

# 2019-20 Proposed Budget

June 4, 2019

Public Hearing No. 1

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Chief Business and Financial Officer

Budget Report No. 6





# State of California General Fund Budget Summary

## Revenues & Expenses

Revenues and transfers increase 4.2% in 2019-20, while expenditures increase by 2.6%

## Reserves

The Rainy Day Fund reaches \$16.5 billion, or 11.5% of revenues

## Reserve and Great Recession

During the Great Recession, the 2009-10 enacted State Budget anticipated a reserve of 0.6% of revenues



# Implications for Education Funding

- In keeping with his predecessor, Governor Newsom is practicing cautious optimism
  - While the May Revision projects increased short-term revenues, it forecasts slower economic growth and intensified risks
  - Though it stops short of predicting a recession, the May Revision acknowledges that the state needs to be prepared for the possibility of a moderate recession
    - Could result in revenue declines of nearly \$70 billion and a budget deficit of \$40 billion over three years
  - The May Revision allocates funding to pay down unfunded retirement liabilities, eliminate debts, reverse deferrals, and build budget reserves
    - Including a deposit into the state's Rainy Day Fund of \$1.2 billion



# January Budget vs. May Revision

Item	January Budget	May Revision
<b>LCFF Funding</b>	<b>\$2.023 billion</b>	<b>\$1.959 billion</b>
<b>Proposition 98 Minimum Guarantee</b>		
2017-18	\$75.5 billion	\$75.6 billion
2018-19	\$77.9 billion	\$78.1 billion
2019-20	\$80.7 billion	\$81.1 billion
<b>2019-20 COLA</b>	<b>3.46%</b>	<b>3.26%</b>
<b>One-Time Discretionary Funds for 2019-20</b>	<b>\$0</b>	<b>\$0</b>
<b>“Special Education” Proposal</b>	<b>\$390 million ongoing \$186 million one-time</b>	<b>\$696.2 million ongoing</b>
<b>CalSTRS* Proposal</b>	<b>\$3 billion one-time (non-Proposition 98)</b>	<b>\$3.15 billion one-time (non-Proposition 98)</b>

\*California State Teachers’ Retirement System



# 2019-20 LCFF Funding Factors

➤ The K-12 COLA is 3.26% for 2019-20 and is applied to the LCFF base grants for each grade span

<b>Grade Span</b>	<b>2018-19 Base Grant Per ADA</b>	<b>3.26% COLA</b>	<b>2019-20 Base Grant Per ADA</b>
<b>K-3</b>	<b>\$7,459</b>	<b>\$243</b>	<b>\$7,702</b>
<b>4-6</b>	<b>\$7,571</b>	<b>\$247</b>	<b>\$7,818</b>
<b>7-8</b>	<b>\$7,796</b>	<b>\$254</b>	<b>\$8,050</b>
<b>9-12</b>	<b>\$9,034</b>	<b>\$295</b>	<b>\$9,329</b>

