

May Revision Workshop

**Santa Cruz City Schools
Budget Advisory Committee**

May 25, 2021



**School
Services
of California**
INC.™

An Employee-Owned Company

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
- While California’s coffers are overrun, not all Californians’ bank accounts are experiencing the same
 - California’s unemployment rate was at 8.3% in March 2021
 - \$12 billion of the California Comeback Plan is direct cash payments to expand the Golden State Stimulus



3 General Fund Budget Summary

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Resources & Expenses

Total available resources increase 5.54% in 2021–22, while total expenditures increase by 19.09%

Reserves

The rainy day fund reaches \$16 billion, or 9.06% of revenues

2021–22 General Fund Budget Summary (in millions)

	2020–21	2021–22
Prior-Year Balance	\$5,658	\$27,435
Revenues and Transfers	\$187,020	\$175,921
Total Resources Available	\$192,678	\$203,356
Non-Proposition 98 Expenditures	\$98,166	\$130,421
Proposition 98 Expenditures	\$67,077	\$66,374
Total Expenditures	\$165,243	\$196,795
Fund Balance	\$27,435	\$6,561
Reserve for Liquidation of Encumbrances	\$3,175	\$3,175
Special Fund for Economic Uncertainties	\$24,260	\$3,386
Public School System Stabilization Account	\$1,984	\$4,601
Safety Net Reserve	\$450	\$450
Budget Stabilization Account/Rainy Day Fund	\$12,494	\$15,939

4 Rainy Day Fund—Budget Stabilization Account

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- The 2020 State Budget Act drew down \$7.8 billion from the Budget Stabilization Account (BSA), the first time a withdrawal was made since the inception of Proposition 2 (2014)
 - This left \$8.3 billion in the BSA
- However, due to the dramatically improved revenue forecast, the May Revision proposes increases to the BSA with ending balances of:
 - \$12.5 billion for 2020–21
 - \$15.9 billion for 2021–22

