



Governor's Budget Proposal for 2016-17

**Glendale Unified School District
Board Of Education Meeting – February 2, 2016
Information Report No. 2**

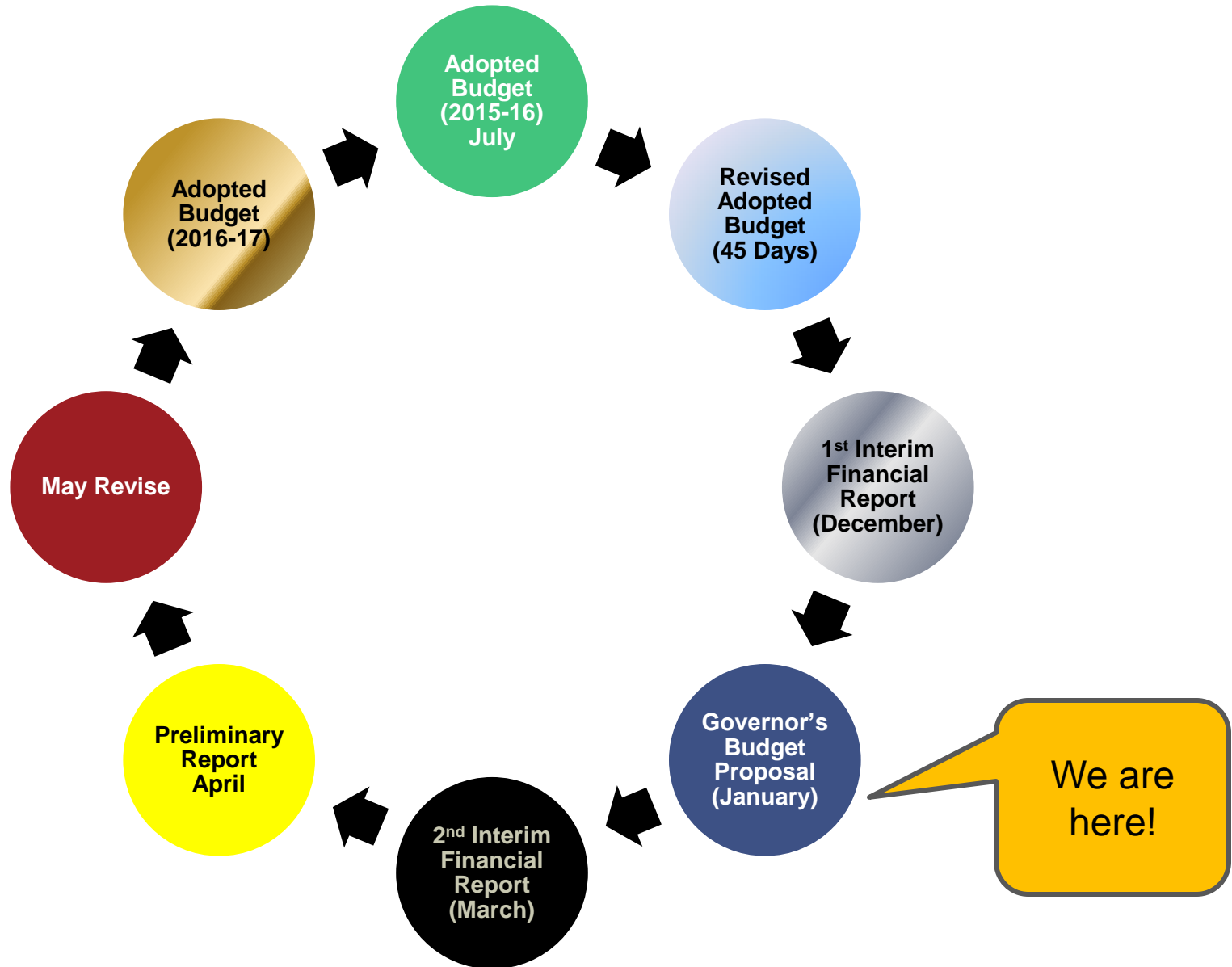
**Robert McEntire, Chief Business & Financial Officer
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Budget Report No. 4

