

# Governor's Proposed 2015/16 State Budget – January 2015

Education

Presented to the Lowell Joint  
School District Board of  
Trustees

February 2, 2015

School  
Services  
of California  
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# Themes for the 2015-16 Governor's Budget

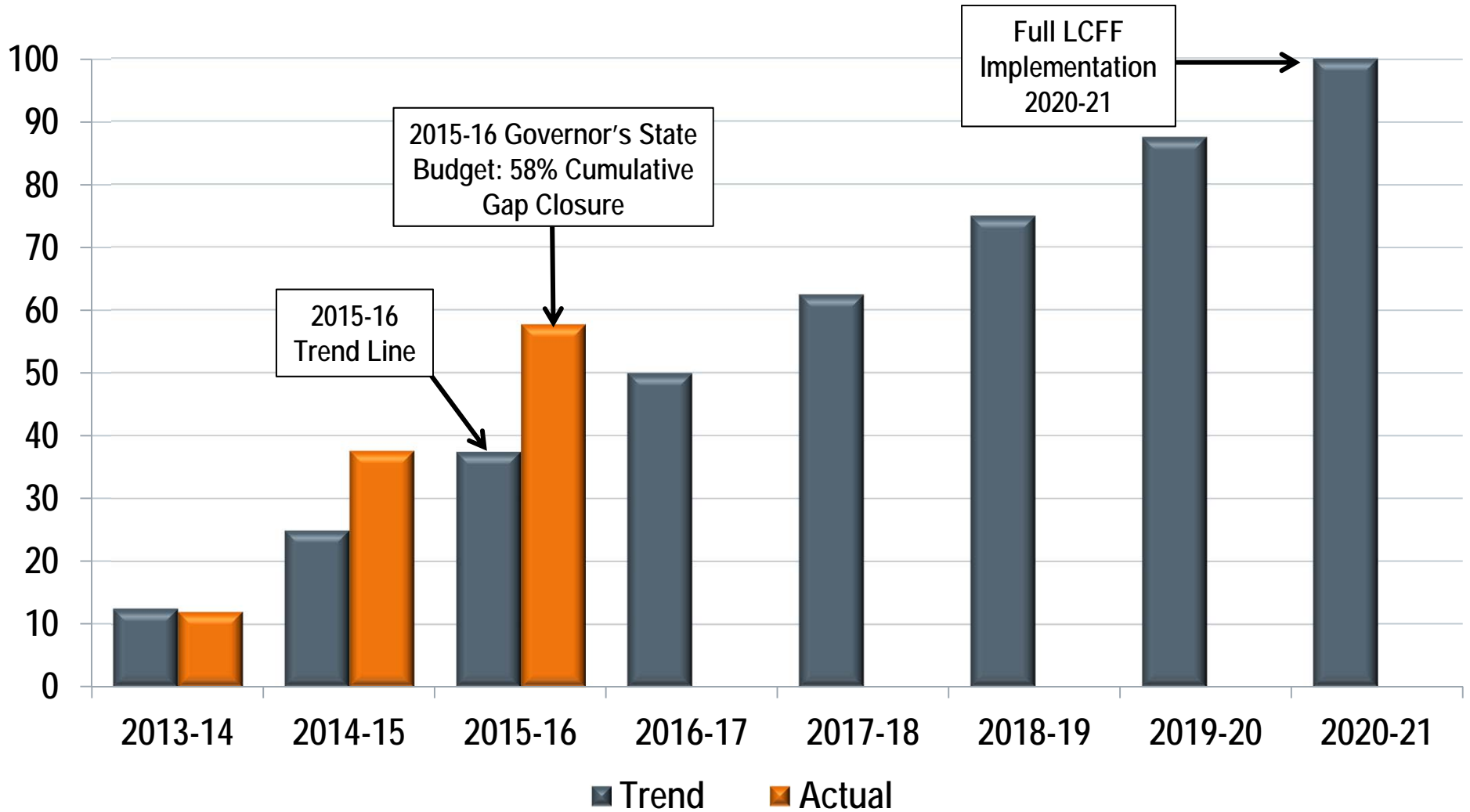
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- Positive economic growth continues and fuels public education spending
- Proposition 98 continues to receive most of the new money
- Funding is tight for the non-Proposition 98 side of the State Budget
- Governor stays the course on the Local Control Funding Formula (LCFF) and the Local Control and Accountability Plan (LCAP)
- State makes a firm commitment to Adult Education and Career Technical Education (CTE)
- The Wall of Debt continues to come down and is replaced with the Rainy Day Fund
- Overall, a very good State Budget for public education



