

Ocean View School District

May Revision

May 25, 2021

Presented by:
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2 Economic Effects of COVID-19

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- **Leading up to the May Revision, Governor Gavin Newsom announced that the state was facing a \$100 billion surplus, dubbed the “California Comeback Plan”**
 - **\$76 billion from extra state revenues and \$25 billion from federal resources**
 - **The forecasted \$54 billion deficit of one year ago is a distant memory**
- **Governor Gavin Newsom balances his robust—and arguably aggressive—spending proposals with over \$24 billion in reserves, including an historic deposit into public education’s rainy day fund, and many one-time proposals**
- **The significant investments in the May Revision do not necessarily negate individual district’s issues, i.e. declining enrollment, staffing, pension plans, etc.**

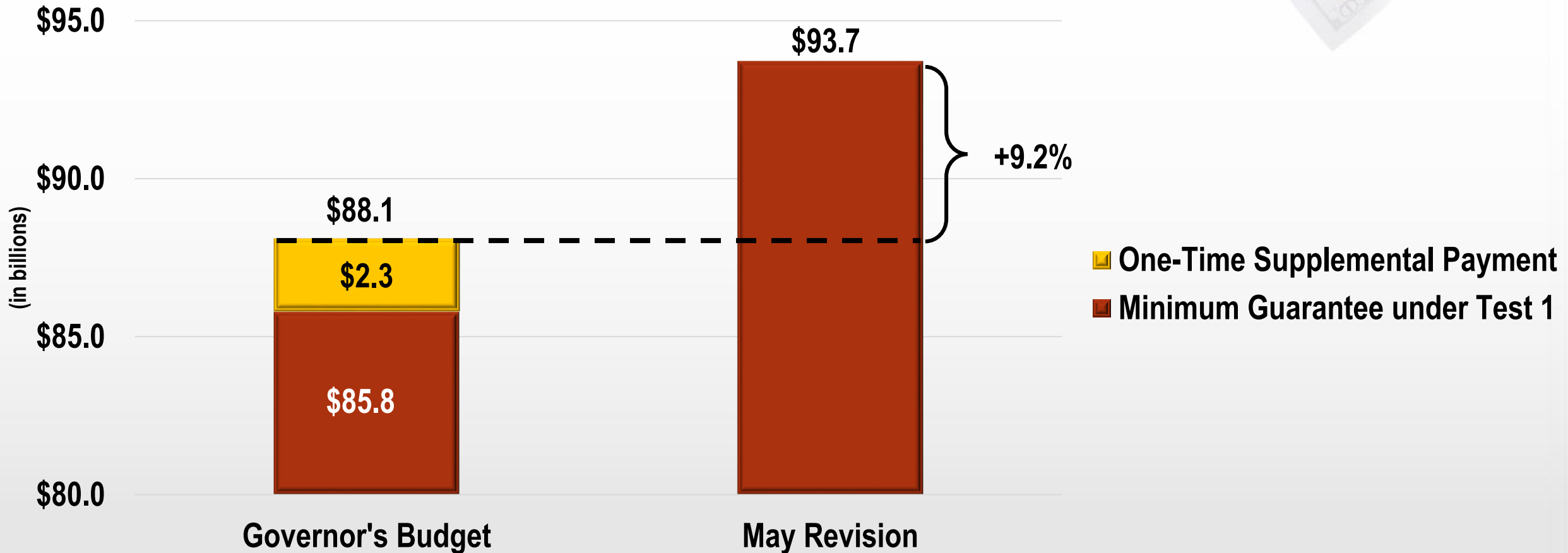


3 Education Funding for 2021–22

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2021–22 Funding Governor's January Budget vs. May Revision



