

# ALHAMBRA UNIFIED SCHOOL DISTRICT



## 2020-2021 BUDGET

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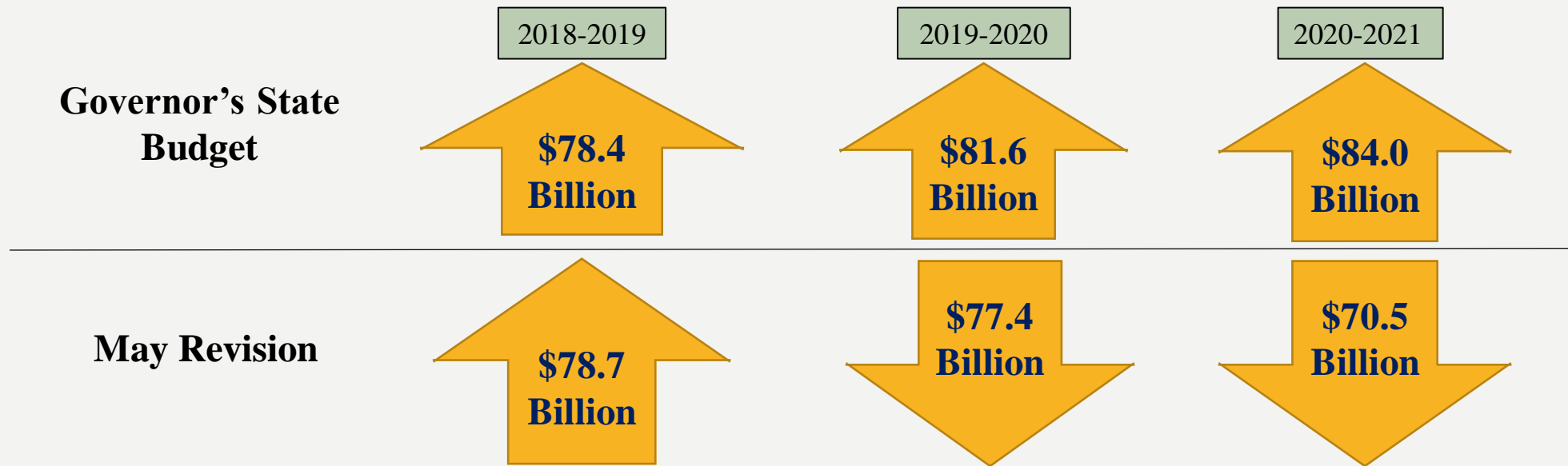
June 23, 2020

# MAY REVISION

- Both federal and state governments shifted the annual income tax deadline from April 15 to July 15 as a result of the COVID-19 outbreak
- This shift has caused a significant decline in personal income tax (PIT) revenues in the biggest PIT revenue month, making it difficult to develop an accurate projection
- Given recent unemployment figures, we may not fully recover the lost revenue

# PROPOSITION 98 FUNDING

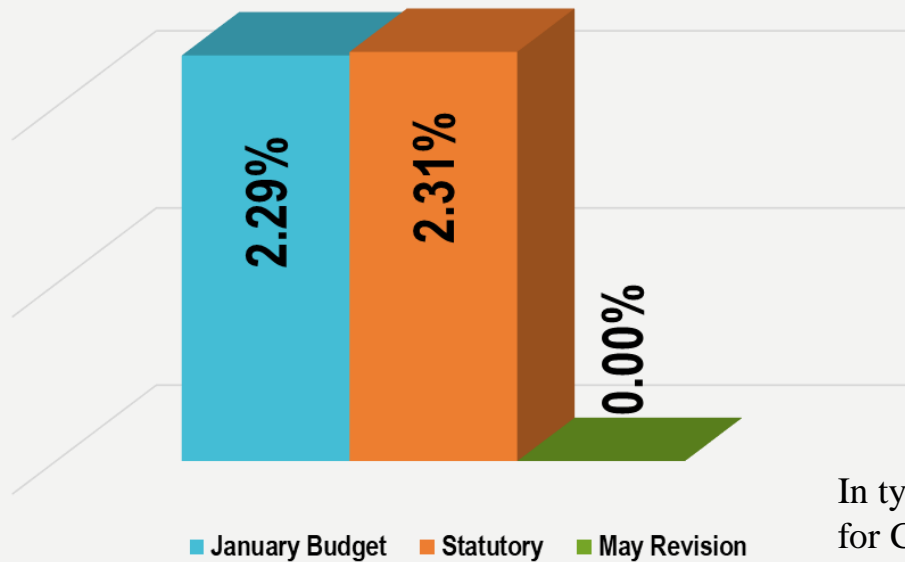
- Proposition 98 funding levels have decreased significantly from the 2020–2021 Governor’s State Budget for two of the three fiscal year
  - The May Revision estimates that the minimum guarantee will decline approximately 23% from the 2019 State Budget Act over the three-year budget period



