



ECONOMIC UPDATE

August 18, 2020



What we know..

- Second quarter GDP for the US plummeted 33% on an annualized basis which is the largest quarterly plunge ever, eclipsing the Great Recession at 8% and the Great Depression at 10%.
- July unemployment rate was 10.2%, leaving 16.3 Million Americans jobless.
- State sales tax receipts for the 2019-20 fiscal year were \$1.8 Billion less than anticipated, which is a 5.7% reduction from the January forecast.
- Local sales tax receipts for the Half Penny for School were down 28% for the month of April.

State General Revenue

- Legislature appropriated \$35.2 Billion in General Revenue during the 2020 Legislative Session.
- Governor DeSantis vetoed \$487.8 Million in General Revenue items from the budget a large portion of which were non-reoccurring items.
- \$12.1 Billion of the final appropriation of \$34.7 Billion was for the FEFP which is 35.5% of total appropriations.
- The August 14th updated General Revenue forecast for the 2020-21 fiscal year was \$31.6 Billion, which assumes a mid year vaccine.
- Total reduction in General Revenue for 2020-21 is estimated to be \$3.6 Billion, and \$2.0 Billion for 2021-22, for a combined two year total of 5.4 Billion.

State Budget

- Long Range Financial Outlook will be developed over the next month. This Outlook will be updated to reflect changes to state revenues and also costs for items such as additional Medicaid claims.
- State reserves total \$3.87 Billion
 - *Budget Stabilization Fund - \$1.67 Billion*
 - *Lawton Chiles Trust Fund - \$700 Million*
 - *Other Trusts and Transfers - \$1.5 Billion*

State Budget Options

1) Raise taxes to increase revenues

- Unlikely based on leadership at the state level.

2) Strip reserves to balance the budget

- This would lead to a downgrade in credit rating for state debt, which would increase interest rate costs and apply additional pressure to the budget.
- No funds available for additional costs associated with the ongoing pandemic, such as increased Medicaid claims, could lead to liquidity issues.

3) Convene a Special Session and take steps to reduce the budget

- Leaders at the state level have repeatedly stated they can avoid a special session until after the November election.
- None of the leaders have said definitively that we will not need to cut the budget this year.

Budget Shortfall - Special Session

- Total state budgetary shortfall is \$3.6 Billion.
- Florida Educational Finance Program share is \$892 Million.
- Alachua County Public Schools prorated share of that total potential reduction is \$8,622,217.
- There are no CARES Act funds available to the District to address this shortfall.

District Financial Condition Ratio

- The Financial Condition Ratio is used as a relative metric to determine a school district's ability to weather financial emergencies. The ratio compares the district's unrestricted general fund balance as a percentage of revenues.
- Per Board Policy, if the financial condition ratio is projected to dip below 5%, the Superintendent must develop and submit to the School Board a plan to restore this fund balance.
- The Superintendent must provide written notification to the Commissioner of Education if the ratio is projected to fall below 3%.
- The Superintendent must submit a recovery plan to the Commissioner of Education if the ratio is projected to fall below 2%. If the Commissioner determines the plan is insufficient to avoid a financial emergency, the Commissioner shall appoint a Financial Emergency Board to operate the district.

District Financial Condition Ratio

