

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**AN ANALYSIS OF
THE DEFICIENCY IN THE 1984-85
STATE SCHOOL FUND**

REPORT BY THE
OFFICE OF THE AUDITOR GENERAL

P-530

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1984-85 STATE SCHOOL FUND

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P-530

Honorable Art Agnos, Chairman
Members, Joint Legislative
Audit Committee
State Capitol, Room 3151
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the State Department of Education's estimated \$235.2 million deficiency in the 1984-85 State School Fund. We estimate that the deficiency will be \$157.7 million by the end of fiscal year 1984-85. Should the Legislature and the Governor want to avoid reducing the school districts' general education funding for this year, the Legislature and the Governor will need to appropriate an additional \$157.7 million to the State School Fund.

Respectfully submitted,

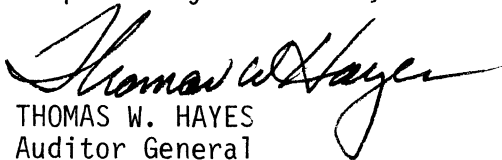

THOMAS W. HAYES
Auditor General

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SUMMARY

By the end of fiscal year 1984-85, the deficiency in the 1984-85 State School Fund should be approximately \$157.7 million. Should the Legislature and the Governor wish to avoid a deficiency in the school districts' funding for general education, the Legislature and the Governor would need to increase state aid by \$157.7 million.

At the first principal apportionment in February 1985, the State Department of Education estimated that school districts' claims for state aid would exceed the \$6.5 billion appropriated for the State School Fund in the 1984-85 Budget Act by \$235.2 million. Since allocations of state aid to school districts cannot exceed the amount appropriated in the Budget Act, the State Department of Education reduced the school districts' claims for state aid by an average of 2.6 percent. By the end of the 1984-85 fiscal year, however, we estimate that the deficiency in the State School Fund will be approximately \$157.7 million. The decrease will occur because local revenues should increase by \$53.8 million and because average daily attendance should decline, thereby reducing school districts' claims for state aid by \$11.7 million. Furthermore, we reduced the State Department of Education's estimate of the deficiency by \$12.0 million because the school districts' claims for the inflation adjustment exceeded the appropriation for this purpose contained in the 1984-85 Budget Act.

Although the State School Fund deficiency should be less than the State Department of Education estimated, the deficiency could be higher than our estimate for two reasons. First, two pending lawsuits against the State brought about by the Fullerton Union High School District and the Rowland Unified School District may add approximately \$15.2 million to the deficiency. Second, at the first principal apportionment, school districts' claims for minimum salaries for

teachers were \$18.8 million lower than the amount appropriated in the 1984-85 Budget Act. However, if these claims increase by the end of the fiscal year, the deficiency will increase.

Primary Causes of the Deficiency
in the 1984-85 State School Fund

The State Department of Education's \$235.2 million estimated deficiency in the 1984-85 State School Fund, at the first principal apportionment, was caused by a number of factors. Because local revenues were lower than expected, less local revenues were available to offset school districts' claims for state aid. Furthermore, school districts' claims for average daily attendance, unemployment insurance, and prior-year adjustments were higher than anticipated. Consequently, school districts' claims for state aid were higher than expected.

Estimates of local revenue reported by county auditors at the first principal apportionment were significantly less than expected by the Department of Finance. Supplemental property tax revenues were \$188.6 million lower, and other local revenues were \$49.8 million lower than anticipated. Supplemental property tax revenues fell short because of high delinquency rates, because it takes a long time to bill a taxpayer for property that is subject to supplemental property tax, and because collecting supplemental property taxes involves a complicated process. Although other local revenues were lower than anticipated, the actual amount of these revenues realized at the end of the fiscal year, has, historically, been higher than the amounts estimated by county auditors for the first principal apportionment.

Another cause of the deficiency is that school districts' claims at the first principal apportionment resulting from average daily attendance were \$50.7 million higher than estimated by the Department of Finance. This contribution to the estimated deficiency in the 1984-85 State School Fund resulted from higher than expected

average daily attendance, the inflation adjustment to school districts' revenue limits that was not fully funded, and other changes to the school districts' revenue limits.

Furthermore, in May 1984, when it prepared its last estimate of the 1984-85 State School Fund budget, the Department of Finance estimated that school districts' claims for unemployment would be \$9.0 million. However, at the first principal apportionment, school districts' claims totaled \$19.5 million, thereby contributing \$10.5 million to the deficiency.

Finally, surpluses from prior-years' appropriations have, in the past, been available to pay for expenditures that school districts incurred in previous years but for which they had not yet billed the State. However, after the 1984-85 Budget Act was approved, Chapter 1073, Statutes of 1984 (Assembly Bill 3333), was enacted, reappropriating approximately \$30.0 million in prior-years' appropriations to the State School Fund. The primary use of this money was to fund a \$23.3 million deficiency in the 1983-84 State School Fund.

Because no surpluses were available to adjust for school districts' claims for prior-year expenditures, the State Department of Education had no choice but to pay for these claims from the current year's appropriation to the State School Fund. At the first principal apportionment for 1984-85, the State Department of Education determined that it would have to pay \$5.0 million for prior-year adjustments. Because the 1984-85 budget for the State School Fund did not provide funds to pay for these claims, the prior-year adjustments contributed \$5.0 million to the State Department of Education's estimated deficiency in the 1984-85 State School Fund.

INTRODUCTION

Each year the State Department of Education determines the amount of state funds that each of the State's 1,029 school districts is entitled to receive from the State School Fund for general education programs. Budgeted state support for general education programs totaled approximately \$6.5 billion for fiscal year 1984-85. The State Department of Education determines each school district's apportionment for general education by applying a funding formula provided in the California Education Code.

Simply stated, the formula establishes the amount of revenue a school district can receive for general education programs for each student in attendance; this amount is referred to as the "revenue limit per unit of average daily attendance." School districts calculate average daily attendance by dividing the total pupil attendance days within a district by the total number of school days taught. A school district's average daily attendance is multiplied by the revenue limit per unit of average daily attendance to determine the school district's base revenue limit. To this figure, certain adjustments for special programs are added or subtracted to arrive at the total funding level for a school district. Finally, the school district's local revenues as reported by the county auditor are subtracted from the total, and the resulting figure is the amount of state aid that the school district is entitled to receive.

School District Budget and Apportionment Process

In January of each year, the Department of Finance prepares the budget estimates for the State School Fund that are included in the Governor's Budget. In May, it revises its budget estimates before the Legislature and Governor approve the final budget. In preparing the State School Fund budget, the Department of Finance estimates the amount that school districts will claim for general education and for a variety of program expenditures, and it estimates the level of local revenues that will be available to fund the school districts. The state aid that school districts receive equals the difference between the amount that school districts claim and the amount of local revenues.