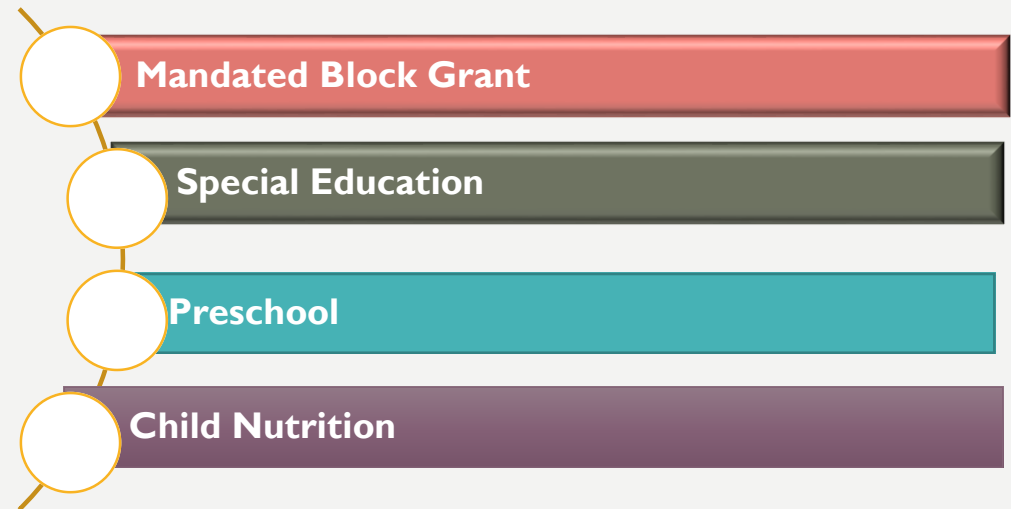
*Voters Approved Proposition 98 in 1988.* Proposition 98, a measure on the November 1988 ballot, was intended to increase state funding for schools. The proponents of Proposition 98 argued that school funding at the time was too low and associated state budget decisions too political. Approved by 51 percent of voters, Proposition 98 added certain constitutional provisions setting forth rules for calculating a minimum annual funding level for K–14 education. The state commonly refers to this level as the minimum guarantee. Our report provides a historical review of the state’s more–than–quarter–century experience with Proposition 98.

# 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 for COLA only and average daily attendance (ADA) for special education

# 2020–2021 LOCAL CONTROL FUNDING FORMULA (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 to the 2019–20 base grant amounts

The effective deficit factor becomes -7.92%

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



Grade Span	2019–2020 Base Grant per ADA	2.31% Statutory COLA	2020–2021 Base Grant per ADA	10% Reduction (Effective Deficit Factor -7.92%)	Effective 2020–2021 Base Grant per ADA
K–3	\$7,702	\$178	\$7,880	[-\$788]	<b>\$7,092</b>
4–6	\$7,818	\$181	\$7,999	[-\$800]	<b>\$7,199</b>
7–8	\$8,050	\$186	\$8,236	[-\$824]	<b>\$7,412</b>
9–12	\$9,329	\$215	\$9,544	[-\$954]	<b>\$8,590</b>

# 2020–2021 LCFF FUNDING FACTORS

- Two grade span adjustments are applied as percentage increases against the effective base grant amounts
  - Grades K–3 receive a 10.4% increase for smaller average class sizes
  - Grades 9–12 receive a 2.6% increase in recognition of the costs of career technical education (CTE) coursework

Grade Span	Effective 2020–2021 Base Grant per ADA	Grade Span Adjustments	2020–2021 Adjusted Base Grant per ADA
K–3	<b>\$7,092</b>	\$738	<b>\$7,830</b>
4–6	<b>\$7,199</b>	-	<b>\$7,199</b>
7–8	<b>\$7,412</b>	-	<b>\$7,412</b>
9–12	<b>\$8,590</b>	\$223	<b>\$8,813</b>

