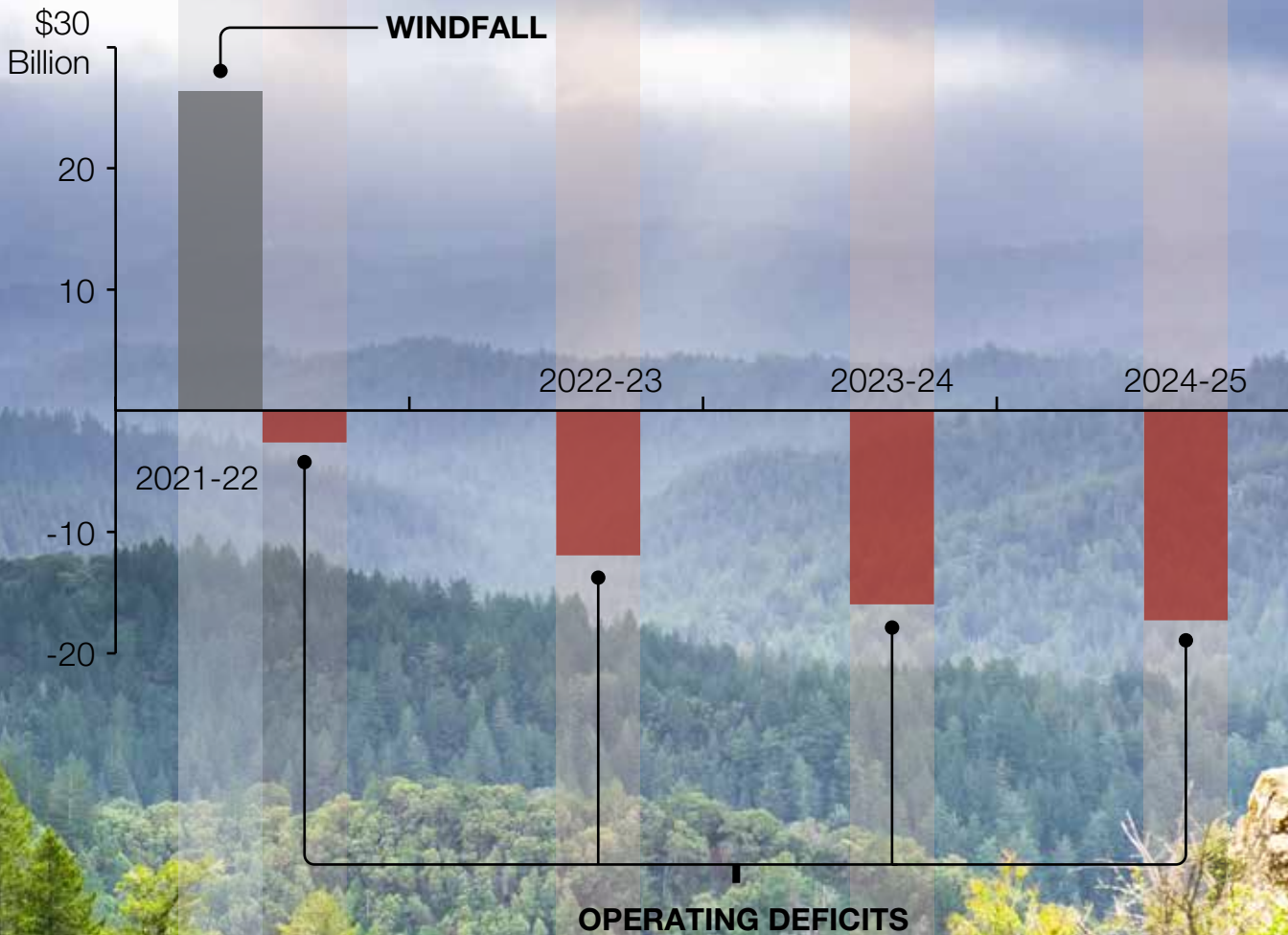


The 2021-22 Budget: California's Fiscal Outlook



