

Governor's Budget Proposal for 2018-19

February 6, 2018

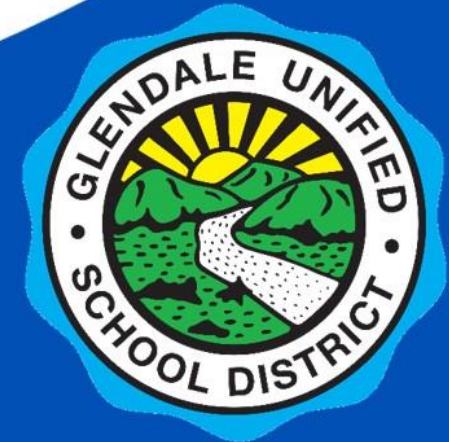
Information Report No. 7

Presented by: Stephen Dickinson

Chief Business and Financial Officer

Stephen Dickinson, Chief Business & Financial Officer
Karineh Savarani, Director, Financial Services

Budget Report No. 4

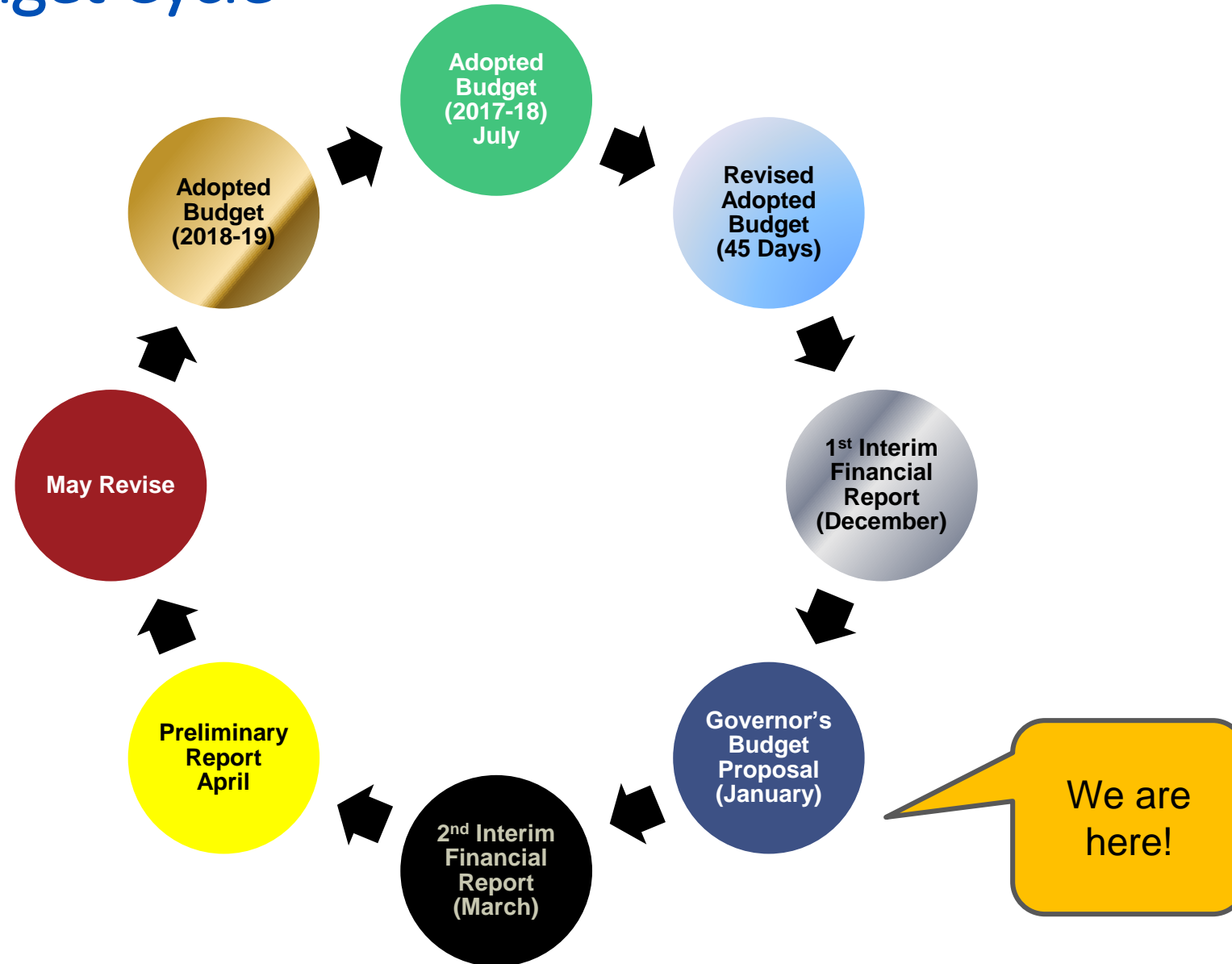




Governor's Budget Proposals For 2018-19

- Annual Budget Cycle
- 2018-19 Budget Overview
- Summary of Educational Funding
- Budget Concerns
- Next Steps

Annual Budget Cycle





2018-19 Budget Overview

- Revenues are higher than projected in the Adopted 2017-18 Budget Act by \$4.7 billion
- Modest economic growth
- \$3.5 billion supplemental deposit into the state Rainy Day Fund – above the \$1.5 billion requirement – bring the total Rainy Day Fund to \$13.5 billion by 2018-19 (The maximum allowed by constitution)
- Growing concern for recession
 - It is just a matter of time
 - Department of Finance has estimated that even in a mild recession scenario, there will be roughly an \$80 billion loss in State revenues over the three fiscal years between 2019-20 and 2021-2022.



2018-19 Budget Overview – Cont.

- For the current year, the minimum guarantee increases by \$700 million to \$75.2 billion from the level adopted in the 2017-18 State Budget Act
- For 2018-19, the Governor’s State Budget proposes a Proposition 98 guarantee of \$78.3 billion, an increase of \$3.1 billion year over year
- New President – New Direction: Federal Funds could be cut
 - Funding for the Affordable Care Act (ACA)/Medicaid
 - Funding for high-speed rail
 - Funding for various education programs
- California is a “donor state” meaning we give the federal government more than we get back
- Despite significant improvements in school funding since the end of The Great Recession, California schools are still funded significantly below the national average.



2018-19 Budget Overview – Cont.

What's Not in the Education Budget?

- Compared to past proposed Budgets, the Administration was more proactive this year in proposing new investments that were typically agreed to after negotiations with the Legislature.
 - That said, the 2018-19 Budget proposal provides no funding for the following critical items:
 - Increasing the LCFF base grant target to reach the funding level of the top ten states
 - The growing local obligations for the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) unfunded liability
 - Home-to-School Transportation programs
 - Increasing and equalizing Assembly Bill (AB) 602 base funding rates for special education



