

### 2019-20 45-Day Budget Revision

#### Introduction

Education Code 42127 (h) states: “Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by the Budget Act.”

The Budget Act was signed on June 27, 2019. Revisions must be made available to the public by August 12, 2019. This 45-Day Budget Revision document has been prepared for publication on the Pleasant Valley School District website on August 9, 2019.

Education Code requires school districts’ Boards of Trustees to adopt a district budget by June 30 of each year. This means that school district budget development and review takes place before the state adopts a final budget. Because school district funding is primarily determined at the state level, school districts must therefore develop and adopt a local budget based on available information on the state budget, using conservative assumptions. After the state budget is adopted, districts update their budgets and communicate those revisions in the 45-Day Budget Revision. The revenue and expenditure updates noted below were not wholly unexpected, but sufficient details were not available to permit inclusion in the adopted budget.

#### Revenues

The Budget Act included increases to funding to support students with special needs. This increase in Special Education funding will be allocated to districts in two ways: through a per student increase in funding through the Special Education Local Plan Area, and through per enrolled pupil funding targeting preschool students with special needs. The 2019-20 district budget anticipates a \$6.23M contribution from the unrestricted general fund to support Special Education programming, due to a lack of federal and state funds to support these necessary and legally mandated programs. The total projected change in revenues from the increase to Special Education funding is approximately \$1,155,450. Additionally, the district received an insurance premium rebate of approximately



\$240,000. It is important to note that this is a one-time source of revenue, and not ongoing funding.

Expenditures

The May Revise included a proposal to buy down the employer contribution rate to the State Teacher Retirement System (STRS). The Budget Act included reduced funding for the STRS rate buy down, resulting in an increase to the expected employer contribution rate, from 16.70%, up to 17.10%. This change increased PVSD’s contributions to the teachers’ retirement fund by a projected \$115,382. The Budget Act also provided funding for a buy down of the employer contribution rate to the Public Employee Retirement System (PERS), reducing the rate from 20.733% down to 19.721%. This resulted in a projected reduction in PERS expenditures of \$92,788. The net result of these changes is an expected increase in expenditures of \$22,594.

Summary of Revenue and Expenditure Changes

<b>Revenue</b>		
	SPED Pre-K funding	\$915,450
	SPED funding increase	\$240,000
	Insurance Premium Rebate	\$240,376
<b>Expenditures</b>		
	STRS rate increase	-\$115,382
	PERS rate decrease	\$92,788
	<b>Net Change</b>	<b>\$1,373,232</b>

Summary Update of Total Expenditures and Total Revenues

	Unrestricted	Restricted
Revenues	\$47,782,471	\$17,387,829
Expenditures	<u>\$47,984,767</u>	<u>\$19,208,100</u>
Balance	-\$202,296	-\$1,820,271

The unrestricted side of the budget primarily reflects the ongoing operations of the district, with the exclusion of certain special programs, like Special Education. As seen in the table above, the updated district budget shows that anticipated expenditures are within 0.42% of anticipated revenues - resulting in a roughly balanced operational budget. Some unrestricted revenues in this year's budget are one-time sources of funds. In order to maintain a balanced budget the district will have to reduce ongoing expenditures in future budgets.

The restricted side of the budget accounts for certain programs, like Special Education and Title I, and one-time grant programs. The \$1.82M in deficit spending seen in the table above does not reflect an operational deficit, but instead the spending down of one-time grant funds for particular projects. The 18-19 district unaudited actuals will show a corresponding surplus of restricted funds. This is because those grant funds were received in the 18-19 fiscal year and will be spent in the 19-20 fiscal year.