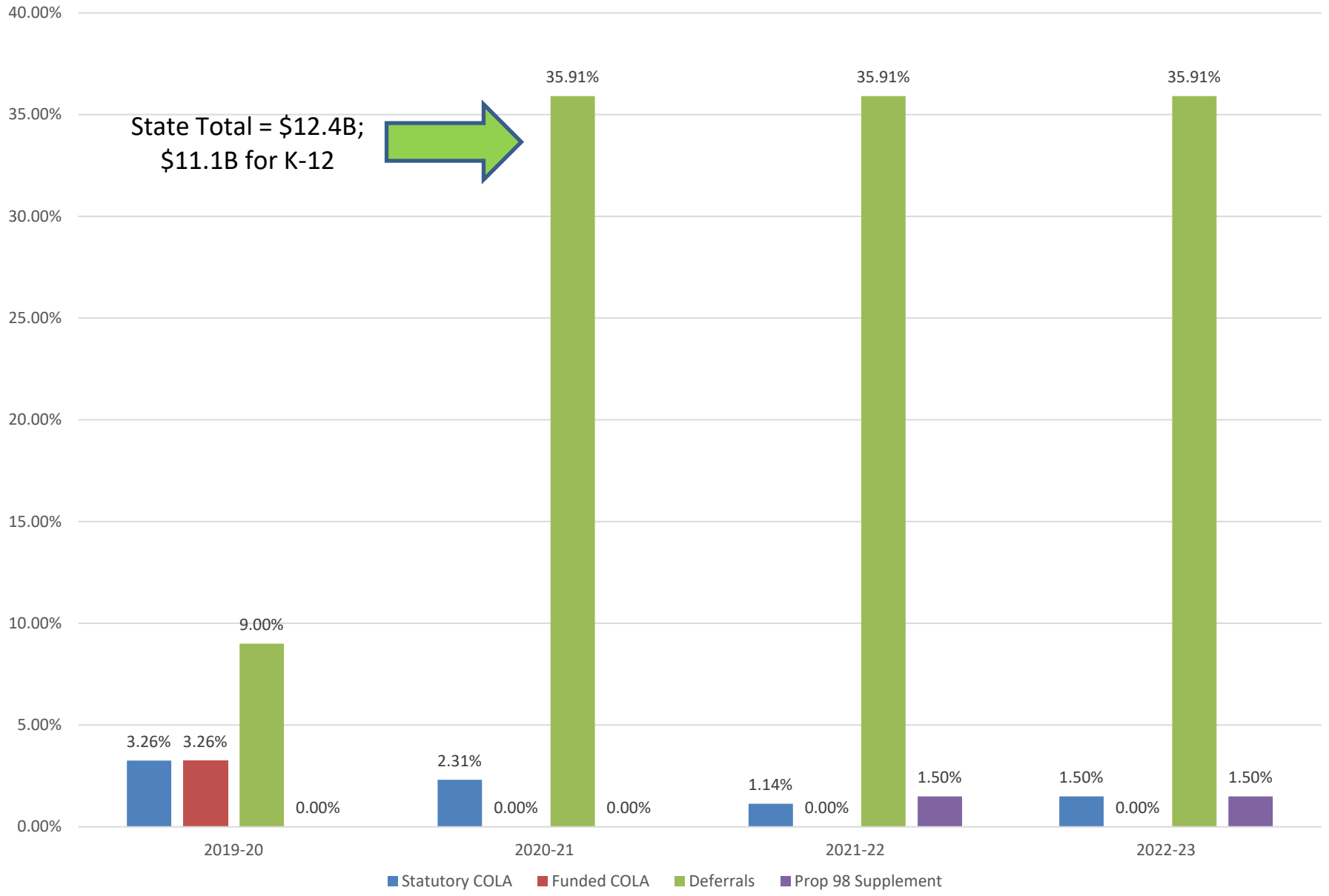
Legislative Analyst Office (LAO) Fiscal Outlook For 2021-22 (November 2020)

