



**SANTA ANA UNIFIED SCHOOL DISTRICT**

Preparing All Students for Success in College and Career



# 2020-21 Budget & Economic Update

THE OCR Santa Ana senior chosen to speak for all...



Santa Ana High School valedictorian, Priscilla Arceo, 18, on Sunday, May 17, 2020, was chosen to speak during former President Obama's virtual commencement speech. She says she owes her success to her mom, who raised her while working two jobs. Arceo will be going to UC Santa Barbara to study English. (Photo by Mindy Schauer, Orange County Register/SCNG)



May 26, 2020



## Vision

We will work collaboratively and comprehensively with staff, parents, and the community to strengthen a learning environment focused on raising the achievement of all students and preparing them for success in college and career.

## Mission

We assure well-rounded learning experiences, which prepare our students for success in college and career. We engage, inspire, and challenge all of our students to become productive citizens, ethical leaders, and positive contributors to our community, country and a global society.



*Maintain District stability, solvency,  
and local control*

# Background

**March 10, 2020**

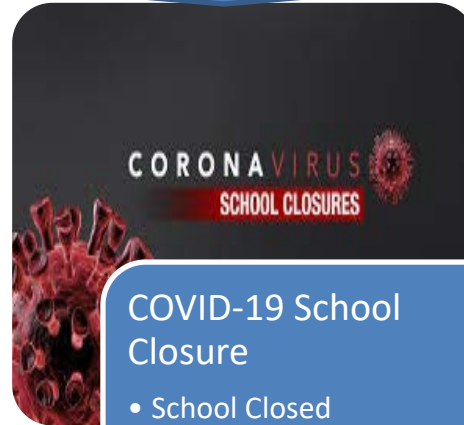


2019-20 Second Interim Report

## 2019-20 Second Interim Report

- Positive Certification
- \$98 Million Projected Ending Fund Balance
- \$42 Million ongoing expenditure reduction from 2021-22
- Facilities Optimization

**March 16, 2020**



## COVID-19 School Closure

- School Closed
- Distance Learning
- Student Meal Serving
- Planning for reopening schools
- Adverse Economic Conditions

**March 26, 2020**



## CARES ACT & SB 117

- CARES (ESSER) Funding : \$14 Million for SAUSD
- Child Nutrition Support
- SB117 (California) Funding: 0.78 Million for SAUSD
- FEMA Funding (TBD)

# Background

May 15, 2020



CALIFORNIA  
Coronavirus forces sharp cuts to schools, healthcare in California, Newsom says

**U.S. in Recession Due to COVID-19**

COVID-19 recession projected to be worse than Great Recession

U.S. GDP is projected to decrease by 26.5% in spring of 2020

**2020-21 Budget: May Revision**

## School Community

CSBA (California School Boards Association)

ACSA (Association of California School Administrators)

CASBO (California Association of School Business Officials)

## Reactions

**May Revision cuts LCFE, drops COLA, introduces proposals in effort to mitigate impact**

Reflecting California's pandemic-induced \$24 billion budget deficit, Gov. Gavin Newsom presented the May Revision on May 14, following a period of economic shock from the onset of the COVID-19 crisis.

Newsom's 13 proposals to COVID-19 relief include a 1% increase in the state income tax rate, a 1% increase in the state sales tax rate, and a 1% increase in the state property tax rate. He also proposed a 1% increase in the state income tax rate and a 1% increase in the state sales tax rate.

Sobering Budget



# Background

15  
may

## May Revision cuts LCFF, drops COLA, introduces proposals in effort to mitigate impact

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Reflecting California's pandemic-induced \$54 billion budget deficit, Gov. Gavin Newsom presented his **May Revision** on May 14 featuring a blend of proposals aimed at mitigating the dire financial straits of the state's K–12 schools.

“Coupled with a 10 percent cut to LCFF — the primary source of funding for K-12 education — the May Revision impairs the ability of schools to serve all students and to resume on-campus instruction safely,” said CSBA President Xilonin Cruz-Gonzalez. “This budget would be insufficient in ordinary times and is less than what is required for most schools to reopen safely during a pandemic — and if schools don't reopen, our economy can't fully reopen.”

# Background

May 15, 2020



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**2020-21 Budget: May Revision**

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## Reactions

**May Revision cuts LCFE, drops COLA, introduces proposals in effort to mitigate impact**

Reflecting California's pandemic-induced \$24 billion budget deficit, Gov. Gavin Newsom presented the May Revision on May 14, featuring a host of proposals aimed at mitigating the deep financial crisis of the state's 20-21 fiscal year.

Newsom's plan includes a 1% increase in state income tax, a 1% increase in state sales tax, and a 1% increase in state property tax. He also proposes a 1% increase in state income tax for high earners and a 1% increase in state sales tax for luxury goods.

