

Orange Unified School District

2020-21 Proposed Budget

June 4, 2020

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For additional Budget Reports and information, visit our website: http://www.orangeusd.org/budget/budget.update

Presentation Overview

- Economic Outlook
- Governor's May Revision to Education Budget
- Fiscal Impact to Orange Unified
- Great Recession vs. COVID-19 Recession
- Multi-Year Projections and Scenarios
- Next Steps



Economic Outlook

The COVID-19 Pandemic has taken 100,000 lives across the Country and affected all aspects of daily life, with devastating impact to education, and the economy.

National Economy

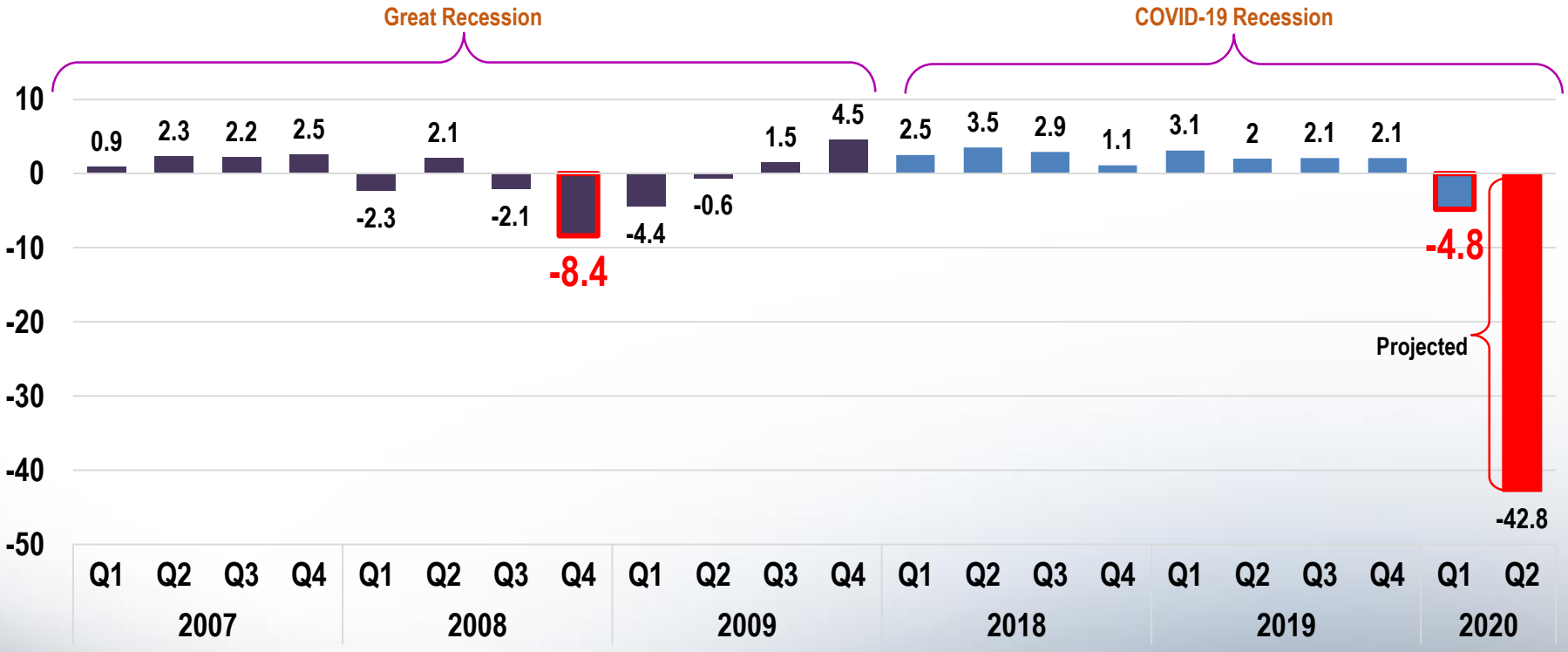
- The COVID-19 pandemic has shut down economies around the world
- 40 million people have filed for unemployment and national unemployment could reach historic levels
- Stock market fell over 4,000 points and continues to fall over the threats of a long recession
- The actual economic effects are unknown and could last months or years



Economic Outlook

U.S. Real GDP—Great Recession vs. COVID-19

GDP – Gross Domestic Product represents the total dollar value of all goods and services produced over a specific time period and used to estimate the size of the economy and growth rate.



