

Wichita Public Schools Budget Update

Year-End Cash Balances
What Do The Funds Represent, How Are They Used?

Presented to the Wichita Board of Education
July 11, 2011



July 11, 2011

Highlights

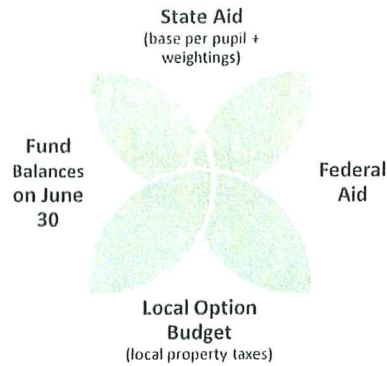
- **The role of cash balances in the annual district budget**
 - Not just "extra money"
 - Critical to *cash flow* throughout year
- **Impact of SB111**
- **Implications for 2011-12 budget**
 - Dispel myth that the district is unwilling to use fund balances
 - *Total cash balance of all operating funds has already been reduced by 8% from a year ago*
 - Contingency reserve of \$14.9 million is only 8 days of operating cash



July 11, 2011

PLAINTIFFS'
EX. 336

Building A Budget



July 11, 2011

The Role of June 30 Fund Balances

- **The district has 34 state-mandated funds**
 - 3 are unrestricted (general fund, local option budget and contingency reserve)
 - Remainder are restricted
- **For purposes of required state reporting, the public will see 25 funds reported**
 - **Textbooks** and Student Revolving Materials includes not only the parent-paid fees for textbooks, but also for music instrument rental, student fees and athletic activities
 - **Bonds** that have been sold, which are held in order to pay for planned bond construction, are not represented on the year-end report in our budget book
 - **Special reserve fund** includes district health insurance and workers compensation



July 11, 2011

The Role of June 30 Fund Balances

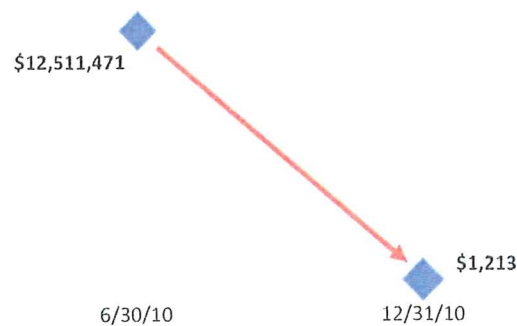
- The financial activity in these funds throughout the year supports budgeted expenditures
 - The *unencumbered cash* reflected as the year-end balance in each of these funds is essential to on-going operations
 - Unencumbered cash DOES NOT mean “extra money”
 - If these funds are depleted permanently, then significant cuts would have to be made in budgeted expenditures
- What is reported as June 30 balance is only a point-in-time measure, which changes dramatically during the year