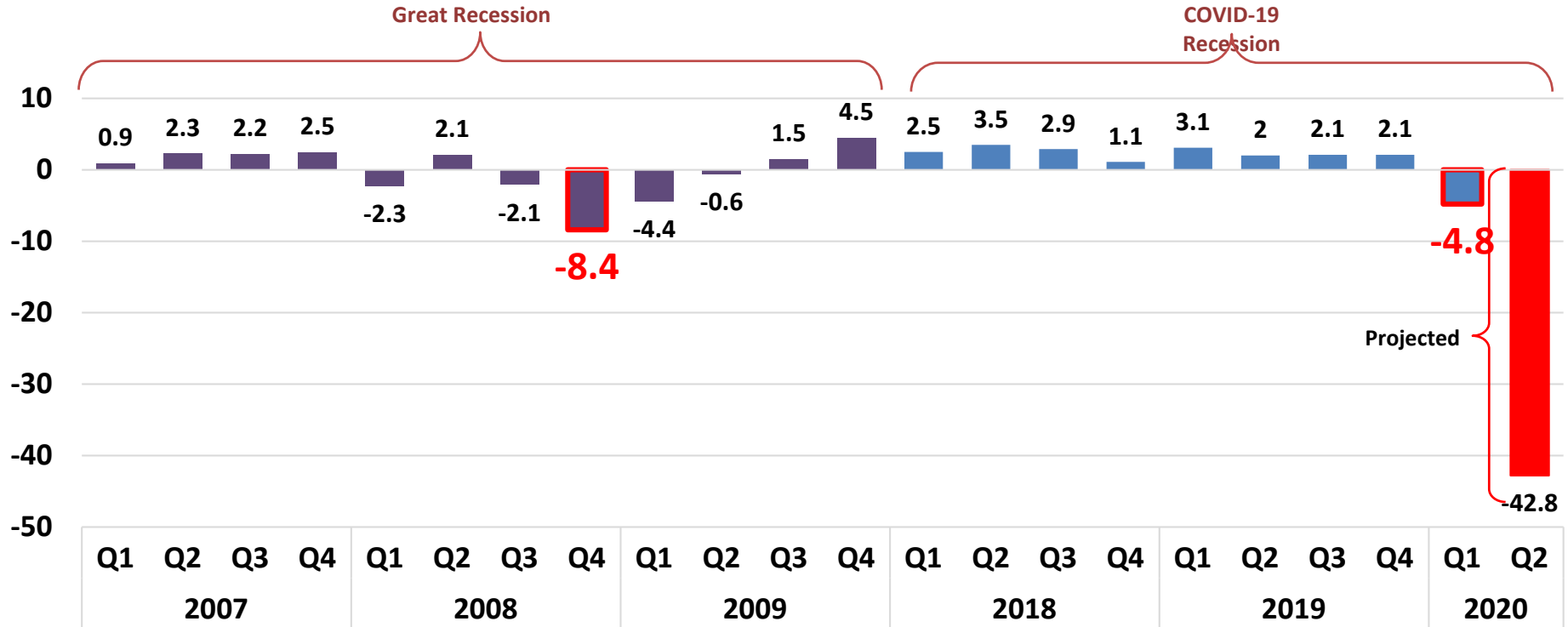
Sobering Budget



# Summary

- Global Health Crisis (COVID-19) has triggered a Global Economic Crisis
- Appears COVID-19 curve flattened. Now - confronted with a steep and unprecedented economic crisis
- Problem cannot be solved by District/State alone. Need Federal relief
- The way out of crisis is uncertain and will be long and painful

