



State Budget Situation FY 2010 through FY 2012

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Overview

- Federal Stimulus Funds
- State Revenues
- ATB Cut
- FY 2010 Outlook
- FY 2011
- Planning for FY 2012



Stimulus Funds

- February 17, 2009, the American Recovery and Reinvestment Act passed.
- Three sources of funding for schools:
 - Title I – to school districts
 - IDEA Part B – to school districts
 - State Fiscal Stabilization Funds (SFSF) – to the state
- More on SFSF
 - Used \$40 million to fund state aid payments in FY 2009.
 - \$202.5 million in FY 2010
- Other ARRA funds for the state:
 - Medicaid



Stimulus Funds

- To make the FY 2010 state budget balance – the state used \$680 million of one-time federal funds to replace state funding.
- State agencies took 8.5% to 13% reductions (prior to the ATB cut).
- K-12 largely unimpacted – except for Phase I cut.



State Revenues: Ending FY 2009

- FY 2009 ended \$104.5 million below the March revenue estimate.
- Economy slowing rapidly
- Income tax is 60% of the state general fund budget
- Sales tax is an additional 20% of the state general fund budget



State Revenues: FY 2010

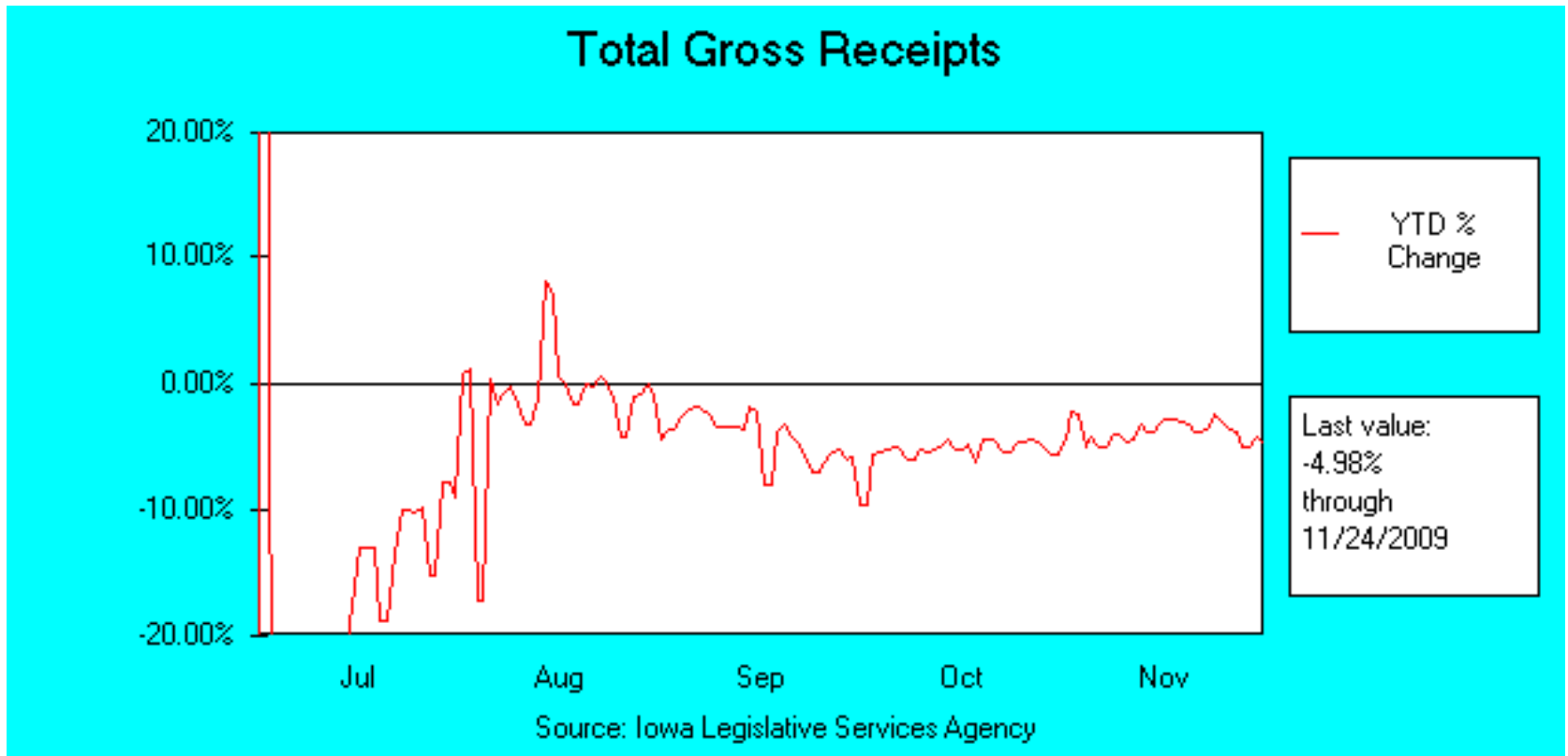
- October 7, 2009: Revenue Estimating Conference (REC) meets.
- Lowers the estimate by 7.1% for FY 2010 to -8.4%
- October 8, Governor Culver orders a 10% ATB cut.