2018-19 LCFF Target Funding Factors

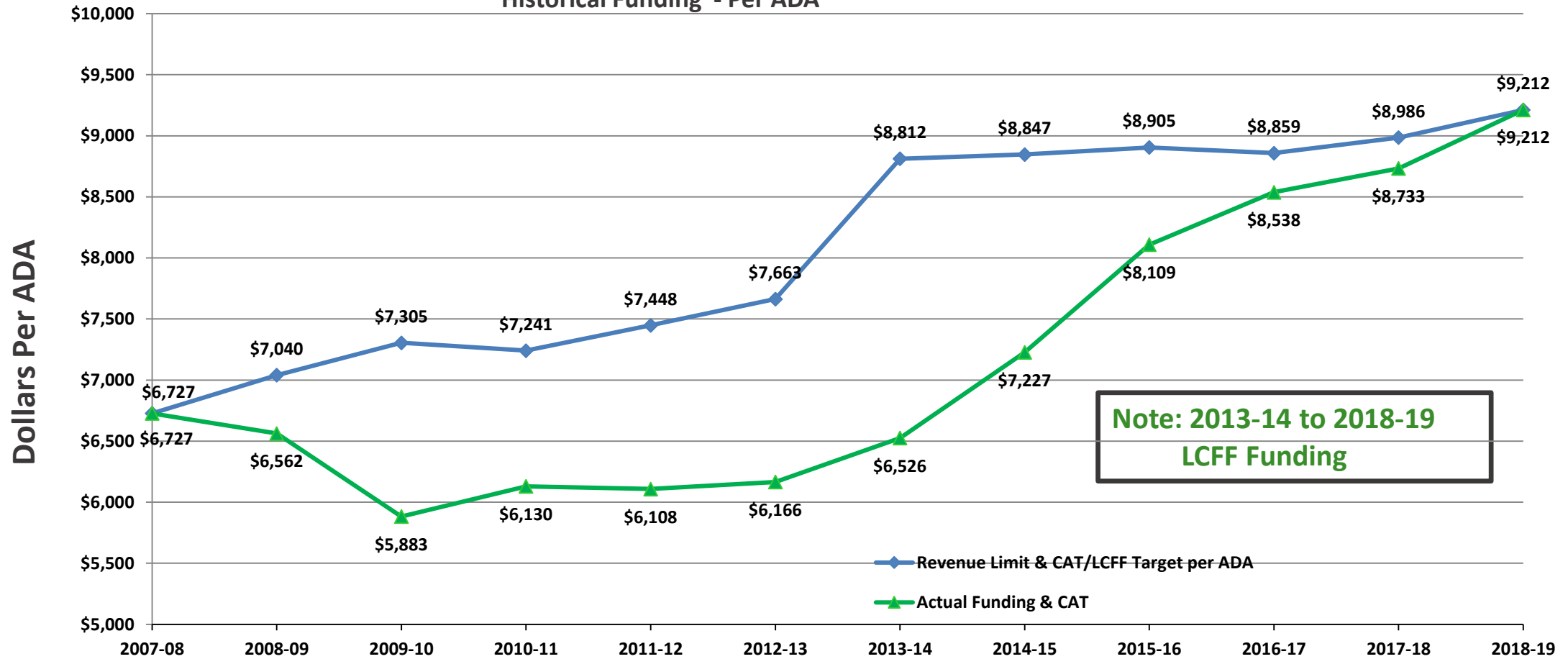
- The K-12 COLA is 2.51% for 2018-19, and is applied to the LCFF base grants for each grade span

Grade Span	2017-18 Base Grant per ADA	2.51% COLA	GSA	2018-19 Adjusted Base Grant
K-3	\$7,193	\$181	\$767	\$8,141
4-6	\$7,301	\$183	-	\$7,484
7-8	\$7,518	\$189	-	\$7,707
9-12	\$8,712	\$219	\$232	\$9,163



Local Control Funding Formula

Historical Funding - Per ADA



**Note: 2013-14 to 2018-19
LCFF Funding**

(In Million \$)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Loss	12.4	36.6	28.3	34.0	38.0	57.7	40.8	20.1	8.1	6.4	0.0
Cumulative Loss	12.4	49.0	77.4	111.4	149.4	207.1	247.9	268.0	276.0	282.5	282.5