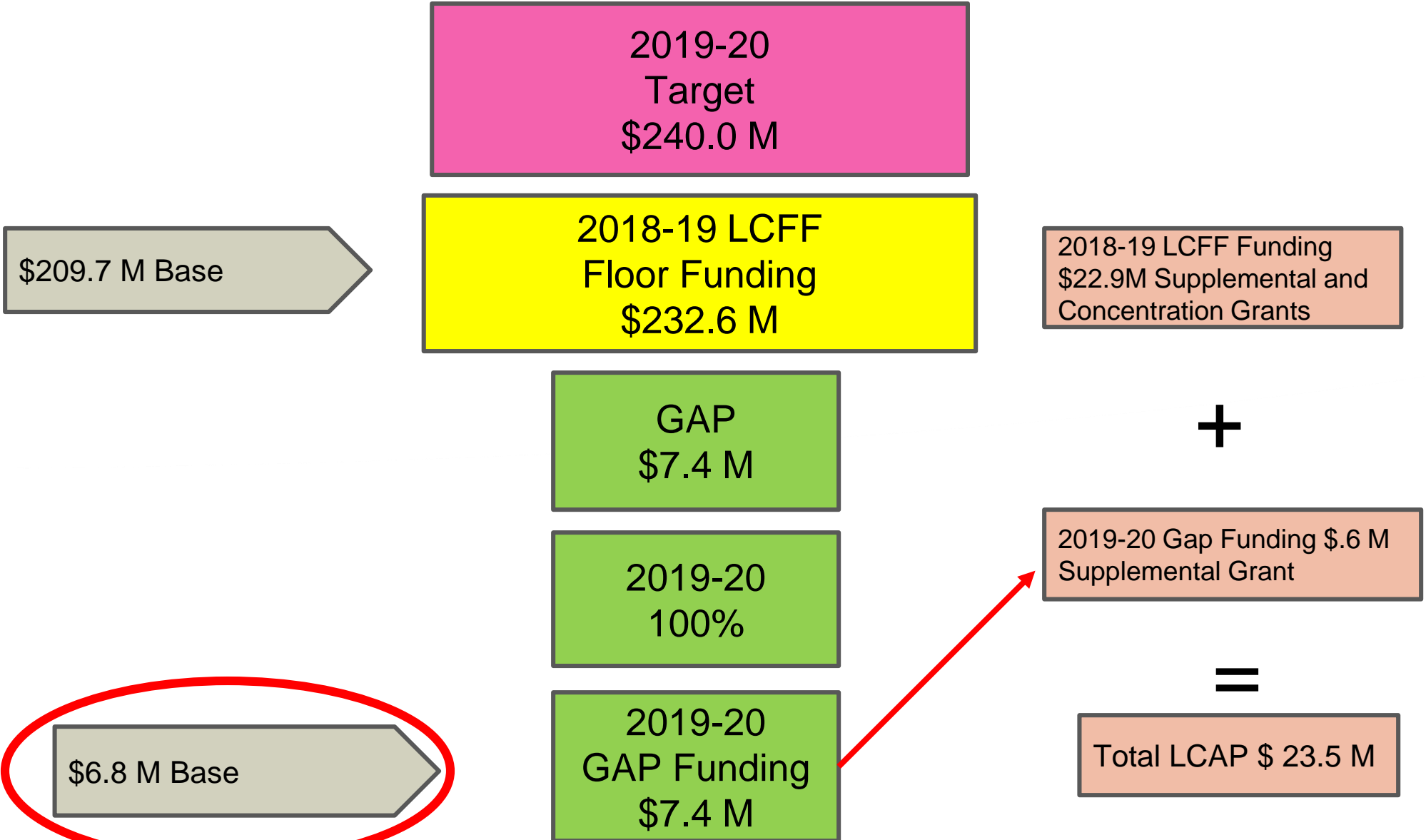


# What Does the LCFF Mean for Glendale Unified School District

<b>GUSD – 2019-20</b>		
<b>2019-20 LCFF Per ADA Funding</b>	<b>Projected 2019-20 ADA</b>	<b>Projected 2019-20 LCFF Total Revenue</b>
<b>\$9,624</b>	<b>24,935</b>	<b>\$239,974,440</b>



# Gap Funding and Proportionality Calculation





# 2018-19 Projected Year-End Balance

## 2018-19 Unrestricted General Fund Balance

<b>Unrestricted General Fund</b>	<b>Projected June 4, 2019</b>
<b>Designated for Economic Uncertainty</b>	<b>\$ 9,152,447</b>
<b>Revolving Cash &amp; Warehouse</b>	<b>150,096</b>
<b>Regular Carry Over, MAA &amp; Board Election</b>	<b>4,675,641</b>
<b>Reserve for Future LACOE System Changes</b>	<b>840,000</b>
<b>Reserve for 2018-19 FASO Wall, and 2017-18 One-Time Discretionary Funding</b>	<b>1,497,896</b>
<b>Unassigned Reserve</b>	<b>20,268,375</b>
<b>Total Unrestricted General Fund Balance</b>	<b>\$ 36,584,455</b>



