notification will be available by September 30, 2009 through September 30, 2011.

Note that ARRA IDEA Part B 611 funding allows for 50% of the increased ARRA funds to be used to reduce state and local expenditures, which is used in determining the maintenance-of-effort (MOE) requirements. However, grantees must receive a determination under IDEA Section 616(f) of "Meets Requirements" to be eligible to reduce their MOE under IDEA Section 613(a) (2) (C). The 50% offset **"freed-up" local or state and local funds** must be used for activities allowed under the Elementary and Secondary Education Act (ESEA), which includes programs under No Child Left Behind. The rules are very complex. School districts must contact their SELPA for allocations, uses of funds, and MOE requirements. **Please see attachment B for more detailed explanation of the ARRA IDEA Part B 611 funds.**

State Fiscal Stabilization Funds (SFSF)

California will receive approximately \$4.9 billion in State Fiscal Stabilization Funds (SFSF) under ARRA for K-12 and higher education.

The Governor submitted California's application around April 9, 2009 and has received approximately \$2.6 billion in eligible funding for K-12 and \$537 million for higher education. This represents the first allocation of the funds for which California is eligible. The Governor's office intends to apply to the USDE for the remaining balance of funds in June/July. It is currently estimated that California is eligible for another \$1.1 billion for K-12 and higher education, but this amount could change. Please note that due to funding changes from the state, SFSF allocation estimates could shift between K-12 and higher education. Therefore, at this time, school districts should not count on any additional allocations from the \$1.1 billion until they receive official notification from CDE.

The CDE has posted a portion of the allocations on their website. The amounts listed are preliminary and currently include amounts attributed to reductions in revenue limit funding. The portion of funding that is based on the reduction to categorical funds in 2008-09, estimated to be \$944 million, is not included in the listed amounts. We believe notification relative to the categorical funds will be made by June 30 and school districts could include these funds in their 2009/10 budget. Furthermore, the amounts that are listed are based on First Principal Apportionment data and will be recalculated once Second Principal Apportionment data is certified. The actual first apportionment is expected to be made in late May or early June.

In order to receive SFSF funds, each school district was required to apply and agree to the "Assurances" posted on the CDE website on April 17, 2009. School districts should review these "Assurances" as they plan for the utilization of the SFSF funds. We believe you cannot spend these funds until after April 17, 2009. We will clarify this date in the next update of the Common Message.

The CDE application indicates that the State Fiscal Stabilization Fund (SFSF) is intended to avert layoffs of teachers, professors, and other personnel and to further education reform in the key areas of teacher quality, standards and assessments, using longitudinal data to improve instruction, and supporting struggling schools. However, school districts must remember that these are one time funds and not an answer to a long term problem. Be cautious in rescinding any layoffs.

SFSF funds may be used by local educational agencies for any activity that is authorized under the following: (1) The Elementary and Secondary Education Act of 1965, including Impact Aid, (2) The Individuals with Disabilities Education Act, (3) The Adult Education and Family Literacy Act, or (4) The Carl D. Perkins Career and Technical Education Act of 2006. All applicants should review the ARRA website and SFSF guidance, particularly information on reporting requirements. School districts must obligate all SFSF funds by September 30, 2011 regardless of when funds are actually received. The funds are accounted for as restricted funds under SACS resource code 3200, revenue code 8290.

The CDE has not issued final reporting requirements, but has indicated that school districts will be required to report on the following:

- Use of funds
- Distribution of funds
- Number of jobs saved or created
- Tax increases averted
- Progress towards reducing inequities in the distribution of highly qualified teachers, implementation of a longitudinal data system, and development and implementation of reliable assessments for limited English proficient and children with disabilities.
- Facility projects supported by the funding

REVENUE LIMIT, SPECIAL EDUCATION AND CATEGORICAL PROGRAM COLAs

These are extraordinary economic times for school finance given the State budget structural deficit, the weak economy, the instability of financial markets, and the increase in unemployment. In recognition of these pressures on school funding, we recommend that school districts use the School Services of California (SSC) Financial Projection Dartboard in development of their 2009/10 Budget and associated multi-year projections for both the revenue limits and categorical programs.

However, the current SSC Dartboard estimates must be adjusted by the base revenue limit per ADA reductions identified in the Governor's proposed May Revise, Scenario 2. These estimates are:

Year	Elementary	High School	Unified
2008-09	\$215	\$258	\$225
2009-10	\$233	\$279	\$244
2010-11 third year start with reduced 09/10			

To incorporate these preliminary estimates into a school district's revenue limit, the following steps should be followed:

- Use the SSC March 2009 New Budget Workshop materials
- School districts should calculate their 2008/09 revenue limit using slide 3-17 and their 2009/10 revenue limit using slide 3-18. Note: SSC provided a sample school district revenue limit calculation for 2008/09 on slide 3-15 and one for 2009/10 on slide 3-16.
- To determine the 2008/09 adjusted base funded revenue limit per the May Revise estimated reductions, school districts would use slide 3-17. From the amount calculated for the 2008/09 Funded Base Revenue Limit (line 2 column C), subtract the amount in the chart above for year 2008/09 for the school district type, ie: elementary, high school or unified.
- To determine the 2009/10 adjusted base funded revenue limit per the May Revise estimated reductions, school districts would use slide 3-18. From the amount calculated for the 2009/10 Funded Base Revenue Limit (line 2 column C), subtract the amount in the chart above for year 2009/10 for the school district type, ie: elementary, high school or unified.

