

# 2020-21 Proposed Budget

June 2, 2020

Public Hearing No. 1

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Chief Business and Financial Officer

Budget Report No. 6



*Excelling Together with Endless Pathways for Success!*

# Economic Effects of COVID-19

- Eleven years of economic expansion came to a screeching halt this year
  - As former Governor Jerry Brown always warned us, a recession was coming, but even he could not have foreseen this
- No aspect of the national or state economy seems to be unscathed by the virus and the path to recovery is unknown
  - There are no models for how a world recovers from a near total shutdown of economies around the globe
    - Initial recovery projections were optimistic, but along with the number of cases of COVID-19, have become more and more grim
- The actual economic effects will not be known for months and years, but nonetheless, the Administration must make some assumptions as to how far California will fall and how it will make its eventual comeback

# California Revenues

- The May Revision assumes that the state will suffer from a \$41.2 billion loss in revenues compared to January estimates in 2019–20 and 2020–21 combined
  - -\$9.1 billion for 2019–20
  - -\$32.2 billion for 2020–21
- Revenue losses are compounded by the growing number of Californians who need access to state safety net services, bringing the state's total shortfall to \$54 billion



# Risks to State Budget

## ➤ Biological risks

- Epidemiology of the coronavirus
- Lack of widespread testing, tracing, effective therapies, and a vaccine
- Viral rebound in the fall or winter

## ➤ Fiscal risks

- Expiration of federal unemployment benefits
- Lack of federal stimulus measures that meet need

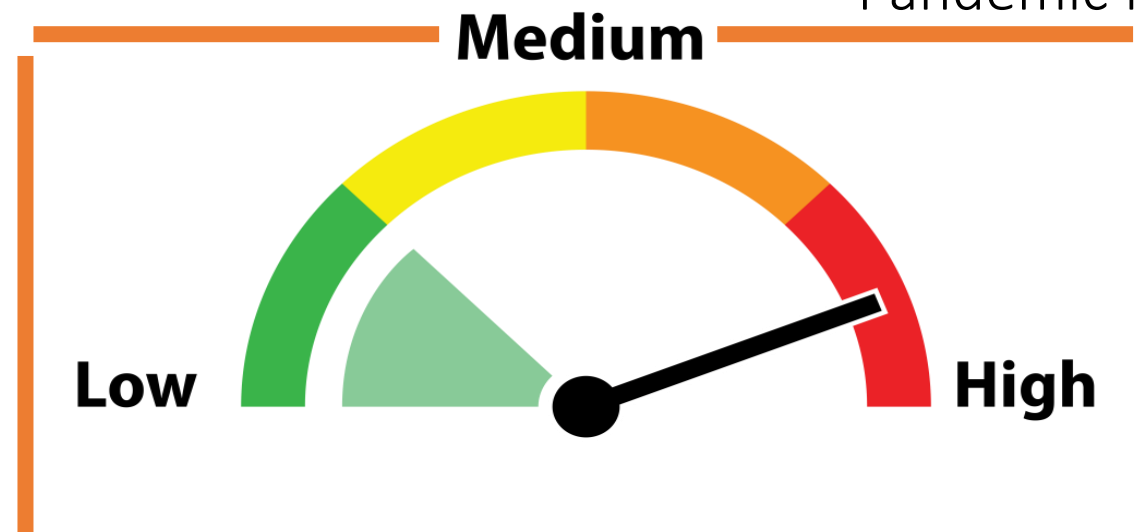
## ➤ Performance of the international economy

- Worldwide reductions of gross domestic product
- Continuing distortions of supply and demand

## ➤ Increasing Sino-U.S. tensions

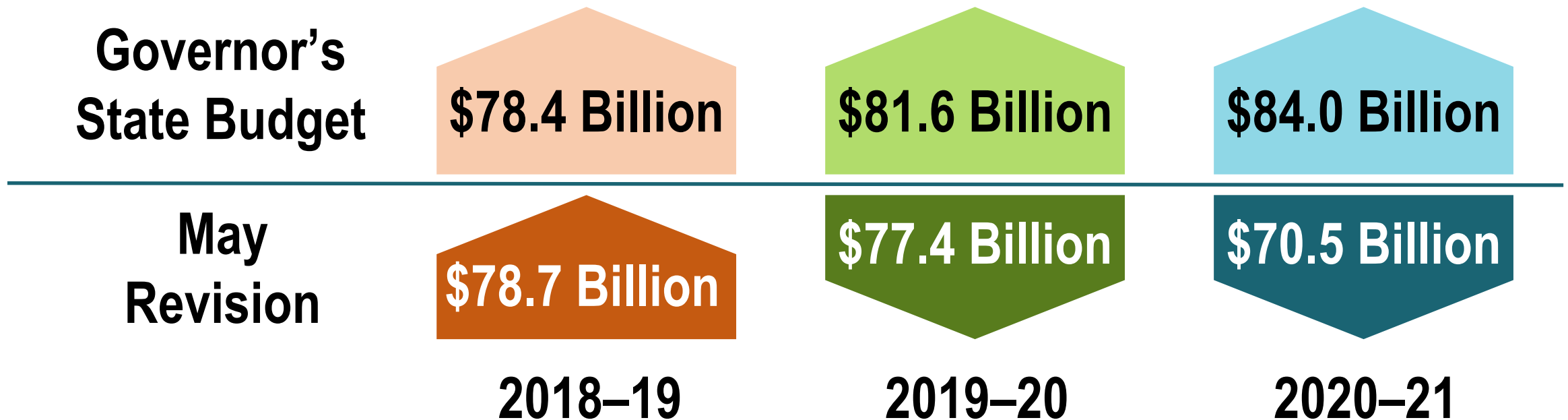
- Pandemic finger pointing

- Potential trade “Cold War”



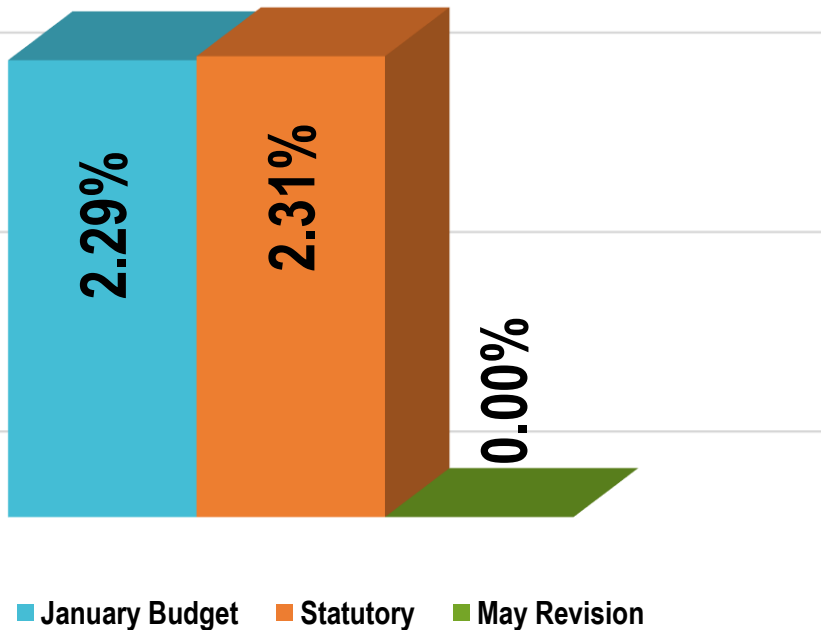
# Proposition 98 Funding

- Proposition 98 funding levels have decreased significantly from the 2020–21 Governor’s State Budget for two of the three fiscal years
  - The May Revision estimates that the minimum guarantee will decline approximately 23% from the 2019 State Budget Act over the three-year budget period

