



Budget Implications

Presentation to BOT,
May 21, 2020 Meeting

Historical Economic Perspective 2008-2018

Economic Decline during 2008-2010 & Slow recovery 2011-2014

Federal stimulus package 2008-09 ARRA provided \$100B for schools and current stimulus CARES provides \$13B. Proposed additional funding HEROES authorize \$100B for schools.

2013-14 State Pension reform began increasing Employer Contribution nearly tripled the cost to employers. Requires State support to stabilize potential annual increases. (State to stabilize for FY21 & FY22, Flat rates)

118 months of continued growth, State provided annual discretionary funds to the Districts and State built rainy day funds over \$16B

State Economy

State revenue primarily PIT, Capital Gains, and Sales Tax. These sources are volatile during an economic downturn. Budget Deficit of \$54B for 20-21.

\$19B reduction in State funding for schools. This is an average reduction of approx \$1000.

After depleting rainy day fund, still require 10% Reduction in LCFF Funding and triggers Fair Share payment ~ \$600K for LGUSD unless offset by Federal Funding

State utilizes Federal \$4.4B funding for grants to address learning loss for classroom based instruction for students with disabilities, EL, low-income, homeless.

District Impact

Revenue for 19-20 & 20-21 relatively secure. Projected significant negative impact on revenue in 21-22 and 22-23. During last recession property values decline up to 2% and was offset by RDA funding.

Community Funded districts continue to rely on property taxes, parcel tax and donations with little funding available from State or Federal resources (anticipate only \$50K in State/Fed funding). 1% adjustments to property tax = \$325,000

Property Tax is based on Jan 2020 Values

Parcel Tax is active through June 2022

HSC & Foundation were anticipating modest increases for 20-21

District Revenue Impact from Covid 19

Decreased property values anticipated long term. Average annual increase of 5% is expected to drop to 3%, 0% and 1.5% over the next three years.

Possible delay or expiration of the parcel tax. Loss of \$2.75M

District eligible for \$50K of State emergency funds and seeking additional disaster relief through FEMA. District is not eligible for Federal Stimulus CARE funds

Loss of facilities rental fees of approximately ~\$100K

District Expense Impact from Covid 19

19-20 Anticipated savings will add to Reserve Balances-

Limited ability to provide some programs

Administrative Staff Retirement, Substitutes, Supplies & Utilities ~ \$400K

Classroom supplies, Professional Development and other contracted services possibly \$100K savings will be realized by H&SC

Curriculum adoptions of \$350K carried over to 20-21

Future net expense include increased for PPE and technology \$100K/year

District Assumptions

ASSUMPTIONS			19-20	20-21	21-22	22-23	23-24	24-25	25-26
Net. Property Tax % Increase			4.89%	3.18%	0.00%	1.50%	4.00%	5.00%	5.00%
Foundation			900,000	927,000	1,112,400	1,334,880	1,601,856	1,922,227	2,402,784
Foundation %			0.00%	3.00%	20.00%	20.00%	20.00%	20.00%	25.00%
Parcel Tax			\$ 2,750,000	\$ 2,750,000	\$ 2,750,000	\$ -	\$ -	\$ -	\$ -
Per Parcel					\$ 290				
Parcel Tax \$ Change from 19-20				\$ -	\$ -				
HSC			\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
Wage Assumptions in Model (Include Step & Column & COLA)			3.50%	3.50%	3.50%	1.50%	1.50%	1.50%	1.50%
Medical			5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Staffing Additions Cert			\$ -	\$ 194,833.24	\$ -	\$ -	\$ -	\$ -	\$ -
Staffing Adjustments				\$ 1.40	\$ -	\$ -	\$ -	\$ -	\$ -
Staffing Additions Class			\$ -	\$ (57,234.16)	\$ -	\$ -	\$ -	\$ -	\$ -
Staffing Adjustments Class				\$ (0.60)					
STRS % Change to Prior Year			0.00%	0.00%	0.50%	0.50%	0.50%	0.50%	0.50%
PERS % Change to Prior Year			0.00%	1.88%	2.20%	0.80%	0.50%	0.50%	0.50%
Benefits			0.00%	0.00%	0.00%	3.50%	3.50%	3.50%	3.50%
Revenue CPI			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
CPI Expenses			0.00%	0.00%	0.00%	3.13%	3.00%	3.00%	3.00%

- Possible reduction to STRS/PERS Contributions
 - STRS 18.41% to 16.15% 20-21, 18.2% to 16.02% 21-22
 - PERS 22.67% to 20.7% 20-21, 25% to 22.84% 21-22

Recommendations to Balance key priorities

Maintain High Quality Staff (through staff retention & modest annual increases)

Current year salary adjustment of 2% and STRS/PERS contributions are included in current projections. Subject to negotiations

Maintain High Quality Programs (maintain electives and specialists)

Maintain Community Supported Parcel Tax and Donations

Use Reserves to offset revenue declines and Preserve existing programs and Staff and fund unanticipated fluctuations in revenue