

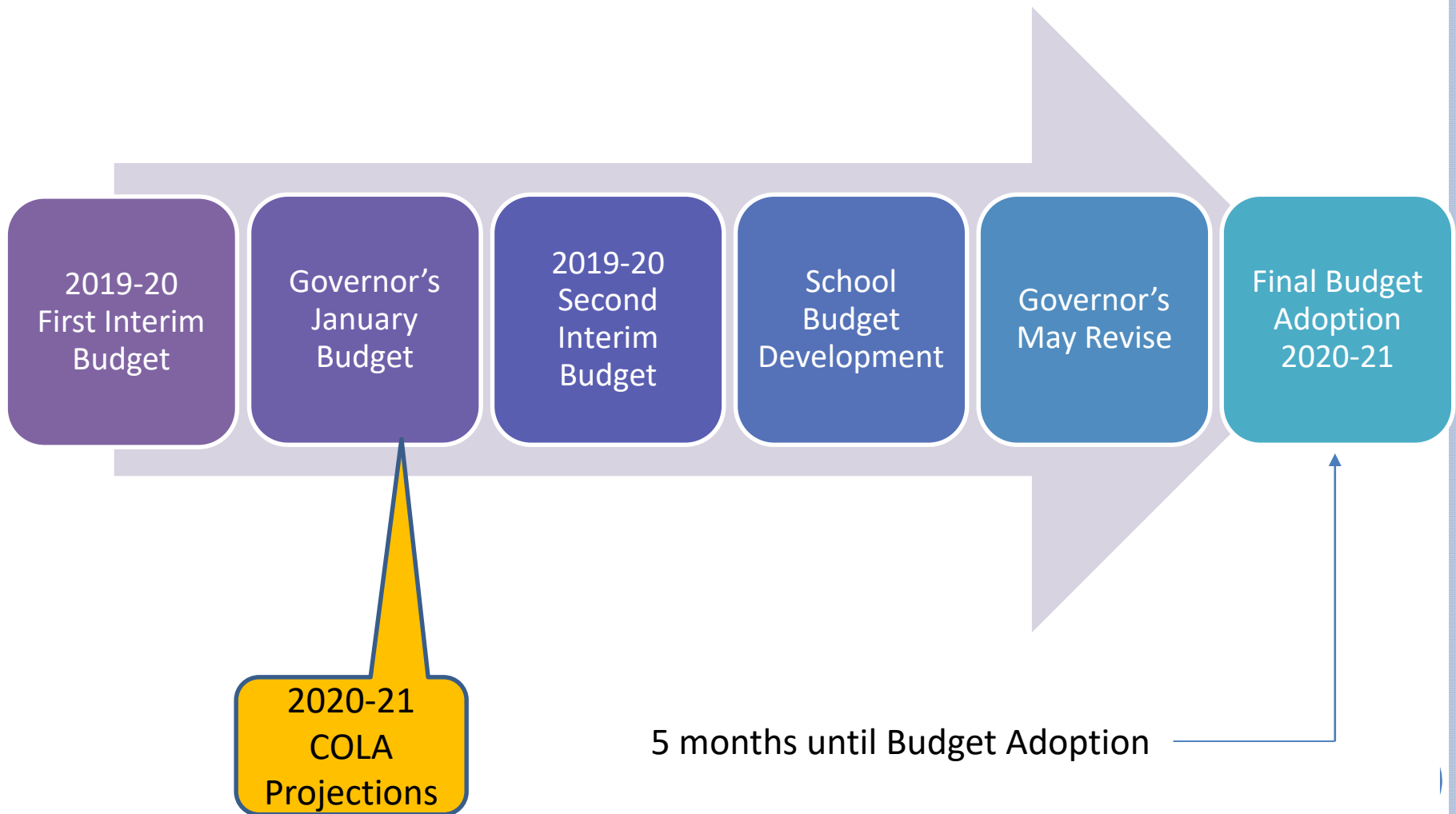
Presented by:  
Carol Hansen, Ed.D., Superintendent  
Michael Conroy, Ed.D., Deputy Superintendent  
Keith Farrow, Director of Fiscal Services