# Progress Toward LCFF Implementation





## Overall, a Positive Year for Education

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- The 2015-16 State Budget proposed by the Governor would be good news in any year
  - But particularly coming after such a long and deep recession, this State Budget restores the hopes and dreams of many Californians
    - The recovery is not complete and won't be until at least 2021 under the Governor's plan
    - But the incremental progress is significant – particularly for public education
- During the recession, we took more cuts than any other segment of the State Budget
  - The Governor acknowledges this and is keeping his commitment toward restoration of our losses
- After all, temporary losses to public education become permanent impairments on the lives, hopes, and dreams of our children



## Proposition 98: The Minimum Guarantee

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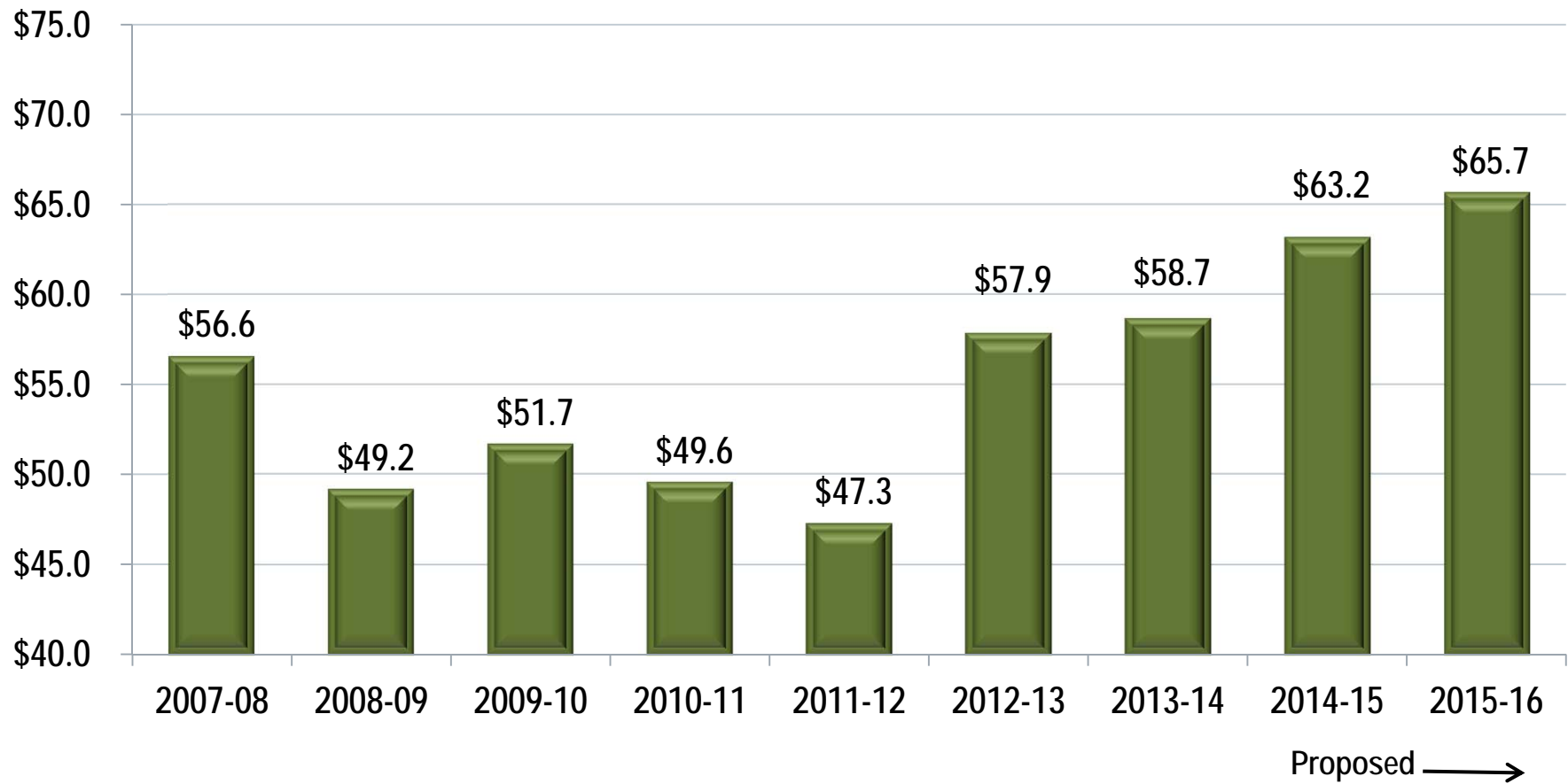
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- The improving economy has boosted the Proposition 98 minimum funding guarantee
  - State revenues are up in the current year and moderate growth is projected for 2015-16
  - In turn, the state's obligation to K-12 education and community colleges increases
- For the current year, the minimum guarantee increases by \$2.3 billion to \$63.2 billion from the level adopted in the 2014-15 State Budget Act
- From this revised level, the Governor's State Budget proposes a 2015-16 Proposition 98 guarantee of \$65.7 billion, an increase of \$2.5 billion, or 4.1%