# 2020–2021 LCFF FUNDING FACTORS

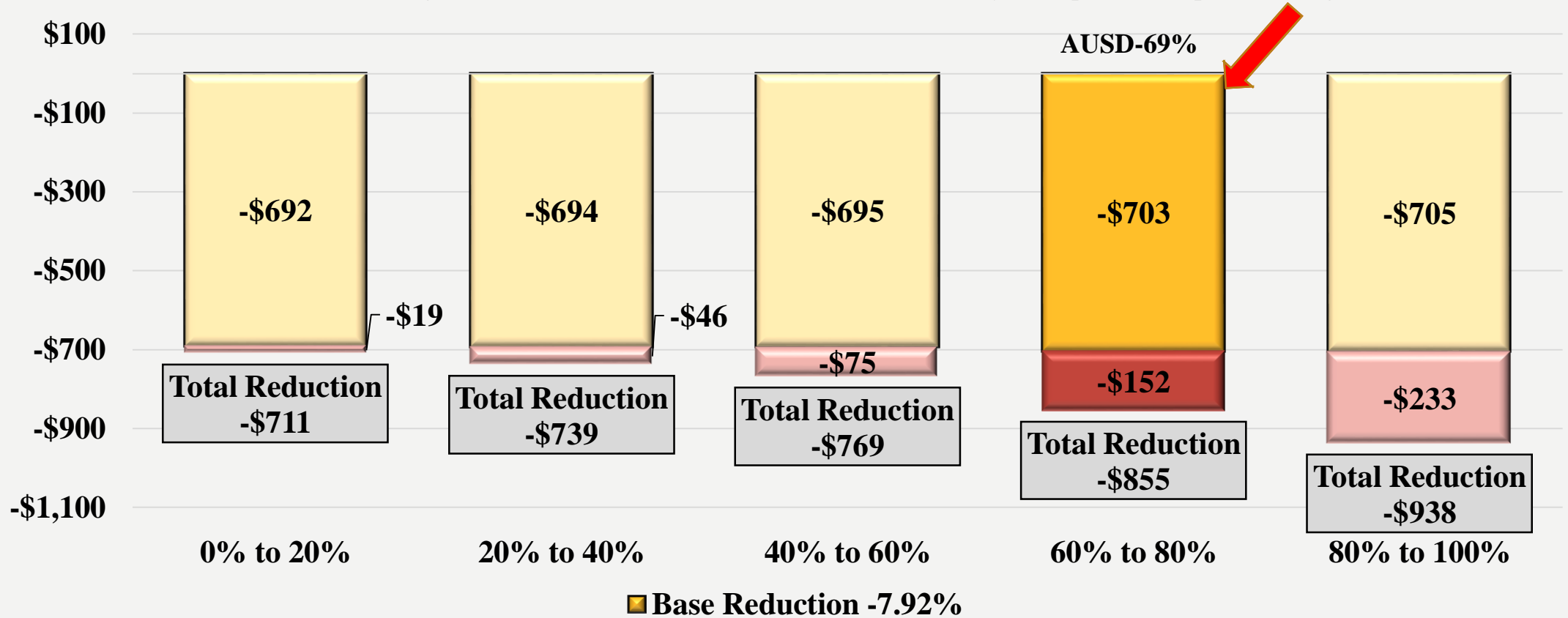
The cuts are meant to reduce the LCFF with the reduction taken from the base grant, which lowers the amount upon which Supplemental and Concentration grant funding is calculated

<b>Grade Span</b>	<b>2020–21 Adjusted Base Grant per ADA</b>	<b>20% Supplemental Grant* per ADA—Total UPP after 10% base grant reduction</b>	<b>50% Concentration Grant* per ADA—UPP Above 55% after 10% base grant reduction</b>
K–3	\$7,830	\$1,566	\$3,915
4–6	\$7,199	\$1,440	\$3,600
7–8	\$7,412	\$1,482	\$3,706
9–12	\$8,813	\$1,763	\$4,406

Calculated based on the percentage of an LEA's enrolled students who are English learners, free or reduced-price meal program eligible, or foster youth—the unduplicated pupil percentage (UPP)

