

# Agenda

1. Review of Previous Suggestions for Budget Reduction
2. Update on the May Revise, Pauline Follansbee, Assistant Superintendent, Business Services
3. Implications for BUSD
  - a. General Fund
  - b. LCAP
4. Overview of Budget Reduction Strategies
5. Timeline

At the last SBAC meeting on May 5, 2020, we reviewed ideas related to \$2M in reductions to the General Fund.

At that time, we believed that a zero COLA allocation represented the “worst case scenario”.

This projection has changed significantly since the Governor’s May Revise. We now anticipate a -10% reduction in LCFF.

## Review: Previously Proposals from May 5, 2020 SBAC

Group 1	
Eliminate General Fund Contribution to Programs	300,000
Increase contribution from Fund 20	200,000
	<b>500,000</b>
Group 2	
Prior Year Unspent Fund Balance/Savings	
Nutrition Services - Food	175,000
Utilities	40,000
Graduation	225,000
Fuel	30,000
Transfer .25 FTE of General Funded Position to the Building Fund	36,200
	<b>506,200</b>

## Review: Previously Proposals from May 5, 2020 SBAC

Group 3	
Increase Rental Fees for District Property	40,000
Eliminate positions added in 2014-15	75,000
Eliminated Mandated Cost Consultant	30,000
BUSD to provide transportation for BHS Athletics	40,000
Site position	80,000
50% Moratorium on Extra Pays OT	250,000
	<b>515,000</b>

## Review: Previously Proposals from May 5, 2020 SBAC

Group 4	
Reestablish shift of Literacy Coach at Longfellow to LCAP (offset by additional drawdown from Reserve)	103,000
Additional contribution Fund 20	82,000
TSA s- Eliminate 3 positions from other funding source and replace with GF positions (to be determined)	315,000
	<b>500,000</b>

# 1.Update on the May Revise

Pauline Follansbee, Assistant  
Superintendent, Business  
Services



## MAY REVISE - INITIAL THOUGHTS

- **Crisis is so much bigger than a state or local budget ...**
- **Governor Newsom forced to turn to federal government**
- **Deep cuts but some hope for “trigger off” from another federal relief package**
- **LEAs must budget from May Revision, but the only certainty is that the final budget will be different from this proposal**
- **This is not just a budget issue, it’s a health issue**
- **How to plan for educating students and resolving the conflict between the cost of reopening schools and implementing historically deep cuts**



# Themes for the May Revision

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- **May Revision proposals bear little resemblance to his Governor's January State Budget, when the Administration anticipated a multibillion dollar surplus in a \$222 billion spending plan**
- **While May Revisions are usually built upon actual personal income tax receipts and stable economic projections, both are missing this year**
- **Faced with plummeting resources, Governor Newsom cuts into the Local Control Funding Formula (LCFF)**
- **The Governor provides some glimmer of hope with resources outside of the Proposition 98 guarantee and potentially triggering off LCFF cuts—but the economic situation could also get worse from here**







