

**Burbank Unified School District
Administrative Services**

REPORT TO THE BOARD

TO: Members of the Board of Education

FROM: Debbie Kukta, Assistant Superintendent, Administrative Services

PREPARED BY: Debbie Kukta, Assistant Superintendent, Administrative Services

SUBMITTED BY: Ruthie DiFonzo, Senior Administrative Assistant

DATE: February 18, 2021

SUBJECT: Report on the Governor's Budget Proposal for 2021-2022

Background:

School Services of California (SSC) hosts an annual Governor's Budget Workshop which focuses on major policy issues and funding proposals from the Governor and the Legislature.

Discussion/Issues:

This years' Governor's Budget Workshop was held on January 15, 2021. The workshop focused on the major policy issues and funding proposals of the Governor, and provided detail for Local Education Agencies (LEAs) to project its revenues for 2021–22, and for the balance of 2020–21, in accordance with the Administration's Budget recommendations and fiscal assumptions. The workshop also offered SSC's insights and advice on what LEAs should do now to prepare for the upcoming year.

Financial Impact:

None.

Recommendations:

Debbie Kukta, Assistant Superintendent, Administrative Services, will facilitate a presentation on the Governor's Budget Proposal for 2021-2022, as presented.



Burbank Unified School District Governor's 2021-22 Budget Update

By Debbie Kukta, CPA, CGMA
Assistant Superintendent, Administrative Services

Agenda



- ▶ Governor's 2021-2022 Budget Workshop - Excerpts from School Services of California Presentation
- ▶ BUSD Multiyear Projection

The image features three stacks of gold coins on a red surface. The tallest stack is on the left, followed by a medium stack in the center, and a short stack on the right. The background is dark and out of focus.

Governor's 2021-2022 Budget Workshop

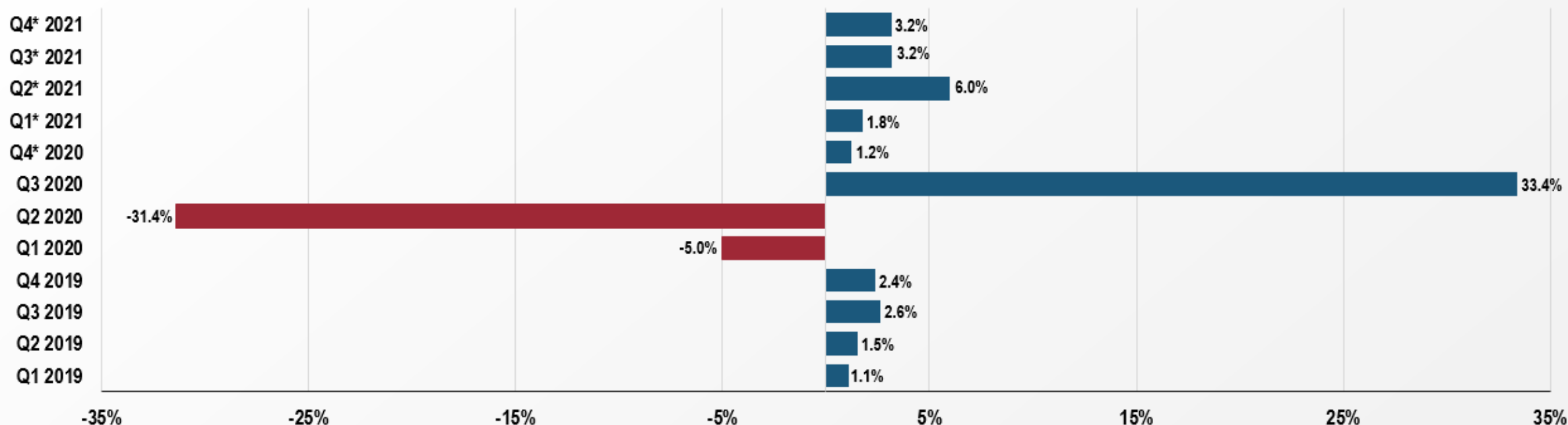
Excerpts from School Services of California Presentation

Gross Domestic Product

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- GDP is the monetary value of all the goods and services produced nationally, representing the most comprehensive measure of U.S. economic activity
- For the 3rd quarter of 2020, GDP increased 33.4%

Real GDP: Percent Change from Preceding Quarter



Source: U.S. Bureau of Economic Analysis, December 22, 2020, and UCLA Economic Forecast (projections)