- **“Rapid but Uneven Recovery” produces “Windfall” for 2021-22 = \$26 billion**
 - WINDFALL AND OPERATING DEFICIT (excerpt from LAO Fiscal Outlook for 2021-22)
 - **What Do We Mean by “Windfall”?** The main goal of our Fiscal Outlook is to assess how much capacity the budget has to pay for existing and—potentially—new commitments. To answer this question, we compare our projections of revenues to spending under current law and policy. When projected revenues exceed those expenditures, we ordinarily use the term “surplus” to describe the difference. This year, we are using a different term to describe this dynamic: windfall. We use this term for two reasons. First, because the estimated resources available in 2021-22 are only the result of revisions in prior- and current-year budget estimates. And second, because the available resources are entirely one time under our main forecast.
 - **What Do We Mean by “Operating Deficit”?** The windfall is the amount available to allocate in the budget year (2021-22), whereas an operating deficit occurs over a multiyear period. An operating deficit results when annual revenues are lower than expenditures under current law and policy, causing a year-over-year decrease in the Special Fund for Economic Uncertainties. An operating surplus occurs when the reverse is true.
 - **How Can There Be an Operating Deficit and Windfall in 2021-22?** When the Legislature passed the 2020-21 budget, the state faced a sudden and unknown budget problem. The Legislature took \$54 billion in actions to address that problem (for example, it withdrew funds from reserves, shifted costs, reduced spending, and increased revenues). Based on new information learned since the budget was passed, the actual budget problem that needed to be solved in 2020-21 will be much lower than initially estimated. In short, the Legislature took more actions—predominantly one-time actions—than were needed to balance the budget this year. However, we continue to project that expenditure growth outpaces revenue growth. This means that, on an ongoing basis, the budget does not have sufficient revenues in each year to cover the cost of current commitments. That is, the state has an operating deficit. (Notably, the multiyear estimates by the Department of Finance at the time of the budget act also showed an operating deficit.)
- **State Revenues**
 - Through 4 months of the fiscal year, State Revenues exceed the June Spending Plan by \$11.3 billion
 - Through the remainder of the fiscal year, the LAO estimates revenues will exceed the June Spending Plan by \$22.2 billion to meet the LAO’s estimate of exceeding June Spending Plan revenues by \$33.5 billion
- **Prop 98**

	2019-20			2020-21		
	June Budget Plan	November LAO Estimates	Change	June Budget Plan	November LAO Estimates	Change
Minimum Guarantee	\$77,678	\$79,283	\$1,606	\$70,890	\$83,975	\$13,085
Funding Allocations						
Local Control Funding Formula (LCFF)	\$62,707 ^a	\$62,676	-\$31	\$63,037	\$62,565	-\$473
Other K-14 programs	17,151 ^a	17,154	3	18,167	18,164	-3
Savings from payment deferrals	-2,181	-2,181	—	-10,314	-10,314	—
Proposition 98 Reserve deposit	—	—	—	—	1,529	1,529
Totals	\$77,678	\$77,649	-\$28	\$70,890	\$71,943	\$1,053
Settle-Up Payments	—	\$1,634	\$1,634	—	\$12,031	\$12,031

^aAmounts adjusted for Chapter 110 (SB 820, Committee on Budget and Fiscal Review), an August trailer bill that reduced LCFF cost estimates and allocated the savings for additional school meal reimbursements.