# 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>

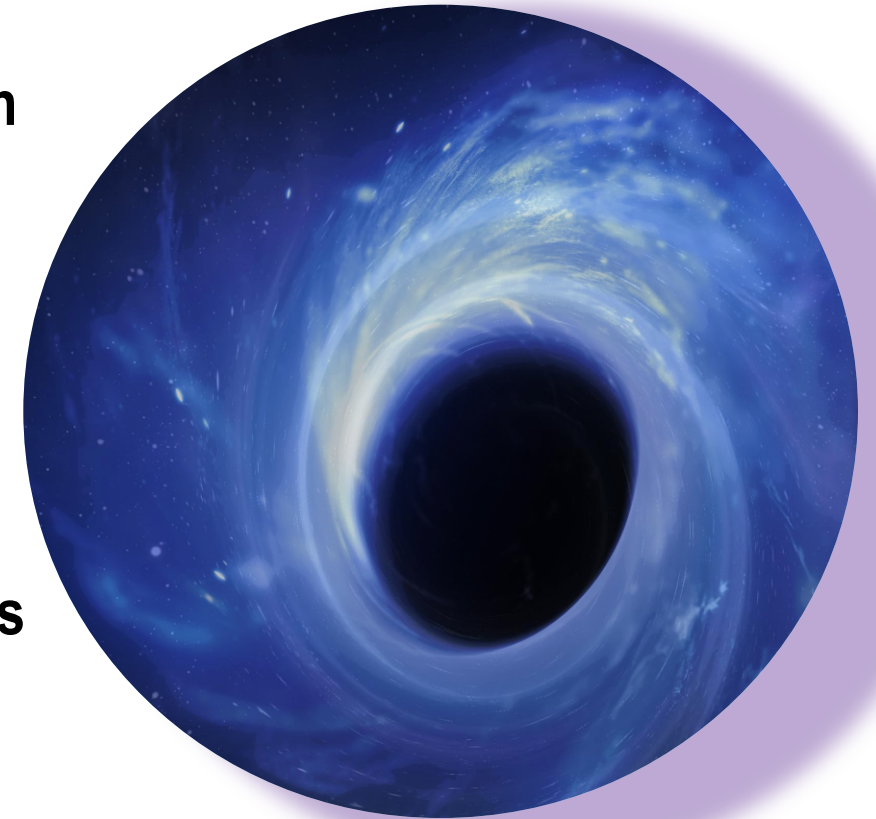


# Will There Be a Revised Budget?

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- While the May Revision gives us important anchors for state and local budgets that must be adopted by July 1, 2020, there continues to be a gaping hole of information that we need in order to build more accurate budgets
  - Unemployment rates change
  - PIT revenue is the largest share of general fund revenue; tax payments deferred
  - Consumer confidence shaken by the current state of the economy; may be a while before confidence rebuilds
  - Small, as well as large, businesses may not be able to withstand COVID-19
- The state will likely need to revise its Budget when more information becomes available later this summer





# 2020–21 LCFF Funding Factors

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- 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



# 2020–21 LCFF Funding Factors

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- Two grade span adjustments (GSAs) 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 2020–21 Base Grant per ADA	GSA	2020–21 Adjusted Base Grant per ADA
K–3	\$7,092	\$738	\$7,830
4–6	\$7,199	-	\$7,199
7–8	\$7,412	-	\$7,412
9–12	\$8,590	\$223	\$8,813



## 2020–21 LCFF Funding Factors

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- 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

Grade Span	2020–21 Adjusted Base Grant per ADA	20% Supplemental Grant* per ADA—Total UPP after 10% base grant reduction	50% Concentration Grant* per ADA—UPP Above 55% after 10% base grant reduction
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)



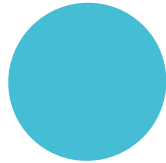
# 2020–21 LCFF Add-On Reductions

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- 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)



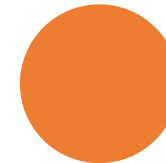
**Home-to-School  
Transportation**

EC § 42238.02(h)



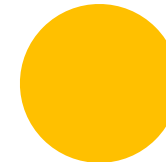
**Economic  
Recovery Target**

EC § 42238.025



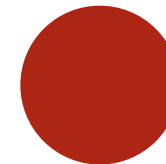
**Minimum State Aid**

EC § 41544



**Basic Aid  
Supplement**

EC § 47663



**District of Choice**

EC § 48310





# What Does the LCFF Mean for Berkeley Unified School District

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Cut Target			
May Revise - from 2.31%% to -10% COLA			
	2020-21		
COLA	Base	Supplemental	Total
Was	2.31%	2.31%	
Revised	-7.92%	-7.92%	
Change	-10.23%	-10.23%	
Amount	Base	Supplemental	Total
Was	\$ 89,373,750	\$ 5,242,003	\$ 94,615,753
Revised	\$ 81,379,882	\$ 4,737,123	\$ 86,117,005
Change	\$ (7,993,868)	\$ (504,880)	\$ (8,498,748)
Retirement Relief UGF			\$1,415,567
Revised Target			\$ (7,083,181)



# Employer Contribution Rates

- To provide increased fiscal relief, the May Revision revised the California Public Employees' Retirement System (CalPERS) 2020–21 employer contribution rate to 20.70%
- CalPERS investment losses will cause pressure to increase employer contribution rates in the future

CalPERS Employer Contribution Rate Estimates		
Year	Previous Rates	Revised Rates
2020–21	*22.68%	20.70%
2021–22	*24.60%	22.84%
2022–23	25.90%	25.50%
2023–24	26.60%	26.20%
2024–25	27.00%	26.50%
2025–26	26.80%	26.40%
2026–27	26.70%	26.20%

\*CalPERS Board approved 2020-21 contribution rate as of April 21, 2020





# CalSTRS Future Rate Implications

- The May Revision revised the California State Teachers' Retirement System (CalSTRS) employer contribution rate in 2020–21 from 18.40% to 16.15%
- Beginning in 2021–22 the CalSTRS Board will have some authority to increase or decrease employer contribution rates by a maximum of 1% annually—not to exceed 20.25%
- Any investment returns below the CalSTRS target of 7% will likely reduce the funded status of the plan and potentially increase employer contributions in the future