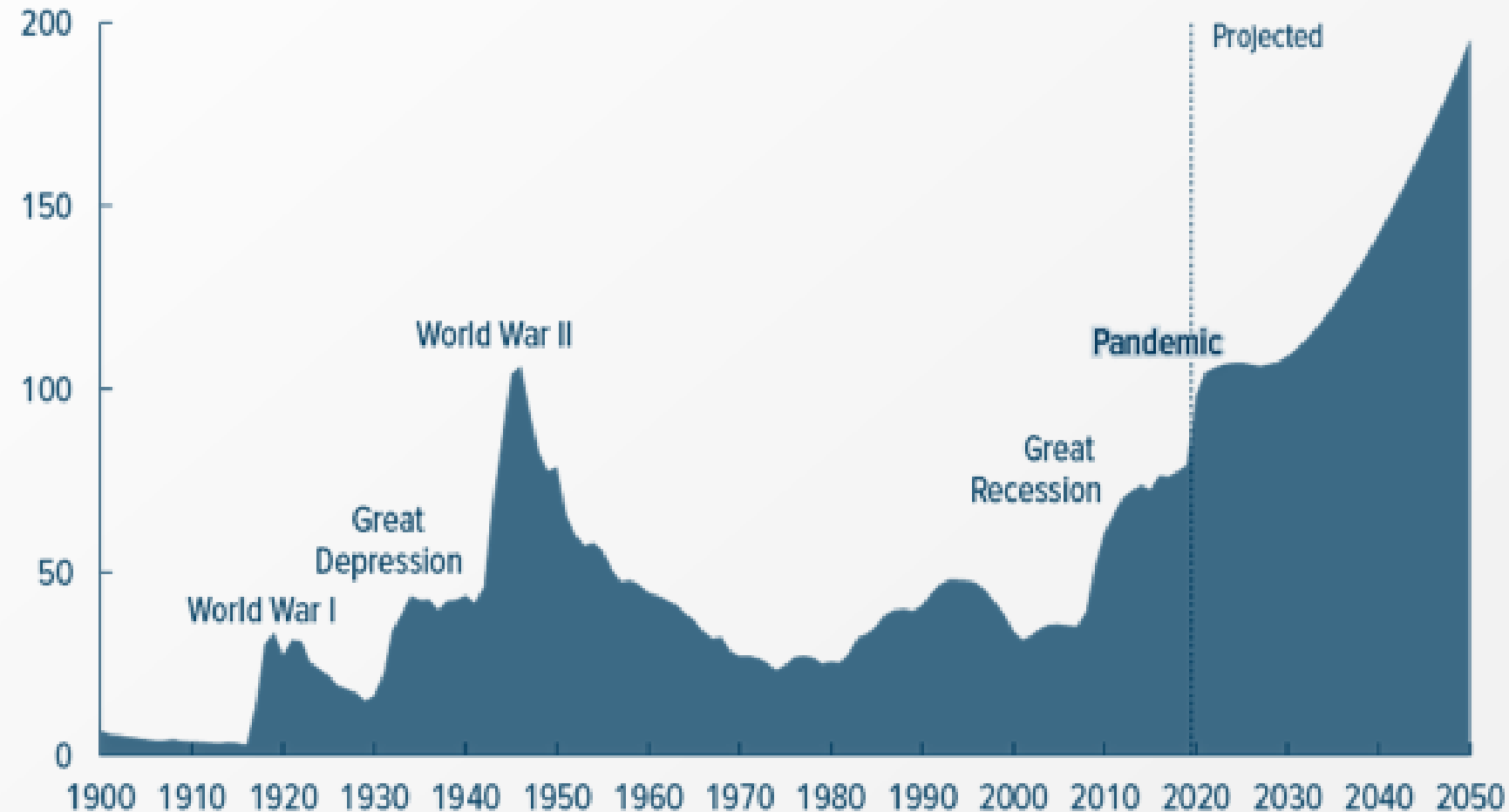
Seasonally adjusted annual rates

* = Projected

Rising Federal Debt

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- Public debt as percentage of GDP increased from 79% in 2019 to 98% in 2020
- By 2050, the national debt is projected to reach 195% of GDP
- Tax cuts, and tax bracket inflation, end in 2026, therefore, most will pay more taxes later