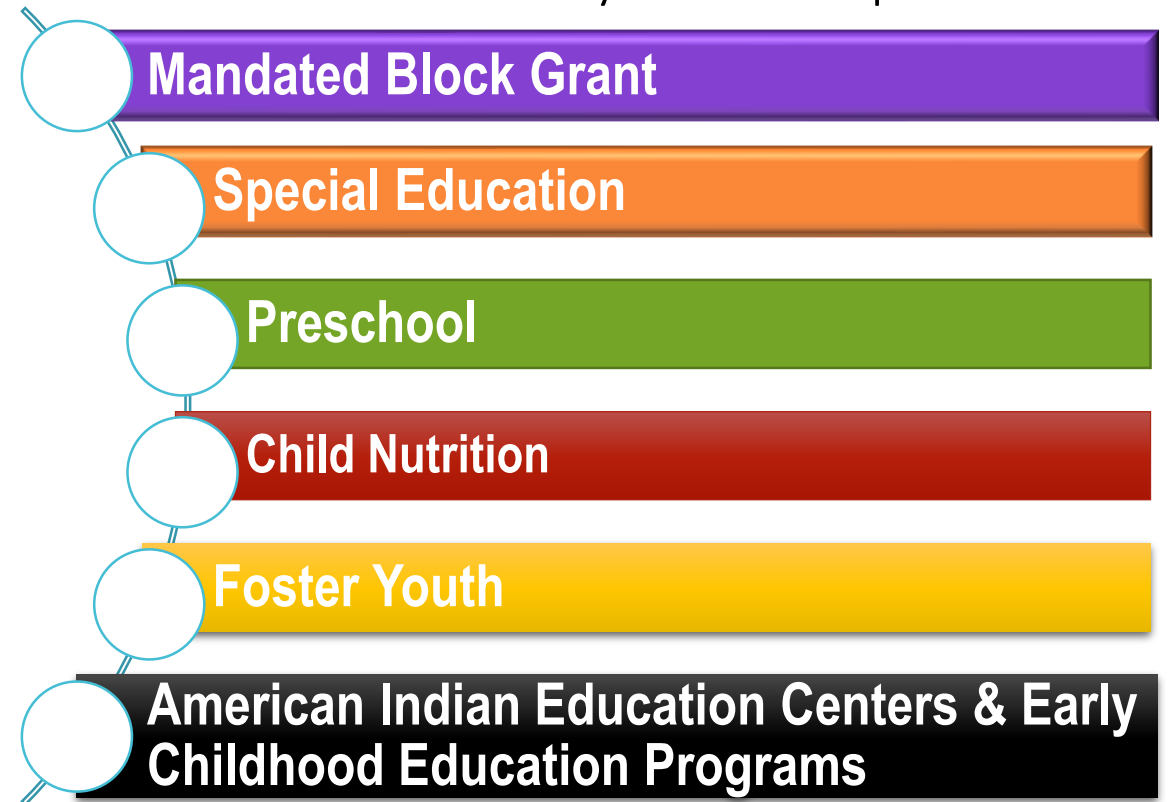


# Statutory COLA

- While the May Revision acknowledges a 2.31% statutory COLA (up slightly from the 2.29% estimated COLA in January), it suspends the COLA for 2020–21



- Categorical programs outside of the LCFF will also have the statutory COLA suspended



In typical years, as costs continue to rise, these programs would see adjustments<sup>6</sup> for COLA only and average daily attendance (ADA) for special education



# January Budget vs. May Revision

Item	January Budget	May Revision
<b>2020–21 LCFF Funding Change</b>	<b>+\$1.2 billion</b>	<b>[-\$6.5 billion]</b>
<b>Proposition 98 Minimum Guarantee</b>		
2018–19	\$78.4 billion	\$78.7 billion
2019–20	\$81.6 billion	\$77.4 billion
2020–21	\$84.0 billion	\$70.5 billion
<b>2020–21 Statutory COLA</b>	<b>2.29%</b>	<b>2.31% (Suspended)</b>
<b>One-Time Discretionary Funds</b>	<b>\$0</b>	<b>\$0</b>



# 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

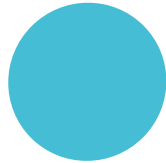
Grade Span	2019–20 Base Grant per ADA	2.31% COLA	2020–21 Base Grant per ADA	10% Reduction	Effective 2020–21 Base Grant per ADA	GSA	2020-21 Adjusted Base Grant per ADA
K–3	\$7,702	\$178	\$7,880	[-\$788]	\$7,092	\$738	\$7,830
4–6	\$7,818	\$181	\$7,999	[-\$800]	\$7,199	-	\$7,199
7–8	\$8,050	\$186	\$8,236	[-\$824]	\$7,412	-	\$7,412
9–12	\$9,329	\$215	\$9,544	[-\$954]	\$8,590	\$223	\$8.813



# 2020-21 LCFF Add-On Reductions

➤ In addition to the base, supplemental, and concentration grants, all of the following LCFF add-on funding will also receive a 10% reduction

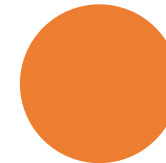
**Targeted  
Instructional  
Improvement Grants**  
Education Code Section (EC §)  
42238.02(g)



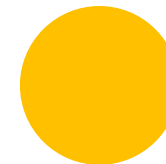
**Home-to-School  
Transportation**  
EC § 42238.02(h)



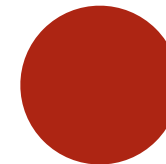
**Economic  
Recovery Target**  
EC § 42238.025



