

June Gloom -- Cash Flow Projection Shows Negative Cash in June

The San Bernardino County Superintendent of Schools (SBCSS) analyzed the impact of the various cuts in State allocations and the deferment of State apportionments upon the school districts in the County. SBCSS cash flow analysis projects that YCJUSD will be in negative cash position in June by -\$2,527,656. However, their cash flow projection for the months of July (\$5,259,000), August (\$9,053,000), September (\$8,176,000), and October (\$9,529,000) shows that the district will have positive cash. Cash is critical in the month of June.

Due to the anticipated cash shortfall, the district adopted resolutions and took necessary actions ahead of time. As early as January, the district recognized the need to take an advance from its property tax. The Office of the County Treasurer approved a \$2,000,000 constitutional advance. Moreover, the district also adopted a resolution to allow for intermittent cash borrowing between funds (Child Nutrition, Deferred Maintenance, State Building, Special Reserve, etc.) to plug up potential unforeseen cash shortfalls. The combination of both actions should be sufficient to cover this anticipated cash shortfall. If there is not sufficient cash, the district would not be able to pay its vendors and make payroll obligations.

The projection highlights the growing problem of lack of revenues. The passage of the 17 month budget requires a drastic cut in on-going revenues for the schools. The combined deficit in the current year and 2009-10 is 13.1%. The district's payroll obligation alone is 91% of the district's budget; the other 9% is for supplies and essential services such as utilities. Doing the math, it is simple to see that a deficit of 13.1% would mean that there needs to be drastic reductions in the district's expenditure budget in order to match the state prescribed deficit. And even if the district cuts the 9% for supplies and services altogether, the district would still have to reduce payroll costs. Since it is impossible to eliminate all of the funding for supplies and services, drastic cuts (through RIF and concessions from employees) in payroll costs had to be made. The lack of revenue causes cash shortfalls.

As we may all know from listening to the news and reading the papers, the State's revenues are severely reduced due to the sagging economy and the resulting reduction in tax income. As a result, the State is compelled to make deep budget reductions to all sectors of the government including schools. Part of the State's budget solution is to defer monthly allocations to the schools. For instance, the State has postponed the February and June apportionments (\$5,240,000) to July, and therefore causing the projected cash to be negative in June. In the meantime, the district continues to fulfill its financial obligations such as payroll for salaries and benefits, and vendors for essential supplies and services.