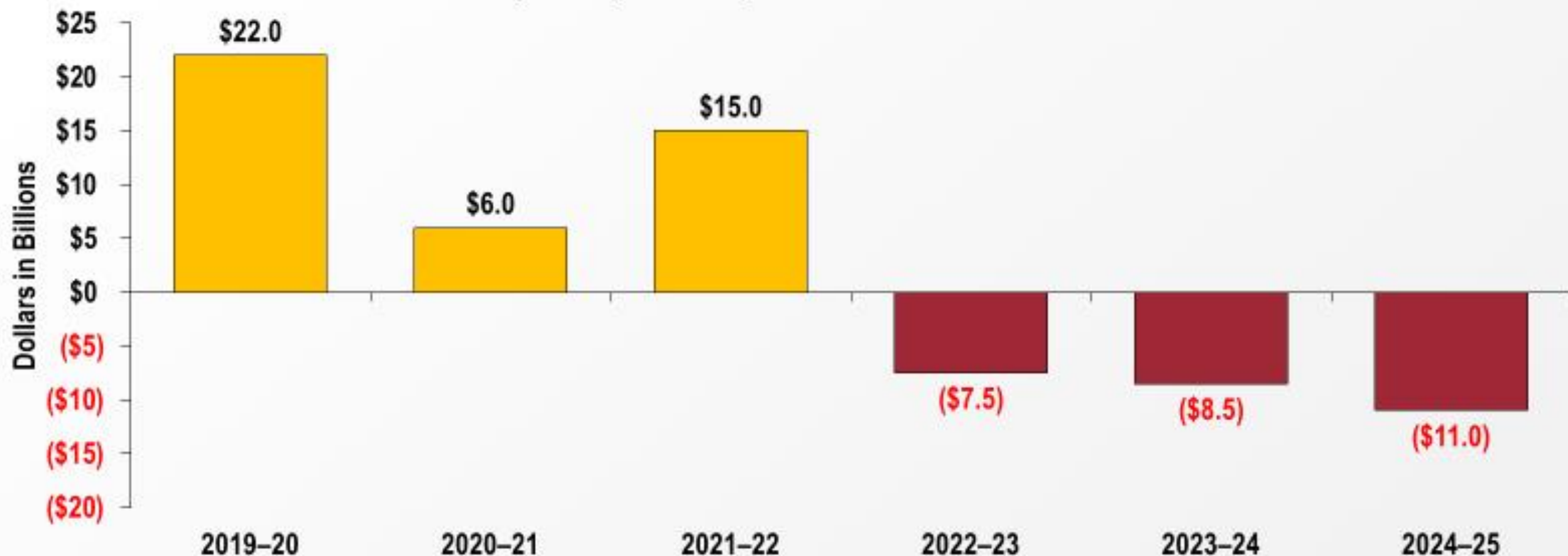


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Surplus and Shortfalls—California Budget

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Budget Projects Surplus and Future Shortfalls¹



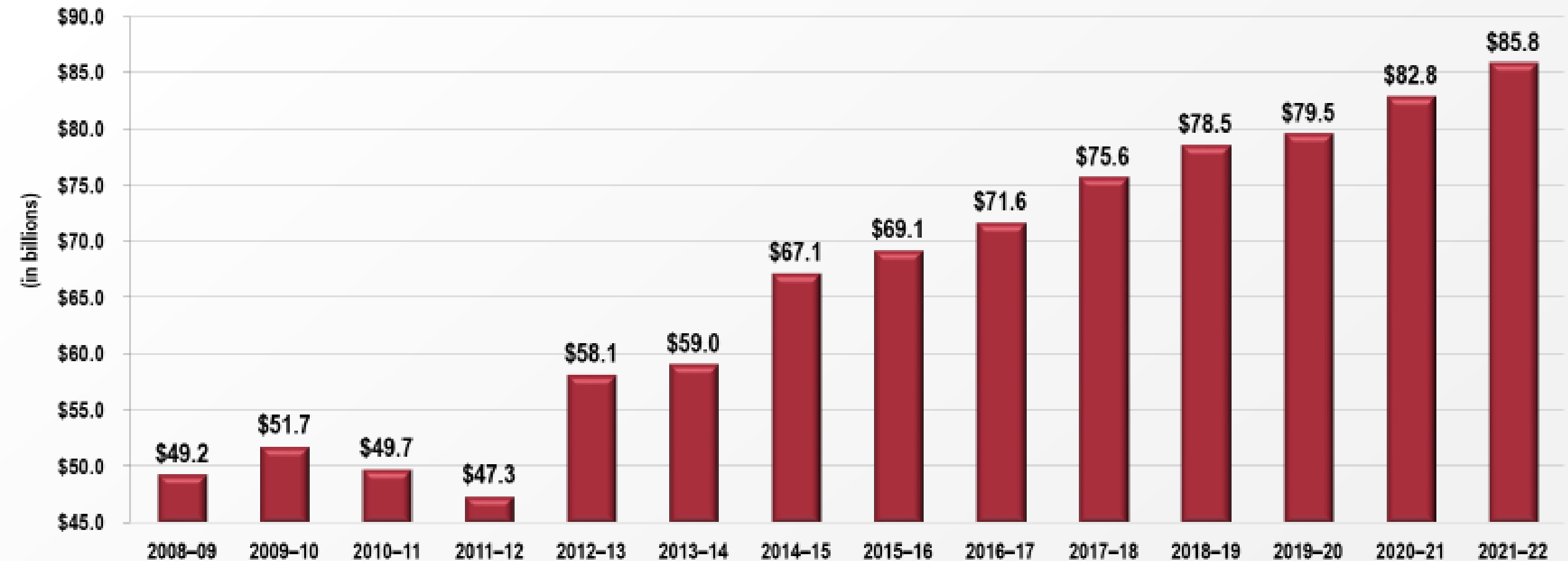
¹Budget shortfalls or surplus, measured by the annual Governor's Budget