**Minimum State Aid**  
EC § 41544



**Basic Aid  
Supplement**  
EC § 47663



**District of Choice**  
EC § 48310

# Special Education

**Base Rates increased to \$645 per ADA based on three-year rolling average ADA**

**At the January State Budget Proposal this was \$660 per ADA**



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

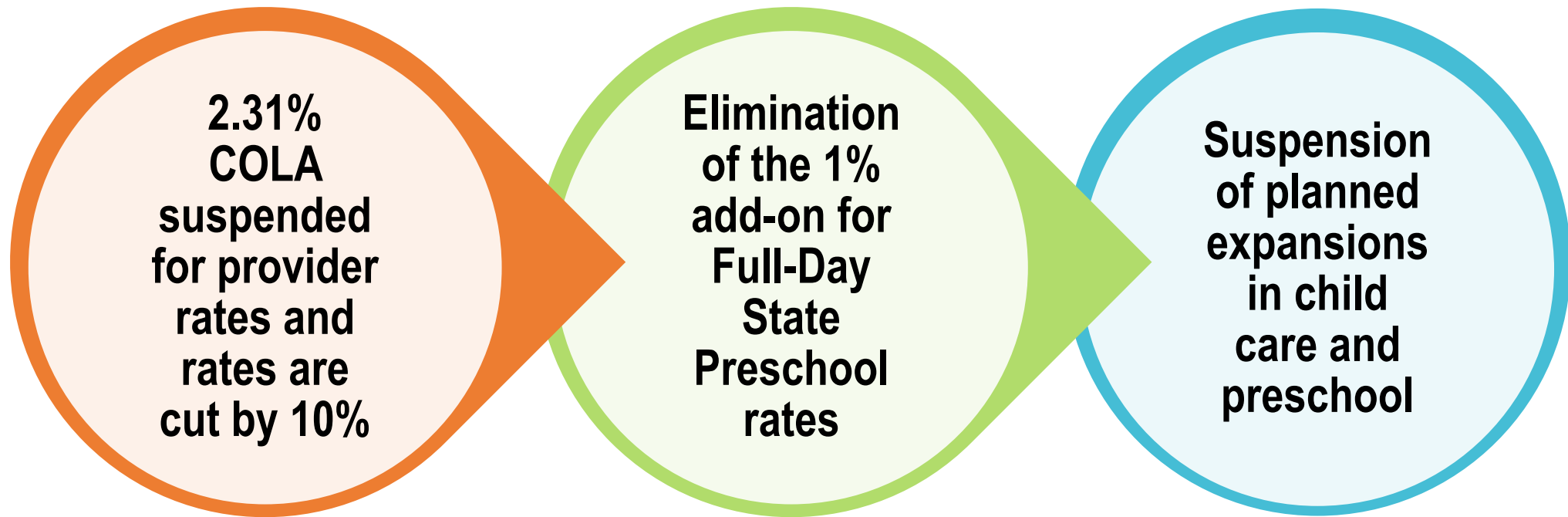
**Reflects suspension of 2.31% COLA**

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

**Maintains Special Education Local Plan Area (SELPA) Governance and Accountability Structure**

# Child Care and Preschool

- State-subsidized child development programs are taking their fair share cut as a result of declining state revenues in the May Revision

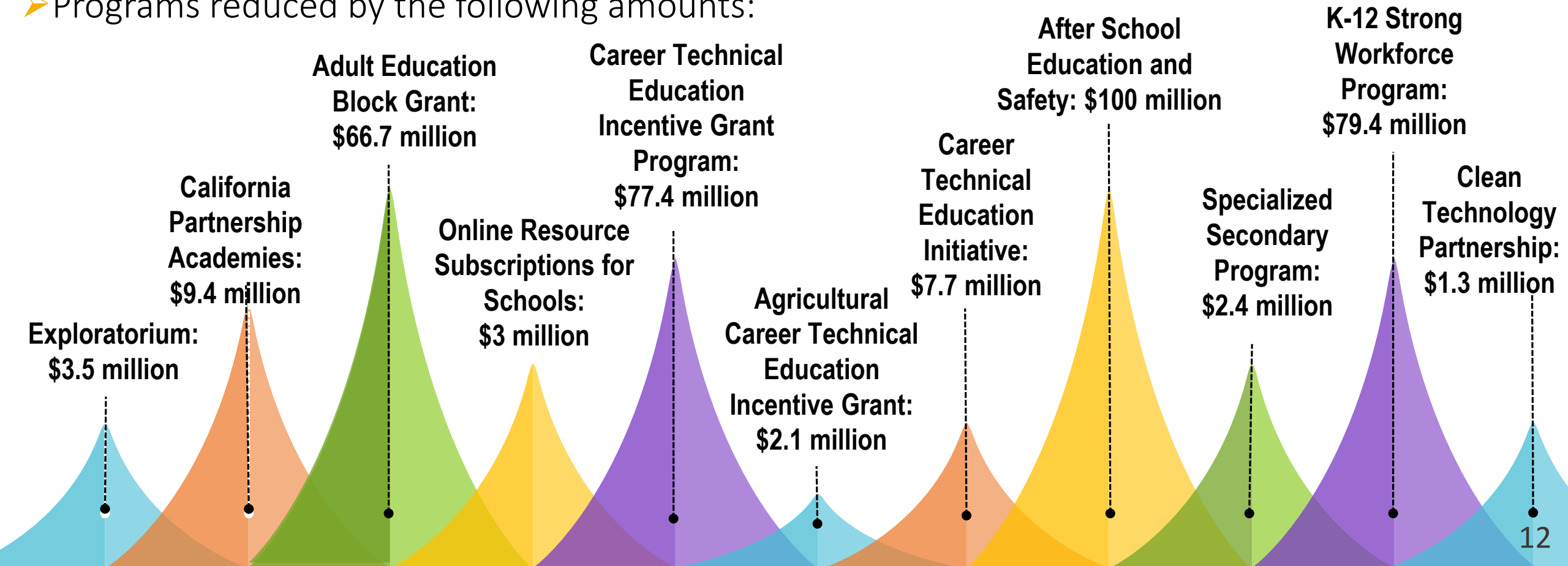


See the “Other Local Agency Operations” module in workshop resources for more information on the daily and annualized rates



# Categorical Program Cuts

- Total savings of \$352.9 million by cutting categorical programs roughly in half
- Cuts may be reversed if additional federal funds materialize
- Programs reduced by the following amounts:





# What Does the LCFF Mean for Glendale Unified School District

GUSD – 2020-21		
2020-21 LCFF Per ADA Funding	Projected 2020-21 ADA	Projected 2020-21 LCFF Total Revenue
\$8,860	24,710	\$218,932,735

