

## SUMMARY OF CALIFORNIA SCHOOL FINANCE

### **Revenue Sources**

The District categorizes its general fund revenues into five sources:

1. Revenue limit sources
2. Federal revenues
3. Other State revenues
4. Other local revenues
5. Other sources

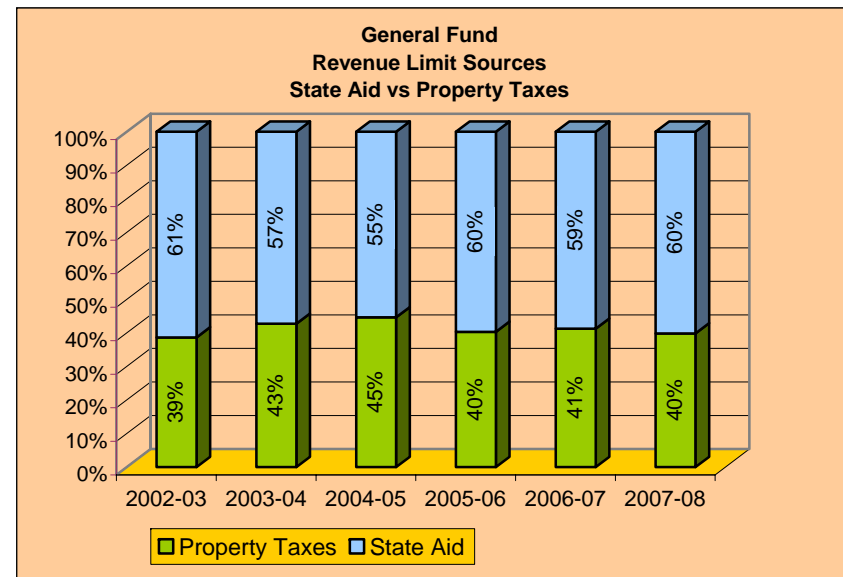
**Revenue Limit Sources:** Since fiscal year 1973/74, California school districts have operated under general purpose revenue limits established by the State Legislature. In general, revenue limits are calculated for each school district by multiplying the Actual Daily Attendance (ADA) for such district by a base revenue limit per unit of ADA. The basic revenue limit calculations are adjusted annually in accordance with a number of factors including a cost of living increase and adjustments for intervention funding, unemployment and PERS, deficit factors equalization and property taxes.

Funding of the District's revenue limit is provided by a mixture of local property taxes and State apportionments of basic and equalization aid.

Generally, the State apportionments will amount to the difference between the District's revenue limit and its local property tax revenues.

Beginning in 1978/79, Proposition 13 and its implementing legislation provided for each county to

levy (except for levies to support prior voter-approved indebtedness) and collect all property taxes, and prescribed how levies on countywide property values are to be shared with local taxing entities within each county. Revenue Limit Sources are projected to be 75% of general fund revenue for the year.



**Federal Revenues:** Federal revenues are generated from the Federal Government and are restricted (categorical) in nature, which means they must be expended on "special" programs. Major sources of Federal revenue include Title I, Title II, Federal Class Size Reduction, Special Education and Migrant Education. Federal revenues comprised approximately

13.8% of general fund revenues in 2006/07 and 13.5% in 2007/08.

**Other State Revenues:** Other State revenues include the California State Lottery, which was established by a constitutional amendment approved in the November 1984 general election and revised by Proposition 20 in 1999. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or research financing. Lottery revenues comprised approximately 1.8% of general fund revenues in 2006/07 and 1.8% in 2007/08. State Special Education master plan funding and State Class Size Reduction Grade K-3 make up the largest portion of this category. Other State revenues expected to be received by the District in 2007/08 total 12.1%.

**Other Local Revenues:** In addition to property taxes, which are recorded as revenue under the Revenue Limit, the District receives additional local revenues from items such as interest earnings, transportation fees, leases and rentals, and other local sources. Other local revenues comprised approximately 6.8% of general fund revenues in 2007/08 and are budgeted to equal approximately 6.4% of general fund revenues in 2007/08. Donations from Parent Teacher Associations (PTA) and businesses will be budgeted as they are received.

**Other Sources:** Other sources include revenue received from other educational entities such as other districts, ROP and JPA's. Interfund transfers are accounted for in other sources as described by the California State Accounting Manual. Other sources are expected to comprise approximately .01% of general fund revenue in the budget year.

## ***Effect of State Budget on District Revenues***

Public school districts in California are dependent on revenues from the State for a major portion of their operating budgets. California school districts receive an average of about 85% of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes. State funding sources typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs. Revenues to be received by the District from other State sources, including revenue limit State aid and other State revenue, will account for about 86.5% of total general fund revenues.

