

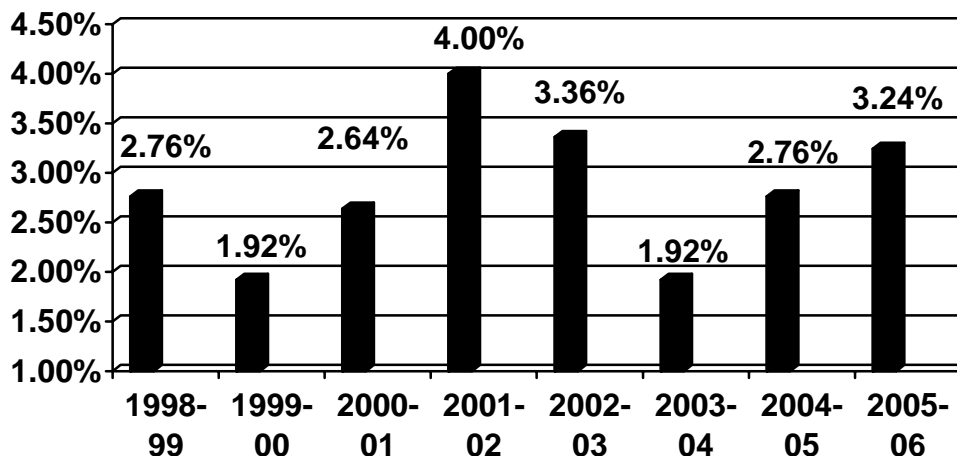
3.24% Contingency Budget Cap for 2005-06

On May 17, the third Tuesday in May, voters in school districts throughout the state will cast a "Yes" or "No" vote on their school district's budget. If a district has their budget defeated, the district may choose to submit another budget proposal to the voters or adopt a contingency budget. If the district chooses to submit another budget proposal to the voters, and that proposal is also defeated, the district must adopt a contingency budget.

Spending increases for the 2005-06 school year under a contingency budget will be capped at 3.24 percent over last year's budget. Under a contingency budget, a district may only fund those items that are deemed to be an "ordinary contingent expense." Although an item may be an "ordinary contingent expense," the total amount of a contingency budget may not exceed the contingency budget spending cap. Certain expenditures, such as those for voter-approved capital projects and expenditures attributable to enrollment increases, are exempt from the contingency budget cap.

The following chart shows what the cap has been in previous years:

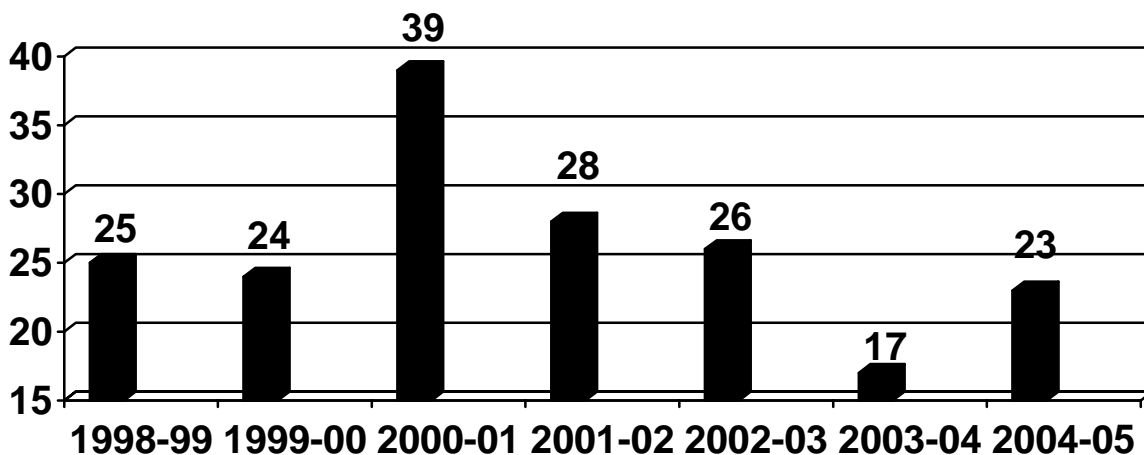
Contingency Budget Cap



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Fortunately, relatively few districts have been subject to the contingency budget cap. The following chart shows the number of districts on a contingency budget since the contingency budget cap took effect.

Number of Districts on a Contingency Budget



BUDGET NOTIFICATION FORM —

Voters will have a sense of the impact on district programs and services needed to comply with the requirements of a contingency budget because this information is presented in the Budget Notification Form.

School districts are required to mail a Budget Notification Form to all qualified voters in the district. The phrase "all qualified voters" has been interpreted by the State Education Department to mean every household in the district.

The budget notification form shows a comparison between the percentage increase in total spending under the proposed budget with the percentage increase in the Consumer Price Index. The notification also includes a comparison of the proposed budget with a projected contingency budget.

The percentage increase in the Consumer Price Index that will be used for this year's Budget Notification Form is 2.7 percent.

If the school budget is defeated and a second budget proposal is submitted to the voters, the district must mail another Budget Notification Form.