# U.S. Real GDP—Great Recession vs. COVID-19



Source: U.S. Bureau of Economic Statistics



# Governor's May Revise

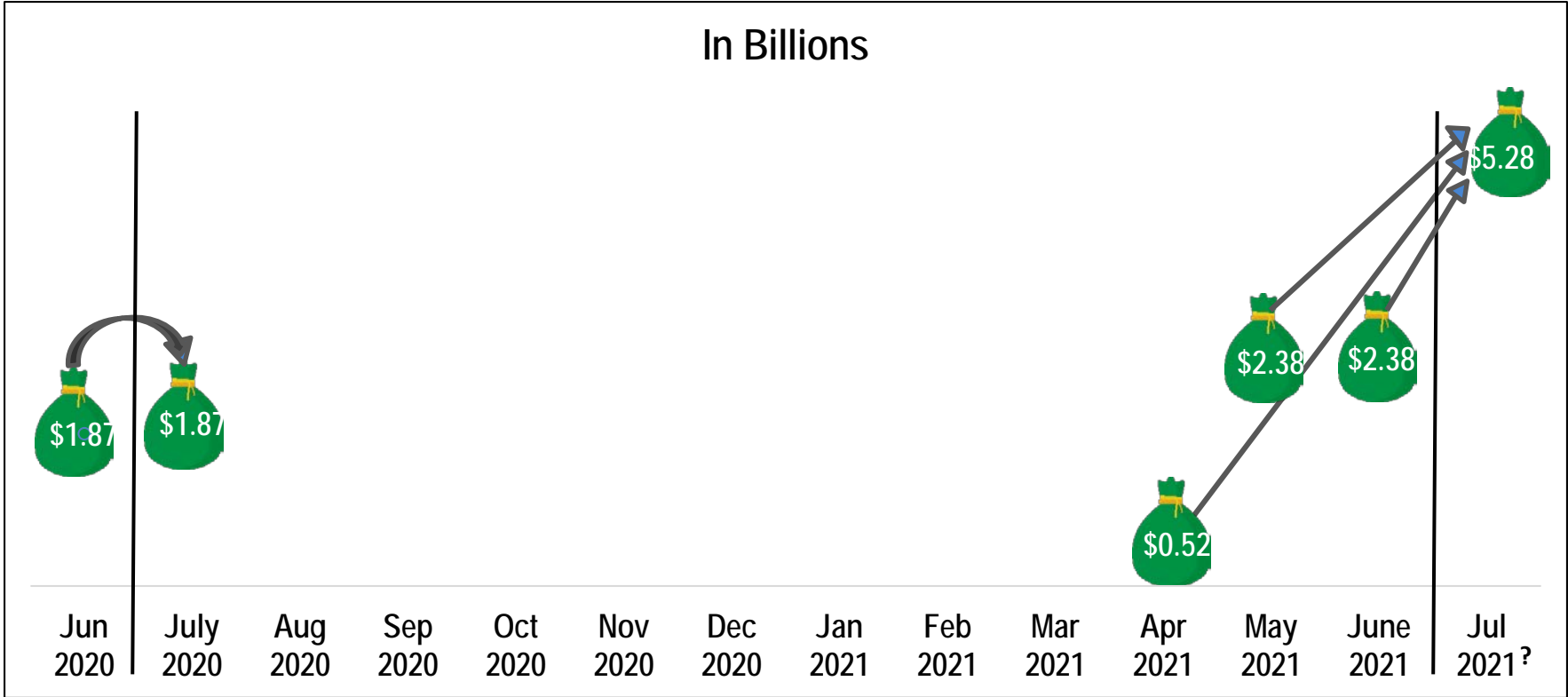
- Unemployment projected at 18% for 2020 (*Peak 2021 at 24.5%*)
- Personal Income Tax decline by 9% in 2020
- General Fund Revenue decrease \$41 billion compared to January forecast
- Combined with increases in health & human services overall budget deficit is \$54 billion (*Projected \$21 Billion Surplus on January Proposed Budget*)
- Out Years structural deficits are increasing also (*No COLA*)

# May Revise Proposals (Education)

- Cancels new initiatives proposed in the Governor's January Budget (early childhood, K-12 Education COLA increase, Teacher Credentialing, PD, support for lowest performing schools and mental health, boost nutrition funding)
- 10% cut to School Funding (LCFF – Local Control Funding Formula)
- Special Education Cuts (No COLA increases)
- Categorical Program Reductions – ASES, CTE
- Reductions in State Preschool slots, Child Care slots
- Apportionment Deferrals – Cash Flow Impacts

# Cash Flow and Deferrals

The proposed deferrals in the May Revision are illustrated as follows:



# May Revise Silver Linings

- CARES Act funding to be used:
  - Programs for schools that address catch up on lost learning and equity gaps \$4.4 billion
- Reallocate \$2.3 billion in funds previously dedicated to paying down schools' long-term unfunded liability CalSTRS and CalPERS
- Increase Special Education Funding through SELPA ADA funding equalization