The State Department of Education distributes state aid to school districts through its apportionment process. This process includes four basic elements: a monthly cash advance, the first principal apportionment, the second principal apportionment, and an annual adjustment.

From July through January, school districts receive a monthly cash advance from the State School Fund based on the previous year's state aid. The first principal apportionment, which occurs in February, adjusts the previous year's revenue limits and initially determines school districts' state aid requirement for the current year. At this time, the State Department of Education determines

whether the state aid appropriated in the Budget Act is sufficient to cover school districts' claims for state aid at the first principal apportionment.

The second principal apportionment, which occurs in June, adjusts the school districts' revenue limits and the state aid that school districts are entitled to based on data reported in April. The State pays each school district the difference between the amount of state aid the school district is entitled to and the amount the school district has already received.

The final element in the apportionment process is the annual adjustment, which is based upon data submitted after the school year ends. This adjustment is made to the first principal apportionment for the next fiscal year.

Impact of Local Revenues on School Financing

Education Code Section 42238 requires the Superintendent of Public Instruction to reduce a school district's total revenue limit by the amount of local revenues that a school district receives. The remainder is the amount of state aid to be distributed from the State School Fund. Although local revenues include revenues other than property taxes, such as timber tax and subventions for homeowners tax exemptions, property taxes are the major source of local revenues used to finance the public school system.

In July 1983, the Legislature enacted Chapter 498, Statutes of 1983 (Senate Bill 813), that established an additional source of local revenues, the supplemental property tax. Subsequent legislation modified the process established by Senate Bill 813. The purpose of the supplemental property tax is to accelerate the collection of property tax increases resulting from changes in ownership or completion of new construction.

Each county administers the supplemental property tax. The county assessor appraises the property and computes the supplemental assessment. The county auditor then calculates the tax liability so that the county tax collector can bill the property owner.

Once the supplemental property taxes are collected, the county auditor is responsible for allocating the revenues. For the fiscal years 1983-84 and 1984-85, state law allowed the counties to keep up to 5 percent of the supplemental property tax revenues to cover the costs of administering the new process before making any allocations. For fiscal year 1983-84, state law directed county auditors to allocate all revenues resulting from the supplemental property tax to school districts. For fiscal year 1984-85 and subsequent years, state law directs county auditors to allocate the supplemental property tax revenues in the same manner that regular property taxes are allocated, thus allowing other local governments such as counties, cities, and special districts to share in this source of revenue with the school districts.

Section 41760.2 of the Education Code requires county auditors to provide the Superintendent of Public Instruction with estimates of certain types of local revenue by November 15 of each year. The code section does not require that supplemental property taxes be estimated. Section 75.70 of the Revenue and Taxation Code requires county auditors to report estimated supplemental property tax revenues by April 15 of each year. Although the statutes do not require county auditors to estimate supplemental property taxes by November 15, the State Department of Education requested that they do so.

The Estimated Deficiency
in the 1984-85 State School Fund

In February 1985, at the first principal apportionment, the State Department of Education determined that the claims submitted by school districts exceeded the state aid available to fund the school districts by \$235.2 million. The State Department of Education cannot allocate more state aid than is available in the State School Fund. Therefore, in accordance with state law, the State Department of Education reduced revenue limits for school districts by approximately 2.6 percent.

SCOPE AND METHODOLOGY

This audit sought to determine why school districts' claims for state aid exceeded the amount available in the 1984-85 State School Fund. To identify the major factors that contributed to this

deficiency, we reviewed the 1984-85 first principal apportionment issued by the State Department of Education and the pertinent financial information, budget documents, and statistical data. We also interviewed staff representing the State Department of Education, the State Controller's office, the State Board of Equalization, the Department of Finance, and the Legislative Analyst's office.

To determine the amount of supplemental property tax revenues that will be available to fund the school districts at the end of fiscal year 1984-85 and to identify problems counties were having in implementing the supplemental property tax process, we visited 10 counties and conducted a telephone survey of the remaining 48 counties. At each of the counties we visited, we reviewed financial records and statistical data, and we interviewed staff representing each county's auditor, tax collector, and assessor. For the 48 counties we surveyed by telephone, we collected financial and statistical data on the counties' collection of supplemental property tax revenues and obtained information on the problems the counties were having in implementing the supplemental tax process. Furthermore, we visited an additional 12 of the 48 counties to confirm the information that we received in our telephone survey.

Because of the lack of financial data at the counties, we were unable to estimate the total amount of supplemental property tax revenues that would ultimately accrue for fiscal year 1984-85.

CHAPTER I
THE STATE SCHOOL FUND DEFICIENCY
WILL BE LESS THAN ANTICIPATED

At the first principal apportionment, the State Department of Education estimated that school districts' claims for state aid would exceed the amount appropriated for the State School Fund in the 1984-85 Budget Act by \$235.2 million.* Since allocations of state aid to school districts from the State School Fund cannot exceed the amount appropriated in the Budget Act, the State Department of Education reduced the school districts' claims for state aid by an average of 2.6 percent. However, we estimate that the deficiency will be approximately \$157.7 million by the end of fiscal year 1984-85. This reduction will occur because local revenues should increase by \$53.8 million and because average daily attendance should decline, thereby reducing school districts' claims for state aid by \$11.7 million. Furthermore, because the 1984-85 Budget Act appropriation for the school districts' inflation adjustment was explicitly less than the amount provided for in statutes, we have reduced the deficiency estimated by the State Department of Education for the first principal apportionment by \$12.0 million. Table 1 below presents our adjustments to the State Department of Education's estimate of the deficiency in the 1984-85 State School Fund.

*The \$235.2 million relates to a deficiency in the appropriation for school district revenue limits. For purposes of this report, the deficiency in the appropriation for school district revenue limits will be referred to as the "State School Fund deficiency."

TABLE 1
**ADJUSTED ESTIMATE OF THE DEFICIENCY
 IN THE 1984-85 STATE SCHOOL FUND**
(IN MILLIONS)

	<u>Deficiency Computation</u>
State Department of Education's Estimate of the Deficiency	\$235.2
Adjustments to the Deficiency	
Increase in Local Revenues	
Supplemental Tax	(22.6)
Other Local Revenue	(31.2)
Decrease in Average Daily Attendance	(11.7)
Reduction for Inflation Adjustment	<u>(12.0)</u>
Estimated Deficiency at June 30, 1985	<u><u>\$157.7</u></u>

Although the State School Fund deficiency should be less than the State Department of Education estimated, the deficiency could be higher than our estimate for two reasons. First, two pending lawsuits against the State brought about by the Fullerton Union High School District and Rowland Unified School District may add approximately \$15.2 million to the deficiency. Second, at the first principal apportionment, school districts' claims for minimum salaries for teachers were \$18.8 million lower than the amount appropriated in the 1984-85 Budget Act. However, if these claims increase by the end of the fiscal year, the deficiency will increase.