The availability of State funds for public education is a function of constitutional provisions affecting school district revenues and expenditures. As a result, the condition of the State economy plays a major role in the determination of available funds for public education. Finally, the political process involved in adopting a State budget has a major impact on available funds for education on a statewide basis.

In the early 1990's, the economic recession and a State budget imbalance resulted in K-12 school districts receiving no increase in per-student funding from the State. Per-student spending was essentially frozen during this period, with no cost-of-living adjustments. In the late 1990's the recovering economy and increasing State revenues improved the funding for K-12 school districts. Unfortunately, the state is facing a large budget deficit which has negatively affected California school funding since 2000.

## State Funding of Education and Average Daily Attendance

California school districts receive a significant portion of their funding from State appropriations. As a result, changes in State revenues may affect appropriations made by the Legislature to school districts.

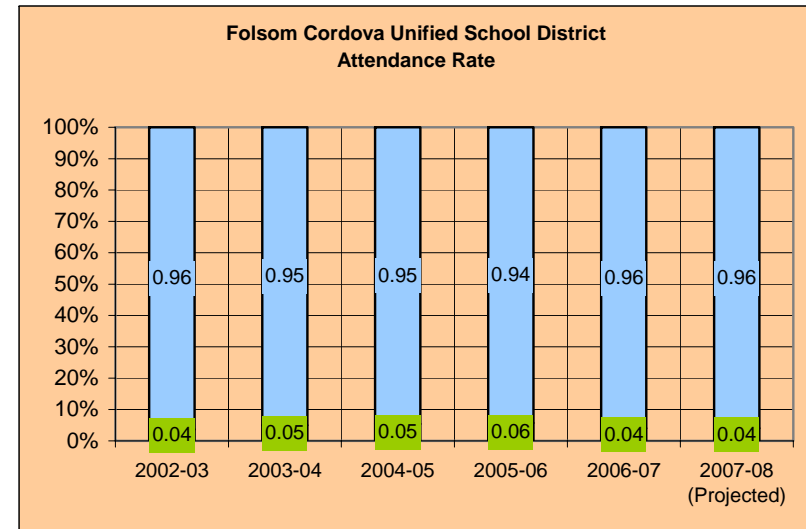
Prior to fiscal year 1998-99, annual State apportionments of basic and equalization aid to school districts for general purposes were computed based on a revenue limit per unit of *average* daily attendance. This calculation included funding for students who were absent from school for an excused absence, such as illness. Effective in fiscal year 1998-99, with the passage of SB 727, the basis of State funding was changed from *average* daily attendance to *Actual Daily Attendance* (ADA).

This change is essentially fiscally neutral for school districts that maintain the same excused absence rate. The rate per student was recalculated to provide the same total funding to school districts in the base year as would have been received under the old system. In the future, if Folsom Cordova Unified can improve its actual attendance rate the District will receive additional funding. Following is a chart reflecting the District's revenue limits and absence rates from 2003/04 to 2006/07. 2007/08 rates are projected.

FCUSD Revenue Limits & Absence Rates					
	2003/04	2004/05	2005/06	2006/07	2007/08
Revenue Limit	\$4,781.79	\$5,136.49	\$5,444.49	\$5,531.45	\$5,783.45
Absence Rate	5.40%	5.70%	6.00%	4.00%	4.00%
Note: 2007/08 rate is projected					

Revenue limit calculations are adjusted annually in accordance with a number of factors designed primarily to provide cost of living increases and to equalize revenues among California school districts.

Following are the District's attendance vs. absence rates for the previous five years.



## Ad Valorem Property Taxation

Taxes are levied by the County for each fiscal year on taxable real and personal property which is situated in the District as of the preceding January 1st. For assessment and collection purposes, property is classified either as "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed public utilities property and real property having a tax lien which is sufficient, in the opinion of the County Assessor, to secure

payment of the taxes. Other property is assessed on the "unsecured roll."

Property taxes on the secured roll are due in two installments, on November 1st and February 1st of each fiscal year. If unpaid, such taxes become delinquent on December 10th and April 10th, respectively, and a 10% penalty attaches to any delinquent payment. Property on the secured roll with respect to which taxes are delinquent becomes tax defaulted on or about June 30th of the fiscal year. Such property may thereafter be redeemed by payment

of a penalty of 1.5% per month to the time of redemption, plus costs and a redemption fee. If taxes are unpaid for a period of five years or more, the property is subject to sale by the Treasurer.

Property taxes on the unsecured roll are due as of the January 1st lien date and become delinquent, if unpaid, on August 31st. A 10% penalty attaches to delinquent unsecured taxes. If unsecured taxes are unpaid at 5:00 p.m. on October 31st, an additional penalty of 1.5% attaches to them on the first day of each month until paid.