Source: U.S. Bureau of Economic Statistics



California Economic Outlook

- California is the 5th largest economy in the world
- The dependency on the state's top income earners creates extreme volatility for general fund revenues
- The income tax deadline was shifted from April 15 to July 15
- The shift caused a significant decline in Personal Income Tax revenues and may not recover the lost revenue

- The State's projects a total budget shortfall of $54 billion
- Since March, 4.7 million individuals have filed for unemployment
- Governor Newsom's May Revise included the following:
  - Proposes use of reserves
  - Utilizing federal grants
  - Implementation of cash deferral
  - Steep Budget Reductions



Governor's May Revision

- May Revision is the last step in the State Budget process before the Legislature adopts the state's spending plan by June 15
- An "August Revision" is likely as the state revenue assumptions change after July tax collections
- Approximately $19 billion reduction to education funding
  - The LCFF reductions would be "triggered off" if the federal government approves additional stimulus package

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



Governor's May Revision

Local Control Funding Formula

Reduction to LCFF Funding will impact:

- Supplemental Grant Funds
- Career Technical Education
- Targeted Instructional Improvement Grants
- Home-to-School Transportation

Categorical Programs

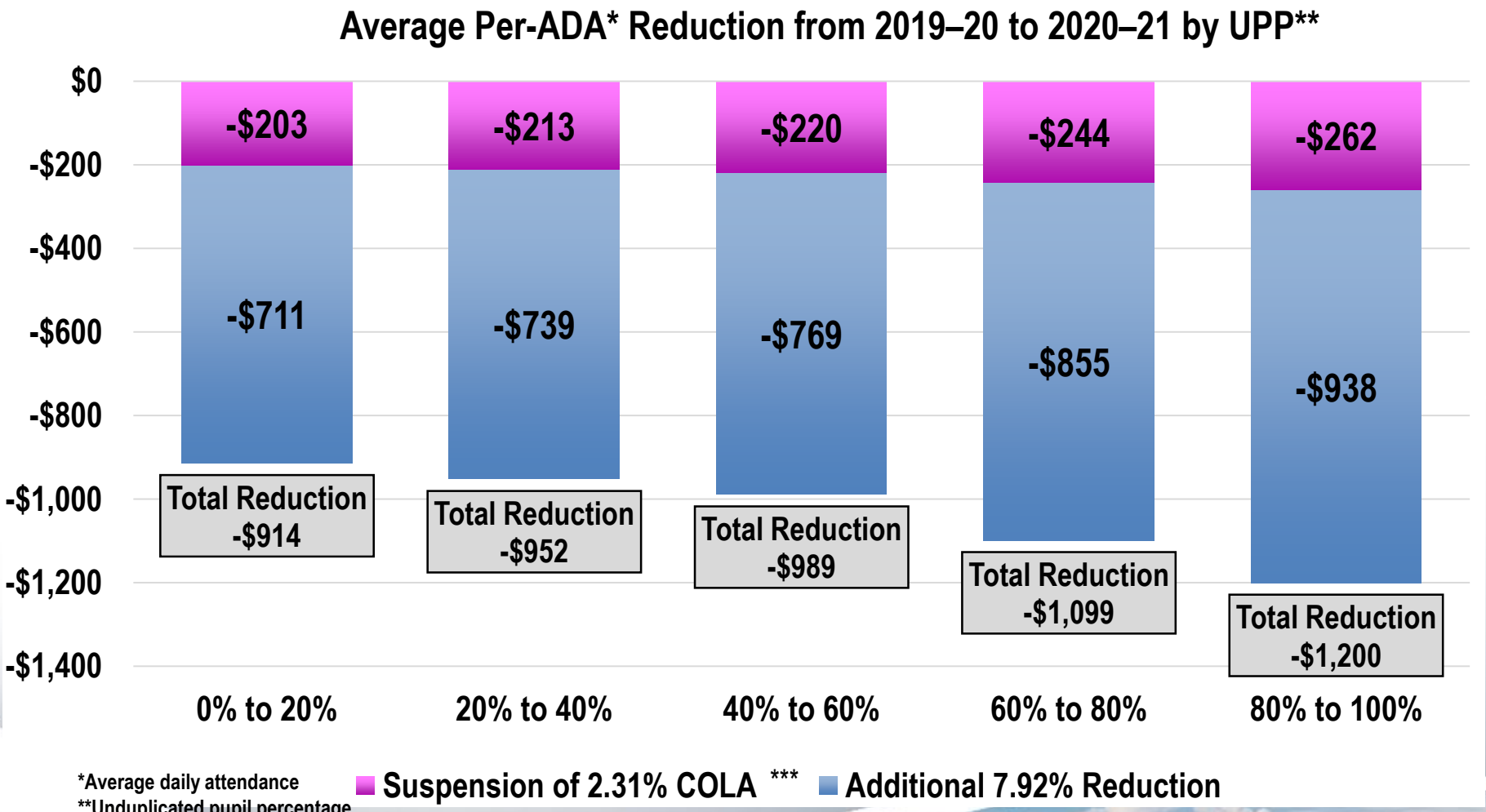
COLA* suspended for programs outside the LCFF:

- Mandated Cost Grant
- Special Education
- Preschool
- Child Nutrition
- Foster Youth

*** Cost of Living Adjustment**



Average Per-ADA Reduction from 2019–20 to 2020–21 by UPP



*Average daily attendance
**Unduplicated pupil percentage
***Cost-of-living Adjustment

Governor's May Revision

Relief Measures offered by the Governor

- Exemption from deferrals for hardship reasons
- Ability to increase internal inter-fund borrowing limits
- Use of proceeds from property sales for one-time general fund purposes
- Exclusion of the state's on behalf-of-employer payments from the Routine Restricted Maintenance Calculation
- $2.3 billion to reduce CalSTRS and CalPERS Employer Rates

	2020-21	2021-22	2022-23
CalSTRS	~~18.40%~~	~~18.10%~~	18.10%
Proposed by Gov. Newsom	**16.15%**	**16.02%**	18.10%
CalPERS	~~22.80%~~	~~24.90%~~	~~25.90%~~
Proposed by Gov. Newsom	**20.70%**	**22.84%**	25.50%



Fiscal Impact to Orange Unified

Estimated Revenue Loss (Reflects adjustments for unfunded COLA)

	2020-21	2021-22	2022-23
Per ADA (Average Daily Attendance)	($993)	($1,258)	($1,542)
LCFF Revenues	($23,400,128)	($29,284,590)	($35,223,172)

Potential Offset from Relief Measures

	2020-21	2021-22	2022-23
Routine Restricted Maintenance Adj.	$411,886	$411,886	$411,886
Contributions to Retirement Systems	$3,759,448	$3,545,700	$182,498

Potential Net Impact

	2020-21	2021-22	2022-23
Reduction to Ending Fund Balance	($19,228,794)	($25,327,004)	($34,628,788)

Preliminary estimates subject to change

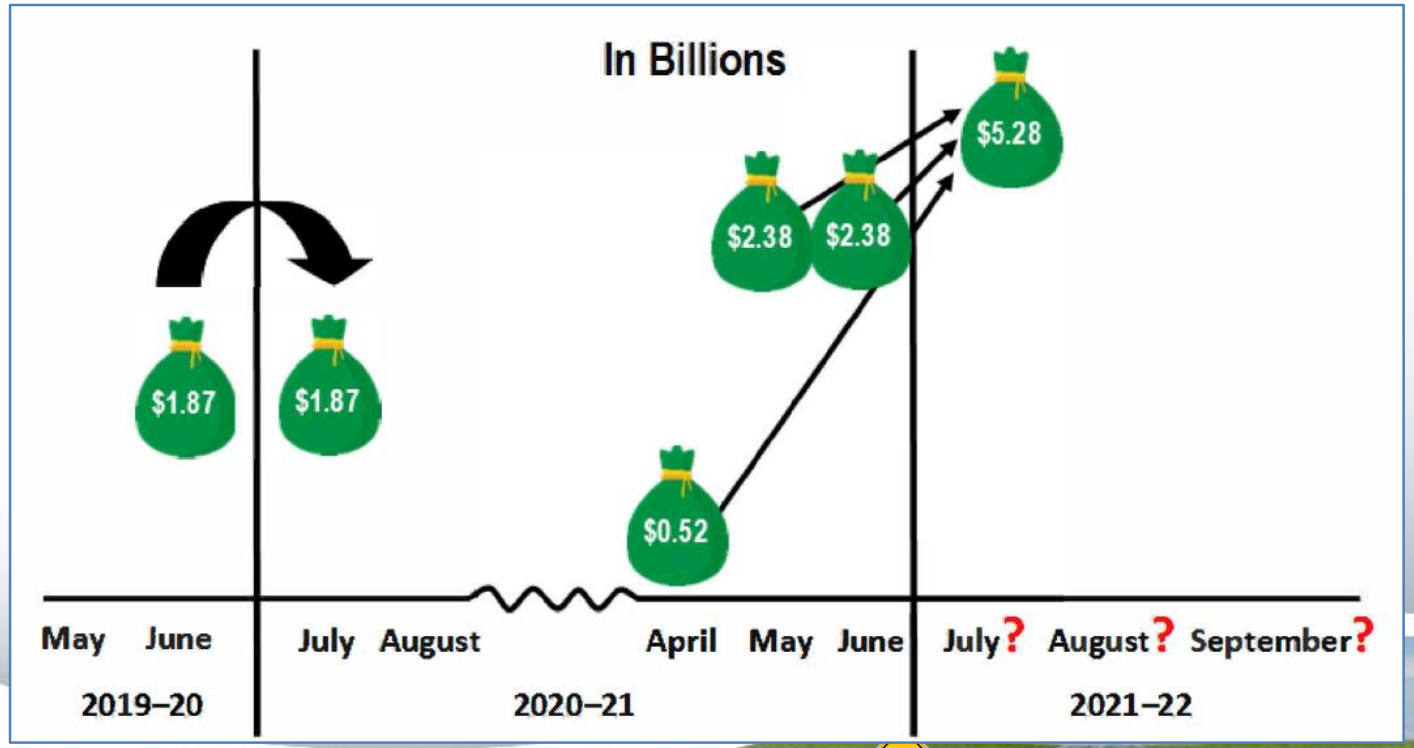
3-Year Impact
($79,184,586)



