

# **Bellevue Union School District Economic Crisis Planning**

Special Board Meeting: May 5, 2020



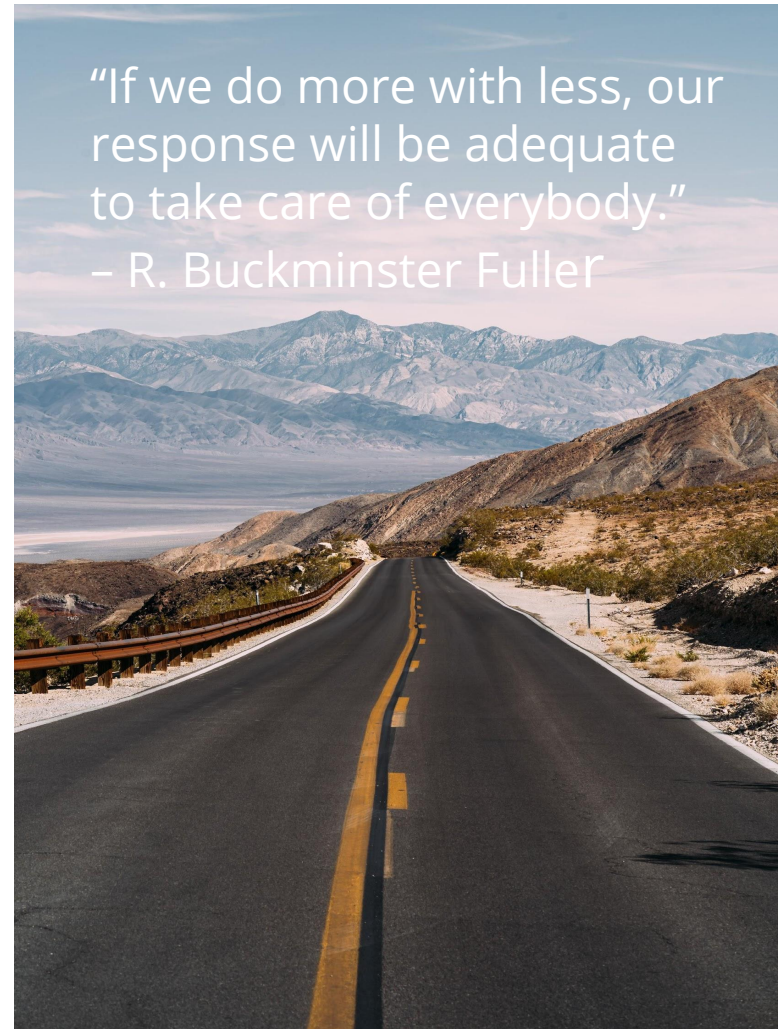
**David Alexander, Ed.D.**  
Superintendent

**Chris Kim, Ed.D.**  
Chief Business Official

*Special thank you to Sonoma County Office of Education*

# Doing More with Less

- This fall, schools will be asked to do more (social distancing and safety measures) with fewer resources.
- We must prepare for this and proactively communicate our needs and challenges to lawmakers and all stakeholders.



The economic landscape will most likely look different.

## How a Recession Could Impact School Funding

Proposition 98 guarantees 40% of state revenue to schools based on three tests:

- Test I: Most favorable to schools
- Test II and III: Both were used during the Great Recession
- During the recession, Gov. Brown used federal stimulus funds to offset test III
- **Currently, if Test III were used, schools could lose 40 cents of each dollar.**

# Lessons from the Great Recession

- 2006 – Falling home prices - first signs of a recession
- 2007 – Subprime mortgage crisis
- 2008 – Bank bailout
- 2009 – \$787B Economic Stimulus Package

# Lessons from the Great Recession

## Funded COLAs were negative/zero and were then deficiated:

- 2008-09: Deficit factor of 7.844% / Categorical Program Flexibility
- 2009-10 : Deficit factor of 18.355% / Categorical Program Flexibility
- 2010-11 through 2012-13: Deficit factors of 17.96% to 22.27% with trigger language for additional reductions if revenues fell
- Apportionment deferral examples: June 2010 state apportionment was deferred to July 2010. Possibility of intra-year deferrals: November 2009 state apportionment was deferred to January 2010.

