Educating Students for Success
Lodi Unified School District

1305 E. VINE STREET
LODI, CA 95240
TEL (209) 331-7000

Executive Summary
May 27, 2020
Revenue Projections, 2020-2021 Budget Year
Leonard Kahn, Chief Business Officer

The Governor's May Revision paints a bleak picture of funding for school districts. One might conclude from partially reading the May Revision proposal that current year (2019-2020) and next year (2020-2021) COLAs were maintained; however, the May Revise reality is that LCFF revenues will not increase but rather suffer severe reductions of 8% per year for several years. In addition, state categorical funds are likely to be cut by 50%. Categorical funds are used for programs such as Career Technical Education and the After School program at many of our schools.

Should Lodi USD maintain 2019-2020 expenditure levels, these proposed revenue cuts will cause the district's Fund 01 ('General Fund') Ending Fund Balance to decline by more than $26,000,000 versus revenue received (including the deferral of the June funds to July) in the 2019-2020 school year. The district's Ending Fund Balance would drop from $62,000,000+ to $36,000,000 in one year's time under this scenario. This occurs in spite of the addition of $6,200,000 of one-time CARES funding and an increase of ~$2,200,000 in the district's AB602 (Special Education) funding. California school districts are also hoping that the Governor will follow through on promises to use the State's $4.4 billion in CARES funding to help reduce some of the severity of the proposed cuts, but no further information on that specific funding mechanism is available at this time.

The May Revise does nothing to soften the blows in future years either. The deep cuts proposed in the 2020-2021 school year carry forward into the 2021-2022 and 2022-2023 school years, except without any proposed CARES Act-type funding offset. Due to the Board's outstanding fiscal management, the district could possibly maintain its current programs in the 2020-2021 school year. The Board has indicated that keeping services for students in place, which in turn keeps staff employed, is the main priority for the 2020-2021 school year. However, planning would need to begin for substantial reductions in the 2021-2022 school year.

Given the May Revise proposal, Lodi USD would need to cut at least $26,000,000+ for the 2021-2022 year and borrow $10,000,000 from its own Debt Service Fund (Fund 56) in order to maintain positive certification. Districts that do not maintain positive certification are in jeopardy of a state take over which eliminates local control. Even with this level of cuts and borrowing, the district would still need to cut further in the 2022-2023 school year, should there be no improvement in the school funding picture. For point of reference, should the district maintain its current programs in 2020-2021, a total of $37,500,000 in future years would be required to stabilize the decline in the district's Ending Fund Balances at roughly 10% of all expenditures.

Business Services will continually provide Budget updates to the Lodi USD Board of Education leading to and through the June 16, 2020 Budget presentation.

Scenario: Annualized Cut of $26mm + Fund 56 Loan of $10mm

1.00	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Beginning Balance		62,419,500	36,379,210	23,416,397	22,156,723
Projected Revenue	366,576,787				
Projected Expenditures*	369,203,128				
Previous Projected Sur/(Def)	(2,626,341)	(1,440,290)	(1,703,139)	0	0
May Revise Adjusted Sur/(Def)		(30,000,000)	(36,459,674)	(36,459,674)	(36,459,674)
May Revise Categorical Reductions		(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
AB602 Revenue Increase		2,200,000	2,200,000	2,200,000	2,200,000
One-time CARES Act		6,200,000			
State CARES Redirect					
Total Sur/(Def)		(26,040,290)	(38,962,813)	(37,259,674)	(37,259,674)
Proj End Balance		36,379,210	23,416,397	22,156,723	10,897,049
Expenditure Cuts			26,000,000	26,000,000	26,000,000
Interfund Borrowing				10,000,000	
6% Ending Balance		22,500,000	21,000,000	21,000,000	21,000,000
3% Ending Balance		11,250,000	10,500,000	10,500,000	10,500,000

definitions -

"Projected Deficit" ...assumes static (no cut to) expenditures in 2019-2020 2nd Interim

"Expenditure Cuts" ...targeted dollar value of cuts to be made

Scenario: Annualized Cut of $37.5mm + No Interfund Loan

1.00	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Beginning Balance		62,419,500	36,379,210	34,916,397	35,156,723
Projected Revenue	366,576,787				
Projected Expenditures*	369,203,128				
Previous Projected Sur/(Def)	(2,626,341)	(1,440,290)	(1,703,139)	0	0
May Revise Adjusted Sur/(Def)		(30,000,000)	(36,459,674)	(36,459,674)	(36,459,674)
lay Revise Categorical Reductions		(3,000,000)	(3,000,000)	(3,000,000)	(3,000,000)
AB602 Revenue Increase		2,200,000	2,200,000	2,200,000	2,200,000
One-time CARES Act		6,200,000			
State CARES Redirect					
Total Sur/(Def)		(26,040,290)	(38,962,813)	(37,259,674)	(37,259,674)
Proj End Balance		36,379,210	34,916,397	35,156,723	35,397,049
Expenditure Cuts			37,500,000	37,500,000	37,500,000
Interfund Borrowing					
6% Ending Balance		22,500,000	20,310,000	20,310,000	20,310,000
3% Ending Balance		11,250,000	10,155,000	10,155,000	10,155,000

definitions -

"Expenditure Cuts" ...targeted dollar value of cuts to be made