

MAKING SENSE OF THE BUDGET: WHAT DO DEFERRALS MEAN FOR SCHOOL FINANCE?

July 17, 2020



TODAY'S PRESENTERS

- Dennis Meyers, Assistant Executive Director, Governmental Relations, CSBA
- Mark Farrell, Sr. Financial Advisor, Dale Scott & Co.
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- Troy Flint, Chief Information Officer, CSBA

CASH FLOW



CASH FLOW - FLAT FUNDING OR NOT?

- Start with zero COLA / Prop. 98 down \$10.6 billion
- State special education
 - \$545 million to increase base rate to approximately \$625. \$100 million for low-incidence disabilities cost pool.
- Reduced employer contribution rates by 2 points
 - Lower cost on 80-90% of budget. All LEAs benefit. (1.6-1.8%).
- Federal CARES Act
 - \$2.9 billion to all LEAs with unduplicated students. Varied benefit.
 - \$1.5 billion to all LEAs with special education. Varied benefit.
 - \$980 million per LCFF (worth about 1.8%). All LEAs benefit.
 - \$1.5 billion to LEAs based on Title I funding (about 70% of entitlement)

CASH FLOW - DEFERRALS

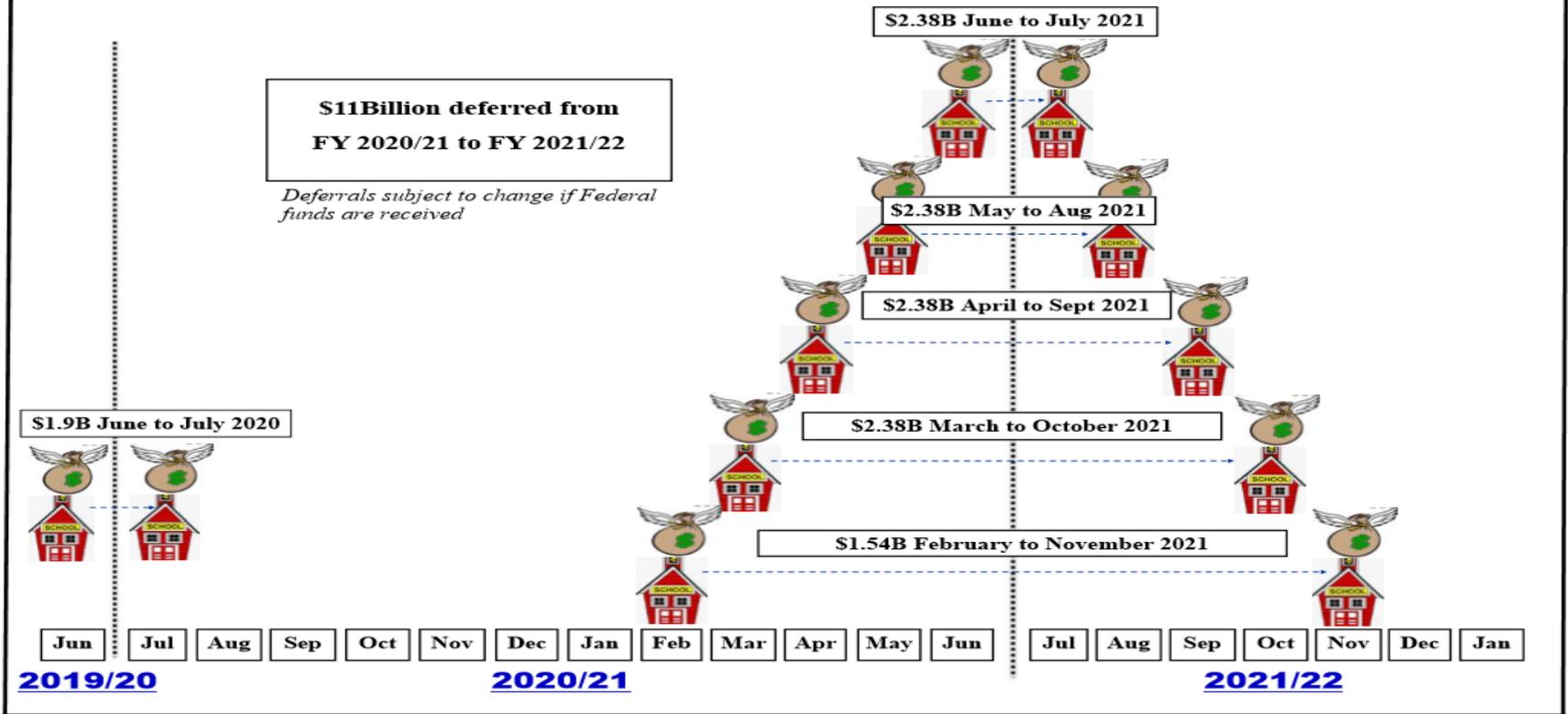
- Current Year (2019-20)
 - \$1.85 billion from June 2020 apportionment to July 2020
 - Equals about 55% of June apportionment