# Governor's January Budget Proposal 2020-21

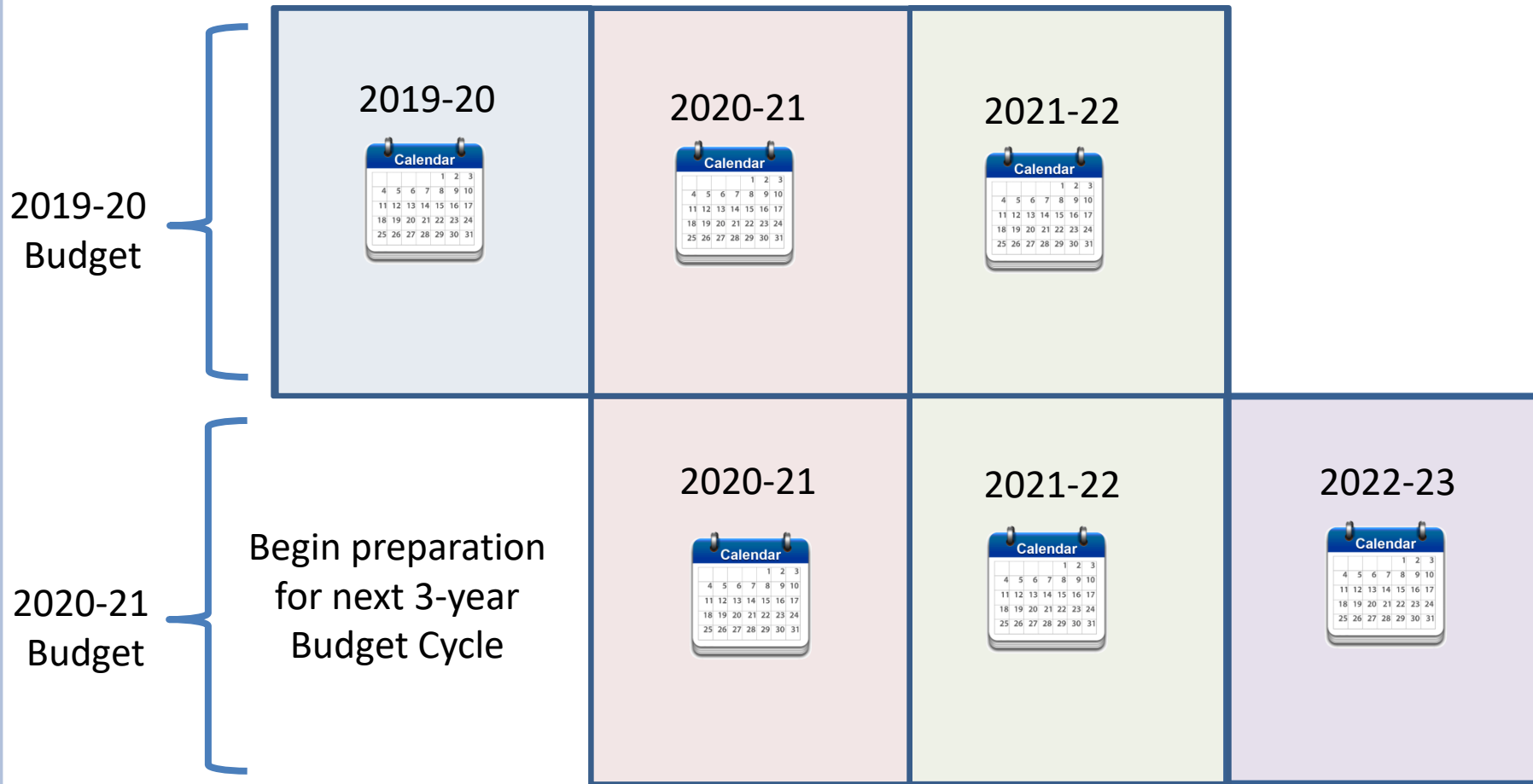


January 21, 2020

# Budget Calendar



# Each New Budget Adds a Subsequent Third Year



# Governor's Proposal 2020-21

Proposition 98 provides a ceiling, not a floor, for the education budget.

The State Budget proposes \$1.2 billion towards the LCFF to fund the 2.29% statutory COLA.

This is lower than the 3% COLA projected at adoption of the 2019-20 State Budget, but higher than the LAO's estimate of 1.79%

The cost to keep local districts afloat hovers around 4%.

The California economy is solid but future projections point to a slowing growth in Gross Domestic Product (GDP) from 3.5% in 2018 to 2.6% currently.

# Governor's Proposal 2020-21

Statewide K-12 enrollment is expected to decline through 2027-28, average annual rate of 0.4%.