# AVERAGE PER-ADA REDUCTION FROM 2019–2020 TO 2020–2021 BY UPP

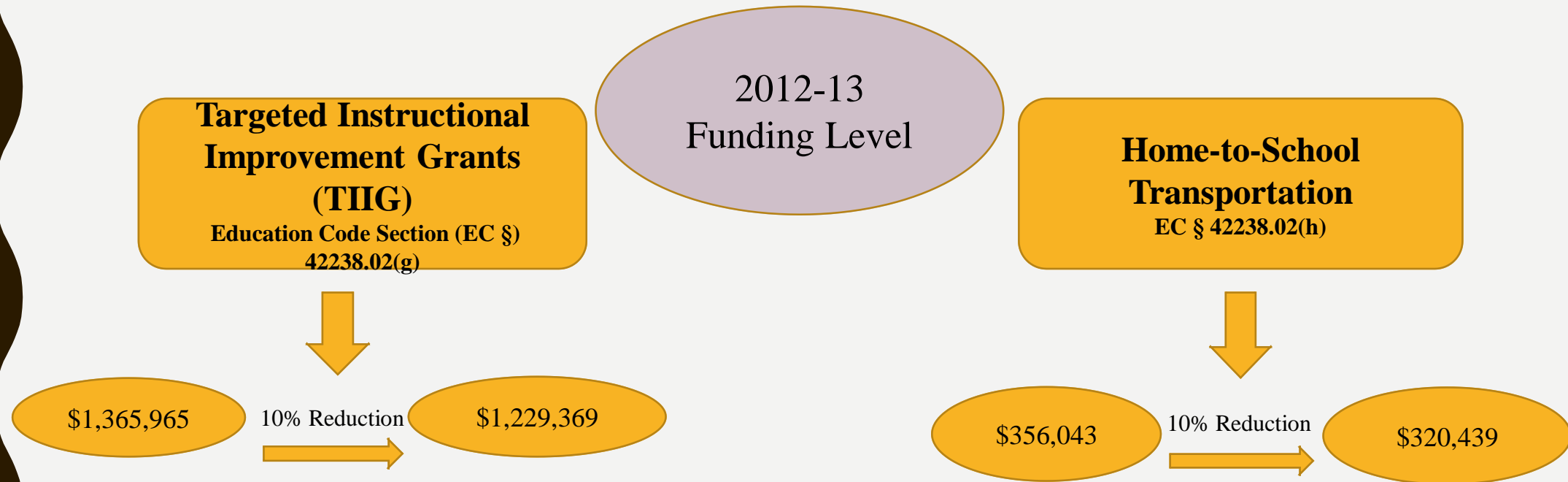
Average Per-ADA Reduction from 2019–20 to 2020–21 by Unduplicated Pupil Percentage





