



What have we learned from the State Aid runs to inform School District budget practice? (4/3/20)

What we know so far about state aid for 2020-21:

1. Foundation Aid has been frozen
  - a. There was no attempt to end the shares agreement that altered the equitable distribution of Foundation Aid.
  - b. There was no attempt to increase Foundation Aid to any school district.
  - c. We now know the Foundation Aid “ceiling” for the 2020-21 School Year.
2. It appears that expense driven aids are working on current formula.

There will be continued issues about 2020-21 State Aid. The deficit anticipated by the state for their new fiscal year is estimated by some to be \$10 to \$15 Billion. Implications include:

1. State Aid could be further diminished over the course of our 2020-21 school year.
  - a. “Measurement periods” have been created for the state. These “measurement periods” would be used to determine whether the state has dispersed more than 101% of estimates or received less than 99% of revenue estimated in any of the periods. These metrics would enable the state to further diminish each district’s state aid amount during 2020-21.
  - b. The measurement periods are April 1 to April 30, May 1 to June 30, July 1 to December 31 and January 1 to March 31.
2. It is unclear whether the state will meet its April, May and June 2020 state payment obligations, however there are currently no indications it will not.

What don’t we know?

1. We don’t know how long the state’s financial difficulties will last nor can we accurately gauge the ongoing estimates of deficit.
2. There is still a potential diminishment of state aid to school districts. We don’t know how much might be removed from the current published amounts during the 2020-21.

Practical matters worth additional review:

1. Reexamine the amount of state aid that really should be included in the 2020-21 budget.
2. Reexamine and prioritize all budgeted expenditures for possible reductions. Keep in mind significant reductions usually involve staff and benefits.
3. Reexamine the tax levy limit the district is eligible to collect based on the Tax Cap calculation.
4. Reexamine levels of cash fund balances and reserves for future use. Remember they are very difficult to replenish.



5. Those looking at future capital projects to “smooth” debt service drop-offs and stabilize the Tax Cap should consider the negative implications of not moving forward financially and with regards to facilities and educational needs.
6. Prepare yourself to:
  - a. Explain your district’s financial situation.
  - b. Justify your budget revenues and expenditures.
  - c. Instill in the populace that you continue to have a firm grasp of your district’s finances going forward, and
  - d. Explain what it is hoped the community will do to properly support the school district’s programs, capital plans and so on.