

District Business & Advisory Services

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Bulletin: 13-013

Date: July 19, 2012

To: Chief Business Officers
District Fiscal Directors

From: Kolvira Chheng

Re: Cash Flow Management for Fiscal Year 2012-13

This purpose of this bulletin is to inform you of the dire cash flow position Local Education Agencies (LEAs) face in fiscal year 2012-13. Due to the assumption of the \$2.1 billion buy back of deferrals in 2012-13, LEAs may have been led to believe that cash flow for 2012-13 may improve, or, at the worst, be at the same level as 2011-12. However, the 2012-13 State Budget Act also assumes the passage of Proposition 30, which allows the State to allocate approximately \$6.92 billion of state aid apportionments to the Educational Protection Account (EPA) to be maintained at the State level. This allocation serves as unintended cash deferrals effecting LEAs at least for the first half of the school year beginning with the 2012-13 Advance Principal Apportionment in July 2012.

The entitlement reduction reflected in the 2012-13 Advance Principal Apportionment will be calculated as follows:

Step 1:

2012-13 Advance Apportionment Entitlement Reduction = 2011-12 P-2 total deficated revenue limit funding * (\$6,921,522,000/statewide total of revenue limit and charter school general purpose funding). Per the California Department of Education, this equates to 21.2004% reduction to the deficated revenue limit. This helps reduce the burden on Local Education Agencies (LEAs) that are heavily dependent upon state aid, but negatively impacts districts that are more dependent on property taxes. As such, this could result in some revenue limit districts receiving no state aid for the first half of the year.

Step 2:

Take the result of Step 1 and reduce this amount from the 2011-12 P-2 State Aid or charter school general purpose funding.

The intra-year and inter-year deferrals are then applied to the reduced funding amount from Step 2.

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The table below illustrates how the entitlement reduction reflecting in the 2012-13 Advance Apportionment will be calculated:

Example:			
Line	District " ABC"	Scenario 1	Scenario 2
A	2011-12 P2 Base Revenue Limit Entitlement	75,000,000	75,000,000
B	2011-12 Deficit Factor	0.79398	0.79398
C	2011-12 P-2 Deficited Revenue Limit Entitlement	59,548,500	59,548,500
D	Percentage of Reduction to Allocate to EPA	0.212004	0.212004
E	Total Amt of Reduction to Allocate to EPA (Line C*D)	12,624,520	12,624,520
F	2011-12 Total Local Property Taxes	35,000,000	45,000,000
G	2011-12 P-2 State Aid Amount (Line C-F)	24,548,500	14,548,500
H	2012-13 Advance Principal Apportionment (Line G-E)	11,923,980	1,923,980

Notes:

- 1) The intra-year and inter-year deferrals are applied to 2012-13 Advanced Principal Apportionment as reflected in Line H.
- 2) Scenario 1 and 2 shows the difference for line H assuming everything stays the same except changes for property taxes as shown in line F.

Below are some important notes to consider:

- If the taxes pass, the entitlement reduction will be repaid 10 days before the close of the State's fiscal year.
- If the taxes fail, repayment of these entitlement reductions may be begin at P-1 in February 2013.
 - In addition, the \$2.74 billion trigger reduction (estimated \$457 per ADA) may begin at the same time.
- Due to the inclusion of the \$6.92 billion entitlement reduction in the Final 2012-13 Enacted State Budget, the cash position for any local education agency receiving revenue limit state aid will be worse between January through May 2013 compared to 2011-12, regardless of the outcome of the November election.

Please distribute this memo within your District as deemed appropriate.