# Economic Effect on Governor's May Revision

- May Revision by May 14 – unlikely to provide definitive information to create a baseline budget
- Top legislative budget/policy analyst Gabriel Peteck stated that within 3 months the state has gone from a budget surplus to a budget problem
- Effects of this recession are likely to last two budget cycles
- June Apportionment likely delayed until next fiscal year.

## Possibilities:

- 0% Funded Cost of Living Adjustment (COLA)
- Delayed June apportionment (deferment) to next year
- Cuts to Local Control Funding Formula (LCFF)
- Property Tax deferring
- Delay lottery funding

## Immediate Action (taken 4/29/20):

1. Implemented a spending freeze immediately, this means **ALL** expenditures budgeted for or not need to be approved by Dr. Chris Kim, our CBO and Superintendent.
2. We are delaying non-essential purchases
3. We are delaying discretionary purchases
4. As we make our cuts we will develop a priority add-back list
5. We need to reserve cash: “Cash is king”
6. We are recommending to the board to adopt a resolution to authorize inter-fund borrowing for 2019-2020 and 2020-2021
7. We are recommending to the board to establish a line of credit with the County
8. We are freezing all hiring. All supervisors need to discuss all vacant positions with Superintendent.

# Recommendations for Districts

## Develop at least two budget scenarios for 2020-21:

- Start with your second interim report
- Include board approved fiscal recovery plans
- Adjust for current year material changes
- Scenario #1 should utilize a zero cost of living adjustment (COLA) for 2020-21 and 2021-22
- Scenario #2 and #3 – think about how to address other situations, such as a negative COLA or a funded COLA less than 2.29% and state deferral payments

# Recommendations for Districts

## Cash flow is critical:

- Cash must be positive in all funds on June 30
- Examine the impact of the June apportionment being delayed until July
- Review anticipated receipts and cash outflows based on various budget scenarios, including zero COLA
- Consider losses of transportation revenue, parent fees/donations, collections of lunch revenue, etc.

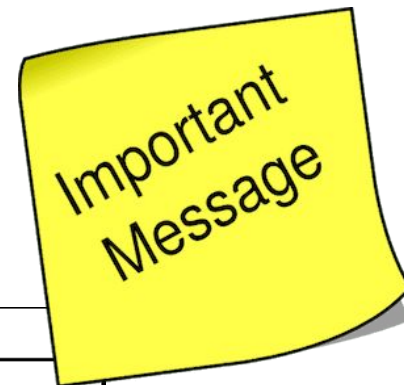
# Recommendations for Districts

## Consider revenue sources:

- **State Aid** – may be reduced
  - **Property Taxes** – may be reduced
  - **Education Protection Account Entitlement (Prop 30)** – may be reduced
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- **Federal Stimulus Funds** – may be less than needed
  - **Other State Funds** – uncertain and lottery funds are likely to be reduced for 3<sup>rd</sup> and 4th quarters
  - **Local Funds** – likely reduction

# Reserve Requirement – Flexibility is Uncertain

## Minimum Reserve Requirement:



Reserve Requirement for School Districts			
Percentage Level	District ADA		
5% or \$69,000 (greater of)	0	to	300
4% or \$69,000 (greater of)	301	to	1,000
3%	1,001	to	30,000
2%	30,001	to	400,000
1%	400,001	and	over

# Important Deadlines

- **Budget Adoption** – June 30<sup>th</sup>
- \* **LCAP Adoption** – June 30<sup>th</sup> or TBD
- \* **P-Annual Attendance** – only July 1 – Feb 29
- **45-day Revision** – likely to be very important due to extension of tax deadline. If state adopts baseline budget in June, it will be revised in August. Districts may need to revise their budgets.
- **Unaudited Actuals**
- **First Interim (Oct. 31<sup>st</sup>)** – very important; may need major revisions to budget

\*Subject to change

## *In Summary...*

1. There will be a new normal
2. Great uncertainties remain
3. Do more with less
4. We will figure it out
5. Stay Strong!

Q&A