

# Governor's 2016/17 State Budget



Presented to the Board  
of Trustees  
February 1, 2016

School  
Services  
of  
California  
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# Themes for the 2016-17 Governor's Budget

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- The Governor continues to stabilize funding and programs in all areas of the State Budget
- Completing repayment of the education Maintenance Factor in 2015-16, as School Services of California, Inc., (SSC) projected, increases funding for the non-Proposition 98 side of the State Budget
- The state increased its revenue estimates, but continues to underestimate Proposition 98 revenues for 2015-16 and 2016-17
- Economic growth is much stronger than in past years, but Governor Jerry Brown highlights the risk of recession
- Serious legislative and advocacy issues abound and draw attention and energy
- The Local Control and Accountability Plan (LCAP) remains a dominant governance document
- It's shaping up to be a very good year, but the Governor and SSC caution it is time to think about the potential for a slowdown



# Preparing for a Slowdown

- The growth in education funding has been fueled by three major factors, all of which could change during 2016-17:
  - The Proposition 30 temporary taxes
  - Growth in the economy
  - Repayment of the Maintenance Factor (amounts owed for cuts during the recession)
- At full implementation, each district will receive only cost-of-living adjustment (COLA) increases to its LCFF funding each year
  - COLAs over the next few years are estimated to be in the 2% to 3% range
  - If those COLA projections come to pass, some districts would again be making budget reductions because year-over-year costs exceed this range
- We need to prepare for a slowdown while at the same time advocate for higher Proposition 98 funding to continue to move toward at least the national average