Governor's May Revision

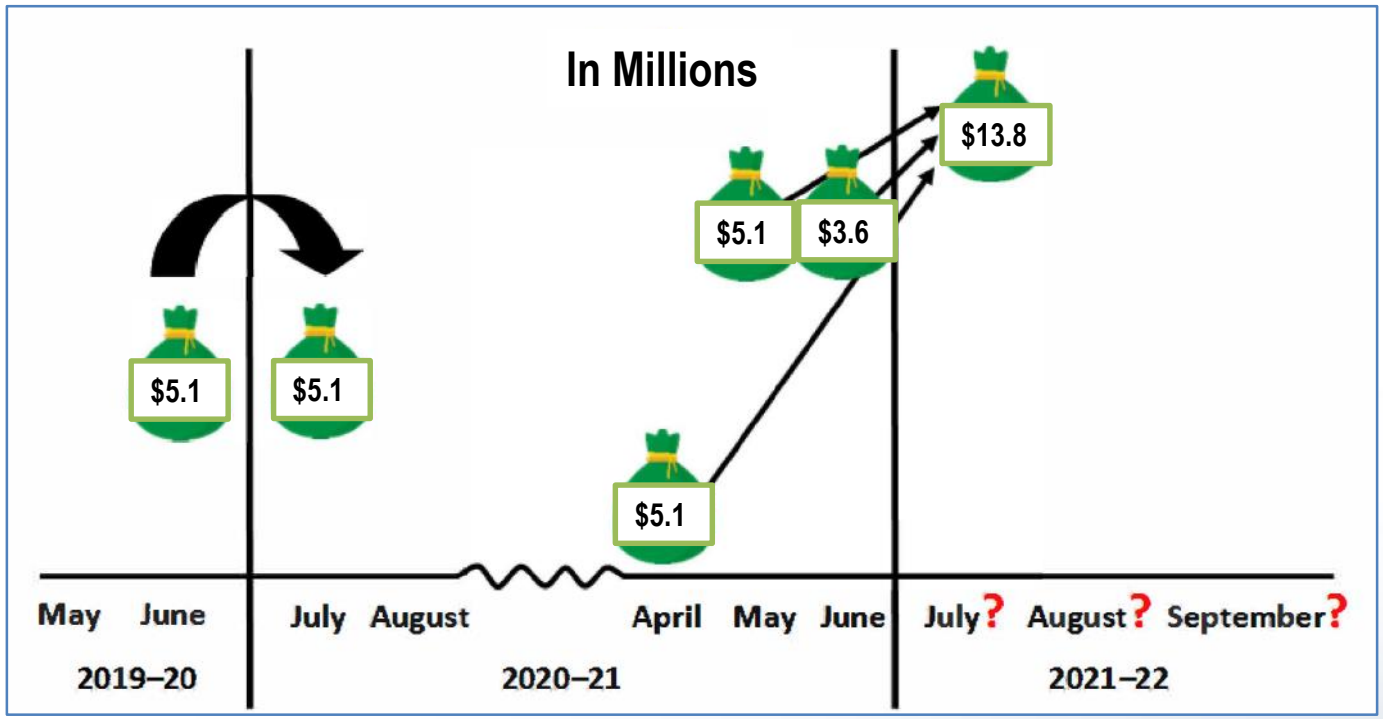
Proposed Cash Deferrals

- This mechanism avoids an additional cut in state revenues to schools
- Creates an administrative and financial burden to local education agencies
- Districts and charter schools may need implement borrowing options to continue paying employees and vendors



