



NOVATO UNIFIED SCHOOL DISTRICT

Business & Operations

TO: Board of Trustees

FROM: Yancy Hawkins, Assistant Superintendent of Business & Operations

DATE: August 18, 2020

RE: Discussion/Action: Approve Revisions made to the 2020-2021 Combined General Fund Budget (45-Day Revision)

Board Priority/Goal

1. Student Success

Objective

To obtain Board approval of the budget revisions made to the 2020-2021 Combined General Fund Budget.

Background

On June 16, 2020, the Board of Trustees reviewed and adopted the 2020-2021 General Fund Budget based upon the Governor's May Revise Budget.

Education Code Section 42127(h), "Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act."

On June 29, 2020, the Governor signed the 2020-2021 State Budget. The adopted State budget kept funding for schools at the 2019-2020 levels, without the original proposed 10% reduction for 2020-2021. The impact to NUSD was an additional net \$5.1 million over the NUSD adopted budget. This left NUSD with an updated projected deficit of approximately \$2.7 million for 2020-2021, if no budget reductions were made.

Also included in the adopted State budget was Learning Loss Mitigation (LLM) funding, funded primarily by Federal Cares Act funds. The total LLM funding received by NUSD is \$4.2 million. This funding is being used to offset significant additional costs, including special education transportation costs, additional required special education, remote learning professional development, personal protective equipment (PPE), TK-2 iPads/devices, Virtual Learning Academy (VLA) additional staffing, additional custodial support, and remote curriculum.

The total net impact of the adopted State budget is a positive \$5.1 million, which lowered the deficit in the adopted budget of \$7.9 million to \$2.7 million. These changes are detailed in the attached budget adjustments.

On June 30, the Board approved a \$2.4 million Budget Balancing Plan to address the remaining budget deficit and put the District in the best position possible going into 2021-2022. Those budget adjustments are not included in the 45-Day Budget Revision, but will be included in the District's First Interim Budget Update in December 2020.

Funding Source/Cost

General Fund/LCFF/\$5.1 million additional net revenue

Recommendation

The Superintendent and staff recommend approval of the budget revisions made to the 2020-2021 Combined General Fund.

Supporting Document(s)

- 2020-2021 45 Day Revision Narrative 8.18.20
- 2020-2021 45 Day Revision 8.18.20
- 8.18.20 45 Day Budget Revision 2020-2021 Presentation
- 2020-2021 SSC CA School Financial Conference Presentation
- 6.30.20 2020-2021 Budget Update Presentation

2020-2021 45 Day Budget Revision Narrative

2020-2021 NUSD Budget Adoption

On May 14, 2020, Governor Newsom issued his proposed 2020-2021 California State Budget, which reflects the historic impacts of the COVID-19 pandemic on California's state budget. Major revenue (personal income tax, sales tax, and corporate tax) projections are down an average of 25%, the unemployment rate is projected to increase to 25%, and the Department of Finance projects a \$54 billion deficit. The Proposition 98 guarantee, which determines the minimum level of funding to education in California school districts, had decreased by \$19 billion.

On June 16, 2020, NUSD met its statutory obligation and adopted its 2020-2021 Budget, based upon the Governor's Proposed Budget. The NUSD budget included an unrestricted deficit of approximately \$8 million and reserves were projected to be spent down to the State minimum of 3% at the end of the 2020-2021 fiscal year.

Impact of 2020-2021 Adopted State Budget on NUSD Budget (Disclosure in 45 Day Revise)

On June 23, 2020, the Legislature and the Governor came to an agreement on a budget compromise for the 2020-2021 State Budget. The compromise kept funding for schools at the 2019-2020 levels, without the original proposed 2.31% COLA for 2020-2021. The impact to NUSD was an additional net \$5.1 million over the NUSD adopted budget. This left NUSD with an updated projected deficit of approximately \$2.7 million for 2020-2021, if no budget reductions were made.

