EBR schools wrestling tight finances

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When School Board Finance Director Richard Raether discusses the public school system's financial situation these days, it's a classic case of good news being offset by a flood of bad news.

The good news is that property tax revenue for this fiscal year will be about $900,000 more than school officials were expecting based on their 1982-83 budget, Raether and parish Assessor Frank Granger said Tuesday.

The bad news is that Raether doesn't expect those extra funds to be nearly enough to offset sales tax revenue that is lagging far behind the 7 percent growth he projected at the beginning of the fiscal year.

The bottom line is that the school system may have to borrow as much as $2.5 million from local banks to pay operating expenses during the last week of December and the first week in January, Raether told a School Board committee Tuesday. The Executive Committee voted unanimously to authorize the short-term borrowing, which Raether said would likely cost the school system between $6,000 and $10,000 in interest charges.

Otherwise, the school system won't have enough cash on hand to pay employees' salaries and other bills that come due between Dec. 27 and Jan. 6, Raether warned.

If the full School Board agrees with the proposal next week, Raether will have authority to borrow up to $2.5 million for a period of up to 30 days, and he said that will be enough to solve the school system's cash flow problems at least for the time being.

However, sales tax revenue, which accounts for 25 percent of the school system's budget, will be a concern for the rest of the fiscal year, the finance director said.

Through the first quarter of the fiscal year, sales tax growth is averaging less than 2 percent over 1981's monthly figures, Raether said, adding that he's pessimistic about the situation improving in the next few months.

"I don't think October or November's sales tax figures are going to be any better, and I don't think December is going to be great," he said. "Christmas shopping seems to be brisk, but I don't know at all that the economy has turned around just yet."

"I just read in the paper that Kaiser Aluminum has announced they're laying off 100 employees. People who are laid off don't spend a lot of money and don't pay a lot in sales taxes," he said.

"The property tax figures delight me, but it doesn't alter the fact that we're already spending about $2.1 million more than we're taking in this year," Raether said. "And that was before we learned the bottom had fallen out of sales taxes."

When the School Board approved it's 1982-83 budget this fall, Raether warned that the school system's financial situation was deteriorating. Expenditures totaled $2.1 million more than revenue. The only thing that

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Prevented the school system from slipping into deficit spending immediately was a $2.7 million surplus carried over from previous fiscal years. By June 1983 the school system could be left with a dangerously small $600,000 surplus or possibly none at all, depending on how much sales tax receipts improve and what steps are taken by the School Board to reduce expenditures early next year.

Each percentage point that sales tax growth lags behind projections means $300,000 in lost revenue, Raether said. If sales tax revenue doesn't surpass 2 percent growth for the year, that will mean 5 percentage points less than projected and $1.5 million less revenue than was budgeted. Even the $900,000 gain in property tax receipts wouldn't be enough to match the sales tax losses.

"You're dealing with such big numbers that even one or two percentage points can mean a lot of money," Raether said. "I don't think the gain we're expecting in property taxes will be able to break even with the loss in sales tax receipts."

Borrowing money from local banks is necessary this year -- the first time in the finance director's memory that the East Baton Rouge Parish School Board has had to borrow from local banks to pay operating expenses -- because the first installment on approximately $21 million in property tax revenue that is due the school system won't be received until the second week in January.

Raether said:

"If we have some advance collections of property taxes by the Sheriff's Office, that would reduce the need for borrowing. But times are tight and most people are going to wait until the Dec. 31 deadline to pay their taxes," he predicted. "Generally, the first part of our sales tax revenue arrives in January and by February we have received about 80 percent of it. Then the rest just trickles in during March, April and May."

"I need the authority to borrow money to feel comfortable," Raether said. "We have to pay our bills on time and we have to meet the payroll."

1982-83 dollar sign