# SAUSD Major Financial Impacts

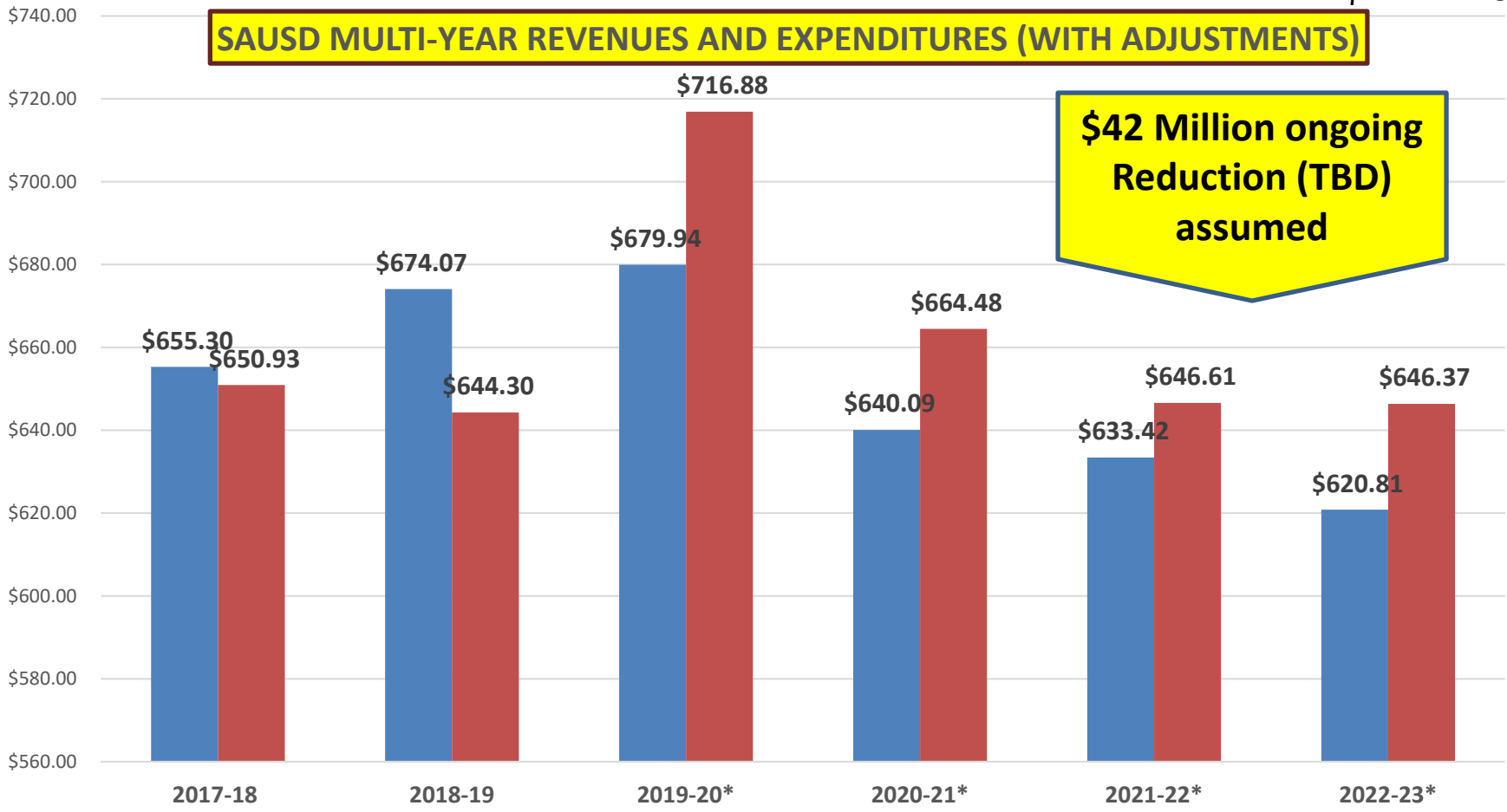
- K-12 Education Funding will reduce by \$6.89 billion (12.6%)
  - *SAUSD Impact -\$51.68 Million (ongoing)*
- \$4.35 billion (one time) to address learning loss related to COVID-19 school closures
  - *SAUSD Impact +\$30 Million (one-time)*
- *Categorical Funding Cuts*
  - *SAUSD Impact TBD (Increase in GF Contribution for ASES, CTE)*
- *Deferral of Apportionment*
  - *SAUSD Impact TBD (will have to issue TRANS/borrowing)*