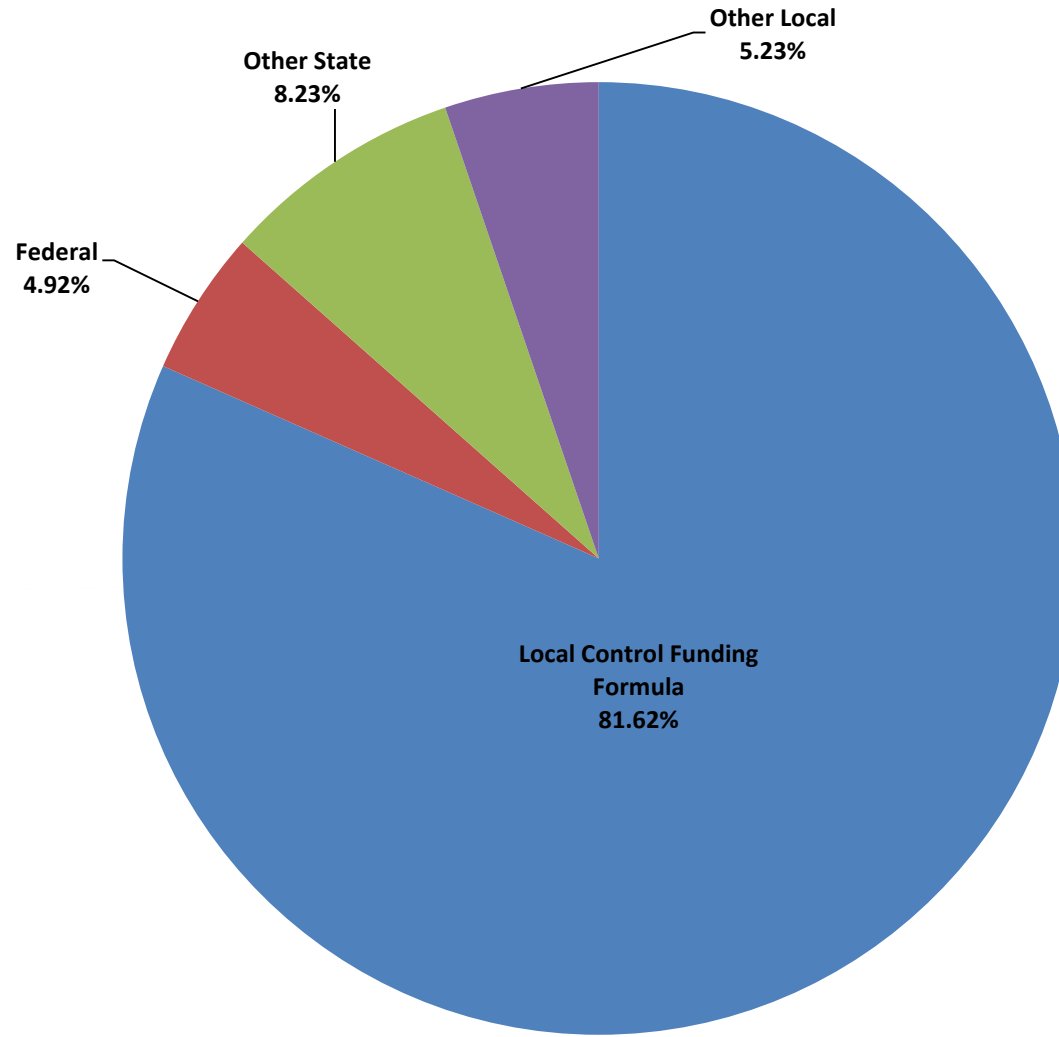


# District's 2019-20 Primary Budget Components

- Net LCFF Impact of COLA, UPP, and other factors – +\$5.6 million for 2019-20 & +\$4.1 million for 2020-21
- 2019-20 CalSTRS employer rate at 16.70%
- 2019-20 CalPERS employer rate at 20.733%
- 2019-20 unduplicated pupil percentage is 54.74% from 54.61% in 2018-19 (Statewide average is approx. 62%)
- Lottery revenue is estimated at \$140 per ADA for unrestricted purposes and \$41 per ADA for restricted purposes



