



Finance — State Budgets/Expenditures

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State Budget Shortfalls: Examples of State Responses

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Due to significant projected budget shortfalls for 2009 and 2010, many states are proposing short-term cuts in P-12 education spending. This *StateNote* provides examples of potential budget cuts in the following categories:

- Capital and building expenditures
- Textbooks, supplies and equipment
- Salaries and benefits
- Staffing of non-teaching positions (at the local and state level)
- Instructional and support programs and services.

Two final sections, “New ways to fund education” and “It’s not all bad news,” indicate where funds are being added or reallocated, and where states are considering creative approaches to preserve or expand P-12 education programs and services.

Capital and building expenditures

California’s Pooled Money Investment Board announced in December 2008 a freeze on \$3.8 billion in financing for bond-funded capital projects — including school construction projects — until June 2009. In mid-January 2009, the board partially reversed the order, allowing \$650 million to be spent on the highest-priority infrastructure projects through June 2009. However, if current deficit problems continue, the state will not be able to move forward on many of these projects.¹

Textbooks, supplies and equipment

Kentucky’s acting state budget director, John T. Hicks, indicated in a January 2009 presentation to legislative leaders that the department of education’s plan to reduce textbook grant funds to local districts by 28% (or nearly \$6.1 million) would represent the lion’s share of the \$7.1 million the department is required to cut in the middle of the FY09 budget cycle. The education and workforce development cabinet’s \$2.5 million budget reduction plan includes a 2% reduction in the career and technical education program budget, to be addressed by a reduction in school supplies and equipment expenditures.²

A January 23, 2009 memo from **Alaska** Governor Sarah Palin’s Chief of Staff, Michael Nizich, imposes a purchasing restriction applicable to all state-level commissioners. The memo indicates that while each commissioner will decide which items are non-essential, these likely would include supply and equipment purchases that could be postponed until FY2010.³

Salaries and benefits

Georgia Governor Sonny Perdue’s proposed FY09 budget defers salary increases for certain department of education staff and reduces the state health benefit plan employer contribution rate by slightly more than 4%.⁴

Indiana Governor Mitch Daniels suggested in a December 2008 radio address that public employees volunteer to forego a pay raise in 2009.⁵

Idaho Governor C.L. "Butch" Otter's proposed budget for FY2009 and FY2010 does not include merit increases for state employees.⁶

Staffing of non-teaching positions (at the local and state level)

Arizona Governor Janet Napolitano's FY 2010 budget plan recommends keeping the state department of education full-time equivalent (FTE) staffing levels at the 2009 level, 255.8 FTEs, thus denying the department request for an FY 2010 increase to 284.3 FTEs. After developing this budget plan, Napolitano was appointed Homeland Security Secretary. The extent of amendments to the FY 2010 budget plan Napolitano's gubernatorial successor, Jan Brewer, will request are not clear at this time.

In December 2008, **California** Governor Arnold Schwarzenegger issued an executive order directing the department of personnel administration, effective February 1, 2009 through June 30, 2010, "to adopt a plan to implement a furlough of represented state employees and supervisors for two days per month, regardless of funding source." During the same period, the department of personnel administration must likewise adopt a plan for "an equivalent furlough or salary reduction for all state managers" and work with state agencies "to initiate layoffs and other position reduction and program efficiency measures to achieve a reduction in general fund payroll of up to 10%." The executive order additionally directs the department of personnel administration, effective January 2009, to "place the least senior 20% of state employees funded in any amount by general fund resources on the [State Restriction of Appointment \(SROA\)](#) list" and prohibits all state agencies under the governor's authority, regardless of funding source, "from entering into any new personal services or consulting contracts to perform work as a result of the furloughs, layoffs or other position reduction measures implemented as a result of" the executive order, from January 1, 2009 through June 30, 2010.⁷

However, according to a January 21, 2009 *Los Angeles Times* article, State Controller John Chiang has refused to implement the executive order, which has been challenged in court.⁸ The *Times* later reported that on January 29, 2009, a state judge ordered the measure to be put into effect.⁹

Hawaii's proposed 2010-11 budget eliminates:

- 1 permanent and 26 temporary positions in "School Based Budgeting"
- 195 temporary positions (but adds 72 permanent positions) in "Comprehensive Student Support Services"
- 33 permanent and 9 temporary positions in "Instructional Support"
- 46 permanent and 12.5 temporary positions in "State and Complex Area Administration."