The SSC dartboard will footnote and address any differences in recommended COLAs for special education or categorical funds. SSC expects to update the dartboard again after the final May Revise.

An additional note of caution, school districts should carefully review their revenue limit projections. Due to the deficits and changes in both property taxes and state aid, it is possible that a school district might temporarily shift in or out of basic aid status.

CATEGORICAL PROGRAM FLEXIBILITY

The State Budget has provided considerable flexibility relative to the use of categorical programs funded in Tier III. This flexibility also provides opportunities to school districts to align local educational priorities with funding available. These flexibility provisions are in effect for five years, 2008/09 through 2012/13.

There are still unanswered questions about the flexibility provisions, so please note that additional changes will be forthcoming. Again, please note that it could be from three to six months before the Governor signs the trailer or clean up legislation containing answers to these questions. Following are more specifics about the flexibility provisions and deficits.

2007/08 Ending Fund Balance Flexibility

The Enacted Budget authorizes school districts and COEs to transfer 2007/08 General Fund and State/Local Cafeteria Fund categorical ending balances that accrued as of June 30, 2008 for any educational purpose in either 2008/09 or 2009/10. The exceptions to this transfer authority include the following programs:

- Adult Education Fund
- California High School Exit Exam Intensive Intervention Grants
- Deferred Maintenance Fund
- Economic Impact Aid (EIA)
- Home to School Transportation (including Special Education and School Bus Replacement)
- Instructional Materials
- Quality Education Investment Act (QEIA)
- Special Education
- Targeted Instructional Improvement Grant (TIIG)
- Any funding sources for capital outlay, bond funds or federal funds.
- Any funding protected by legal settlements or voter approved initiatives.

Note that deferred revenues as of June 30, 2008 can be included in the calculation of the 2007/08 Ending Funding Balance flexibility. There are still some clarifications and guidance that will be forthcoming from CDE relative to the 2007/08 Ending Fund Balance Flexibility.

Please note that the bill stipulates that balances of restricted accounts do not include appropriations deferred from 2006-07 to 2007-08 or appropriations deferred from 2007-08 to 2008-09. Attachment A lists the appropriation deferrals excluded from the provisions of SBX3 4. The bill also stipulates that restricted ending balances may not be used if that use would violate federal maintenance of effort requirements. Please see discussion of the effects on maintenance of effort requirements and the accounting treatment requirements in the letter dated April 17, 2009 from CDE.

Tiers

The Enacted Budget reduces most categorical funding by 15.4% for 2008/09 and an additional 4.5% for 2009/10 for most programs with tiered flexibility. Categorical programs have been divided into three tiers. The following lists are from the Revised March 4, 2009 Categorical Programs prepared by CDE and the April 17, 2009 CDE letter entitled, "Fiscal Issues Relating to Budget Reductions and Flexibility Provisions". Please note that this list may be updated.

Tier I - These programs will not be cut and no programmatic flexibility is granted (however, there is a significant relaxation of K-3 Class-Size Reduction (CSR) penalties). Following are Tier I programs with their SACS Resource Codes:

Program	SACS Resource Codes	Program	SACS Resource Codes
• After School Education and Safety (ASES)	6010	• Federal Resources	3000-5999
• Career Technical Education	6385,7810	• Healthy Start	6240
• Child Care and Development	6040-6080 6130-6150	• Lottery Instructional Materials – Proposition 20	6300
• Child Nutrition: Child Care Food Program	5320	• Pupil Transportation: Home to School and Special Education	7230-7240
• Child Nutrition: School Breakfast Start Up	5380	• Quality Education Investment Act (QEIA)	7400
• Child Nutrition – Summer Food Service Program	5310	• School Bus Replacement	7235
• Class Size Reduction, Grades K-3	1300	• Special Education	6500-6540
• Economic Impact Aid (EIA)	7090	• Staff Development: Intersegmental - Advancement via Individual	7340
• Economic Impact Aid (LEP)	7091	• Lottery (State)	1100
• Emergency Repair Program, Williams	6225		

Tier II - These programs will be cut 15.4% in 2008/09 and an additional 4.50% in 2009/10, but no programmatic flexibility is granted for these programs; current requirements remain in place. Following are Tier II Programs with their SACS Resource Codes.

Program	SACS Resource Codes	Program	SACS Resource Codes
• Adult Education Apprentice Programs	6390	• Foster Youth Educational Services	7365,7366 7367
• Adults in Correctional Facilities	6015	• Multi-Track Year Round School Grant Program	0000
• Agricultural Vocational Incentive Grants	7010	• Partnership Academies Program	7220
• California K-12 High Speed Network	7126	• ROC/P Apprentice Programs	6350
• Charter School Facility Grant Program	6030	• Student Assessment	0000-7810
• English Language Acquisition Program, Teacher Training and Student Assistance	6286		

Tier III – SBX3 4 (Education Code (EC) Section 42605) authorizes complete flexibility in the use of funds appropriated in 39 budget act items. These budget act items equate to more than 39 SACS Resource Code Programs. For fiscal years 2008-09 through 2012-13, school districts may use funds from these 39 budget act items for any educational purpose. The funds are therefore unrestricted. Program or funding requirements, as otherwise provided in statute, regulation, and budget act provisional language associated with the funding, are not in effect.