July 11, 2011

Fund Balances Critical for Cash Flow

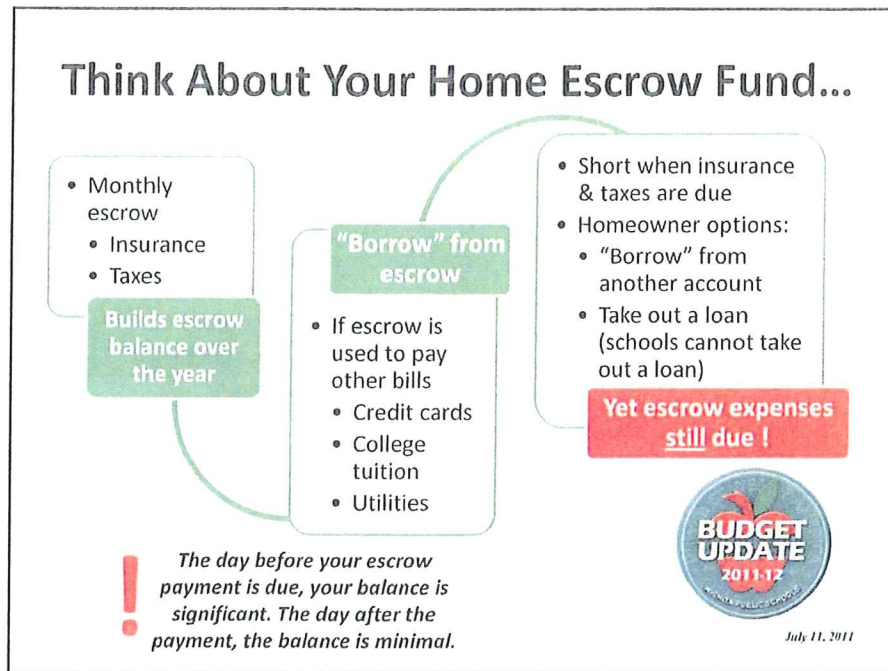
Special Education Fund Balances



! June 30 balance each year pays special education bills until first aid payment in October




July 11, 2011



How Does SB111 Factor In?

- Legislature passed SB111 during the 2011 session
- Allows for 12 funds to have temporary flexibility for a period of one year in order to make up for the funding cut by the Kansas legislature
 - Limited to the amount that we have lost due to state funding cuts - \$232 per student
 - Wichita is permitted to use a maximum of \$16.4 million
- **Other limitations:**
 - Federal requirements don't allow district to have special education funding lower than prior year
 - Parent-paid fees for specific purposes (ex: textbooks, instrument rental)
 - Is there a source to replace funds if used for a different purpose (ex: professional development has no on-going revenue source)



July 11, 2011


SB111 Provisions

Cash Flow for 8 of 12 Funds

- **8 of the 12 funds include:**
 - 4-year-old
 - Bilingual
 - eSchool
 - Driver's Education
 - Professional Development
 - Parents as Teachers
 - Summer School
 - Vocational
- **Combined balance of these 8 funds dropped by 67% from June 30 to Dec. 31**

\$1,354,958 (6/30/2010) → \$447,779 (12/31/2010)


Balance would be \$179,835 without Driver's Ed fund



July 11, 2011

SB111 Provisions

- **Remaining four funds covered by SB111 represent 94% of the balance in these 12 funds:**
 - At-risk
 - *Funds teachers in classrooms*
 - Textbooks and student revolving funds
 - *Parent-paid fees, with expectation money will be used for the stated purpose*
 - *Includes textbooks, student materials, music instrument rental and athletics*
 - *Takes several years to save up for a major textbook adoption*
 - Special education
 - *Balance required to cover salaries until first special ed payment in October*
 - *Must meet "maintenance of effort" requirements*
 - Contingency reserve
 - *District savings account*
 - *Amounts to just 8 days of operating cash*
- **Will responsibly utilize some of these fund balances to support our 2011-12 budget.**



July 11, 2011

LOB for 2011-12 Budget

- **Status of Local Option Budget (LOB) presents concerns for 2011-12**
 - LOB is a property tax funding source for districts
 - Includes LOB “state aid” to help equalize tax burden across the state
 - Legislature capped funding for LOB aid, resulting in a pro-rating of state aid for 2011-12. Estimated shortfall next year = \$3.5 million.
 - Sedgwick County anticipates tax collections will be down, reducing the base amount on which the LOB is calculated. Estimated shortfall next year = \$1.6 million.



July 11, 2011

2011-12 Budget

- **Cash balances ARE BEING USED in a limited, fiscally responsible way to balance 2011- 12 budget**
 - Entire Drivers' Ed fund balance will be swept (\$267,944)
 - \$1 million from Virtual Education fund balance
 - *NOTE: Not "new" funding, accounting change required recognition in a different fund balance* 1,145,584
 - \$3.5 million from Special Education fund balance
- **In addition, recommendation made previously to use \$2 million from Contingency Reserve fund as part of \$27.8 million cuts required for 2011-12**



July 11, 2011

Conclusions

- As planned, cash balances *ARE BEING USED* in a limited, fiscally responsible way to balance 2011- 12 budget
- Cash balances will remain to support *CASH FLOW* through the operating year, support budget *WHEN STATE PAYMENTS ARE LATE*, allow for prompt and timely *PAYMENT OF EMPLOYEES AND VENDORS*
- Conservative and responsible use of fund balances will allow Board of Education to *KEEP LOCAL PROPERTY TAXES FLAT IN 2011-12*



July 11, 2011

Wichita Disaggregated Data

