



# **Local Education Funding History**

**2008-09 to 2010-11**

# Local Education Funding History

**2008-09 created drastically different budget numbers than in prior years**

**Ending fund balance numbers and cash balances increased dramatically**

**Expected cuts to revenue limit funding did not occur**

**American Recovery & Reinvestment Act (ARRA) dollars**

**Spending freezes enacted by most districts in response to mid-year cuts**

**Flexibility in Tier III programs**

**Sweeping restricted ending balances in Tier III to unrestricted**

**This has caused difficulty in gaining understanding and trust with staff, trustees, bargaining units, and the public**

# Local Education Funding History

## 2008-09 State budget

Net revenue limit change of -2.63%

Deficit factor of 7.844%

Categorical programs placed in Tiers I, II, & III

Deficit of 15.38% for Tier II & III programs

## 2009-10 State budget

Net revenue limit change of -7.64%

Deficit factor increased to 18.355%

Categorical program deficit increased to 19.84%

**One-time revenue limit reduction of \$253/ADA**

# Local Education Funding History



## 2010-11 State budget

**No Increase in revenue limit funding**

**Deficit factor reduced to 17.963% because of negative COLA**

**Categorical programs placed in Tiers II & III maintain deficit of 19.84%**

**Unrestricted revenue increases from prior-year due to elimination of one-time \$253/ADA in 2009-10**

## 2011-12 State budget

**No Increase in revenue limit funding**

**Deficit factor increased to 19.754%**

**Categorical programs placed in Tiers II & III maintain deficit of 19.84%**

**Mid-year trigger cuts due to state revenues short of \$4 billion**

**50% of transportation (later converted to a per ADA cut)**

**\$13 per ADA in revenue limit funding**

# Local Education Funding Impact

State Revenue	Unaudited Actuals			
	07-08	08-09	09-10	10-11
Bangor Elementary	1,056,123	991,443	943,753	1,046,615
Butte County Office of Ed	29,152,351	28,256,144	24,634,973	23,574,013
Biggs Unified	5,771,958	5,381,657	4,937,676	4,944,443
Chico Unified	93,305,063	90,166,032	78,884,820	80,293,686
Durham Unified	8,692,413	8,149,599	7,495,593	7,315,727
Feather Falls	400,740	378,763	343,690	237,051
Golden Feather	1,594,232	1,527,883	1,177,102	1,606,826
Gridley Unified	15,004,757	15,019,785	13,835,727	14,258,990
Manzanita Elementary	1,955,769	1,922,018	1,683,538	1,888,812
Oroville City Elementary	20,260,806	18,956,012	16,313,085	16,899,331
Oroville Union High School	20,809,664	20,136,001	19,970,644	20,196,491
Palermo Elementary	10,047,054	9,527,791	8,505,708	8,942,387
Paradise Unified	34,636,677	32,309,165	27,536,076	26,104,499
Pioneer Elementary	1,212,235	1,128,632	895,849	883,420
Thermalito Elementary	10,928,764	10,496,167	9,291,764	9,422,086
<b>Totals</b>	<b>254,828,606</b>	<b>244,347,092</b>	<b>216,449,998</b>	<b>217,614,379</b>
<b>Year to Year Comparison</b>		<b>-\$10,481,514</b>	<b>-\$27,897,094</b>	<b>\$1,164,381</b>
<b>Cumulative Comparison</b>		<b>-\$10,481,514</b>	<b>-\$38,378,608</b>	<b>-\$37,214,227</b>
County-wide ADA (P-2)	32,157.77	31,641.64	29,658.16	29,629.23

Note: Source documents are SACS Unaudited Actuals 2007-08 through 2010-11

# 2011-12 State Budget

# 2011-12 State Budget

**The most significant risks to the enacted 2011-12 State Budget were:**

**The state and national economies experienced unforeseeable events, which disrupted markets and slowed economic growth**

**Lawsuits prevented some of the expenditure reductions and funding shifts adopted by the Legislature**

**Savings in state programs did not materialize as budgeted, resulting in current-year operating deficiencies**

**ALL of the above occurred in 2011-12!**



# 2011-12 State Budget

**State revenues did not come in for 2011-12 as counted on in the Budget**

**Midyear cuts to schools were enacted:**

**50% of transportation funding – with disparate impact on local agencies (later converted to a per ADA cut and a corresponding increase in the deficit factor)**

**\$13 per ADA in revenue limit funding – much lower than the anticipated average of \$260 per ADA**

# **Governor's May Revise Budget for 2012-13**

# Governor's May Revise Budget for 2012-13

The 2012-13 state budget deficit was worse than anticipated

More cuts to the non-Proposition 98 side of the budget

For Proposition 98 programs, the Governor proposed:

Restoring all transportation funding (regular and special education) on an ongoing basis, but the per ADA cut increased from \$370 to \$441