Governor's Budget Proposals For 2016-17

- **Annual Budget Cycle**
- **2016-17 Budget Overview**
- **Summary of Educational Funding**
- **Budget Concerns**
- **Next Steps**

Annual Budget Cycle



2016-17 Budget Overview

- The Governor continues to stabilize funding and programs in all areas of the State Budget
- Economic growth is much stronger than in past years, but Governor Jerry Brown highlights the risk of recession
- The improving economy has boosted the Proposition 98 minimum funding guarantee
 - State revenues are up in the current year and a steady growth is projected for 2016-17
 - In turn, the state's obligation to K-12 education and community colleges increases

2016-17 Budget Overview – Cont.

- For the current year, the minimum guarantee increases by \$766 million to \$69.2 billion from the level adopted in the 2015-16 State Budget Act
- From this revised level, the Governor's State Budget proposes a 2016-17 Proposition 98 guarantee of \$71.6 billion, an increase of \$2.4 billion, or 3.5%.

Summary of Educational Funding

- **Local Control Funding Formula (LCFF)** - \$2.8 billion of additional funding, an average increase of \$489 per ADA → 5.6%
 - When combined with the 2013-14, 2014-15, and 2015-16 LCFF funding, implementation progress would cover almost 85% of the gap in the first four years
- **Cost of Living Adjustment (COLA)** - \$22.9 million to fund a 0.47% COLA for Categorical programs that remain outside of the LCFF (Special Education, Foster Youth, and Child Nutrition)
- **One-Time Discretionary Funding** - \$1.2 billion equal to \$214 per ADA. This equates to approximately \$5.4 million for GUSD, which offsets with the mandate reimbursements.
- **California State Standards (CSS)** – No proposed increase to the money received by LEAs.

Summary of Educational Funding – Cont.

- **Early Education Block Grant (not new funding) - \$1.6 billion to fund Early Education Block Grant**
 - Consolidate various preschool programs and Transitional Kindergarten
 - Greater financial flexibility
 - “Hold Harmless” – will not receive less than what was received under prior funding models
 - Growing concern with Transitional Kindergarten not being funded based on ADA, the uncertainty of how it will be funded, and potential negative effect on GUSD’s future year budget
 - Stay tuned ...

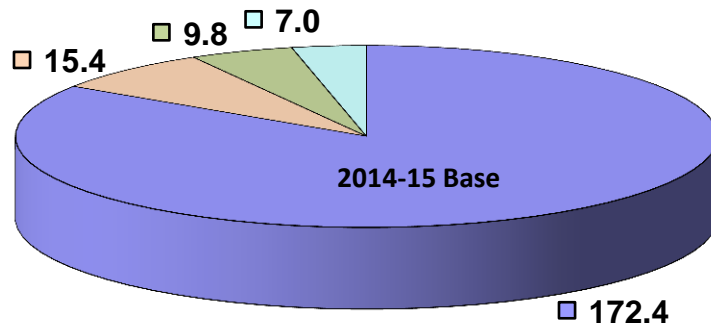
What Does the LCFF Mean for GUSD

GUSD – 2016-17		
2016-17 LCFF Per ADA Funding	Projected 2016-17 ADA	Projected 2016-17 LCFF Total Revenue
\$8,536	25,057	\$213,901,648

Discretionary Funds – ONE TIME	Total
\$214 (one-time) x 2015-16 P2 ADA =	\$5,395,368

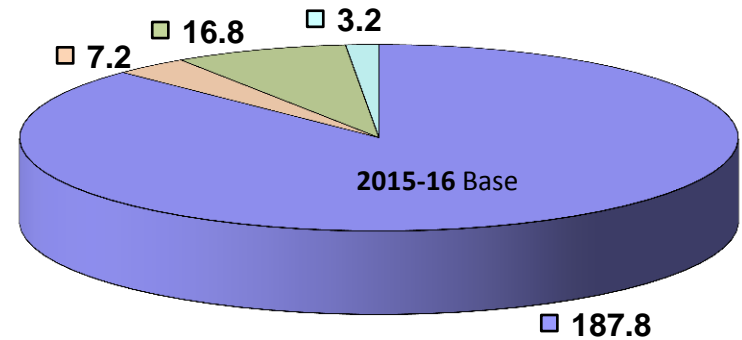
Local Control Accountability Plan (LCAP)