- Budget Year (2020-21) - \$11.06 billion total
 - \$1.54 billion from Feb. 2021 apportionment to Nov. 2021
 - Equals about 46% of February apportionment
 - \$2.375 billion from March 2021 apportionment to Oct. 2021
 - Equals about 71% March apportionment
 - \$2.375 billion from April 2021 apportionment to Sept. 2021
 - Equals about 71% of April apportionment
 - \$2.375 billion from May 2021 apportionments to Aug. 2021
 - Equals about 71% of May apportionment
 - \$2.375 from June 2021 apportionment to July 2021
 - Equals about 71% of June apportionment

CASH FLOW - DEFERRALS

Apportionment Deferrals

As of State Budget Adoption
Fiscal Year 2020/21



Source: Capitol Advisors Budget Perspectives Workshops July 2020

CASH RESERVE PROGRAM

(POOLED TAX AND REVENUE ANTICIPATION NOTE PROGRAM)

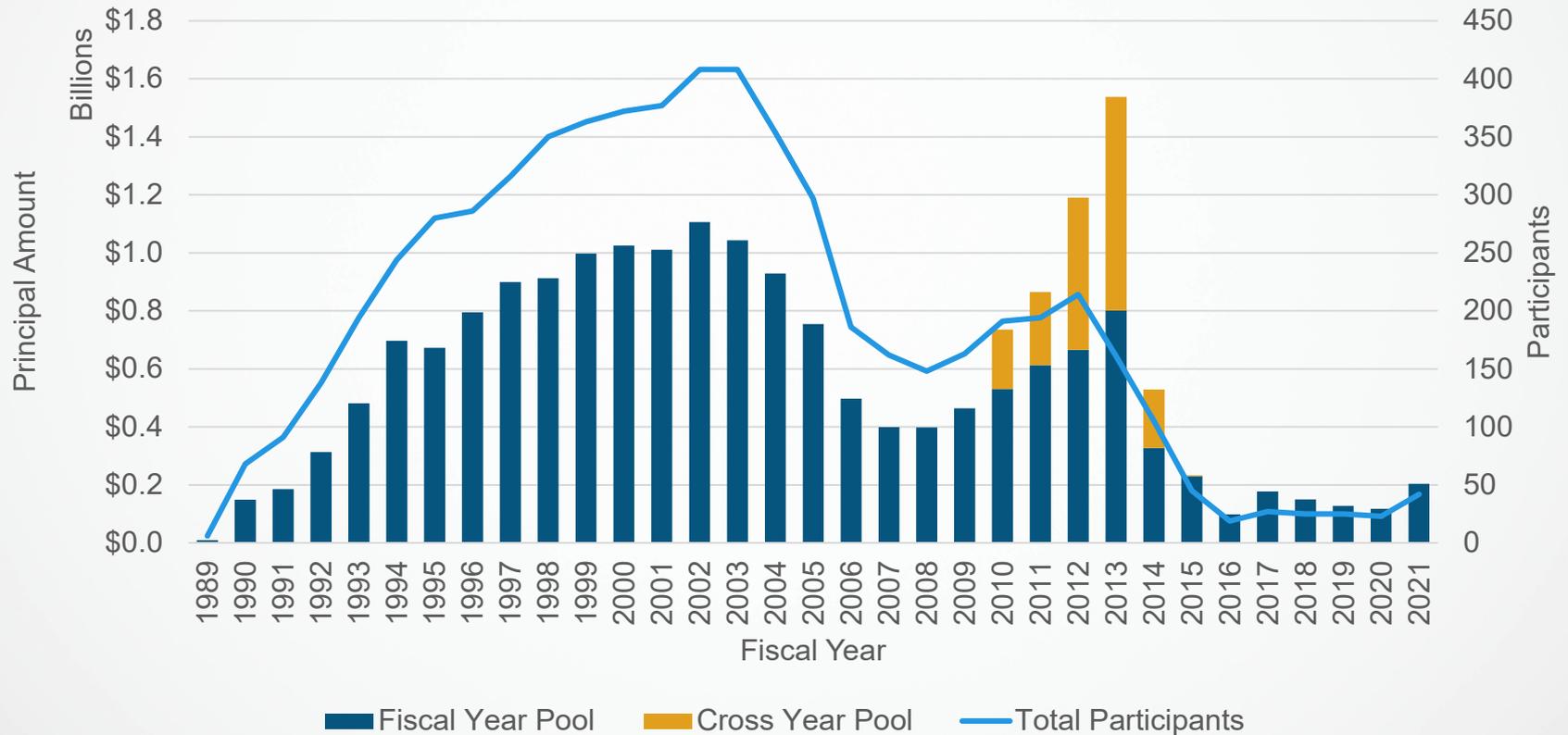


