

October 15, 2009

MEMORANDUM

TO: Joe Nuñez, Associate Executive Director
Lori Easterling, Manager of Legislative Relations

FROM: Estelle Lemieux, Legislative Advocate

RE: *ABx3 56 (Evans)*

Last night the Senate passed ABx3 56 (Evans) on a partisan vote. This bill will be voted on by the Assembly, hopefully next week.

Background:

The July 2009 budget agreement used Prop 98 funds to pay the \$402 million annual obligation for QEIA funds. These funds usually come from the non-Prop. 98 side of the budget. It was done this way to help spare further cuts to human and social welfare programs. In order to accomplish this, legislation required that the QEIA districts get an additional cut to their revenue limit of \$402 million. The intent was to backfill those dollars with federal SIG funds. However, it was discovered that the SIF federal funding could not be used to backfill the QEIA districts revenue limit cut.

The following is a summary of the legislation (ABx3 56) that fixed this problem:

ABx3 56 (Evans) replaces the QEIA funding mechanism enacted in July with a new mechanism, which ensures that QEIA districts are made whole.

Specifically:

- ✓ ABx3 56 repeals the \$402 million revenue limit cut to QEIA districts.
- ✓ Implements a new funding mechanism for the QEIA program in 2009-10. This new funding mechanism redirects \$355 million in Proposition 98 funds previously available for categorical program backfill in 2009-10 to QEIA and appropriates an additional \$20 million in unspent Proposition 98 funds from prior years in order to fully fund the QEIA program in 2009-10. These categorical cuts will be backfilled with \$355 million in federal ARRA State Fiscal Stabilization Funds. (Please note that the QEIA funding base cost for 2008-09 was only \$375 million. Therefore, in order to achieve the 2009-10 QEIA funding base, an amount of \$375 million is needed--not the \$402 million as previously thought.)

- ✓ The measure directs the Superintendent of Public Instruction to allocate up to \$165 million in federal Title I carryover funds which, *if available*, would offset Proposition 98 funding for QEIA in 2009-10. We will know by November 15, 2009, if these funds are available. Should these funds be available, then this would leave approximately \$165 million in savings which, we believe, will be distributed to all districts as ARRA funds for 2009-10.

Let me know if you have questions.

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