An LEA may choose to use funds from one or more of the 39 items in a manner completely different from how the funds could be used in years prior to 2008-09. Conversely, an LEA may choose to use the funds to continue to operate a program in the same manner as in the past. Both of these scenarios reflect a local decision as allowed by the flexibility provisions. Any restrictions imposed on the funds from these 39 items are therefore local restrictions. There are no state restrictions or requirements, such as expenditure reports or compliance reviews, associated with the funding.

These categorical programs will be cut 15.4% in 2008/09 and an additional 4.50% in 2009/10.

The CDE letter entitled "Fiscal Issues Relating to Budget Reductions and Flexibility Provisions" dated April 17, 2009, addresses the Public Hearing requirements as follows:

"There is ambiguity in SBX3 4 with regard to the public hearing requirement. The CDE has received clarification from the bill's authors that a public hearing as provided in *EC 42605(c)(2)* is condition for receipt of funds from the 39 budget items made flexible by the bill, but is not a condition of the funds being flexible as is suggested in *EC 42605(e)(4)*. To receive funds, the governing board, at a regularly scheduled open public hearing, shall take testimony from the public and shall discuss and approve or disapprove the proposed use of funding. It is the intent of the authors that the annual governing board budget adoption may satisfy this requirement.

Action by the governing board to transfer funds from one use to another is not necessary for the funds to be flexible. Accordingly, there is no requirement for a public hearing on the proposed transfer of funds for the funds to be deemed flexible. The funds are deemed flexible upon receipt and retroactively to July 1, 2008.

Consistent with past practice, funds will be allocated to LEAs prior to any determination as to whether a public hearing occurred. If a subsequent compliance review were conducted and determination made that the public hearing requirement was not met, the LEA would be subject to potential return of the funds. Due to the statutory timelines of the 2008-09 audit guide development, the CDE anticipates no audit of the public hearing requirement in 2008-09." The State Controller's Office (SCO) may issue regulations in the audit guide regarding the public hearing and other issues relative to the compliance requirements of the Tiers/Programs in the Enacted Budget.

For school districts who would like a sample board action item, the following "Sample Board Item" was prepared by our office to be used in conjunction with the public hearing.

Sample Board Item

Your School District Information

Background Information:

The Enacted 2009/10 California State Budget and SBX3 4, Chapter 12, Statutes of 2009 authorizes school districts to use funding received from the State for Tier Three programs, for any educational purpose, to the extent permitted by federal law. The flexibility to use funds from these programs is authorized for five years from 2008/09 through 2012/13 by Education Code 42605.

Rationale:

The Enacted 2009/10 California State Budget reduces funding to education by \$8.6 billion. Education Code 42605 provides school districts the flexibility to use funds from Tier Three programs to other educational programs as deemed necessary.

The Board is being asked to approve the following acceptance of and uses of funds to meet educational needs:

(List applicable funds)

Program Name	SACS Resource Code	Amount of Use	Programs/Purposes for Which Funds are to be Used
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School districts will receive and account for these funds as unrestricted resources. If a school wants to locally track the uses, they may create locally designated unrestricted resource codes for this purpose. School districts should refer to the CDE letter referenced above for further guidance on accounting for these Tier III funds. Pay particular attention to page 11, "Accounting Issues Unique to 2008-09."

School districts are cautioned about the flexibility requirements. The Legislature and other State Agencies are continuing to define and interpret the law. Some of these will require further legislation. For example, although SBX3 4 states that the base year for the Tier III flexibility programs is 2008/09, a current proposal is to make 2007/08 the base year for the following ADA generated or hourly programs.

- Item 6110-104-0001 Remedial Supplemental Instruction Programs
- Item 6110-105-0001 Regional Occupational Centers and Programs
- Item 6110-156-0001 Adult Education
- Item 6110-190-0001 Community Day Schools
- Item 6110-193-0001 (Schedule 3) Reader Services for Blind Teachers
- Item 6110-198-0001 Cal-SAFE
- Item 6110-232-0001 Class Size Reduction Grade 9
- Item 6110-240-0001 (Schedule 2) Advanced Placement Fee Waiver Program

School districts may not have final information for some time and therefore, must have an alternative plan if the final requirements don't allow the amount of flexibility anticipated.

Following are the Tier III programs with their SACS Resource Codes.

Program	SACS Resource Codes	Program	SACS Resource Codes
• Adult Education (Fund 11)	6390	• Instructional Materials Realignment (AB 1781)	7156
• American Indian Early Childhood Education	7210	• International Baccalaureate (IB) Program: Staff Development & Startup	7286
• Arts and Music Block Grants	6760	• National Board Certification Teacher Incentive Grant	6267
• Advanced Placement (AP) Waiver Fee Program	0000	• Physical Education Teacher Incentive Grants	6258
• CAHSEE Intensive Instruction and Services	7055	• Professional Development Block Grant	7393
• California Peer Assistance & Review Program for Teachers (PAR)	7271	• Professional Development/ Staff Development: Bilingual Teacher Training (BTTP)	7275
• Cal-SAFE Academic and Supportive Services	6091	• Pupil Retention Block Grant	7390

