



Proposed Governor's Budget 2017-18

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- The State Budget is a document of policy, priorities, and competition for resources.
- It's their initial economic forecast and financial plan for the state.
- It begins the process for legislative consideration of the proposed budget, but it also provides critical information for development of school agency budgets.

Economic Growth – Now and Later.

- All year long, the administration has been warning of slower economic growth
 - Lower than expected tax revenues in 2016
 - Concerns that the top 1% who pay half of the personal income tax and all of the Prop. 30 taxes may not be doing well as expected...
- The November elections appear to have provided new stimuli to the economy
 - The stock market has soared
 - State and local school facility bonds were approved and will create more jobs
 - Proposition 55 will continue the high-bracket income tax supporting education funding
- Taxes and Revenues
 - Taxes drive Proposition 98 obligations to schools
 - Revenue projections dictate the rate at which the state moves toward the LCFF implementation targets
 - The state continues to meet the minimum Proposition 98 guarantee

Legislative, Political, and Operational Challenges

- We expect major changes in policy from the federal government
 - We may see more bias toward charter schools
 - We anticipate shifts in federal education policy
- Multiyear projections (MYPs) continue to show that most districts will be making budget cuts to balance budgets in the out years.
 - Recommendation – build your reserves for the lean times.
- Collective bargaining has been extremely difficult throughout the state
 - More impasses and fact-findings than we have ever seen
- Preparing for the future:
 - Maintain an adequate reserve level
 - Build positive labor/management relationships

Economic Outlook

- U.S. economic outlook
 - Housing prices continue to rise
 - Stock market continues to go up
 - More than 12 million jobs have been added since the end of the recession
 - Wages have gone up
- California economic outlook
 - Passage of local bonds and Proposition 51 will help the economy
 - Passage of Proposition 55 will help the state budget (replaces Prop. 30)
- Fiscal Challenges in California
 - CalPERS lower its earning expectations
 - Lower than expected tax collections
 - Governor Brown continues to plan for a possible recession

Proposition 98

- Proposition 98 was adopted by state voters in 1988 as a constitutional minimum guarantee in funding for K-12 education.
 - Unfortunately, the minimum guarantee has functioned as a maximum funding level...
 - Legislature rarely having passed a budget that appropriated more than the minimum
 - Nevertheless, in recent years, districts has seen unprecedented boosts in funding as the economy has strengthened and the amounts owed to school districts have been repaid.
 - This boom, however, may have come to an end in 2017/18.
- The budget proposes Proposition 98 funding of \$73.5 billion in 2017-18
 - Down \$953 million from the forecasted level
 - Maintenance Factor increases by \$264 million for an estimated total of \$1.6 billion by the end of 2017-18. (Maintenance Factor – money owed by the state to school districts in subsequent years when funding falls short than projected).

Proposition 98 – Major k-12 Proposals

- The Governor's budget proposal includes:
 - \$744 million for LCFF gap closure
 - \$422.9 million for K-12 portion of Prop. 39 funding
 - \$287 million for discretionary one-time uses
 - \$200 million for the Career Technical Education Incentive Grant (CTEIG).
 - \$93 million to support projected charter school ADA growth
 - \$58.1 million for categorical programs
 - \$8.5 million for the Mandated Block Grant (MBG) to reflect the addition of training programs
 - \$2.4 million for County Office of Education

2017-18 LCFF Target Funding Factors

The K-12 COLA is 1.48% for the 2017-18, and is applied to the LCFF base grants for each grade span

Grade Span	2016-17 Base Grant Per ADA	1.48% COLA	2017-18 Base Grant per ADA
K-3	\$7,083	\$105	\$7,188
4-6	\$7,189	\$106	\$7,295
7-8	\$7,403	\$110	\$7,513
9-12	\$8,578	\$127	\$8,705



COLA 1.48% Increase

2017-18 LCFF Target Funding Factors

Two grade span adjustments (GSAs) are applied as a percentage increases against the adjusted base grant

