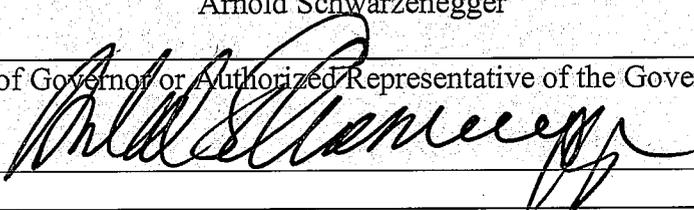


STATE FISCAL STABILIZATION FUND APPLICATION

PART 1: APPLICATION COVER SHEET (CFDA Nos. 84.394 and 84.397)

Legal Name of Applicant (Office of the Governor): Office of the Governor	Applicant's Mailing Address: P.O. Box 3044 Sacramento, CA 95812-3044
State Contact for the Education Stabilization Fund (CFDA No. 84.394) Name: Cynthia Bryant Position and Office: Deputy Chief of Staff, Office of the Governor Contact's Mailing Address: Same as above Telephone: (916) 445-3637 Fax: (916) 322-8880 E-mail address: Cynthia.Bryant@gov.ca.gov	State Contact for the Government Services Fund (CFDA No. 84.397) <i>(Enter "same" if the same individual will serve as the contact for both the Education Stabilization Fund and the Government Services Fund.)</i> Name: Same Position and Office: Contact's Mailing Address: Telephone: Fax: E-mail address:

To the best of my knowledge and belief, all of the information and data in this application are true and correct.

Governor or Authorized Representative of the Governor (Printed Name): Arnold Schwarzenegger	Telephone: (916) 445-0210
Signature of Governor or Authorized Representative of the Governor: 	Date: April 15, 2009

Recommended Statement of Support from the Chief State School Officer <i>(Optional)</i> : The State educational agency will cooperate with the Governor in the implementation of the State Fiscal Stabilization Fund program.	
Chief State School Officer (Printed Name):	Telephone:
Signature of the Chief State School Officer:	Date:

PART 4, SECTION C: MAINTENANCE-OF-EFFORT BASELINE DATA

SPECIAL NOTES:

- A State has some flexibility in determining the "levels of State support" for MOE purposes. For example, for the purpose of the elementary and secondary education MOE requirements, a State may use the level of support that the State provides through its primary elementary and secondary funding formulae, or it may use other relevant data. See Appendix C – Instructions for Part 4: Maintenance of Effort.

1. Levels of State support for elementary and secondary education (the amounts may reflect the levels of State support on either an aggregate basis or a per-student basis):

FY 2006 \$5,527 per ADA*

FY 2009* \$5,783 per ADA*

FY 2010* \$5,548 per ADA*

*The state is now reflecting the levels of state support for elementary and secondary education on a per-student basis to comply with the MOE requirement. In July 2009, the state reduced the level of support for K-12 education in both FY 2009 and FY 2010.

FY 2011* Unknown

(* Provide data to the extent that data are currently available.)

2. Levels of State support for public institutions of higher education (enter amounts for each year):

FY 2006 \$8.857 billion*

FY 2009* \$8.946 billion*

FY 2010* \$8.859 billion*

*These totals include the University of California, California State University, and California Community Colleges. In July 2009, the state reduced the level of support for K-12 education in both FY 2009 and FY 2010.

FY 2011* Unknown

(* Provide data to the extent that data are currently available.)

K. David Perdue 8/26/09
Under Secretary of Education

PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND

SPECIAL NOTES:

- Section A of Part 5 requests data on the Education Stabilization Fund (CFDA No. 84.394). In completing this portion of the application, please refer to Appendix D – Instructions for Part 5: State Uses of Funds.
- At a later date, the Department will collect data on the levels of State support for elementary, secondary, and postsecondary education in FY 2011.
- These data may differ from the data in the levels of support for maintenance-of-effort purposes. See instructions in Appendix D.
- The term “postsecondary education” refers to public IHEs.