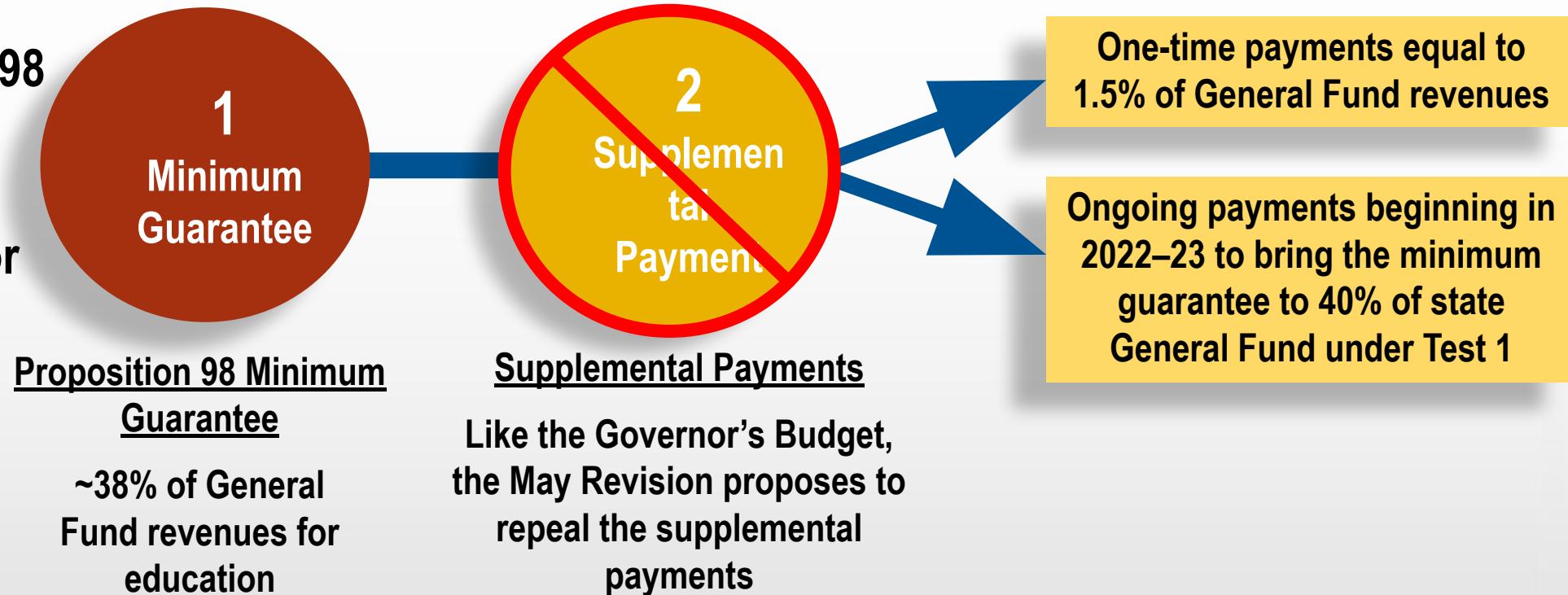


5 Education Funding for 2021–22

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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

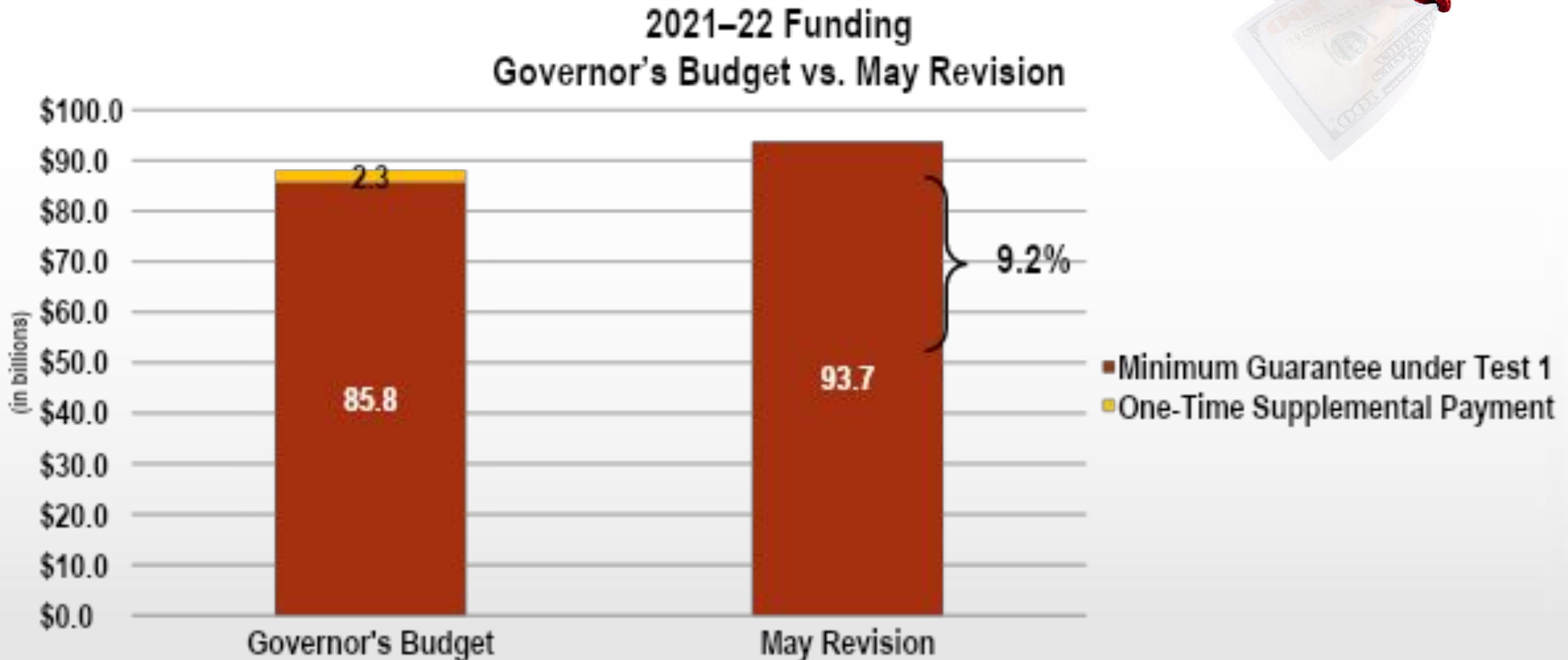
- Instead, Proposition 98 will be permanently increased by \$2.7 billion* to pay for ongoing costs of universal transitional kindergarten



