Sacramento City Unified School District

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

Budget Presentation Agenda

- School Services of California State Budget Update
- Impact on SCUSD's Projected Multi-Year Projections
- Cash in 2020-21 and 2021-2022
- Fiscal Recovery Plan
- SCOE

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**

January Budget vs. May Revision

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

2020–21 LCFF Funding Factors

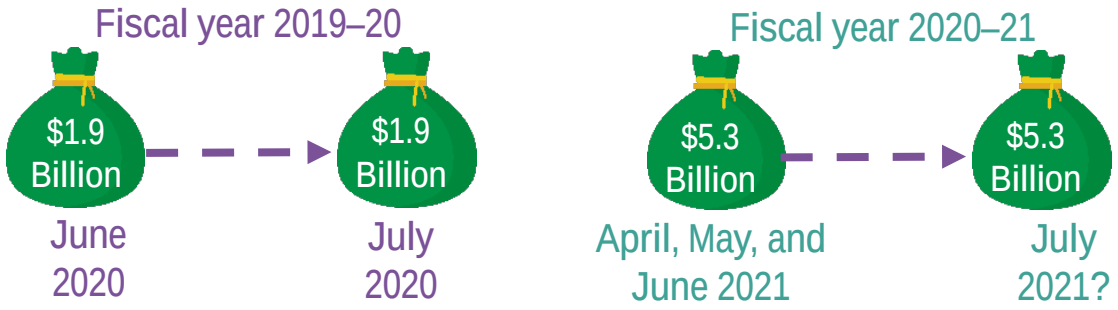
- **The May Revision suspends the 2.31% COLA and includes an additional reduction—for a total of 10% cut to the LCFF**
  - **First, the 2.31% COLA is applied to arrive at the 2020–21 base grants**
  - **Then the 10% reduction is applied—for an effective reduction of 7.92% to the 2019–20 base grant amounts**

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

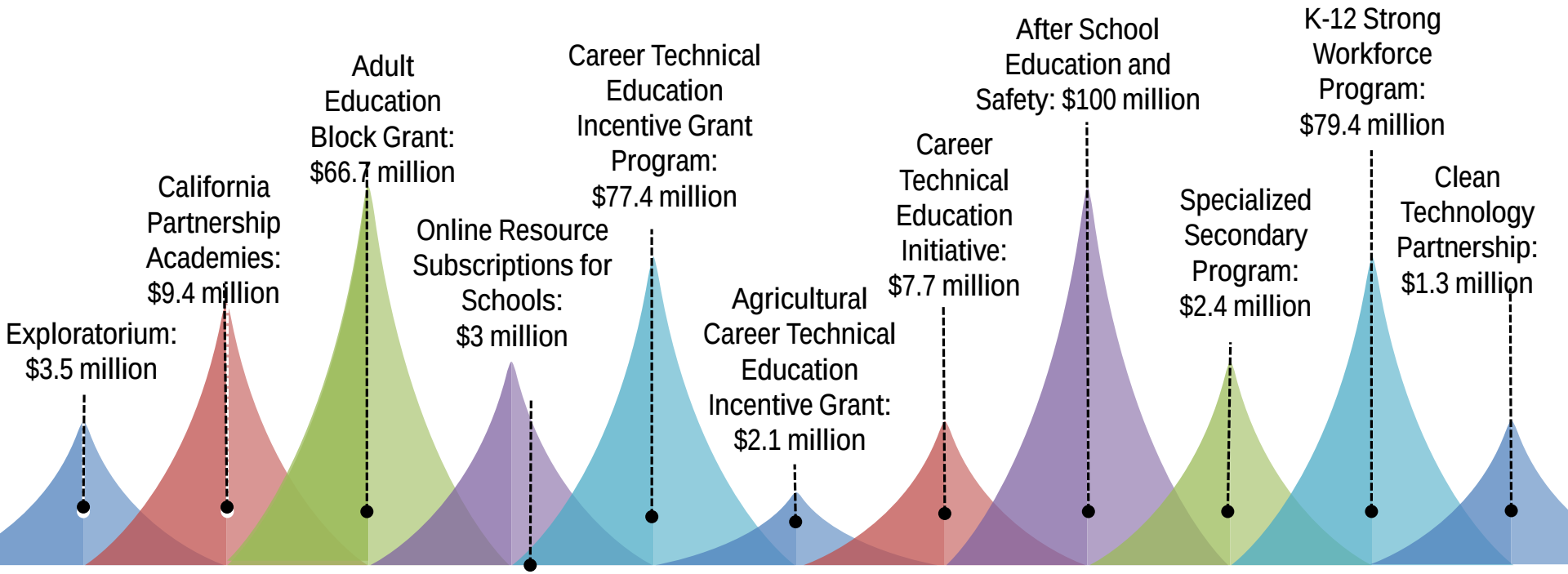
- **The Governor's May Revision proposes the following cash deferrals:**



