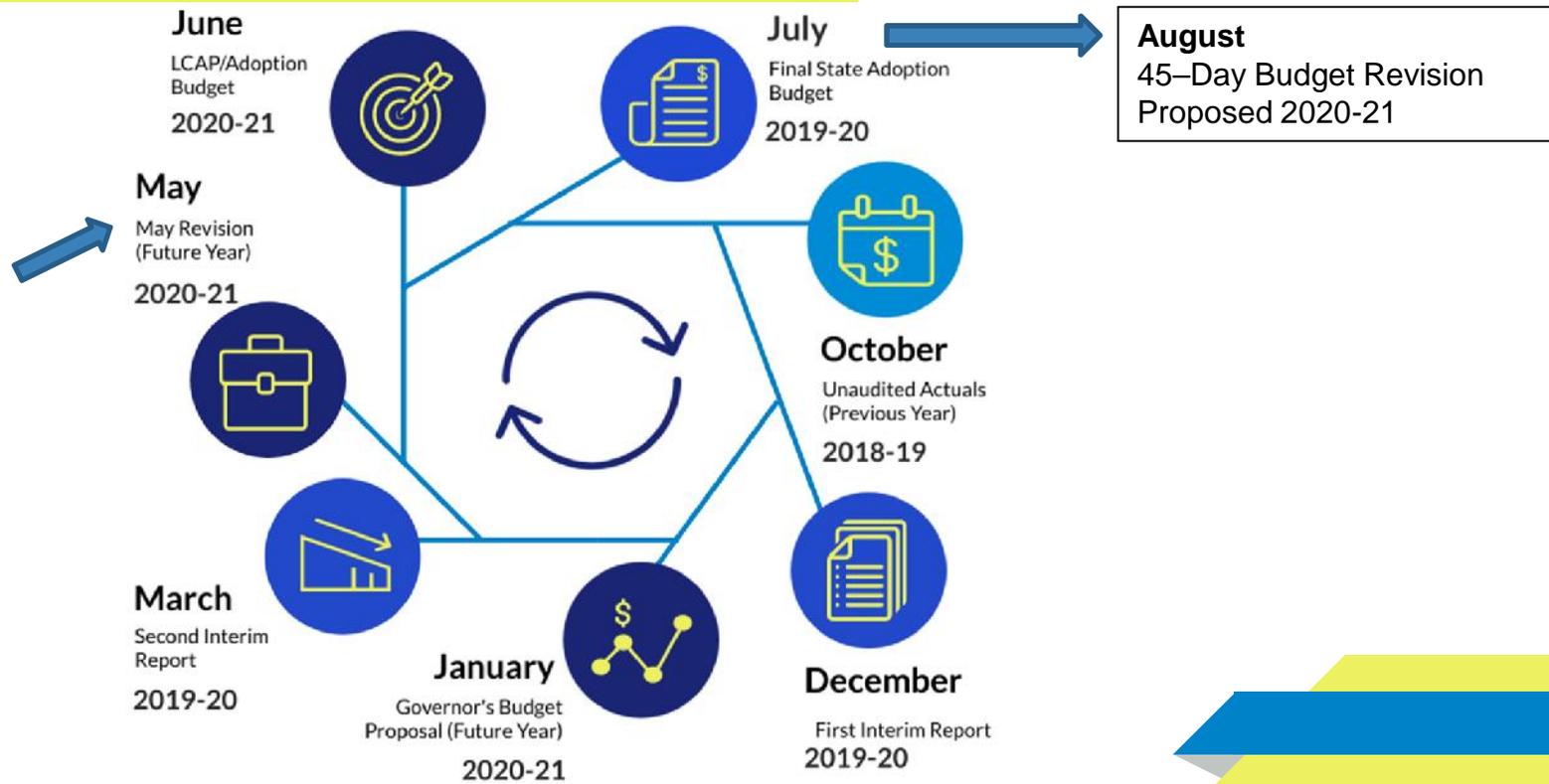


Budget Update – May Revision

May 21, 2020



Budget Reporting Cycle



Budget Challenges – May Revision

Proposition 98 K-14 reduction of \$19 Billion

LCFF Zero COLA and a funding reduction

- Includes a relief trigger from potential federal stimulus

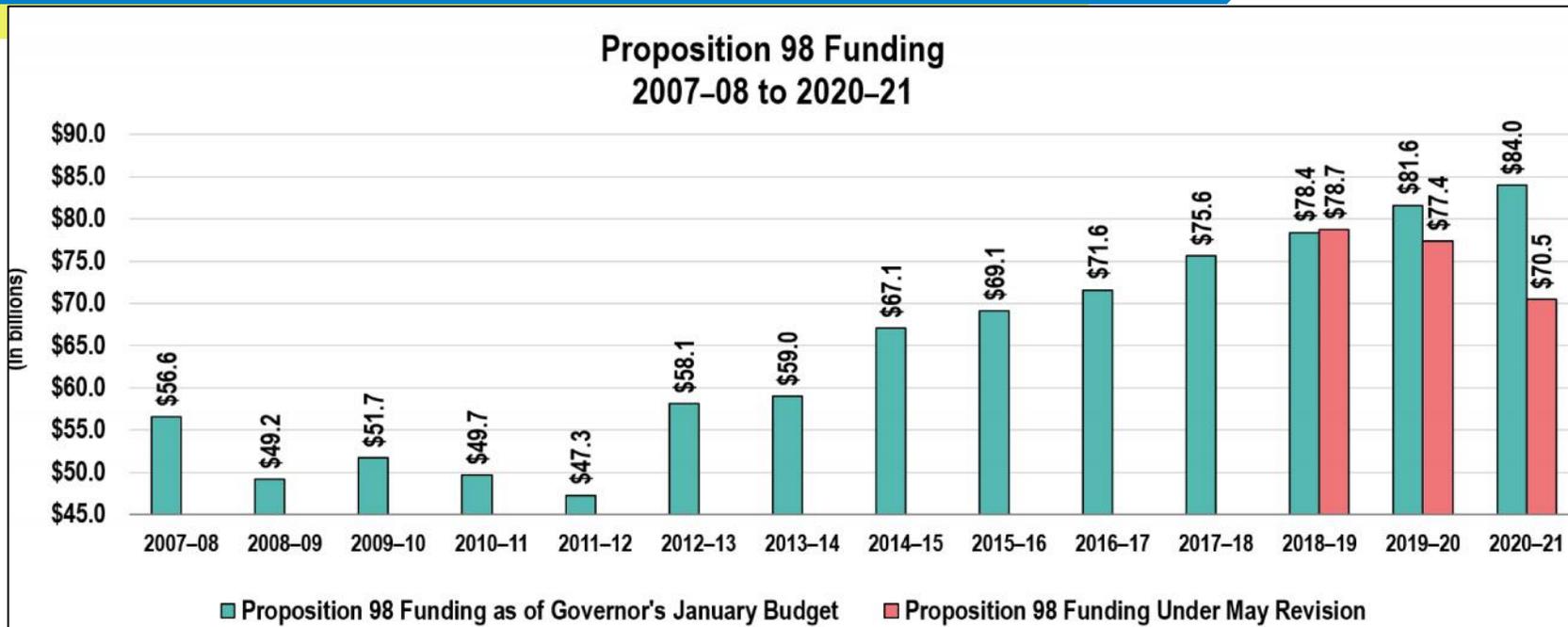
Cash deferrals of LCFF and other apportionment payments

Categorical cuts of the January proposals and current programs

Budget Mitigations – May Revision

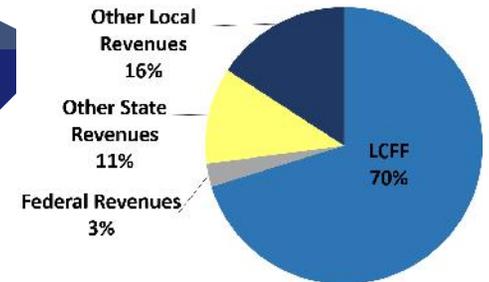
Mitigation of STRS and PERS planned rate increases
Funding of Special Education increase as proposed
One-time grant funding focused to support learning loss mitigation

Budget Challenge – Proposition 98



Source: 2020-21 Governor's Budget, pg. 68 and data provided by the DOF

Projected LCFF Revenue Assumptions



Budget Planning

LCFF Factors - COLA (Inflation)	2020-21
Zero Funded COLA	0.00%
LCFF Reduction*	-7.92%

* From School Services May Revision Workshop



Current Scenario

Ongoing budget reductions of \$6.4 million next year to maintain fiscal solvency in the Unrestricted General Fund

MAY REVISION REDUCTION WITH 3% RESERVE	2019-20	2020-21
LCFF COLA	3.26%	0.00%
LCFF REDUCTION		7.92%
LCFF Revenue Growth	\$1,700,000	(\$6,200,000)
Budget Reductions to Maintain 3% Reserve		(\$6,400,000)
Operating Deficit/Surplus	(\$2,600,000)	(\$300,000)
<i>Reserve for Economic Uncertainties %</i>	3.0%	3.0%
<i>Available Reserve Dollar Value above 3%</i>	\$0	\$0

Cash Deferrals: Here we Go Again *