\$23M less than the projection  
at Second Interim of \$242M



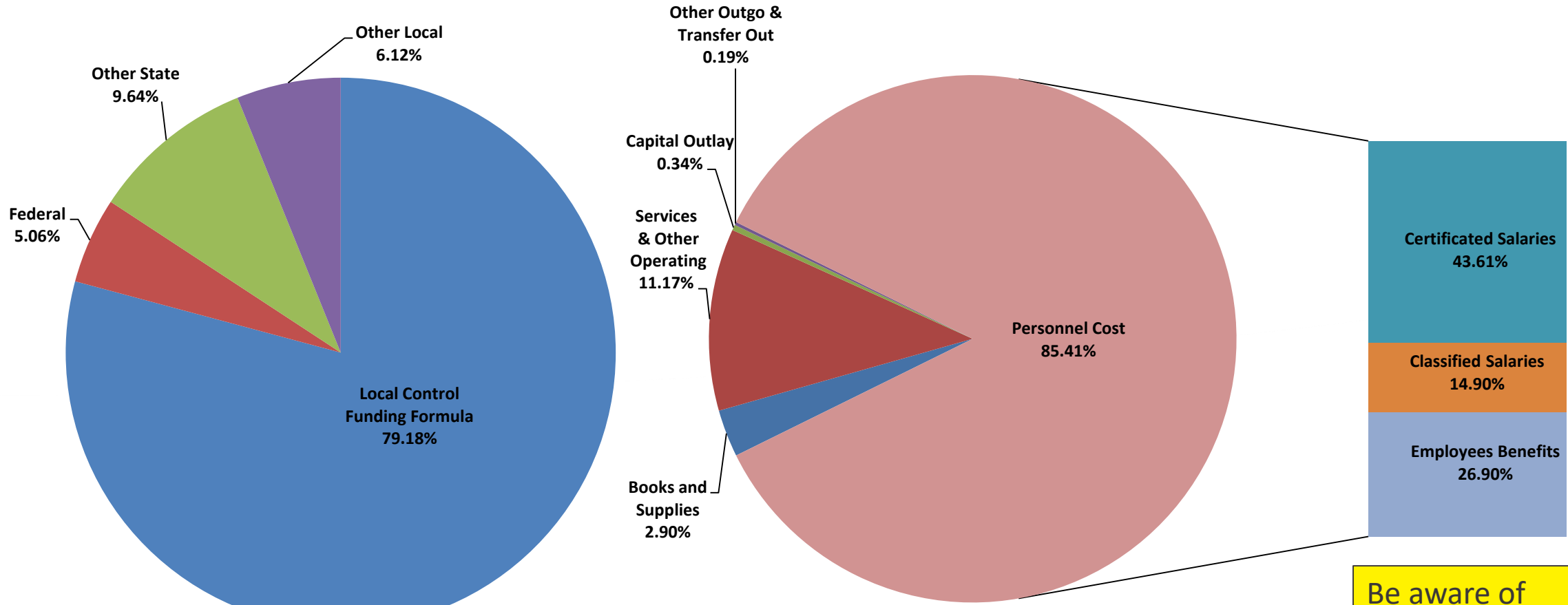
# District's 2020-21 Primary Budget Components

- Net LCFF Impact of COLA, UPP, and other factors - decrease of \$20.7 million for 2020-21 & \$1.8 million for 2021-22
- 2020-21 CalSTRS employer rate at 16.15%
- 2020-21 CalPERS employer rate at 20.70%
- 2020-21 unduplicated pupil percentage is 54.35% from 54.68% in 2019-20 (Statewide average is approx. 62%)
- CSEA/GTA/GSMA 2018-19, and 2019-20 salary settlements - \$5.3 million total



# 2020-21 Proposed Budget

## TOTAL REVENUES & EXPENDITURES – GENERAL FUND



Rev \$276.52m  
 -Exp \$306.05m  
 Current Deficit= (\$29.53)m

Be aware of  
annual carryover  
process

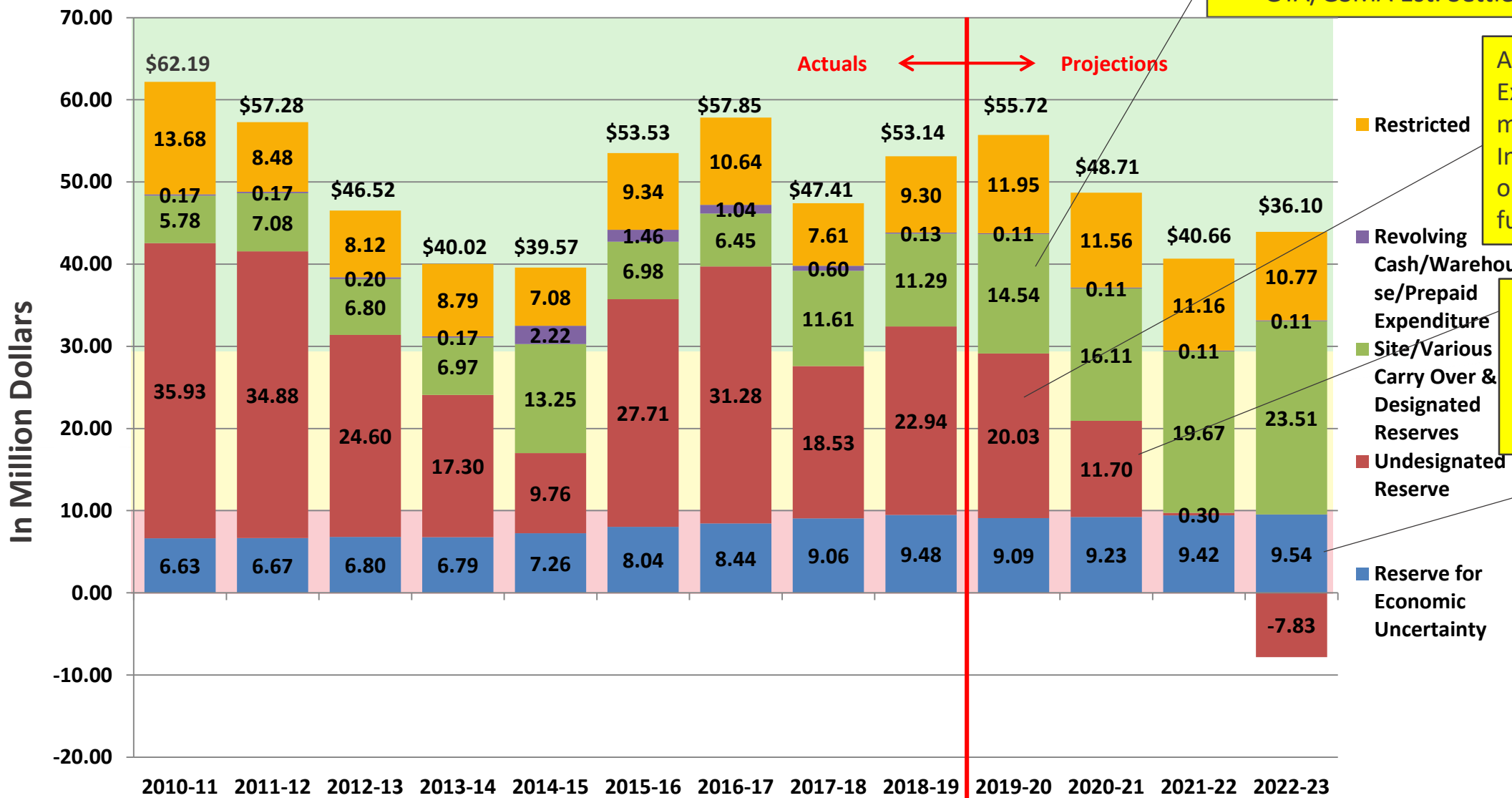
**Total Revenues \$276,516,352**

**Total Expenditures \$ 306,045,889**

# 2019-20 Second Interim Summary of General Fund Ending Fund Balances

**Designated Reserves:**

- LACOE charges=\$.56
- Carry over/MAA/One Time Disc.=\$10.14
- GTA/GSMA Est. Settlement @2.5%=\$3.8