Increase in Special Education existing AB 602 base funding allocated to SELPAs to equalize funding for all districts.

\$300 million to establish Community School grants that support innovative community school models.

No proposal to provide additional pension relief for K-14 schools.

Governor's goal for 2020 – universal preschool for all 4-year olds.

## 1st Interim Key Rate Assumptions

	<b>2019-20 1<sup>st</sup> Interim</b>	<b>2020-21 Projected</b>	<b>2021-22 Projected</b>
<b>COLA (Statutory)</b>	3.26%	3.00%	2.80%
<b>STRS Employer Rates</b>	17.10%	18.40%	18.10%
<b>PERS Employer Rates</b>	19.721%	22.70%	24.60%
<b>One-time Discretionary Funding</b>	\$0	\$0	\$0

# Updated 1st Interim Key Rate Assumptions

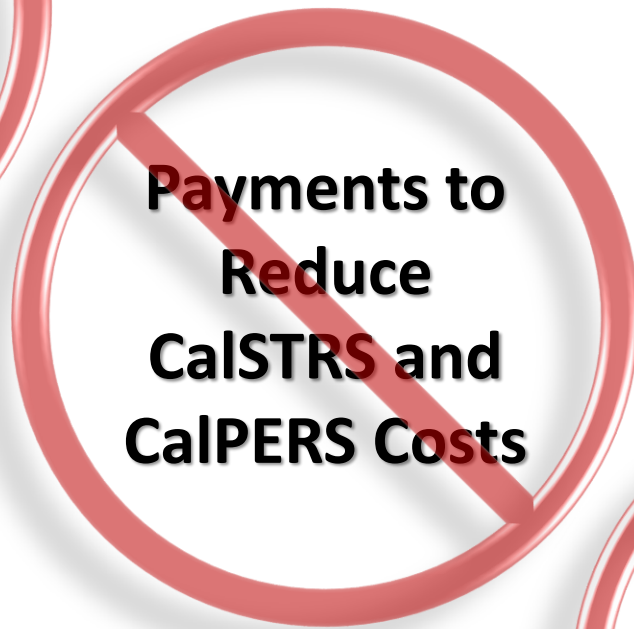
## Based on Governor's Budget Proposal

	2019-20 1 <sup>st</sup> Interim	2020-21 Projected	2021-22 Projected	2022-23 Projected
<b>COLA - June (Statutory)</b>	3.26%	<del>3.00%</del> <b>2.29%</b>	<del>2.80%</del> <b>2.71%</b>	<del>3.16%</del> <b>2.82%</b>
<b>STRS Employer Rates</b>	17.10%	18.40%	18.10%	18.10%
<b>PERS Employer Rates</b>	19.721%	<del>22.70%</del> <b>22.80%</b>	<del>24.60%</del> <b>24.90%</b>	<del>25.40%</del> <b>25.90%</b>
<b>One-time Discretionary Funding</b>	\$0	\$0	\$0	\$0

# What's Not in the Governor's Budget Proposal?



**Increased  
LCFF Funding  
Targets**



**Payments to  
Reduce  
CalSTRS and  
CalPERS Costs**



**One-Time  
Discretionary  
Grants**



# Statewide Average Reserves

2017–18 statewide average reserve levels are slightly down from the prior year

As recommended by the Governmental Finance Officers Association, Reserve Balance should be close to the 17%, or two months of expenditures.

2017–18 Average Unrestricted Net Ending Fund Balance		Change From Prior Year
Unified School Districts	16.98%	-0.27%
Elementary School Districts	20.20%	-0.88%
High School Districts	15.63%	-1.01%

Average unrestricted net ending balance is based on ending fund balance for the General Fund, plus the ending balance for Fund 17 (Special Reserve Fund for Other Than Capital Outlay) as a percentage of total General Fund (including restricted programs) expenditures, transfers, and other uses.

