



Joseph A. Ovick, Ed.D., Superintendent of Schools

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July 21, 2011

TO: District Superintendents
Contra Costa County School Districts

SUBJECT: 2011-12 Budget Guidance

On June 30, 2011, Governor Brown signed the State Budget Act, SB 87, Chapter 33, Statutes of 2011, and the Education Trailer Bill, AB 114, Chapter 43, Statutes of 2011. These bills included the following major provisions affecting K-12 education:

- Added \$4 billion more in State General Fund Revenues over the \$6.6 billion in the May Revision, bringing the total to \$10.6 billion more in State General Fund revenues over the two-year period (2010-11 and 2011-12).
- Redesignated 1.06 cents of the sales tax from state revenue to local revenue to fund the Governor's realignment of services. Shifted funding for child development programs (except preschool programs) out of Proposition 98 which reduced the minimum guarantee by \$1.054 billion.
- Enacted "Trigger Language" that automatically implements reductions to K-12 education if state revenue forecasts are not met.
- Eliminated the August 15th layoff window for 2011-12, which would have allowed for further adjustments to certificated staffing.
- Reinstated the \$2.1 billion in new deferrals that were proposed in the Governor's January Budget Proposal, bringing the total of deferrals to \$9.44 billion for K-12.
- Added Education Code Section 42127(a)(1)(A) which includes a requirement that "each school district shall project the same level of revenue per unit of average daily attendance as it received in the 2010-11 fiscal year and shall maintain staffing and program levels commensurate with that level".
- Added Education Code Section 42127(a)(1)(B) which states, "for the 2011-12 fiscal year, the school district shall not be required to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years".
- Added Education Code Section 42127(d) which was amended to state, "the county superintendent, as condition on approval of a school district budget, shall not require a school district to project a lower level of revenue per unit of average daily attendance than it received in the 2010-11 fiscal year nor require the school district to demonstrate that it is able to meet its financial obligations for the two subsequent fiscal years".

The Governor did lessen the potential impact of AB 114 by clarifying his intent when he signed the bill. He underscored that the responsibility and authority to maintain school district fiscal solvency remains with school superintendents and their local boards by stating that "in fashioning their local budgets, school boards may nevertheless need to make reductions due to cost increases, loss of federal funds, enrollment declines, or other factors. AB 114 does not interfere with these local school board decisions. School boards should take all reasonable steps to balance their budgets and to maintain positive cash balances."


Currently, the best protection that school districts have to limit exposure from potential mid-year cuts, enrollment declines, cost increases, costs of borrowing to account for cash deferrals, and other factors is to **budget for flat funding but set aside a minimum of Average Daily Attendance (ADA) of \$260 for unified, \$300 for high school, and \$250 for elementary and appropriate reduction for lost transportation funding in reserve as a precautionary measure.** We believe this is permitted, based on the Governor's signing message for AB 114. "In fashioning their local budgets, school boards may nevertheless need to make reductions due to cost increases, loss of federal funds, enrollment declines or other factors. AB 114 does not interfere with these local board decisions. School boards should take all reasonable steps to balance their budgets and to maintain positive cash balances."


During these difficult times, it is more important than ever for districts to be diligent in maintaining their long-term fiscal health. AB 114 prevents us from disapproving a budget based upon the district's failure to demonstrate the ability to meet its financial obligations over the next two fiscal years. Nevertheless, in order to meet our budget responsibilities under Education Code sections 42127, et seq. and to assist districts in maintaining sound budget practices, we intend to provide two separate budget ratings. The first rating will be based upon the assumptions mandated by AB 114. The second will be an advisory rating designed to assist districts in maintaining their long-term fiscal viability, based upon all of the factors we normally consider. We hope this will be helpful to our school districts.

Additionally, Education Code 42127(i)(4) reads, "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". In implementing this section, it is likely that there are three primary scenarios:

- If a school district included flat funding in the revenue section of its adopted budget, it is likely that no further action is required.
- If a school district did not include flat funding in the revenue section of its adopted budget, then a budget revision is likely to be required in accordance with this education code section.
- If a school district makes any revisions to expenditures as a result of AB 114, a 45 day budget revision is likely to be required in accordance with this education code section.

Thank you for your continued efforts in these difficult budget times. Please feel free to call me or my staff if you have any questions.


Joseph A. Dvick, Ed.D.
County Superintendent of Schools


Bill Clark
Associate Superintendent, Business Services

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cc: District CBOs

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