Fiscal Impact to Orange Unified

Proposed Cash Deferrals

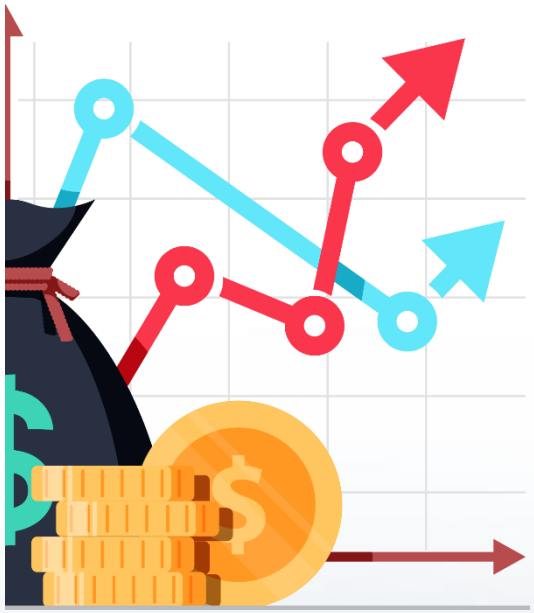


Orange USD may implement any the following solutions:

- Temporary Inter-fund Transfers
- Loan from Orange County Education Pool
- Issuance of a Tax Revenue Anticipation Note (TRAN)

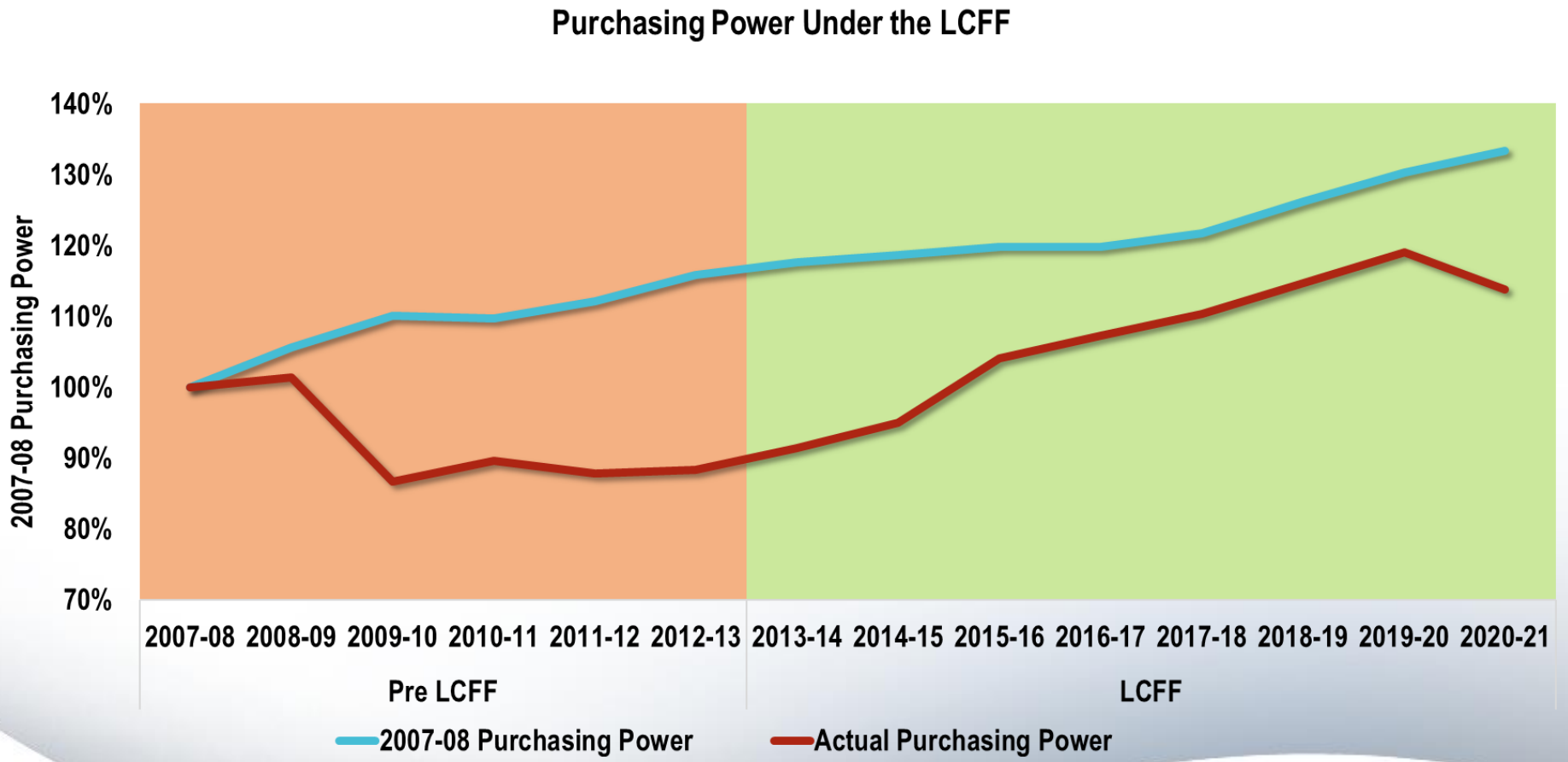
Comparison of Great Recession vs COVID-19