INCREASED LOCAL REVENUES
WILL REDUCE CLAIMS FOR STATE AID

For the 1984-85 first principal apportionment, county auditors underestimated the local revenues that they will receive. To the extent that local revenues exceed the first principal apportionment estimates, school districts' claims for state aid will decrease accordingly. The Department of Finance estimated that \$2,867.6 million in supplemental property tax and other local revenues would be available to offset school districts' claims for state aid in 1984-85. At the first principal apportionment, the county auditors estimated that they would collect \$2,629.2 million in supplemental property taxes and other local revenues, thereby resulting in a \$238.4 million shortfall in the local revenues available to offset school districts' claims for state aid.

County auditors reported estimated collections of supplemental property taxes that were \$213.3 million lower than anticipated by the Department of Finance; other local revenues, primarily from secured, unsecured, and prior-year tax collections, were \$25.1 million lower than estimated. We subsequently found that Los Angeles County reported its \$24.7 million estimate of supplemental property taxes in the wrong place. Therefore, the estimate of supplemental property taxes was actually \$188.6 million lower, and the estimate of other local revenues was actually \$49.8 million lower than estimated by the Department of Finance. By the end of the 1984-85 fiscal year, however, local revenues should increase by \$53.8 million, \$22.6 million from

supplemental property taxes and \$31.2 million from other local revenues. The \$31.2 million includes \$3.8 million that Los Angeles County school districts will be reimbursed for excess administrative costs that they paid.

Supplemental Tax Revenues
Should Increase

For the first principal apportionment in February, county auditors estimated collecting \$92.9 million in supplemental property tax revenues. We either visited or called all 58 counties to obtain the counties' most recent estimates of supplemental property tax collections for 1984-85. The counties' revised estimates show that they will collect approximately \$115.5 million in supplemental property taxes by the end of this fiscal year, \$22.6 million more than they reported for the first principal apportionment. (Appendix A compares the 1984-85 estimated supplemental property tax revenues at the first principal apportionment with the counties' revised revenue estimates.)

Other Local Revenues
Should Increase

At the first principal apportionment, county auditors estimated \$2,629.2 million in local revenues for fiscal year 1984-85. Most of these revenues come from secured and unsecured property taxes and collections for prior-year taxes. Table 2 below compares the Department of Finance's budget estimates to county auditors' estimates for the first principal apportionment.

TABLE 2
COMPARISON OF DEPARTMENT OF FINANCE
AND FIRST PRINCIPAL APPORTIONMENT ESTIMATES
OF SECURED AND UNSECURED TAXES
AND PRIOR-YEAR TAXES
FISCAL YEAR 1984-85
(IN MILLIONS)

<u>Source of Revenue</u>	<u>Department of Finance</u>	<u>First Principal Apportionment</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Secured and Unsecured Property Taxes	\$2,353.0	\$2,325.3	\$(27.7)	(1.2)
Prior-Year Taxes	<u>126.0</u>	<u>113.1</u>	<u>(12.9)</u>	(10.2)
Total	<u>\$2,479.0</u>	<u>\$2,438.4</u>	<u>\$(40.6)</u>	(1.6)

Section 41760.2 of the Education Code requires county auditors to report to the Superintendent of Public Instruction by August 15 the local revenues that were actually collected and available for school districts for the previous fiscal year. This report is referred to as the "annual report." The State Department of Education uses the information in the annual reports to adjust school districts' claims for state aid.

To determine if there will be any increases in other local revenues by the end of 1984-85, we analyzed the difference between the amount of local revenues reported by county auditors at the first principal apportionment and the amount reported in the annual reports for the past three years. Table 3 shows the results of our analysis.

TABLE 3

COMPARISON OF FIRST PRINCIPAL APPORTIONMENT
ESTIMATES AND AMOUNTS REPORTED IN ANNUAL REPORTS
OF SECURED AND UNSECURED TAXES AND PRIOR-YEAR TAXES
FISCAL YEARS 1981-82 THROUGH 1983-84
(IN MILLIONS)

<u>Source of Revenue</u>	<u>Fiscal Year</u>	<u>First Principal Apportionment</u>	<u>Annual Report</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Secured and Unsecured Property Taxes	1981-82	\$1,789.2	\$1,735.3	\$(53.9)	(3.01)
	1982-83	1,947.8	1,978.5	30.7	1.58
	1983-84	<u>2,158.8</u>	<u>2,144.7</u>	<u>(14.1)</u>	<u>(.65)</u>
	Total		<u>\$5,895.8</u>	<u>\$5,858.5</u>	<u>\$(37.3)</u>
Prior-Year Taxes	1981-82	\$ 61.2	\$ 89.3	\$ 28.1	45.92
	1982-83	81.3	104.1	22.8	28.04
	1983-84	<u>96.6</u>	<u>134.4</u>	<u>37.8</u>	<u>39.13</u>
	Total		<u>\$ 239.1</u>	<u>\$ 327.8</u>	<u>\$ 88.7</u>

As shown in Table 3, on the average, there is less than one percent difference between the amount reported by county auditors for secured and unsecured property tax revenues at the first principal apportionment and the amount reported in the annual reports. However, average collections for prior-year taxes over the past three fiscal years increased significantly from the date of the first principal apportionment to the date of the annual report. This increase averaged 37.10 percent.

To estimate the amount of tax revenues that county auditors will report in their 1984-85 annual reports, we multiplied the amount reported at the first principal apportionment (see Table 2) by the

average percent change over the past three years. Based on our calculations, we estimate that secured and unsecured taxes will decrease by \$14.6 million ($\$2,325.3 \text{ million} \times 0.63 \text{ percent}$). However, we estimate that collections for prior-year taxes will increase by \$42.0 million ($\$113.1 \text{ million} \times 37.10 \text{ percent}$). Therefore, we estimate that there will be a net increase in local taxes of \$27.4 million ($\$42.0 \text{ million} - \14.6 million).