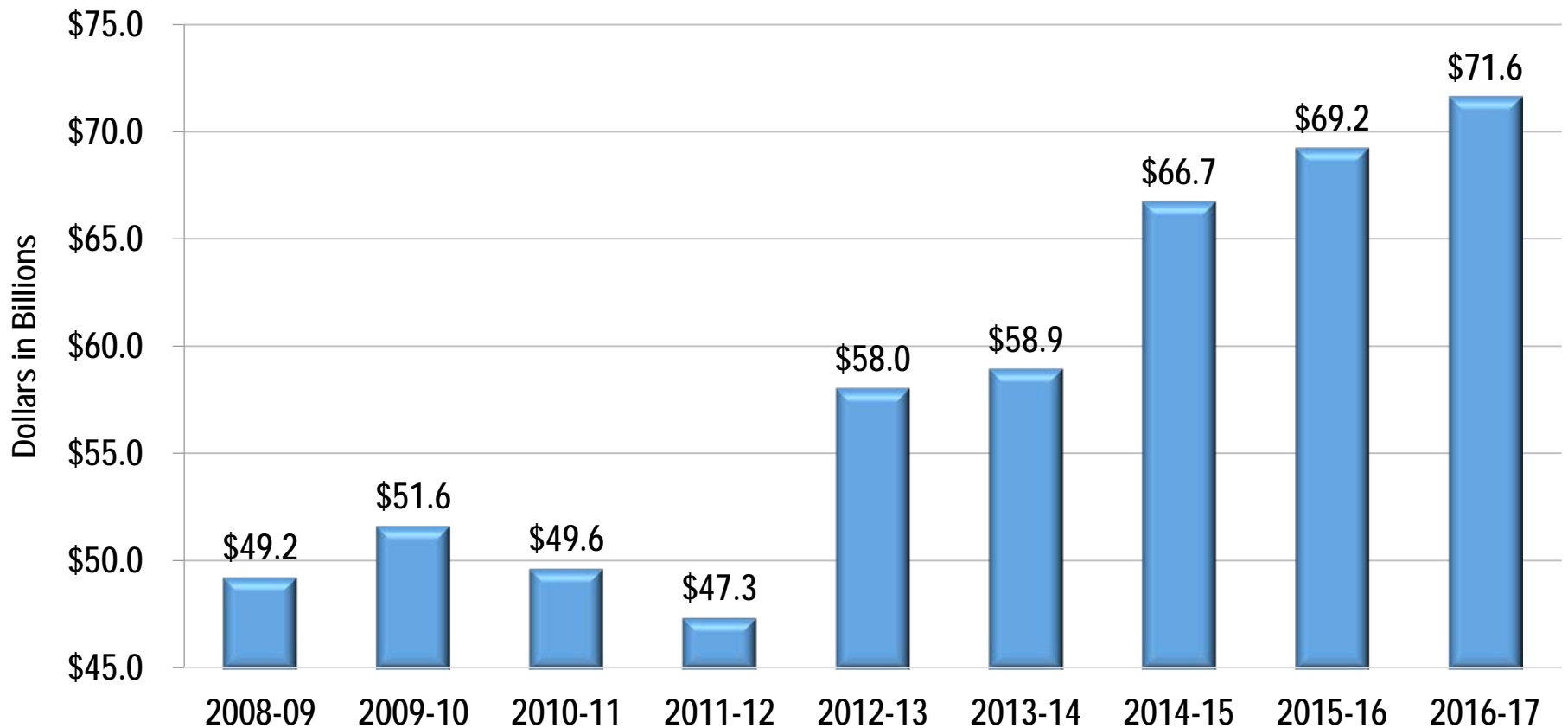
# Proposition 98 Funding

- The Budget proposes Proposition 98 funding of \$71.6 billion in 2016-17, up \$2.4 billion (3.5%) from the revised 2015-16 level
  - Statewide ADA is expected to drop slightly by 0.08% (LJSD's is flat or slightly increased)



# Proposition 98 Funding Over Time

## Proposition 98 Funding 2008-09 to 2016-17



Source: Governor's State Budget Summary, Figure K12-02, page 20



# Proposition 98 and the Major K-12 Proposals

- The Governor's Budget proposal includes:
  - \$2.8 billion for Local Control Funding Formula (LCFF) gap closure
  - \$1.6 billion for an Early Education Block Grant (not new funding)
  - \$1.2 billion for discretionary one-time uses
  - \$365.4 million for the K-12 portion of Proposition 39 (2012) – Clean Energy Jobs Act
  - \$61 million to support projected charter school average daily attendance (ADA) growth
  - \$30 million in one-time funds to provide academic and behavioral supports
  - \$22.9 million for categorical programs' COLA (0.47%)
  - \$20 million for charter school startup grants



# 2016-17 Local Control Funding Formula

- Budget proposes \$2.8 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2015-16 funding levels and LCFF full implementation targets by 49.08%
- 85% of the gap closed in the first four years
  - Reaching to 95% of the targeted funding levels
  - Lowell Joint will be at 95% in 2016/17 under this proposal
- The LCFF base grant targets are adjusted for an estimated 0.47% COLA in 2016-17
- 2016-17 LCFF growth (COLA and GAP Funding) provides an average statewide increase in per-pupil funding of 5.6%, or \$489 per ADA
  - Lowell Joint School District's increase is 5.4%





# One-Time Funds

- The Governor's Budget includes \$1.2 billion in discretionary one-time Proposition 98 funding
  - Equal to about \$214 per ADA (approximately \$650,000 for LJSD)
- The Governor suggests the one-time funds may be used to support investments in:
  - Content standards implementation, technology, professional development, induction programs for beginning teachers, and deferred maintenance
- This is not a requirement and the funds can be used for any one-time purpose
  - However, any funds received will offset state obligations for any local educational agency (LEA) with outstanding mandate reimbursements (S.A.R.C., Scoliosis Testing, Notification of Truancy, etc.), consistent with the approach used in the 2014 and 2015 Budget Acts





# CalSTRS Rate Increases

■ Employer rates are increasing to 12.58% in 2016-17, up from 10.73% in 2015-16

● No specific funds are provided for this cost increase

### CalSTRS Rates

Year	Employer	Pre-PEPRA*	Post-PEPRA*
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 (PEPRA)



# CalPERS Rate Increases

- The employer contribution to CalPERS is proposed to increase to 13.05% in 2016-17 from 11.847% in 2015-16
- “Classic” members continue to pay 7.00%
  - New members pay 6.00%, which may fluctuate from year to year based on the PEPPRA requirement to pay half the normal cost rate
- Estimates of the resulting future contribution rate increases for school employers are as follows:

## CalPERS Rates

Actual	Projected				
2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.847%	13.05%	16.6%*	18.2%*	19.9%*	20.4%*

\*CalPERS provided these estimates in 2014 and has not yet issued revised estimates



# Financials in "COLA-Only" Years

Certificated	
COLA Only	2.65%*
Step and Column	-1.50%
CalSTRS	-1.85%
Health and Welfare Benefit Increases**	-1.1%
C.P.I.	<u>-0.6%</u>
	-2.4%

Classified	
COLA Only	2.65%*
Step and Column	-1.50%
CalPERS	-1.60%
Health and Welfare Benefit Increases**	-1.1%
C.P.I.	<u>-0.6%</u>
	-2.15

\*DOF Projected 2018-19

\*\*All Employees



# Financials in "COLA-Only" Years

District-wide	
COLA Only (2.85%)*	\$645,000
Step and Column**	-\$240,000
CalSTRS/CalPERS**	-\$270,000
Health and Welfare Benefit Increases**	-\$198,000
C.P.I.	<u>-\$110,000</u>
	-\$308,000

\*DOF Projected 2018-19

\*\* 2016/17 Estimates



Questions

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