2015-16 GAP Funding and Proportionality Entitlement (In Million \$)



■ 2014-15 Base	■ 2015-16 Base
■ 2014-15 S & C	■ 2015-16 S & C

2016-17 GAP Funding and Proportionality Entitlement (in Million \$)



■ 2015-16 Base	■ 2016-17 Base
■ 2015-16 S & C	■ 2016-17 S & C

Budget Concerns

- Per Governor Brown, there are growing concerns for a recession that could accumulate the State deficit to increase up to \$55 billion
- Prop 2 Rainy Day Fund could be triggered
- The employer contribution costs for both CalSTRS and CalPERS will more than double
 - CalSTRS – From 8.25% in 2013-14 to 19.1% in 2020-21
 - CalPERS – From 11.442% in 2013-14 to 20.4% in 2020-21
- Poor investment in California's Students
 - California ranks 46th in per pupil spending (adjusted for regional cost differences)
 - Per Pupil Expenditure of \$8,216 (2012-13)
 - LCFF increased funding not likely to keep pace with education spending

Budget Concerns – Cont.

- GUSD's Specific Concerns
 - Ongoing effects of negotiated salary increases for 2014-15 and 2015-16
 - CalSTRS and CalPERS rate increases
 - Other program costs
 - Utilizing future year revenues
 - Structural Deficit - Projected negative adjusted Unrestricted General Fund balance for the fiscal years 2018-19 and 2019-20 for \$11.7 million and \$28 million, respectively
 - Not being able to meet our financial obligations in future years if not rectified

Adequacy of the Proposition 98 Reserve

- Last fall, we examined hypothetical contributions to the state-level Proposition 98 reserve, which would be used to cushion funding cuts in the event of a future economic downturn
- How much protection would the Proposition 98 reserve (2015 balance of approximately \$3 billion) provide to lessen cuts to schools during the next recession?
 - Answer: Not much, compared to the magnitude of cuts that could be imposed
 - Last recession \$55 billion!!





Reserves
are Important!
I need my Rainy Day
Contribution

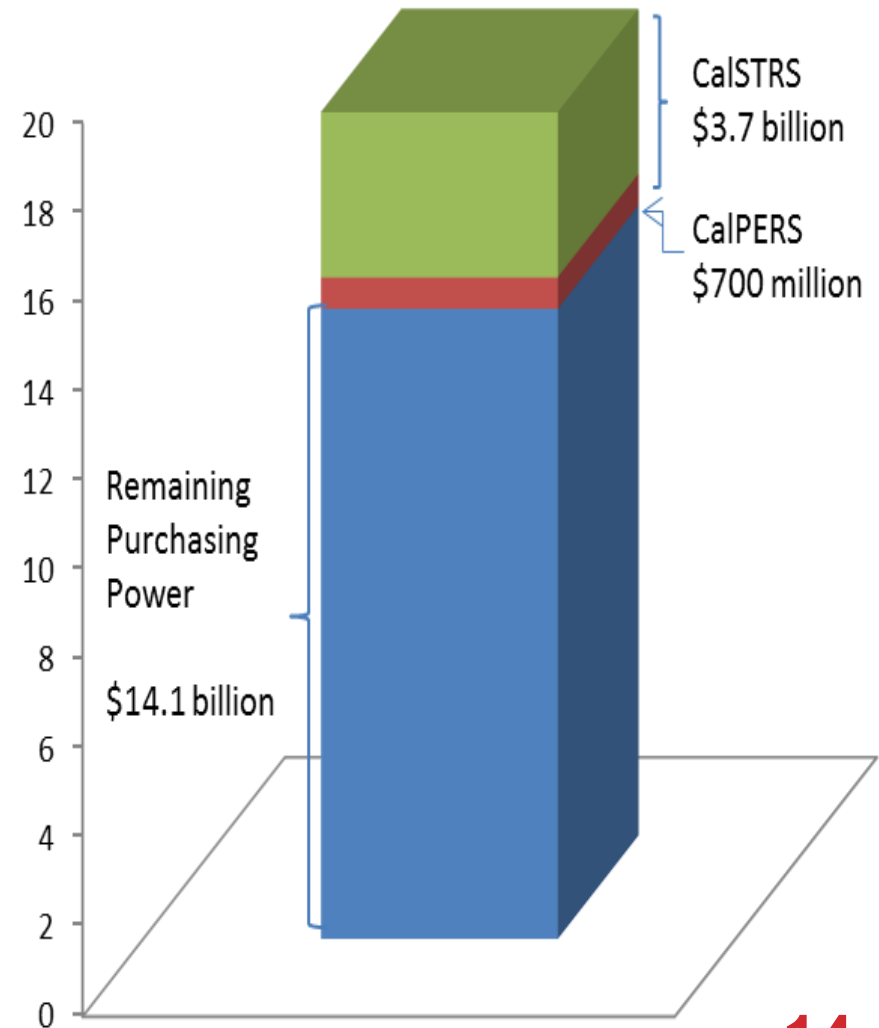
Tax Extension
without
contribution
to the rainy day
fund