Source: 2021-22 Governor's Budget Summary, page 3

Proposition 98

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Proposition 98 Funding Over Time
2008–09 to Governor's 2021–22 Estimate



Deferrals

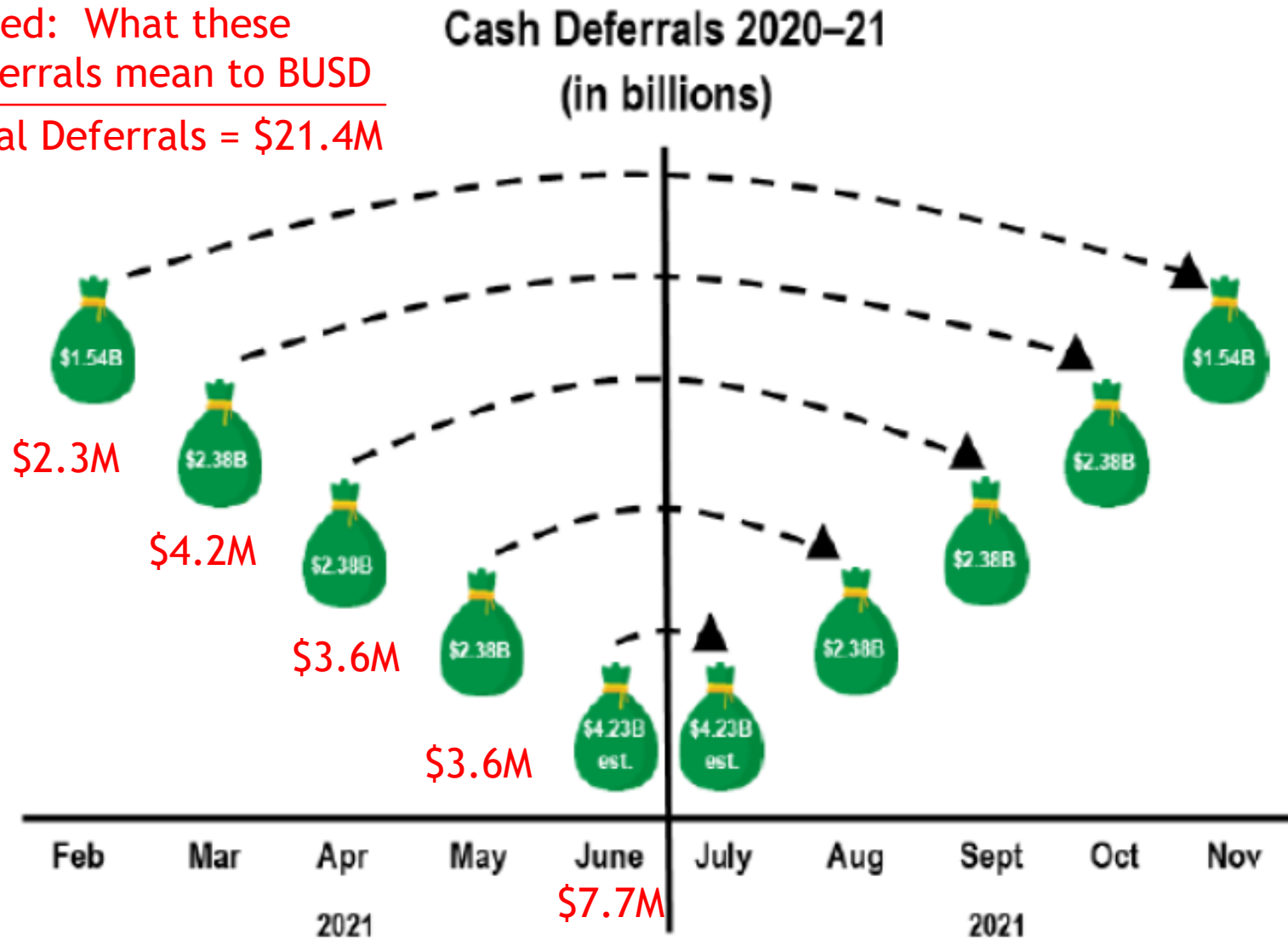
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- The 2020–21 Enacted Budget included almost \$13 billion in K–12 LCFF deferrals
- The Governor's Budget proposes paying down a portion of the deferrals—effectively eliminating the on-going deferrals scheduled for February through May 2022
 - Note that this pay down does not impact the deferrals currently scheduled for February through June 2021!
 - The repayment schedule for these deferrals remains the same