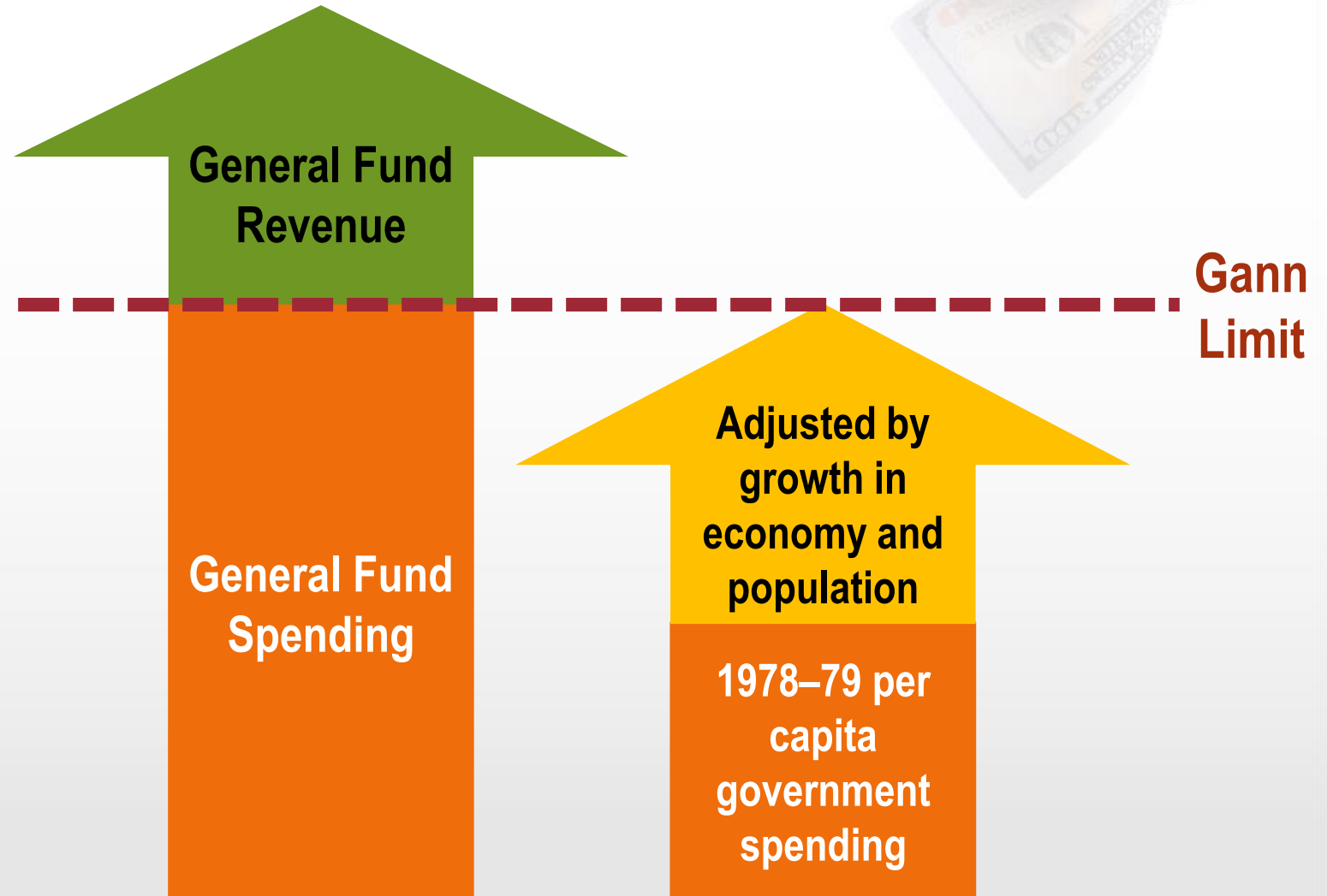
4 The Gann Limit and Education Funding

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In addition to Proposition 98, the Constitution also provides for additional funding under Proposition 4 in certain instances

- Each year, the Gann Limit caps the amount of tax proceeds the state and local governments can spend
- When there is more revenue than the state can spend within its limit, it must split the excess revenues between tax rebates and K-14 education



5 Education Funding for 2021–22

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- Education funding in the Governor’s Budget included the Proposition 98 minimum guarantee and a one-time supplemental payment of \$2.3 billion while proposing to repeal the 2020 Budget Act’s supplemental payment provisions

- Instead, Proposition 98 will be permanently increased by \$2.7 billion* to pay for ongoing costs of universal transitional kindergarten



Proposition 98 Minimum
Guarantee
~38% of General
Fund revenues for
education



Supplemental Payments
Like the Governor’s Budget,
the May Revision proposes to
repeal the supplemental
payments

One-time payments equal to
1.5% of General Fund revenues

Ongoing payments beginning in
2022–23 to bring the minimum
guarantee to 40% of state
General Fund under Test 1

