

MIXON and ASSOCIATES BUDGET CONFERENCE REPORT

The House and Senate Budget Conference Committees for Pre-K-12 Education completed two of the three major parts of their work at 12:50 P.M. today. The conferees completed work on the overall amount of funding for the Voluntary Pre-K and the K-12 public schools' budgets. They also completed work on the budget proviso, which is the language inside the budget that directs how the funds for each item are to be spent.

The work on the budget conforming bills, which change the law to match the budget and create new policies related to providing revenue and making expenditures, has not begun. The first meeting to work on the conforming bills will be held April 22.

Important issues to be resolved in the conforming bills include the amount of extra funding earned by students passing A.P. and I.B. exams and how those funds can be spent. Also awaiting resolution in the conforming bills is the issue of whether school board members' salaries will continue to be equal to a beginning ten-month bachelor degree-holding teacher or the amount specified elsewhere in law.

The issue of whether the amount of local funds to be raised by the Required Local Effort will be based on the assumption that we will collect 95% or 96% of potential local revenue is unresolved. The issue will be discussed in the conforming bill but has been "bumped" to the full appropriations chairs for resolution in the budget. In the past the funding was based on the assumption that 95% of the funds would be collected. Using the 96% assumption will increase the revenue reported in the Appropriations Act but not the amount of funds in the districts' budgets.

The conforming bills also include the procedures to be used for class size reduction implementation and compliance. The amount of funding to be lost due to non-compliance will be determined in this bill.

While we cannot give an accurate picture of how the total funds will be distributed among the various parts of the budget or to districts we do know some important things.

1. We know the total amount of funding that will be provided for public schools, which is slightly more than \$18 billion.
2. Total funding is about \$32 million higher than Fiscal Year (FY) 2009-2010 due to increased enrollment.
3. The statewide average dollars per unweighted FTE student for FY 2010-2011 will be virtually the same as the amount for this year.
4. Districts may see increases or decreases in per student funds depending on changes in programs and student population

5. The Speaker of the House and the President of the Senate started the session with a commitment to produce a public school budget that does not cut per student funding and they have kept that commitment.

6. To build this budget the Legislature had to replace a drop in local public school revenue of about \$800 million with state funds.

7. The Legislature also had fewer new general revenue dollars than required to address critical needs in other sections of the budget. The Legislature did not require public schools to take our share of cuts needed to address that deficit.

For example, for some districts the work on the conforming bill is very important. Some districts earn a larger share of bonus funds from A.P. and I.B. programs. Therefore a cut in the rate of the bonus may reduce overall funding for those districts.

We started the Legislative process expecting a cut in our present year budget of as much as 6% based on the revenue projections and normal budget policies. We are beginning the district budgeting process with funding about equal to the present budget. That is a much better position than we expected!

It is also important to know that the hostile retirement bills that had been introduced and were under consideration are now off the table, at least for this year. We are still working on the bill that proposes employees make a .25% contribution to the retirement system.

We still have new bills we may have to pay. We may see an increase in the cost of employee retirement of about \$185 million a year for districts statewide. We will have to implement the final phase of class size reduction without additional revenue. Cost increases needed to pay for employee health insurance, school bus fuel, electricity and class size reduction will have to be addressed by reducing spending in other budget areas.

The budget process will be challenging but we are in a much better position now than we expected in January.