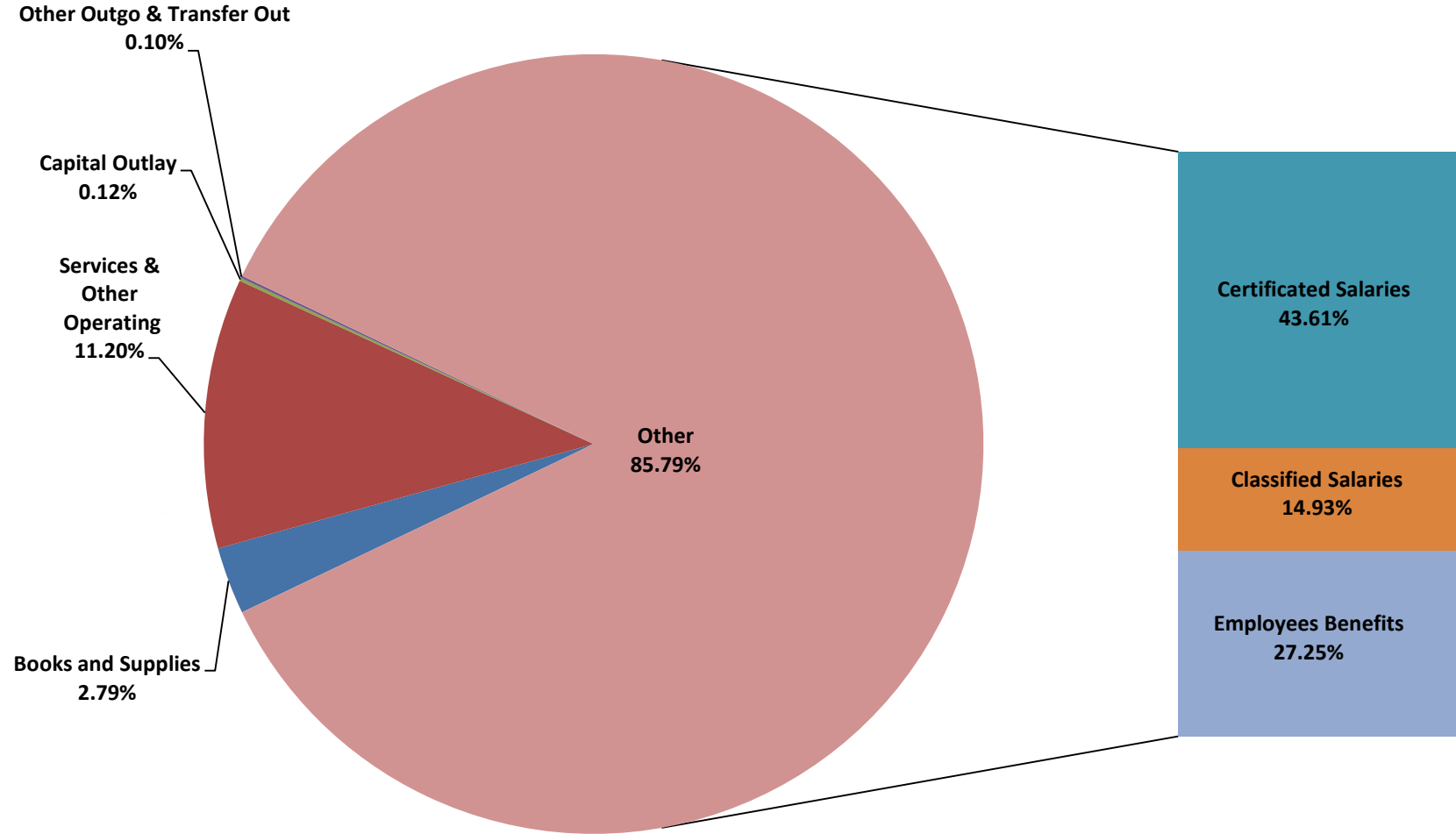
# 2019-20 Proposed Budget TOTAL REVENUE – GENERAL FUND



Total Revenues \$294,020,390



# 2019-20 Proposed Budget TOTAL EXPENDITURES – GENERAL FUND



**Total Expenditures = \$ 298,076,789**

# Multi-Year Budget Assumptions



## ➤ GUSD Budget Assumptions (Gov. May Budget Proposal)

	2018-19	2019-20	2020-21	2021-22
Total Projected LCFF Revenue Increase (Incremental)	\$14.8 M	\$5.6 M	\$4.1 M	\$6.9 M
Supplemental/ Concentration* (Cumulative)	\$22.9 M	\$23.5 M	\$23.7 M	\$24.5 M

## ➤ 2019-20 Statutory Benefits

- **STRS – 16.70%**
- **PERS – 20.733%**
- **Workers' Compensation – 1.94%**

## ➤ Health & Welfare Districtwide Increase Estimates

- **2019-20 - \$924,771**
- **2020-21 - \$2,482,948**
- **2021-22 - \$2,482,948**

\*Unduplicated Count Approximately 54.74%



## Multi-Year Budget Projection - Unrestricted General Fund

	2019-20	2020-21	2021-22	2022-23
<b>Total Unrestricted General Fund Balance</b>	<b>\$28,735,768</b>	<b>\$23,199,098</b>	<b>\$18,350,111</b>	<b>\$9,474,837</b>
Revolving Cash & Warehouse	\$150,096	\$150,096	\$150,096	\$150,096
Designated for Economic Uncertainty	\$9,064,697	\$9,133,713	\$9,332,323	\$9,468,487
MAA, Regular Carry-Over, Board Elections	\$4,675,641	\$4,675,641	\$4,675,641	\$4,675,641
LACOE System Charges	\$ 560,000	\$ 280,000	\$ 0	\$ 0
<b>Unassigned Ending Balance</b>	<b>\$14,285,334</b>	<b>\$8,959,648</b>	<b>\$4,192,051</b>	<b>(\$4,819,387)</b>

