May Revise to the Governor's Proposed State Budget Impact on SCUSD's Budget & Fiscal Recovery Plan

Board Meeting
May 21, 2020
Agenda Item No. 10.3

2020–21 LCFF Funding Factors

- The May Revision suspends the 2.31% COLA and includes an additional reduction—for a total of 10% cut to the LCFF
  - First, the 2.31% COLA is applied to arrive at the 2020–21 base grants
  - Then the 10% reduction is applied—for an effective reduction of 7.92% to the 2019–20 base grant amounts

These reductions would be "triggered off" if the federal government provides sufficient funding to backfill the cuts

Grade Span	2019–20 Base Grant per ADA	2.31% COLA	2020–21 Base Grant per ADA	10% Reduction	Effective 2020–21 Base Grant per ADA
K–3	$7,702	$178	$7,880	[-$788]	$7,092
4–6	$7,818	$181	$7,999	[-$800]	$7,199
7–8	$8,050	$186	$8,236	[-$824]	$7,412
9–12	$9,329	$215	$9,544	[-$954]	$8,590

Deferrals: Here We Go Again

- **The Governor's May Revision proposes the following cash deferrals:**

Fiscal year 2019–20

June 2020 → July 2020

Fiscal year 2020–21

April, May, and June 2021 → July 2021?

- **Local school agencies may need to implement local borrowing options to ensure adequate cash to continue paying employees and vendors during these times**
  - **While this avoids an additional cut in state revenues to schools, it pushes the administrative and financial burden of borrowing cash to local school agencies**

Special Education

Base Rates increased to $645 per average daily attendance (ADA) based on three-year rolling average ADA

Reflects a 15% increase over the amount provided in 2019–20 budget

Reflects suspension of 2.31% COLA

Maintains all other existing categorical programs in the Assembly Bill (AB) 602 formula until a finalized formula is adopted

Maintains Special Education .4(a)1.7(

The CARES Act Calfrn’ Kr7C190003 T.04 5.36 T.0d(-)T

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Flexibility Options Absent in the May Revision

During the Great Recession, the state provided flexibility that was meant to help LEAs weather the financial storm

While the May Revision provides some welcomed flexibility, it falls short of providing LEAs what they need

- Flexibility to reduce the instructional year and minutes without penalty
- Extend the ADA hold harmless provided for in 2019–20 through 2020–21
- Reduce or suspend the required contribution to Routine Restricted Maintenance
- Flexibility in the use of supplemental and concentration grant funds
- Ability to sweep ending balances from categorical programs and restricted funds to the unrestricted General Fund