State Budget Factors - November 2020



**SAFE AT SCHOOL Reopening Plan Funding
Sources and Uses Statement**

Category	Cost Type (N=New; E=Existing)	Description	Total Costs		COVID-19 and Learning Loss Mitigation Funds Budget			Unrestricted General Fund Budget Impact	Grand Total New Costs for COVID
			2019-20	2020-21	2019-20	2020-21	Total		
SOURCES		Senate Bill 117 (SB117) State Funds for COVID19 related costs			\$ 114,602		\$ 114,602		
		Elementary and Secondary Schools Emergency Relief (ESSER) Federal Funds for COVID19 related costs			\$ 443,263		\$ 443,263		
		Coronavirus Aid, Relief, and Economic Security (CARES) Act Federal Funds Allocated by State to mitigate learning loss resulting from school closures				\$ 4,390,058	\$ 4,390,058		
		Total	\$ -	\$ -	\$ 557,865	\$ 4,390,058	\$ 4,947,923	\$ -	
USES	N	10 additional teachers to reduce Grades 4-8 class sizes	\$ -	\$ 861,293	\$ -	\$ 344,520	\$ 344,520	\$ 516,773	\$ 861,293
	N	7 teachers for intervention support	\$ -	\$ 602,905	\$ -	\$ 342,027	\$ 342,027	\$ 260,878	\$ 602,905
	E	31 teachers for Full-Year Distance Learning Program	\$ -	\$ 2,670,009	\$ -	\$ 602,905	\$ 602,905	\$ (602,905)	\$ -
	E	3 Curriculum Resource Teachers	\$ 372,430	\$ 362,856	\$ 102,005	\$ 145,142	\$ 247,147	\$ (247,147)	\$ -
	E	7 Counselors/Social Workers	\$ 710,000	\$ 700,278	\$ 206,429	\$ 270,543	\$ 476,972	\$ (476,972)	\$ -
	E	9 Language Arts Specialists/IRTs	\$ 1,100,000	\$ 1,056,472	\$ 309,242	\$ 422,614	\$ 731,856	\$ (731,856)	\$ -
	N	1 additional short term Psychologist to assist with student assessments		\$ 86,129		\$ 34,410	\$ 34,410	\$ 51,719	\$ 86,129
	N	1; 5 hour additional short term Site Custodian for each of 9 schools to supplement cleaning, disinfecting, and supply stocking needs		\$ 100,623			\$ -	\$ 100,623	\$ 100,623
	N	1; 4 hour additional short term Night Custodian for each of 9 schools to supplement cleaning and disinfecting needs		\$ 76,651			\$ -	\$ 76,651	\$ 76,651
	N	2; 2 hour additional short term Campus Aides for 3 schools and 1; 2 hour for 6 schools to supervise students for meal periods		\$ 50,486		\$ 50,486	\$ 50,486	\$ -	\$ 50,486
	N	2: 2.5 hour additional short term cashiers for 3 schools and 1; 2.5 hour for 5 schools to provide remote meal service lines		\$ 62,958		\$ 62,958	\$ 62,958	\$ -	\$ 62,958
	N	Instructional Aides for Primary Teachers to provide instructional prep support during Hybrid		\$ 32,411				\$ 32,411	\$ 32,411
	N	Additional hours for Student Attendance Clerks		\$ 22,184			\$ -	\$ 22,184	\$ 22,184
	N	Stipends/Extra Hours for RLPT Meetings		\$ 951			\$ -	\$ 951	\$ 951
	N	Additional staffing and/or contracted services needed for attending to student health care		\$ 242,658		\$ 142,658	\$ 142,658	\$ 100,000	\$ 242,658
	N	Additional hours for N95 mask fitting		\$ 1,762				\$ 1,762	\$ 1,762
	N	Instructional software programs and materials for assessments and interventions		\$ 381,349	\$ -	\$ 381,349	\$ 381,349	\$ -	\$ 381,349
	E	Second Step social-emotional curriculum	\$ 122,312		\$ 122,312		\$ 122,312	\$ (122,312)	\$ -
E	Extended School Year Program for Special Ed students	\$ 48,829	\$ 51,171	\$ 48,829		\$ 48,829	\$ (48,829)	\$ -	