CalSTRS Employer Contribution Rates	
Year	Rate
2019–20	17.10%
2020–21	16.15%
2021–22	16.02%
2022–23	18.10%
2023–24	18.10%



# BUSD Implications

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## BUSD

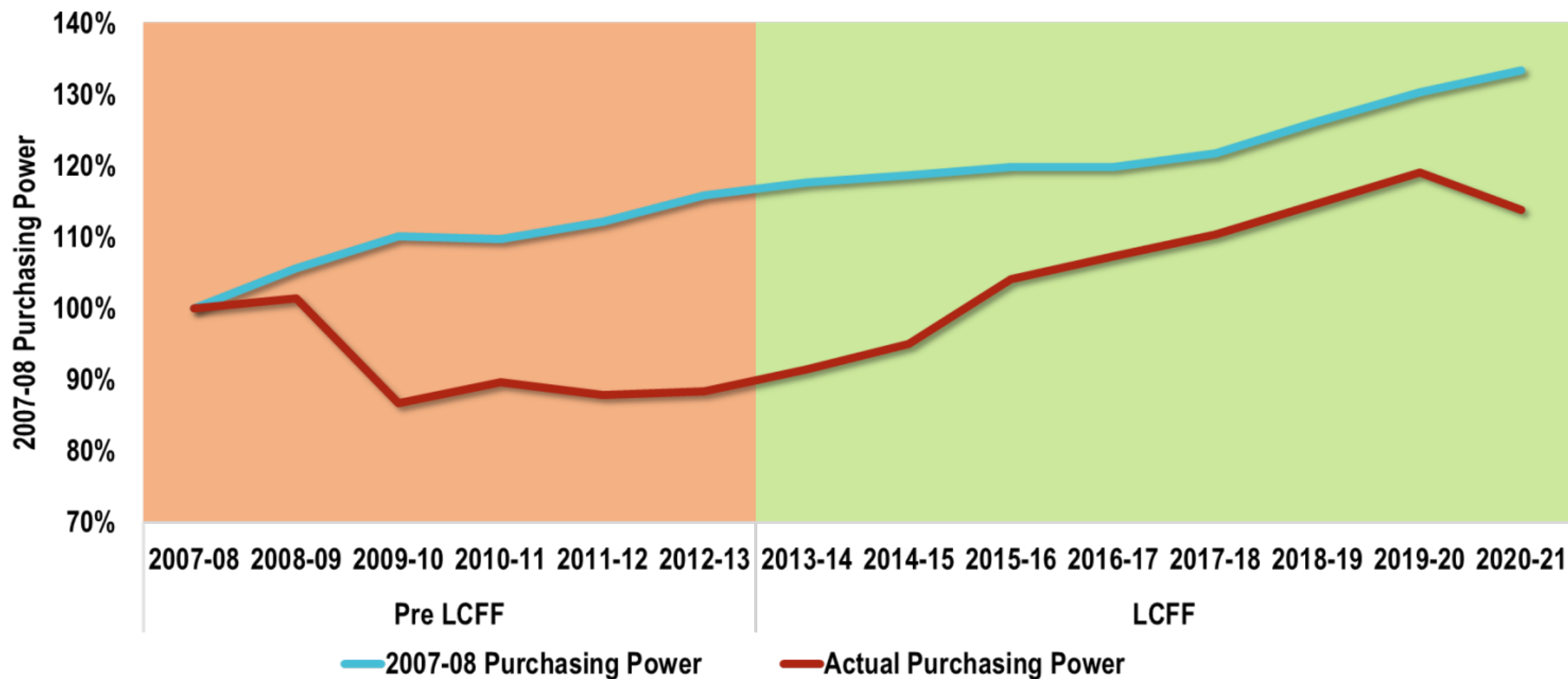
	2020-21	2021-22
CalSTRS new	16.15%	16.02%
Old	18.41%	18.20%
Change	-2.26%	-2.18%
\$	\$ 1,101,793.00	\$ 1,073,419.00
CalPERS new	20.72%	22.84%
Old	22.67%	25.00%
Change	-1.95%	-2.16%
	\$ 313,774.00	\$ 353,189.00
Total Savings Used in Target	\$ 1,415,567.00	\$ 1,426,608.00

# Purchasing Power Under the LCFF

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## Purchasing Power Under the LCFF





# Categoricals

**Base Rates increased to \$645 per 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 602 formula until a finalized formula is adopted**

• **Maintains Special Education Local Plan Area Governance and Accountability Structure**