Rick Fedrizzi 01/16

CalSTRS and CalPERS Rate Increase

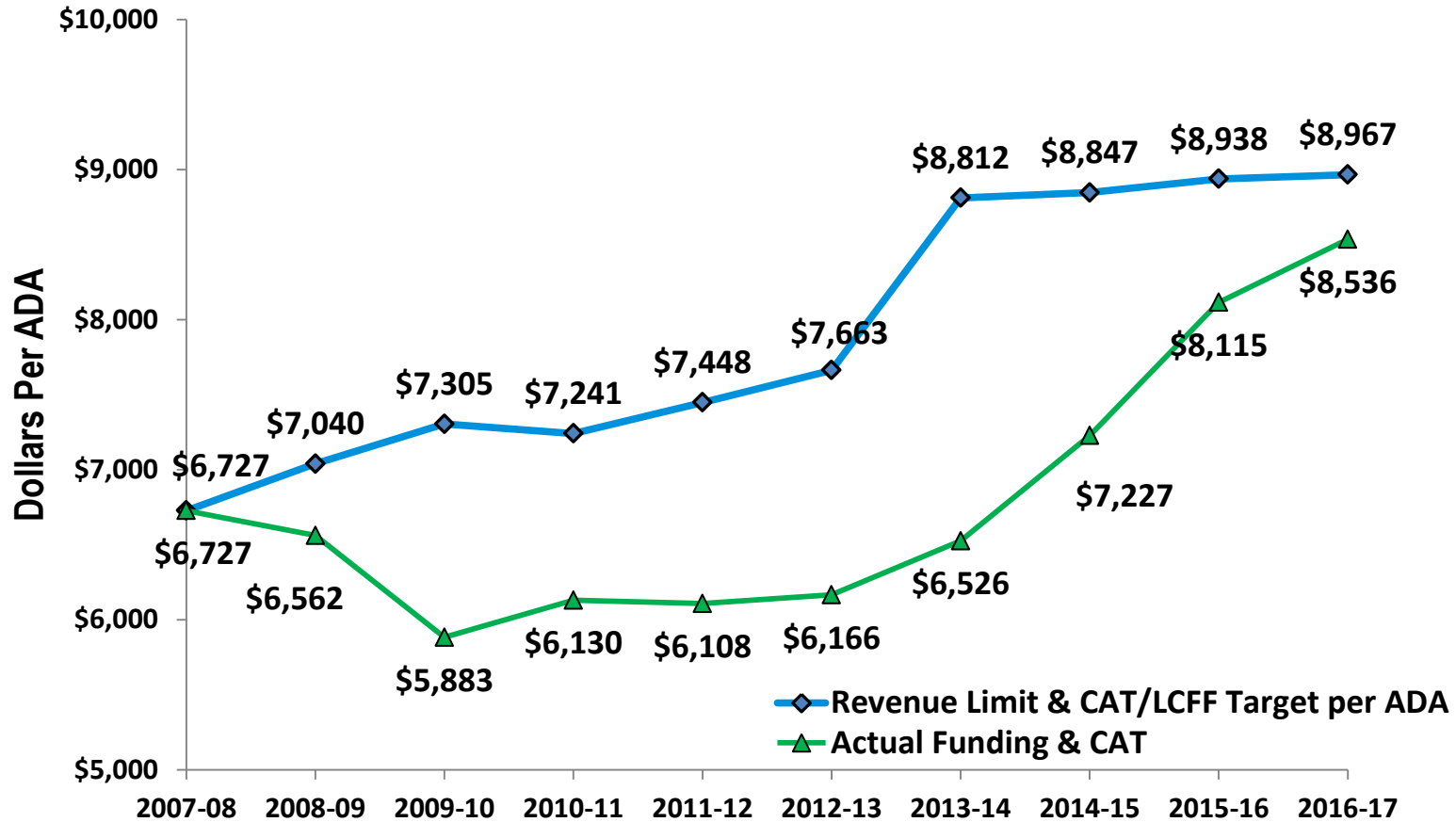
- When promoting the LCFF, the Governor promised a return to 2007-08 purchasing power
- It will take an estimated \$18.5 billion to reach that goal
- CalSTRS and CalPERS rate increases accumulate to \$4.4 billion in 2020-2021
- Only \$14.1 billion remaining