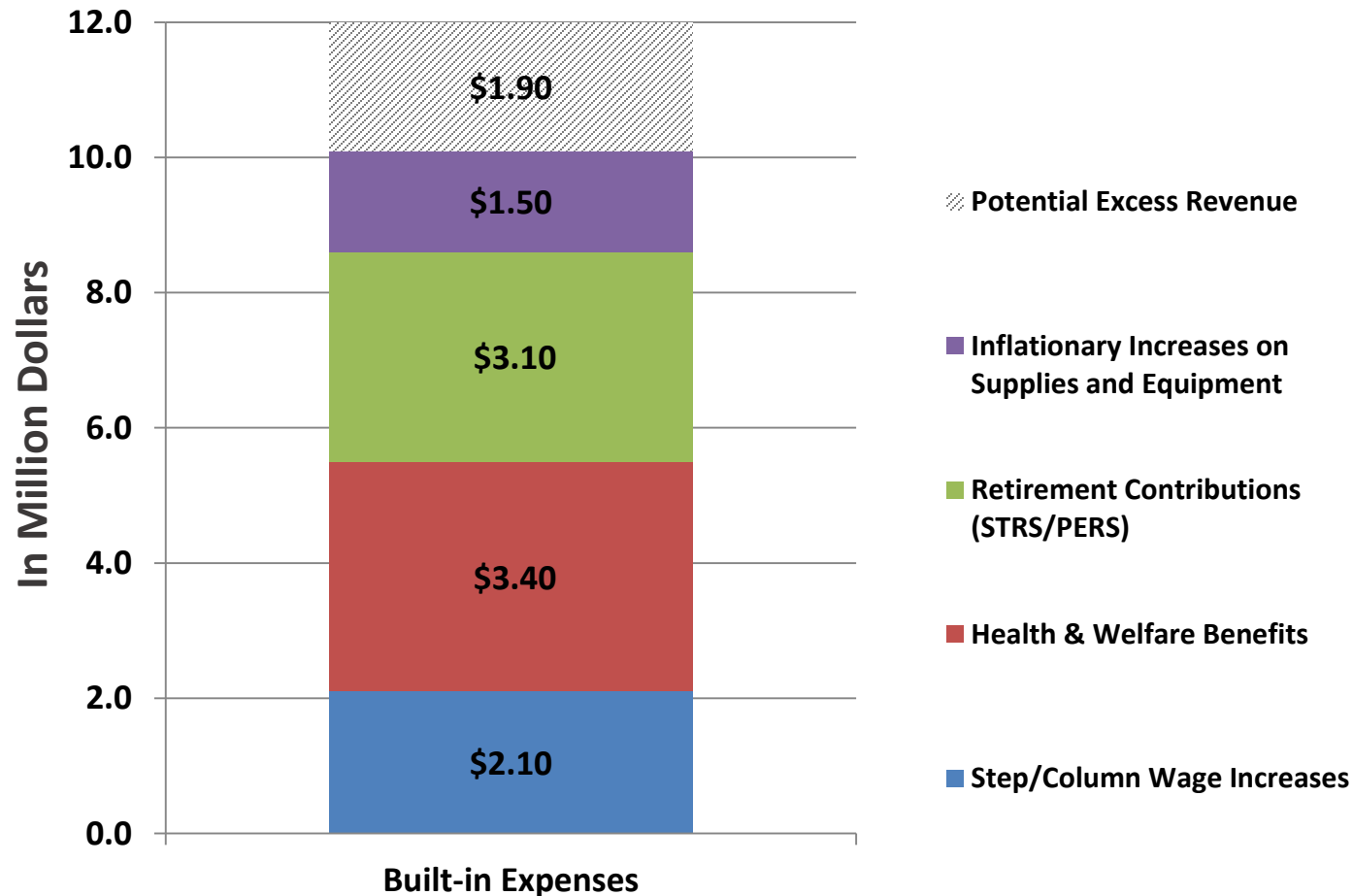


What Does the LCFF Mean for Glendale Unified School District

GUSD – 2018-19		
2018-19 LCFF Per ADA Funding	Projected 2018-19 ADA	Projected 2018-19 LCFF Total Revenue
\$9,212	25,487	\$234,786,244

Discretionary Funds – ONE TIME	Total
\$295 (one-time) X 2017-18 Projected P2 ADA =	\$7,511,290