# Fiscal Outlook (2019-20 Second Interim) *(Presented March 10, 2020)*

\$ in Millions

**SAUSD MULTI-YEAR REVENUES AND EXPENDITURES (WITH ADJUSTMENTS)**

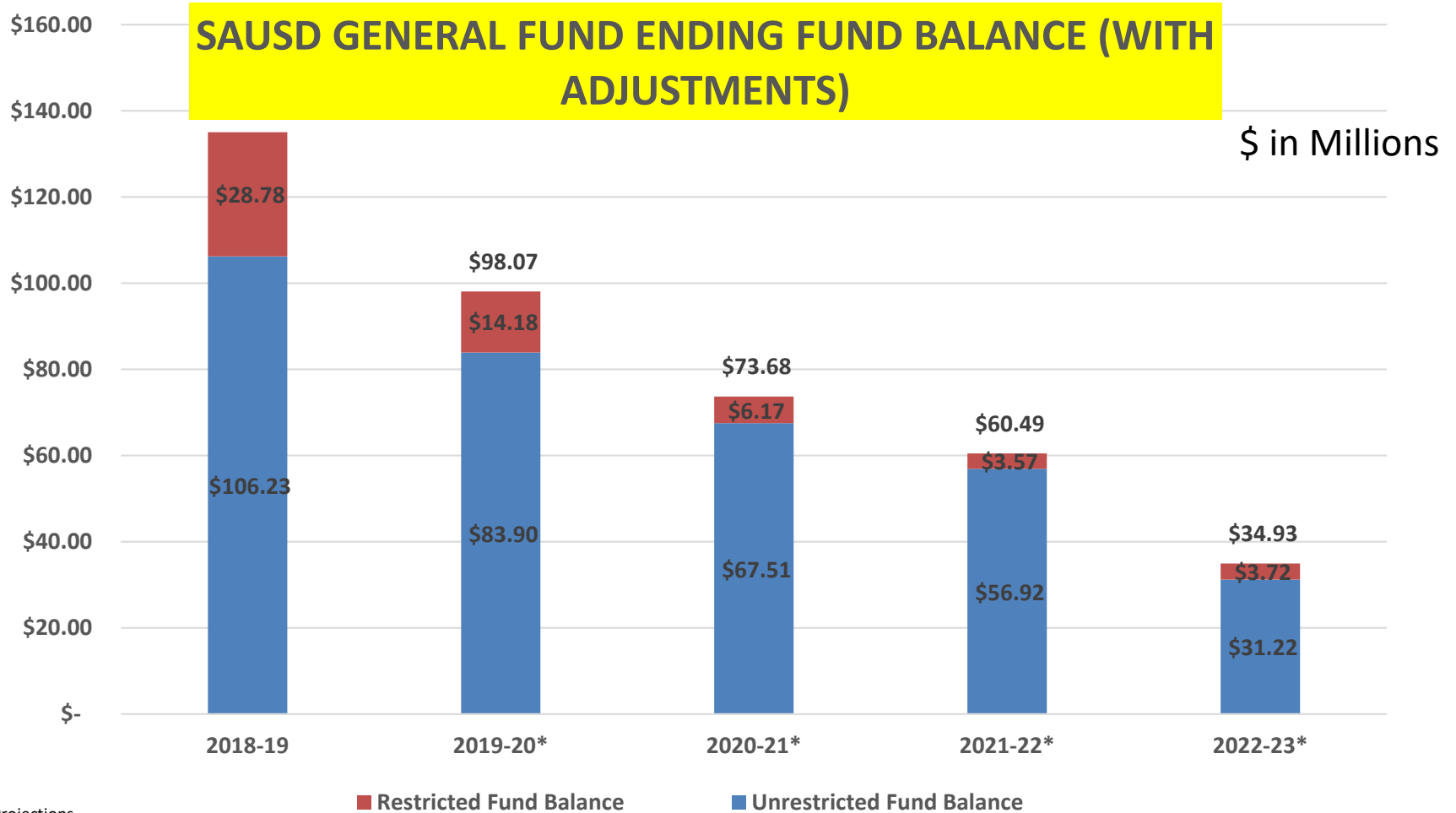
**\$42 Million ongoing Reduction (TBD) assumed**



\*Projections

■ Total Revenues      ■ Total Expenditures (including Transfers)