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

6 Education Funding for 2021–22

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7 Education Funding for 2021–22

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- In addition to updating the Proposition 98 minimum guarantee estimates for 2021–22, the May Revision also updates the estimates for the current and prior fiscal years, or 2020–21 and 2019–20, respectively
- In each of these fiscal years, the minimum guarantee is adjusted for a total increase over January estimates of nearly \$10 billion

	Governor's Budget	May Revision
2019–20	\$79.5 billion	\$79.3 billion
2020–21	\$82.8 billion	\$92.8 billion

- The growth in the minimum guarantee brings per-student revenues to \$13,977—an historic high for California

8 The Gann Limit and Education Funding

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- Although the state has only exceeded its limit once in 1986, the Governor's budget advisors believe the state will exceed its spending limit in fiscal years 2020–21 and 2021–22
- Key drivers
 - Revenues are outpacing the rate of increase in state's limit
 - California's population is plateauing and even shrank for the first time in its history in 2020
 - Student enrollment is declining at historic rates

	Excess Revenues 2018–19 and 2019–20	Excess Revenues 2020–21 and 2021–22
January Budget	\$102 million	–
May Revision	\$0	\$16.2 billion

- The May Revision estimates that the state will need to make a one-time payment to K–14 education totaling \$8.1 billion in 2022–23

9 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

A large orange circle with a white border, containing the text "3%". A horizontal orange line extends from the right side of the circle.

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

A large blue circle with a green border, containing the text "10%". A horizontal green line extends from the right side of the circle.

10%

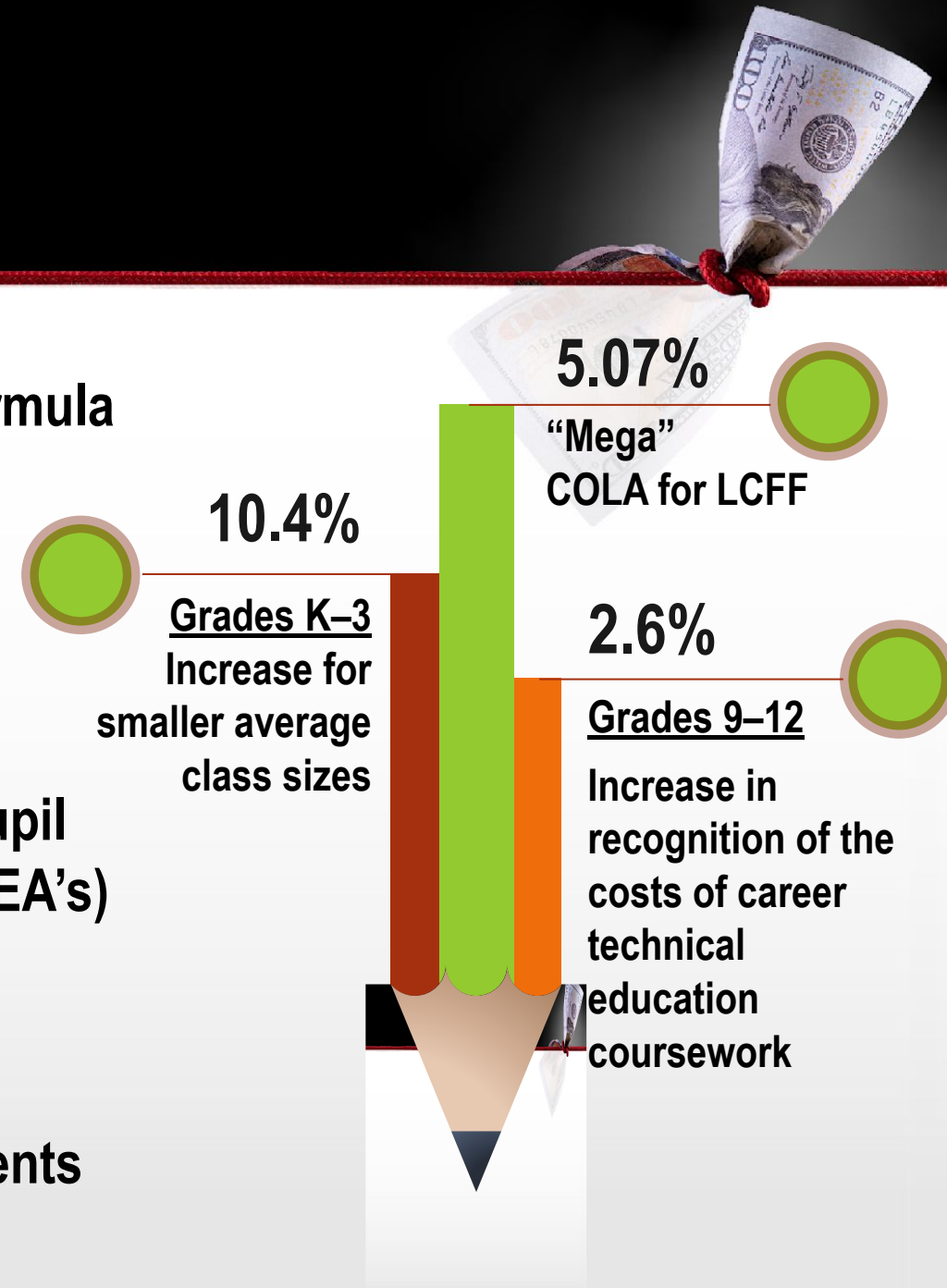
Local reserves in adopted or revised budget cannot exceed 10% of combined assigned and unassigned General Fund balances