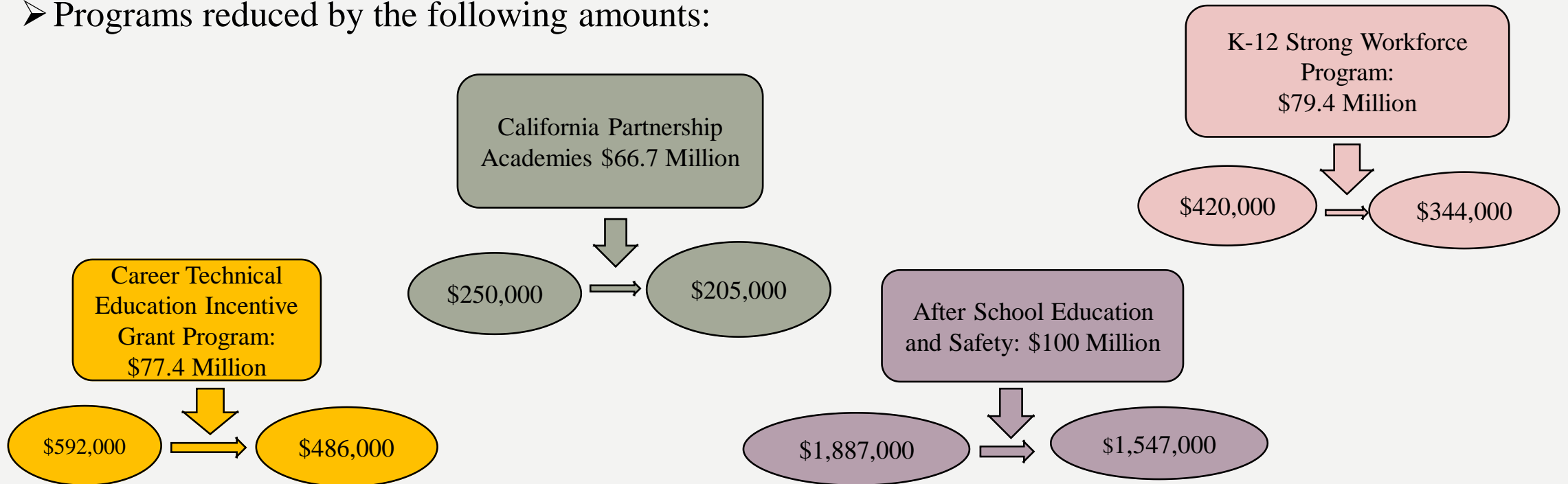
# 2020–2021 LCFF ADD-ON REDUCTIONS

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



# 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:



# FINANCIAL PROJECTION DASHBOARD

PLANNING FACTORS					
Factor	2019–2020	2020–2021	2021–2022	2022–2023	2023–2024
DOF Statutory COLA	3.26%	2.31%	2.48%	3.26%	N/A
<b><i>Base Reduction</i></b>	<b><i>N/A</i></b>	<b><i>-10.00%</i></b>	<b><i>-12.18%</i></b>	<b><i>-14.95%</i></b>	<b><i>?</i></b>
Effective Deficit Factor	N/A	-7.92%	-7.92%	-7.92%	-7.92%
Consumer Price Index	2.06%	0.62%	1.73%	2.12%	2.26%
California Lottery-Unrestricted Per Ada	\$153	\$153	\$153	\$153	\$153
California Lottery-Restricted per ADA	\$54	\$54	\$54	\$54	\$54
Mandate Block Grant (District) K-8 Per ADA	\$32.18	\$32.18	\$32.18	\$32.18	\$32.18
Mandate Block Grant (District) 9-12 Per ADA	\$61.94	\$61.94	\$61.94	\$61.94	\$61.94

The budget assumptions are based on the State May Revision. We will follow the State and County timeline to implement the 45-Day Revision or First Interim Report to make the necessary budget adjustment once the final State budget is released.

# 2020-2021 REVENUE PROJECTIONS

	Description	Unrestricted Audited Actuals 2018-2019	Unrestricted Estimated Actuals 2019-2020	Unrestricted Budget 2020-2021	MYP Unrestricted 2021-2022	MYP Unrestricted 2022-2023
	A	B	C	D	E	F
1	LCFF Sources	170,272,572.00	171,316,629.00	154,776,830.00	152,507,262.00	150,924,238.00
2	Federal Revenue	1,278,159.47	425,000.00	4,225,000.00	675,000.00	675,000.00
3	Other State Revenue	6,499,607.50	4,066,430.00	3,150,883.00	3,150,883.00	3,150,883.00
4	Other Local Revenue	2,187,545.89	2,090,290.00	1,071,500.00	1,416,500.00	1,416,500.00
5	<b>TOTAL REVENUES</b>	180,237,884.86	177,898,349.00	163,224,213.00	157,749,645.00	156,166,621.00

# 2020-2021 EXPENDITURE PROJECTIONS

	Description	Unrestricted Audited Actuals 2018-2019	Unrestricted Estimated Actuals 2019-2020	Unrestricted Budget 2020-2021	MYP Unrestricted 2021-2022	MYP Unrestricted 2022-2023
	A		C		E	F
6	Cert Salaries	74,598,247.74	74,096,584.00	70,525,588.00	69,886,914.00	70,026,376.00
7	Class Salaries	20,571,473.15	20,724,121.00	20,193,155.00	20,192,312.00	20,194,554.00
8	Employee Benefits	44,927,026.17	45,645,060.00	44,756,852.00	44,962,656.00	46,926,239.00
9	Books & Supplies	4,826,266.82	3,050,392.00	3,031,835.00	2,728,652.00	2,455,786.00
10	Services & Oper Expenditures	12,274,932.50	11,388,468.00	10,742,919.00	9,668,717.10	8,701,845.00
11	Capital Outlay	1,375,239.31	46,000.00	32,000.00	32,000.00	32,000.00
12	Other Outgo	543,801.07	670,535.00	670,535.00	670,535.00	670,535.00
13	Transfers of Indirect Costs	(3,556,334.05)	(4,527,620.00)	(4,215,202.00)	(4,194,453.00)	(4,102,082.00)
14	EXPENDITURES	155,560,652.71	151,093,540.00	145,737,682.00	143,947,333.10	144,905,253.00
15	Financing Sources/Uses (Contributions)	31,884,071.40	33,010,387.00	33,347,432.00	34,005,034.00	33,755,034.00
16	TOTAL EXPENDITURES	<b>187,444,724.11</b>	<b>184,103,927.00</b>	179,085,114.00	177,952,367.10	178,660,287.00
17	Net Increase/Decrease in FB	(7,206,839.25)	(6,205,578.00)	(15,860,901.00)	(20,202,749.00)	(22,493,666.00)
18	Ending Fund Balance	43,421,652.67	37,216,074.67	21,355,173.67	1,152,424.67	(21,341,241.33)

