SANTA BARBARA COMMUNITY COLLEGE DISTRICT
Tentative Fiscal Projections, 1976-77
Status of Contingency Reserve

CURRENT POSITION (1975-76 Budget)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$ 1,529,605</td>
</tr>
<tr>
<td>Anticipated Income</td>
<td>9,973,178</td>
</tr>
<tr>
<td>Total Budget</td>
<td>$ 11,502,783</td>
</tr>
<tr>
<td>Anticipated Ending Balance</td>
<td>914,101</td>
</tr>
<tr>
<td>Status of Contingency Reserve</td>
<td>866,626 (on December 18, 1975)</td>
</tr>
</tbody>
</table>

Explanation of Deficit Financing

The original budget for net beginning balance was $1,529,605, and the income, plus beginning balance, was estimated at $11,502,783. The expenditures total, including $914,101 for the appropriation for Contingency Reserve was $11,502,783; a balanced budget. This is the budget that the County sees and that they use when they determine whether there is Deficit Financing or not.

At the August 7, 1975 Board meeting when the budget was finally being set, the net beginning balance and the Contingency Reserve remained as quoted above. However, at that meeting it was agreed that $50,000 would be transferred from the Beginning Balance to cover those equipment items which had been approved by RARB to that point. $272,101 was transferred for Capital Projects and $12,000 was transferred for matching funds for a N.S.F. Grant. This totaled $334,101. It could be said that this represents the deficit that the County was reporting. This deficit must not be thought of as a deficit against the Contingency Reserve since those are Appropriation Transfers, which are made during the year as the school year proceeds. Those transfers to date total $47,475, leaving $866,626 in the balance of the Contingency Reserve. Approximately $350,000 of this balance belongs to Continuing Education. This leaves a balance then of $516,626 in the Contingency Reserve as of December 18, 1975.

The fact is that there is no real deficit financing, in as much as each appropriation against the Contingency Account has been a planned appropriation, approved by RARB, recommended by the Superintendent, and finalized by the Board. The original transfer of $334,101 was a planned reduction of reserves to a more reasonable figure.

DKS:dks
2/2/76
THE EFFECT OF THE "CAP"

By 1972, it had become obvious that the Unruh Bill, school finance legislation in California, was not meeting the requirements of the Serrano-Priest decision. This decision was the result of certain suits having to do with the inequality of educational opportunity in California in grades K-14. One district had as low as $4,000 in assessed valuation per pupil and another had something over $36,000,000 per pupil. Serrano-Priest made it incumbent upon the State of California to devise a system whereby there would be an equalization of educational opportunity for all students, grades K-14. In 1972 the legislature passed S.B.90 for the grades K-12 and S.B.6 for grades 13-14. The general idea behind S.B.6 is that the assessed valuation of each district, when divided by the total Average Daily Attendance, will give a figure which shall be the income potential of the district by combining all sources of income.

The State has a set formula for increasing aid to districts in accordance with a cost of living index. The idea is to make each district equal to each other district to a State minimum. When the State equalization aid is subtracted from the total amount which we are allowed to raise in our district, the remainder is the amount which may be raised by local taxation. So long as this figure endured without the "CAP", there was no particular problem with the State equalization and the local taxes because the formulas kept the two sources of income within local bounds and neither became disproportionate. Now, however, with the advent of the "CAP", the situation has changed. The State aid per student does not drop. However, it does increase in the total amount of the total number of students which each district gains in A.D.A. It only covers up to 105% of the total A.D.A. Unfortunately, the S.B.6 formula was not rewritten to accommodate the "CAP". The net effect of this is that dropping State equalization aid tends to raise the amount which is derived from local taxes. This is caused because the number of students in attendance is the factor which determines the amount of State aid and local funds which can be raised per A.D.A. for your operation of that particular year.

Now what does this mean to our district. This present year, 1975-76, the total amount which would be allowable under the "CAP" and without raising local taxes disproportionately was $8,569,563 and holding the General Purpose tax at $.5389 or $1,054.98 per A.D.A. The net effect of the "CAP" is to allow you to raise local taxes to a total of $1,054.98 per A.D.A. but the State will not fund any growth in A.D.A. greater than 105% of the previous years A.D.A. This means that State aid per student is then dropping if you allow enrollment to increase at a greater rate than 105%. All of this means that our local funding for 1975-76 could have been $9,140,182 with a revenue limit of $1,054.98. Our district chose to tax for general purpose at the rate of $.5389. This was not the total tax which was available, as was indicated above. The difference between the amount of taxes collected and the amount of taxes allowable is carried forward by formula to the next school year and added to the next years total taxes allowable. In our case, for 1975-76, that figure was $563,116.

In 1975-76, the total unmodified assessed valuation of the district was $592,024,320. For 1976-77, that figure will be approximately $617,024,320. This is an estimated increase of approximately $25,000,000 in assessed valuation.
When the raise in assessed valuation and the uncollected taxes from 1975-76 are carried forward into 1976-77, our total income could be $11,076,379, a one year increase of $1,936,197. Should the Board choose to exercise its rights to collect all of these tax dollars, the raise in taxes for next year would be approximately $.27.

This is the actual net effect of the "CAP". As the State aid remains constant at 105% per year, increased local taxes are forced upward at an accelerating rate, since enrollments are not restricted and, therefore, the difference between allowable expenditures and State aid must be made up of local tax monies.

It is highly possible that the formula as we have explained it here will not be in use next year, due to the fact that our State Board has recommended that the total State share be fixed and not more than would have been provided by the 5% "CAP" and that the State share be distributed by "percentage equalizing." This simply means that the State would take the total assessed valuation of the State, divided by the total A.D.A. in grades 13-14 statewide and derive a figure for total aid per A.D.A. Then, within the funds allowed by the "CAP", equalization aid would be distributed to districts in a direct relationship of their local wealth per A.D.A. to the State average.