

TO: Bayfield School Board
FROM: Jay Mitchell
DATE: April 16, 2012
RE: April Board Report

1. Across-the-Board Federal Education Cuts Loom. Title I and special education funding could be hard-hit if sequestration goes into effect.

This years budget debate is set against a back drop of the Budget Control Act of 2011, adopted during last August debt accords to avoid default and to allow the nations debt ceiling to rise. Because Congress was unable to pass a debt reduction plan by January 15, 2012, the Budget Control Act mandates \$1.2 Trillion in spending cuts by 2021. Under the Act, automatic across-the-board spending cuts (known as "sequestration") will go into effect in January 2013 (after 2012 elections) unless Congress can agree upon another solution and enact new legislation altering these sequestration cuts before they are implemented.

Federal education funding, including Title I and Special Education (IDEA) grant are NOT exempt from sequestration and face significant cuts. School leaders should be mindful of the potential impact of sequestration cuts as they develop budgets for the 2012-2013 school year as these cuts could come midway through the school year.

Across-the-board cuts of \$1.2 Trillion over ten years translate to a cut of approximately 8.0 percent from projected spending levels. Because Congress exempted a number of items from the sequestration cuts, cuts to remaining programs will have a substantially larger than 8.0 percent to achieve the required \$1.2 Trillion in savings.

It is expected that Fiscal Year 2013 sequestration will result in cuts closer to 9.0 percent and roughly a \$3.5 Billion cut to federal K-12 education funding.

For Bayfield that equals to cuts of \$8,580 in IDEA flow through money and \$13,734 to Title I money. As Title I money is used, almost one hundred percent for salary and benefits to reduce it by 9.0 percent would call for a layoff of a staff member. I would recommend that the Board not do that this year but wait until spring of 2013 before making a staffing decision for Title I. If the cuts do occur, fund balance could cover Title I overage for 2012-2013 school year.

Attached is a memo from the National Association of Federally Impact Schools that reflects on how Impact Aid could be effected next year. Under option 1 the District could see a disparity in its ability to meet cash flow obligations during the school year. It would also have to go to fund balance to create a balanced budget. To stop a future drain on fund balance, more staff reductions may be necessary. We will use a conservative 55% of Impact Aid for budgeting purposes.

2. 2012-2013 Budget:

A projected budget will be presented at the May 14 School Board Meeting. It is going to be difficult to make it balance with all of the uncertainty around revenue.

3. Union Law Suit/Base Salary Costing:

Attached is "WASB Review" describing the courts decision on law suit filed by seven unions in the State of Wisconsin.

Also included is WASB's analysis of final rules for base salary costing for purpose of negotiations.

At the meeting on April 23 we will be discussing and potentially approving the Public Employee Handbook. Please remember to bring your materials associated with the hand book for review.