# Proposition 98 Funding

### Budget Restores Investment in Education (Proposition 98 Funding in Billions)



Source: Governor's State Budget Summary, page 6



# Proposition 98 and the Major K-12 Proposals

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- The Governor's State Budget proposes:
  - \$4 billion for LCFF gap closure
  - \$1.1 billion for discretionary one-time uses, including Common Core implementation (one time)
  - \$1 billion to eliminate the remaining K-14 apportionment deferrals
  - \$500 million for an Adult Education Block Grant
  - \$273 million for the Emergency Repair Program (one time)
  - \$250 million for one-time CTE incentive grants (each of the next three years)
  - \$198 million additional ADA growth in the current year and a \$6.9 million decrease for ADA decline in 2015-16
  - \$100 million for Internet connectivity and infrastructure



# Discretionary Funds

- The Governor's State Budget proposal provides more than \$1.1 billion in discretionary one-time Proposition 98 funds, including \$20 million for COEs
  - The allocation amounts to about \$180 per ADA for districts
- The Governor suggests the one-time funds may be used to further investments in the implementation of Common Core State Standards (CCSS)
- Other uses detailed in the proposal are:
  - To support the implementation of newly adopted English language development and California's Next Generation Science standards, and
  - To support expenditures that occur due to the evolving accountability structure of the LCFF



- Budget proposes \$4 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 32.19%
- When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would cover almost 58% of the gap in just three years
- 2015-16 LCFF growth provides an average increase in per-pupil funding of 8.7%, or \$675 per ADA
  - District increase is 7.84%, or \$520.06 per ADA  
(this includes Supplemental Grant increase)





# 2015-16 LCFF Funding Factors

- Cost-of-living adjustment (COLA): The K-12 COLA is 1.58% for 2015-16, and is applied to the LCFF base grants for each grade span

| Grade Span | 2014-15 Base Grant per ADA | 1.58% COLA | 2015-16 Base Grant per ADA |
|------------|----------------------------|------------|----------------------------|
| K-3        | \$7,011                    | \$111      | \$7,122                    |
| 4-6        | \$7,116                    | \$112      | \$7,228                    |
| 7-8        | \$7,328                    | \$116      | \$7,444                    |
| 9-12       | \$8,491                    | \$134      | \$8,625                    |



# 2015-16 LCFF Funding Factors

- Two grade span adjustments are applied as percentage increases against the adjusted base grants, and also receive a 1.58% COLA in 2015-16
  - Grade K-3 – 10.4% increase for smaller average class enrollments
  - Grades 9-12 – 2.6% increase in recognition of the costs of CTE coursework

| Grade Span  | 2015-16 Base Grant per ADA | Grade Span Adjustment | 2015-16 Adjusted Grants |
|-------------|----------------------------|-----------------------|-------------------------|
| K-3 (10.4%) | \$7,122                    | \$741                 | \$7,863                 |
| 4-6         | \$7,228                    | --                    | \$7,228                 |
| 7-8         | \$7,444                    | --                    | \$7,444                 |
| 9-12 (2.6%) | \$8,625                    | \$224                 | \$8,849                 |