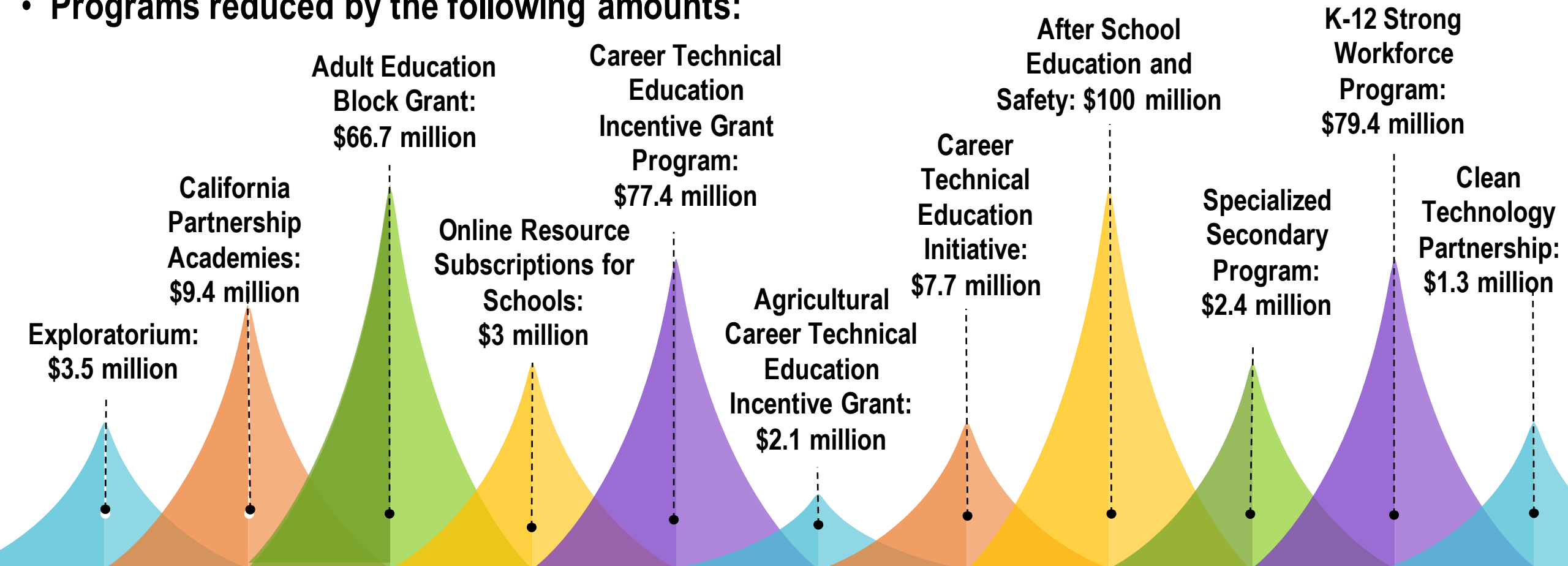


# Categorical Program Cuts

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- 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:





# Additional Federal Funding?

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California is slated to receive billions of dollars from the Coronavirus Aid, Relief, and Economic Security (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



# LCAP





# Changes to the 2020–21 LCAP

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The Local Control and Accountability Plan (LCAP) template adopted by the State Board of Education (SBE) in January will not be used for 2020–21

The templates to be used for the 2020–21 LCAP and the 2019–20 Annual Update require a change in statute, and few details currently are available

The California Department of Education will develop the new templates for 2020–21 in consultation with the SBE and stakeholders

Expected to be available in late summer of 2020



# 2020–21 LCAP Deadlines Extended

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**Deadline for LCAP, Annual Update, and Budget Overview for Parents extended from July 1 to December 15, 2020**

**Deadline for county superintendent or state superintendent of public instruction to approve the LCAP extended to January 14, 2021**

**Deadline for a charter school to submit the LCAP to its authorizer and the county superintendent extended to December 15, 2020**