Furthermore, other local revenues will increase by an additional \$3.8 million because Los Angeles County schools will be reimbursed for some of the costs they paid Los Angeles County to administer the supplemental property tax. Revenue and Taxation Code Section 75.60 allows counties to retain sufficient funds to cover their costs of administering the supplemental tax up to a maximum of 5 percent of their supplemental property tax revenues. During our review, we found that, in June 1984, Los Angeles County retained \$8.3 million from other local revenues intended for schools to cover its administrative costs based on estimated supplemental property tax collections of \$166.3 million. All of the \$8.3 million was charged to the schools because the existing law required that all of the 1983-84 and 1984-85 supplemental property tax revenue be allocated to the schools. However, Chapter 447, Statutes of 1984, eliminated the requirement that all 1984-85 supplemental tax revenue be allocated to schools and required county auditors to allocate these revenues to the various local governmental entities. These local governmental entities are now to share the counties' cost of administering the supplemental

property tax. As a result, Los Angeles County estimates that the local governmental entities owe the schools \$3.8 million for the local governmental entities' portion of the administrative cost. The Chief of the Budget Division of Los Angeles County's Chief Administrative Office stated that the schools will be reimbursed the \$3.8 million before the end of the 1984-85 fiscal year.

DECLINE IN AVERAGE DAILY ATTENDANCE
WILL REDUCE CLAIMS FOR STATE AID

Historically, the average daily attendance (ADA) reported by school districts at the second principal apportionment has been somewhat lower than that reported at the first principal apportionment. This decline occurs for a variety of reasons. For example, students who graduate at mid-term and those who drop out after December are projected as full-term students at the first principal apportionment. These mid-term graduates and dropouts are not counted as full-term students at the second principal apportionment, thus decreasing ADA. Table 4 below illustrates the historical decrease in ADA between the first principal apportionment and the second principal apportionment for the last three fiscal years.

TABLE 4
COMPARISON OF AVERAGE DAILY ATTENDANCE
REPORTED AT FIRST AND SECOND
PRINCIPAL APPORTIONMENTS
FISCAL YEARS 1981-82 THROUGH 1983-84

<u>Fiscal Year</u>	<u>First Principal Apportionment</u>	<u>Second Principal Apportionment</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
1981-82	3,992,840	3,983,446	(9,394)	(.24)
1982-83	3,988,095	3,974,783	(13,312)	(.33)
1983-84	4,030,700	4,025,425	(5,275)	(.13)

As Table 4 shows, the decline in ADA between the first and second principal apportionments in 1983-84 was significantly less than the decline between the first principal apportionment and the second principal apportionment during 1981-82 and 1982-83. The State Department of Education attributes the drop in the rate of decline to a July 1983 change in Education Code Section 42238.5. This change in the Education Code lessens the effect of declining enrollment on school districts by requiring that the ADA for the year be computed by using the second principal apportionment ADA for either the current year or the previous year, whichever is greater. Therefore, to estimate the second principal apportionment ADA for 1984-85, we multiplied the first principal apportionment ADA by the rate of decline in ADA for 1983-84. Table 5 below shows that if the ADA reported at the second principal apportionment in 1984-85 drops by the same percentage as it did in 1983-84, the demand on the State School Fund will decrease by approximately \$11.7 million, thereby reducing the deficiency by this amount.

TABLE 5
**ESTIMATED DECREASED DEMAND ON STATE SCHOOL FUND
 DUE TO REDUCTIONS IN AVERAGE DAILY ATTENDANCE
 FISCAL YEAR 1984-85**

ADA Reported at First Principal Apportionment	4,064,922
<u>Multiplied by:</u> Reduction in ADA for fiscal year 1983-84	.0013
Estimated Reduction in ADA	5,284
<u>Multiplied by:</u> Average State Revenue Limit per ADA	\$ 2,218*
Reduction in Demand on State School Fund	\$11,719,912

*We calculated the average state revenue limit per ADA by dividing the school districts' claims for the base revenue limit, including adjustments for equalization and inflation, by the ADA reported by the school districts.

REDUCTION OF THE DEFICIENCY
 FOR UNFUNDED INFLATION ADJUSTMENT

Education Code Section 42238 requires that school districts adjust their revenue limits to take into consideration the effects of inflation. In accordance with Education Code Section 42238.1, the State Department of Education instructed school districts to compute their claims for state aid using a 6.02 percent inflation adjustment. This adjustment resulted in the school districts' claiming \$504.8 million.

However, the statutory requirement that school districts adjust for inflation does not guarantee that this adjustment will be fully funded. The 1984-85 Budget Act contained \$491.4 million for inflation, which corresponds to a 5.9 percent adjustment. Thus, school districts' claims for inflation at the first principal apportionment exceeded the amount appropriated in the 1984-85 State School Fund by \$13.4 million.

Based on our calculations, \$1.4 million of the excess claims is attributed to a 5.9 percent inflation adjustment for an increase in ADA at the first principal apportionment over the amount estimated by the Department of Finance. The remaining \$12.0 million is attributed to the difference between the 6.02 percent inflation adjustment required by statute and the 5.9 percent inflation adjustment funded by the 1984-85 Budget Act. Since the amount in the 1984-85 Budget Act was explicitly lower than the amount computed according to statute, we reduced the State Department of Education's estimate of the 1984-85 deficiency in the State School Fund by \$12.0 million.

LAWSUITS MAY INCREASE
THE STATE SCHOOL FUND DEFICIENCY

In March 1985, the Fullerton Union High School District (Fullerton) won an \$11.5 million judgment against the State. This judgment is pending appeal by the State. A similar judgment, in the amount of \$3.7 million, may occur in the case of the Rowland Unified School District (Rowland). Since the Fullerton judgment may be paid

out of the 1984-85 State School Fund appropriation, the amount of the anticipated deficiency may increase by approximately \$11.5 million. Furthermore, the State Department of Education believes that the deficiency may increase by an additional \$3.7 million should Rowland win its case against the State.

The Fullerton and Rowland school districts sued the State for wrongfully recovering state aid in 1980. In January 1983, the Court of Appeals upheld Fullerton's claim, and in March 1983, the State settled with Fullerton for an amount that was less than the amount specified in the judgment. The State entered into a similar settlement agreement with Rowland.

The Legislature appropriated \$10.99 million in the 1984-85 Budget Act to fund the settlements with the Fullerton and the Rowland school districts. However, the Budget Act also directed the Superintendent of Public Instruction to reduce the regular school apportionments provided to Fullerton and Rowland by the amount of the settlements. Therefore, the settlements had no net effect on the amount appropriated in the Budget Act for state aid. Because of this provision in the Budget Act, the Department of Finance prepared the 1984-85 State School Fund budget as though the State would not have to pay anything as a result of the lawsuits.

The Fullerton and Rowland school districts responded by suing the State for the original amount of the judgment plus interest. In

March 1985, the Orange County Superior Court decided that the State must pay Fullerton the entire amount of the judgment plus any interest. The Superior Court decision prohibited the State from offsetting the amount of the judgment by reducing other funds payable to Fullerton. The State is currently determining whether to appeal the decision.