Ocean View School District	12.47%	2019-20	1 <sup>st</sup> Interim Budget
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# Statewide Average Reserves

OVSD BP 3100 –

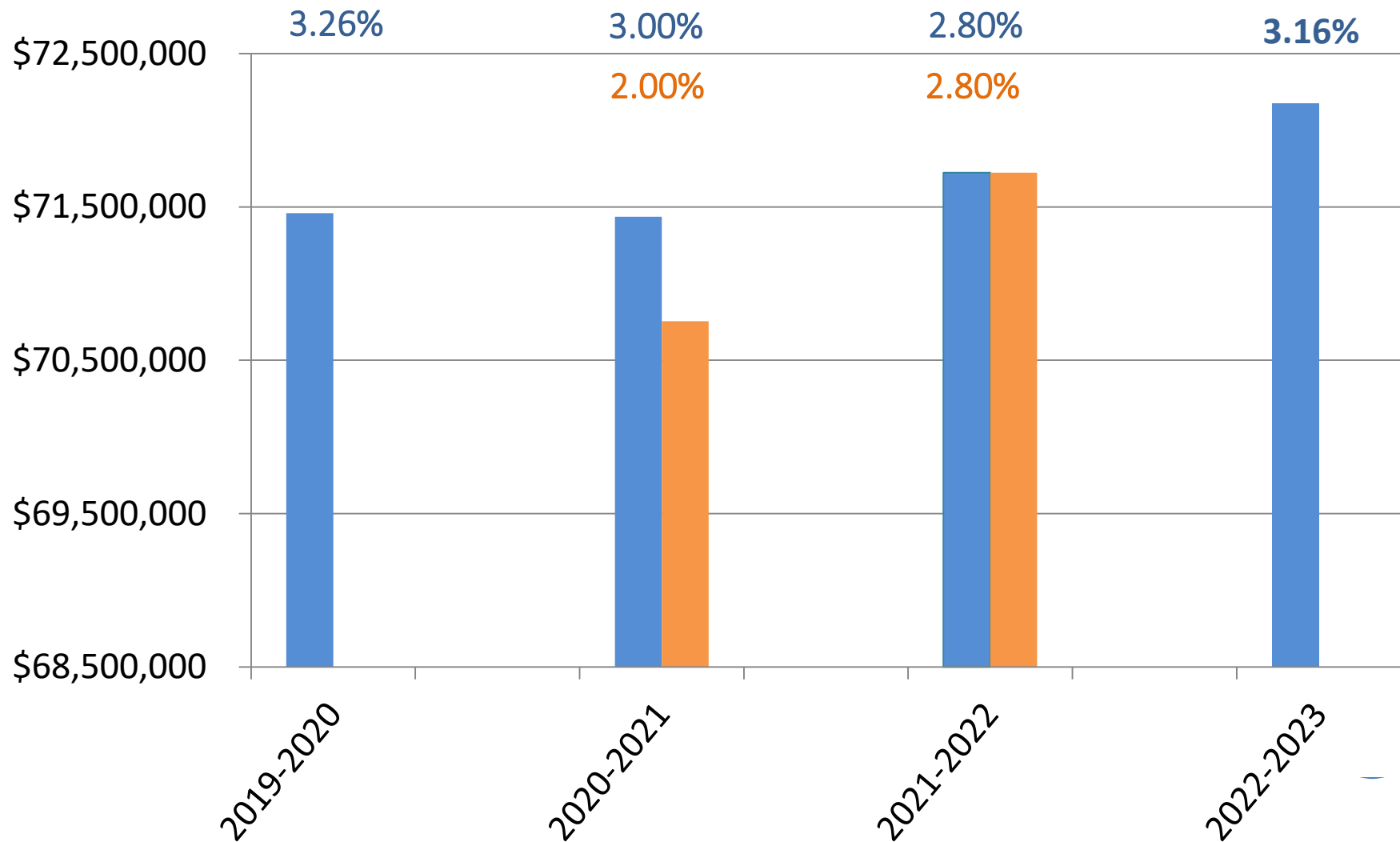
To protect the District against unforeseen circumstance such as revenue shortfalls and unanticipated expenditures, the Board intends to maintain a minimum unassigned fund balance, which includes a reserve for economic uncertainties equal to at least two months of general fund operating expenditures, or 17 percent of general fund expenditures and other financing uses.

If the unassigned fund balance falls below this level due to an emergency situating, unexpected expenditures, or revenue shortfalls, that Board shall develop a plan to recover the fund balance which may include dedicating new unrestricted revenues, reducing expenditures, and/or increasing revenues or pursuing other funding sources.