• Cal-SAFE Child Care and Development Services	6092	• Remedial Supplemental Instruction Programs	0000
• Cal-SAFE County Classroom (Formerly Pregnant Minor)	6093	• ROC/P	6350
• Center for Civic Education	7810	• School and Library Improvement Block Grant	7395
• Certificated Staff Mentoring Program	7276	• School Community Violence Prevention Grant	7391
• Charter School Categorical Block Grant	0000	• School Safety and Violence Prevention, Grades 8-12	6405
Program	SACS Resource Codes	Program	SACS Resource Codes
• Child Oral Health Assessments	0000	• Staff Development: Administrator Training (AB 75) (formerly Principal Training)	7325
• Class Size Reduction, Grade 9	1200	• Staff Development: Mathematics and Reading SB 472 (formerly AB 466)	7294
• COE Oversight Williams	7385	• Staff Development: Reading Services for Blind Teachers	7295
• Community Based English Tutoring (CBET)	6285	• Staff Development: Teachers of English Language Learners (ELL), SB 472	7296
• Community Day Schools	2430	• Student Organization Vocational Education (California Association of Student Counsels)	7360
• Deferred Maintenance (Fund 14)	6205	• Specialized Secondary Programs	7370
• Education Technology: CTAP, SETS and Supplemental Grants	7110	• Supplemental School Counseling Program (Counselors, Grades 7-12)	7080
• Gifted and Talented Education (GATE)	7140	• Targeted Instructional Improvement Block Grant	7394
• High Priority School Grants Program (HPSGP)	7258	• Teacher Credentialing Block Grant	7392
• High Priority Schools: SAIT and Corrective Action	7268	• Teacher Dismissal Apportionments	0000

K-3 Class Size Reduction

SBX3 4 did not change the total state support for the Kindergarten and Grades One through Three (K-3 CSR) Program in 2008-09, but closed the program in 2009-10 through 2011-12 to participants that had not applied for 2008-09 funds. In addition, SBX3 4 established a new schedule of reduced funding percentages in EC 52124.3 for classes exceeding 20.44 pupils. This new schedule replaces, for the four-year period from 2008-09 through 2011-12, the schedule of reduced funding percentages established previously in EC Section 52124. The new reduced funding schedule provides for funding reductions as follows:

Class Size	2008-09 to 2011-12
Up to 20.44	No penalty
20.45 to 21.44	5% penalty

21.45 to 22.44	10% penalty
22.45 to 22.94	15% penalty
22.95 to 24.94	20% penalty
24.95 and over	30% penalty

Funding for classes in excess of 20.44 pupils will be calculated based on a count of 20 pupils multiplied by the funding rate, less the funding reduction penalty percentage above. The funding rate is determined by the school district's use of Option I or Option II.

- **Option One.** A school district shall provide a reduced class size for all pupils in each classroom for the full regular school day, as defined in each grade level for which funding is claimed. The estimated funding rate for 2009/10 is \$1071.
- **Option Two.** A school district shall provide a reduced class size for all pupils in each classroom for at least one-half of the instructional minutes offered per day in each grade level for which funding is claimed. School districts shall primarily devote those instructional minutes to reading and mathematics. The estimate funding rate for 2009/10 is \$535.

A school district is eligible to receive funding pursuant to the above schedule for the number of grade level classes participating in the K-3 CSR program as of December 10, 2008. Although not yet signed as part of the budget trailer or clean up legislation, the current proposed amendment is that eligibility will be based on the total number of classes operated by the school district and the date will change from December 10, 2008 to January 31, 2009. This means that the school district would be able to use any legal combination of K-3 grade levels or school sites as long as the total number of district wide classes did not exceed the number operated as of January 31, 2009. However, the current CSR rules relative to grade level implementation must be followed when increasing class sizes, i.e.: Grade 1, Grade 2 and then either Grade 3 or Kindergarten. All other rules under K-3 CSR remain as currently stated per ed codes.

All Quality Education Investment Act (QEIA) grant recipients must continue to meet the 20:1 requirement for K-3 CSR to meet the full implementation requirement. It is anticipated that CDE will issue guidance, claim forms, and instructions.

Supplemental/Hourly Programs

Three of the hourly programs continue to be under-funded and the following deficits are projected in 2008-09 and 2009-10. In addition, Supplemental Hourly Programs are subject to a 15.4% mid-year reduction in 2008-09 and a 4.5% reduction in 2009-10.

Remedial supplemental instruction programs (Budget item 6110-104-001) are one of the Tier III programs that now use 2007/08 as the base year rather than 2008/09. Although this will require legislative change, we recommend that school districts maintain conservative budgeting and use the total CDE 2007/08 P-A Certifications for these programs and reduce that amount by 19.84% for their Tier III projections. Below is the table for the rates if 2007/08 were selected as the base year:

Hourly Program	2007/08 Deficit Col. 1	2007/08 Actual Funded Rate Col. 2 (\$4.08 x Col. 1 deficit)	2009/10 Estimated Rates Col. 3 (Col. 2 x 19.84% (15.4% + 4.5%))
K-12 Core Academic	10.054%	\$3.67	\$2.94
Grade 2-9 Retained or Recommended for Retention	28.597%	\$2.91	\$2.34
Grade 2-6 At Risk	25.162%	\$3.05	\$2.45
Grade 7-12 CAHSEE Intervention	0.000%	\$4.08	\$3.27

Special Education

Special Education funding continues to be under-funded statewide and the Enacted Budget does not include COLA for special education, nor does it contain reductions. In addition, the Enacted Budget does not include the proposed \$65 million for the Behavioral Intervention Plan (BIP) mandated cost settlement. This is about \$10.92 per ADA that will flow to the SELPA. It is our understanding that the Legislature may consider funding for BIP during their spring subcommittee meetings, however, school districts should not include funding for BIP at this time.