Also included in the adopted State budget was Learning Loss Mitigation (LLM) funding, funded primarily by Federal Cares Act funds. The total LLM funding received by NUSD is \$4.2 million. This funding is being used to offset significant additional costs, including special education transportation costs, additional required special education, remote learning professional development, personal protective equipment (PPE), TK-3 iPads/devices: Virtual Learning Academy (VLA) additional staffing, additional custodial support, and remote curriculum.

The total net impact of the adopted State budget is a positive \$5.1 million, which lowered the deficit in the adopted budget of \$7.9 million to \$2.7 million. These changes are detailed in the attached budget adjustments.

2020-2021 Budget Balancing Plan

Given the current and projected future economic situation, staff recommended that the District make all possible efforts to balance the 2020-2021 budget in order to be well positioned to survive likely significant budget reductions from the State in 2021-2022.

On June 30, the Board approved the \$2.4 million Budget Balancing Plan to address the remaining budget deficit and put the District in the best position possible to going into 2021-2022.

The \$2.4 million in reductions are not included in the 45 Day Budget Revision, as they were not as a result of the adopted state budget, but will be included in the First Interim Budget in December 2020. A reconciliation of the impact of the State budget and the Budget Balancing Plan is below.

2020-2021 45 Day Budget Revision Narrative

Adopted 2020-2021 Budget Position:	\$(7,857,717)
45 Day Budget Revision (Impact of State Budget):	\$5,146,404
Budget Balancing Plan:	\$2,377,000
Updated 2020-2021 Budget Position:	\$(334,313)

2021-2022 & Moving Forward

In the State Budget compromise, the State used a vast majority of the options it has to blunt the impact in the 2020-2021 year. While this is much appreciated, given the current circumstances, it leaves the State very few options for blunting the impact of the almost certain significant budget cuts to school districts in 2021-2022, unless the economy has a miraculous recovery.

Novato Unified School District
2020-2021 45-Day Revision
August 18, 2020

Combined General Fund	2020-2021 Adopted Budget	Changes	2020-2021 45-Day Revision	Change
LCFF Sources	\$64,223,461	\$5,550,655	\$69,774,116	\$5,550,655
Federal Revenue	\$3,677,504	\$4,238,812	\$7,916,316	\$4,238,812
State Revenue	\$5,606,641		\$5,606,641	\$0
Local Revenue	\$9,438,581		\$9,438,581	\$0
Total Revenues	\$82,946,187	\$9,789,467	\$92,735,654	\$9,789,467
Certificated	\$40,408,970		\$40,408,970	\$0
Classified	\$13,597,559		\$13,597,559	\$0
Benefits	\$22,170,689		\$22,170,689	\$0
Supplies	\$1,881,917		\$1,881,917	\$0
Operating Expenditures	\$9,137,423		\$9,137,423	\$0
Equipment	\$148,800		\$148,800	\$0
Transfer Services	\$2,941,750		\$2,941,750	\$0
Indirect Costs	(\$91,392)		(\$91,392)	\$0
Additional LCAP/LCFF Expenses		\$404,251	\$404,251	\$404,251
Learning Loss/COVID Expenses		\$4,238,812	\$4,238,812	\$4,238,812
Total Expenditures	\$90,195,716	\$4,643,063	\$94,838,779	\$4,643,063
Excess of Revenues over Expenditures	(\$7,249,529)	\$5,146,404	(\$2,103,125)	\$5,146,404
Transfers In	\$3,206,905	(\$3,206,905)	\$0	(\$3,206,905)
Transfers Out	(\$608,188)		(\$608,188)	\$0
Contributions	\$0		\$0	\$0
Total Sources/Uses	\$2,598,717	(\$3,206,905)	(\$608,188)	(\$3,206,905)
Net Increase/Decrease in Fund Balance	(\$4,650,812)	\$1,939,499	(\$2,711,313)	\$1,939,499
Beginning Fund Balance	\$8,790,683		\$8,790,683	\$0
Ending Fund Balance	\$4,139,871		\$6,079,370	\$1,939,499