

**School Board Meeting/Workshop Date:**

April 11, 2011

**Subject:**

Financial Update

**Presenter:**

Gary Kawlewski  
Director of Finance and Operations

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**SUGGESTED SCHOOL BOARD ACTION:**

None – Report Only

**DESCRIPTION:**

There has been a flurry of activity at the capitol over the last month or so as the legislature and the governor wrestle with how to reduce the revised \$5.028 billion dollar deficit. The House and Senate Omnibus education bills passed last week and contain a number of changes that would affect school business as we know it currently. I have attached a more detailed summary of both for your review.

Some of the highlights of the House bill that may have an impact on us are as follows:

- Increases the general education formula allowance while eliminating integration aid
- Eliminates the special education growth factor for the fy12-13 biennium
- De-links compensatory and sparsity revenue from the general ed formula
- Makes policy changes in teacher evaluation, tenure, and collective bargaining
- Includes vouchers for students in cities of the first class

The Senate Omnibus Education bill has many of the same types of provisions in it as the House bill. The Senate bill has a little bit more money in it in total. The Senate bill also contains a statewide school district employee freeze which is not in the House bill. The two bills will likely head to a conference committee to work out the differences between the two bills.

The Governor's office has argued that the bills lack a coherent focus, a common sense approach to closing the achievement gap, and creates winners and losers. The governor also sent letters to leaders in the Senate and the House outlining a framework for negotiations, indicating that he will not work with a piecemeal budget bill approach, and needed a comprehensive, single budget proposal to compare, contrast, and negotiate from. The Governor also cited concerns regarding the practice of using fiscal notes (costing methods) and the deviation from that approach with these bills. Past practice has been to use the Office of Management and Budget to cost the different bills. This time, outside sources have been used to cost the bills and there are questions about the validity and accuracy of the costing models. The governor has also asked to have all matters of policy removed from these appropriation and tax bills which is not the case currently.

What is clear to me is that the Legislature and the Governor have some fairly large gaps to bridge in order to reach agreement on a funding bill. We hope that the groups can find enough common ground to be able to get a deal done in time for the state government to move into their next fiscal year on July 1, 2011.

So what does all of this mean to us? On the surface, we appear, based on several of the initial runs we have seen, to be held somewhat harmless financially speaking. We have not seen any detail on any of the other funding formula proposals other than general education and special education to know how they may impact funding for 2011-12. Most appear to not have a significant impact on us on the surface. The three parties have all agreed that education funding is a priority and that, so far, has been mostly reflected in their proposals. At this point, we are staying with our financial projections that were presented in January for the next two-year process. We have continued to review our budget for 2010-11 and it does have a few minor adjustments in a positive manner but is very close to what we presented. We will present those changes at a later date. You will recall that the forecast we agreed to use assumes **flat** funding (no increase in general education funding formula) for the next two years. Obviously, we will continue to watch the legislative session closely and will bring back to the Board any developments impacting our district finances and our planning for next year's budget and the future.

**ATTACHMENT(S):**

HF934 House Omnibus Education Bill