

CAPISTRANO UNIFIED SCHOOL DISTRICT
BOARD REPORT

To: Board of Trustees

From: Clark Hampton, Deputy Superintendent, Business and Support Services

Prepared by: Philippa Townsend, Assistant Superintendent, Fiscal Services

Date: May 20, 2020

Board Item: Governor's May Revise for Fiscal Year 2020-2021

HISTORY

Each year in May, the Governor provides a 'May Revision' to the budget he proposed in January for the upcoming fiscal year. This May Revise provides revised details for the 2020-2021 budget that is adopted in June. The next step in the budget process is final budget adoption in June.

BACKGROUND INFORMATION

In mid-May the Governor released his May Revise to his initial proposed budget. Revisions from this May Revise will be incorporated into the District's adopted budget and subsequently updated if necessary in August after the adoption of the final State budget.

CURRENT CONSIDERATIONS

At the time this item was prepared, details of the Governor's proposed budget were not yet known.

FINANCIAL IMPLICATIONS

The full financial implications of the Governor's proposed budget will be incorporated into the adopted budget which will be presented to the Board at the June 17, 2020 Board meeting.

STAFF RECOMMENDATION

It is recommended the Board President recognize Philippa Townsend, Assistant Superintendent, Fiscal Services, to give a brief outline of the Governor's 2020-2021 May Revise along with implications for the District 2020-2021 budget to be adopted in June.

PREPARED BY: Philippa Townsend, Assistant Superintendent, Fiscal Services

APPROVED BY: Clark Hampton, Deputy Superintendent, Business and Support Services



CAPISTRANO UNIFIED SCHOOL DISTRICT

2020-2021 Budget Assumptions

May 20, 2020

Economic Background

- California economy shut down since March 19th
- U.S. Unemployment rate is nearly 15%; 20% in California
 - Highest in California history
- Tax deadline postponed to July 15th
- Bigger drop in revenues than the Great Recession
- Another budget revision will be likely by early Fall
- On May 7th the Department of Finance announced a \$54 billion budget deficit
 - This translates to \$19 billion less for Proposition 98 K-14
- The State is required to adopt a budget by June 15th

Budget Development Assumptions

- January COLA was 2.29% and May Revise COLA is 2.31%
 - Funded COLA is 0%
- With the collapse in State revenues Proposition 98 will be reduced by \$19 billion
- Of this, 11% or \$2 billion is the community college share
- STRS rate for 2020-2021 was 18.4% & PERS rate was 22.68%
- Preliminary CARES Federal stimulus (Title I) estimate is \$3.7 million

How is Prop 98 Deficit Addressed?

- Inter-year cash deferrals of \$10 billion in 2019-2020 & 2020-2021
 - Projected CUSD year-end cash of \$76 million before cross fiscal year cash deferral of \$10 million from June to July
- Reduction of STRS rates from 18.41% to 16.15% 2020-2021
- Reduction of PERS rates from 22.67% to 20.75% 2020-2021
- Zero COLA for categoricals & Local Control Funding Formula
- Use of State Reserves to mitigate cuts
- Reduction to LCFF of an additional 7.69% after COLA loss (total 10%)

Budget Impact 2020-2021 Fiscal Year

Program	Notes	Impact
2020-2021 STRS/PERS rate reduction (cost decrease)	Lower pension costs	\$6,300,000
Local Control Funding Formula 10% cut	Loss of COLA + additional 7.69% cut	(\$41,000,000)
Loss of COLA on categoricals (AB602)	General Fund only	(\$800,000)
Total Cut		(\$35,500,000)

Unknowns

- Additional budget revisions are likely once we know final tax receipts in July
- Will additional Federal stimulus money arrive?
- What will school look like in the Fall
- Will there be a “Hold Harmless” for attendance next year?
- What modifications will be required for teaching, transportation and safety?
- How long could the economy take to recover? Will this be an “L” shaped recovery.
 - Fast economic decline followed by extended depressed economy with little growth.

Next Steps

- 2020-2021 Adopted Budget presented on June 17th along with multi-year projection and recommendations for expenditure reductions plus updates on any additional Federal revenues
- Unaudited Actual Expenditures/Revised Budget (Aug. 19th) (reporting data as of June)
 - Expectation that State budget details will change again in August
- 1st Interim December 15, 2020 (reporting data as of October)

Questions?