Note: Assumes another \$5M budget reduction for 2020-21

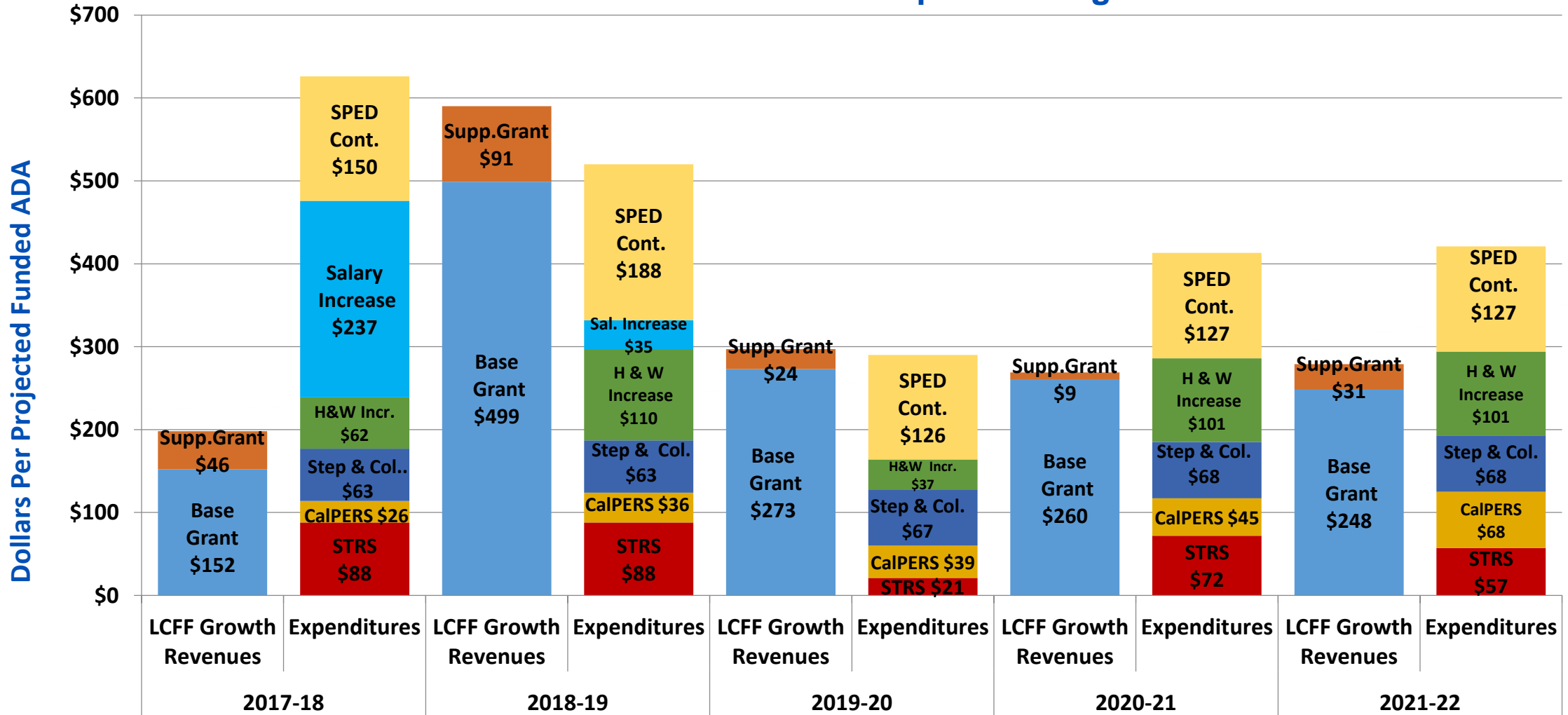


# Cautions & Challenges

- Fiscal Stabilization Plan – Need to materialize the 2019-20 savings. Also need to plan for 2020-21 Fiscal Stabilization Plan.
- CalSTRS/CalPERS and automatic cost increases
- Health and welfare contributions are increasing.
- Contributions to restricted programs continue to increase.
- Flat or declining enrollment makes it difficult to balance the budget
- COLA only years after 2018-19