# What Does the LCFF Mean for Lowell Joint?

| Lowell Joint – 2015-16       |                       |                                      |
|------------------------------|-----------------------|--------------------------------------|
| 2015-16 LCFF Per ADA Funding | Projected 2015-16 ADA | Projected 2015-16 LCFF Total Revenue |
| \$7,151.74                   | 3,115.14*             | \$20,976,185                         |

\*includes 10 county educated ADA that we pay to COE's – no fund balance gain

| Discretionary Funds – ONE TIME      | Total     |
|-------------------------------------|-----------|
| \$180 (one-time) X 2014-15 P2 ADA = | \$562,600 |



# CalSTRS Rate Increases

- Employer rates are increasing to 10.73% in 2015-16, up from 8.88% in 2014-15
  - No specific funds are provided for this cost increase
- Once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer and state contribution rates

| Year    | Employer | Pre-PEPRA* | Post-PEPRA* |
|---------|----------|------------|-------------|
| 2014-15 | 8.88%    | 8.15%      | 8.15%       |
| 2015-16 | 10.73%   | 9.20%      | 8.56%       |
| 2016-17 | 12.58%   | 10.25%     | 9.205%      |
| 2017-18 | 14.43%   | 10.25%     | 9.205%      |
| 2018-19 | 16.28%   | 10.25%     | 9.205%      |
| 2019-20 | 18.13%   | 10.25%     | 9.205%      |
| 2020-21 | 19.10%   | 10.25%     | 9.205%      |

\*Public Employees' Pension Reform Act

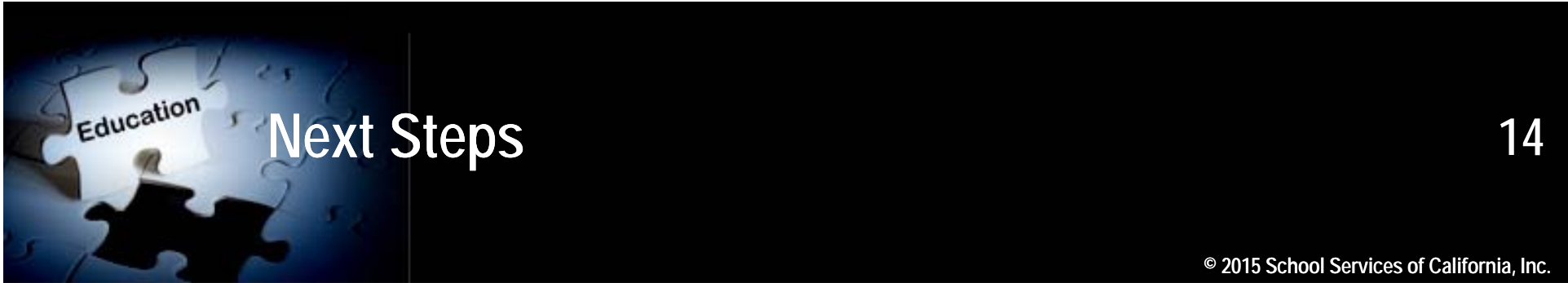


# CalPERS Rate Increases

- The employer contribution to CalPERS is projected to increase from 11.771% in 2014-15 to 12.6% in 2015-16 (final rate awaiting CalPERS Board approval)
  - “Classic” members continue to pay 7.00%
  - New members pay 6.00%, which may fluctuate from year to year based on the PEPRA requirement to pay half the normal cost rate
- Estimates of the resulting future contribution rate increases for school employers are as follows:

| Actual  | Projected |         |         |         |         |         |
|---------|-----------|---------|---------|---------|---------|---------|
| 2014-15 | 2015-16   | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| 11.771% | 12.6%     | 15.0%   | 16.6%   | 18.2%   | 19.9%   | 20.4%   |

- In most cases, the base grant will need to cover increased operating expenses, including the employer’s share of CalSTRS and CalPERS increases



- State level

- Budget committee hearings
- Next update – May Revision

- Local level

- Second Interim Report will be presented for Board approval March 9, 2015 – positive certification is *hopeful*
- Sneak Peek: Global adjustments have been made to the First Interim multi-year projection to show:
  - Projected LCFF funding for 2015/16 and 2016/17
  - One-time Mandate income (\$560,000)