- **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**

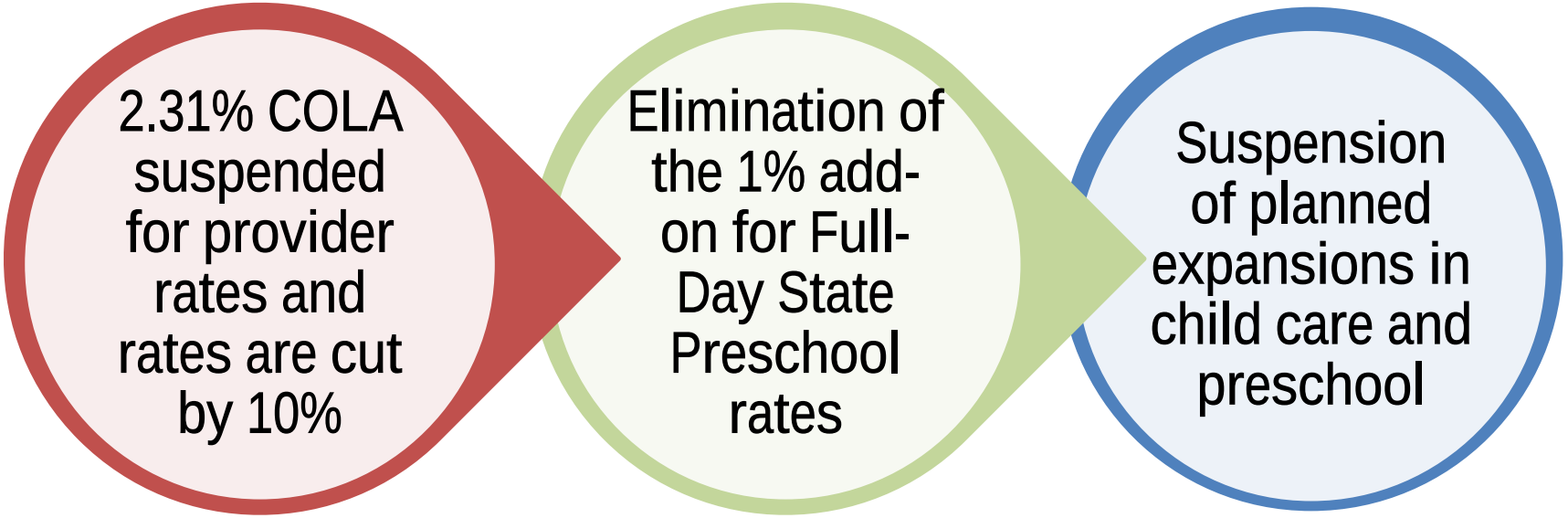
Categorical Program Cuts

- **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:**



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**



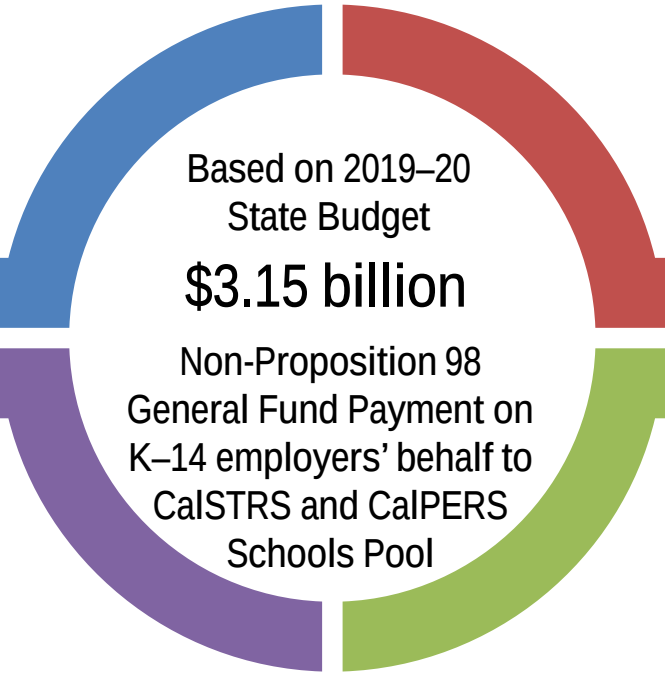
CalPERS/CalSTRS Rate Buydowns

Portion of payment was to pay down CalSTRS[1] and CalPERS[2] employer contribution rates in 2019–20 and 2020–21