Deferrals
(in billions)



In red: What these
deferrals mean to BUSD
Total Deferrals = \$21.4M



Financing Methods:

- TRANS
- Interfund Borrowing
- Borrowing from County Treasury
- Deferral Waiver
- Legislative Action?

Source: 2020 School Services

What's Not in the Budget?

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- While the Governor's Budget proposal seems to have everything plus the kitchen sink, there are several items that LEAs would have liked to see proposed:
 - COVID-19 liability coverage for LEAs
 - UPP hold harmless for those LEAs seeing a drop in their official number of low-income students
 - Additional CalSTRS and CalPERS employer rate reduction
 - More discretionary dollars and less tied up in restrictive programs

Funding for Reopening Schools

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- Governor Newsom is calling for swift and early action by lawmakers to appropriate at least \$2 billion in one-time Proposition 98 funds to aid in the safe reopening and operation of in-person instruction for K–12 students

Funding Formula (per ADA)

Base Grants = \$450 (February reopening)
= \$337.50 (March reopening)

Additional grants above base grant based on LEA's relative share of LCFF

Funding based on TOTAL ADA less students enrolled in independent study



Updated Public Health Guidance for Reopening K–12 Schools

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- Updated guidance outlines specific actions, or core mitigation strategies, school sites should take to keep students and staff safe, and include, but are not limited to the following:



Testing Cadences

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- Schools are expected to implement symptom and exposure screening based on CDPH recommendations, and the state has committed support to conduct asymptomatic testing of all students and staff based on case rates

Tier 2 – RED Adjusted Case Rate of 4–7 per 100K Positive Test Rate 5-8%	Tier 1 – PURPLE Adjusted Case Rate of 7–13.9 per 100K Positive Test Rate 8% or higher	DEEP PURPLE Adjusted Case Rate of 14 or more per 100K
Asymptomatic testing every 2 weeks	Asymptomatic testing every 2 weeks	Asymptomatic testing weekly

- Schools must also test staff when there are multiple COVID-19 cases or major outbreaks based on Cal/OSHA requirements

	Multiple COVID-19 Infections	Major COVID-19 Outbreaks
Definition	Three or more COVID-19 cases in an exposed workplace within a 14-day period	Twenty or more COVID-19 cases in an exposed workplace within a 30-day period
Testing Frequency	All exposed employees shall be tested and once per week thereafter	Twice a week for all exposed employees, or more frequently if recommended by the local health department

President-Elect Biden's Education Agenda

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**Triple Title I funding
for schools**

**Increase funding for
teacher mentoring,
leadership, and
professional
development**

**Strengthen the Public
Service Loan
Forgiveness Program
for teachers**

**Provide “full funding”
for special education**

**Double the number of
psychologists,
counselors, nurses,
and social workers in
schools**

**Invest \$775 billion in
early education
initiatives including
universal preschool**

SSC Financial Projection Dartboard

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LCFF PLANNING FACTORS

Factor	2020–21	2021–22	2022–23	2023–24	2024-25
DOF Estimated Statutory COLA	2.31%	1.50%	2.98%	3.05%	N/A
DOF Estimated Funded COLA	0.00%	3.84%*	2.98%	3.05%	N/A
SSC Estimated Statutory COLA	0.00%	3.84%*	1.28%	1.61%	1.90%