Assumes \$5m ongoing Expense reductions are made for 2019-20 Includes \$2.4m PS SPED one time & \$.83m SPED funding

Assumes \$5m ongoing Expense reductions in 2020-21 & \$2.5m increase in SPED Funding

3% REU grows in proportion to total budget

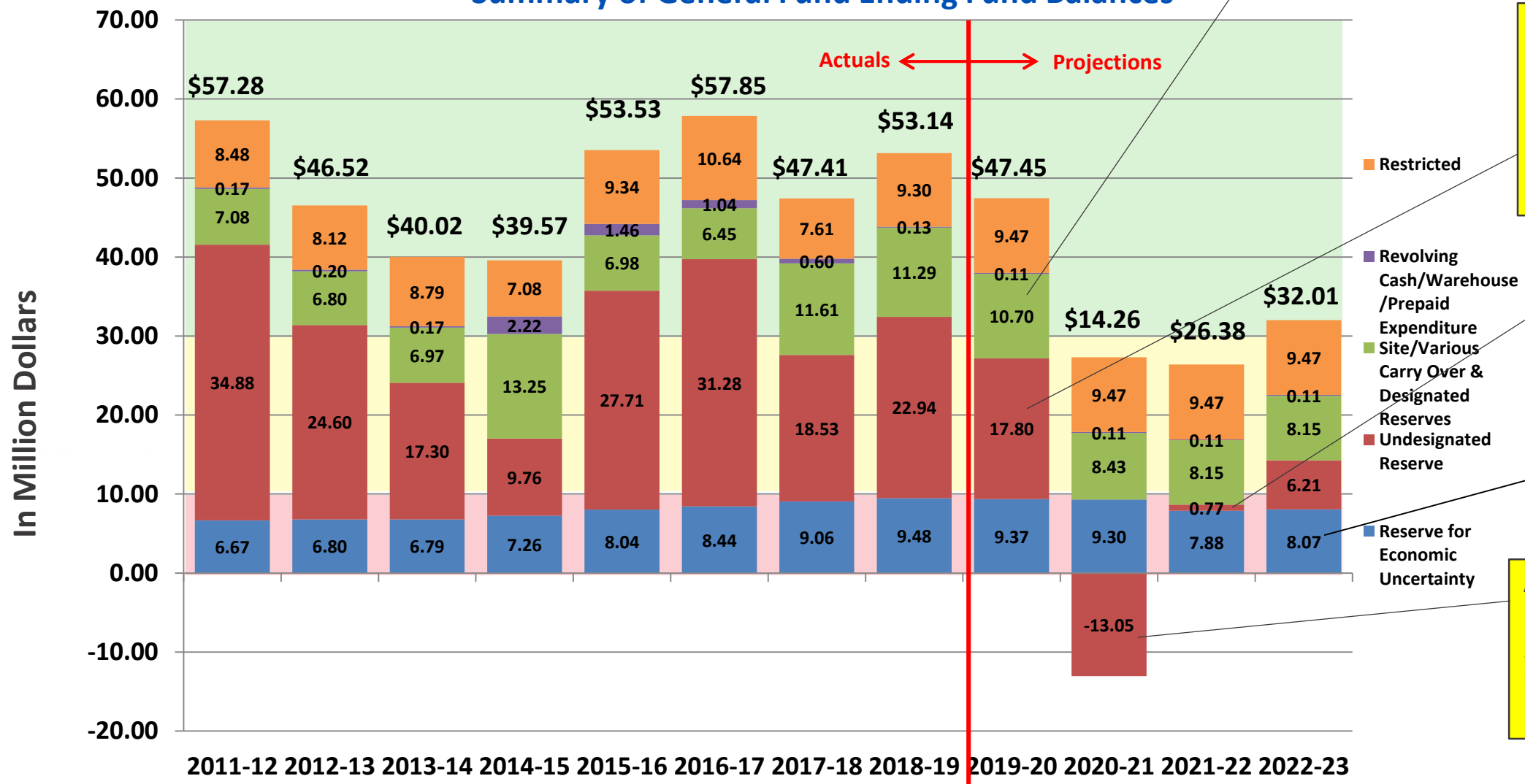
As of 3/04/2020



## Proposed Budget 2020-21 Summary of General Fund Ending Fund Balances

**Designated Reserves:**

- LACOE charges=\$.56
- Carry over/MAA/One Time Disc.=\$10.14



Assumes \$5m ongoing Expense reductions are made for 2019-20  
Includes \$2.4m PS SPED one time & \$.83m SPED funding

Assumes \$53m ongoing expense reductions are made for 2021-22

3% REU grows in proportion to total budget

Assumes \$5m ongoing Expense reductions in 2020-21 & \$2.1m increase in SPED Funding