Increasing Costs Within the LCFF



Local Control Funding Formula

Historical Funding – Per ADA



(In Million\$)	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Annual Loss	12.4	36.6	28.3	34.0	38.0	57.7	40.8	20.7	10.9
Cumulative Loss	12.4	49.0	77.3	111.3	149.3	207.0	247.8	268.5	279.4

Note: 2013-14 to 2016-17 – LCFF Funding

Education Funding Equity vs. Investment

- Based upon the most recent expenditure data available for 2012-13, California ranks 46th in per-pupil spending adjusted for regional cost differences

2012-13 Per Pupil Expenditures Adjusted for Regional Cost Differences			
Rank	State	2012-13 PPE*	PPE* Percent of National Average
1	Vermont	\$18,853	162%
2	Alaska	\$18,565	159%
3	New York	\$17,291	148%
4	Wyoming	\$17,256	148%
5	New Jersey	\$15,511	133%
6	Connecticut	\$15,340	131%
7	New Hampshire	\$14,502	124%
8	Maine	\$14,310	123%
9	Rhode Island	\$14,071	121%
10	Pennsylvania	\$13,989	120%
-	National Average	\$11,667	-
	GUSD	\$8,570	73%
46	California	\$8,216	70%

*Per-pupil expenditures

Education Funding Equity vs. Investment

- As a measure of student performance, the 2015 five top achieving states for National Assessment of Educational Progress (NAEP) 8th grade mathematics and reading proficiency scored as follows:

Top 5 2015 8 th Grade NAEP Mathematics Percent Proficient States National Average – 32.1%	Top 5 2015 8 th Grade NAEP Reading Percent Proficient States National Average – 32.7%
1. Massachusetts – 50.8%	1. Massachusetts – 45.7%
2. Minnesota – 47.8%	2. New Hampshire – 45.0%
3. New Hampshire – 46.3%	3. Vermont – 43.8%
4. New Jersey – 46.2%	4. Connecticut – 43.3%
5. Vermont – 42.1%	5. New Jersey – 40.6%
40. California – 27.1%	40. California – 28.4%

- All of the top five states reported 2012-13 per-pupil expenditures above the national average of \$11,667
- At \$8,216, California is still well below the national average

Source: *Quality Counts 2016* report <http://www.edweek.org/ew/toc/2016/01/07/index.html?cmp=eml-sb-sr-qc16-20160107n>

Next Steps

- **Second Interim Budget Report – March 15, 2016**
- **Multi-Year Fiscal Planning – It is prudent to be conservative**
- **Allocation of Supplemental/Concentration**
- **Evaluate State May Revise Budget Impacts**
- **Board Adoption of 2016-17 District Budget on June 21, 2016**