



Agenda Item B-15a

2019/20 Governor's May Revise

Board of Education
May 15, 2019

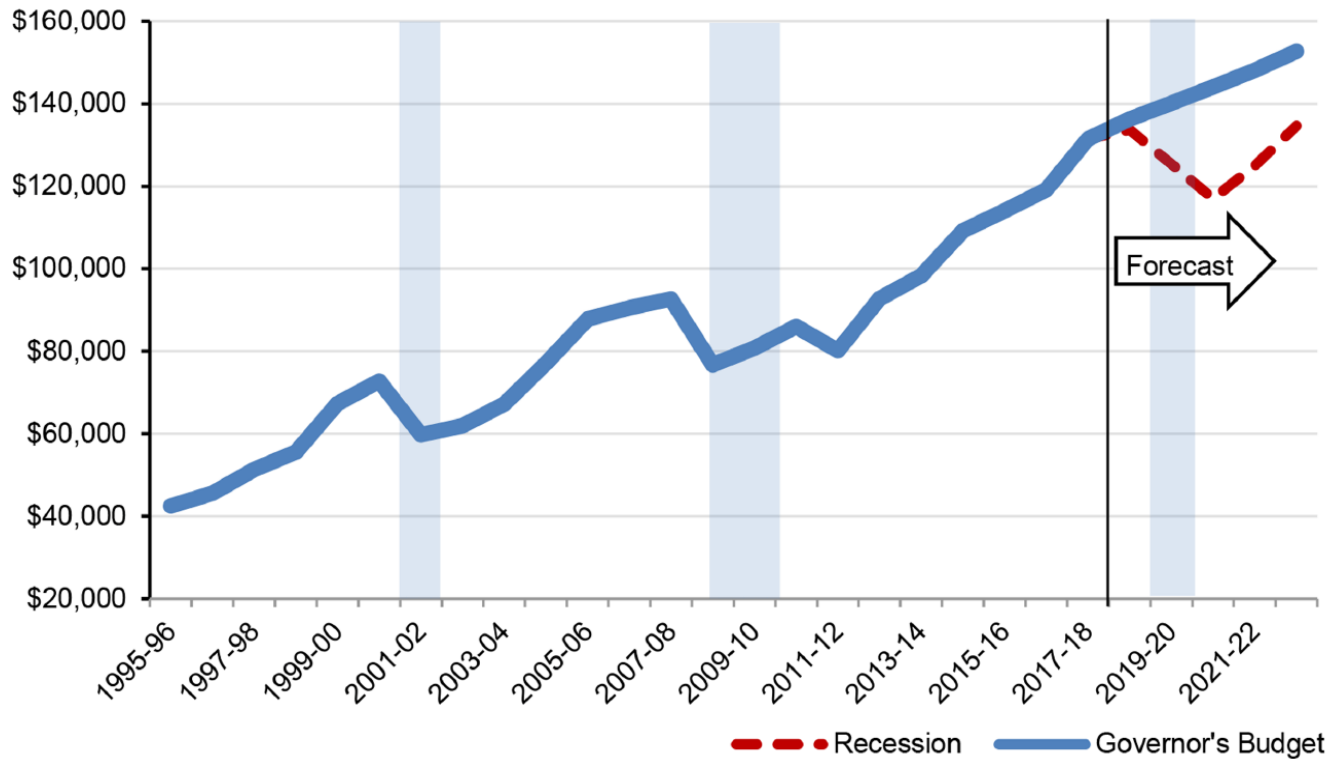


Outline

- State Revenues – History and Forecast
- State Budget Shortfalls or Surplus
- State Economic Overview
- May Revise Updates
- Upcoming Budget Discussions