Basic aid and districts with fewer than 2,501 average daily attendance (ADA) are exempt from the cap

10 2021–22 LCFF Funding Factors

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- The May Revision increases the cost-of-living adjustment (COLA) which is applied to the Local Control Funding Formula (LCFF) base grants for each grade span
 - Two grade span adjustments (GSAs) are applied as percentage increases to the base grants
 - Supplemental and concentration (S/C) grants are calculated based on the percentage—unduplicated pupil percentage (UPP)—of a local educational agency’s (LEA’s) enrolled students who are:
 - English learners
 - Free or reduced-price meal program eligible students
 - Foster youth



11 2021–22 LCFF Funding Factors


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Grade Span	K–3	SCCS	4–6	SCCS	7–8	SCCS	9–12	SCCS
2020–21 Base Grant per ADA	\$7,702	\$7,702	\$7,818	\$7,818	\$8,050	\$8,050	\$9,329	\$9,329
5.07% Mega COLA	\$390	\$390	\$396	\$396	\$408	\$408	\$473	\$473
2021–22 Base Grant per ADA	\$8,092	\$8,092	\$8,214	\$8,214	\$8,458	\$8,458	\$9,802	\$9,802
Grade Span Adjustment	\$842	\$842	–	–	–	–	\$255	\$255
2021–22 Adjusted Base Grant per ADA	\$8,934	\$8,934	\$8,214	\$8,214	\$8,458	\$8,458	\$10,057	\$10,057
20% Supplemental Grant per ADA (Total UPP)	\$1,787	\$706	\$1,643	\$649	\$1,692	\$584	\$2,011	\$695

12 What Does the LCFF Mean for Santa Cruz City Schools?

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Santa Cruz City Schools — 2021–22		
2021–22 LCFF Per-ADA Funding	Projected 2021–22 ADA*	Projected 2021–22 LCFF Total Revenue
\$15,808.72 Elem	1,778.62	\$28,117,698
\$10,976.03 Sec	4,051.09	<u>\$44,464,905</u>
		\$72,582,603

*Use the higher of 2019–20 ADA or the California Department of Education-approved 2020–21 ADA if higher

13 Cash Flow and Deferrals

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- The proposed pay down eliminates the ongoing deferrals scheduled for February through May 2022
- It does not impact current deferrals
 - In other words, it will not accelerate repayment of February through June 2021 deferrals that will be received in July through November 2021
- The June to July deferral once again encompasses the full apportionment, though only \$2.6 billion is scored for State Budget purposes



14 Special Education

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- **The Governor's May Revision proposes to apply the compounded COLA of 4.05% to special education funding, an increase compared to the statutory COLA only in the Governor's Budget**
 - **This will increase the special education base rate from \$625.00 in the current year to approximately \$650.31 per ADA**
 - **No structural changes are proposed to the special education funding formula and the out of home care formula will continue to be frozen in 2021–22**
- **At the Governor's Budget, \$300 million ongoing was proposed for the Special Education Early Intervention Grant, which would provide funding to districts based on the number of preschoolers with disabilities**
 - **No significant changes were made to the proposal at the May Revision**

