




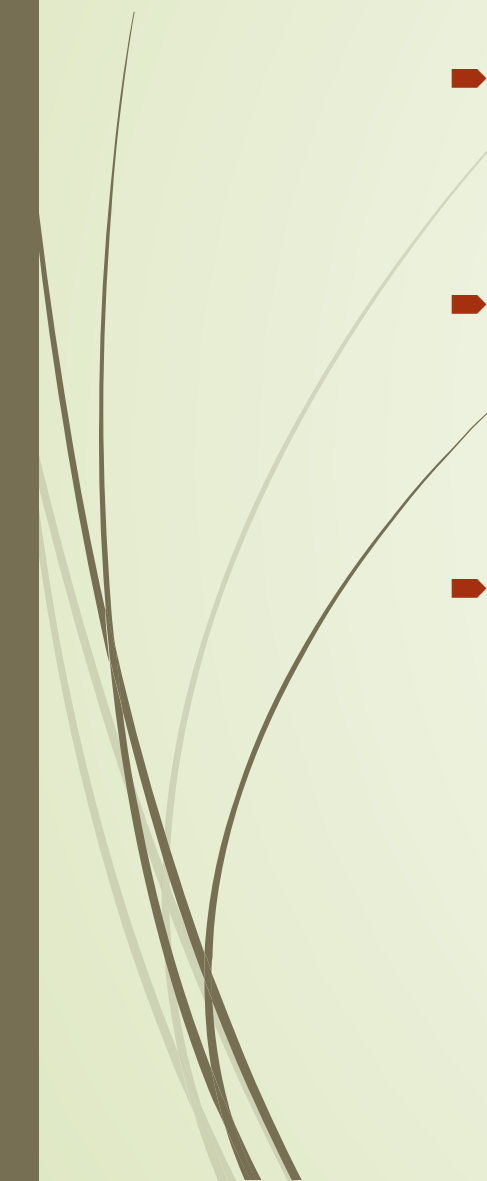
Pacific Grove Unified School District

Board Meeting

May 21, 2020



May Revise Update

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- ▶ The announcement of the May Revision to the 2020-21 State Budget on May 14 was a sobering event
 - ▶ The May Revision proposal assumes that the state faces a **\$54 billion** State Budget deficit as it heads into fiscal year 2020-21
 - ▶ Governor Gavin Newsom laid out in vivid detail how local education agencies (LEAs) will face cuts to the Local Control Funding Formula (LCFF), categorical program funds, cash deferrals, and leave little flexibility
 - ▶ The May Revision includes:
 - Draw down reserves from the State Budget Stabilization Account (SBSA), \$16.2 billion, over the next 3 years
 - Cancel planning program expansions and new programs
 - Make reductions across all government programs
 - Defer payments such as K-12 and community colleges apportionments

Major components of the May Revision:

1. Cost of Living Adjustment and Average Daily Attendance

- The May Revision proposal acknowledges the statutory cost-of-living adjustment (COLA) of 2.31%, it suspends the COLA in 2020-21 for all eligible programs, including LCFF, Special Education, Child Nutrition, Preschool, Foster Youth, and the Mandate block Grant
- Statewide ADA for the upcoming fiscal year is declining from 0.33% to 0.67%

2. Local Control Funding Formula (LCFF)


- The May Revision proposes a reduction in addition to the statutory COLA suspension, for a total cut of 10%, or \$6.5 billion, to the LCFF absent additional federal funding
- These cuts will lower the amount upon which supplemental and concentration grant funding is calculated, and the effects of the cuts on individual LEAs will vary but an average of **10% or about \$1,050 per ADA**

▶ 3. Deferrals

- The May Revision proposal brings back deferrals; LCFF funding for June 2019-20 is proposed to be deferred to July in 2020-21
- There are flexibilities offered to LEAs for an exemption

4. CalSTRS and CalPERS Relief

- In times of plenty, the 2019-20 State budget included \$3.15 billion non-Proposition 98 General Fund payment on K-14 employers' behalf to California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) Schools Pool
- A portion of the payment immediately paid down the CalSTRS and CalPERS employer contribution rates and the remaining \$2.3 billion went towards long-term unfunded liability of each system
- Instead, the Governor proposes to redirect that \$2.3 billion to further reduce employer contribution rates in 2020-21 and 2021-22
 - ❖ This reallocation of the same resources will reduce the CalSTRS employer rate from 18.40% to approximately 16.15% in 2020-21, and from 18.20% to 16.02% in 2021-22
 - ❖ CalPERS employer contribution rate will be reduced from the recently set rate for 2020-21 of 22.68% to 20.7% and 2021-22 estimated rate of 24.6% to 22.84%



Impact of the CalSTRS and CalPERS reduction in employer contribution rates to Pacific Grove USD:

CalSTRS:

2020-21:

From 18.40% to 16.15% = ~ **\$384,000**

2021-22:

From 18.20% to 16.02% = ~ **\$360,000**

CalPERS:

2020-21:

From 22.68% to 20.7% = ~ **\$128,000**

2021-22:

From 24.6% to 22.84% = ~ **\$127,000**

2020-21 Estimated total = \$512,000

2021-22 Estimated total = \$487,000



Early Childhood:

- ▶ A hallmark of the Newsom campaign to the Governor's office, early childhood continues to be a priority in the May Revision proposal; however, even it is not spared from having to absorb its **fair share** of cuts to help the state address the budget deficit
- ▶ Related to **Fair Share**, the Governor has not mentioned fair share of cuts to Basic Aid School districts.

Federal CARES Act Funds:

- ▶ The Governor proposes to use discretionary federal funds available through the Coronavirus Aid, Relief, and Economic Security (CARES) Act to address learning loss related to COVID-19 school closures
- ▶ California is receiving \$355 million total in the Governor's Emergency Education Relief (GEER), and \$9.5 billion total in Coronavirus Relief Fund (CRF)
- ▶ Funds will be based on a formula of students with disabilities, low-income students, English learners, youth in foster care, and homeless youth served by the LEA

Categorical Cuts:

- ▶ The May Revision proposes savings totaling \$352.9 million by reducing funding for various categorical programs. If federal funds available, then these cuts may be reversed.
- ▶ There are 11 programs but the following will impact PG USD:
 - Career Technical Education Incentive Grant Program: \$77.4 million
 - **Adult Education Block Grant: \$66.7 million**
 - Career Technical Education Initiative: \$7.7 million

Pacific Grove Adult School:

- ▶ PG USD Adult School's original 2020-21 Block Grant allocation is \$1.5M
- ▶ Adult Education Block Grant stands to lose 12% or \$181,000 of its funding for 2020-21, which includes the 2.31% COLA



Closing Thoughts: School Services of California, Inc

- ▶ Not all issues will be resolved by the end of June when the State Budget is enacted; with the delay of the income tax filing deadline from April to July, the final adjustments for the 2020-21 State Budget might not be known until August or September
- ▶ It is too early to spend down the reserve; in fact, hang on to all you can – at least until the State Budget is actually adopted

The journey to the final 2020-21 State Budget continues...