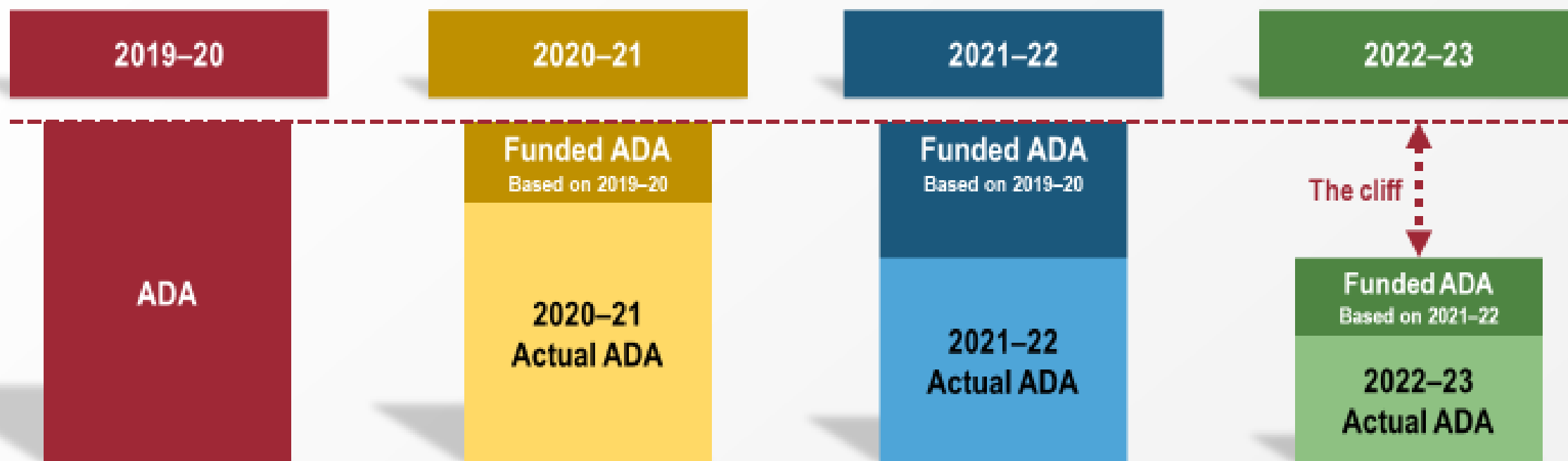
*Calculated by compounding the unfunded COLA of 2.31% from 2020–21 and the estimated statutory COLA of 1.50% in 2021–22

- SSC Estimated Statutory COLA was calculated by SSC's independent economist
- In most years, the SSC estimates and the Department of Finance (DOF) estimates are very close, so we only include the DOF calculation on the dartboard
- Due to the large difference in the estimates, we have included our estimate for your consideration

2021–22 ADA Impacts

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- The adage “There is no such thing as a free lunch” applies to the current-year ADA hold harmless provision—that is to say, many school districts will experience a funding cliff at some point in the future if they are experiencing natural attendance declines exacerbated by COVID-19



- Significant drops in LEAs' LCFF unduplicated pupil counts, which were not held harmless, and enrollment loss from COVID-19 will determine the full cliff effect

Local Agency Reserves

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- Reserves provide local school agency governance teams with the ability to be more strategic in reducing expenditures when faced with a financial crisis
 - Reserves protect students, employees, and the public
- Current state financial projections show a deficit beginning in 2022–23, and the Public School System Stabilization Account balance will not last long
 - LEAs with higher reserves are better equipped to protect the community they serve



Collective Bargaining

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- The proposed Governor's Budget provides some bargaining opportunities and challenges
 - The 3.84% compounded COLA will assist LEAs in meeting existing obligations—but not much else
 - The annual increased cost of maintaining existing salary schedules, and related benefits, leaves few dollars on the table

Base Grant	3.84%
Minus cost increase as a percent of an LEA budget	
Step and Column	-1.50%
Health and Welfare Benefit	-0.50%
CalPERS Employer Contribution Change (2021–22)	-2.30%