*Beginning with \$900 million in 2022–23 and growing to \$2.7 billion in 2024–25 and ongoing

6 Cap on District Reserves

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- Since the May Revision estimates that the total deposit the state is required to make into the Proposition 98 Reserve is \$4.6 billion (up from \$3.0 billion in January), it triggers the law that caps local school district reserves for the 2022–23 fiscal year



3%

Cap on reserves is effective when the amount in the education rainy day fund is at least 3% of the K–12 share of Proposition 98



10%

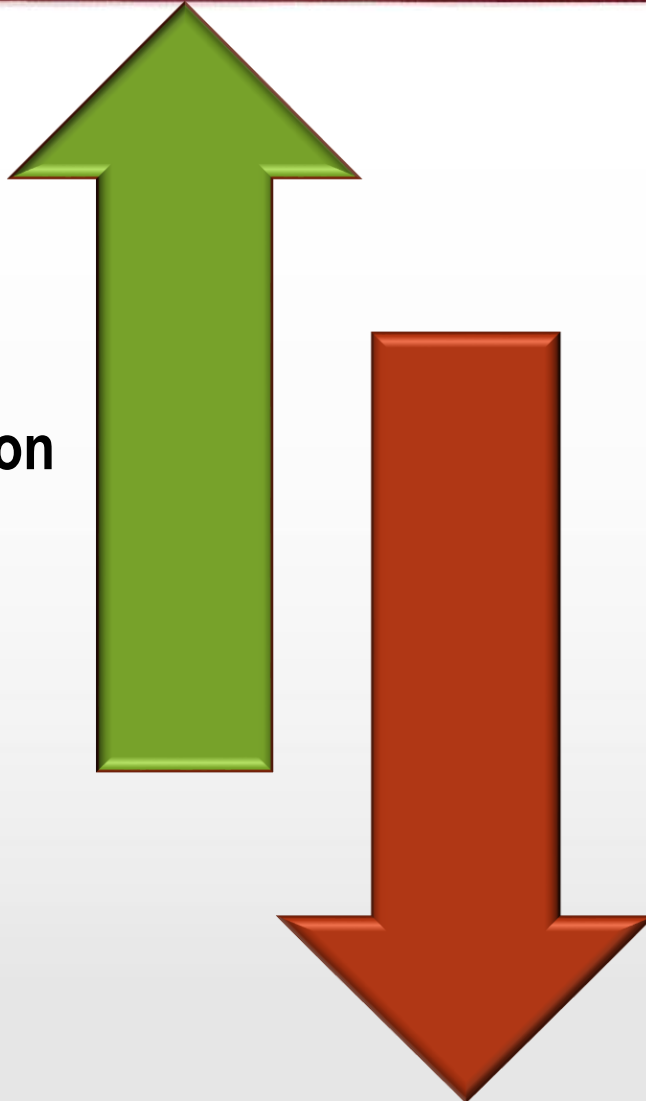
Local reserves in adopted or revised budget cannot exceed 10% of combined assigned and unassigned General Fund balances

7 Impacts on Multiyear Projections

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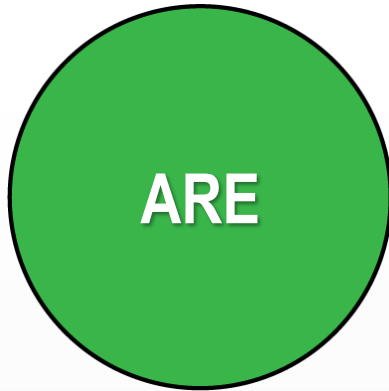
- Mega COLA
- Concentration grant augmentation
- One-time federal funds
- One-time state funds



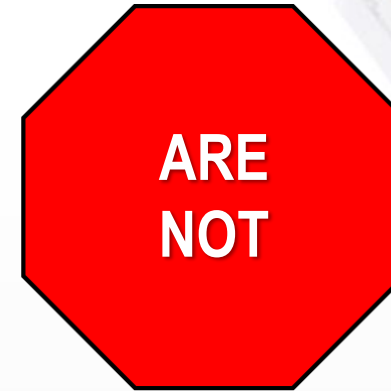
- State unemployment insurance
- State pension funds
 - STRS and PERS
- “New hires” with one-time funds
- Additional costs with reopening
- Declining enrollment

8 Multiyear Projections

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There are good budgets
and there are great
budgets.