2019–20 State Budget

2020–21 May Revision

Governor Newsom now proposes to redirect the $2.3 billion to further reduce employer contribution rates in 2020–21 and 2021–22



Remaining $2.3 billion was intended to go towards the long-term unfunded liability of each system

2019–20 State Budget

2020–21 May Revision

CalSTRS Employer Rate

2020–**21**: ↓**18.4% to 16.15%**

2021–**22**: ↓**18.2% to 16.02%**

CalPERS Employer Rate

2020–**21**: ↓**22.68% to 20.7%**

2021–**22**: ↓**24.6% to 22.84%**

[1]California State Teachers' Retirement System (CalSTRS)
[2]California Public Employees' Retirement System (CalPERS)

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 Local Plan Area (SELPA) Governance and Accountability Structure

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**

The CARES Act – One-time Investments

$4.4 billion for local educational agencies (LEAs) to mitigate learning loss

$355 million Governor's Emergency Education Recovery 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	$2.855 billion to concentration grant districts on a per ADA basis
• SSC estimates to be $1,900 per student	• 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

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

-5% Overall Could Be Closer Estimate

- Effective COLA is -7.92%
- 3rd Interim Excludes:
  - STRS/PERS Relief proposed for 2020-21 $6M and 2021-22 $5.6M
  - Actual balances after books are closed
  - Potential Additional Federal Relief (above CARES)
  - Assumes CARES funds are restricted

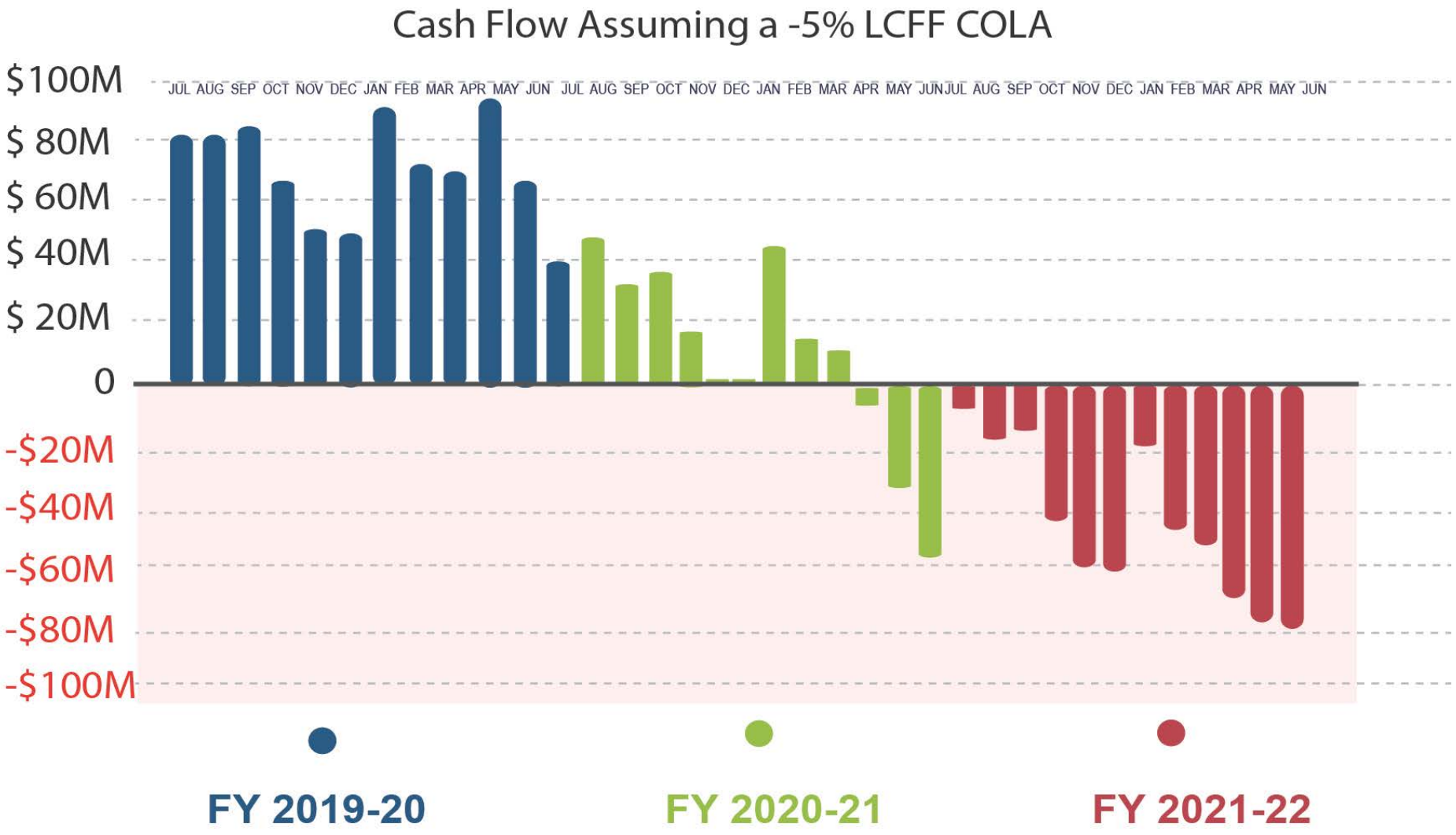
Multi-Year Projections (MYP) Assuming LCFF COLA Scenarios -5% & -10%