- Purchasing Power under the Local Control Funding Formula
- Declining Enrollment
- Unfunded Mandate
  - Services to Student with Disabilities
- Additional Services due to COVID 19 and related costs



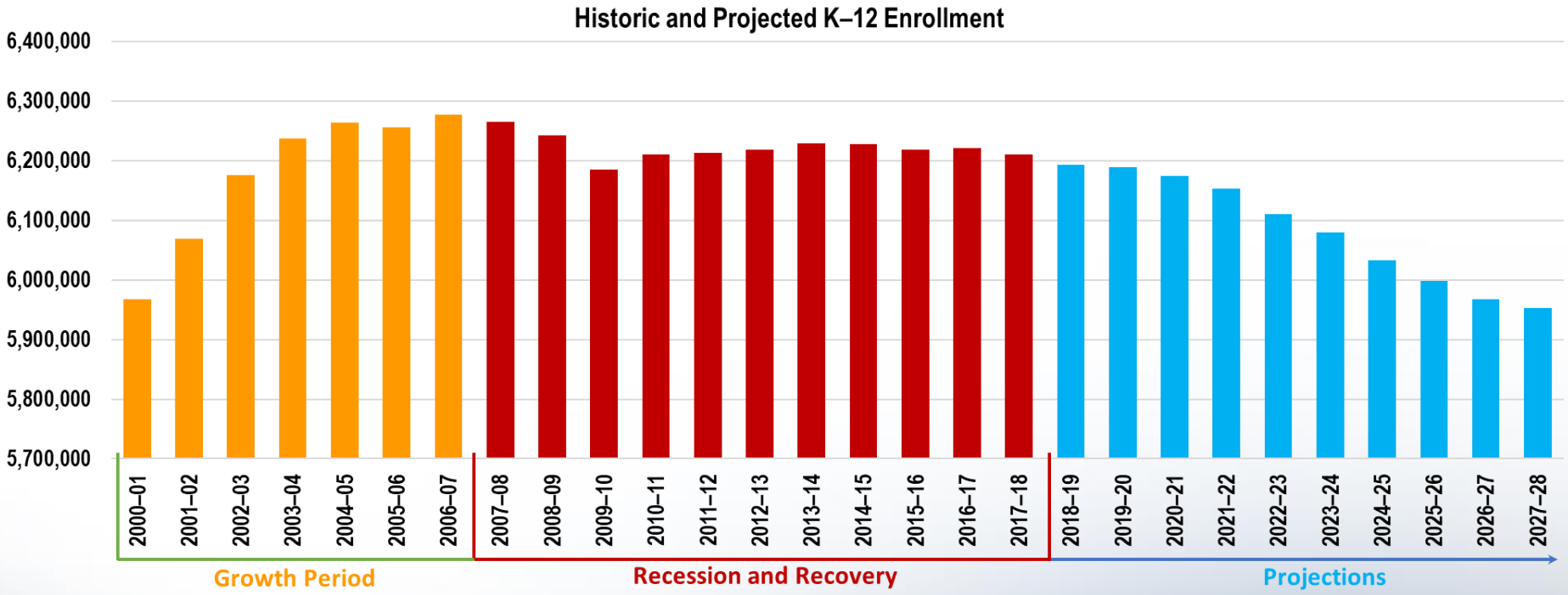
Comparison of Great Recession vs COVID-19