CASH RESERVE PROGRAM

- Pooled issuance of tax and revenue anticipation notes (TRANs)
- Statewide program
- Open to school districts, county offices of education, and community college districts
- Multiple issuances during year to address differing cash flow needs
- No cost to apply, no obligation to issue after approving resolution

PROGRAM HISTORY

Issuances by Year



WHAT ARE TRANS?

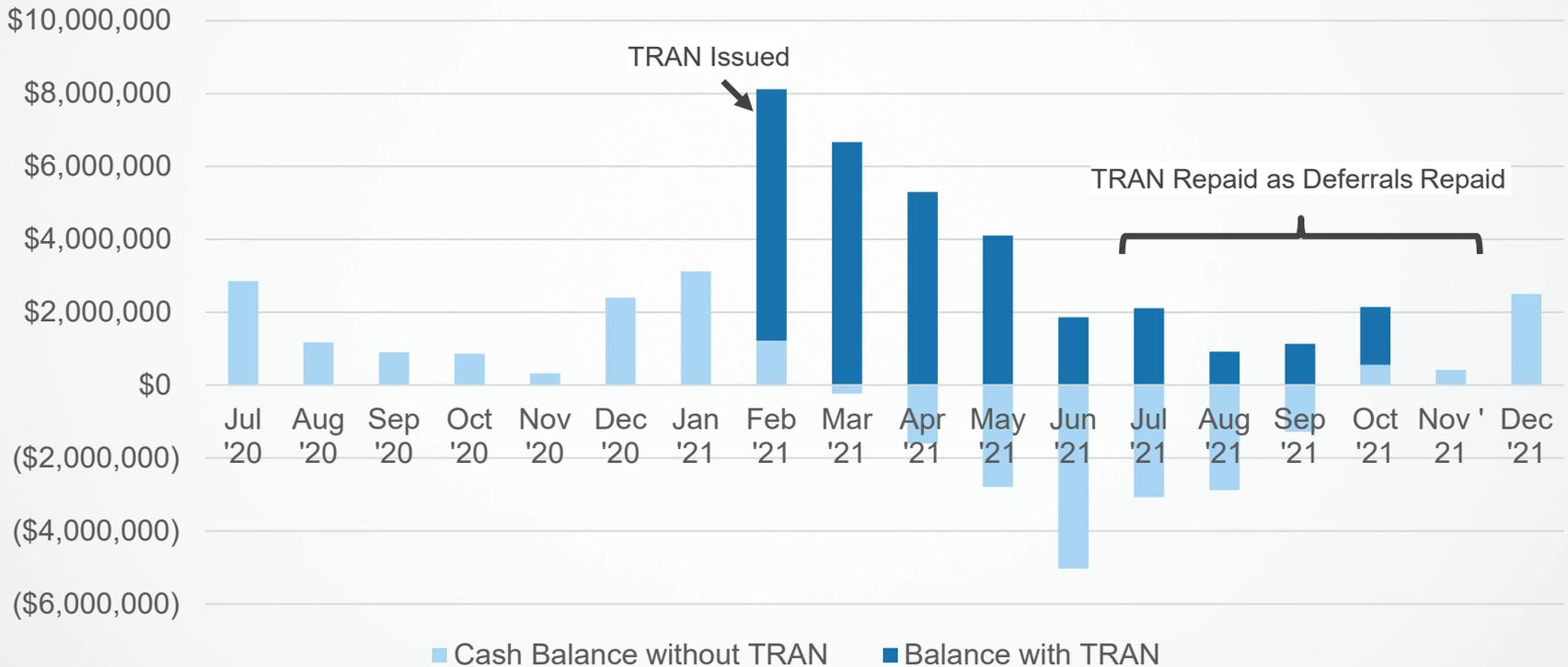
- Not lines of credit, they are more like a loan
- Typically sold as municipal securities in the municipal bond market
- Tax-exempt TRANS limited to 13-month term (15-months for taxable TRAN)
- State law only allows revenues from fiscal year in which TRAN issued to be pledged for repayment
- Ability to issue cross-fiscal year TRANS based on deferral language in Ed Code
- Solve cash flow shortfalls – not budget deficits