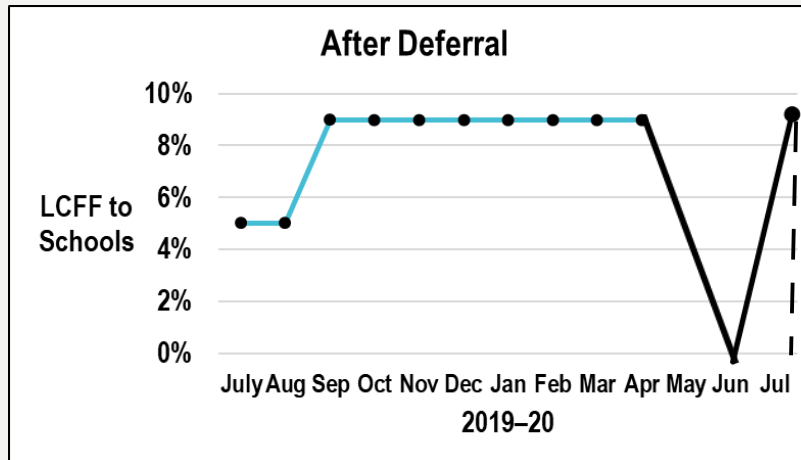
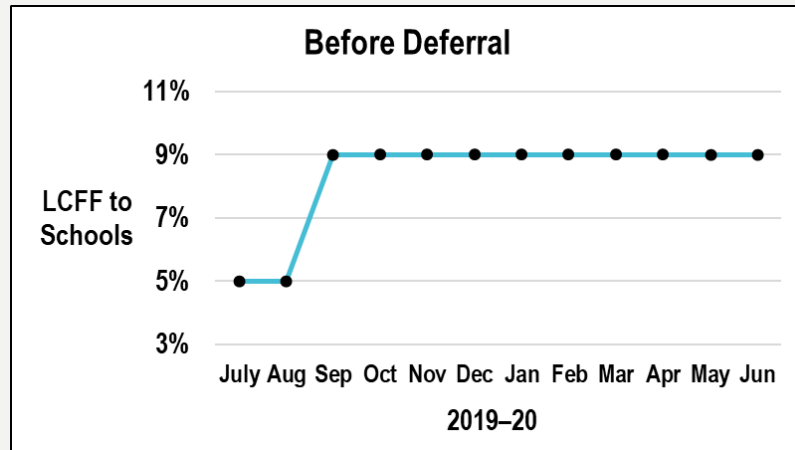
# 2020-2021 PROJECTIONS

## COMPONENT OF ENDING FUND BALANCE

	Description	Unrestricted Audited Actuals 2018-2019	Unrestricted Estimated Actuals 2019-2020	Unrestricted Budget 2020-2021	MYP Unrestricted 2021-2022	MYP Unrestricted 2022-2023
	A	B	C	D	E	F
18	Net Incr/Decr in FB	(7,206,839.25)	(6,205,578.00)	(15,860,901.00)	(20,202,749.00)	(22,493,666.00)
19	Ending Fund Balance	43,421,652.67	37,216,074.67	21,355,173.67	1,152,424.67	(21,341,241.33)
20	Non-Spendable	51,772.75	65,000.00	65,000.00	65,000.00	65,000.00
21	Committed	9,500,000.00	9,500,000.00	9,500,000.00	ZERO	ZERO
22	Assigned Future Deficit	26,913,075.02	20,822,760.67	5,244,446.67	ZERO	ZERO
23	Economic Uncertainties	6,952,198.00	6,828,314.00	6,610,727	1,087,424.67 <b>(5,412,649.33)</b>	<b>(6,495,270.00)</b>
24	Unappropriated	-	-	-	-	-