## GUSD LCFF Increased Revenues Have Automatic Increased Obligations Unrestricted General Fund – Proposed Budget 2019-20

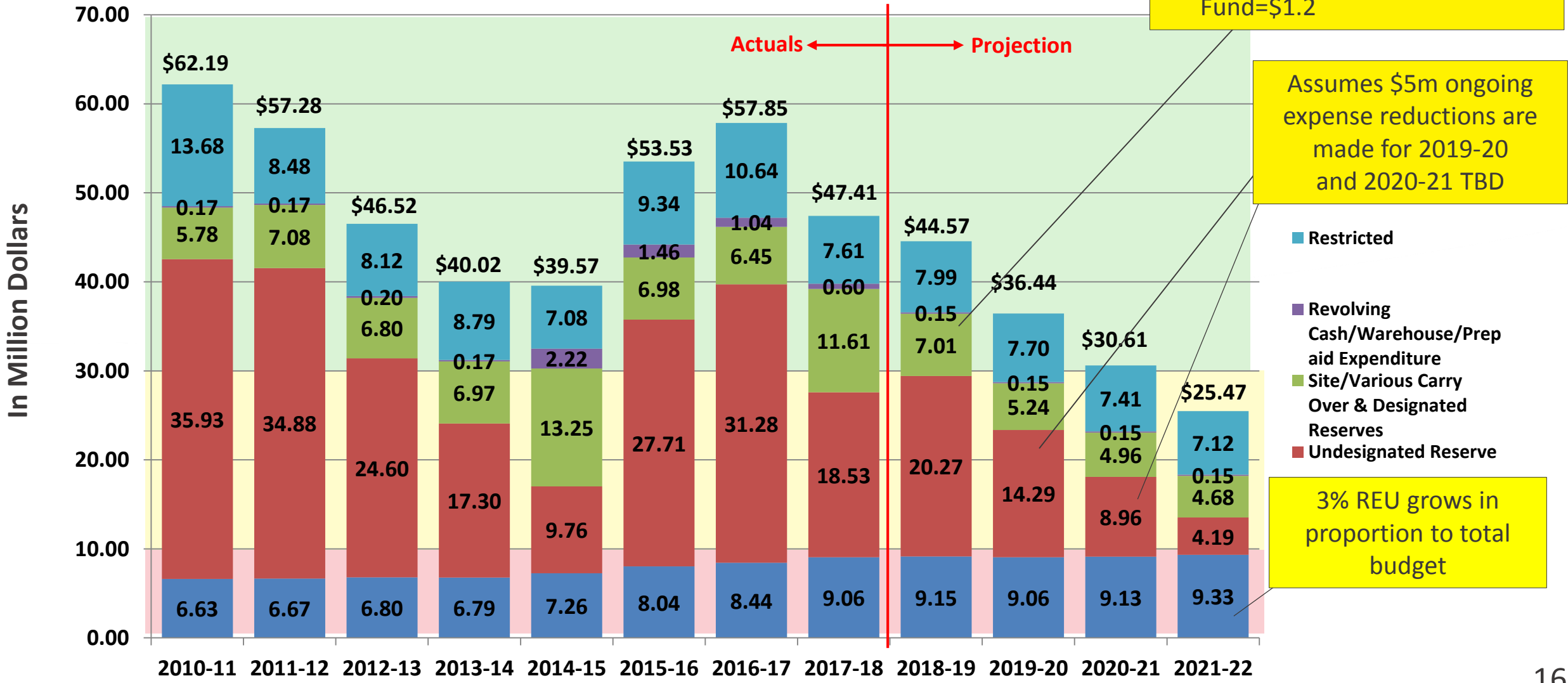


**Note: The expenditures include the SPED, CalSTRS/CalPERS and Step & Column Increases**

# 2019-20 Proposed Budget Summary of General Fund Ending Fund Balances

**Designated Reserves:**

- LACOE charges= \$.84
- Carry over/MAA=\$4.7
- One Time 17-18 Discretionary Fund=\$1.2