A Silent Recession



Comparison of Great Recession vs COVID-19

California Public K–12 Enrollment

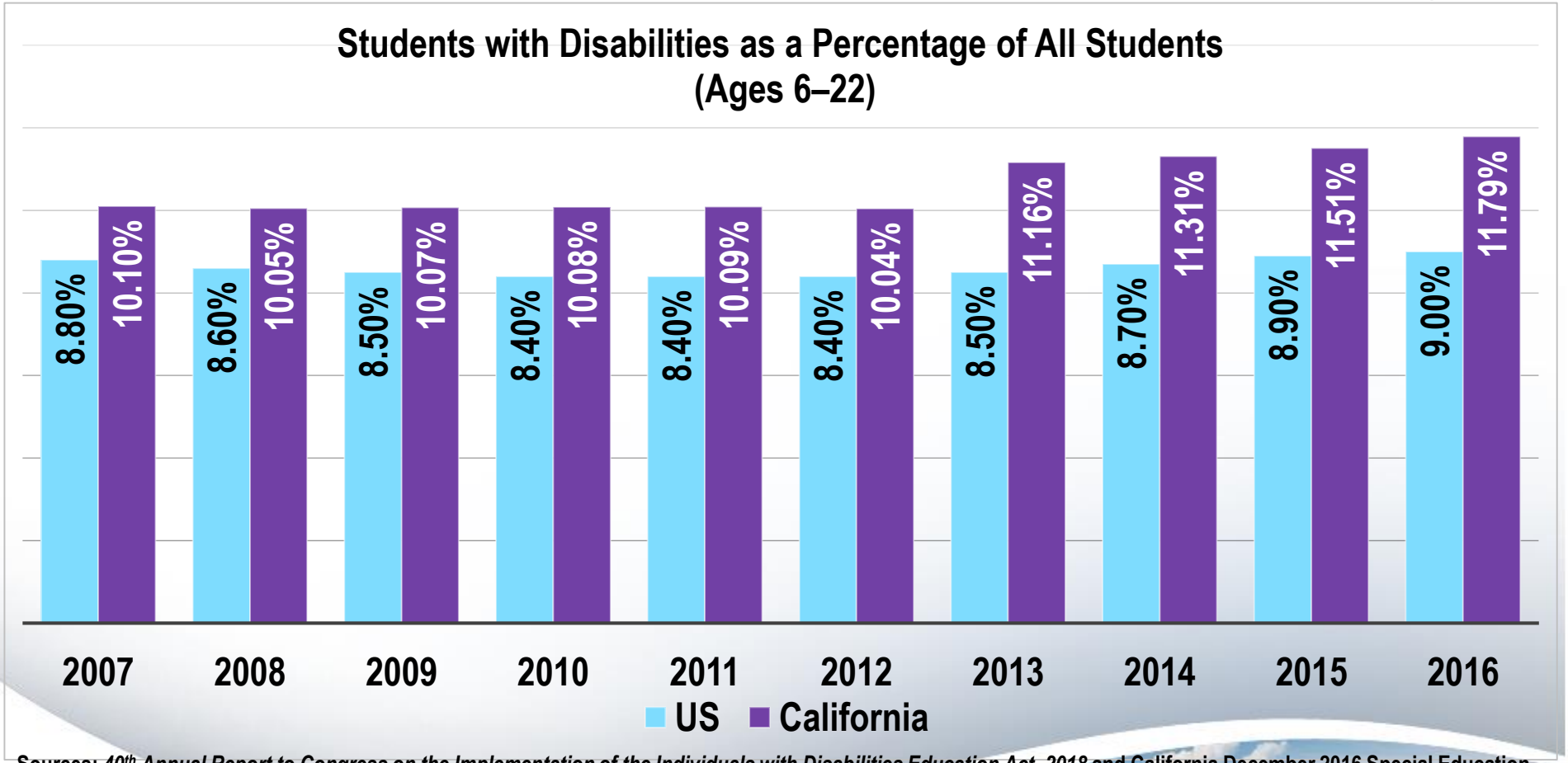


Source: Department of Finance Demographic Research Unit, January 2019
Actual enrollment data through 2017–18



Comparison of Great Recession vs COVID-19

Individuals with Disabilities Education Act on the National Stage



Sources: *40th Annual Report to Congress on the Implementation of the Individuals with Disabilities Education Act, 2018* and California December 2016 Special Education Enrollment