- Cash deferrals were used during the Great Recession to implement state-level budget cuts and/or improve the state's cash position
- The Governor's May Revision takes a page from the same playbook and proposes the following cash deferrals:



- Local school agencies may need to implement local borrowing options to ensure adequate cash to continue paying employees and vendors during these times
 - ◆ While this avoids an additional cut in state revenues to schools, it pushes the administrative and financial burden of borrowing cash to local school agencies

* Source: School Services May Revision Workshop 2020

Cashflow Management



Districts must consider cash shortfalls in addition to funding reductions
The current fiscal year, 2019-20 education budget is being reduced through a \$1.9 Billion June deferral of cash, **\$5+ million for DJUSD**
The proposed education budget for next year, 2020-21 is being reduced through a \$5.3 Billion April-June deferral of cash, **\$12+ million for DJUSD**
Temporary interfund cash transfers from capital facilities funds was highlighted by School Services as a low cost and timely tool to address deferrals



May Revision Summary

2019-20

- June cash payment deferral of \$5+ Million

2020-21

- DJUSD will need to reduce the on-going General Fund-Unrestricted budget by \$6.4 million
- DJUSD will need to monitor cash flow and plan for cash payment deferrals of \$12+ Million

2021-22 and beyond

- Plan for more reductions based upon the economic outlook

Questions and Board Discussion