The proposed budget likewise reduces one permanent and two temporary positions in "School Support" (related to non-instructional services such as food services, student transportation, etc.) and deletes more than \$500,000 a year for part-time adult education teachers.¹⁰

Alaska's January 2009 executive office memo announcing a purchasing restriction also orders a hiring freeze in many commissioner agencies. The memo indicates that the hiring freeze applies to:

- All full-time, part-time, non-permanent and seasonal positions in bargaining units and in the partially exempt and exempt service paid for by general funds and other state funds
- Requests to establish new non-permanent positions
- Requests to extend non-permanent positions
- Positions that provide administrative support and maintenance in 24-hour facilities [i.e., juvenile justice facilities, the Alaska Military Youth Academy, [Mt. Edgecumbe High School](#)]
- Positions *partially* funded by federal funds.¹¹

Instructional and support programs and services

On January 23, 2009, **California** leaders announced the introduction of emergency legislation that would direct the legislature to provide \$19.5 million for the school meal reimbursement program. A California

Department of Education press release suggests the program, which reimburses schools for meals provided to free- and reduced-price lunch students, may run out of funds by April.¹²

The **Connecticut** state board of education responded in December 2008 to a request from the state office of policy and management to develop options to reduce its 2009-10 budget by 10% (cuts equaling \$283.54 million). The state board's proposed cuts eliminate FY2010 grants supporting a variety of programs, including Best Practices, the Connecticut Science Center, K-3 mental health programs and the Connecticut Pre-Engineering Program, and suggest the continuation of grant caps for other programs.¹³

Georgia's proposed FY2010 budget suggests numerous changes, including those affecting:

Teachers

- Eliminate funding for the academic coach program and for the Mentor Teacher program in the Academic Coach program, and eliminating six science mentor positions and associated operating expenses (the program provides salary supplements or bonuses for successful teachers to mentor other teachers).
- Eliminate funding for the National Board Certification program, which provides board-certified teachers with a 10% salary increase.

Charter schools

- Reduce funding for charter school planning and facility grants, and eliminate funding for charter school implementation grants.
- Eliminate one-time start-up funds for the [Charter School Commission](#).

Dropout prevention

- Provide funding for middle school graduation coaches only in schools whose feeder high schools have graduation rates at or below 85%.
- Reduce the funding earmarked for training graduation coaches and eliminate startup funds for JROTC programs.

Math and science

- Eliminate funding for the Georgia Youth and Science Technology Center (GYSTC).
- Eliminate funding for the National Science Center and Foundation.

Special education

- Reduce funding for special needs scholarships for students with disabilities to attend private schools and for Special Education-Low Incidence Grants, and reduce the Preschool Handicapped and Severely Emotionally Disturbed programs based on projected need.

Other programs

- Eliminate funds in the virtual elementary foreign language program.
- Reduce funding for "Sparsity Grants" for rural districts.
- Reduce contractual services for SAT Prep and state-mandated testing.
- Reduce funding for migrant education.
- Eliminate state funding support for school nurses.¹⁴

In a January 2009 presentation, **Indiana** Governor Mitch Daniels suggested the state may reduce or eliminate IHETS ([Indiana Higher Education Telecommunication System](#)), defer full funding for full-day kindergarten and delay efforts related to the [Hoosier College Promise](#) program.¹⁵

New ways to fund education

Kentucky's Governor Steve Beshear announced in December 2008 the creation of the Kentucky Commission on Philanthropy. According to a press release issued by the governor's office, the commission's initial focus will be on early childhood education and child health, and will invite philanthropies "to consider rallying around common goals, adopting common strategic approaches and employing high-quality programs that will have significant, long-term impact."¹⁶

In a January 2009 presentation to the legislature, Kentucky's acting state budget director, John T. Hicks, also proposed increasing the cigarette tax by 70 cents, to \$1.00 a pack, and doubling the tax rate on other tobacco products.¹⁷