-5%Overall Could Be Closer Estimate

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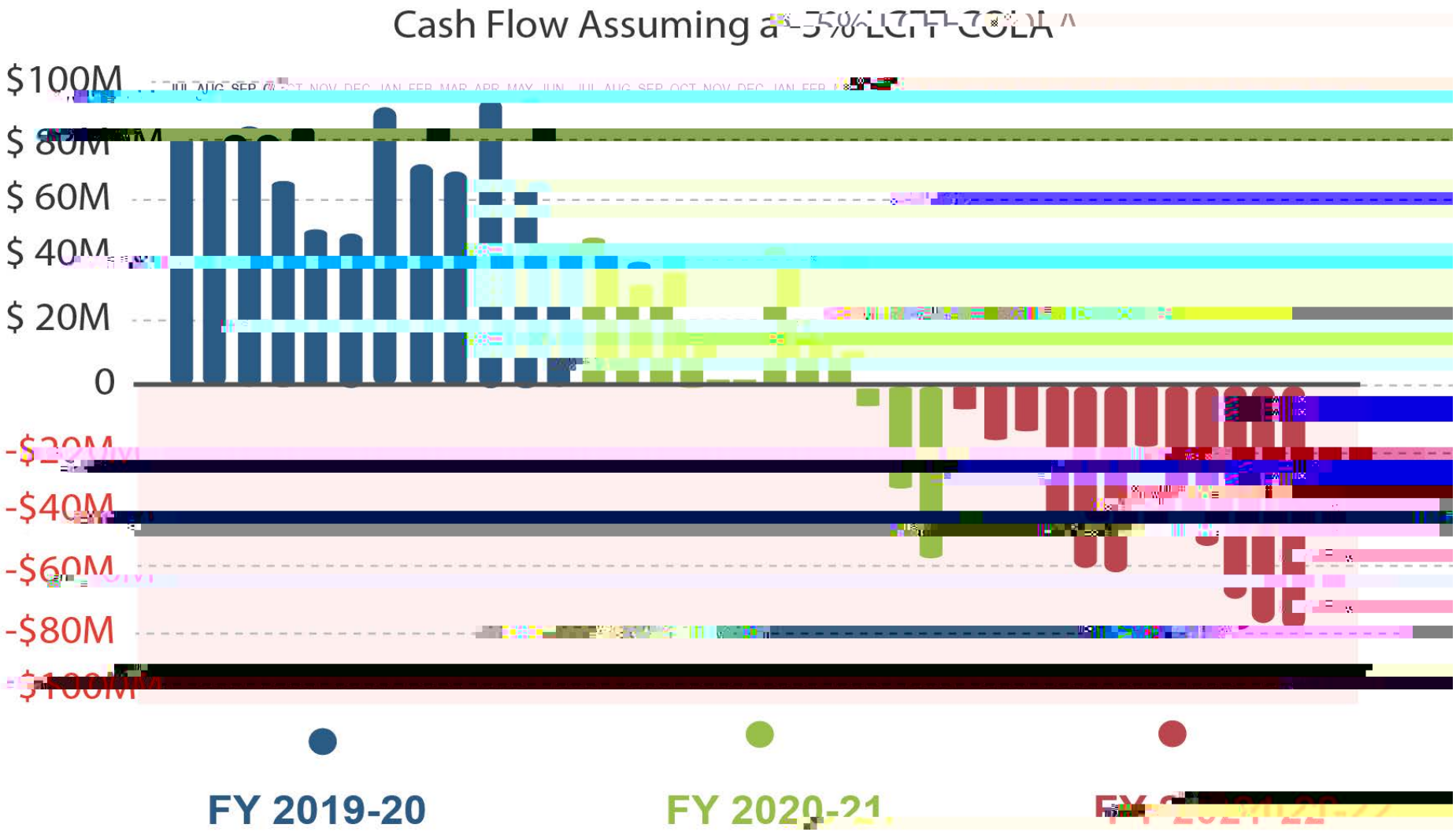
Cash Flow Assuming a
$100M
$ 80M
$ 60M
$ 40M
$ 20M
0
-$20M
-$40M
-$60M
-$80M
-$100M
FY 2019-20
FY 2020-21

Actions Taken To Reduce Budget Sinc
2018-2019

What's On The Table Currently

- The District has made negotiations proposals to SCTA to achieve cost savings, including:
- Healthcare Plan Premium Contribution at 100% Individual/75% "Plus 1"/75% Family, tied to low cost plan (Kaiser)
  - approximately **$17 million** in projected on-going annual savings
  - If all District employees moved to above contribution level, approximately **$22.8 million**
- OPEB certificated employee contribution increase to 2% of salary = $3.3 million annually
- Various smaller modifications to benefits such as prorated benefits for part-time employees (approximately $600,000)

Calculations of District-Wide Compensation Reductions

- Furlough Days: 1 day = $1.7M

Few Additional Non-Negotiable Budget Reductions Remain

- The most substantial category of potential ongoing budget reductions are negotiable as has been recognized by SCOE and the State Auditor (See SCOE letter of November 20, 2019; Audit Report)
- School Board must consider the impacts of any additional non-negotiable budget reductions to departments and educational programs

SCUSD CORE VALUE

Budget Balancing Analysis Continues

- While the bulk of the contemplated reductions are negotiable, staff continues to look for budget balancing ideas that are not.
- Items such as the following are being reviewedfor impact on enrollment.
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SCOE

- SCOE CBO Tammy Sanchez

District’s Next Budget Dates

- June 18, 2020 – Proposed District Budget for Fiscal Year 2020-2021
- June 25, 2020 – Adopted District Budget for Fiscal Year 2020-2021

Questions?