Instructional Materials

The Instructional Materials requirement is suspended for 2008/09 as well as 2009/10. Therefore districts will not be required to purchase materials under the adoption schedule for 2008/09 and 2009/10. However, unless the law is changed, school districts must budget for two adoptions in their 2009/10 and/or 2010/11 budgets. Both the Math and ELL adoptions are required to be implemented during the 2010/11 fiscal year. Based on conversations with the CDE, we are hopeful that there will be a resolution of this issue. Another outstanding issue is the question of whether a school district must purchase textbooks if the adoption has already been approved by their Board. Please note that school districts must adopt the same resolution per EC 60119 as in previous years.

Although, Instructional Materials funding falls into Tier III categorical flexibility, transfers of carry-over Ending Fund Balance as of June 30, 2008 is prohibited.

A note of caution for DAIT providers per CDE: CDE does not have the definitive “word” about the extent to which LEAs in PI Year 3 must use the 24 month adoption cycle and provide materials based professional development BEFORE they access the SBX3 4 flexibilities. CDE is anticipating that school districts must implement the SBE requirements in “Corrective Action Six” before exercising the flexibilities in SBX3 4.

Williams Lawsuit Settlement

County Superintendents are still required to continue to visit school sites at least once a year to determine sufficiency of instructional materials pursuant to Education Code 1240. For the purposes of Section 1240, for the 2008-09 and 2009-10 fiscal years, sufficient textbooks or instructional materials include standards-aligned textbooks or instructional materials, or both, that were adopted prior to July 1, 2008, by the State board or local educational agency pursuant to statute, unless those local educational agencies purchased or arranged to purchase textbooks or instructional materials adopted by the State board after that date. It is the intent of the Legislature that each local educational agency provide each pupil with the same State-adopted, standards-aligned textbook or instructional material as is provided to every other pupil enrolled in the same grade and same course offered by the local educational agency.

Medi-Cal Administrative Activities (MAA)

On Tuesday, February 17, 2009 President Obama signed into law The American Recovery and Reinvestment Act, which included a provision to extend the moratorium to eliminate federal funding of the MAA program. Medicaid reimbursement is now available through June 30, 2009 for school based administration and transportation services.

In late-breaking news, the new administration of the Federal Health and Human Services Division (HHS) has announced that regulations that would have eliminated school-based Medicaid administrative and transportation service reimbursement for students with disabilities are now proposed to be rescinded. The new regulation will establish a public comment period of thirty days, which means the rescission of the regulation, would occur before the June 30 deadline of the current moratorium.

Mandates

There is no change to existing K-12 mandates. We recommend that districts continue to file claims for past mandated costs until the Legislature suspends or repeals specific mandates.

Deferred Maintenance

Under the Enacted Budget a school district is relieved of 5 total years of match requirement, on a current or prior year basis, and also receives 5 total years of flexibility. All program requirements will be deemed to have been met for the total five year period.

(Note: We are currently clarifying final instructions and waiting for final guidance from OPSC.)

The intent of this note is to provide clarification about flexibility in the Deferred Maintenance Program (DMP), as provided by Section 15 of SBX3 4 and the LEA match requirements. The program Budget Act dollars have historically been viewed as funding the program one year in arrears, which has raised some implementation questions.

Regarding flexibility to use the deferred maintenance funds for any educational purpose, such flexibility begins with the 2008-09 dollars appropriated in the 2008-09 Budget Act which is the State's match for the school district's 2007-08 DMP and allocated by OPSC in this current fiscal year (2008-09). This flexibility continues for five years until 2012-13 which is the State's match for the school district's 2011-12 DMP.

Regarding relief from the match requirement, if an LEA transferred in 2007-08 its local match for the school district's 2007-08 DMP and this transfer was to be matched by the State through the 2008-09 Budget Act deferred maintenance funds, the LEA may now either reverse or undo their match, thus moving to a current basis wherein the LEA would not be required to make a match in fiscal year 2008-09, and no match up to and including fiscal year 2012-13. The school district would begin making its local match during 2013-14 which would be the local match for the 2012-13 DMP. The State would also provide its match during 2013-14 for the school district's 2012-13 DMP.

If the LEA transferred in 2007-08 its local match for the school district's 2007-08 DMP and this money has already been expended for deferred maintenance purposes in accordance with the LEA's five year deferred maintenance plan and thus the LEA is unable to undo the match, then the LEA will consider the funds transferred in 2007-08 as "unmatched funds". The district can then apply these "unmatched funds" against the local match that would be required to be made in 2013-14 for the school district's 2012-13 DMP. The State would also provide its match during 2013-14 for the school district's 2012-13 DMP. **Please note that this situation is currently under discussion due to conflicting regulations and we don't know the final outcome. This situation would only apply if a school district had expended their entire deferred maintenance fund as of June 30, 2008.**

If, on the other hand, an LEA budgeted its local match in their 2008-09 fiscal year budget for the school district's 2007-08 DMP and this was to be matched by the State through the 2008-09 Budget Act deferred maintenance funds, the LEA is relieved of making that match currently budgeted in their 2008-09 budget.