ATB Cut

- \$227 million reduction in state foundation aid.
- \$410.80 per weighted enrollment
- Reduction in cash/fund balance but not spending authority
- TQ and the remaining categorical were rolled into formula. A declaratory ruling has been requested to see if districts can reduce TQ payments. Talk to your attorney before doing anything.

FY 2010 Receipts through 11/24/09





FY 2010 Receipts

- Gross receipts only tell part of the story.
- Have to look at net receipts – gross receipts less refunds.
- Why important? – State Penny for School Infrastructure is now treated as a refund so suppresses the estimate.
- End of last week: Gross -4.98% Net -9.2%



FY 2010

- “I’ve heard there’s going to be another 5% ATB cut in this fiscal year.”
 - Nothing would indicate the need for an additional ATB cut.
 - REC meets in November or December – watch that estimate. If they reduce the estimate further then either an ATB cut or legislative deappropriations are likely.



Creation of a Budgetary “Perfect Storm”

- All other budgetary crises over last 20 years have been as a result of lagging state revenues.
- Two factors at play for FY 2011:
 - Lagging revenues
 - Use of one time federal funds to make the budget work.
- \$680 million one-time funds +
- \$414 million reduced revenues +
- \$250 million built in increase = ?



Perfect Storm

- Shortfall is in the range of \$1.3 billion (or more) for FY 2011.
- Out of a \$6 billion budget that's around 20% shortfall.
- State government cannot run a deficit – the FY 2011 budget must balance.
- K-12 45% of the state general fund budget – add in Community Colleges and Regents =60%



Didn't the ATB cut help FY 2011?

- Some but not much. The cuts to FY 2010 in many cases do not carry forward to FY 2011 – school aid is great example.
- Just creates larger funding challenge for state in FY 2011.



Let's play the "State Budget Game"

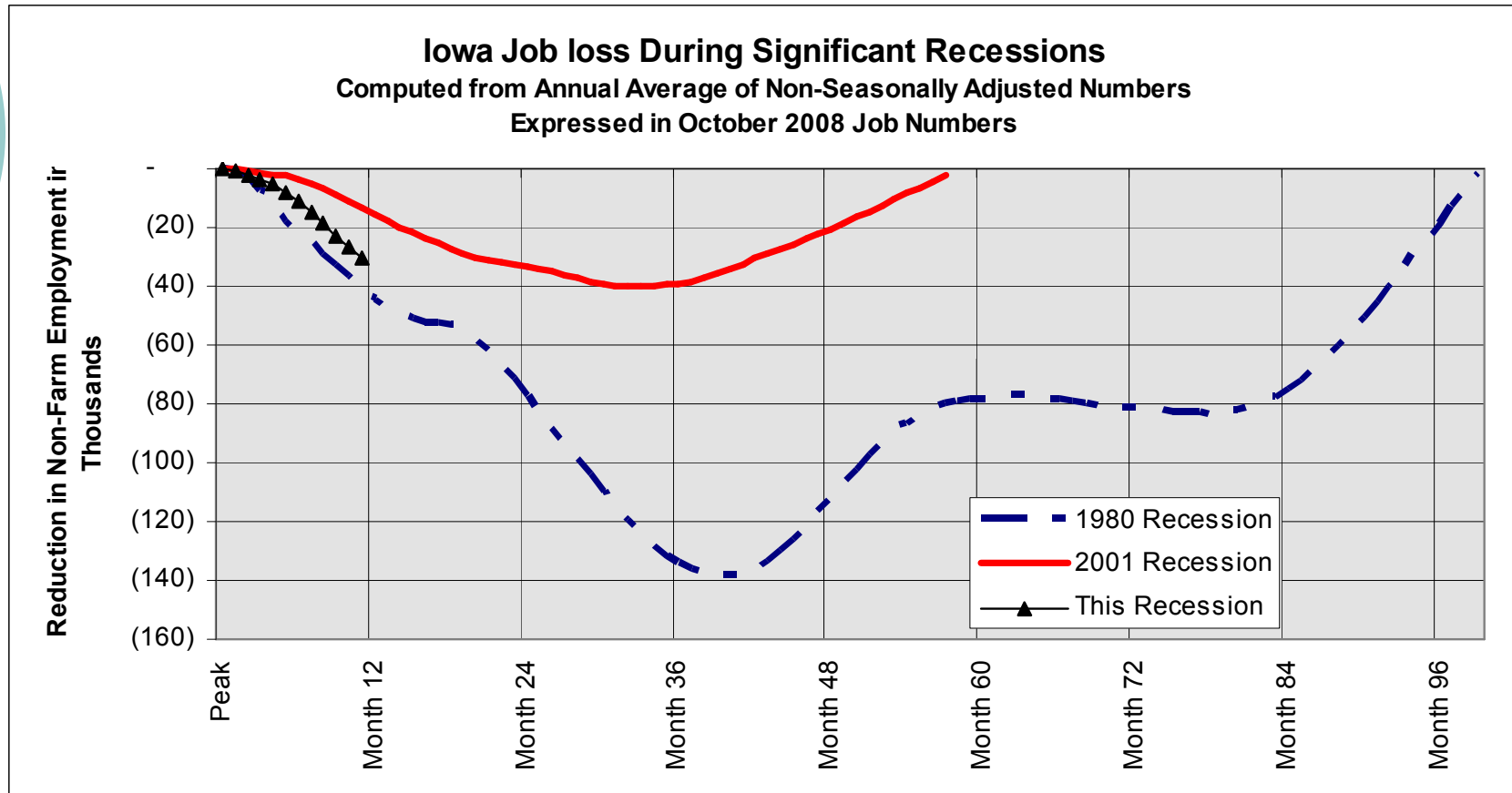
- \$1.3 billion shortfall
- Less \$200 million of ARRA funds = \$1.1 billion
- Less \$300 million of cash reserves = \$800 million
- Less \$200 million if revenues turn around = \$600 million
- Less \$200 million if Larry's just off his rocker = \$400 million
- Less ????????????