- Result of mathematical calculations for future years based on the following:
 - Decisions that have already been made
 - A series of assumptions using current information

- Predictions or forecasts
- Crystal balls
- Measuring sticks for how “wrong” you were



9 2021–22 LCFF COLA Funding Factors

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Grade Span	2020-21	2021-22	2022-23	2023-24
COLA 2 nd Interim Budget	0% ¹	3.84% ²	1.28%	1.61%
COLA May Revise	0% ¹	5.07% ³ ↑	2.48% ↑	3.11% ↑

¹NOTE: 2020-21 Unfunded statutory COLA of 2.31%

²NOTE: 2021-22 2.31% + 1.5%

³NOTE: 2021-22 2020-21 statutory COLA + 1.7% + 1%

Rounding factors included in calculations

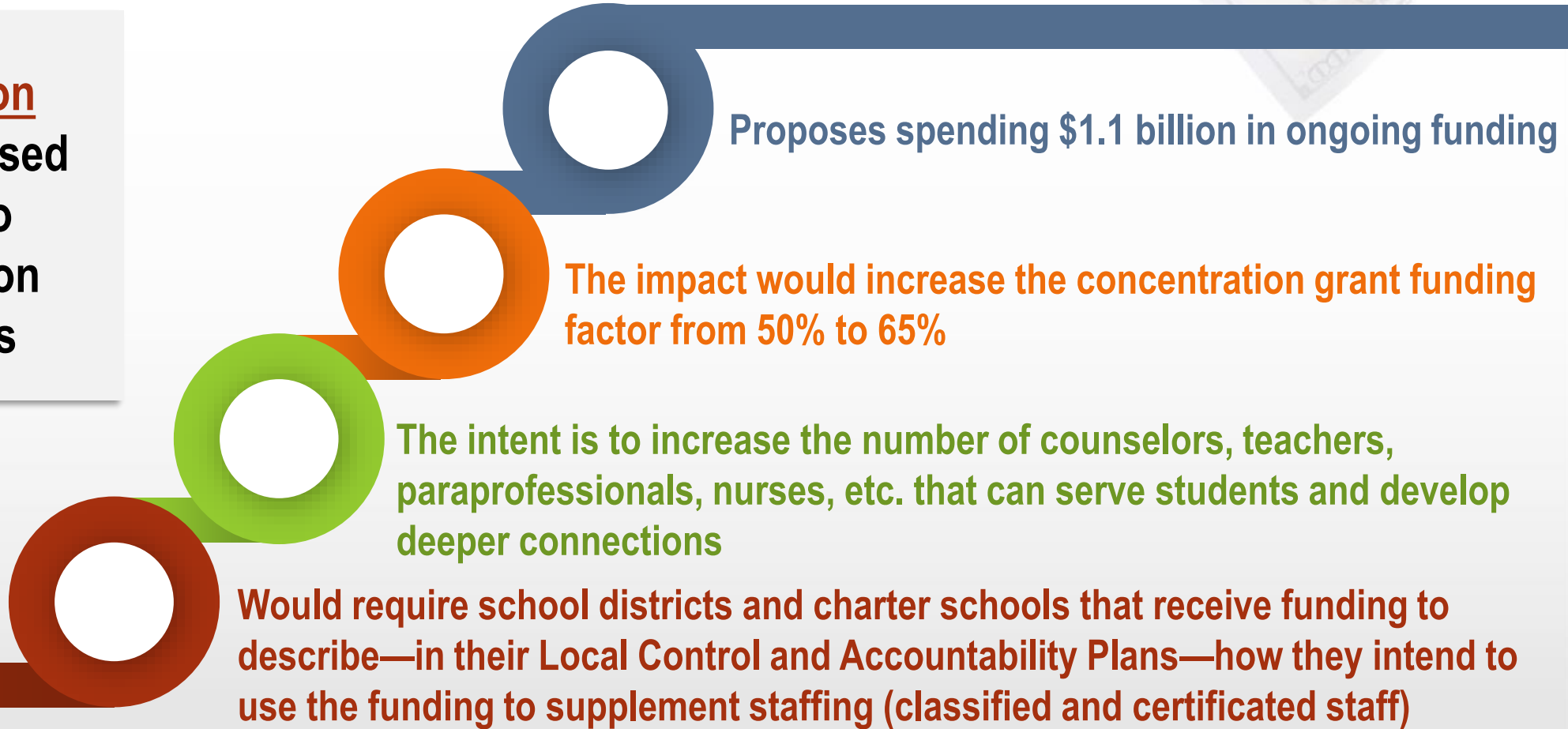
10 The New Concentration Grant

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**\$705, 000 increase in
Concentration Grant
funds for 2021-22**