Assumes \$5m ongoing expense reductions are made for 2019-20 and 2020-21 TBD

3% REU grows in proportion to total budget



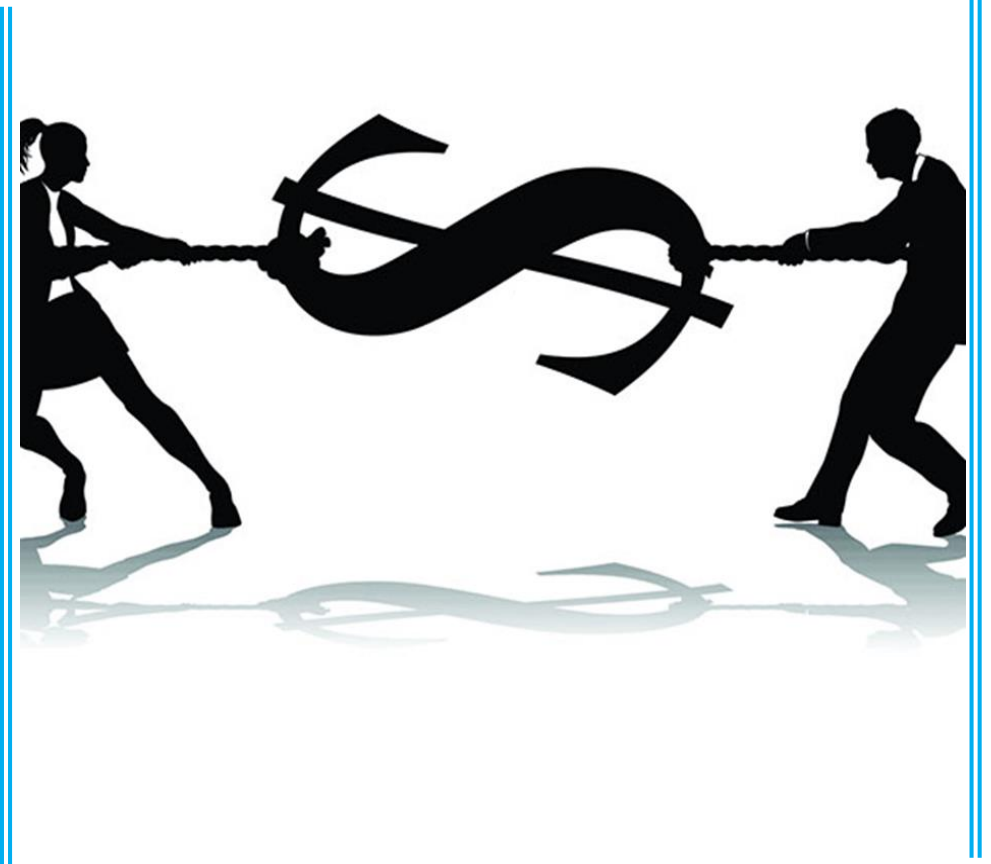


# Final Thoughts

- For the May Revision, the Governor stays the course on most of his January proposals
  - Budgets will continue to be tight with what we call the “Big Three” indicators that most LEAs are dealing with now
    - Declining enrollment
    - Pension cost increases
    - Special Education program costs
- If COLA only is our near-term LCFF future, deficit spending and/or cuts to programs will be the result
- Collective bargaining will continue to be a struggle as the teacher shortage continues

# State Political Factors and the Education Budget

- Discretionary v. restricted funding
- Legislators have their own spending priorities; here are a few:
  - LCFF base grants
  - School energy projects
  - CTE
  - Low-performing students
  - Special Education equalization
  - Student mental health funding
  - Teacher professional development
  - Student nutrition
  - College Readiness Block Grant
  - Advanced Placement test subsidies