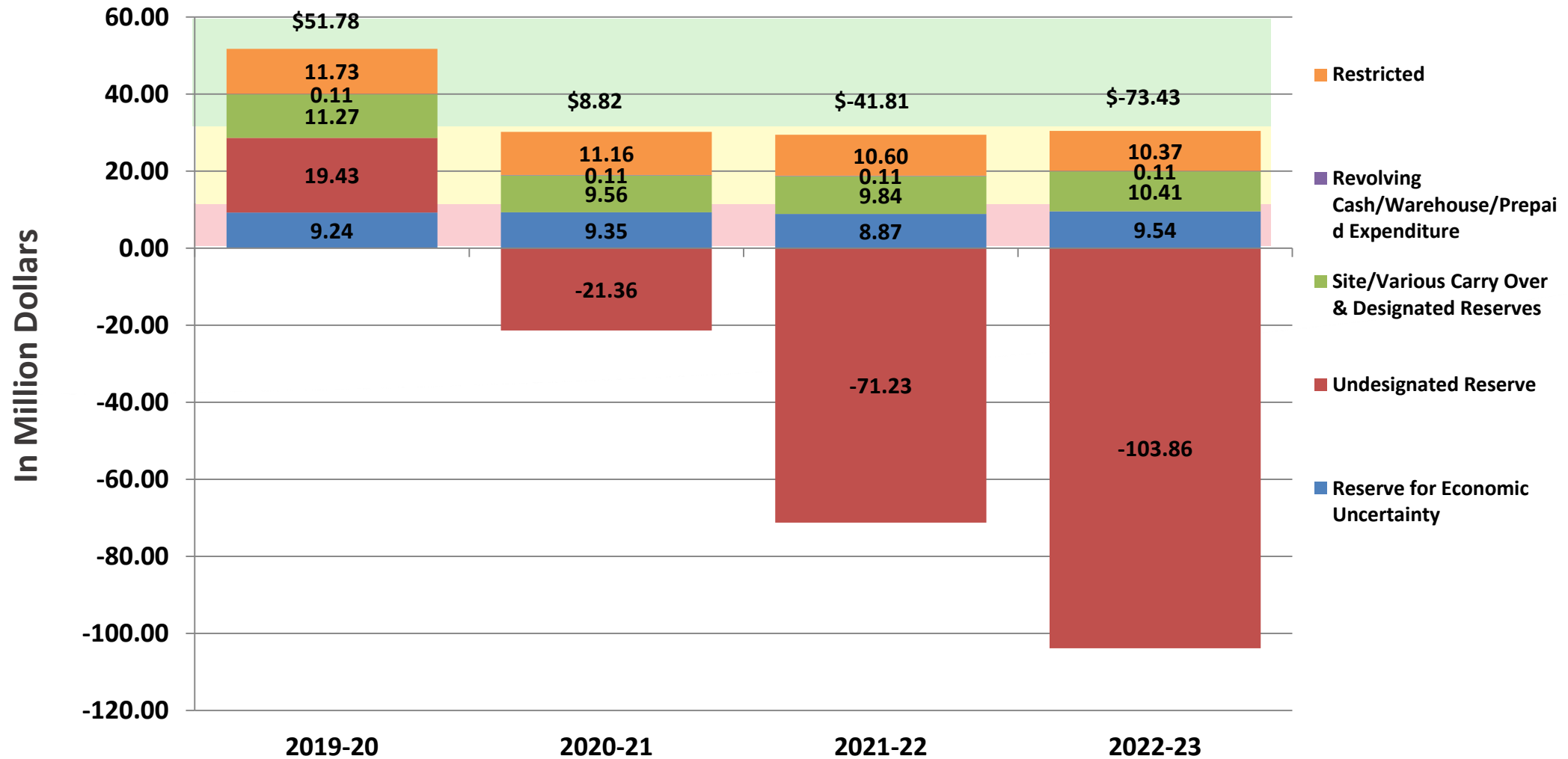


# 2020-21 Projected Budget

## Scenario 1 (-10% COLA for 20-21, 0% COLA for 21-22 & 22-23)

### Summary of General Fund Ending Fund Balances

As of 5/19/20



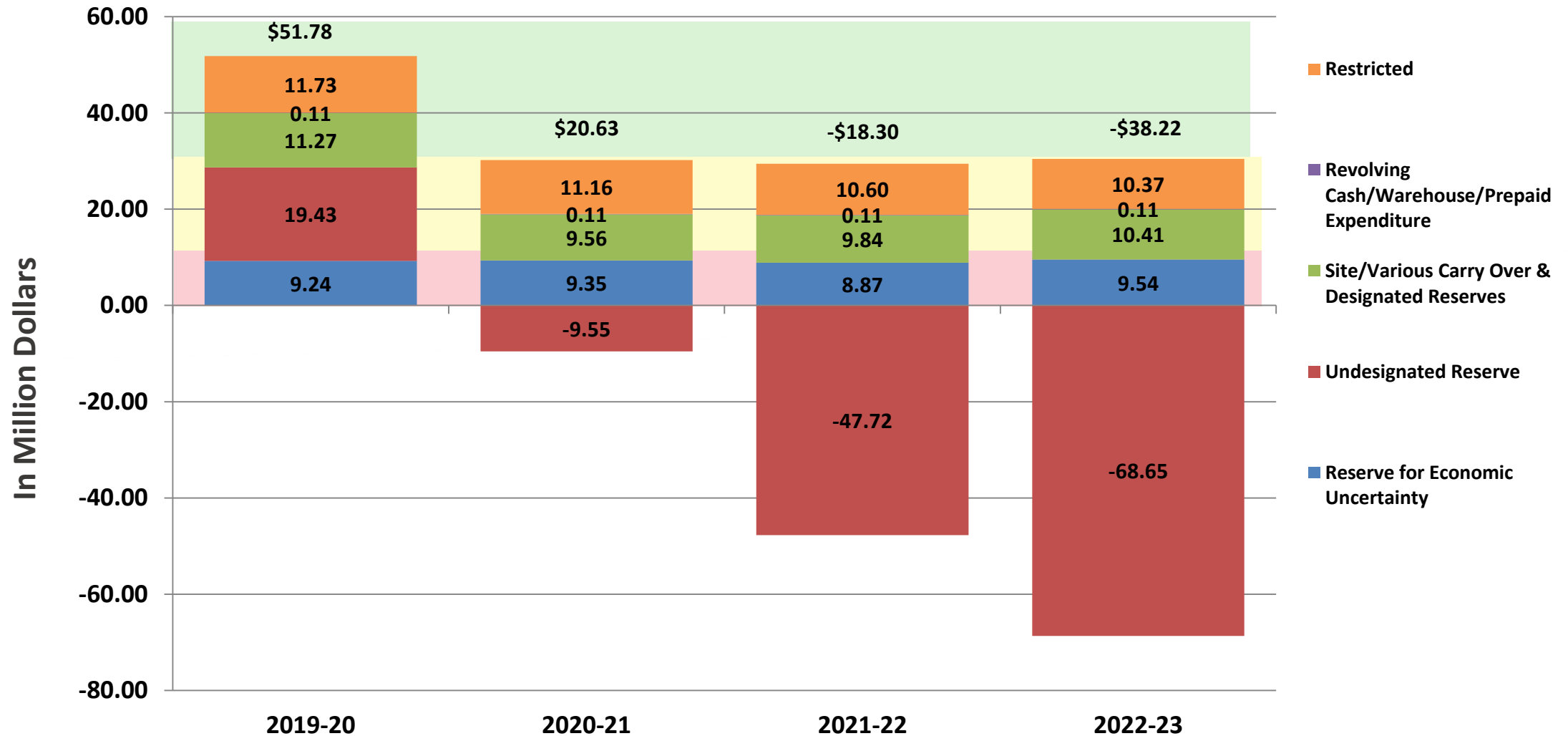


# 2020-21 Projected Budget

## Scenario 2 (-5% COLA for 20-21, 0% COLA for 21-22 & 22-23)

### Summary of General Fund Ending Fund Balances

As of 5/19/20



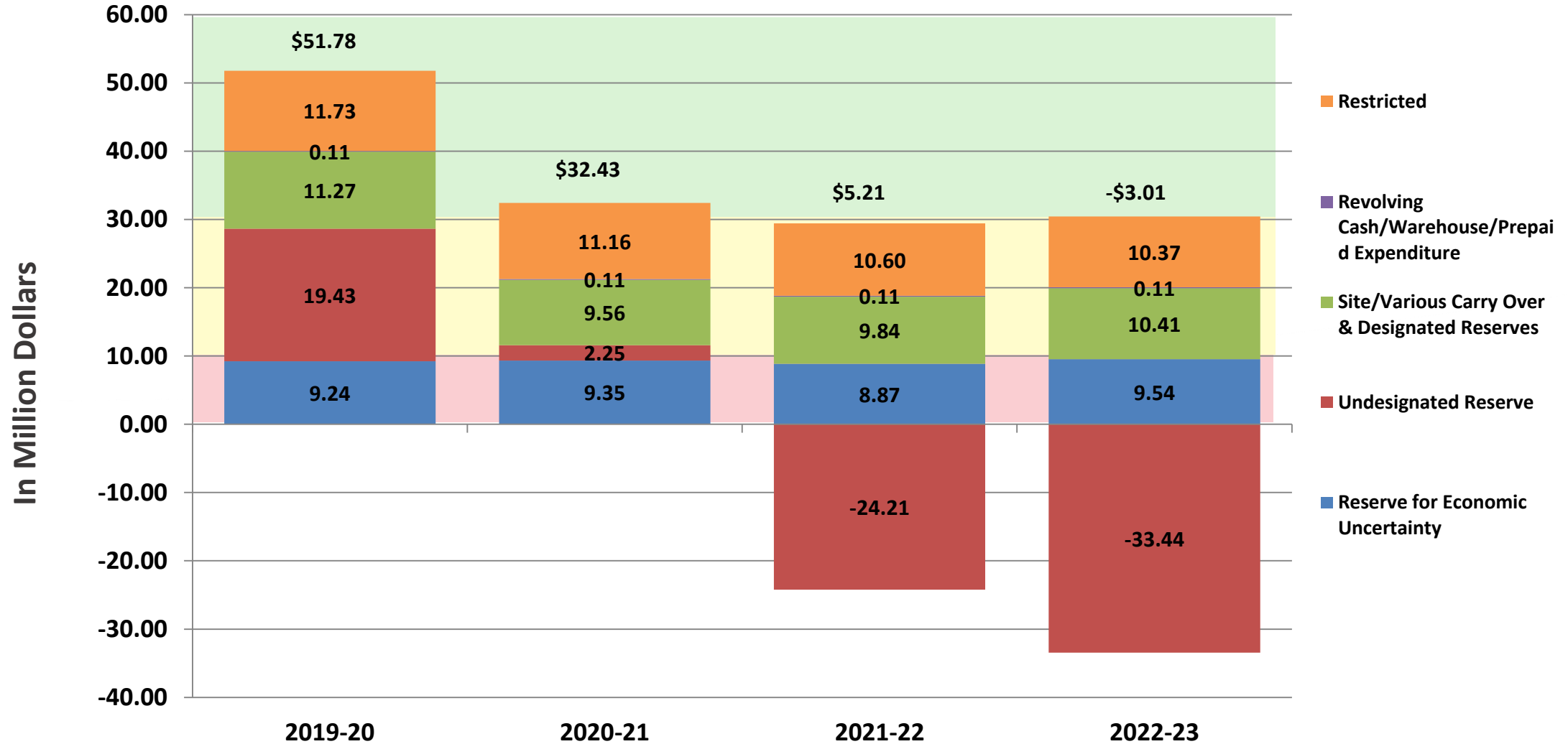


# 2020-21 Projected Budget

## Scenario 3 (0% COLA for 20-21, 21-22 & 22-23)

### Summary of General Fund Ending Fund Balances

As of 5/19/20





# Multi-Year Budget Projection - Unrestricted General Fund

	2020-21	2021-22	2022-23	2023-24
<b>Total Unrestricted General Fund Balance</b>	<b>\$4,789,201</b>	<b>\$16,905,101</b>	<b>\$22,543,337</b>	<b>\$24,851,527</b>
Revolving Cash & Warehouse	\$109,272	\$109,272	\$109,272	\$109,272
Designated for Economic Uncertainty	\$9,296,660	\$7,877,751	\$8,069,243	\$8,154,513