- Grades K-3 – 10.4% increase for smaller average class enrollments (24-1)
- Grades 9-12 – 2.6% increase in recognition of the cost of Career Technical Education coursework

Grade Span	2017-18 Base Grant Per ADA	Grade Span Adjustment (GSA)	2017-18 Adjusted Base Grant per ADA
K-3	\$7,188	\$748	\$7,936
4-6	\$7,295	-	\$7,295
7-8	\$7,513	-	\$7,513
9-12	\$8,705	\$226	\$8,931

2017-18 LCFF Target Funding Factors

Supplemental and Concentration (S/C) grants are calculated based on the percentage of a District's enrollment students who are: 1) English Learners, 2) Free & Reduce Meal Program Eligible, or 3) Foster Youth

Grade Span	2017-18 Adjusted Grants per ADA	20% Supplemental Grant – Total (Unduplicated)	50% Concentration Grant – Above 55% (Unduplicated)
K-3	\$7,936	\$1,587	\$3,968
4-6	\$7,295	\$1,459	\$3,648
7-8	\$7,513	\$1,503	\$3,757
9-12	\$8,931	\$1,786	\$4,466

Important Factors 2017-18 Proposed Budget

Apportionment Deferrals

- The Governor's State Budget proposes to re-establish apportionment deferrals, shifting \$859.1 million in LCFF costs from June 2017 to July 2017.
 - DOF officials indicate that this deferral will be paid along with the July 2017 apportionment
 - Results from reductions to the Prop. 98 guarantee in 2015-16, and 2016-17.

One-Time Discretionary Funds

- The Governor's Budget proposes \$287 million in one-time funds for school districts, COEs, and charter schools in 2017-18.
 - This equates to approximately \$48 per ADA

2014-15	2015-16	2016-17	2017-18
\$67	\$529	\$214	\$48

The Administration has consistently provided one-time funding to repay outstanding mandates, and 2017-18 is no different...

Special Education Funding Outlook

- The Governor's Budget includes no new funding for special education programs beyond the 1.48% COLA.
 - Estimated at \$7.88 per ADA
- Special Education funding is reduced by \$4.9 million due to a projected decrease in statewide ADA in 2017-18.
 - Though statewide ADA is projected to decrease, student enrollment in Special Education continues to grow.
 - The latest data shows special education enrollment grew by 2.29% between 2014-15 and 2015-16 while enrollment statewide declined by 0.14% in the same period.

CalPERS School Employer Contribution Rates

Fiscal Year	Previously Released Employer Contribution Rates	Projected Employer Contribution Rate
2016-17	13.88%	13.88%
2017-18	15.8%	15.8%
2018-19	17.7%	18.7%
2019-20	19.7%	21.6%
2020-21	21.1%	24.9%
2021-22	N/A	26.4%
2022-23	N/A	27.4%
2023-24	N/A	28.2%



An increase of 138% percent from 2015-16 over the next 8 years...

CalSTRS School Employer Contribution Rates

Effective Date	Prior Employer Contribution Rate	Increases Under AB 1469	
		Increase	Total
July 1, 2014	8.25%	0.63%	8.88%
July 1, 2015	8.25%	2.48%	10.73%
July 1, 2016	8.25%	4.33%	12.58%
July 1, 2017	8.25%	6.18%	14.43%
July 1, 2018	8.25%	8.03%	16.28%
July 1, 2019	8.25%	9.88%	18.13%
July 1, 2020	8.25%	10.85%	19.1%
July 1, 2046	8.25%	Increase from prior year rate ceases in Fiscal Year 2046-47	



School employer contributions will increase from 8.25 percent to a total of 19.1 percent of payroll, phased in over the next seven years.

In Conclusion

- This is a proposed budget, it will change in May...
 - But it gives us an idea to start working in developing our budget for 2017-18