15 Summer and Afterschool Programs - SCCS does not qualify

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New proposal to provide no-cost afterschool and summer programs for elementary school students in districts and charter schools with high concentrations of low-income students, English learners, and foster youth

Services

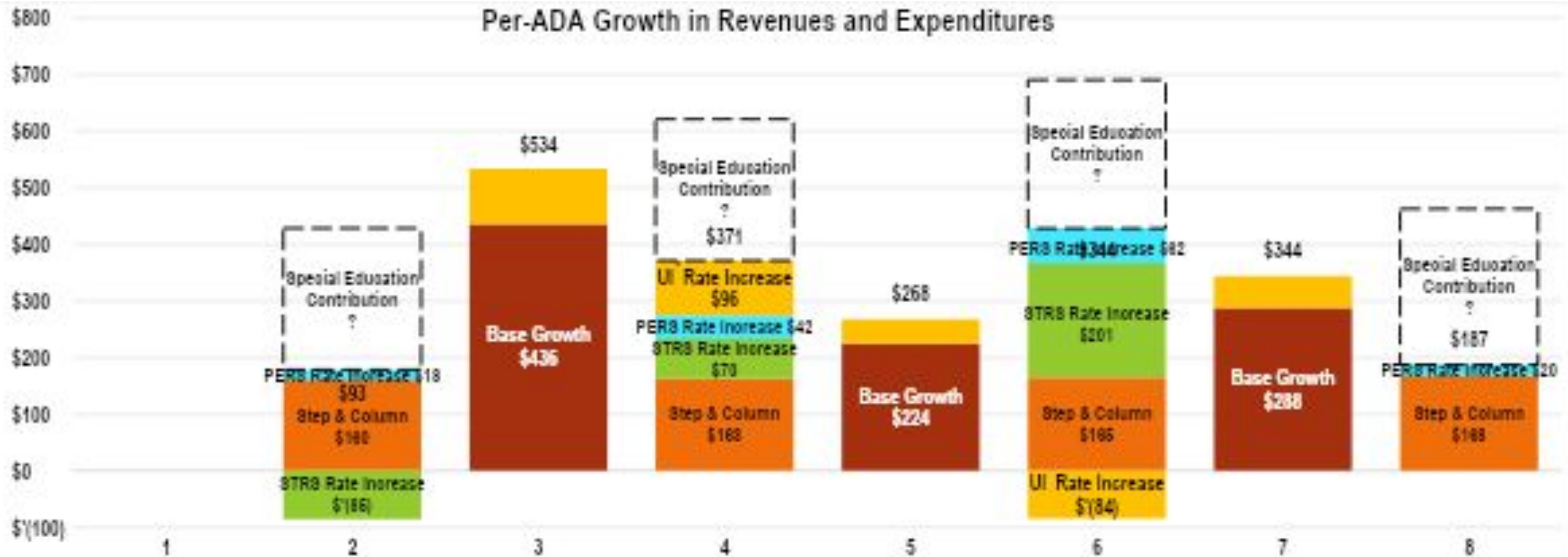
- Must provide before or afterschool expanded learning that, when added to daily instructional minutes, amounts to no less than a nine-hour school day
- Must provide at least 30 days of summer school (or other intersessional period) with at least nine hours of expanded learning
- Builds on After School Education and Safety Program
- Requires 10:1 ratio for Transitional Kindergarten (TK)/ Kindergarten students and 20:1 for students in grades 1-6

Funding

- \$1 billion in 2021–22, growing to \$5 billion in 2025–26
- Phased implementation such that LEAs with highest proportion of low-income students, English learners, and foster youth access the funds first
- At full implementation, funds incorporated into the LCFF concentration grant

16 Multiyear Projections

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*Unemployment Insurance

17 Statewide Average Reserve Levels

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- The latest statewide data available on school district reserves is from 2019–20

2019–20 Average Unrestricted General Fund, Plus Fund 17; Ending Balances¹	
Unified School Districts	18.82%
Elementary School Districts	22.70%
High School Districts	17.34%
Santa Cruz City Schools 2020-21	5.18%

¹As a percentage of total General Fund expenditures, transfers, and other uses

- The rise in ending balances is emblematic of the slowdown in new, ongoing revenues apportioned through the LCFF in 2020–21
 - LEAs also had temporary spending freezes as a result of an immediate and complete shutdown of in-person instruction

