
The FISCAL REPORT an informational update

Copyright © 2010 School Services of California, Inc.

Volume 30

For Publication Date: February 26, 2010

No. 4

Additional K-12 Education Deferrals Proposed

The January Governor's Budget for 2010-11 released on January 8, 2010, did not contain a proposal to defer apportionments within the 2010-11 fiscal year or beyond what has been deferred for the current year into 2010-11. With the introduction of ABX8 5 (Committee on Budget) and SBX8 5 (Committee on Budget and Fiscal Review), this has changed. These identical bills would defer K-12 apportionments within the 2010-11 fiscal year for the months of July 2010, October 2010, and March 2011 for no more than 60, 90, and 60 days, respectively. (Recall that the current-year Budget defers three apportionments within the 2009-10 fiscal year; \$1 billion for July 2009 to December 2009, \$1.5 billion for August 2009 to October 2009, and \$1 billion for November 2009 to January 2010). ABX8 5 and SBX8 5 make no change to the apportionment deferrals that cross fiscal years.

These bills limit the overall level of K-12 deferrals to \$2.5 billion "at any given point in time" during the 2010-11 fiscal year and to a maximum of three deferrals during the fiscal year. This provision could create significantly greater cash flow problems for local educational agencies (LEAs) than the 2009-10 deferrals because, unlike the current-year deferrals, there would be no indication as to the amount to be deferred for the months of July, October, and March. If the amount of the deferral is left to the State Controller, working within the parameters of these bills, LEAs would have little ability to size their cash borrowings. This in turn could create major problems for LEAs in meeting payroll and other necessary expenses during the months in which state apportionments are not made.

In addition, these bills establish various procedures that require the Controller, Treasurer, and Director of Finance to monitor the state's cash position throughout the 2010-11 fiscal year, and authorize the Controller to make apportionment payments as originally scheduled upon a joint finding that sufficient cash will be available.

The bill also authorizes deferred apportionments for other state programs, including the Supplemental Benefit Maintenance Account in the Teachers' Retirement Fund, the trial courts, the California State University, the University of California, the California Community Colleges, the Supplementary Security Income/State Supplementary Payments program (SSI/SSP), and local government social services and transportation programs.

Finally, these bills establish a procedure to waive the apportionment deferrals on a case-by-case basis upon a finding that the affected educational agency would qualify for an emergency apportionment. This would require an LEA to exhaust all options to borrow cash allowed under current statutes, with the only option being a state loan. For school districts, this finding must be made by the county superintendent of schools and certified to the Superintendent of Public Instruction and the Director of Finance by *May 17, 2010*. A similar waiver process is also available to charter schools and county offices of education.

—*Robert Miyashiro and Michele Huntoon, CPA*

posted 02/23/2010