1. Levels of State Support for Elementary, Secondary, and Postsecondary Education

Provide the following data on the levels of State support for elementary, secondary, and postsecondary education:

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| (a) Level of State support for elementary and secondary education in FY 2008 provided through the State’s primary elementary and secondary education funding formulae | <u>\$38.031 billion (07-08 actual)</u> |
| (b) Level of State support for public IHEs in FY 2008 | <u>\$11.339 billion (07-08 actual)</u> |
| (c) Level of State support for elementary and secondary education in FY 2009 provided through the State’s primary elementary and secondary education funding formulae | <u>\$37.884 billion (08-09 Sept 08)</u>
<u>\$34.383 billion (08-09 July 09)</u> |
| (d) Level of State support for public IHEs in FY 2009 | <u>\$11.128 billion (08-09 Sept 08)</u>
<u>\$9.503 billion (08-09 July 09)</u> |
| (e) Level of State support for elementary and secondary education in FY 2010 provided through the State’s primary elementary and secondary education funding formulae | <u>\$32.877 billion (09-10 July 09)</u> |
| (f) Level of State support for public IHEs in FY 2010 | <u>\$8.906 billion (09-10 July 09)</u> |

Additional Information: Did the State, prior to October 1, 2008, approve formula increases to support elementary and secondary education in FY 2010 or 2011, or to phase in State equity and adequacy adjustments?*

Yes

No

* See Appendix D Worksheets for further guidance on how such increases affect a State’s “use of funds” calculations.

K. P. Dacht
Undersecretary of Education
8/26/09

2. State's Primary Education Funding Formulae

Additional Submission Requirement: In an attachment to the application, identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations provided above for the levels of State support for elementary and secondary education.

3. Data on State Support for Postsecondary Education

Additional Submission Requirement: In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of State support for public IHEs.

4. Restoration Amounts

Based on the Worksheets included in Appendix D, calculate and provide the amount of Education Stabilization funds that the State will use to restore the levels of State support for elementary, secondary, and postsecondary education in FYs 2009 and 2010. As explained in the Instructions in Appendix D, a State must determine the amount of funds needed to restore fully the levels of State support for elementary, secondary, and postsecondary education in FY 2009 before determining the amount of funds available to restore the levels of such support in FY 2010.

SPECIAL NOTES:

- At a later date, the Department will collect data on the amount of funds, if any, that remain available to (1) restore the levels of State support for elementary, secondary, and postsecondary education in FY 2011, and (2) award subgrants to local educational agencies (LEAs) based on their proportionate shares of funding under Part A of Title I of the ESEA.
- The calculations for these data must be based on the State's total Education Stabilization Fund allocation as reflected in Appendix A and not on the State's initial Education Stabilization Fund award.
- Although the State must follow the Instructions in Appendix D, in order to determine the amount of funds that LEAs and IHEs will receive under the program (i.e., the "restoration amounts"), the Governor has discretion in determining when to release these funds to LEAs and IHEs.

- (a) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2009 \$3.243 billion
- (b) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2009 \$1.632 billion

K. R. Quinn 8/26/09
Undersecretary of Education

Restoration Amounts (continued)

- (c) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2010 \$0

- (d) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2010 \$0

- (e) Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY 2009 and FY 2010 \$0

5. Process for Awarding Funds to Public IHEs

Additional Submission Requirement: In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.

K. D. ... 8/26/09
Undersecretary of Education

PART 4, SECTION C: MAINTENANCE-OF-EFFORT BASELINE DATA

3. Additional Submission Requirements: In an attachment to the application –

- (a) Identify and describe the data sources used in determining the levels of State support for elementary and secondary education; - and –

The level of state support for elementary and secondary education includes state General Fund for the state's primary education funding formula, commonly referred to as the "Proposition 98 Guarantee," plus adjustments for various factors as specified in statute. For more information on Proposition 98, please see the response to (B) in Part 5, Section A of this application regarding the state's primary education funding formulae. We note that the totals exclude local property taxes.