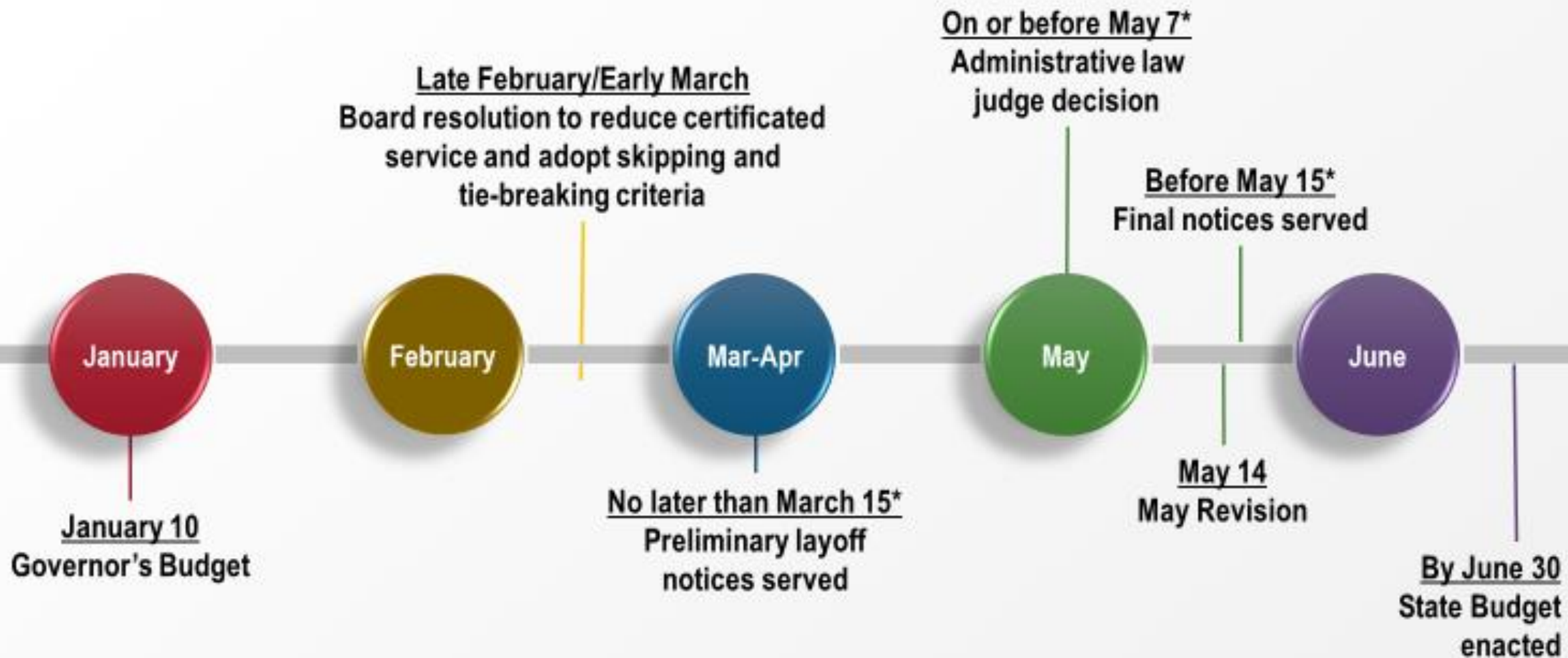
? Declining enrollment

? Deficit spending

? Increased contributions to special education and other restricted programs

Certificated Layoffs and State Budget Timelines

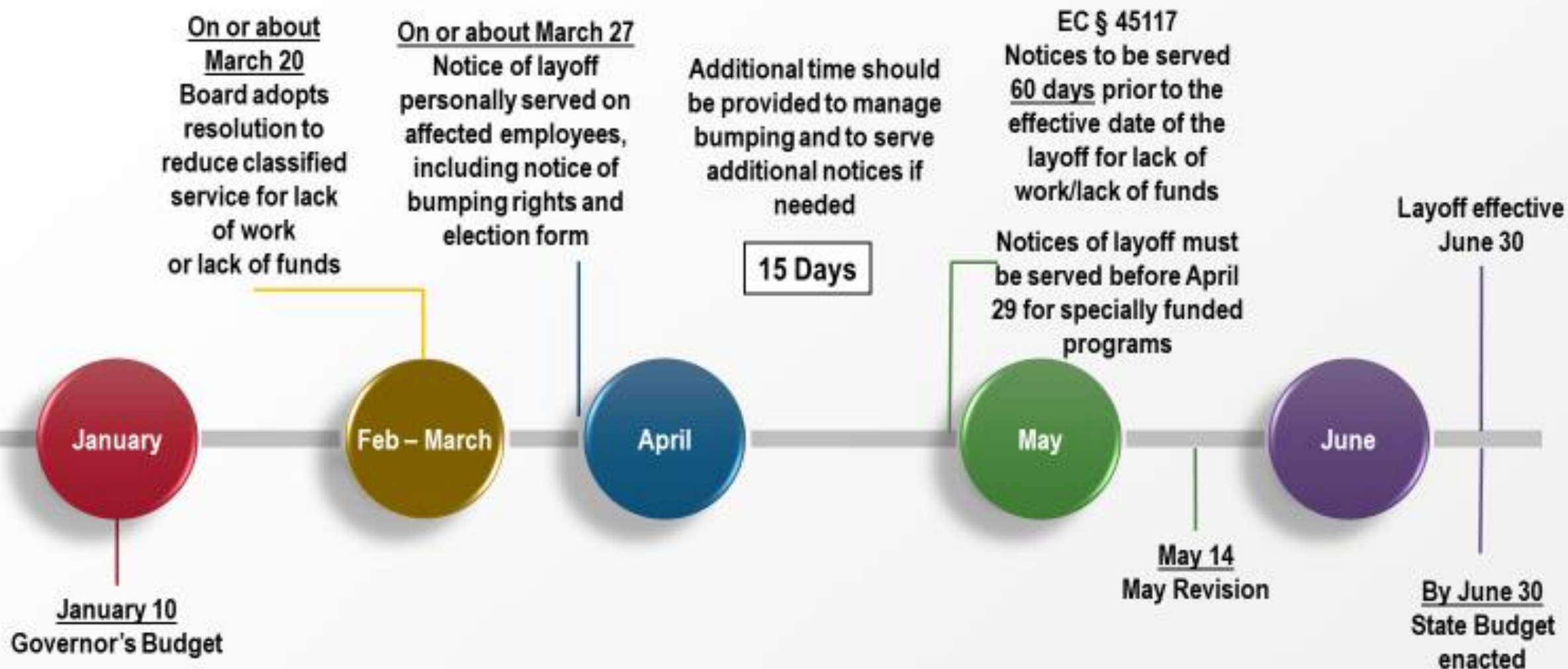
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*Statutory deadlines per EC § 44949 and 44955

Classified Layoffs and State Budget Timelines

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BUSD Multiyear Projections

Multiyear Projection - First Interim



	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>
Revenue	\$175,264,489	\$162,105,740	\$155,999,782
Expenses, Other Financing Sources/Uses:			
As Projected	180,036,638	166,471,153	175,291,249
Fiscal Stability Plan - Expense Reduction	0	0	(18,289,560)
Adjusted Expenditures	180,036,638	166,471,153	157,001,689
Operating Deficit	(4,772,149)	(4,365,413)	(1,001,907)
Beginning Fund Balance	16,346,412	11,574,263	7,208,850
Ending Fund Balance	<u>\$ 11,574,263</u>	<u>\$ 7,208,850</u>	<u>\$ 6,206,943</u>

Components of Fund Balance

Nonspendable	\$ 100,060	\$ 100,060	\$ 100,060
Restricted/Assigned	2,873,800	2,043,377	1,389,200
Reserve for Economic Uncertainties (REU)(3%)	5,401,099	4,994,135	4,710,051
Board REU - Additional 3%	3,199,304	71,280	7,633