In January 2009, **Minnesota** Governor Tim Pawlenty and state legislative leaders announced a proposal to require districts and charter schools in the state to pool purchases related to "information technology, food services, supplies and equipment, operations, transportation, and other goods and services."¹⁸

In addition, Governor Pawlenty and **Wisconsin** Governor Jim Doyle issued executive orders in January 2009, directing Minnesota and Wisconsin state agency commissioners or secretaries to meet with their peers to explore shared services between state agencies. Commissioners are to report back to their governors by February 27, 2009, indicating the "specific activities, programs and services currently provided by their state's agency that could be met through a cooperative service arrangement with the other state." The press release suggests that purchases such as software and institutional food, as well as facilities and vehicles, may be potential areas in which state agencies may share services.¹⁹

It's not all bad news...

In an acknowledgement that schools are a key investment for states, some states actually have increased education spending for FY2010, and are investing in new programs or exploring public/private partnerships to support programs. For example:

Georgia Governor Sonny Perdue's FY 2010 budget recommendation proposes a \$318 million school construction bond package and the reallocation of technology funds to provide 1,500 more Georgia Virtual School course enrollments.²⁰

According to a **California** Department of Education press release, the State Allocation Board approved in December 2008 "more than \$435 million for the construction and modernization of 115 schools, nearly \$19 million for the emergency repair of 23 schools, \$201.5 million plus \$10 million in state loans for 244 career technical education facilities and \$59 million for the replacement of portable classrooms at 11 schools."²¹

In December 2008, the **Illinois** State Board of Education announced that, for the second year in a row, it would disburse \$7.5 million in grants to the fastest-growing school districts, to help hire additional teachers and purchase computers, books, classroom materials and supplies. As Michael Jacoby, executive director of the Illinois Association of School Business Officials, notes in the press release, "In some situations, enrollment growth comes so quickly and the lag in funding from the local tax base as well as state and federal sources can cause significant financial strain ... Given the timing of the tax cycle, a district can be serving students for 18 to 24 months before they see any resources of a commensurate nature. So any assistance that can come to districts, specifically related to the growth issue, is extremely helpful."

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¹ California State Treasurer Bill Lockyer press release, *Treasurer Lockyer Comments on Funding Cutoff for Infrastructure, Stresses Harm to Businesses and Workers*, December 17, 2008; accessed January 27, 2009 from <http://www.treasurer.ca.gov/news/releases/2008/20081217.pdf>; California State Treasurer Bill Lockyer press release, *Treasurer Lockyer Comments on Board's Decision to Partially Thaw California Infrastructure Financing Freeze*, January 16, 2009; accessed January 27, 2009 from <http://www.treasurer.ca.gov/news/releases/2009/20090116.pdf>.

² John T. Hicks, *FY 2009 Governor's Budget Reduction Proposal*, presentation to the Joint Session of the House and Senate Appropriations and Revenue Committees, January 13, 2009, slides 29 and 30; accessed January 27, 2009

from <http://www.osbd.ky.gov/NR/rdonlyres/7BF27FD5-949C-43AF-B790-AB09E22BC8D6/0/ARPresentation011309.pdf>.

³ Michael Nizich, chief of staff for Alaska Governor Sarah Palin, January 23, 2009 memo *Purchasing Restriction and Hiring Freeze*; accessed January 27, 2009 from http://gov.state.ak.us/omb/10_omb/budget/Hiring%20Freeze%20Memo%20from%20COS%201-23-09.pdf.

⁴ Governor's Office of Planning and Budget, *Governor's Budget Report: Fiscal Year 2010*, page 163 of 436; accessed January 27, 2009 from http://www.opb.state.ga.us/media/9848/2009-01-26_web_fy2010_state%20of%20georgia%20budget.pdf.

⁵ Office of Governor Mitch Daniels press release, *Daniels suggests Indiana public employees forego 2009 pay raises*, December 23, 2008; accessed January 27, 2009 from http://www.in.gov/portal/news_events/33877.htm.

⁶ Office of Governor C.L. "Butch" Otter, "January 12, 2009 Transmittal Letter," accessed January 27, 2009 from http://dfm.idaho.gov/cdfy2010/lettersreports/Transmittal2010_cd.pdf.