# 1<sup>st</sup> Interim Budget -- LCFF Revenue Projections Based on June Budget Adoption

Multi-Year COLA projections for Budget Year  
LCFF Revenue Impact

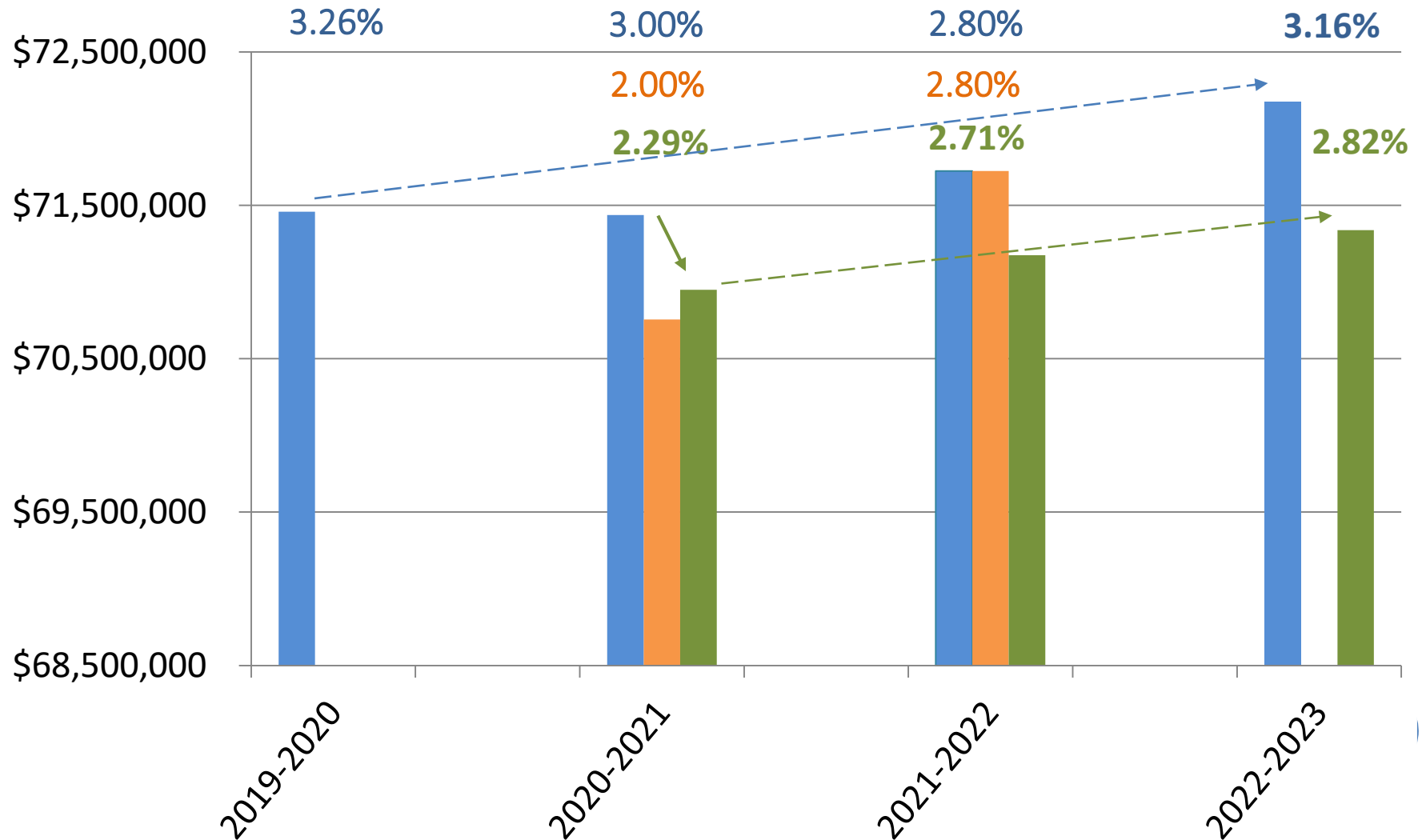
- 1<sup>st</sup> Interim Projections
- LAO's\* 2020 Projections (1.79%)