DETERMINING TRAN AMOUNT

- Reasonable cash flow projection
- Lowest cash balance on any date within six months of issuance
- Additional working capital reserve allowance
- Unrestricted funds outside of general fund must be included

TRAN MECHANICS

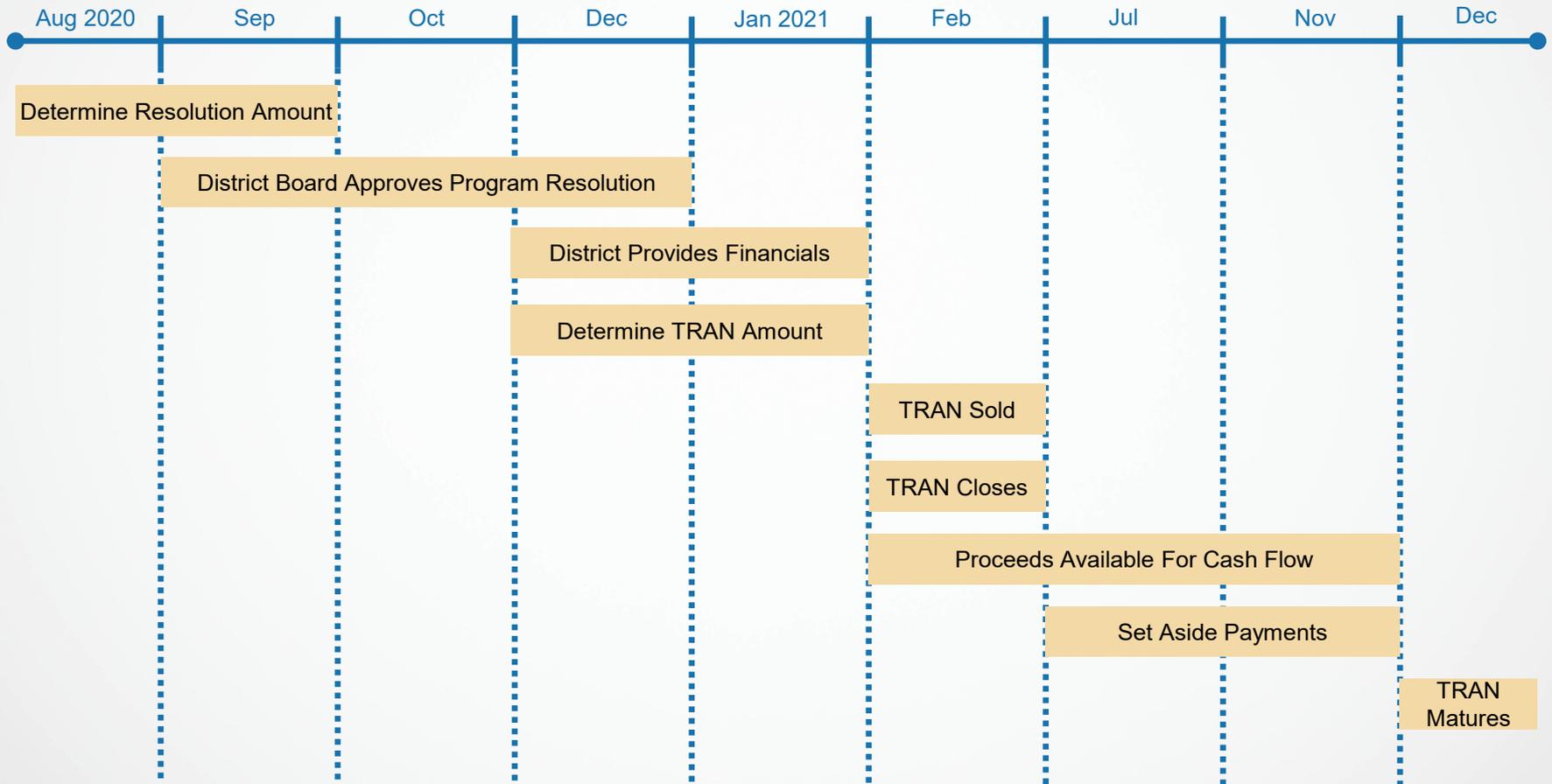
Sample Cash Flow Projection



CREDIT FACTORS

- Cash balances on repayment dates
- Other reserves outside the general fund
- Cash & fund balance trends
- Accuracy of cash flow projections
- Interim report status (positive/qualified/negative)
- Long-term ratings

PROCESS & SCHEDULE



ROLES & RESPONSIBILITIES

➤ Board Members

- Ensure staff brings resolution to board by end of December
- Approve resolution to issue TRANs

➤ CBO / Director

- Provide preliminary cash flow after 45-day budget to determine maximum borrowing amount for TRAN resolution
- Provided financial documents & data
- Work with Dale Scott & Co. on cash flow projections

PROGRAM BENEFITS

- Demonstrated Expertise
 - Consistent team
 - Covered deferrals during Great Recession
- Lower Costs
 - Economies of scale reduces issuance costs
- Less Staff Time
 - Standard documents
 - Simplified rating and disclosure process
 - Dedicated website

PROGRAM BENEFITS

- Competitive Rates
 - Issuers grouped with like issuers
 - Known by investors
- Benefits of Scale
 - Size attracts more investors
 - Statewide reach allows larger series of issuers
- Individualized Solutions