Other Proposition 98 “adjustments” or manipulations

Otherwise, “flat funding” proposed for schools, but ONLY if the Governor's tax initiative passes

Big cuts if the tax initiative does not pass

# **Governor's May Revise Budget for 2012-13**

**The centerpiece of Governor Brown's 2012-13 Budget is "The Schools and Local Public Safety Protection Act of 2012," a tax initiative that will be on the November ballot**

**Establishes the "Education Protection Account" for revenues derived from temporary, five-year tax increases**

**Half-cent sales tax and income tax rate increases**

**Like local property tax revenues, EPA funds can be used for any educational purpose and count toward the Proposition 98 minimum guarantee**

**Reduces state General Fund contributions toward Proposition 98 dollar for dollar**

**Will buy down deferrals and increase cash availability in 2012-13**

# Governor's May Revise Budget for 2012-13

## Contains automatic trigger reductions

May Revise trigger estimate is \$441 per ADA, up from \$370 per ADA in January

Governor Brown equated this reduction to eliminating three weeks of instruction from the school year

The cuts are linked to the failure of the proposed temporary tax increases, not general revenue shortfall

The cross year deferral buyout is rescinded and existing deferrals are maintained

# **Governor's May Revise Budget for 2012-13**

**The Governor's Budget assumes that new temporary taxes are approved by the voters for five years at the November 2012 ballot**

**The Budget also proposes severe additional reductions in funding for schools in the event that the tax initiative is not approved**

**This leaves schools in a position of needing at least two plans**

**Governor Brown's Proposal: Flat funding**

**Alternative: Trigger reduction**

**Districts should plan for both eventualities until the fate of the tax initiative is determined**

# What Has Happened Since May Revise?

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**Both the Governor's and Munger's tax initiatives qualified for the November ballot**

**Budget sent to the Governor by June 15<sup>th</sup> – “on time”**

**Reduction in instructional days expands if trigger is pulled**

**Initially a maximum of 15 days across 2012-13 and 2013-14 (20 days total)**

**Now districts are allowed to reduce to 160 days in BOTH 2012-13 and 2013-14**

**Mid-year trigger cut grew from \$441 to \$457.47 per ADA**

**Other budget details continue to emerge each day**



# **BCOE 2012-13 Original Budget Guidance**

## “With Trigger”

2012-13: Include ongoing \$441/ADA RL reduction and zero RL COLA

2013-14: Include ongoing \$441/ADA RL reduction and negotiable items NOT allowed

2014-15: Include ongoing \$441/ADA RL reduction, CSR flexibility and negotiable items allowed

## “Without Trigger”

2012-13: Include plan that addresses potential ongoing \$441/ADA RL reduction, if negative fund balance/short of reserves and zero RL COLA

2013-14: Include plan that addresses potential ongoing \$441/ADA RL reduction, if negative fund balance/short of reserves and negotiable items NOT allowed

2014-15: Include plan that addresses potential ongoing \$441/ADA RL reduction, if negative fund balance/short of reserves, CSR flexibility and negotiable items allowed

# Budget and Cash Flow 101

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**Budgets are projections of spending priorities**

**Budgets are “living documents” and will change regularly**

**Budget assumptions are key to understanding the numbers**

**Understanding Multi-Year Projections (MYP's) are essential**

**Understanding your district's cash flow projection is important**

**There is a difference between cash management and cash insolvency**

**Budgets Are More Difficult to Manage Today Than Ever**

# Budget and Cash Flow 101

## Fund Balance vs Cash

	Fund Balance		Cash
	Source is Financial Reports		Source is County Treasury (Bank)
Revenue	1,000,000		
Accounts Receivable		250,000	
			750,000
Expenses	800,000		
Accounts Payable		100,000	
			700,000
Net Change in Fund Balance	200,000		50,000

**Fund Balance – “Promised Dollars”**

**Cash – Actual Dollars in the Bank**

# Impact of Cash Deferrals on BUSD

## **2008-09**

**Apportionment delays and implementation of intra-year deferrals**

## **2009-10**

**New 5-5-9 apportionment schedule adopted**

**Additional intra-year deferral**

**Cross-year deferrals equal 20%**

## **2010-11**

**Additional intra-year deferral and cross-year deferral**

**Cross-year deferrals equal 15%**

## **2011-12**

**Cross-year deferrals equal 26%**

## **2012-13**

**Governor's proposal includes buying down deferrals**

**Cross-year deferral assumed to be less if tax proposal passes**

# Final Thoughts

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**Great uncertainty remains, despite an on time state budget**

**Two tax initiatives on November ballot**

**Proposition 98 manipulations continue**

**Governor's interest in a different funding methodology**

**National and state economic volatility**

**Addressing deficit spending with an ongoing per ADA cut**

**Tax Revenue Anticipation Notes (TRANS) are most likely needed by most districts in 2012-13 if tax initiative fails**



# Biggs Unified School District



Questions?