⁷ California Executive Order S-16-08, December 19, 2008; accessed January 27, 2009 from <http://gov.ca.gov/executive-order/11310/>.

⁸ Michael Rothfeld and Patrick McGreevy, "California controller sides with unions in suit challenging Arnold Schwarzenegger," *Los Angeles Times*, January 21, 2009; accessed January 27, 2009 from http://www.latimes.com/news/local/la-me-budget22-2009jan22_0_1457796.story.

⁹ Patrick McGreevy and Evan Halper, "California is told to furlough employees," *Los Angeles Times*, January 30, 2009; accessed February 4, 2009 from http://www.latimes.com/news/local/la-me-budget-workers30-2009jan30_0_930288.story.

¹⁰ Hawaii Department of Budget and Finance, *Executive Biennium Budget, 2009-11: Department of Education*; accessed January 27, 2009 from <http://www6.hawaii.gov/budget/FB-Exec-Biennium-Budget/FB0911BudgetinBrief/10%20-%20Education.pdf>.

¹¹ Michael Nizich

¹² 2009 California A.B. 95, as introduced; accessed January 27, 2009 from http://www.leginfo.ca.gov/pub/09-10/bill/asm/ab_0051-0100/ab_95_bill_20090106_introduced.pdf; California Department of Education News Release, *State Schools Chief Jack O'Connell, Assemblyman Tom Torlakson Announce Legislation to Save School Meal Programs*, January 23, 2009; accessed January 27, 2009 from <http://www.cde.ca.gov/nr/ne/yr09/yr09rel13.asp>.

¹³ Connecticut State Board of Education resolution adopted December 3, 2008; accessed January 27, 2009 from http://www.sde.ct.gov/sde/lib/sde/pdf/commish/dec3reductions_expansions.pdf.

¹⁴ Governor's Office of Planning and Budget, *Governor's Budget Report: Fiscal Year 2010*; accessed January 27, 2009 from http://www.opb.state.ga.us/media/9848/2009-01-26_web_fy2010_state%20of%20georgia%20budget.pdf.

¹⁵ Governor Mitch Daniels

¹⁶ Office of Governor Steve Beshear press release, *Governor Beshear Creates Kentucky Commission on Philanthropy*, December 15, 2008; accessed January 27, 2009 from <http://governor.ky.gov/pressrelease.htm?PostingGUID={8283B57B-119D-4DAC-863F-9E524AD69F3B}>.

¹⁷ John T. Hicks

¹⁸ Office of the Governor, Tim Pawlenty press release, *Governor Pawlenty, Legislators Introduce Shared Services Proposal to Reduce Costs for Schools*, January 7, 2009; accessed January 27, 2009 from <http://www.governor.state.mn.us/mediacenter/pressreleases/PROD009280.html>.

¹⁹ Office of the Governor, Tim Pawlenty press release, *Minnesota and Wisconsin Governors Sign Groundbreaking Executive Orders to Explore Shared State Services*, January 13, 2009; accessed January 27, 2009 from <http://www.governor.state.mn.us/mediacenter/pressreleases/PROD009296.html>; Wisconsin Executive Order #272, "Relating to Identification of Potential Cooperative Service Arrangements with Minnesota State Agencies," issued January 13, 2009; accessed January 27, 2009 from http://www.wisgov.state.wi.us/journal_media_detail.asp?locid=19&prid=3893.

²⁰ Office of Governor Sonny Perdue press release, *Governor Perdue Announces School Construction Bond Package*, January 15, 2009; accessed January 27, 2009 from

http://gov.georgia.gov/00/press/detail/0_2668.78006749_129886711_130636053.00.html; Governor's Office of Planning and Budget, *Governor's Budget Report: Fiscal Year 2010*, page 166 of 436; accessed January 27, 2009 from http://www.opb.state.ga.us/media/9848/2009-01-26_web_fy2010_state%20of%20georgia%20budget.pdf.

²¹ California Department of Education news release, *State Schools Chief Jack O'Connell Announces Funding for School Facilities*, December 10, 2008; accessed January 27, 2009 from <http://www.cde.ca.gov/nr/ne/yr08/yr08rel181.asp>.