 - Tailored repayment dates
- Service
 - Cash flow development
 - Coordination with Counties

RESOURCES



Relentless Advocacy. Consistent Leadership. Indispensable Research.

California School Boards Association

HOME VIDEOS PLAYLISTS CHANNELS DISCUSSION ABOUT

LEGAL WEBINAR
Reopening/closing public schools during the COVID-19 pandemic - Part 1
California School Boards Association • 136 views • 1 day ago
Part 1 of this webinar series will feature top education law attorneys from CSBA's premier affiliate law firms discussing the legal effect on local educational agencies of the orders and guidances ...

Making sense of the 2020 budget ▶ PLAY ALL
CSBA's webinar series comprising of five webinars detailing the stages of this years budget and the affects it will have on California schools.

School Budget ALERT 1:29:17 **The Uncertain Road Ahead** 1:44:55 **School Budget ALERT** 1:22:48

Making Sense of the Budget: What the latest changes... California School Boards Asso... 264 views • 2 weeks ago

The Uncertain Road Ahead: Real world applications of... California School Boards Asso... 174 views • 1 month ago

May Budget Revision Webinar (5/14/20) California School Boards Asso... 189 views • 1 month ago

COVID-19 Webinar Series ▶ PLAY ALL
CSBA is committed to providing updates and tools that help navigate the COVID-19 crisis. Please join us for a series of recorded webinars on vital topics during school closures due to COVID-19.

