

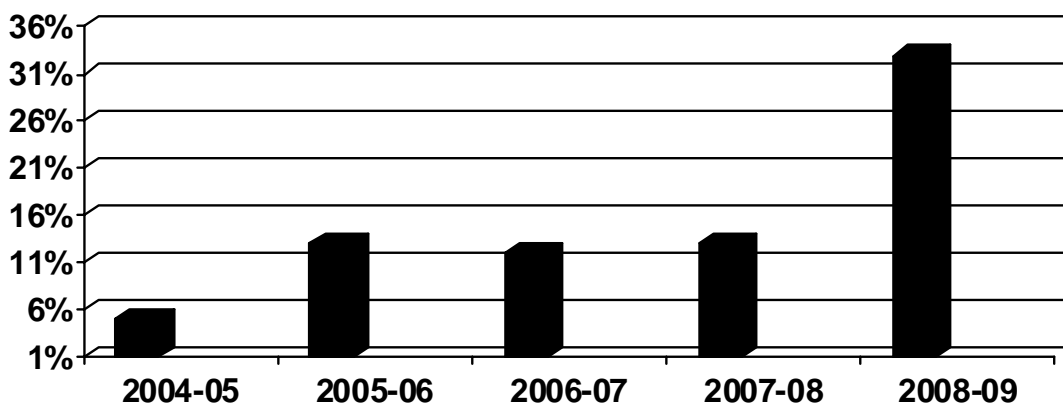
## Large Increase in the Percentage of Districts Opting Not to Have a Budget Revote

—Changes to the Contingency Budget Law could be having a Positive Impact—

Each year districts that experience an initial school budget defeat have three options—1) resubmit the same budget proposal, 2) submit a revised budget proposal, or 3) simply adopt a contingency budget. This year, as in previous years, a majority of districts have opted to have a budget revote—either the same or a revised budget. However, this year there was a noticeable increase in the percentage of districts that choose to simply adopt a contingency budget.

In May 2008, 52 school districts experienced an initial budget defeat and of those 52 districts, 35 (67%) had a revote and 17 (33%) went directly to a contingency budget—this 33% is well above the percentage in previous years.

*Percent of Districts that Adopted a Contingency Budget After an Initial Budget Defeat*



## CHANGES TO THE CONTINGENCY BUDGET LAW —

The following types of spending increases are exempt from the contingency budget cap:

- ▶ Budgeted expenditures of gifts, grants in aid or insurance proceeds;
- ▶ Budgeted expenditures resulting from a tax certiorari proceeding;
- ▶ Budgeted expenditures resulting from a court order or judgment against the district;
- ▶ Budgeted expenditures certified by the Commissioner as necessary as a result of damage to, or destruction of, a school building or school equipment;
- ▶ Budgeted expenditures capital expenditures resulting from construction, acquisition, reconstruction, rehabilitation or improvement of school facilities, including debt service and lease expenditures, subject to the approval of the qualified voters;
- ▶ Budgeted expenditures attributable to projected increases in public school enrollment, and
- ▶ Expenditures for self-supporting programs.

One reason for the increase in the percent of districts opting to adopt a contingency budget after an initial budget defeat rather than have a budget revote could be the result of recent changes to the contingency budget law allowing districts to exempt more of their spending increases from the contingency budget cap. This expansion of the exemptions could be making the adoption of a contingency budget less painful, meaning fewer cuts, if any, to education programs.

Beginning with the 2007-08 school year the list of exempt spending increases was expanded to include budgeted expenditures attributable to charter school payments and, more importantly, the legislature also clarified that increases in Foundation Aid are to be considered as a grant and therefore exempt from the contingency budget cap. This change in the treatment of Foundation Aid is likely having a very positive impact on districts that are adopting a contingency budget. In 2008-09 the state provided an additional \$1.2 billion in Foundation Aid.