18 2021-22 Preliminary Budget Multi-Year Projection



Zero COLA

5/20/2021

2020/21

Estimated Actuals

Unrestricted Restricted Total

Revenue

LCFF Sources	69,957,026	0	69,957,026
Federal Revenue	0	11,871,611	11,871,611
State Revenue	1,174,757	12,435,898	13,610,655
Local Revenue	7,199,019	2,316,652	9,515,671
Total Revenue	78,330,802	26,624,161	104,954,963

Expenditures

Certific ated	29,802,986	8,243,277	38,046,263
Classified	8,855,486	4,162,855	13,018,341
Benefits	15,375,199	8,684,734	24,059,933
Books & Supplies	1,744,433	11,915,701	13,660,134
Services, Other Ops	6,577,846	7,139,685	13,717,531
Capital Outlay	281,746	262,289	544,035
Other Outgo	25,362	0	25,362
Direct/Indirect Support	(802,284)	802,284	0
Total Expenditures	61,860,774	41,210,825	103,071,599
Excess/Deficiency	16,470,028	(14,586,664)	1,883,364

Other Financing

Transfers In	2,500,000	0	2,500,000
Transfers Out	719,537	0	719,537
Contributions To Restr.	(17,217,473)	17,217,473	0
Transfers/Contributions	(15,437,010)	17,217,473	1,780,463
Net Inc/Dcr to Fund Balance	1,033,018	2,630,809	3,663,827
Beg Fund Balance	16,126,910	1,695,652	17,822,562
Audit Adjustments			0
Ending Fund Balance	17,159,928	4,326,461	21,486,389
Legally Restricted/Designated	67,704	5,183,149	5,250,853
Unrestricted Reserve:			
Reserve 3% Econ. Uncert.	3,113,734		3,113,734
Reserve for 21-22 Deficit	1,215,219		1,215,219
Reserve for 22-23 Deficit	3,860,655		3,860,655
Reserve for 23-24 Deficit	4,861,191		4,861,191
LCFF Supplemental	920,000		920,000
Undesignated	3,121,425	(856,688)	2,264,737
% Unrestricted Reserve			5.18%

19 2021-22 Preliminary Budget Multi-Year Projection



5.07% COLA

5/20/2021

2021/22

Projected

Unrestricted

Restricted

Total

Revenue

LCFF Sources	72,582,603	0	72,582,603
Federal Revenue	0	5,014,625	5,014,625
State Revenue	1,174,757	7,296,995	8,471,752
Local Revenue	7,168,237	141,215	7,309,452
Total Revenue	80,925,597	12,452,835	93,378,432

Expenditures

Certific ated	30,808,135	10,356,136	41,164,271
Classified	9,097,615	4,377,482	13,475,097
Benefits	17,507,249	10,131,683	27,638,932
Books & Supplies	2,278,247	1,700,191	3,978,438
Services, Other Ops	6,481,249	6,384,869	12,866,118
Capital Outlay	158,502	236,131	394,633
Other Outgo	25,362	0	25,362
Direct/Indirect Support	(1,056,387)	1,056,387	0
Total Expenditures	65,299,972	34,242,879	99,542,851
Excess/Deficiency	15,625,625	(21,790,044)	(6,164,419)

Other Financing

Transfers In	2,500,000	0	2,500,000
Transfers Out	300,000	0	300,000
Contributions To Restr.	(19,040,844)	19,040,844	0
Transfers/Contributions	(16,840,844)	19,040,844	2,200,000
	0	0	0
Net Inc/Dcr to Fund Balance	(1,215,219)	(2,749,200)	(3,964,419)
Beg Fund Balance	17,159,928	4,326,461	21,486,389
Audit Adjustments			0
Ending Fund Balance	15,944,709	1,577,261	17,521,970
Legally Restricted/Designated	67,704	2,470,567	2,538,271
Unrestricted Reserve:			
Reserve 3% Econ. Uncert	2,995,286		2,995,286
Reserve for 21-22 Deficit	0		0
Reserve for 22-23 Deficit	3,860,655		3,860,655
Reserve for 23-24 Deficit	4,861,191		4,861,191
LCFF Supplemental	450,000		450,000
Undesignated	3,709,874	(893,306)	2,816,568
% Unrestricted Reserve			5.82%