# Governor's Proposal -- LCFF Revenue Projections Based on June Budget Adoption

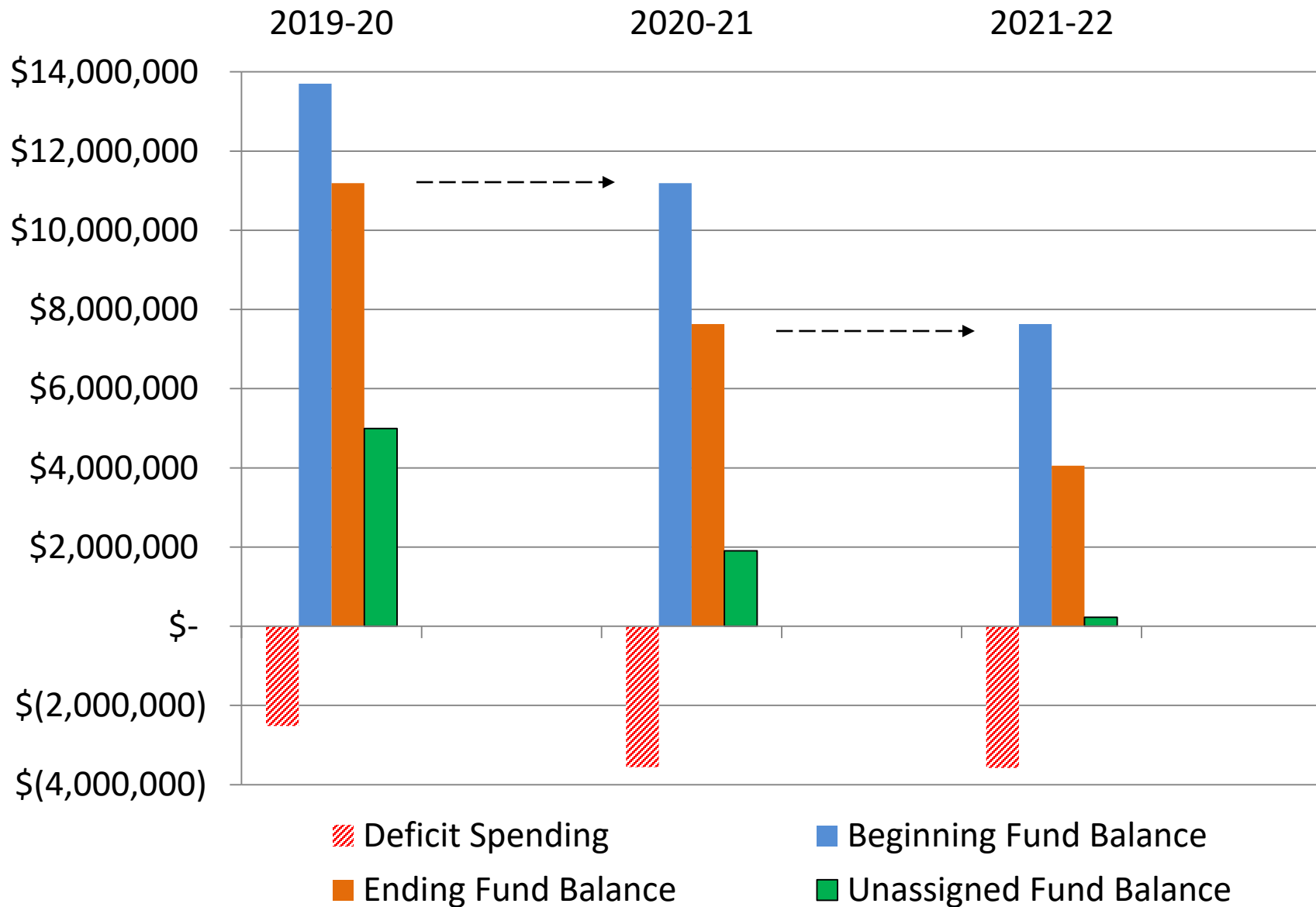
Multi-Year COLA projections for Budget Year LCFF Revenue Impact

- 1<sup>st</sup> Interim Projections
- LAO's\* 2020 Projections
- Governor's Budget Proposal