# CASH FLOW AND DEFERRALS

- Normally local school agencies receive state apportionment cash based upon the statutory schedules in EC §14041(a)(2), (7), or (8), depending on local characteristics that existed decades ago
  - ◆ Most are on the EC § 14041(a)(2) schedule, also referred to as the 5-5-9 schedule
- The cash deferrals proposed in the Governor's May Revision have this effect, using the 5-5-9 schedule as an example:





# CASH FLOW AND DEFERRALS

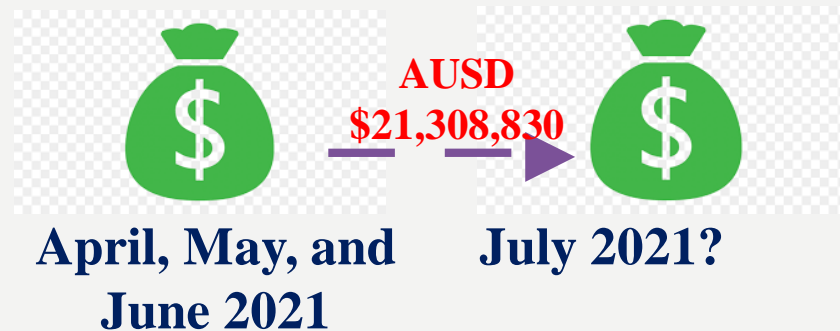
School districts may need to implement local borrowing options to ensure adequate cash to continue paying employees and vendors during these times

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

## Fiscal year 2019–2020



## Fiscal year 2020–2021



# CALPERS/CALSTRS RATE BUYDOWNS

Portion of payment was to pay down CalSTRS<sup>1</sup> and CalPERS<sup>2</sup> employer contribution rates in 2019–20 and 2020–21

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

2019–20 State Budget

2019–20 State Budget

2020–21 May Revision  
\$3.15 billion  
Non-Proposition 98  
General Fund Payment on  
K–14 employers' behalf to  
CalSTRS and CalPERS  
Schools Pool

2020–21 May Revision

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

CalSTRS Employer Rate  
2019-20: 17.10%  
2020–21: ↓18.4% to 16.15%  
2021–22: ↓18.2% to 16.02%

CalPERS Employer Rate  
2019-20: 19.721%  
2020–21: ↓22.68% to 20.7%  
2021–22: ↓24.6% to 22.84%

<sup>1</sup>California State Teachers' Retirement System (CalSTRS)

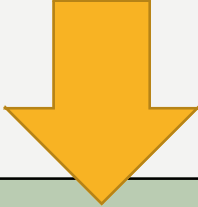
<sup>2</sup>California Public Employees' Retirement System (CalPERS)

# CalPERS/CalSTRS Rate

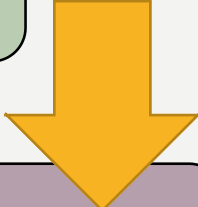
	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>
CalSTRS	12.58%	14.447%	16.28%	17.10%	16.15%	16.02%	18.10%	18.10%
CalPERS	13.888%	15.531%	18.062%	19.721%	20.70%	22.84%	25.50%	26.20%

# 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, "Trigger Off" relief package



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

# FINAL THOUGHTS

- It's important to keep in mind that there are still a lot of “unknowns”
- Economic data will continue to inform revenue projections, like personal income tax, unemployment figures, and updates in the National and State GDP
- Historically, during such uncertain times, the State would sometimes revise its budget depending on the magnitude of differences in the June estimates and reality
- The California legislature still needs to weigh in with its priorities, which may or may not align with Governor Newsom's

# BUDGET CERTIFICATION

- **Positive:** Based upon current projections the District will meet its financial obligations for the current fiscal year and subsequent two fiscal years.
- **Qualified:** Based upon current projections the District may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.
- **Negative:** Based upon current projections the District will be unable to meet its financial obligations for the remainder of the current fiscal year or for the subsequent fiscal year.

We are self certifying a “Qualified” Budget. For 2020-2021, expenditure reductions have been made, upon receiving the State’s final budget, we will determine if a full reduction plan is needed.

**THANK YOU!**