A simple way to view this is that an LEA is relieved of 5 total years of match requirement, on a current or prior year basis, and also receives 5 total years of flexibility. For the total five year period, all program requirements will be deemed to have been met.

Routine Restricted Maintenance

From 2008/09 through 2012/13, school districts may reduce their required contributions to the routine restricted maintenance account from 3% to 1%. Because a large majority of the expenditures is tied to

staffing and necessary ongoing maintenance, districts may have difficulties reducing routine restricted maintenance expenditures from 3% to 1%.

Lottery

The State Controller's Office apportioned \$30.52 (unrestricted) per ADA for the first quarter of 2008/09. This is \$5.92 per ADA less than the first quarter of 2007/08. Based on current Lottery sales and a projected 10% decrease in sales, the 2008/09 Lottery apportionment is projected at \$109.50 annual ADA for unrestricted and \$11.50 annual ADA for the Proposition 20 Instructional Materials.

The estimates for 2009-10 are \$109.50 per annual ADA unrestricted and \$11.50 per annual ADA for Proposition 20 Instructional Materials.

Charter School General Purpose Block Grants

The Enacted Budget projects the Charter School Block Grant rates as listed below. Please note that the rates typically fluctuate throughout the year since they are based on the K-12 statewide average for revenue limit funding. The Categorical Block Grant rate is expected to be reduced from \$500 to \$404 in 2009-10 across all grade levels. Rates will likely further decrease as a result of the May Revise.

Grade Level	Projected 2009-10 Adjusted Rates
K-3	\$5,400
4-6	\$5,483
7-8	\$5,644
9-12	\$6,545

RESERVE FOR ECONOMIC UNCERTAINTIES

The Enacted Budget maintains the minimum reserve requirement levels for economic uncertainties. We believe that the current percentages established in the Criteria and Standards for reserves are the BARE MINIMUM. In these times of great economic and budgetary uncertainty, school districts need reserves that are greater than the minimum.

NEGOTIATIONS

Current law requires school districts to issue final layoff notices by May 15th for certificated personnel. E.C. 44955.5 provides governing boards the authority to issue layoff notices between five days after the enactment of the Budget Act and August 15th in any year that the enacted State budget contains less than a 2% COLA. However, we advise districts to adhere to the May 15th deadlines and provide the necessary statutory employment notices that provide the most flexibility to deal with the Enacted Budget and any potential future changes as a result of the Governor's June 8 Revision (May Revise) or future legislation. Once those statutory dates have passed, the school district limits its options for expenditure reductions needed to meet the requirements of any revision to the Enacted Budget. Most of the uncertainties of the current financial and legislative issues will not be known until after May 15. The August 15th layoff process has not been previously tested. Because of our concerns we recommend that school districts use this date only for additional notices not given on March 15. School districts contemplating use of the August 15 layoff need to work closely with their labor attorney.

Programs and staff can be re-instated when a determination is made that they can be funded. Based on the Governor's proposed May Revise reductions, we caution school districts to carefully consider the implications of rescinding of lay off notices or filling vacancies pending more concrete information on ARRA funding requirements, 2008/09 year end closings, and the final May Revise information.

When considering a multi-year contract, school districts need to be very flexible and have appropriate contingency language, such as basing compensation increases on “funded COLA” or “effective COLA”. Also recognize that there may be different COLAs and deficits for revenue limits versus categorical programs and this should be considered during negotiations.

CASH MANAGEMENT

The Enacted Budget defers \$2 billion in revenue limit apportionment as well as \$570 million K-3 CSR payments from February to July 2009. In addition, \$1 billion in revenue limit apportionments will be deferred from July to October 2009 and \$1.5 billion from August to October 2009.

For cash flow purposes, school districts should plan that the June 2009 P2 apportionment that was normally received in early July 2009 may be apportioned at the end of July 2009. Although CDE indicates that they still intend to certify the June 2009 P-2 apportionment in early July 2009, the law allows the State Controller until the end of July 2009 to distribute the actual cash. Therefore, a great deal of emphasis must be placed on cash flow analysis and monitoring in regards to the impact of reduced or deferred apportionments for the current and subsequent years. This makes it even more imperative that districts maintain reserves greater than the State minimum required level.

K-12 Deferral Amount	Timeframe
\$2.57 Billion <ul style="list-style-type: none"> • \$2 Billion Revenue Limit • \$570 Million K-3 CSR Funding 	February to July 2009
\$1.6 Billion	June to July 2009
\$1.0 Billion	July to October 2009
\$1.5 Billion	August to October 2009

Also note that the Governor’s proposed May Revise calls for increasing deferrals of education funding by \$1.7 billion. There are no further details at this time.

In the section “RESERVE FOR ECONOMIC UNCERTAINTIES”, we stressed the importance of maintaining appropriate reserves. These cash management challenges make it even more imperative that we consider reserve levels greater than the minimums required within the State’s Criteria and Standards. Reserves are especially critical in order to meet cash flow needs that guarantee the ability to adequately meet payrolls and other obligations.