**SAFE AT SCHOOL Reopening Plan Funding
Sources and Uses Statement**

Category	Cost Type (N=New; E=Existing)	Description	Total Costs		COVID-19 and Learning Loss Mitigation Funds Budget			Unrestricted General Fund Budget Impact	Grand Total New Costs for COVID
			2019-20	2020-21	2019-20	2020-21	Total		
USES	N	Allocation of \$25 per student to schools for purchase of additional classroom materials and supplies to avoid sharing		\$ 171,200		\$ 171,200	\$ 171,200	\$ -	\$ 171,200
	N	Allocation to schools for additional hours for leadership team to plan for reopening		\$ 21,736		\$ 21,736	\$ 21,736	\$ -	\$ 21,736
	N	Professional Learning Plan stipends and contracted services for distance learning professional development		\$ 128,591		\$ 128,591	\$ 128,591	\$ -	\$ 128,591
	N	Non-management certificated stipends for additional record keeping for distance learning, hybrid, and full in-person instruction		\$ 226,907				\$ 226,907	\$ 226,907
	N	Non-management classified stipends for safety training		\$ 91,604				\$ 91,604	\$ 91,604
	N	Replace obsolete teacher laptops and purchase new ones for new teachers		\$ 48,000		\$ 48,000	\$ 48,000	\$ -	\$ 48,000
	N	Computers for On-Line Staff Checkin System		\$ 13,571		\$ -	\$ -	\$ 13,571	\$ 13,571
	N	Subsidize Internet service for low income families		\$ 12,000		\$ 12,000	\$ 12,000	\$ -	\$ 12,000
	E	Replace IPADs lost during school closures and provide for TK students		\$ 49,404		\$ 49,404	\$ 49,404	\$ -	\$ -
	N	Supplement childcare programs (Project SAFE, YALE Preschool)		\$ 700,000		\$ 100,000	\$ 100,000	\$ 600,000	\$ 700,000
	N	Security Guard for Night and Weekend Patrols During School Closures	\$ 17,600		\$ 17,600		\$ 17,600	\$ -	\$ 17,600
	N	Movers		\$ 107,000		\$ 107,000	\$ 107,000	\$ -	\$ 107,000
	N	Storage Containers		\$ 40,000		\$ 40,000	\$ 40,000	\$ -	\$ 40,000
	N	Replacement student furniture to allow social distancing		\$ 257,339		\$ 250,000	\$ 250,000	\$ 7,339	\$ 257,339
	N	Plexiglass barriers for student desks		\$ 170,000			\$ -	\$ 170,000	\$ 170,000
	N	HVAC Filters		\$ 9,300		\$ 9,300	\$ 9,300	\$ -	\$ 9,300
	N	HEPA Filters		\$ 30,000		\$ 30,000	\$ 30,000	\$ -	\$ 30,000
	N	Handwashing Stations		\$ 62,469		\$ 62,469	\$ 62,469	\$ -	\$ 62,469
	N	Library Carts		\$ 6,576		\$ 6,576	\$ 6,576	\$ -	\$ 6,576
	N	Additional Lunch Tables		\$ 54,132				\$ 54,132	\$ 54,132
	N	Pop-up Shade Awnings for Outdoor Eating		\$ 17,956				\$ 17,956	\$ 17,956
	N	PPE and other supplies	\$ 41,858	\$ 204,678	\$ 41,858	\$ 257,787	\$ 299,645	\$ (53,109)	\$ 246,536
	N	Other supplies, materials, equipment, and services needed for school closures and to prepare schools for reopening	\$ 5,973	\$ 50,000	\$ 5,973	\$ -	\$ 5,973	\$ 50,000	\$ 55,973
	Total		\$ 2,419,002	\$ 9,835,609	\$ 854,248	\$ 4,093,675	\$ 4,947,923	\$ 112,331	\$ 5,010,850