20 2021-22 Preliminary Budget Multi-Year Projection



2.48% COLA Using SSC

5/20/2021

2022/23

Projected

Unrestricted

Restricted

Total

Revenue

LCFF Sources	73,100,997	0	73,100,997
Federal Revenue	0	3,536,610	3,536,610
State Revenue	1,174,757	5,164,933	6,339,690
Local Revenue	7,133,771	141,215	7,274,986

Total Revenue

81,409,525 8,842,758 90,252,283

Expenditures

Certific ated	31,141,841	7,502,764	38,644,605
Classified	9,267,048	3,687,025	12,954,073
Benefits	18,844,731	9,751,029	28,595,760
Books & Supplies	2,278,247	1,323,610	3,601,857
Services, Other Ops	6,786,993	5,504,485	12,291,478
Capital Outlay	158,502	236,131	394,633
Other Outgo	25,362	0	25,362
Direct/Indirect Support	(1,083,325)	1,083,325	0

Total Expenditures

67,419,399 29,088,369 96,507,768

Excess/Deficiency

13,990,126 (20,245,611) (6,255,485)

Other Financing

Transfers In

Transfers Out

Contributions To Restr.

Transfers/Contributions

Net Inc/Dcr to Fund Balance

Beg Fund Balance

Audit Adjustments

Ending Fund Balance

Legally Restricted/Designated

Unrestricted Reserve:

Reserve 3% Econ. Uncert

Reserve for 21-22 Deficit

Reserve for 22-23 Deficit

Reserve for 23-24 Deficit

LCFF Supplemental

Undesignated

% Unrestricted Reserve

0		
2,500,000	0	2,500,000
300,000	0	300,000
(20,050,781)	20,050,781	0
(17,850,781)	20,050,781	2,200,000
0	0	0
(3,860,655)	(194,830)	(4,055,485)
15,944,709	1,577,261	17,521,970
		0
12,084,054	1,382,431	13,466,485
67,704	1,382,431	1,450,135
2,904,233		2,904,233
0		0
0		0
4,861,191		4,861,191
450,000		450,000
3,800,926	(0)	3,800,926
		6.93%

21 2021-22 Preliminary Budget Multi-Year Projection



3.11% COLA Using SSC

5/20/2021

2023/24

Projected

Unrestricted

Restricted

Total

Revenue

LCFF Sources	73,662,672	0	73,662,672
Federal Revenue	0	3,536,610	3,536,610
State Revenue	1,174,757	5,164,933	6,339,690
Local Revenue	7,099,478	141,215	7,240,693
Total Revenue	81,936,907	8,842,758	90,779,665

Expenditures

Certificated	31,601,223	7,615,306	39,216,529
Classified	9,439,870	3,760,765	13,200,635
Benefits	19,454,998	9,953,235	29,408,233
Books & Supplies	2,278,247	1,323,734	3,601,981
Services, Other Ops	6,696,605	5,504,485	12,201,090
Capital Outlay	158,502	236,131	394,633
Other Outgo	25,362	0	25,362
Direct/Indirect Support	(1,110,950)	1,110,950	0
Total Expenditures	68,543,857	29,504,606	98,048,463
Excess/Deficiency	13,393,050	(20,661,848)	(7,268,798)

Other Financing

Transfers In

Transfers Out

Contributions To Restr.

Transfers/Contributions

Net Inc/Dcr to Fund Balance

Beg Fund Balance

Audit Adjustments

Ending Fund Balance

Legally Restricted/Designated

Unrestricted Reserve:

Reserve 3% Econ. Uncert

Reserve for 21-22 Deficit

Reserve for 22-23 Deficit

Reserve for 23-24 Deficit

LCFF Supplemental

Undesignated

% Unrestricted Reserve

0		
2,500,000	0	2,500,000
300,000	0	300,000
(20,454,241)	20,454,241	0
(18,254,241)	20,454,241	2,200,000
0	0	0
(4,861,191)	(207,607)	(5,068,798)
12,084,054	1,382,431	13,466,485
		0
7,222,863	1,174,824	8,397,687
67,704	1,174,825	1,242,529
2,950,454		2,950,454
0		0
0		0
0		0
450,000		450,000
3,754,706	(1)	3,754,704
		6.82%

Thank You