When will we know we've turned the corner?

- Realistically, we won't until many months later.
- Keep your eye on the employment numbers.
- Remember how much of the general fund is made up of Income and Sales taxes?
- Until people start working....

How long is this going to last?





So what does FY 2011 look like?

- 2% allowable growth is in law – they would have to take action to change that.
- Realistically a couple of scenarios:
 - Best case: 0% allowable growth in FY 2011 and FY 2012.
 - Worst case (maybe): -3% each year.
 - State aid for the ISL is likely gone as well (takes cash and spending authority)



What should we be doing?

- Look at what it means for your district – effects in FY 2011 are mitigated by the budget guarantee.
- FY 2012 can be a disaster – the budget guarantee puts it off from FY 2011, but look at the numbers...
- Budget guarantee is all property tax – leads to higher property taxes regardless.
- If going to have to make big cuts in FY 2012, you'd better start in FY 2011.



What should we be doing?

- Communicate
- Educate
- Manage expectations
- Prioritize
- Look for every possible way to save, shift or become more efficient.
- ISFIS tools to help: webinars, spreadsheets, projections, presentations (for example . . .)



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Across-the-Board (ATB) Cut October 8, 2009

On October 8, 2009, Governor Culver ordered a 10.0% ATB cut.

Click [here](#) for a copy of the State Foundation Aid impact spreadsheet.

Click [here](#) for copy of the ATB cut impact on per pupil supplements within the formula (teacher salary, professional development and early intervention/class size per pupil supplements)

The calculation of State Aid in the above spreadsheet can be a bit confusing. Here is how State Aid is calculated from the Aid and Levy worksheet:

Line 9.13 Total State Foundation Aid

Minus Line 9.12 ARRA portion

Minus AEA Foundation Aid which is Line 7.12 plus Line 5.15

Equals the district's State Foundation Aid for calculating the ATB cut.

Click [here](#) for guidance on a range of school district responses to the ATB cut. (updated 10/9/09)

Click [here](#) for a powerpoint presentation you can use to learn about and explain district options to the ATB cut.

Click [here](#) for powerpoint presentation template to which you can add your district specific data and explain to stakeholders.

Click [here](#) for a recording of the ATB cut webinar held 10/12/09 - for your own learning or to help explain to staff and stakeholders.

Teacher Quality Questions? Click [here](#) for a great document on sources of teacher quality funds, requirements and the impact of the ATB cut on teacher quality decisions.



Specific Impact for the *Indianola Community School District*

- 10 % cut to state foundation aid (\$410.80 per weighted enrolled student) is \$1,527,313 in the current year (FY 2010)
- Other categorical funds: At risk or PK grants – to be determined. Teacher quality salary and professional development is included in the \$410.80 per student, but it's not yet known to what extent the district can reduce these.
- State share of ISL at risk for elimination in FY 2011 (funded with ARRA funds) \$129,552



The Good News

- It's a one-time problem.
- It will force us to think creatively.
- We will get through this.
- There are signs the economy is recovering – home sales for example. Question is whether this is long term or just short term.

Questions?

Do not hesitate to contact us with
questions or comments!

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