As of March 4, 1985, the amount of the Fullerton judgment plus interest was \$11.5 million. Because the State cannot reduce Fullerton's state aid apportionment to offset any payment made in accordance with the lawsuit, the anticipated deficiency in the State School Fund may increase by \$11.5 million, plus any interest accrued after March 4, 1985. Furthermore, the State Department of Education intends to settle the \$3.7 million lawsuit with Rowland in the same manner as it will settle the Fullerton lawsuit. Thus, the potential total effect of these lawsuits on the State School Fund will be to increase the deficiency by at least \$15.2 million.

CONCLUSION

School districts' claims for state aid at the first principal apportionment exceeded the amounts appropriated to the State School Fund in the 1984-85 Budget Act by approximately \$235.2 million. Since the State cannot allocate to school districts more money than appropriated to the State School Fund, the State Department of Education reduced the school districts' claims for state aid by approximately 2.6 percent. We estimate, however, that the deficiency will decrease to \$157.7 million because local revenues will increase by \$53.8 million, thus offsetting state aid by this amount, and because average daily attendance will drop, resulting in school districts' reducing their claims by \$11.7 million. Furthermore, because the 1984-85 Budget Act appropriation for the school districts' inflation adjustment was explicitly less than the amount provided for in statutes, we have reduced the deficiency estimated by the State Department of Education for the first principal apportionment by \$12.0 million.

Although the State School Fund deficiency should decrease by the end of fiscal year 1984-85, two lawsuits brought against the State by the Fullerton and Rowland school districts could result in judgments against the State and increase the deficiency by \$15.2 million. Furthermore, at the first principal apportionment, school districts' claims for minimum

salaries for teachers were \$18.8 million lower than the amount appropriated by the 1984-85 Budget Act. If school districts' claims for minimum salaries for teachers increase, the deficiency will also increase.

Should the Legislature and the Governor wish to avoid a deficiency in school districts' funding for general education, the Legislature and the Governor would need to increase state aid by \$157.7 million.

CHAPTER II

PRIMARY CAUSES OF THE DEFICIENCY IN THE 1984-85 STATE SCHOOL FUND

The State Department of Education's \$235.2 million estimated deficiency in the 1984-85 State School Fund was caused primarily by the following factors. Local revenues, including revenues from supplemental property taxes, were lower than expected. Thus, less local revenue was available to offset school districts' claims for state aid. Furthermore, school districts' claims for average daily attendance, unemployment insurance, and prior-year adjustments were higher than anticipated. Consequently, school districts' claims for state aid were higher than expected.

THE STATE DEPARTMENT OF EDUCATION'S ANALYSIS OF THE DEFICIENCY IN THE 1984-85 STATE SCHOOL FUND

On February 27, 1985, the State Department of Education told county superintendents of schools and county auditors that there would be an estimated \$235.2 million deficiency for school district revenue limits in the State School Fund. The State Department of Education cited as the primary reason a \$213.3 million shortfall in supplemental property tax revenues. The State Department of Education also said that school districts' claims for average daily attendance were \$22.4 million higher than anticipated, although this amount should diminish at the second principal apportionment. We determined that some of the figures that the State Department of Education used were

not accurate and that the department's analysis did not accurately convey the causes of the deficiency.

We discovered that, in reporting its \$24.7 million estimate for supplemental property tax revenues at the first principal apportionment, Los Angeles County inadvertently included this total with other local revenues. This error resulted in an understatement of statewide supplemental property tax revenues and an overstatement of other local revenues. Thus, this error had no effect on the projected deficit.

Moreover, the State Department of Education said that, at the first principal apportionment, school districts claimed \$22.4 million more than estimated by the Department of Finance for average daily attendance. However, our review of the State Department of Education's comparison of the budget estimates provided by the Department of Finance and the first principal apportionment claims made by the school districts shows that, in summarizing the Department of Finance's budget estimates for the portion of the apportionment based on average daily attendance, the State Department of Education incorrectly included a \$28.3 million surplus built into the 1984-85 budget. Therefore, school districts' claims for average daily attendance at the first principal apportionment were actually \$50.7 million higher than estimated.

Table 6 on the next page summarizes the State Department of Education's analysis of the estimated deficiency in the 1984-85 State School Fund. Table 7, also on the next page, presents our adjustments to the State Department of Education's summary. (The figures in bold type are those that changed as a result of our adjustments.)

TABLE 6

**SUMMARY OF THE STATE DEPARTMENT OF EDUCATION'S
ANALYSIS OF ITS ESTIMATED DEFICIENCY IN
THE 1984-85 STATE SCHOOL FUND
(IN MILLIONS)**

<u>Factors</u>	<u>Budget Estimates</u>	<u>First Principal Apportionment</u>	<u>Difference</u>
School District Claims			
Average Daily Attendance	\$8,993.5	\$9,015.9	\$ (22.4)
Unemployment Insurance	9.0	19.5	(10.5)
Prior-Year Adjustments	0.0	5.0	(5.0)
Other Negative Adjustments	25.7	28.8	(3.1)
Summer School	58.0	41.9	16.1
Minimum Teachers' Salaries	24.6	5.8	18.8
Other Positive Adjustments	311.7	300.4	11.3
Total Claims	<u>9,422.5</u>	<u>9,417.3</u>	<u>5.2</u>
Revenues			
Supplemental Tax	281.5	68.2	(213.3)
Other Local Revenue	2,586.1	2,561.0	(25.1)
Federal Mineral Revenue	28.9	26.9	(2.0)
Total Revenues	<u>2,896.5</u>	<u>2,656.1</u>	<u>(240.4)</u>
Total State Aid	<u>\$6,526.0</u>	<u>\$6,761.2</u>	<u>\$(235.2)</u>

TABLE 7

**ADJUSTED SUMMARY OF THE STATE DEPARTMENT OF EDUCATION'S
ANALYSIS OF ITS ESTIMATED DEFICIENCY IN
THE 1984-85 STATE SCHOOL FUND
(IN MILLIONS)**

<u>Factors</u>	<u>Budget Estimates</u>	<u>First Principal Apportionment</u>	<u>Difference</u>
School District Claims			
Average Daily Attendance	\$8,965.2	\$9,015.9	\$ (50.7)
Unemployment Insurance	9.0	19.5	(10.5)
Prior-Year Adjustments	0.0	5.0	(5.0)
Other Negative Adjustments	25.7	28.8	(3.1)
Summer School	58.0	41.9	16.1
Minimum Teachers' Salaries	24.6	5.8	18.8
Other Positive Adjustments	311.7	300.4	11.3
Surplus	28.3		28.3
Total Claims	<u>9,422.5</u>	<u>9,417.3</u>	<u>5.2</u>
Revenues			
Supplemental Tax	281.5	92.9	(188.6)
Other Local Revenue	2,586.1	2,536.3	(49.8)
Federal Mineral Revenue	28.9	26.9	(2.0)
Total Revenues	<u>2,896.5</u>	<u>2,656.1</u>	<u>(240.4)</u>
Total State Aid	<u>\$6,526.0</u>	<u>\$6,761.2</u>	<u>\$(235.2)</u>

LOCAL REVENUES WERE LOWER THAN
THE DEPARTMENT OF FINANCE EXPECTED

As shown in Table 7, local revenue estimates reported by county auditors at the first principal apportionment were significantly less than expected. Supplemental property tax revenues were \$188.6 million lower, and other local revenues were \$49.8 million lower than anticipated. Supplemental property tax revenues fell short because of high delinquency rates, because it takes a long time to bill a taxpayer for property that is subject to supplemental property tax, and because collecting supplemental property taxes is a complicated process. Although other local revenues were lower than anticipated, the actual amount of these revenues realized by the end of the fiscal year has, historically, been higher than the amounts estimated by county auditors for the first principal apportionment.