MAA, Regular Carry-Over, Board Elections	\$3,436,880	\$3,436,880	\$3,436,880	\$3,436,880
LACOE System Charges	\$ 280,000	\$ 0	\$ 0	\$ 0
Projected Future Year 2019-20 Carry-Over	\$4,712,789	\$4,712,789	\$4,712,789	\$4,712,789
<b>Unassigned Ending Balance</b>	<b>(\$13,046,400)</b>	<b>\$768,409</b>	<b>\$6,215,153</b>	<b>\$8,438,073</b>

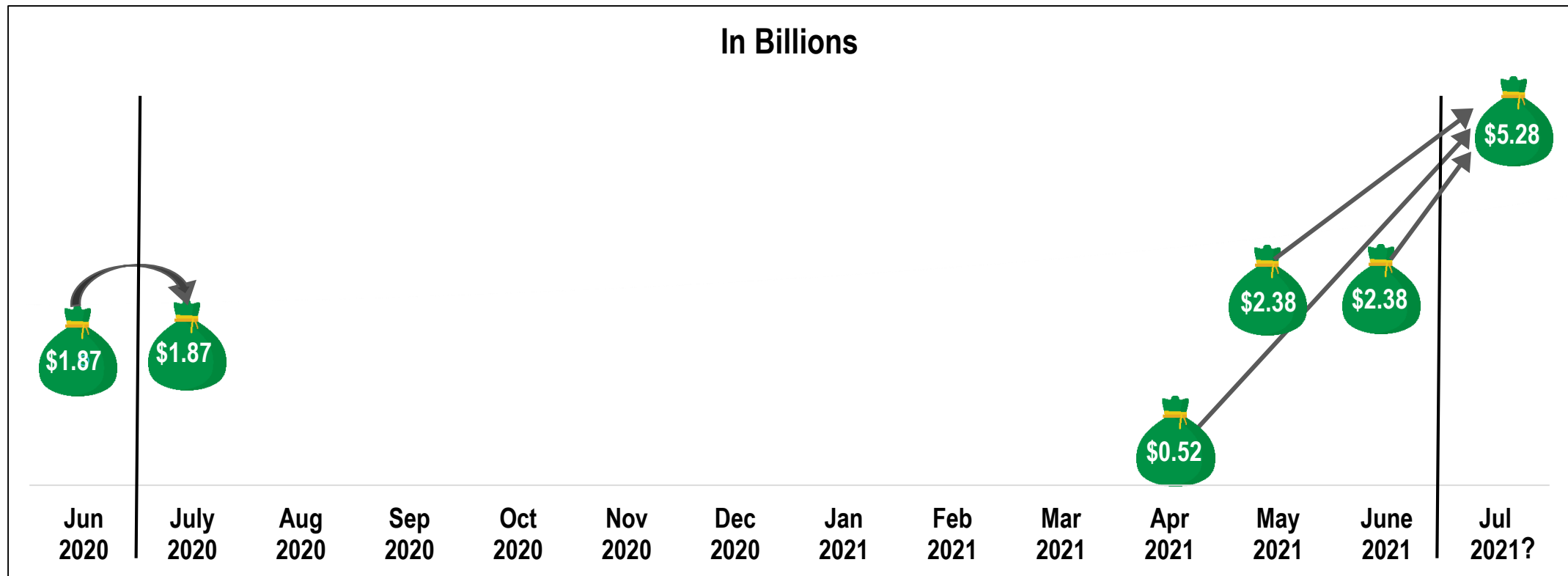


# Cautions & Challenges

- Negative or Zero COLA for out years.
- Negative or Zero Adjusted Ending Balance in the Unrestricted General Fund
- Fiscal Stabilization Plan – Need to materialize the 2020-21 savings of \$5.0 million. Also need to plan for 2021-22 Fiscal Stabilization Plan of up to \$53 million, which is 17% of the total General Fund budget.
- Health and welfare contributions are increasing.
- Contributions to restricted programs and other funds
- Declining Enrollment more than already projected
- Cash Flow and LCFF Deferrals
- Increased COVID-19 Costs
- “New Norm” of the 2020-21 School Year
- Final State Budget