# Fiscal Outlook (2019-20 Second Interim) *(Presented March 10, 2020)*



# Future Outlook

## COVID-19: Recession and Recovery

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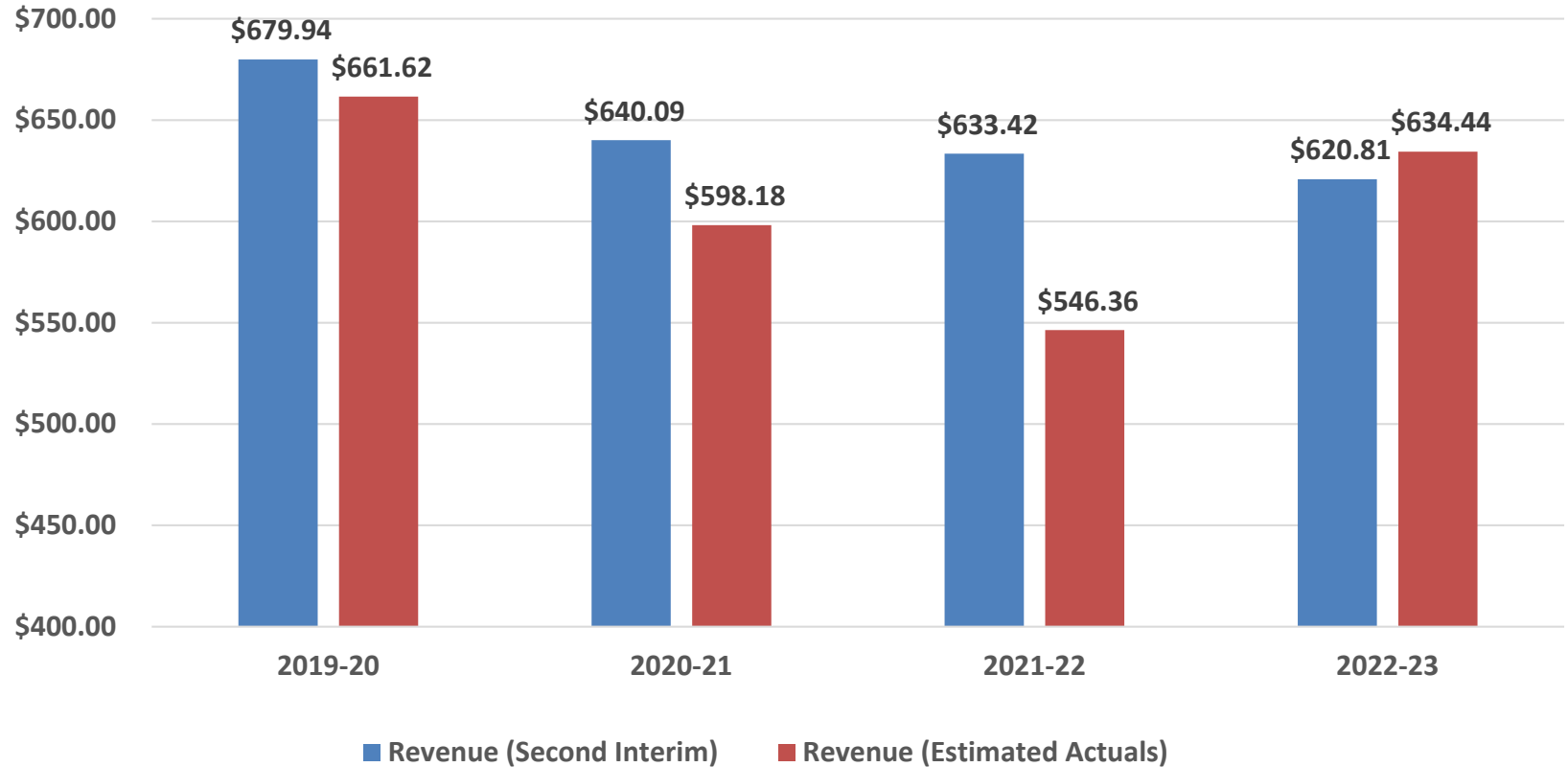
- ▶ **Job Loss and Abrupt Halting of Economic Activity Make it Clear That We Have Entered a Recession**
  
