

2011-12 State Budget and its effect on Mt. Diablo USD

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Key Elements of State Budget

- Erases 2.24% COLA with increase in Deficit Factor
- Does not cut the additional \$330 per ADA that was believed to be at risk at May revise
- Instead, creates triggers if State revenues come in below projections, that cut funding mid-year in the following programs
 - Revenue limit up to 4% of undeficitated BRL (\$8.5M or \$261.40/ADA)
 - Home-to-School and Special Education Transportation approximately 50% (\$1.13M or \$34.88/ADA)
- If triggers activated, districts may negotiate up to seven additional furlough days that reduce the school calendar up to a total of twelve days

State's Revenue Numbers

- “Gov. Jerry Brown’s bet on a \$4 billion tax surge to bolster the state’s coffers is looking illusory at best, economists say.”
 - *Contra Costa Times, August 8, 2011, p. 1.*
- “It was always unrealistic, and now it’s just that much less realistic.”
 - *Chris Thornberg, Beacon Economics quoted in the Contra Costa Times, August, 8, 2011, p. 1.*

What about AB 114? Doesn't this law mean the District reserved too much at budget adoption?

- No. AB 114 requires districts to use the State's revenue projections for their budgets, and to build their expenditure budgets accordingly.
 - The District utilized a flat funding model in its budget, both the COLA and deficit have been projected accurately.
 - The District's expenditure budget reflects the flat funding, and spends down about \$2.6M of the fund balance

Why does the District need a reserve?

- Potential mid year cuts of \$9.63M or \$296.28 per ADA as discussed on slide 1
- Increase in deferrals
 - As part of closing the budget gap, the cross-year deferral of principal apportionment has been increased from 28.75% to 38.4% (an additional deferral of about \$7.73M of revenue limit plus other principal apportionment programs)
- State Budget doesn't address what happens if the revenue projections are further off

Do we have to readopt the budget under the 45 day rule?

EC 42127 (i)(4) requires that “not later than 45 days after the Governor signs the annual Budget act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.”

There were no changes in our revenues or expenditures since we adopted with the State’s numbers to begin with.

What does the COE recommend?

- The COE recommends budgeting for flat funding, but setting aside a minimum of \$260 per ADA for unified districts plus the appropriate reduction for lost transportation funding in reserve as a precautionary measure.
- The District's budget complies with this recommendation

Where do we go from here?

- Our budget meets the needs of the District to address the current State fiscal situation.
- First Interim Report will include all activity through October 31, 2011, and will come to the board at the December 13, 2011, board meeting.
- We may or may not know at that time if the mid-year triggers will be pulled. The DOF report is due out on Thursday, December 15, 2011.