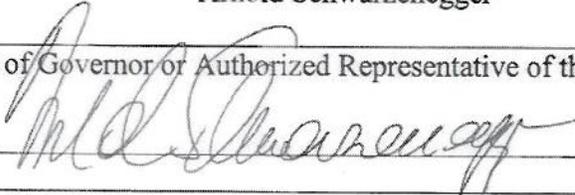


STATE FISCAL STABILIZATION FUND APPLICATION

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

<p>Legal Name of Applicant (Office of the Governor): Office of the Governor</p>	<p>Applicant's Mailing Address: P.O. Box 3044 Sacramento, CA 95812-3044</p>
<p>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</p>	<p>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:</p>

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

<p>Governor or Authorized Representative of the Governor (Printed Name): Arnold Schwarzenegger</p>	<p>Telephone: (916) 445-3637</p>
<p>Signature of Governor or Authorized Representative of the Governor: </p>	<p>Date: May 15, 2009</p>

Recommended Statement of Support from the Chief State School Officer (Optional):

The State educational agency will cooperate with the Governor in the implementation of the State Fiscal Stabilization Fund program.

<p>Chief State School Officer (Printed Name):</p>	<p>Telephone:</p>
<p>Signature of the Chief State School Officer:</p>	<p>Date:</p>

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 ~~\$34.905 billion~~ 32.862 billion*

*The State identified \$2.043 billion in one-time funds that were scored in FY 2006 but were actually appropriated in FY 2007. Therefore, the FY 2006 MOE level was reduced by this amount to consistently reflect the State’s level of support for elementary and secondary education across fiscal years.

FY 2009* \$35.418 billion

FY 2010* \$36.230 billion

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 ~~\$5.435 billion~~ 8.857 billion*

FY 2009* ~~\$6.071 billion~~ 10.377 billion*

FY 2010* ~~\$5.586 billion~~ 10.222 billion*

*The State revised the MOE levels for FY 2006, 2009, and 2010 to include California Community Colleges in the totals for Higher Education.

FY 2011* Unknown

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

Handwritten signature: K. Pate 5/15/09

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. P. B. Coish 5/15/09

Calculation of MOE Amounts for SFSF
(\$ in millions)

	2005-06	2008-09	2009-10	Amount Above MOE	
				2008-09	2009-10
K-12 P98	34,898	31,011	35,828		
Adjustments					
Less One-time (06-07)*	(2,043)				
Plus Settle-Up	7	1,101			
Plus QEIA		402	402		
Plus Deferrals		2,904			
Total K-12	32,862	35,418	36,230	2,556	3,367
CCC	3,670	3,918	4,588		
Adjustments					
Less One-time (06-07)*	(257)				
Plus Settle-Up	10				
Plus QEIA		48	48		
Plus Deferrals		340			
Total CCC	3,423	4,306	4,636		
IHEs					
CCC	3,423	4,306	4,636		
UC	2,839	3,168	2,933		
CSU	2,596	2,903	2,654		
Total	8,857	10,377	10,222	1,520	1,365

*The State identified one-time funds that were scored in FY 2006 but were actually appropriated in FY 2007. Therefore, similar to the manner in which the State scored other settle-up funds, the FY 2006 MOE level was reduced by the one-time funds to consistently reflect the State's level of support across fiscal years.

K. Patrick Aish 5/15/09

California's Explanation for Revising Its Fiscal Year 2006 Maintenance-Of-Effort Levels

May 27, 2009

In determining how to count dollars for each fiscal year, California needed to treat two types of appropriations in a special manner. These two appropriations, "settle-up" and "deferrals" have two different accounting treatments at LEAs, and so they were treated differently at the state level for purposes of calculating both the MOE and the restorations. In each case, we have treated the appropriations in a manner consistent with their accounting treatment at the LEA level.

Settle-Ups

California's Constitution provides a minimum funding guarantee for K12 education and community colleges. The guarantee is based on a formula that includes factors such as revenue that keep changing after the close of the fiscal year. As a result, we frequently discover in a subsequent year that funds are owed for a prior year to meet that year's minimum guarantee. The appropriations made to meet these obligations are referred to as settle-up funds. In some cases the settle-up payments were required for not just prior year but for past years. Example: We determined in 2003-04 that we owed settle-up monies for FY 1995-96, 1996-97, 2001-02 and 2002-03. A portion of these monies are still owed, but a portion of these funds were appropriated in 2004-05 and 2005-06.

For purposes of California's constitutional guarantee they count in the prior year, but for purposes of accounting, they are booked as revenue in the year the schools actually receive the appropriation.

Deferrals

In recent years, revenue declines during a current year result in a lower constitutional minimum guarantee. Because the guarantee is in most cases based on the prior year funding level, it is critical to reduce the guarantee during the then current year so that the minimum guarantee does not get sustained at a higher level than revenues can support. However, for many LEAs, an actual budget reduction late in the fiscal year would cause significant and severe hardship. As a result, there has grown a practice of "deferring" a specific amount that was originally budgeted for the current year to a later date for payment. For example, We may defer the payment of \$1 billion from June to September; the result is a shift of appropriation from one fiscal year to the next, thus correcting the guarantee. However, by treating it as a deferred payment for the current year, the LEAs can book it as a receivable and can still balance their budgets. For accounting purposes, the funds are booked in the original year.

California's Amended MOE Calculation

The correction we submitted is due to an error in our original calculation of the MOE. One of the settle-up appropriations was counted in the wrong year. It was a settle-up for 2005-06, but was not appropriated until 2006-07. We inadvertently failed to subtract it from the 2005-06 totals.