# Cash Flow and Deferrals

➤ The proposed deferrals in the May Revision are illustrated as follows:



➤ The May Revision proposes a process for local school agencies to apply for an exemption from any or all of the April, May, and June 2021 deferrals due to financial hardship



# Mitigating Factors





# Funding Opportunities

- SB 117 – Estimated at **\$432,359**
  - Based on \$17.37 per ADA
- FEMA
  - Amount, process and timeline yet to be determined
- CARES Act – Elementary & Secondary School Emergency Relief (ESSER) Fund
  - Process and timeline yet to be determined; estimated amount = **\$5.26 million**
- CARES Act – Rethink K-12 Education Models Grant
  - Amount, process and timeline yet to be determined
- CARES Act– Reimagining Workforce Preparation Grant
  - Amount, process and timeline yet to be determined
- California Tele-connect Fund (CTF)
  - Amount, process and timeline yet to be determined
- Federal Stimulus Funds
  - Amount, process and timeline yet to be determined

# The CARES Act – California’s K-12 Share

**\$355 million in Governor’s  
Emergency Education Relief  
(GEER) funds**

**\$1.65 billion in Elementary and  
Secondary School Emergency  
Relief (ESSER) funds**

**At least 90% distributed to LEAs  
based on their Title I, Part A  
allocation, and broad discretion for  
use of funds**

**State may set aside up to 10% for  
state-level activities**

Estimated at \$5.26  
million for GUSD



# The CARES Act – One-time Investments

**\$4.4 billion for LEAs to mitigate learning loss**

**\$355 million GEER funds**

**\$4 billion from Coronavirus Relief Fund**



**Allocated to LEAs using formula that considers state’s most vulnerable students**

**\$1.5 billion distributed per pupil based on number of students with a disability**

- SSC estimates to be \$1,900 per student

**\$2.855 billion to concentration grant districts on a per ADA basis**

**GUSD – TBD/Unlikely**

- SSC estimates to be \$735 per ADA



**Funds shall be expended by December 30, 2020 on the following activities:**

**Extending the instructional school year**

**Additional academic services**

**Learning supports**

**Wrap around services**



# Other Possible Mitigating Factors

- Federal “Triggered Off” Funding
- Routine Restricted Maintenance Account (RRMA) 3%
- Continuing ADA Hold Harmless
- Flexibility with Instructional Days/Minutes

# Local Relief Measures

➤ In order to help LEAs absorb the reductions, the Governor offers a suite of relief measures

Exemption from deferrals for hardship reasons

Ability to exclude state's on-behalf-of-employer payments in the Routine Restricted Maintenance Account (RRMA) calculation

Subject to public hearing, the ability to increase internal inter-fund borrowing limits

Authority for special education staff to use technology-based options to serve students

Use proceeds from property sales for one-time general fund purposes

Extend the transitional kindergarten teacher credential requirement from August 1, 2020 to August 1, 2021

# 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**

See “Strategies for Weathering the Storm” in the *Fiscal Report*

# Additional Federal Funding?

California is slated to receive billions of dollars from the CARES Act, but the funding only puts a small dent in the state's \$54 billion budget deficit

Governor Newsom has been aggressively lobbying the federal government for an additional \$1 trillion in aid

House Democrats introduced the Health and Economic Recovery Omnibus Emergency Solutions Act (HEROES) Act, a \$3 trillion package that gives \$60 billion for K-12 school districts nationally

Resistance from the White House and Senate Majority Leader Mitch McConnell (R-Kentucky) in giving states and local governments additional federal funding



# Fiscal Stabilization Plan

- Will be Board approved and submitted to LACOE with the 2020-21 Adopted Budget
- 2020-21 Total of \$5.0 Million
- 2021-22 Current target of up to \$53 Million – Specific plan, assumptions and options to be determined





# 2020-21 Fiscal Stabilization Plan

Dept	Program	Est. Savings/Rev
1. LCFF Funding	2020-21 LCFF above current COLA projection of 3% (Jan/May 2020 Gov proposals); 1% = \$2.4m	\$ 0
2. T&L/Funding	Restructure funding source for professional development to LPS Block Grant (Yr2 of 2)	\$ 500,000
3. LCFF Funding	ADA% increase of 0.25% (could begin in 2019-20) – need specific plans and actions; 1% = \$2.4m	\$ 600,000
4. DO Cert Mgmt	Eliminate Exec. Dir. Of Secondary Ed position – vacant	\$ 200,000
5. DO Non-personnel	3% reduction in all non-site department budgets – supplies, consulting services, conferences (Yr2)	\$ 750,000
6. DO Benefits budget	Reduce annual increase in projected H&W rates from +8% (May 2020); 1% = \$300,000	\$ 0
7. Elem	Adjust Teaching positions due to declining enrollment from 2019-20	\$ 900,000
8. Middle	Adjust Teaching positions due to declining enrollment from 2019-20	\$ 200,000
9. HS	Adjust Teaching positions due to declining enrollment from 2019-20	\$ 100,000
10. Classified	Adjust Classified staffing – due to ratios and declining enrollment from 2019-20	\$ 50,000
11. Classified	Adjust Classified staffing – review of all vacancies for possible non-replacement	\$ 100,000
12. Cert Mgmt	Adjust Assistant Principal position due to declining enrollment from 2019-20	\$ 150,000
13. Classified	Apply one-time 2018-19 savings related to sub/benefit costs within certain LCAP Targeted Programs	\$ 1,500,000
		\$ 0
		\$ 0
		\$ 0
	<b>Total Needed = \$5,000,000</b>	<b>Current Total = \$ 5,050,000</b>

AS OF 12/17/19



# Next Steps

- Implementing and maintaining the Fiscal Stabilization Plan
- Board Adoption of 2020-21 District Budget on June 16, 2020
- Finalize Ending Fund Balance (Aug. 2020)
- Recommend a Budget Study Session in July/August 2020 to begin planning 2021-22 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
<b>Balanced Budget</b>		
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 teachers and support staff
- Outstanding parent and community involvement
- Informed, responsible and proactive Board of Education
- Excellent class offerings, programs, curriculum, and technology
- Competitive average class sizes
- Very good and competitive wages, and excellent health insurance benefits
- Stable fiscal reserves

# QUESTIONS? FOR MORE BUDGET INFO . . .

[WWW.GUSD.NET/BUDGET](http://WWW.GUSD.NET/BUDGET)

[WWW.ED100.ORG](http://WWW.ED100.ORG)

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