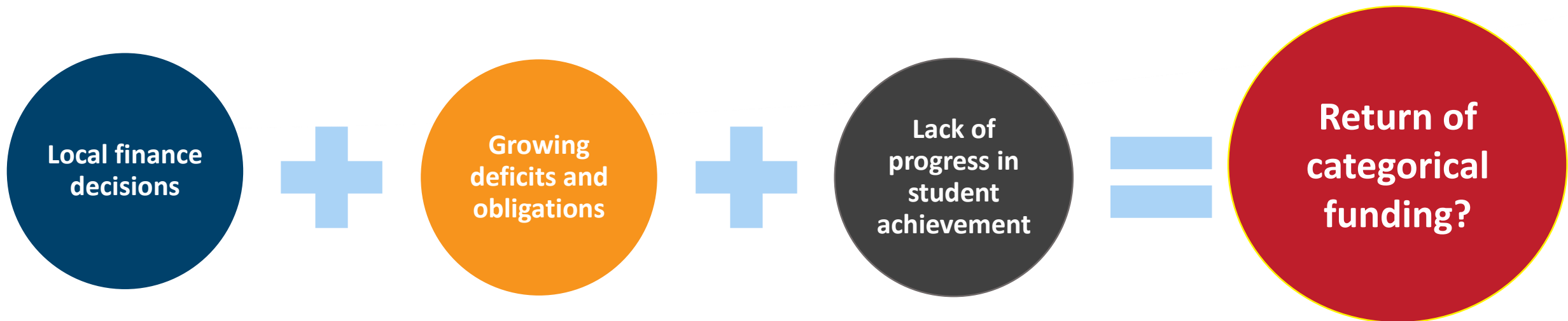
# The Outlook for the LCFF

- The most significant determinant of the LCFF's outlook is the future growth of Proposition 98
  - California's economy is forecasted to slow down in the next three years, which could have a plateauing effect on the minimum guarantee
  - Student enrollment statewide is declining, which could further affect the minimum guarantee
- The state would need an economic boost or new sources of revenue
  - The absence of additional revenue makes it probable that the LCFF will be limited to what the minimum guarantee can fund



# The Outlook for the LCFF

- In addition to the funding outlook for the LCFF, some tenets of the finance policy may become subject to heavier scrutiny





# Fiscal Stabilization Plan

- Will be Board approved and submitted to LACOE with the 2019-20 Adopted Budget
- 2019-20 Total of \$5.0 Million
- 2020-21 Current target of \$5.0 Million – Specific plan to be determined



# 2019-20 Fiscal Stabilization Plan (Detail)

(Board approved March 12, 2019)

Dept	Program	Est. Savings
T&L	Restructure funding source for professional development to LPS Block Grant	\$ 500,000
DO	Eliminate (1) ETIS Sr. Info Analyst	\$ 104,000
DO	Eliminate (1) Purchasing Agent	\$ 122,000
DO	Eliminate (1) Accounts Payable Supervisor and Realign to Accounting Tech	\$ 6,000
DO	Eliminate (1) TCIII in HR	\$ 36,000
DO	Eliminate (2.5) TC in CTE/T&L/Student Services	\$ 111,000
DO	4.5% reduction in all DO department budgets - supplies, services, conferences	\$ 1,130,000
DO	Reduce copier/printer equipment and supply costs due to new contract (phase	\$ 150,000
DO	Reduce annual increase in projected H&W rates from +9%/yr to +8%/yr	\$ 300,000
FASO	Move up to 9 Grounds positions to Routine Restricted Maint funding	\$ 720,000
FASO	Eliminate (1) Asst. Operations Coordinator	\$ 91,000
FASO	Eliminate (1) Grounds position	\$ 85,000
Elem	Eliminate (1) Asst. Principal	\$ 154,000
Elem	Eliminate (2.5) Teaching positions	\$ 265,000
Middle	Eliminate (7.2) Teaching positions due to declining enrollment	\$ 617,000
HS	Eliminate (7.2) Teaching positions due to declining enrollment	\$ 617,000
<b>Total</b>		<b>\$ 5,008,000</b>



# Next Steps

- Implementing and maintaining the Fiscal Stabilization Plan
- Board Adoption of 2019-20 District LCAP and Budget on June 18, 2019
- Finalize Ending Fund Balance (Aug. 2019)
- Recommend a Budget Study Session in July/August 2019 to begin planning 2020-21 budget reduction



# Budget Modes: Deficit – Balanced – Surplus

Surplus/ Additions	8	
	7	
	6	Innovation
	5	Build reserves
	4	Increase employee compensation
	3	Build/expand programs
	2	Reduce class size
	1	LCAP goals
Balanced Budget		
Deficit/ Reductions	1	LCFF revenue increases above projections
	2	Use of one-time funds and/or current reserves
	3	Supplies & Equipment
	4	Contracted services
	5	Administrative and management staffing
	6	Classified staffing (reduce support and service)
	7	Certificated staffing (reduce programs and
	8	increase class size)





# GUSD Key Indicators

GUSD is a great school district for many reasons:

- Outstanding students
- Outstanding parent and community involvement
- Outstanding staff
- Excellent class offerings, programs, curriculum, technology and support staff
- Reasonable average class sizes
- Very good and competitive wages
- Excellent health insurance benefits
- Stable fiscal reserves

# QUESTIONS?