Total Fund Balance	<u>\$ 11,574,263</u>	<u>\$ 7,208,852</u>	<u>\$ 6,206,944</u>
Unified School District Statewide	<u>\$ 30,606,228</u>	<u>\$ 28,300,096</u>	<u>\$ 26,690,288</u>

Multiyear Projection - First Interim

Adjusted for the Governor's PROPOSED COLAs



	<u>2020-21</u>	<u>2021-22</u> 3.84%	<u>2022-23</u> 1.28%
Revenue	\$180,997,239	\$167,358,660	\$162,746,811
Expenses, Other Financing Sources/Uses:			
As Projected	180,036,638	166,471,153	175,291,249
Fiscal Stability Plan - Expense Reduction	0	0	0
Adjusted Expenditures	180,036,638	166,471,153	175,291,249
Operating Deficit	960,601	887,507	(12,544,438)
Beginning Fund Balance	16,346,412	17,307,013	18,194,520
Ending Fund Balance	\$ 17,307,013	\$ 18,194,520	\$ 5,650,082

Components of Fund Balance

Nonspendable	\$ 100,060	\$ 100,060	\$ 100,060
Restricted/Assigned	8,606,550	7,776,127	7,121,950
Reserve for Economic Uncertainties (REU)(3%)	5,401,099	4,994,135	5,258,737
Board REU - Additional 3%	3,199,304	5,324,200	0
Unassigned/Unappropriated Amount	0	0	(6,830,665)
Total Fund Balance	\$ 17,307,013	\$ 18,194,522	\$ 5,650,082

Unified School District Statewide

\$ 30,606,228	\$ 28,300,096	\$ 26,690,288
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Questions?

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