Snapshot All Funds

LN#	Description	General Fund			Child Dev Fund 12	Cafeteria Fund 13	Deferred Maint Fund 14	Special Reserve Fund 17	Special Reserve Fund 40
		Unrest	Rest	Ttl					
1	INCOME:								
2	LCFF Sources	58,899,913	387,034	59,286,947	0	0	0		
3	Federal Revenue	102,717	7,065,441	7,168,158	0	3,116,674	0	26,765	
4	Other State Revenue	1,248,761	4,443,761	5,692,522	332,980	184,006	0		
5	Other Local Revenue	306,924	4,534,955	4,841,879	900	7,504	6,571	30,958	
6	Interfund Transfers In	1,023,513	0	1,023,513	0	10,000	373,000	182,235	
7	Other Sources	0	0	0	0	0			
8	Total Income	61,581,828	16,431,191	78,013,019	333,880	3,318,184	379,571	30,958	261,274
9	OUTGO:								
10	Certificated Salaries	25,453,498	9,037,650	34,491,148	123,627				
11	Classified Salaries	7,033,486	4,551,097	11,584,583	100,797	1,019,347	0	0	
12	Employee Benefits	10,710,050	7,071,315	17,781,365	71,047	326,795	0	0	
13	Books and Supplies	1,977,957	2,897,100	4,875,057	14,406	1,262,319	0	26,700	
14	Services, Other Operating Expenses	3,521,722	3,231,897	6,753,619	10,210	92,739	347,818	47,234	
15	Capital Outlay	50,059	0	50,059	7,689	87,000	0	50,000	
16	Other Outgo	676,153	0	676,153	0		0	1,373,087	
17	Transfers of Indirect/Direct Costs	-1,062,123	983,003	-79,120	0	79,119			
18	Interfund Transfers Out	792,235	373,000	1,165,235					
19	Other Uses	0	0	0					
20	Contributions to Restricted Programs	12,345,873	-12,345,873	0	0	0			
21	Total Outgo	61,498,909	15,799,190	77,298,099	327,776	2,867,319	347,818	0	1,497,021
22	Change in Fund Balance	82,919	632,001	714,921	6,104	450,865	31,753	30,958	-1,235,747
23	Projected Beginning Fund Balance	18,246,456	-364,749	17,881,706	44,103	731,119	514,045	3,104,788	5,871,439
24	Projected Ending Fund Balance	18,329,374	267,252	18,596,627	50,207	1,181,984	545,798	3,135,746	4,635,692
25	Committed Fund Balance	0	0	0			545,798		
26	Non-Spendable Fund Balance	507,039		507,039		104,566			
27	Restricted Fund Balance	0	267,252	267,252	50,207	1,077,418		4,635,692	
28	Assigned Fund Balance	454,982		454,982					
29	Unassigned - Economic Uncertainty	2,318,943	0	2,318,943					
30	Remaining Unassigned	15,048,410	0	15,048,411	0	0	0	3,135,746	0
								Solar:	175,131
								Tech:	3,674,521
								Bus:	780,921
								Fac Need:	5,118

Snapshot All Funds

LN#	Description	Building Fund 21	Capital Facilities Fund 25	County School Facilities Fund 35	Enterprise Fund 63	Yale	Project SAFE
1	INCOME:						
2	LCFF Sources						
3	Federal Revenue						
4	Other State Revenue						
5	Other Local Revenue	66,723	1,035,875		2,143,647	581,059	1,562,588
6	Interfund Transfers In	0	0		600,000	0	600,000
7	Other Sources						
8	Total Income	66,723	1,035,875	0	2,743,647	581,059	2,162,588
9	OUTGO:						
10	Certificated Salaries				0		0
11	Classified Salaries		0		2,028,438	513,250	1,515,188
12	Employee Benefits		0		828,779	259,427	569,352
13	Books and Supplies	0	0		195,597	44,562	151,035
14	Services, Other Operating Expenses	0	8,796		307,247	66,442	240,805
15	Capital Outlay	13,105,757	11,594,748				
16	Other Outgo		681,010				
17	Transfers of Indirect/Direct Costs						
18	Interfund Transfers Out	0	0		0		0
19	Other Uses				0		0
20	Contributions to Restricted Programs						
21	Total Outgo	13,105,757	12,284,554	0	3,360,061	883,681	2,476,380
22	Change in Fund Balance	-13,039,034	-11,248,679	0	-616,414	-302,622	-313,792
23	Projected Beginning Fund Balance	13,039,034	13,104,928	0	1,511,744	429,016	1,082,728
24	Projected Ending Fund Balance	0	1,856,249	0	895,330	126,393	768,936
25	Committed Fund Balance						
26	Non-Spendable Fund Balance						
27	Restricted Fund Balance	0	1,279,914	0	126,393	126,393	
28	Assigned Fund Balance		576,335		768,936		768,936
29	Unassigned - Economic Uncertainty						
30	Remaining Unassigned	0	0	0	0	0	0
		<i>Dev Fees:</i>	781,439				
		<i>Frmr RDA:</i>	576,335				
		<i>Land:</i>	498,475				