- ▶ **From This Point, Two Paths Seem Plausible:**
  - ***U-Shape.*** Sharp downturn with depressed level of activity persisting for some period of time, followed by a pronounced recovery.
  - ***L-Shape.*** Sharp downturn, slow resolution to the virus, and inadequate federal fiscal stimulus leads to protracted recession with high unemployment rates.
  
- ▶ **Which Shape the Recovery Takes Likely Depends on the Trajectory of Virus Itself**



# Future Outlook

## SAUSD MYP General Fund Revenues (U Shaped Recovery)

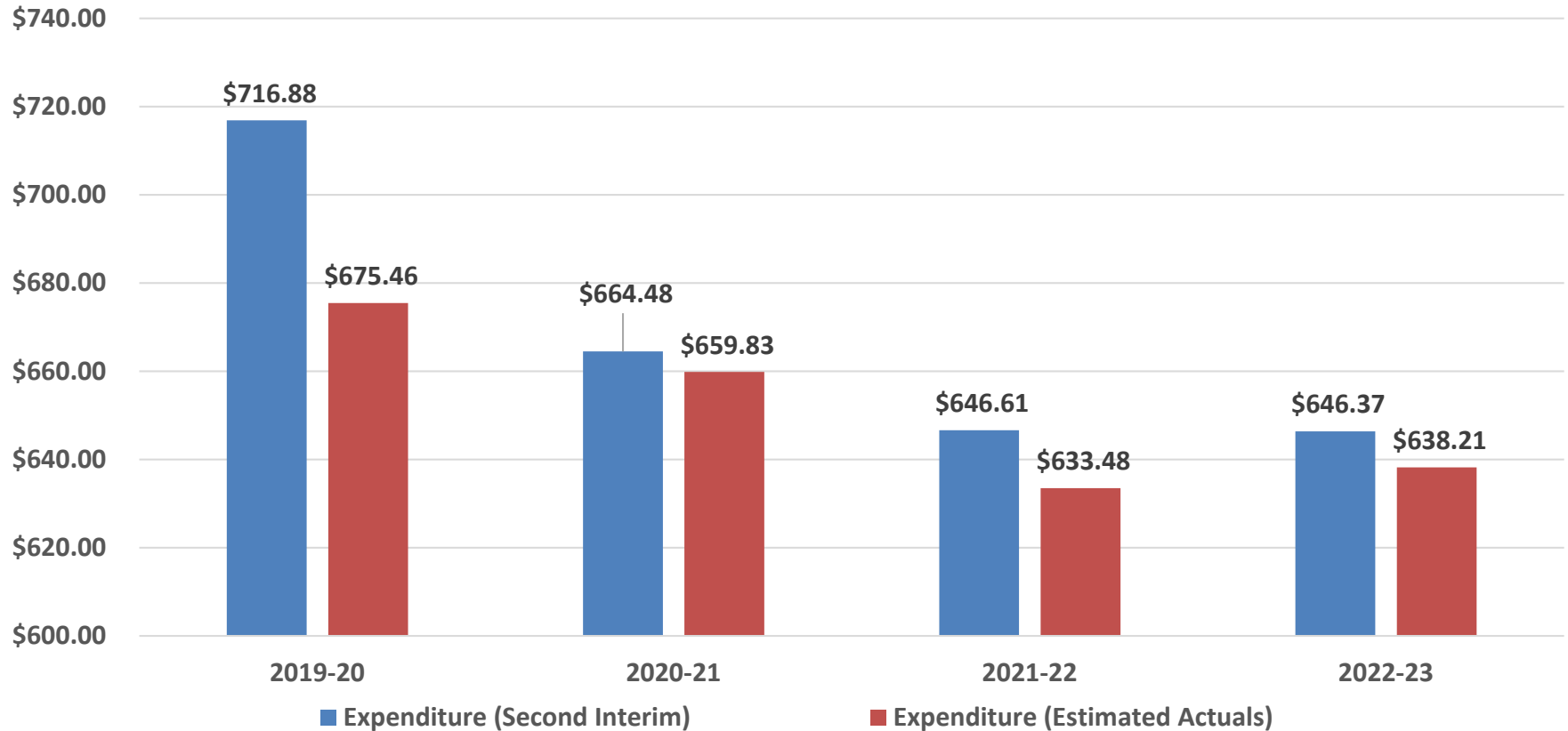
\$ in Millions



# Future Outlook

## SAUSD MYP General Fund Expenditures (U Shaped Recovery)

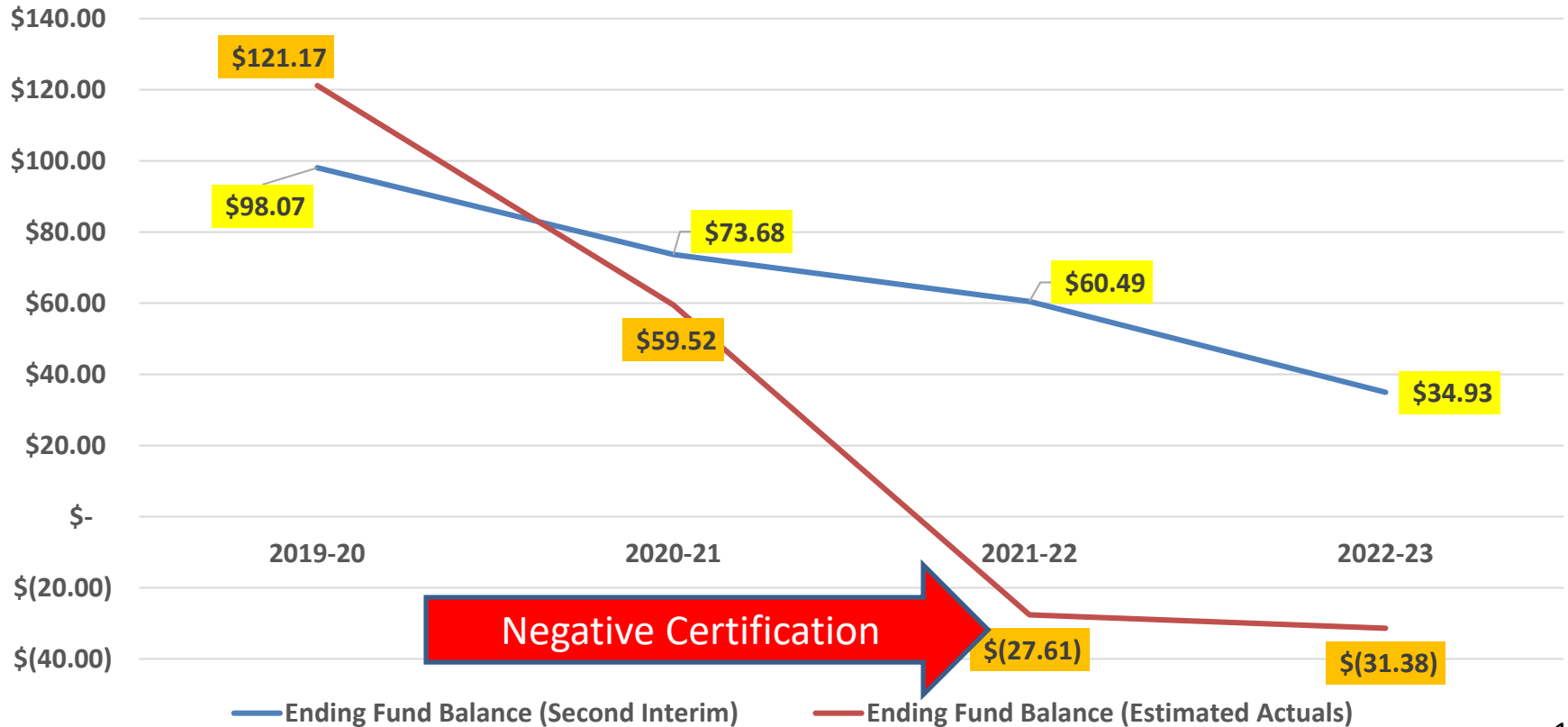
\$ in Millions



# Future Outlook

## SAUSD MYP General Fund Ending Fund Balance (U Shaped Recovery)

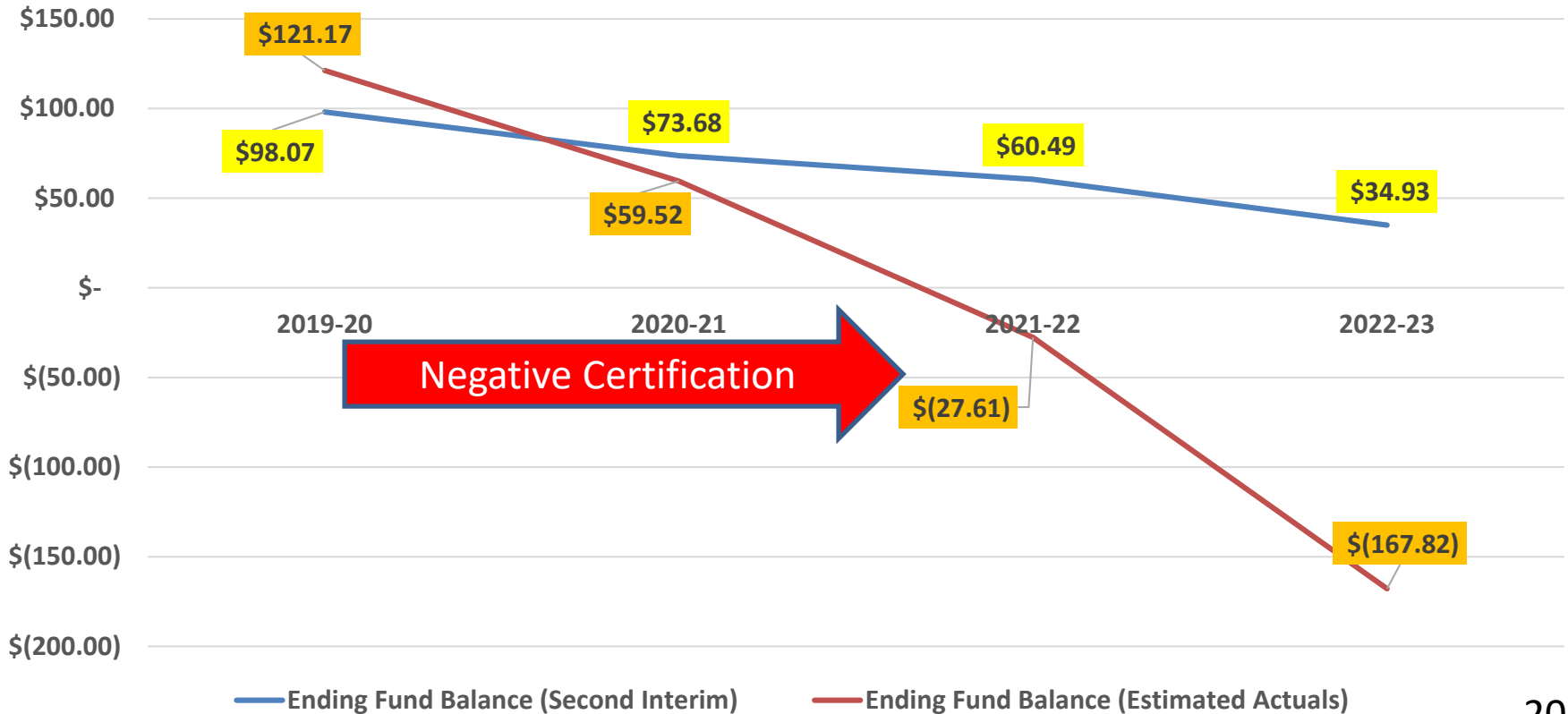
\$ in Millions



# Future Outlook

\$ in Millions

## SAUSD MYP General Fund Ending Fund Balance (L Shaped Recovery)



# Future Outlook

- Adopted Budget /Legislative Actions?
- Enrollment when School Reopens?
- Learning Methodology & Infrastructure when School Reopens?

## Too Expensive to Re-Open Schools? Some Superintendents Say It Is

New costs are colliding with dwindling funds—a double whammy of the coronavirus crisis that is making the re-opening of school buildings a huge financial challenge. [Read more.](#)



- The image shows the cover of a report titled "THE HEROES ACT" in large, bold, white letters on a dark blue background. Below the title, it says "A Bold Response to the Coronavirus Pandemic and the Economic Collapse". To the right of the title is the Great Seal of the United States. Below the title, it reads "H.R. 6800, The Heroes Act" and "Title-By-Title Summary". Further down, it says "DIVISION A – Coronavirus Recovery Supplemental Appropriations Act 2020" and "Prepared by the Democratic staff of the House Committee on Appropriations". At the bottom, it lists "Title I – Agriculture, Rural Development, Food and Drug Administration and Related Agencies".

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QUESTIONS?