



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item #9.1

Meeting Date: February 6, 2020

Subject: Governor's 2020-21 Budget Update

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: _____)
- Conference/Action
- Action
- Public Hearing

Division: Business Services

Recommendation: Receive the budget update.

Background/Rationale: On January 10, 2020 Governor Newsom released the 2020-21 State Proposed Budget including the proposals for K-12 Education. Of the proposals for K-12 Education, there are two items that may have a significant impact on the District's multi-year budget projections, a decrease in COLA and an increase in special education base funding rate.

With all interim financial reports, the District is required to submit a Fiscal Recovery Plan that provides a plan of options to achieve the necessary reductions to avoid a fiscal crisis. As of the 2019-20 First Interim Financial Report the District projected that a \$27 million solution would be required to achieve fiscal solvency.

The First Interim Fiscal Recovery Plan will be presented separately at the February 6 Board Meeting for approval.

Financial Considerations: Identify projected impact to District revenues based on Governor's January Budget Proposal.

LCAP Goal(s): Family and Community Empowerment; Operational Excellence

Documents Attached:

1. Executive Summary

<p>Estimated Time of Presentation: 10 Minutes Submitted by: Rose Ramos, Chief Business Officer Approved by: Jorge A. Aguilar, Superintendent</p>

Board of Education Executive Summary

Business Services

Governor's 2020-21 Budget Update

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I. OVERVIEW/HISTORY:

The District approved the 2019-20 First Interim Financial Report at the December 19, 2019 Board Meeting. The 2019-20 First Interim information presented to the Board was based on the 2019-20 Enacted State Budget.

On January 10, 2020 Governor Newsom released the 2020-21 State Proposed Budget including the proposals for K-12 Education. Of the proposals for K-12 Education, there are two items that may have a significant impact on the District's multi-year budget projections, a decrease in COLA and an increase in special education base funding rate.

II. Driving Governance:

- Education Code section 42127 requires the Governing Board of each school district to adopt a budget on or before July 1st. The budget to be adopted shall be prepared in accordance with Education Code section 42126. The adopted budget shall be submitted to the County Office of Education. The County Office of Education will determine if the district will be able to meet its financial obligations during the fiscal year and the subsequent two years. The County Office of Education will either approve, disapprove, or conditionally approve the district's budget.
- Education Code section 42130 requires the Superintendent to submit two reports to the Board of Education during each fiscal year. The first report shall cover the financial and budgetary status of the district for the period ending October 31st. All reports required shall be in a format or on forms prescribed by the Superintendent of Public Instruction.
- Education Code section 42131 requires the Board of Education to certify, in writing, whether the district is able to meet its financial obligations for the remainder of the fiscal year and, based on current forecasts, for the subsequent two fiscal years. Certifications shall be based on the Board's assessment of the district budget. Certifications shall be classified as positive, qualified or negative. This education code section also outlines the role of the County Office of Education.
- Education Code section 42131 (3)(e) directs districts to provide additional reports to the County Office of Education as of June 1st, if a Qualified or Negative Certification is reported as of the Second Interim Report.

III. Budget:

The following two key items are included the Governor's Budget Proposal's for the 2020-21 K-12 Education Budget.

1. COLA

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The first budget proposal is a projected decrease in COLA starting in 2020-21 fiscal year and continuing through 2022-23. The following tables provide a comparison between what the District was projecting for COLA as of the 2019-20 First Interim report and the Governor's proposed COLAs. As the tables show the proposed COLA changes will result in a projected decrease in LCFF revenue in future years.

LCFF Projected Changes per Governor's 2020-21 Budget Proposals for K-12 Education

COLA	19/20	20/21	21/22	22/23
Governor's Proposed Budget	3.26%	2.29%	2.71%	2.82%
First Interim Projected	3.26%	3.00%	2.80%	3.16%
Difference	0.00%	-0.71%	-0.09%	-0.34%

LCFF Projected Changes	19/20	20/21	21/22	22/23
Governor's Budget	411,497,542	418,673,502	427,296,963	437,084,930
First Interim	411,497,542	\$ 421,556,432	\$ 430,600,373	441,911,788
Difference	-	(\$2,882,930)	(\$3,303,410)	(\$4,826,858)
Base				
Governor's Budget	335,873,501.00	341,499,619.00	348,800,359.00	356,802,153.00
First Interim	335,873,501.00	343,842,704.00	351,487,480.00	360,728,949.00
Difference	-	(\$2,343,085)	(\$2,687,121)	(\$3,926,796)
Supplemental Concentration				
Governor's Budget	\$ 75,624,041	\$ 77,173,883	\$ 78,496,604	\$ 80,282,777
First Interim	\$ 75,624,041	\$ 77,713,728	\$ 79,112,893	\$ 81,182,839
Difference	-	(\$539,845)	(\$616,289)	(\$900,062)

2. Special Education Funding Increase to AB 602 Based Rate

The second significant budget proposal is a projected new rate to the existing AB 602 base rate for Special Education on an on-going basis. The proposed new rate per ADA has been estimated to be between \$640 and \$680 per ADA. This proposal may also include a new base formula but the exact details are not yet available. The District applied a rate of \$640 per ADA in the projected calculations. As more definite information becomes available, the District will update this projection accordingly. The table that follows provides the impact of the proposed AB 602 funding rate of \$640 per ADA.

Proposed AB 602 Funding Rate \$640 per ADA

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	19/20	20/21	21/22	22/23
Governor's Budget	22,400,621	27,853,536	27,672,060	27,501,855
First Interim	22,400,621	22,276,791	22,262,124	22,261,333
Difference	-	\$ 5,576,745	\$ 5,409,936	\$ 5,240,522

Two additional funding proposals included in the Governor's 2020-21 Budget for special education include possibly eliminating the deficit factor and one-time funding for preschoolers but the preschool funds are restricted to increasing services. It is unclear if the Governor's intent is to eliminate the deficit factor and therefore, this has not been included in the District's budget update.

IV. Goals, Objectives and Measures:

Continue to provide information to the Board and the public including required reporting periods such as First, Second and Third Interim reports.

Follow the timeline, identify all budget cuts and savings, take action to implement such savings as required by law, District policy, and applicable bargaining agreements.

V. Major Initiatives:

Continued analysis of information from the State and its impact on District finances.

VI. Results:

The District must identify potential savings to achieve a \$27 million solution and avoid a State take over.

VII. Lessons Learned/Next Steps:

- Continue to monitor the State budget and its impact on District finances.
- Continue to obtain stakeholders' input, follow the LCAP process and meet with bargaining units to seek cost reductions and long-term budget savings.
- The District's 2019-20 Second Interim Financial Report will include additional information and new updates.
- In May 2020, the Governor will release (May Revise) updated projections for the 2020-21 State Budget. The May Revise will inform the District's 2020-21 budget development and multi-year projections. However, between May Revise and the State Adoption, the State Budget may undergo further revisions that may impact K-12 funding. Therefore,

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the District's budget may be revised to reflect any applicable changes included in the State Adopted budget.