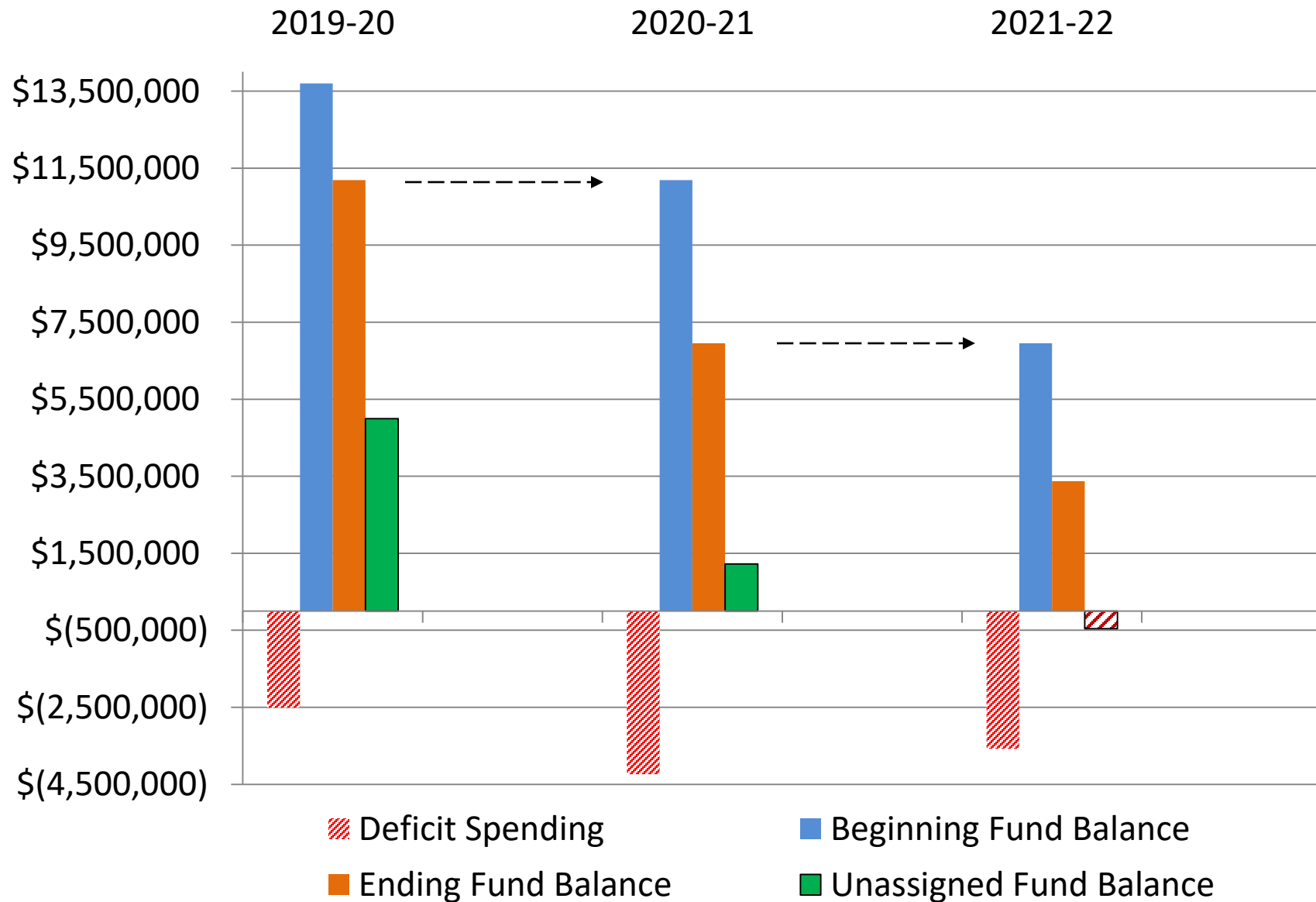


# 1<sup>st</sup> Interim Fund Balance & Emergency Reserve

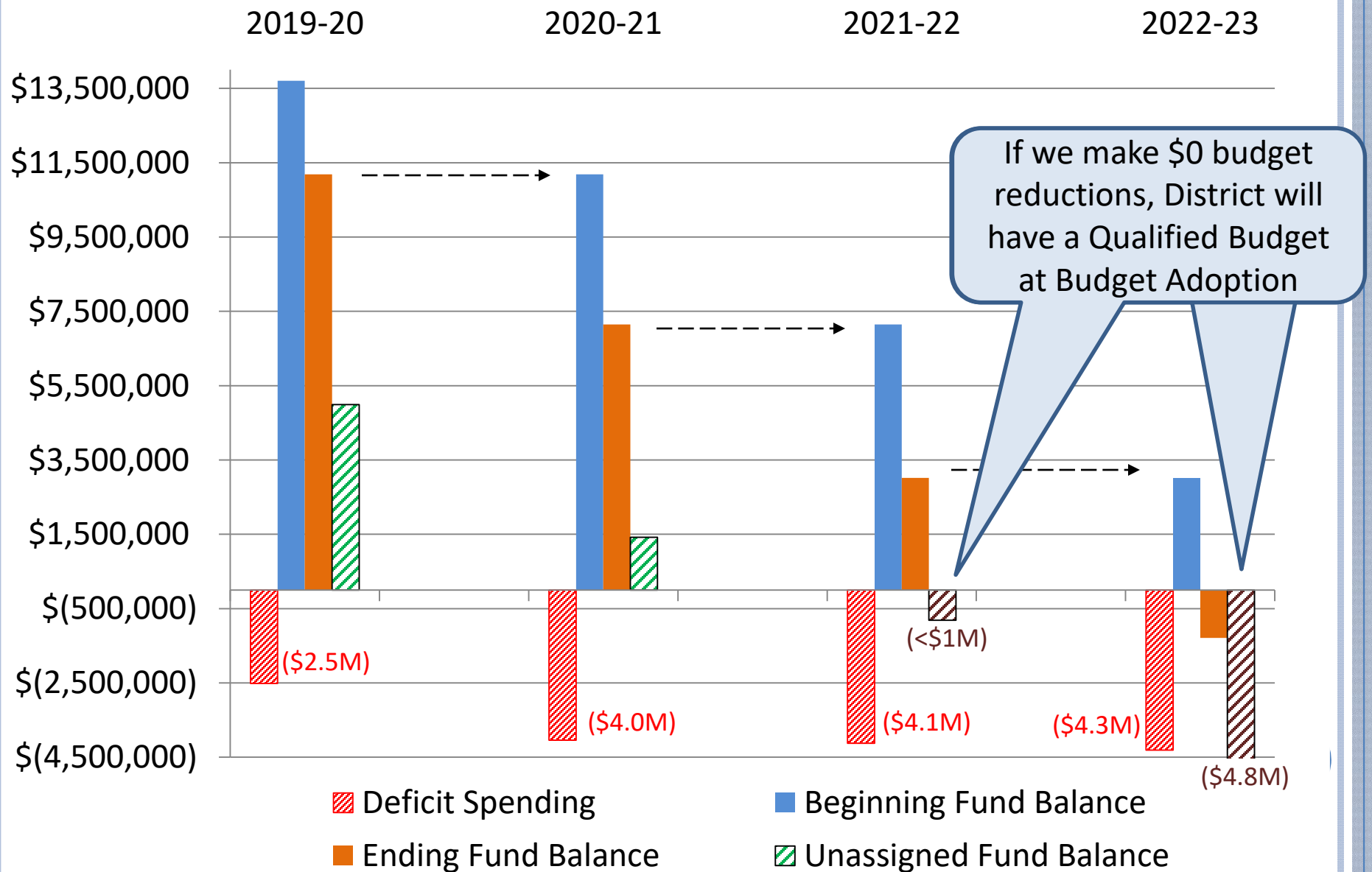
Multi-Year COLA projections for Budget Year



# 1<sup>st</sup> Interim -- LOA's Budget Projections Impact on MYP Fund Balance & Emergency Reserve at 2<sup>nd</sup> Interim



# Governor's Budget Proposal Impact on MYP Fund Balance & Emergency Reserve at 2<sup>nd</sup> Interim



# Budget Solution

Combination of one-time and ongoing options

## ONE-TIME OPTIONS

- Continued use of BudgetReserves
- One-time budgetreductions

## ONGOING OPTIONS

- Ongoing Budgetreductions
  - The only long-term and ongoing solution



## 5 Significant OVSD Budget Challenges

Challenge 1*	Declining Enrollment
Challenge 2*	Low School Enrollments
Challenge 3*	Encroachment
Challenge 4*	High Personnel related budget (92% Unrestricted Budget)
Challenge 5	Slowing of the economy (LAO)

\*NOTE: all negatively & directly impact the District's deficit spending trends

## Next Budgetary Steps

- Reduce General Fund expenditures
- Goal to reduce personnel expenses to 85%
- Reduce Encroachment expenses

## Upcoming Calendar Phases

- ✓ January
  - Governor's Budget Proposal
    - Budget impact for 2020-21 and MYP
  
- January – March
  - Develop and present 2nd Interim Budget Update
  - Begin development of 2020-21 District Budget
    - Bring budget reductions for Board approval
  
- April – June
  - Plan for Budget Adoption
    - Bring budget reductions for Board approval

Questions?