Comparison of Great Recession vs COVID-19

COVID-19 – Additional Services and Expenses

Distance Learning
600 Hotspots
370 new devices
Software, security, connectivity



Deliver
Devices, school work packets, instructional materials



Cleaning and Protective Equipment
Clorox 360 System
89,000 masks
400 boxes of gloves
50 cases of hand sanitizers
3,500 cans of disinfecting wipes



Bus Lunch Program
Mondays & Wednesdays



Grab & Go
10 pick-up sites
Over 275,000 meals



COVID-19 related expenditures exceed $1,000,000

Funding for COVID-19 Related Expenditures

- State SB117 Response Funds - $100 million
  - Approximately $422 thousand for Orange USD in 19-20
- CARES Act – Elementary and Secondary School Emergency Response (ESSER) - $1.6 billion
  - 90% provided directly to education agencies based on the number of Title I students
  - Subject to reporting and audit requirements
  - Approximately $4.2 million for Orange USD in 2020-21
- Proposed additional $4.4 billion to mitigate learning loss
  - $1.5 billion per pupil based on number of students with disabilities – estimated at $1,900 per student
  - $2.8 billion to concentration grant districts on a per-ADA basis – estimated $735 per ADA
  - Funds to be expended by December 2020



Proposed 2020-21 Adopted Budget and Multi-Year Projections - Governor's January Proposal

Subject to Adoption at June 4, 2020 Board Meeting

	2019-20	2020-21	2021-22	2022-23
TOTAL REVENUES	**307,911,047**	**298,996,417**	**302,239,312**	**304,593,578**
TOTAL EXPENDITURES	**307,586,742**	**310,501,968**	**307,461,305**	**312,502,942**
DECREASE IN FUND BALANCE	**324,305**	**(11,505,551)**	**(5,221,993)**	**(7,909,364)**
BEGINNING BALANCE	68,346,963	68,671,268	57,165,717	51,943,724
PROJECTED ENDING BALANCE	**68,671,268**	**57,165,717**	**51,943,724**	**44,034,360**
Adjustment to Ending Fund Balance				
Restrictions to Ending Fund Balance	(17,023,869)	(11,250,198)	(10,490,414)	(9,834,169)
3% State Required Contingency	(9,227,602)	(9,315,059)	(9,223,839)	(9,375,088)
Unappropriated Fund Balance Above 3%	**42,419,797**	**36,600,460**	**32,229,471**	**24,825,103**



Proposed 2020-21 Adopted Budget and Multi-Year Projections - Governor's May Revision

	2019-20	2020-21	2021-22	2022-23
TOTAL REVENUES	**307,911,047**	**298,996,417**	**302,239,312**	**304,593,578**
10% Reduction to LCFF Revenues		*(23,400,128)*	*(29,284,590)*	*(35,223,172)*
TOTAL REVENUES AS ADJUSTED	**307,911,047**	**275,596,289**	**272,954,722**	**269,370,406**
TOTAL EXPENDITURES	**307,586,742**	**310,501,968**	**307,461,305**	**312,502,942**
Routine Restricted Maintenance Calculation Adjustment		*(411,886)*	*(411,886)*	*(411,886)*
Reduction to STRS & PERS Employer Contributions		*(3,759,448)*	*(3,545,700)*	*(182,498)*
TOTAL EXPENDITURES AS ADJUSTED	**307,586,742**	**306,330,634**	**303,503,719**	**311,908,558**
DECREASE IN FUND BALANCE	**324,305**	**(30,734,345)**	**(30,548,997)**	**(42,538,153)**
BEGINNING BALANCE	68,346,963	68,671,268	37,936,923	7,387,926
PROJECTED ENDING BALANCE	**68,671,268**	**37,936,923**	**7,387,926**	**(35,150,226)**
Adjustment to Ending Fund Balance				
Restrictions to Ending Fund Balance	(17,023,869)	(11,250,198)	(10,490,414)	(9,834,169)
3% State Required Contingency	(9,227,602)	(9,189,919)	(9,105,112)	(9,357,257)
Unappropriated Fund Balance Above 3%	**42,419,797**	**17,496,806**	**(12,207,600)**	**(54,341,652)**



Next Steps

State Level

- Governor's May Proposal moves forward to the Legislature
- The Senate rejected the proposed cuts to education
- State Budget is enacted by June 30, 2020

Local Level

- Recommend Board adoption of the 2020-21 Proposed District Budget at the June 4, 2020 Meeting
- Submit budget documents to the Orange County Department of Education for authorization
- Adopt 2019-20 Unaudited Actuals and 2020-21 Revised Budget on September 10, 2020
- Update the Budget Stabilization Plan





Questions