Built-In Annual Expenses



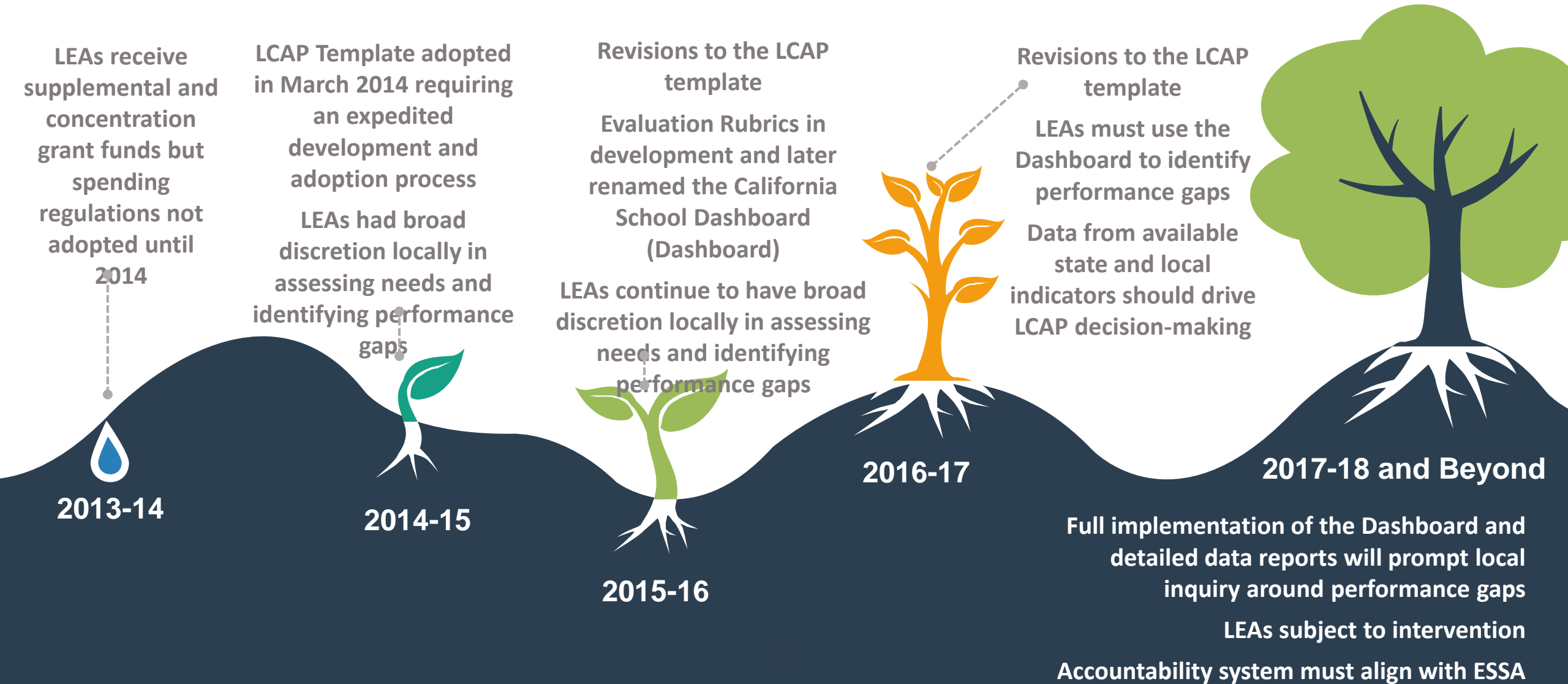
- It takes 4-5% annual revenue increase to keep up with annual expenses
- For 2018-19, revenue is estimated to increase about 5.4%

Possible Uses for Potential Excess Revenue

- Negotiated compensation increases
- LCAP goals
 - Increased services for EL, low income, and foster students
 - Class size reduction
 - Counseling and social/emotional support
- Solvency plan
- Other