Proposition 98 funding provides academic services to pupils between the ages of 3 and 21 including, but not limited to, standards-based academic instruction, special education services, vocational and career preparatory programs, child care and development services, teacher recruitment and development, adult education programs, remedial instruction services, and school facility-related activities.

The MOE baseline for K-12 excludes State Lottery funding and Capital Outlay funding.

- (b) Identify and describe the data sources used in determining the levels of State support for public IHEs.

The level of state support for public institutions of higher education includes state General Funds for the University of California, California State University, and California Community Colleges.

The MOE baseline for IHEs excludes State Lottery funding and Capital Outlay funding.

K. R. C. C. C. 8/26/09
Under Secretary of Education

PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND

2. State's Primary Education Funding Formulae

Additional Submission Requirement: In an attachment to the application, identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations provided above for the levels of State support for elementary and secondary education.

Proposition 98—On November 8, 1988, the voters of California approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act." Proposition 98 changed state funding of public education below the university level, primarily by guaranteeing K-12 education and California Community Colleges a minimum level of funding (the "Proposition 98 Guarantee"). Proposition 98 (as modified by Proposition 111, enacted on June 5, 1990) guarantees K-14 education the greater of: (a) in general, a fixed percentage of state General Fund revenues ("Test 1"), (b) the amount appropriated to K-14 education in the prior year, adjusted for changes in state per capita personal income and enrollment ("Test 2"), or (c) a third test, which replaces Test 2 in any year that the percentage growth in per capita General Fund revenues from the prior year plus one half of one percent is less than the percentage growth in state per capita personal income ("Test 3"). Local property tax collections represent an offset to state General Fund costs in a Test 2 or Test 3 year. Proposition 98 provides funding through revenue limits and categorical aid as described below. We note that funding for California Community Colleges has been included in the level of state support for public IHEs.

Revenue Limits—The state provides most general-purpose K-12 education funding through a calculation known as the "revenue limit." The revenue limit is an amount calculated pursuant to statute for each school district on a per unit of average daily attendance (ADA) basis and adjusted annually to provide cost-of-living (COLA) increases, and periodically to equalize funding among similar types (i.e. unified school districts, high school districts, and elementary school districts) and sizes (i.e. small and large) of school districts. A school district's total revenue limit funding is equal to its revenue limit per ADA multiplied by its ADA plus various adjustments that the state may add or subtract as specified in statute.

Categorical Aid—The state also provides school districts with funding for numerous categorical programs, either through the state General Fund or special funds. Generally, funding for these programs has been restricted for specific uses (e.g. instructional materials, adult education, and English language learners), or has been contingent on achieving certain goals (e.g. class size reduction).

Restoration Details—The Revised FY 2009 Budget includes no COLA adjustment for K-12 revenue limits nor categorical programs, and additionally reduces both K-12 revenue limits and categorical programs. The state has used roughly 50 percent of the first allocation of federal Education Stabilization Funds to restore K-12 revenue limits and 50 percent for categorical programs. The state intends to use the remaining Education Stabilization Funds to restore revenue limit reductions made in the Revised FY 2010 Budget. This is the best way for California to ensure that we can continue to maintain our high academic standards and student expectations. California has standards that are among the highest in the nation, and these funds will assist us in maintaining those standards.

K. D. ...
8/26/09
Undersecretary of Education

3. Data on State Support for Postsecondary Education

Additional Submission Requirement: In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of State support for public IHEs.

The level of state support for public institutions of higher education includes state Proposition 98 General Funds for California Community Colleges and state General Funds and capital expenditures for the University of California and California State University.

5. Process for Awarding Funds to Public IHEs

Additional Submission Requirement: In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.

The state intends to provide California Community Colleges with additional categorical program funding to partially restore reductions included in the FY 2010 Budget. The remaining funding will be provided directly to the University of California and California State University, on an equal basis, through authority provided in the Budget Act.

K. Patricia A. Smith 8/26/09
Under Secretary of Education