## **SUMMARY OF FINANCIAL DATA**

### ***Introduction***

Significant new dollars were allocated to public schools through both on-going and one-time funds in 2006/07. Fiscal year 2007/08 will not see such increases, rather, education will again be in the defensive mode to protect funding as the State must continue to address its structural deficit within its own budget.

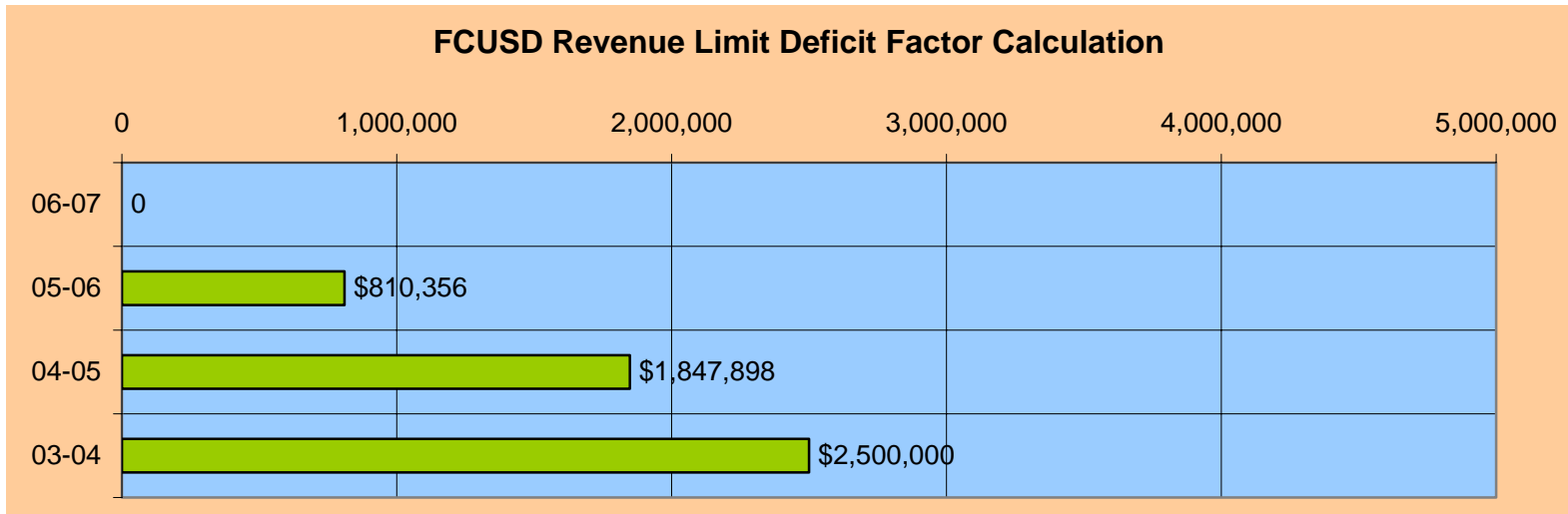
Correlating with Proposition 13 and continuing through the 1990's, California saw itself drop from a position of providing a relatively high level of support to public education to a position of ranking close to the bottom when comparing per pupil expenditures in California with other states throughout the country. Although the financial picture is improving, California schools still rank 37<sup>th</sup> out of 50 when compared to other states.

### ***Impact on FCUSD Revenue***

Like all other school districts in California, this District experienced major deficits in unrestricted General Fund revenue from 1990/1991 through 1999/2000.

In 2000/01, the revenue limit deficit was eliminated with the adoption of the 2000/01 State Budget Act. Further, there was not a revenue limit deficit in 2001/02, or 2002/03. In 2003/04 the state's economy was not able to fund the statutory COLA of 1.88% and in fact, took back 1.2% of the district's revenue, creating a 3% deficit factor, or \$146 per student. This amounted to \$2.5 million loss in ongoing revenue. The deficit continued in 2004/05 at 2.14% with a loss of \$1.8 million. In 2005/06 the deficit factor was .892% or \$45 per student. This was a loss of \$ .8 million in revenue. For 2006/07 and 2007/08, the deficit factor has been eliminated and full funding restored. Only partial retroactive payments were available to the district through one-time block grants in the amount of \$150 per student.

Following is a graph which shows the annual deficit in millions of dollars in State revenue for revenue limit purposes:



The revenue limit revenue not received by Folsom Cordova Unified, due to the inability of the State of California's economy to fund education in 2003-04 through 2005-06 is \$5.1 million.

Not all districts are funded equally. The average amount allocated to the unified districts in Sacramento County was \$5,205. Folsom Cordova Unified School District's Base Revenue Limit was \$5,531, which works out to a difference of \$37 per average daily attendance (ADA). The average revenue limit for the State of California for 2006/07 was \$5,568. This would mean the District would have been eligible for over \$650,000 more in revenue limit income if the State of California would fully implement equalization funding.

