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SSDA OFFICE

Debra Pearson, Executive Director
455 Capitol Mall, Suite 315
Sacramento, CA 95814
Tel: (916) 444-9335
Fax: (916) 441-4851
Web: www.ssda.org

LEGISLATIVE ADVOCATE

David L. Walrath
c/o Murdoch, Walrath & Holmes
1130 K Street, Suite 210
Sacramento, CA 95814
Tel: (916) 441-3300
Fax: (916) 441-3893
Email: dwalrath@m-w-h.com

January 23, 2012

The Honorable Darrell Steinberg
President Pro Tempore, California State Senate
State Capitol, Room 205
Sacramento, CA 95814

State Budget Proposal

Dear President Pro Tempore Steinberg:

The Small School Districts' Association (SSDA) has reviewed the Governor's State Budget proposal for 2011-12 and 2012-13 K-12 Education funding and respectfully requests that the Legislature restructure the budget proposal.

SSDA recognizes the difficulties and constraints faced by the Administration in developing the budget proposal. However, SSDA strongly disagrees with the outcome that – because other parts of the budget did not meet budgetary goals – schools, which did meet all of their legal cuts, are being and would be cut further. Public education should not be required to make up those other losses. SSDA did not support that type of action in previous budgets and continues to oppose these actions under the budget as proposed. SSDA's budget position is that schools have taken all the cuts they can take without more serious harm to student educational opportunity.

SSDA also is concerned about the increasing public education funding inequities. This results from some districts and individual schools having greater access to local funds from foundations and parcel taxes. Because the budget proposal does not address these growing inequities, SSDA does not make any recommendation on the issue. SSDA, however, does want to highlight the issue because long-term school finance reform should address the growing problem of 'have' and 'have-not' school districts and schools.

SSDA does have specific recommendations for restructuring significant policies that are part of the budget proposal.

2011-12 Pupil Transportation Trigger Cuts: Senate Bill 81.

SSDA opposes the differential discriminatory cut of Home-to-School Transportation that was part of the trigger mechanism when state revenues were projected to fall below specified levels. SSDA supports Senate Bill 81 which would make the trigger cuts more equitable.

2012-13: Elimination of State Support for Pupil Transportation. SSDA believes the proposed elimination of state support for pupil transportation results in an unfair allocation of the cut burden to some districts and families, while protecting other districts and families. SSDA believes that the proposal would deny equal access to education. Even if not constitutionally illegal, eliminating state funded pupil transportation would have a disproportionate impact on students from low-income families in many urban and rural school districts. The proposed elimination would result in significantly less funds for all students in these districts and would be creating burdens upon families who have limited ability to pay for or provide transportation of their own students.

The assumption that parents would be able to provide transportation is untested. The assumption that students would be able to walk safely on roads without sidewalks or lights is untested. The assumption that school districts would be able to totally eliminate transportation without any negative environmental or pupil health and safety effects is untested. SSDA believes fiscal policy should be made on the basis of fact, not untested assumptions; particularly, a fiscal policy which would have a disproportionate discriminatory effect on students from low-income families and students receiving special education services.

SSDA recommends that the Legislature not adopt the Governor's budget proposal and, instead, provide a more equitable distribution through revenue limit reductions rather than eliminating state aid for pupil transportation.

Categorical Aid Flexibility. SSDA supports the budget's proposal to add more programs into the flexibility item to provide additional categorical aid flexibility. SSDA does not support the reallocation of the expanded item.

2012-13 Categorical Aid Reallocation from Some Districts to Other Districts. SSDA supports, in concept, the Governor's proposal for a new weighted Average Daily Attendance (ADA) school finance model. SSDA, however, is concerned that such an action in 2012-13, in addition to all the other cuts that are being proposed or are within the budget proposal, is too much fiscal uncertainty for school districts at this time. SSDA also believes the weighted ADA finance model should be funded through new revenues rather than reallocating current funds from some districts to other districts.

State Mandates. SSDA supports in concept the Governor's proposal to repeal half the state K-12 mandates and suspend the other half with a block grant allocation to school districts that agree to provide the functions that otherwise would have been required. SSDA has supported state mandate program and funding reform and has sponsored legislation for such reform. The Governor's budget proposal is consistent with the types of reforms SSDA has advocated. SSDA, however, is concerned that during this time of fiscal uncertainty the proposal could have a result that school districts would be funded for one year for the suspended mandates, not funded for subsequent years, but still be expected to continue providing those services.

For this reason, SSDA recommends that the mandate funding provision be a continuous appropriation for at least ten years.

Transitional Kindergarten. SSDA does not support the Governor's budget proposal on restructuring the Transitional Kindergarten program. SSDA supported the final version of SB 1381 which created the Transitional Kindergarten program. SSDA believes that the structure created by SB 1381 is the best policy structure and should be implemented as enacted.

Repaying Deferrals Rather than Program Restoration. SSDA opposes the Governor's budget proposal that new funds be used only for repayment of inter-year deferrals. SSDA supports an alternative use for new funds where the Legislature uses funds to maintain the 2010-11 school program funding level prior to repaying inter-year deferrals. SSDA is concerned about the disproportionate cuts for Home-to-School Transportation, the continuation of the trigger cuts on revenue limit funding, as well as the lack of Cost-of-Living Adjustment (COLA) to maintain current programs.

SSDA believes all three should be funded or restored prior to repaying deferrals. If there are sufficient funds from General Fund revenue increases, funds should be dedicated to reversing cuts to schools in the current and budget year.

The budget proposal results in no new jobs and some job losses even if the proposed new taxes are approved. SSDA believes new revenues should be used to protect current jobs and restore former jobs.

Proposition 98. SSDA opposes, and believes to be unconstitutional, the budget proposal for the Proposition 98 minimum guarantee to pay debt service costs for school facility bonds. Currently, the state General Fund pays debt service. Those payments are not allocations to school districts and, therefore, not counted toward the Proposition 98 minimum guarantee. For Proposition 98 funds to be used for debt service, those funds would have to be allocated to school districts for that purpose and then used by the school district to pay for the debt service.

If school districts that received bond funding receive the Proposition 98 allocation and then are required to return the funds to the state to pay state bond debt service, that would convert the current school facility program into a loan program. Converting to a loan program would be a violation of the ballot propositions presented to the citizens which clearly stated the bond funds would be used to make grants to school districts for new construction, modernization and other programs. SSDA believes there is no legally viable means to implement the debt service transfer trigger proposal.

Conclusion

SSDA requests that the Legislature, at a minimum, ensure there are no further cuts to public schools from the 2010-11 funding level. This funding level should be continued through 2012-13. Even if the November 2012 new tax revenues are not approved, SSDA believes that the General Fund revenue growth of \$9 billion since the 2011-12 state budget was introduced is sufficient to provide K-12 funding at no less than the level of school funding that was provided in 2010-11.

Thank you for your consideration.

Sincerely,



David L. Walrath