**May Revision
Brings proposed
changes to
concentration
grant funds**



11 Cash Flow and Deferrals

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- It does not impact current deferrals, it will not accelerate repayment of February through June 2021 deferrals that will be received in July through November 2021
- The 2020-21 June to 2021-22 July deferral once again encompasses the full apportionment
- The 2021-22 proposed pay down eliminates the ongoing deferrals scheduled for February through May 2022



12 CalPERS Employer Contribution Rates

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- The California Public Employees' Retirement System (CalPERS) Board adopted an employer contribution rate of 22.91% for 2021–22
 - 2.21% higher than the current-year rate of 20.70%
- Post-PEPRA* members hired on or after January 1, 2013, will continue to contribute 7.00% into 2021–22
- 2021-22 increase of \$337,000
- 2022-23 increase of \$490,000



Year	Previously Released Employer Contribution Rate	New Projected Employer Contribution Rate*
2021–22	23.00%	↓ 22.91%*
2022–23	26.30%	↓ 26.10%
2023–24	27.30%	↓ 27.10%
2024–25	27.80%	↓ 27.70%
2025–26	27.80%	27.80%
2026–27	27.60%	27.60%


*2021–22 rate approved by CalPERS Board on April 19, 2021
Note: All other rates beginning in 2022–23 through 2026–27 are projected rates

13 CalSTRS Employer Contribution Rates

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- Beginning in 2021–22, the CalSTRS Board has limited authority to increase or decrease rates by a maximum of 1% annually—not to exceed 20.25% of creditable compensation
 - The CalSTRS Board is set to exercise its new rate-setting authority in an action at its June 2021 meeting
- 2021-22 increase of \$320,000
- 2022-23 increase of \$907,000

3 year increase of PERS + STRS = +\$2.2 million



Year	Previously Released Employer Contribution Rate	New Projected Employer Contribution Rate*
2021–22	15.92%	↑ 16.92%*
2022–23	18.00%	↑ 19.10%
2023–24	18.00%	↑ 19.10%
2024–25	18.00%	↑ 19.10%

*2021–22 to be approved by CalSTRS Board on June 10, 2021
Note: All other rates beginning in 2022–23 through 2024-25 are projected rates

14 Unemployment Insurance Fund

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**\$716,000 increase in
unexpected costs
for 2021-22**



**School employers
participate in a joint,
pooled-risk fund
administered by the
EDD**

**The fund includes 1,335
LEAs, and 72 community
college districts
comprising 971,449
employees**

**In March 2021, the
EDD submitted its
annual report to all
participants that
highlighted an
increase in the
unemployment
insurance rate to
1.23% in 2021–22**

15 Assorted One-Time Proposals

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There are over 20 one-time proposals in the this May Revise, of significant importance to OVSD:

- Proposes to achieve universal transitional kindergarten for all four-year-olds by 2024–25
- Proposal to provide no-cost afterschool and summer programs for elementary school students
- Proposes additional requirements for independent study models-
 - Provide access to technology, internet connectivity, and a dedicated rigorous curriculum
 - Develop and implement a framework of tiered re-engagement strategies for students
 - Track and record daily student participation and interaction with teachers

5 Significant OVSD Budget Challenges



Challenge 1

Declining Enrollment

Challenge 2

Low School Enrollments

Challenge 3

Encroachment

Challenge 4

High Personnel related budget

Challenge 5

Infrastructure Sustainability

- Textbook adoptions
- Technology infrastructure
- Technology device replacement
- Facilities/IT/Food Services White Fleet replacement
- Portable Classroom replacement

Next Steps



June

- **Adopted Budget 2021-22 - Draft** **June 8**
- **Adopted Budget 2021-22 - Approval** **June 22**