Revenues From Supplemental
Property Taxes Lower Than Estimated

In its May 1984 revision of the 1984-85 budget, the Department of Finance estimated that counties would collect approximately \$281.5 million from supplemental property taxes. However, our analysis indicates that county collections from supplemental property taxes through June 30, 1985, will be approximately \$115.5 million, \$166.0 million less than the Department of Finance's projections. Because fiscal year 1983-84 was the first year in which supplemental property taxes were collected, the Department of Finance had no

historical data to rely upon in estimating how much would be collected. Furthermore, in making its May 1984 estimates, the Department of Finance was not able to consider the potential effect of subsequent legislation dealing with the supplemental property tax.

During our audit, we found that the Department of Finance was optimistic in the assumptions it used to estimate supplemental property tax revenues. First, the delinquency rates that counties are experiencing in collecting supplemental property taxes are much higher than the Department of Finance anticipated. Second, it has taken longer than expected for counties to bill property owners for supplemental property taxes. Moreover, the complicated nature of the supplemental property tax system has made it difficult for counties to collect supplemental property taxes promptly.

High Delinquency Rates

In May 1984, the Department of Finance estimated that, in 1984-85, counties would collect \$190.0 million in supplemental property tax revenues generated in 1983-84 and \$91.5 million in supplemental property tax revenues generated in 1984-85. One of the assumptions used by the Department of Finance in developing its estimate for supplemental property tax revenues was the rate of delinquency that counties would experience in collecting the supplemental property tax. In estimating the collection of revenues generated by 1983-84 supplemental property taxes, the Department of Finance assumed a

delinquency rate of 4 percent. For collections generated by the 1984-85 supplemental property taxes, the Department of Finance assumed a delinquency rate of zero.

We visited ten counties that generate large amounts of local revenues and found that these counties were currently experiencing an average delinquency rate of 22 percent. The delinquency rates among these counties range from 9 to 29 percent. Thus, because of these high delinquency rates, supplemental property tax revenues collected by the counties by June 30, 1985, will be significantly less than the Department of Finance estimated.

Supplemental Tax Revenues Take Longer To Bill Than Anticipated

The Department of Finance assumed that three months would elapse between the time a property became subject to the supplemental property tax (the date ownership changed or new construction was completed) and the time a county bills and collects the tax from the taxpayer. This assumption pertains only to the \$91.5 million in revenues that the Department of Finance estimated that counties would generate and collect in 1984-85.

During our visits to ten counties, we found that an average of 10 months elapsed between the time a property became subject to supplemental property tax and the time a taxpayer was sent a supplemental property tax bill. Depending on the date that a county

bills a taxpayer, it can take from one to 5 months to collect the tax revenues that are not yet delinquent. Because of the significant lag time between the date a property becomes subject to a supplemental tax and the date a county will collect the tax, the amount of revenues that the counties will collect by June 30, 1985, will be significantly less than the Department of Finance estimated.

Complicated Supplemental Property Tax System

Our analysis of the supplemental property tax process at the 10 counties we visited and the 48 counties we surveyed by telephone shows that counties are experiencing significant delays in realizing supplemental property tax revenues because of the substantive and complicated changes required to assess, bill, collect, and distribute supplemental property taxes. Assessing property taxes on the date that a parcel changes ownership or the date that new construction is completed is not as simple as it seems.

Before the enactment of Chapter 498, Statutes of 1983 (Senate Bill 813), completing the annual tax assessment roll was an annual, cyclical process. If a parcel changed ownership several times during the year or if various construction activities were completed on the parcel at different times during the year, the county assessor included in one assessment all of the transfers and construction that took place between March 1 and the next February 28. This assessment was the responsibility of the last owner. The owner's property tax liability

was the product of the tax rate and the taxable value of the property. The county tax collector issued one bill payable in two installments due no later than April 10 and December 10.

Senate Bill 813 significantly changed the process of assessing property taxes. Instead of deferring any increase in property taxes to March 1, when county assessors update the annual property tax roll, Senate Bill 813 required counties to begin assessing property taxes either on the date of the change in ownership or on the date of completion of new construction. Implementing the provisions of Senate Bill 813 to assess supplemental property taxes in a county is a complicated process and involves the assessor, the auditor, the tax collector, and the data processing department. In San Diego County, for example, establishing the system to collect supplemental property taxes required the revision of over 700 computer programs and 264 procedures.

Subsequent legislation further revised the supplemental property tax system. For example, Chapter 1102, Statutes of 1983 (Assembly Bill 399), allowed counties to keep up to 5 percent of the supplemental property tax revenues to cover the cost of administering the supplemental property tax process. Chapter 447, Statutes of 1984 (Senate Bill 794), eliminated the requirement that all 1984-85 supplemental property tax revenues be allocated to the school districts and required county auditors to allocate these revenues to the various local governmental entities. Chapter 512, Statutes of 1984

(Senate Bill 1325), made all supplemental property taxes payable in two installments instead of one installment and changed the payment and delinquency dates. Finally, Chapter 946, Statutes of 1984 (Assembly Bill 2345), required counties to prorate taxes according to the period of ownership in cases where a change in ownership occurs before the county bills the previous owner for the supplemental property tax. All of these laws required counties to make substantial changes in their methods of assessing, billing, collecting, and distributing supplemental property taxes.

Other Local Revenues
Lower Than Anticipated

At the first principal apportionment, other local revenues reported by county auditors were approximately \$49.8 million lower than estimated by the Department of Finance. When local revenues are lower than anticipated, school districts' claims for state aid are proportionally higher.

However, as discussed in Chapter I, the amount of local revenues realized at the end of the fiscal year tends to be higher than county auditors report at the first principal apportionment. Thus, to the extent that local revenues increase by the end of 1984-85, the amount of state aid claimed by school districts will decrease.