General Fund Multi-Year Projection Summary

2021-21 1st Interim

Item	2019-20		2020-21		2021-22		2022-23	
	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted	Unrestricted	Restricted
Beginning Fund Balance	16,171,701	532,236	\$18,246,456	(\$364,749)	\$18,329,374	\$267,252	\$15,417,426	\$100,001
Fund Balance Adjustments	0		(1)					
Total Income	\$63,249,947	\$11,926,910	\$61,581,828	\$16,431,191	\$60,285,674	\$11,476,650	\$59,364,050	\$11,473,020
Total Outgo	\$61,175,192	\$12,823,896	\$61,498,909	\$15,799,190	\$63,197,622	\$11,643,901	\$66,622,125	\$11,473,020
Change in Fund Balance	\$2,074,755	(\$896,985)	\$82,919	\$632,001	(\$2,911,948)	(\$167,251)	(\$7,258,075)	\$0
Ending Fund Balance	\$18,246,456	(\$364,749)	\$18,329,374	\$267,252	\$15,417,426	\$100,001	\$8,159,351	\$100,001
Total Reserves	\$20,134,521		\$20,503,099		\$17,608,817		\$10,352,907	
Budget Reserve as % of Expenditures	27.21%		26.52%		23.53%		13.26%	
Other Internal Cash Available (FN 14, 25, 40)		\$15,861,423		\$5,630,191		\$2,815,096		
GF Cash Reserve with Fund 17 (lowest month)	18.09%	\$13,384,805	2.63%	\$2,034,772	1.05%	\$789,233	TBD	
			<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
		COLA:	0.00%		0.00%		0.00%	
		Assumed LCFF Rev Change (w/ ADA changes):	-1.07%	(\$638,559)	-0.39%	(\$232,452)	-1.57%	(\$918,903)
		Assumed LCFF [Base Only] Rev Change (w/ ADA changes):	-0.45%	(\$258,415)	-0.02%	(\$10,836)	-1.28%	(\$753,460)
		*Included Annual Operating Cost Increase Impact to Unr GF:	0.00%	\$2,154,713	0.00%	\$2,167,943	0.00%	\$3,406,237
Estimated Structural Surplus/(Deficit)			(\$280,311)		(\$2,907,048)		(\$7,262,975)	
		GAP Funding:	100.00%	A:DOF	100.00%		100.00%	
		1% Reserve Equivalent:	773,118		748,356		780,762	
		1% LCFF Increase:	595,385		588,999		586,675	
		1% Salary Increase Equivalent:	529,115		528,651		528,187	
* Step & column, health benefits, statutory benefits, and inflation for utilities, insurance, and Restricted programs subject to contribution from Unrestricted General Fund								
BUDGET CONDITION:			Green		Yellow			

*2020-21 Adopted State Budget
 *ADA Hold Harmless 2020-21 and 2021-22
 *Declining ADA in out years
 *Reduction to UPCin 2020-21 and out years
 *No LCFF COLA in out years