COVID-19 Webinar Series 1:31:01 **COVID-19 Webinar Series** 1:28:35 **COVID-19 Webinar Series** 1:34:51 **COVID-19 Webinar Series** 1:36:46 **COVID-19 Webinar Series** 1:32:57

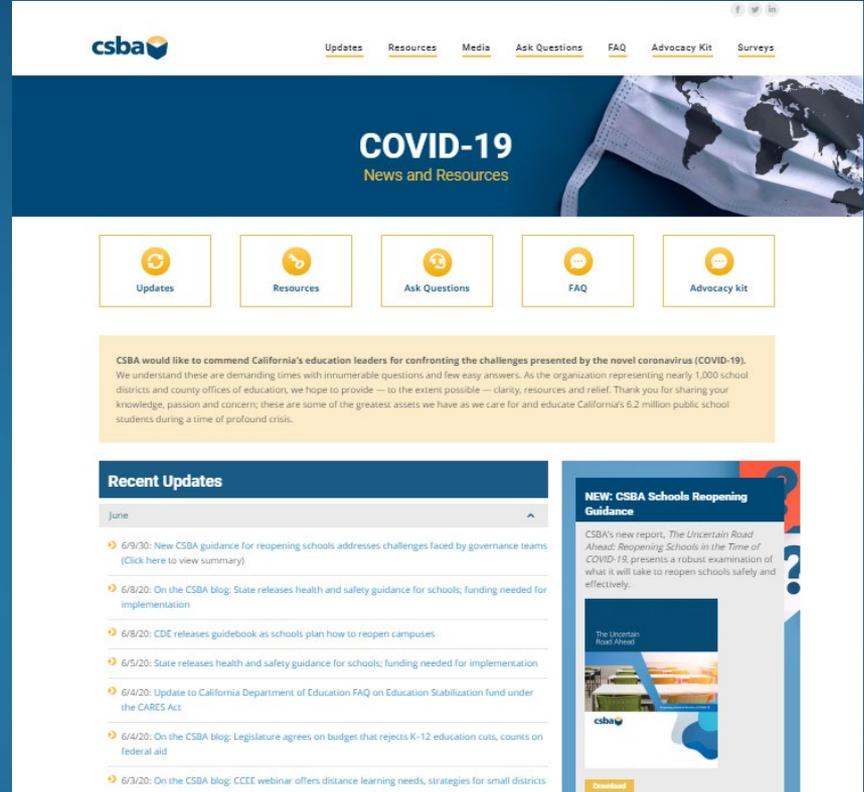
Governance and Guidance in the Age of COVID-19 California School Boards Asso... 25 views • 1 month ago

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Updates Resources Media Ask Questions FAQ Advocacy Kit Surveys

COVID-19 News and Resources

Updates Resources Ask Questions FAQ Advocacy kit

CSBA would like to commend California's education leaders for confronting the challenges presented by the novel coronavirus (COVID-19). We understand these are demanding times with innumerable questions and few easy answers. As the organization representing nearly 1,000 school districts and county offices of education, we hope to provide — to the extent possible — clarity, resources and relief. Thank you for sharing your knowledge, passion and concern; these are some of the greatest assets we have as we care for and educate California's 6.2 million public school students during a time of profound crisis.

Recent Updates

June

- 6/9/20: New CSBA guidance for reopening schools addresses challenges faced by governance teams (Click here to view summary)
- 6/8/20: On the CSBA blog: State releases health and safety guidance for schools; funding needed for implementation
- 6/8/20: CDE releases guidebook as schools plan how to reopen campuses
- 6/5/20: State releases health and safety guidance for schools; funding needed for implementation
- 6/4/20: Update to California Department of Education FAQ on Education Stabilization fund under the CARES Act
- 6/4/20: On the CSBA blog: Legislature agrees on budget that rejects K-12 education cuts, counts on federal aid
- 6/3/20: On the CSBA blog: CCEE webinar offers distance learning needs, strategies for small districts

NEW: CSBA Schools Reopening Guidance

CSBA's new report, *The Uncertain Road Ahead: Reopening Schools in the Time of COVID-19* presents a robust examination of what it will take to reopen schools safely and effectively.



youtube.com/csbavideo

csba.org/coronavirus



UPCOMING WEBINARS

Legal webinar: Reopening/reclosing public schools during the COVID-19 pandemic, Part 2

- **July 29 at 11 a.m.**
- This webinar will feature top education law attorneys discussing legal and equitable issues arising from reopening schools during the pandemic, including providing education and services to English learners and special education students. The panel will also discuss social distancing in schools and the new requirement for boards to adopt a Learning Continuity and Attendance Plan by Sept. 30, 2020.

Learn more and register at: www.csba.org/webinars

**THANK YOU FOR JOINING US
TODAY.**

**If you have any questions, please contact
CSBA at csba@csba.org**