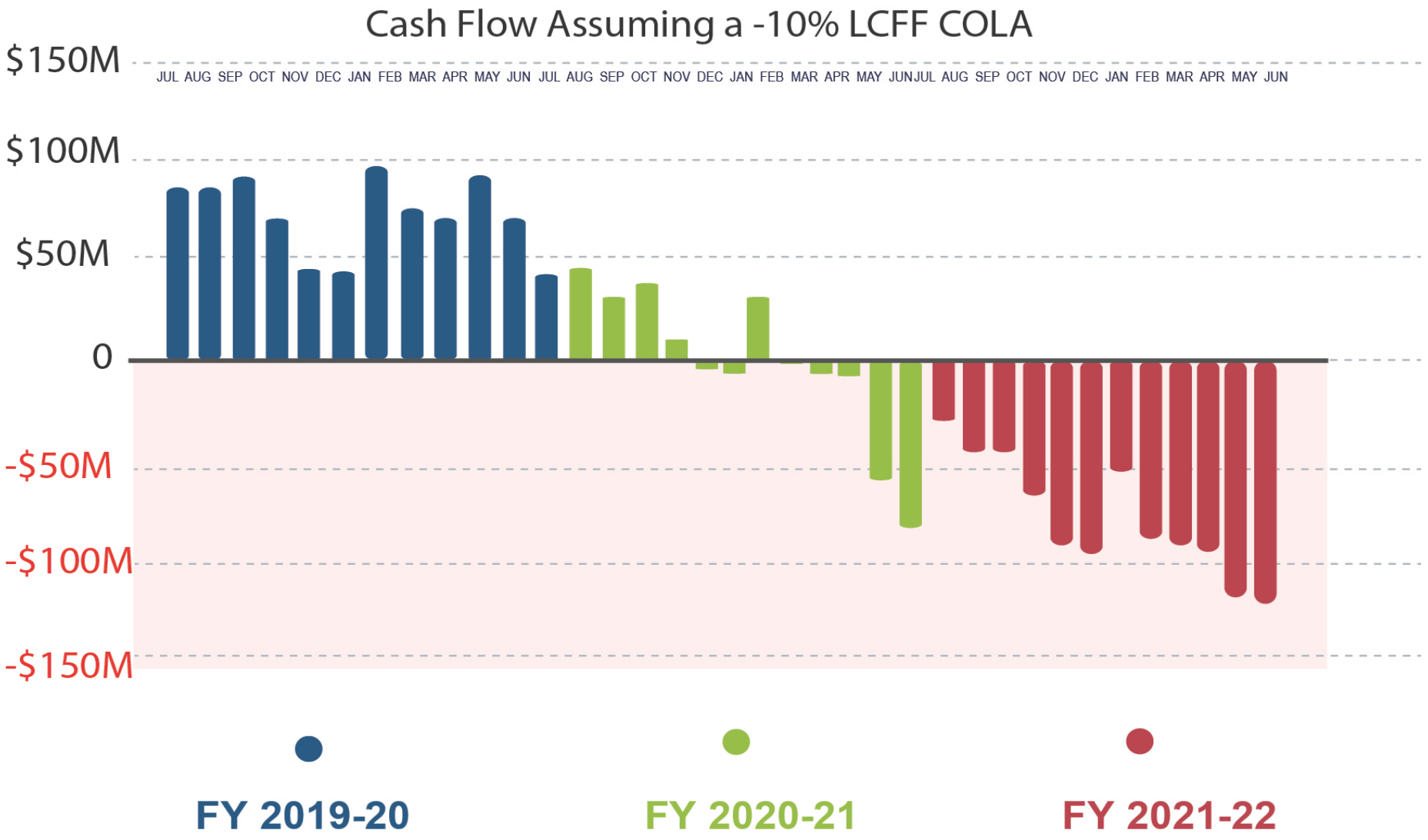
2019-20 3rd Interim Multi-Year Projections Assuming -5% COLA		
	2020-21 Combined	**2021-22 Combined**
Total Revenue	546,244,668	510,868,616
Total Expenditures	603,511,187	592,283,822
Deficit/Surplus	(57,266,519)	(81,415,206)
Ending Balance	6,712,325	(75,106,153)