Accountability in 2018-19 and Beyond





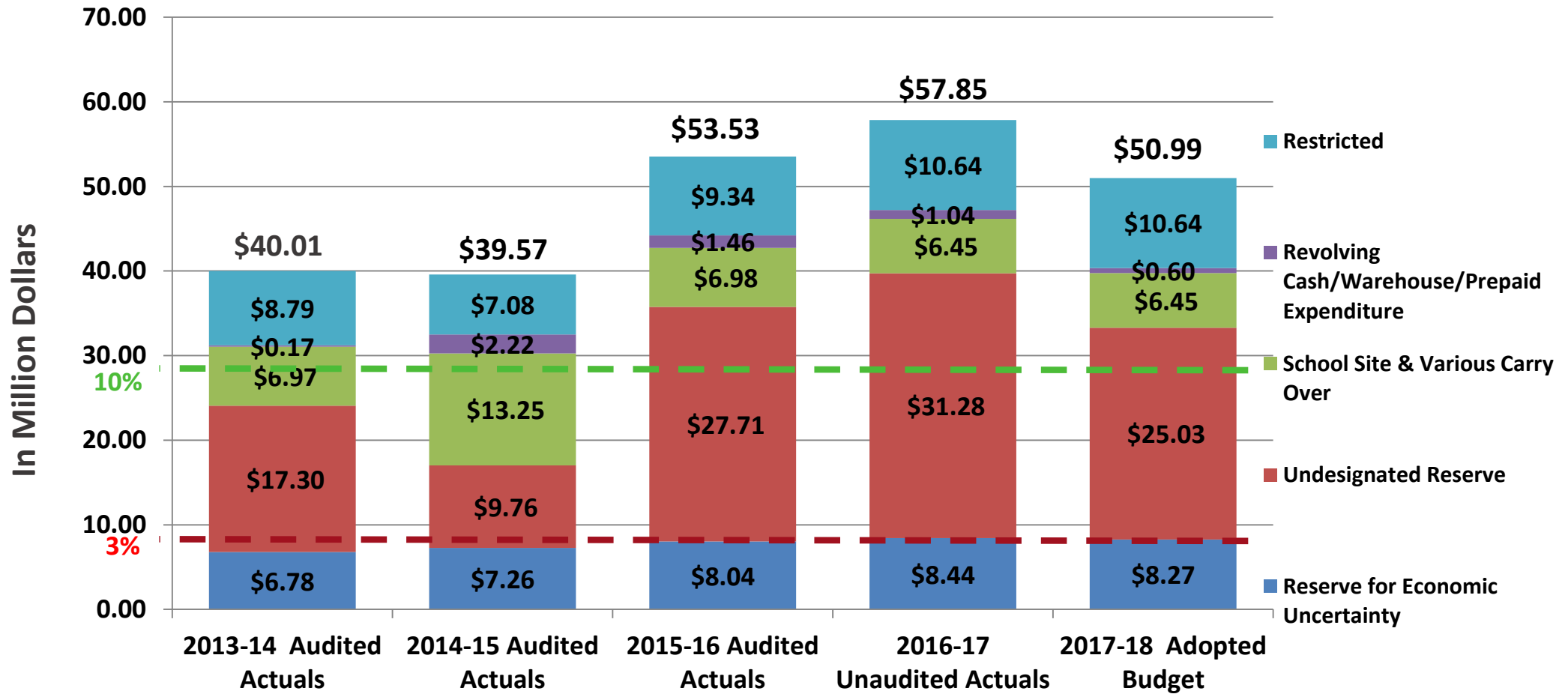
Budget Concerns

- No funding to increase the LCFF base grant target to reach the top ten states' funding
- No new funding to increase and equalize base funding rates for Special Education
- Health and welfare contributions are increasing
- Contributions to restricted programs continue to increase
- Flat enrollment will continue to make it difficult to balance the budget
- Cut in the Federal funds given the new direction of the new president
- Utilizing future year revenues
- Structural Deficit – Projected negative adjusted Unrestricted General Fund balance for the fiscal year 2020-21 is \$17 million
- Property Transfer could result in loss of \$2.7 million annually



GUSD General Fund

Summary of general fund ending balances





Next Steps

- Second Interim Budget Report – March 15, 2018
- Multi-Year Fiscal Planning – It is prudent to be conservative
- Evaluate State May Revise Budget Impacts
- Board Adoption of 2018-19 District Budget on June 19, 2018

QUESTIONS?