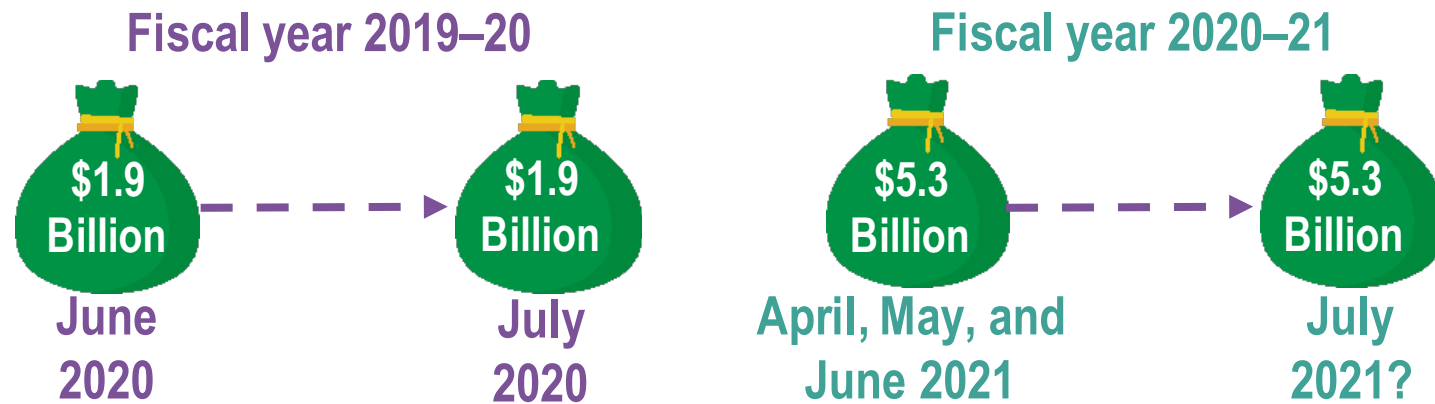


# Deferrals: Here We Go Again

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- Cash deferrals were used during the Great Recession to implement state-level budget cuts and/or improve the state's cash position
- The Governor's May Revision takes a page from the same playbook and 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



# Local Relief Measures

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- 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

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**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**

## Requires Legislative Action



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*



# Discussion

# Implications for BUSD

- a. General Fund

- b. LCAP

Cut Target			
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	2020-21		
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## Concepts for Balancing the Budget

1. Close Some Unfilled Positions
2. Additional contributions from BSEP to the 'Teacher Template'
3. Savings Related to COVID-19 School Closures
  - a. Transportation Reductions or Elimination
  - b. Electricity Savings
  - c. Garbage and Recycling Collection
4. Reduce or Suspend Non-COVID Professional Development

## Concepts for Balancing the Budget

- 5. Adjust Existing Programs Based on Distance Learning
- 6. Reduce or Eliminate Extended Hours for Some or All Staff
- 7. Staff Furloughs
- 8. Complete or Partial Hiring Freeze

## Hypothetical Scenario

All Previously Proposed Reduction Proposals	- \$2,000,000
Close Some Unfilled Positions	- \$400,000
Additional contributions from BSEP to the 'Teacher Template'	- \$500,000
Savings Related to COVID-19 School Closures <ul style="list-style-type: none"><li>a. Transportation Reductions or Elimination</li><li>b. Electricity Savings</li><li>c. Garbage and Recycling Collection</li></ul>	- \$2,000,000
Reduce or Suspend Non-COVID Professional Development	- \$200,000
Adjust Existing Programs Based on Distance Learning (Layoffs or Reduced Contracts)	- \$1,000,000
Reduce or Eliminate Extended Hours for Some or All Staff	- \$150,000
Staff Furloughs	- \$1,000,000
SUBTOTAL of REDUCTIONS	- \$7,250,000
	- \$7, 200,000

## Hypothetical Scenario: Accounting for COVID-19 Expenses and Needs

New Needs	
Increased Mental Health Services for Students	+ \$500,000
Chromebook Replacement	+ \$200,000
Increased Nursing Support, if campuses reopen	+ \$250,000
Increased Peer Tutoring	+ \$500,000
SUBTOTAL OF COVID-19 EXPENSES	+ \$1,450,000
SUBTOTAL of REDUCTIONS	- \$7,250,000
Additional Reduction Strategies	- \$1,400,000
	- \$7, 200,000

## Supplemental Funding - a 10% reduction in LCAP is equal to \$512,000

Addition of Literacy Coach	+ \$130,000	
Eliminate Extended Time Stipends	- \$80,000	
Eliminate Super Science Saturdays	- \$70,000	
Other reduction strategies	- \$492,000	
	\$512,000	

## Next Steps

1. Board Presentation on May 20, 2020 with additional specificity
2. Staff Research on reduction options
3. SBAC Meeting, June 2, 2020

### CRITICAL:

We cannot anticipate the timing or the probability of the availability of additional federal relief (HEROES Act or some other variation). To account for this uncertainty, we can try to (1) prioritize reduction strategies that can be walked back, and (2) request Board approval for reductions with the caveat that we will revisit decisions if new revenue becomes available.



# Discussion