CLAIMS FOR AVERAGE DAILY ATTENDANCE
WERE HIGHER THAN EXPECTED

As shown in Table 7 on page 24, school districts' claims at the first principal apportionment resulting from average daily attendance were \$50.7 million higher than estimated by the Department of Finance. This contribution to the estimated deficiency in the 1984-85 State School Fund resulted from higher than expected average daily attendance, the inflation adjustment to school districts' revenue limits that was not fully funded, and other changes to the school districts' revenue limits.

Higher Average Daily Attendance

In estimating school districts' claims for average daily attendance for 1984-85, the Department of Finance projected that school districts would report 4,053,796 in average daily attendance. At the first principal apportionment, however, school districts reported average daily attendance of 4,064,922. This difference of 11,126 in average daily attendance generated approximately \$23.3 million more than anticipated in claims for state aid.

Higher Claims for
Inflation Adjustments

As discussed in Chapter I, school districts' claims for the inflation adjustment exceeded the Budget Act appropriation, thus

generating \$13.4 million more in claims for state aid than anticipated. Since the amounts claimed by school districts exceeded the amount funded by the Budget Act, we reduced the State Department of Education's estimate of the 1984-85 deficiency in the State School Fund. Furthermore, as we also discussed in Chapter I, we anticipate that average daily attendance will decline at the second principal apportionment. To the extent that average daily attendance declines, the inflation adjustment, which is based on average daily attendance, will also decline. As a result, the \$13.4 million deficiency relating to the inflation adjustment will decrease to a small extent.

Other Changes in Revenue Limits

The State Department of Education and the Department of Finance attributed the remaining \$14.0 million of the deficiency to timing differences between information used to estimate the budget and information at the first principal apportionment. The Department of Finance estimated the budget for 1984-85 by projecting information computed at the first principal apportionment in February 1984. Subsequent changes reported by the school districts would result in a difference between the budget and the first principal apportionment. For example, the school districts claimed \$5.4 million more in transportation encroachment funds at the second principal apportionment in June 1984 than at the first principal apportionment in February 1984. Because the 1984-85 claim is based on the previous year's claim, this \$5.4 million increase in 1983-84 contributed to the

difference between the budget and the first principal apportionment estimates in February 1985.

UNEMPLOYMENT INSURANCE CLAIMS
WERE DOUBLE THE ORIGINAL ESTIMATES

In May 1984, when it prepared its last estimate of the 1984-85 State School Fund budget, the Department of Finance estimated that school districts' claims for unemployment would be \$9.0 million. However, at the first principal apportionment, school districts' claims totaled \$19.5 million, thereby contributing \$10.5 million to the deficiency.

Education Code Section 42241.7 requires the State to provide aid to school districts to help pay for unemployment insurance expenditures. The amount of state aid is determined by calculating the difference between a school district's estimated unemployment insurance expenditures based on a "contribution rate" for the coming fiscal year and the actual unemployment expenditures for fiscal year 1975-76.

In estimating the state aid portion of the school districts' 1984-85 expenditures for unemployment insurance, the Department of Finance used the state aid portion as computed at the first principal apportionment for 1983-84, thereby assuming that the contribution rate of .24 percent in 1983-84 would not change significantly. According to the Department of Finance analyst who prepared the estimate, the contribution rate increased only slightly from year to year in the

past. However, the contribution rate for 1984-85 was actually .44 percent, nearly double the rate used in 1983-84, and at the first apportionment, school districts' claims for unemployment insurance totaled \$19.5 million, thus adding \$10.5 million to the deficiency.

The Department of Finance could have considered the significant increase in the contribution rate when it prepared its final budget estimates in May 1984. The Unemployment Insurance Code Section 823 requires the Employment Development Department to notify all school employers of the contribution rate for the next fiscal year by March 31. The Director of the Employment Development Department notified the school districts of the 1984-85 contribution rate on March 5, 1984.

PRIOR-YEAR ADJUSTMENTS
WERE NOT ANTICIPATED

In the past, surpluses from prior-years' appropriations have been available to adjust for expenditures that school districts incurred in previous years but for which they had not yet billed the State. However, after the 1984-85 Budget Act was approved, Chapter 1073, Statutes of 1984 (Assembly Bill 3333), was enacted, reappropriating approximately \$30.0 million in prior-years' appropriations to the State School Fund. The primary use of this money was to fund a \$23.3 million deficiency in the 1983-84 State School Fund.

Because no surpluses were available to pay for school districts' claims for prior-year adjustments, the State Department of Education had no choice but to pay for these claims from the current year's appropriation to the State School Fund. At the first principal apportionment for 1984-85, the State Department of Education determined that it would have to pay \$5.0 million for prior-year adjustments. Because the 1984-85 budget for the State School Fund did not provide funds to pay for these claims, the prior-year adjustments contributed \$5.0 million to the State Department of Education's estimated deficiency in the 1984-85 State School Fund.

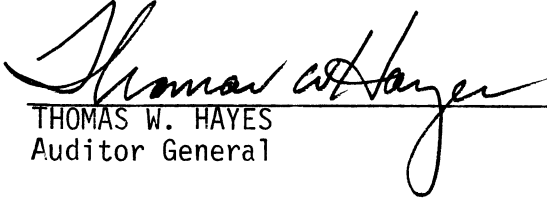
CONCLUSION

The State Department of Education estimated a \$235.2 million deficiency in the 1984-85 State School Fund. This deficiency resulted from a number of factors. Local revenues, including revenues from the supplemental property tax, were \$238.4 million lower than expected; thus, less revenue was available to offset school districts' claims for state aid. However, to the extent that local revenues increase between the first principal apportionment and the end of fiscal year 1984-85, school districts' claims for state aid will decrease, thus reducing the estimated deficiency in the State School Fund. Furthermore, school districts' claims for average daily attendance were \$50.7 million higher than anticipated. Because average daily attendance usually declines by the

second principal apportionment, school districts' claims against the State School Fund will decrease. Lastly, school districts' claims for unemployment insurance and prior-year adjustments were, respectively, \$10.5 million and \$5.0 million more than expected, thereby contributing to the deficiency in the State School Fund.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



THOMAS W. HAYES
Auditor General

Date: April 15, 1985

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CALIFORNIA STATE DEPARTMENT OF EDUCATION

721 Capitol Mall

Sacramento, CA 95814

Bill Honig

Superintendent

of Public Instruction

April 12, 1985

Mr. Thomas W. Hayes
Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Attention: Mr. Kurt R. Sjoberg
Chief Deputy Auditor General

Dear Mr. Hayes:

The State Department of Education has reviewed the Auditor General's Report P-530 entitled, "The Deficiency in the 1984-85 State School Fund Will Be Less Than Anticipated," dated April 1985. We appreciate this opportunity to respond to your findings and conclusions.