SUMMARY

We recognize that these are extraordinary economic times and it is difficult to gauge the future. School district budgets should be managed with a great degree of conservation over the next few years. The 17 month Enacted Budget contained a number of provisions that required voter approval on May 19th. These propositions failed placing the state in greater financial distress, currently estimated to be \$21.3 billion. The Governor’s proposed May Revise makes significant additional reductions to school districts for 2008/09 and 2009/10. Additionally, future legislation is still required to implement the Enacted Budget.

We understand how difficult it is for school districts to deal with the increased pressures and decisions surrounding the ARRA funding. However, we do not believe that school districts will receive both the ARRA funds and the Enacted Budget allocations. We believe that the Governor and the Legislature must act to implement the Governor’s proposed May Revise, Scenario 2. Therefore, school districts need to incorporate the proposed May Revise in their 2009/10 Budgets in addition to the inclusion of the Enacted

Budget and the ARRA funds as discussed in an earlier section of this document. It is important that school districts be proactive through developing contingency plans that allow the most flexibility possible.

School districts are advised to begin planning now for necessary reductions for 2009/10 and 2010/11. While planning necessary budget reductions for 2009/10 and 2010/11, school districts can also develop program or expenditure restoration priorities if more revenues are made available.

Consistent with past guidance, we would ask district boards to take action on specific 2009-10 reductions with the 2009-10 Budget Adoption and include the estimated total amount of reductions necessary to maintain fiscal solvency for 2010-11. A detailed board approved list of budget reductions is not expected until the First Interim Reporting period. For your convenience, attachment C provides sample language that the district board may use to specify the dollar amount of ongoing budget reductions for 2010-11.

We recommend and strongly encourage that all school districts use these guidelines in the development of the 2009/10 Budget and associated multi-year projections. We plan on updating the Common Message after the details of the May Revised are released.

Attachment A

Appropriations Deferred from 2006-07 to 2007-08 (\$ in thousands)

Budget Act Item	Resource	Program Name	Total Amount Appropriated for 2006-07	Deferred Amount	Deferral as a Percent of Total 2006-07 Appropriation
6110-103-0001	6350/ 6390	Apprenticeship	\$18,255	\$6,227	34.1%
6110-104-0001	0000	Remedial Supplemental Instruction	\$402,554	\$90,117	22.4%
6110-105-0001	6350	Regional Occupational Programs (ROP)	\$457,608	\$39,630	8.7%
6110-156-0001	6390	Adult Education	\$703,467	\$45,896	6.5%
6110-190-0001	2430	Community Day Schools	\$49,746	\$4,751	9.6%
6110-211-0001	0000	Charter School Categorical Block Grants	\$101,032	\$5,947	5.9%
6110-228-0001	6405	School Safety & Violence Prevention	\$96,659	\$38,720	40.1%
6110-246-0001	7394	Targeted Instructional Improvement Block Grants	\$1,034,076	\$100,118	9.7%

Appropriations Deferred from 2007-08 to 2008-09 (\$ in thousands)

Budget Act Item	Resource	Program Name	Total Amount Appropriated for 2007-08	Deferred Amount	Deferral as a Percent of Total 2007-08 Appropriation
6110-103-0001	6350/ 6390	Apprenticeship	\$18,963	\$6,227	32.8%
6110-104-0001	0000	Remedial Supplemental Instruction	\$420,789	\$90,117	21.4%
6110-105-0001	6350	Regional Occupational Programs (ROP)	\$485,656	\$39,630	8%
6110-156-0001	6390	Adult Education	\$753,717	\$45,896	6.1%
6110-190-0001	2430	Community Day Schools	\$51,999	\$4,751	9.1%
6110-211-0001	0000	Charter School Categorical Block Grants	\$151,474	\$5,947	3.8%
6110-228-0001	6405	School Safety & Violence Prevention	\$100,553	\$38,720	38.5%
6110-246-0001	7394	Targeted Instructional Improvement Block Grants	\$1,075,731	\$100,118	9.3%

CCSESA BASC
Special Education ARRA IDEA Part B-611
Local Assistance Funds
Information Bulletin

Background

CDE has received the initial 50% allocation of ARRA funds targeted to IDEA Part B, Special Education. There are several fine points of which COEs and districts should be aware. This information is based on the latest information available and is of course subject to change and further clarification.

Entitlements are posted on the CDE website at: <http://www.cde.ca.gov/fg/fo/r18/arralocass09result.asp>

The numbers represent allocations based 2007-08 data and are *preliminary calculations only*. Final calculations are to be based upon 2008-09 data. Allocations are made to SELPAs. Each SELPA has total control over the allocation methodology within its SELPA. *No district is guaranteed any specific entitlement amount.*

Cashflow

Initial award letters are expected to arrive at SELPAs before the end of May. After the return of the award letters CDE will apportion **20%** of the total 100% award amount. This is expected to arrive before June 30th. Federal cash management rules keep CDE from apportioning the whole amount up front. CDE envisions apportioning three additional 10% allocations over the summer (think July, August, and September). In October CDE expects to receive the second 50% allocation of ARRA funds, but has disclosed no plans yet for an apportionment schedule.

