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Sent: Wednesday, September 17, 2014 12:53 PM

To: <school district business manager>

Subject: Information About General Fund Balance

Hello <school district business manager>,

My name is Ken Kapphahn, and I am a fiscal analyst with the Legislative Analyst's Office (LAO) here in Sacramento. Our office provides nonpartisan financial information to the State Legislature.

As you may know, the state recently passed a law that would cap school district fund balances in certain years, contingent on the passage of Proposition 2 in the November election. Regardless of whether this measure passes, we anticipate that fund balances will be a topic of discussion next year. As a result, our office is conducting research into the major factors districts consider when deciding how much general fund balance to carry each year. One comment we have heard is that every district is unique and makes this decision with an eye to different concerns.

Would you be willing to tell us a bit more about the circumstances in your district? We are asking this question of many districts across the state, and any information you provide will not be published or attributed to you or your district.

We recently extracted the following unaudited information for your district from CDE's SACS system, indicated below.

Fiscal Year	District	ADA	General Fund Expenditures	Assigned and Committed Balance	Unassigned Balance	Fund 17 Balance	Balance as Percent of Expenditures
2012-13	xxxxxx	xxx	xxxxxxx	xxxxx	xxxxx	xxxxx	xx%

Here are our questions:

1. Could tell us more about why your district has this particular level of fund a balance? For example, is some of this amount set aside for an upcoming purchase? Is some amount earmarked for economic uncertainties or other contingencies?
2. Did your district expect to end the year with this amount of fund balance or were there unexpected events that caused it to be higher or lower than anticipated?
3. We noticed that this balance is somewhat higher than average balance for districts of a similar size. Are there factors unique to your district such that you have always tried to maintain a higher balance? Or was 2012-13 different than most previous years?
4. How has your fund balance changed since the onset of the last recession? Has it increased or decreased? What were the most important factors explaining the change?

We would appreciate any information you could provide by the end of this month, either by e-mail or by phone.

Thank you,

Ken Kapphahn

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