2019-20 3rd Interim Multi-Year Projections Assuming -10% COLA		
	2020-21 Combined	**2021-22 Combined**
Total Revenue	526,055,643	490,834,576
Total Expenditures	603,511,187	592,283,822
Deficit/Surplus	(77,455,544)	(101,449,246)
Ending Balance	(13,476,700)	(115,329,218)

MYP Assuming -5% LCFF COLA

- Projected ending balances below the 2% required reserve of approximately $11.5M, resulting in disapproved budget
- Results in serious cash flow challenges in the spring of 2021


Cash Flow Assuming a -5% LCFF COLA
$100M
$ 80M
$ 60M
$ 40M
$ 20M
0
-$20M
-$40M
-$60M
-$80M
-$100M
JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN
FY 2019-20
FY 2020-21
FY 2021-22


Cash Flow Assuming a -10% LCFF COLA
$150M
$100M
$50M
0
-$50M
-$100M
-$150M
JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUNJUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN
FY 2019-20
FY 2020-21
FY 2021-22

Actions Taken To Reduce Budget Since 2018-2019

District has implemented over $30M in budget reductions & adjustments including:

- Maximized use of restricted resources SIG, Title I, Title II (i.e. training specialists, supplemental teachers, staff development, etc.)
- Reductions in Central Office Personnel
- Reductions in Certificated Staff to CBA Class Sizes
- Reductions in Student Services
- Reduction in Supplies & Services to 2017/18 levels
- Transferred Debt Service to allowable Facility Fund

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 pro-rated benefits for part-time employees (approximately $600,000)

Calculations of District-Wide Compensation Reductions

- Furlough Days: 1 day = $1.7M
- 1% Salary Reduction = $3.3M (State Auditor Recommendation 2%)
- 5% Salary Reduction = $16.5M
- 10% Salary Reduction = $33M

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

We recognize that our system is inequitable by design and we vigilantly work to confront and interrupt inequities that exist to level the playing field and provide opportunities for everyone to learn, grow and reach their greatness.

SCUSD GUIDING PRINCIPLE

All students are given an equal opportunity to graduate with the greatest number of postsecondary choices from the widest array of options

PELP PROBLEM OF PRACTICE

Boldly improving unacceptably low student achievement levels, particularly among each school's most vulnerable students, depends on grounding every budget and instructional decision in school site and district plans using principles of continuous improvement with the belief that all children

STUDENT PROGRAMS

- **Specialty Programs**
- **GATE**
- **Youth Development**
- **Social Emotional Learning**
- **Alternative Education**
- **Child Development Programs**
- **African American Achievement Task Force Recommendations**
- **Transportation**
- **Athletics, Arts, and Music**

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 reviewed for impact on enrollment.
  - Requiring charter schools to have balanced budgets
  - Reducing supplies and contracts
  - Balancing programs that currently require a contribution from unrestricted funds

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 2021-2020

Questions?