We believe that your report provides an accurate and fair representation of the primary causes of the \$235.2 million deficiency in the 1984-85 First Principal Apportionment for K-12 school districts. It also appears to provide a reasonable estimate of the reduction of the deficiency which is likely to occur by the end of the fiscal year 1984-85.

However, we believe that the total estimated deficiency should include the funding needed to finance the statutory COLA calculation for the revenue limits. In implementing the statutory provisions which govern the calculation of the COLA, the Superintendent of Public Instruction determined that the appropriate percentage adjustment for 1984-85 is 6.02 percent. Because the 1984-85 Budget Act appropriation for the COLA was based on 5.9 percent, a \$13 million deficiency has occurred. Our department believes the current law is clear on this matter and supports the use of 6.02 percent.

Also, we believe your report should highlight the fact that 14 counties estimated for the First Principal Apportionment that there would be no supplemental property taxes for 1984-85. Although the statute does not require an estimate until April 15, forty-four (44) counties responded to a Department of Education request for a preliminary estimate by November 15. Lack of information from the fourteen (14) nonreporting counties caused us to certify a greater deficit than was necessary.

We further believe that the findings of this report should be used in conjunction with the J-29 property tax reports, which are due from the County Auditors and Superintendents to the Department of Education by April 15, 1985, and the May revision estimates by the Department of Finance of the 1984-85 Revenue Limit Apportionments. Information and data from all of these sources should be used by the Legislature and the Governor in developing a deficiency appropriation bill to provide funding for the entire amount of the deficit.

Mr. Thomas W. Hayes
April 12, 1985
Page 2

We believe that this deficiency appropriation should be provided prior to the enactment of the 1985-86 Budget Act in order to be included in the June Second Principal Apportionment for 1984-85. Our department has been informed by several county offices that if resolution of this deficit is not achieved prior to the certification of the Second Principal Apportionment many districts will experience serious cash flow problems.

Your staff deserves high commendation for conducting the field survey of the county assessors, auditors and tax collectors, and preparing this excellent report within an extremely tight timeline.

Sincerely,



William C. Pieper
Deputy Superintendent
for Administration

JK:cw

Memorandum

Date : APR 12 1985

To : Thomas Hayes
Auditor General

From : **Department of Finance**
DIRECTOR'S OFFICE


Subject: Draft Report: The Deficiency in the 1984-85 State School Fund Will be Less Than Anticipated

Thank you for providing us with the opportunity to respond to your report. You and your staff have done a thorough review of the factors leading to the reported deficiencies in 1984-85 in the short time you had to complete this review.

As your findings indicate, our May 1984 report of revenues to be received from supplemental roll taxes overestimated the amount of revenues you have determined that counties will be able to collect and apportion to schools in 1984-85. We will incorporate your findings in our Revision of Revenues and Expenditures to be released May 6, 1985. We will also take into account in our estimates for 1985-86 supplemental roll revenues the factors you have described as contributing to a slow rate of tax collection.

Your draft report identifies a deficiency of approximately \$157 million based on our current understanding of the situation. We are aware that other factors, such as pending lawsuits may affect the size of the deficiency. In addition, we understand that certain actions taken by Los Angeles County have reduced tax revenues to the schools. We have expressed our concerns about these actions to the County and anticipate that a resolution will be reached. In the event that our discussions are not finalized by the end of the fiscal year, schools in Los Angeles County may require additional funding.

We appreciate this opportunity to review your report and are prepared to respond to any questions you may have concerning our comments.


JESSE R. HUFF
Director of Finance

FR:9003J

**1984-85 SUPPLEMENTAL PROPERTY TAXES
COMPARISON OF FIRST PRINCIPAL APPORTIONMENT ESTIMATE
AND COUNTIES' REVISED ESTIMATE**

County	First Principal Apportionment	Revised Estimate	Increase (Decrease)
Alameda	\$ 2,169,800	\$ 3,432,730	\$ 1,262,930
Alpine	0	5,000	5,000
Amador	150,000	110,422	(39,578)
Butte	314,999	583,186	268,187
Calaveras	239,405	277,000	37,595
Colusa	0	293,000	293,000
Contra Costa	5,156,200	5,592,772	436,572
Del Norte	80,755	80,755	0
El Dorado	300,000	545,000	245,000
Fresno	2,580,174	1,591,184	(988,990)
Glenn	0	95,974	95,974
Humboldt	280,000	280,000	0
Imperial	226,000	226,000	0
Inyo	32,550	53,134	20,584
Kern	0	4,730,057	4,730,057
Kings	1,000,000	574,000	(426,000)
Lake	0	273,918	273,918
Lassen	213,391	213,391	0
Los Angeles	24,700,000*	25,593,765	893,765
Madera	135,809	90,539	(45,270)
Marin	533,186	968,131	434,945
Mariposa	0	77,496	77,496
Mendocino	440,994	384,560	(56,434)
Merced	0	50,370	50,370
Modoc	0	2,247	2,247
Mono	55,200	87,897	32,697
Monterey	0	1,220,180	1,220,180
Napa	160,730	857,600	696,870
Nevada	45,618	169,973	124,355
Orange	18,890,822	13,387,884	(5,502,938)
Placer	655,288	1,058,077	402,789
Plumas	30,000	51,484	21,484
Riverside	147,460	2,998,966	2,851,506
Sacramento	0	3,669,456	3,669,456
San Benito	0	64,250	64,250
San Bernardino	6,741,999	4,691,632	(2,050,367)
San Diego	7,260,607	12,389,301	5,128,694
San Francisco	2,672,864	5,290,000	2,617,136
San Joaquin	0	1,575,780	1,575,780
San Luis Obispo	420,046	919,078	499,032
San Mateo	3,700,000	3,689,000	(11,000)
Santa Barbara	2,100,006	2,033,503	(66,503)
Santa Clara	6,294,596	7,067,261	772,665
Santa Cruz	952,968	1,059,000	106,032
Shasta	500,000	500,000	0
Sierra	4,771	11,700	6,929
Siskiyou	30,067	19,449	(10,618)
Solano	706,482	1,078,168	371,686
Sonoma	1,012,500	1,673,851	661,351
Stanislaus	1,365,845	694,394	(671,451)
Sutter	22,660	259,631	236,971
Tehama	31,189	46,853	15,664
Trinity	19,381	13,670	(5,711)
Tulare	0	620,600	620,600
Tuolumne	63,600	230,000	166,400
Ventura	0	1,547,000	1,547,000
Yolo	384,000	314,669	(69,331)
Yuba	73,420	127,000	53,580
Total	<u>\$92,895,382</u>	<u>\$115,541,938</u>	<u>\$22,646,556</u>

*Although Los Angeles County inadvertently included this total in other local revenues, our analysis includes this total in supplemental tax revenues.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps