

# 45-Day Budget Revision

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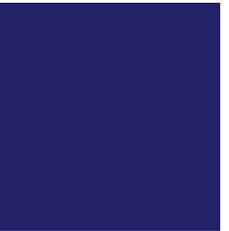
**August 11, 2020**



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# Purpose of Presentation

- 45-Day Budget Revision
- Review Final State Budget Act
- Assumptions for Revenue and Expenditures
- Multiyear Projection (MYP)



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# 45-Day Budget Revision

- A 45-Day Budget Revision is **not** required
  - It is advisable due to **significant** changes from the **May Revision**
- If budget revisions are made to reflect the State Budget Act, the revisions **must** be made available for public review within **45 days of enactment**
  - The Governor **signed** the Budget Act on **June 29, 2020**
  - The 45 day timeline ends **August 13, 2020**
- There is **no SACS** version for the 45-day revision

# State Budget Act

- The enacted **State Budget** is drastically **different** from the Governor's May Revision, and is about as **good** as we could have **hoped** for
  - **No LCFF cuts**
  - **New ongoing** resources in **Special Education**
  - Pension contribution **relief** for **two** years
  - Cash deferrals - **\$11 billion of cash deferred to the 2021-22 fiscal year**
  - **Withdrawal** of funds in the **Public School System Stabilization Account** (one time)

# State Budget Act

- The State Budget authorizes the **reduction** of deferred payments if there are sufficient **new federal funds** to offset the deferrals
  - Must reduce the **earliest** deferrals first, in February 2021
  - Reducing or eliminating deferrals **ensures** that the state has the **same** budget tool for 2021-22 if the financial picture **does not improve**
- **Risks to the State Budget**
  - Continued record of **unemployment**
  - Sustained economic **downturn** from closed businesses
  - The possibility of a revised State Budget this fall is still a **real possibility**

# Proposition 98 Minimum Guarantee

Item	January Budget	May Revision	Enacted Budget
<b>2020–21 LCFF* Funding Change</b>	<b>+\$1.2 billion</b>	<b>-\$6.5 billion</b>	<b>\$0</b>
<b>Proposition 98 Minimum Guarantee</b>			
2018–19	\$78.4 billion	\$78.7 billion	\$78.5 billion
2019–20	\$81.6 billion	\$77.4 billion	\$77.7 billion
2020–21	\$84.0 billion	\$70.5 billion	\$70.9 billion
<b>2020–21 Statutory COLA</b>	<b>2.29%</b>	<b>2.31%</b> <b>(Not funded, additional cuts)</b>	<b>2.31%</b> <b>(Not funded)</b>
<b>One-Time Discretionary Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

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# Additional Federal Funding?

On May 15, the U.S. House of Representatives approved a \$3 trillion stimulus package dubbed the Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act

The HEROES Act would provide about \$58 billion for K–12 education, \$1.5 billion to help schools provide internet services, and \$10 billion to provide services for families and children

Senate Majority Leader Mitch McConnell has described the HEROES Act as “dead on arrival,” but also said that a second COVID-19 relief package would be considered when the Senate returns from recess

If additional federal funding does materialize by October 15, up to \$5.8 billion of the K–12 deferrals may be reduced

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# Cash Deferrals

February 2021  
\$1.54 Billion

March 2021  
\$2.38 Billion

April 2021  
\$2.38 Billion

May 2021  
\$2.38 Billion

June 2021  
\$4.23 Billion (est.)

Cash deferrals are changes in law (Education Code Section [EC §] 14041) to delay the schedule of apportionments allowing the state to retain cash for a period of time—the burden of borrowing lies with the LEA to ensure adequate cash for operations. Should additional funding from the federal government materialize, the deferrals will be paid in the order issued.

November 2021  
\$1.54 Billion

October 2021  
\$2.38 Billion

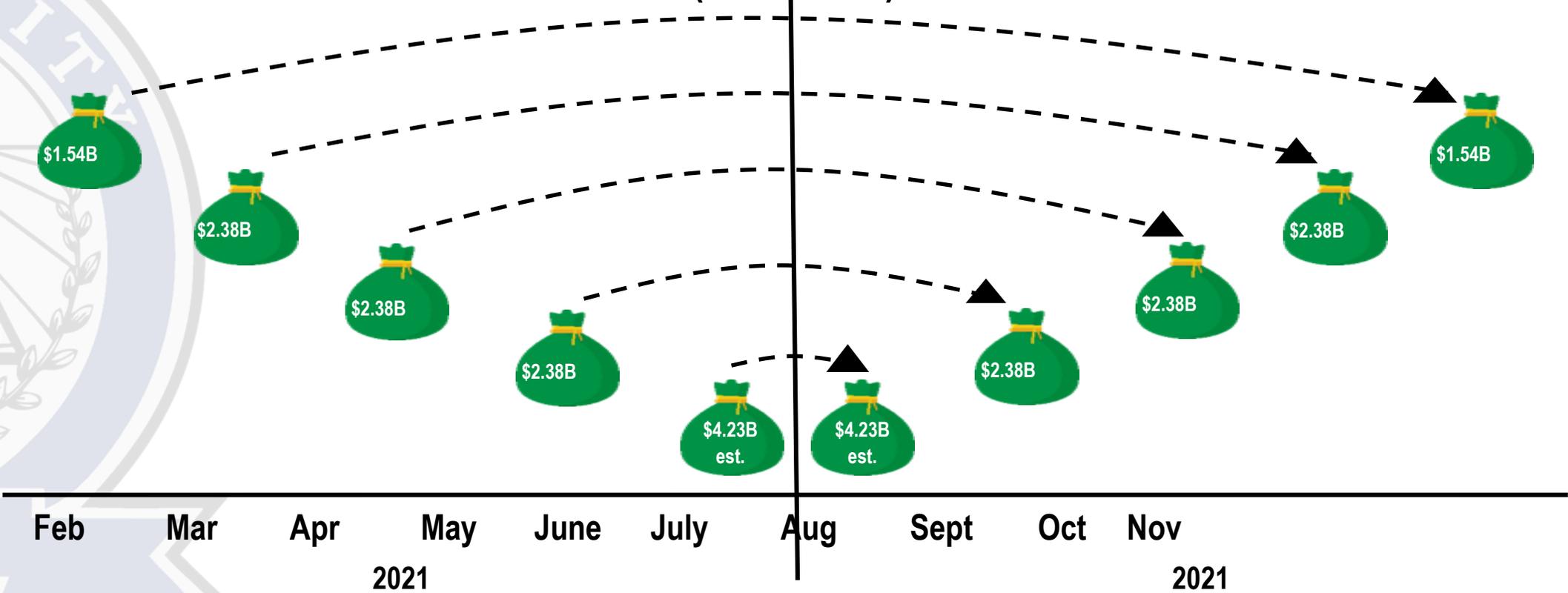
September 2021  
\$2.38 Billion

August 2021  
\$2.38 Billion

July 2021  
\$4.23 Billion (est.)

# Cash Deferrals

Cash Deferrals 2020–21  
(in billions)



# Effects Of Cash Deferrals On Cash Flow

- We will receive only about 68% of the state aid during the year
- The effects of cash deferrals on the typical apportionment schedule are as follows:

Month	Normal Share of Annual Apportionment <sup>1</sup>	Proportion Deferred	Resulting Share of Annual Apportionment
February 2021	9%	45%	5%
March 2021	9%	70%	3%
April 2021	9%	70%	3%
May 2021	9%	70%	3%
June 2021	Balance	100%	0%

# 45 – Day Revised Revenue Assumptions

- **LCFF Increase** - \$19,114,241
  - Base Funding increase of \$14,305,821
  - Supplemental & Concentration increase of \$4,808,420
- **Federal Revenue Increase** - \$38,009,243
  - CARES (ESSER) - \$8,089,318
  - CARES (GEER) - \$8,331,240
  - CARES (LCFF) - \$2,225,098
  - CARES (S/C) - \$19,363,587
- **State Revenue Increase** - \$3,086,325
  - SB 117 - \$354,929
  - CARES (LCFF) - \$2,731,396

# Pension Rate Buydowns

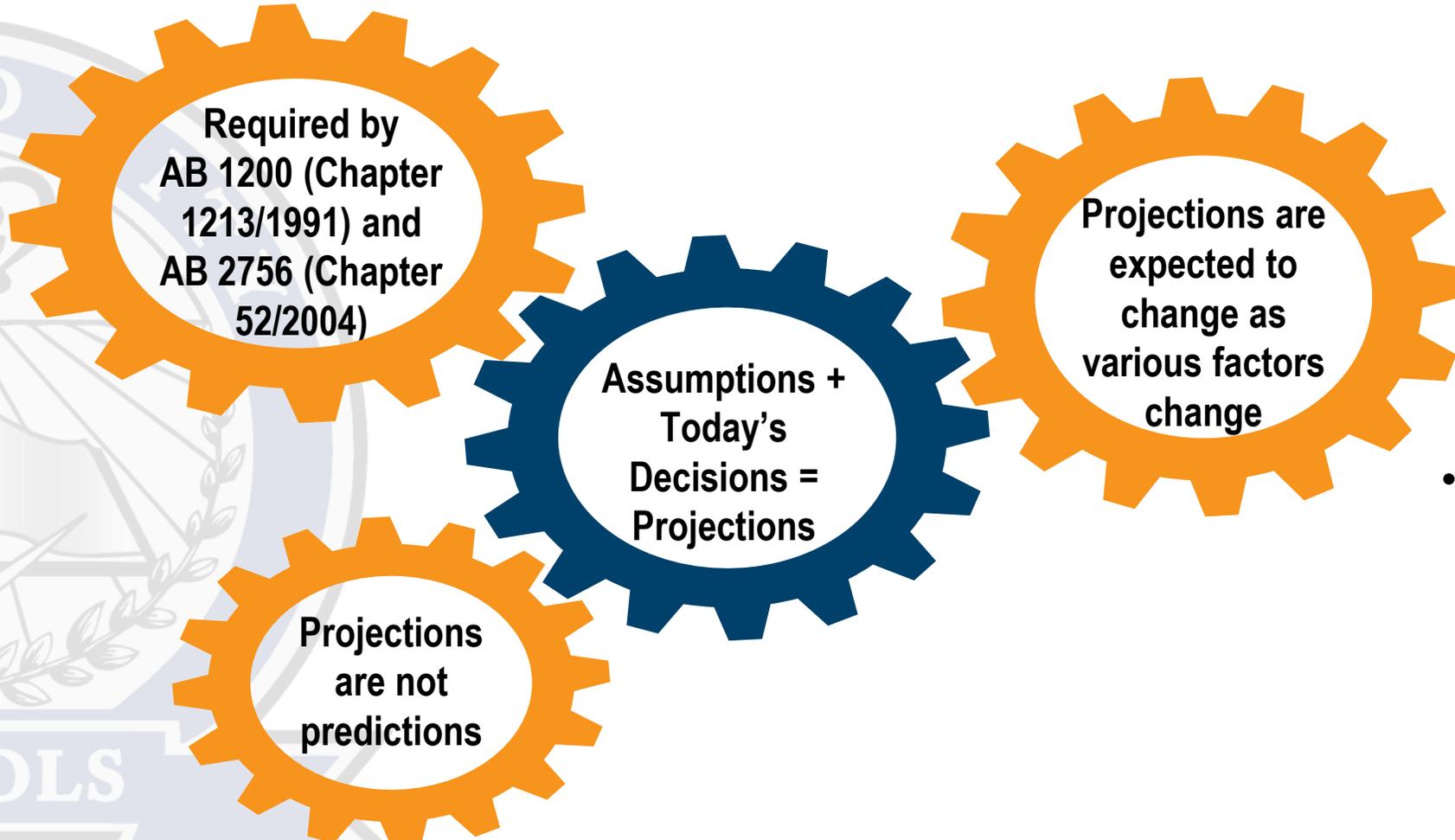
- Assembly Bill 84 sets the CalPERS and CalSTRS employer contribution rates for 2020-21
- The rates for 2021-22 are subject to **fluctuation** as we approach that fiscal year

Year	CalSTRS Rates	CalPERS Rates
2019-20	17.10%	19.721%
2020-21	16.15%	20.70%
2021-22	16.00%	22.84%
2022-23	18.10%	25.50%
2023-24	18.10%	26.20%

# 45- Day Revised Expenditure Assumptions

- \$36,163,384 for CARES funds
- \$3,785,262 for 2019-20 COVID-19 related costs
- (\$4,842,072) in STRS/PERS pension obligations
- **\$25,103,235 increase to projected ending fund balance**

# Multiyear Projections



Required by  
AB 1200 (Chapter  
1213/1991) and  
AB 2756 (Chapter  
52/2004)

Projections are  
expected to  
change as  
various factors  
change

Projections  
are not  
predictions

Assumptions +  
Today's  
Decisions =  
Projections

- A slowing economy and rising costs pose challenges in the multiyear projection

# 45-Day Revision Multi Year Projection

- Deficit spending projected all three years

<b>Revised Budget Multi-Year Projection Unrestricted Resources</b>			
<b>Description</b>	<b>2020-21 Revised Budget</b>	<b>2021-22 Projected Budget</b>	<b>2022-23 Projected Budget</b>
Total Revenues	328,578,953	331,649,990	328,753,479
Total Expenditures	279,126,249	277,718,824	284,363,184
Excess/(Deficiency)	49,452,704	53,931,166	44,390,295
Other Sources/Uses	(54,665,463)	(59,050,458)	(60,775,695)
<b>Net Increase/(Decrease)</b>	<b>(5,212,759)</b>	<b>(5,119,292)</b>	<b>(16,385,400)</b>
Add: Beginning Fund Balance	89,054,748	83,841,989	78,722,697
<b>Ending Fund Balance</b>	<b>83,841,989</b>	<b>78,722,697</b>	<b>62,337,297</b>

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# Questions



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