

Budget Update May Revise

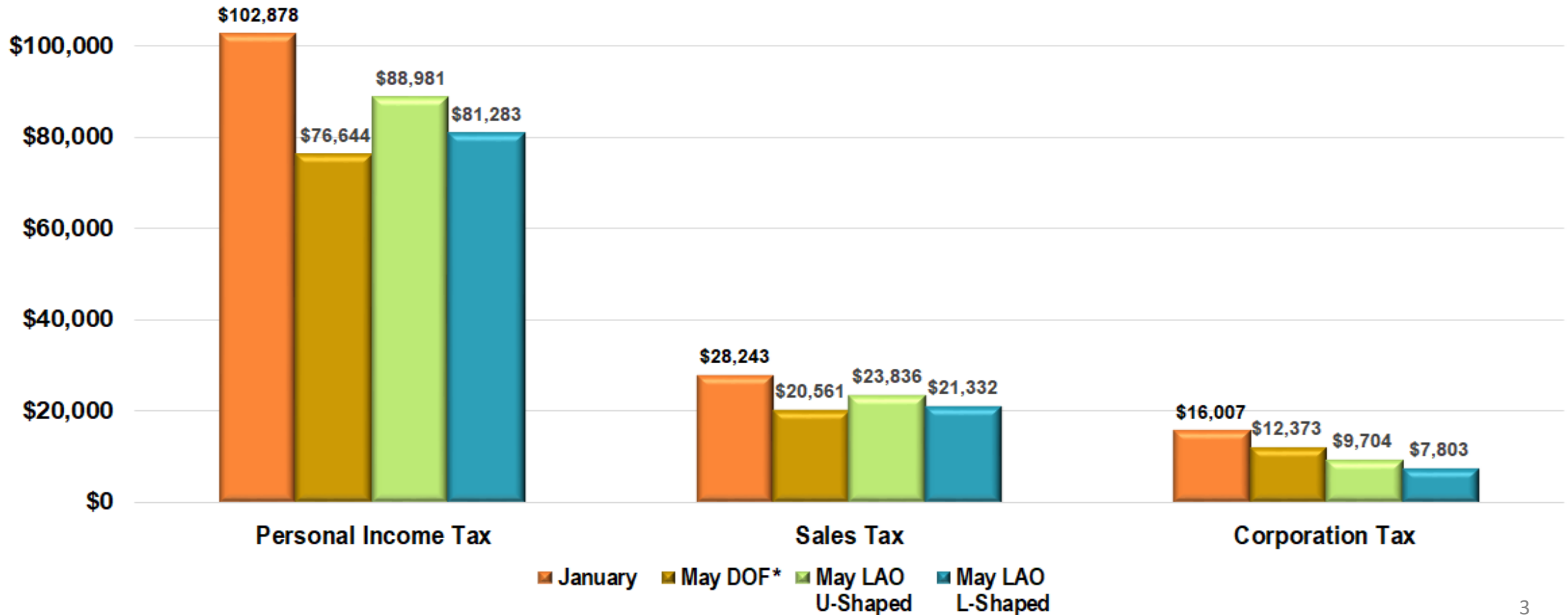
May 27, 2020

Themes for the May Revision

- **Eleven years of economic expansion came to a screeching halt this year**
- **While this is an unusual year to say the least, the Governor's May Revision is still the last statutory step in the State Budget process before the Legislature adopts the state's spending plan by June 15, 2020**
- **Tax payments deferred to July 15, 2020**
- **State will likely need to revise its Budget when more information becomes available this summer**
- **Discussions of a V shape, U shape, or L shape recovery**

Themes for the May Revision (Big Three Tax Revenues)

2020-21
 (in billions)



Themes for the May Revision

- **Proposition 98 guarantee at \$70.5 billion, a decrease of \$13.5 billion from January Budget proposal**
- **Budget Stabilization Account (BSA) has \$16.20 billion reserve**
- **LCFF Funding Factors**
 - **May Revision suspends 2.31% COLA**
 - **A 10% reduction to Local Control Funding Formula (LCFF)**
 - **Zero COLA for the next two years**

Themes for the May Revision

- In addition to the base, supplemental, and concentration grants all of the following LCFF add-on funding will receive a 10% reduction
 - Targeted Instructional Improvement Grants
 - Home-to-School Transportation
 - Economic Recovery Target
- CalPERS/CalSTRS Rate buydowns
 - STRS: 2020-21 = 18.4% to 16.15%
 - STRS: 2021-22 = 18.2% to 16.02%
 - PERS: 2020-21 = 22.68% to 20.7%
 - PERS: 2021-22 = 24.6% to 22.84%

What It Means to DUSD

- **Approximately \$1,050/student reduction**
 - **$\$1,050 \times 12,500 = \$13,125,000$ ongoing reduction**
- **STRS/PERS Rate Buydowns**
 - **Approximately \$2.10 million savings**
- **When May 13th occurred we suspended any spending**
- **Approximately \$6 million savings**
- **COLA = Zero for 2021-22 and 2022-23**

Next Steps

- **State level**
 - Budget committee hearings
 - Budget reductions would be **“triggered off”** if the federal government provides sufficient funding to backfill the cuts (HEROES Act)
 - A possible **“State August Revision”** that will likely change these revenue assumptions
- **District level**
 - Commence a Budget Reduction Committee
 - Ongoing: Staff exploring budget reductions/revenues (FEMA, CARES)
 - Budget Public Hearing and Adoption – On or Before June 30, 2020
 - Close the books for fiscal year 2019/20
 - 45 Day Budget Review