Local MOE Reduction

One of the most exciting parts of the increased federal IDEA is the option to reduce local maintenance of effort requirements. For a qualifying district (see next section) it may reduce its local MOE by 50% of the increase in the federal IDEA grants (resources 3310, 3313, 3320, and 3324). The increase is measured by the increase in the federal award from fiscal year 2008-09 to fiscal year 2009-10. This is because the ARRA award letters are federal FY09. *In practical terms LEAs cannot use the **ARRA** to buy down the 2008-09 local MOE.* However that option is open to qualifying LEAs in 2009-10.

Local MOE Qualification

Generally speaking, in order to reduce local MOE a district's special education program must essentially be in good standing as measured by three criteria:

- a. Good standing with the SEA – i.e. no state findings of the LEA's inability to maintain FAPE and no action against the LEA under IDEA Section 616.
- b. The LEA "Meets Requirements" under the compliance determinations – i.e. a score of 3.5 or higher.

- c. The LEA passes the SEA's Significant Disproportionality calculations – estimated to be performed in July.

Note that since the disproportionality calculations will not be performed until July, *no district will be certain of its eligibility to reduce local MOE until then*. While it is expected that a majority of districts will pass this test, it should be noted that districts who fail this test not only will not be able to reduce MOE, but will be required to set aside 15% of their federal funds for early intervening services.

Local MOE is found on a district's annual MOE certification based on unaudited actuals data.

Reporting Requirements

Federal reporting requirements for these grants are still being determined, but currently it is expected to be a quarterly written report due from the SELPA to the State. SELPAs will need to collect this data from their member LEAs.

Construction and Equipment Expenditures

Currently construction and capitalized equipment expenditures are not authorized for these grant funds. The ARRA allows for this possibility provided the State has asked for a waiver. California has not requested the waiver. A template to request these expenditures and their approval is currently being contemplated by CDE.

MOE Example

XYZ District in 2007-08 received \$500,000 from the SELPA: \$300,000 in State aid and \$200,000 in Federal IDEA Local Assistance grants.

In 2008-09 the LEA received \$500,000 from the SELPA again: \$280,000 in State aid and \$220,000 in IDEA Local Assistance. Further it received 20% of the ARRA funds being directed to it by the SELPA – an amount of \$40,000.

- The LEA may use \$10,000 to reduce local MOE. ($\$220,000 \text{ award less } \$200,000 \text{ prior year award}$) x 50%. The ARRA award, while expendable in 08-09 does not affect the local MOE calculation until next year.

In 2009-10 the LEA receives \$500,000 from the SELPA again: \$260,000 in State Aid and \$240,000 in IDEA Local Assistance grants. Further it received the final 80% of the ARRA funds, an amount of \$160,000.

- The LEA may use \$110,000 to reduce local MOE. ($\$440,000 \text{ award amount, composed of } \$240,000 \text{ regular award plus } \$200,000 \text{ ARRA award, less } \$220,000 \text{ prior year award}$) x 50%. The ARRA award is composed of the \$160,000 received and expended in 2009-10 plus the \$40,000 received in 2008-09.

Note the implication for 2010-11, since the 2009-10 award amounts are so high – it is unlikely an LEA will receive an increase in federal funds in 2010-11 – thus there likely will be no opportunity to reduce MOE in 2010-11. Districts should plan to do so in 2009-10 (even though ARRA funds can carryover into 2010-11). See chart on the following page for a more complete explanation.

Maintenance of Effort Example

Line #		<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
1	State Aid	\$ 300,000	\$ 280,000	\$ 260,000
2	Federal IDEA	\$ 200,000	\$ 220,000	\$ 240,000
3	Total District IDEA Funding from SELPA	\$ 500,000	\$ 500,000	\$ 500,000
4	ARRA Funds (Total Entitlement = \$200,000)			
5	ARRA IDEA Funds Received	\$ -	\$ 40,000	\$ 160,000
6	% of total allocation		20%	80%
7	Total Federal Funds Received (line 2 + line 5)	\$ 200,000	\$ 260,000	\$ 400,000
	MOE reduction calculation	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>
8	Federal IDEA funds (line 2)	\$ 200,000	\$ 220,000	\$ 240,000
9	Federal ARRA IDEA funds (line 4)	\$ -	\$ -	\$ 200,000
10	Total Federal IDEA Award Amounts	\$ 200,000	\$ 220,000	\$ 440,000
11	Less prior year Federal IDEA funding		\$ (200,000)	\$ (220,000)
12	Net increase in federal IDEA funding		\$ 20,000	\$ 220,000
13	Amount LEAs may use to reduce local MOE: (line 12 * 50%)		\$ 10,000	\$ 110,000



WILLIAM M. HABERMEHL
County Superintendent of Schools

Attachment C

In submitting the 2009-10 Adopted Budget and an implementation plan for budget reductions in 2009-10, the Board understands its fiduciary responsibility to maintain fiscal solvency for the current and subsequent two fiscal years. It is recognized that if the Governor's May 2009 Preliminary Release is enacted as proposed, or if the fiscal condition further deteriorates, the district will implement \$(_____) in ongoing budget reductions in 2010-11 and an additional \$(_____) reductions in 2011-12 to maintain fiscal solvency. It is further recognized that the district will submit a detailed list of Board approved ongoing budget reductions for 2010-11 with the 2009-10 First Interim Report.