State Revenues – History and Forecast

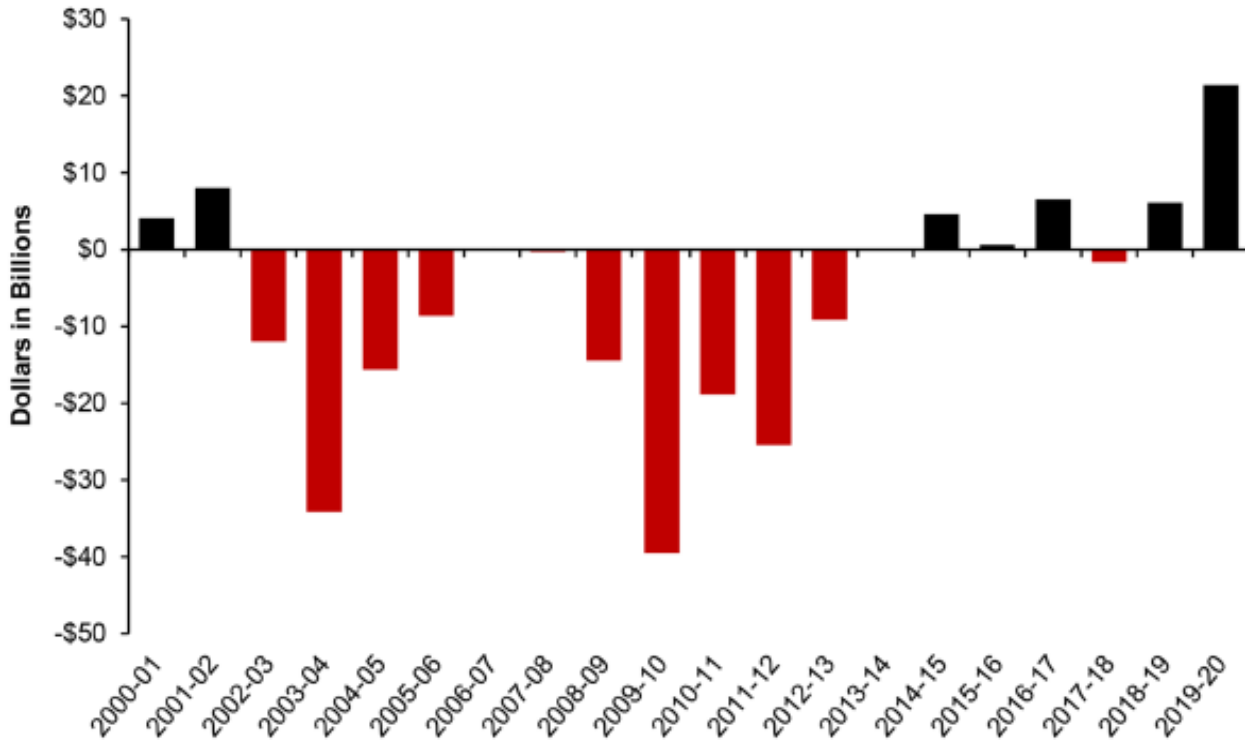
Revenue Could Drop by Nearly \$70 Billion in a Recession
(Dollars in Millions)



Source: Governor's May Budget Summary, page 2

State Budget Shortfalls or Surplus

Balanced Budgets Have Been Quickly Followed by Huge Deficits ^{1/}



^{1/}Budget shortfalls or surplus, measured by the annual Governor's Budget.

Source: Governor's May Budget Summary, page 6



State Economic Overview

- California's economy – strong foundation, growing risks
- State budget prioritizes \$5.7 billion towards the Rainy Day Fund – \$16.5 billion
- Unemployment Rates as of November 2018
 - National – 3.6%
 - State – 4.3%
 - Fresno County – 9.4%
- Economic recovery – approaching tenth year – longest on record



May Revise Updates

- Cost-of-Living-Adjustment
 - 2019/20 – From 3.46% to 3.26% - Net change (\$1.3 million)
 - Base Revenue Grant decrease – (\$1.3 million)
 - Supplemental/Concentration Grant decrease – (\$200,000)
 - Contribution to Health Fund decrease – \$200,000
- CalSTRS Proposed Rate Adjustment
 - 2019/20 – From 17.10% to 16.70%
 - Additional one time savings – \$1.2 million



May Revise Updates

- Special Education – Increase of \$119 million statewide
 - May Revise – \$696.2 million ongoing
 - January Proposal – \$576 million: \$390 million ongoing, \$186 million one-time
 - Distribution methodology unchanged – Fresno Unified slightly below eligibility for 2019/20
- School District Reserve Cap
 - Public School System Stabilization Account – Potential deposit
 - May trigger a cap on school district reserves if certain criteria are met
 - Proposed deposit \$389 million – far below the \$2.1 billion required to trigger cap on district reserves
- Educator Workforce
 - May Revise – \$89.8 million one-time – provide loans for newly credentialed teachers
 - Up to \$20,000 each
 - Hard to fill subject areas
- School Facilities – Increase of \$150 million statewide
 - May Revise – \$600 million one-time – full-day kindergarten classroom construction/retrofit
 - January Proposal – \$750 million one-time
 - Matching requirement more favorable for districts:
 - Existing state/district – 50%/50%
 - Proposed state/district – 25%/75%



Upcoming Budget Discussions

- Public Hearing – LCAP and Budget
 - May 29, 2019
- Adoption – LCAP and Budget
 - June 12, 2019