

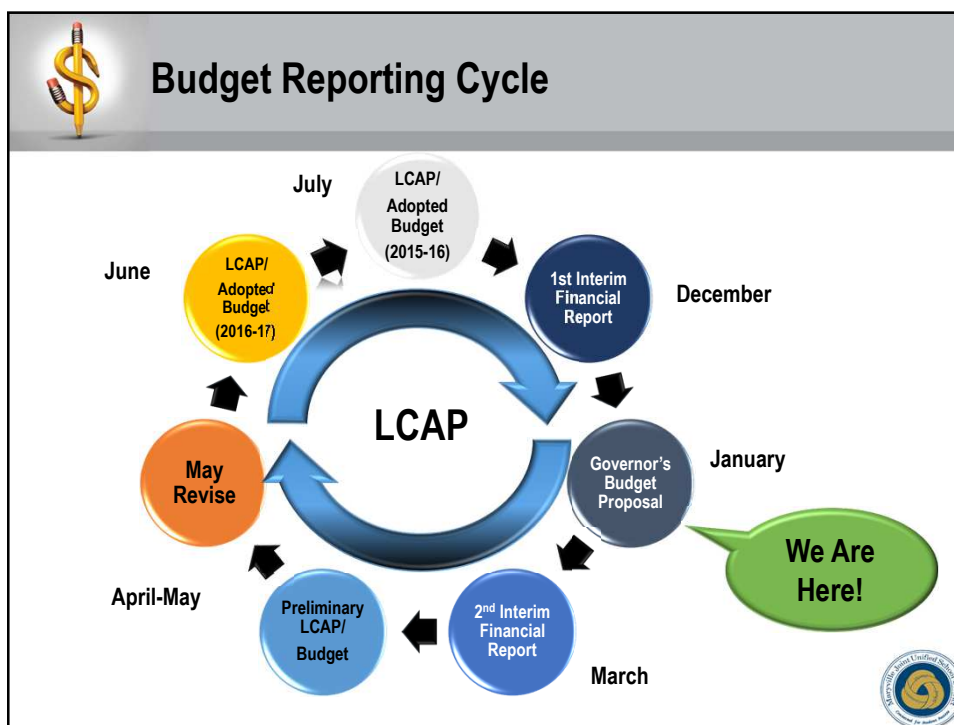


Governor's 2016-17 State Budget Proposal



Marysville Joint Unified School District

January 26, 2016





Themes for the 2016-17 Governor's Budget

- Continues to stabilize funding and programs in all areas of the State Budget
- Completing repayment of the education Maintenance Factor in 2015-16, 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
- Cap on Reserves (Prop 2) not triggered
- Economic growth is much stronger than in past years, but Governor Jerry Brown highlights the risk of recession, potential for a slowdown



Preparing for the Slowdown

- Three major factors fueling growth in education funding, all of which could change during 2016-17:
 - The Proposition 30 temporary taxes
 - Growth in the economy
 - Repayment of the Maintenance Factor
- 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 only those COLA projections were received, most districts would again be making significant budget reductions
- We need to prepare for a slowdown while at the same time advocate for higher funding to continue to move toward at least the national average



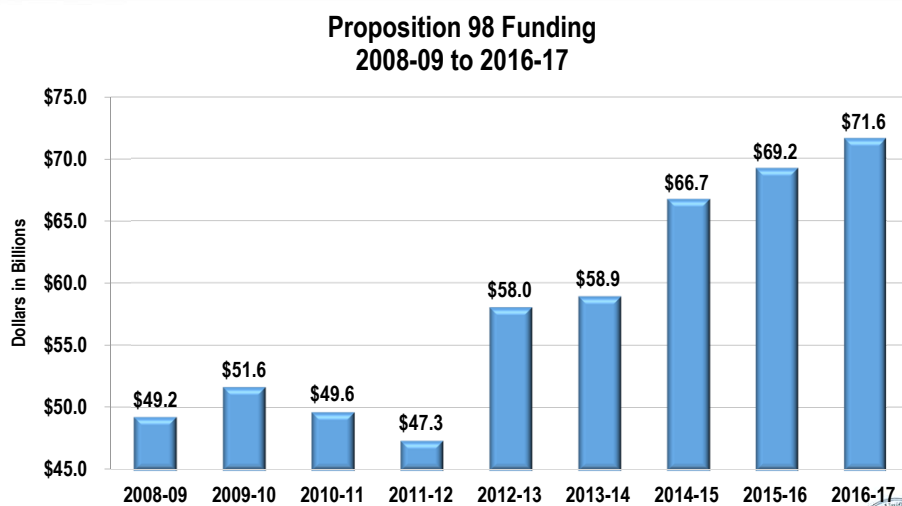


Proposition 98 Funding

- The Governor's Budget proposes a revised current year (2015-16) Proposition 98 guarantee of \$69.2 billion
 - An increase of \$766 million from the enacted Budget related to an increase in per capita personal income
- 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
 - Funding is based on per capita General Fund revenues (plus 0.5%), estimated at 2.88%
- Maintenance Factor is fully repaid in 2015-16 with a payment of \$810 million
 - However, a new Maintenance Factor obligation of \$548 million is created in 2016-17
- General Fund support for schools slows compared to non-Proposition 98 programs: 2% increase versus 8.4% increase for all other programs in 2016-17



Proposition 98 Funding Over Time



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





Proposition 98 and the Major K-12 Proposals

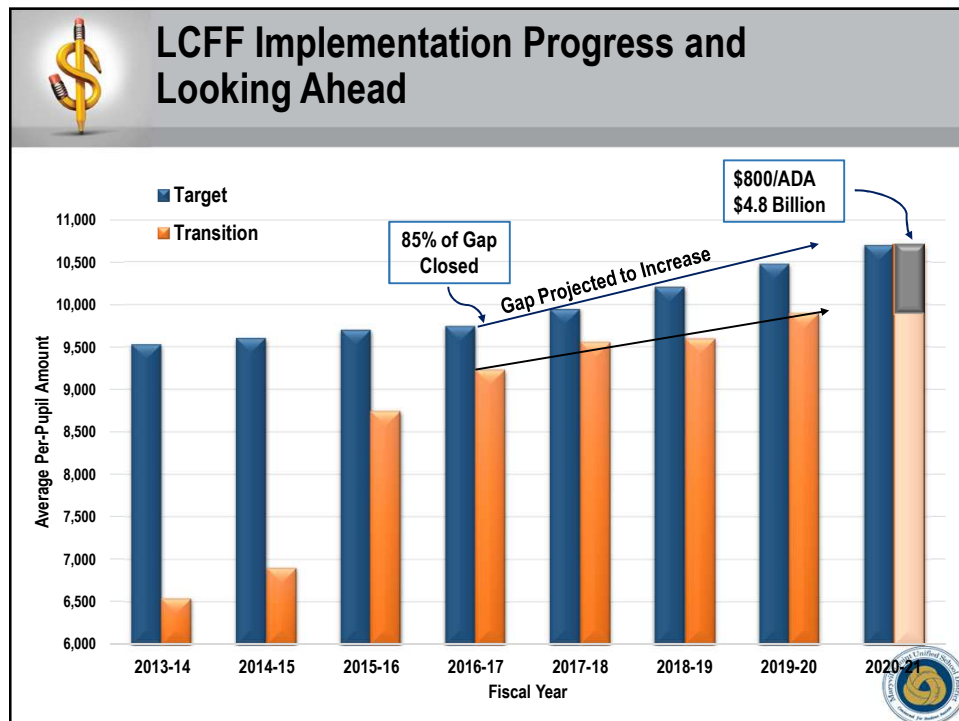
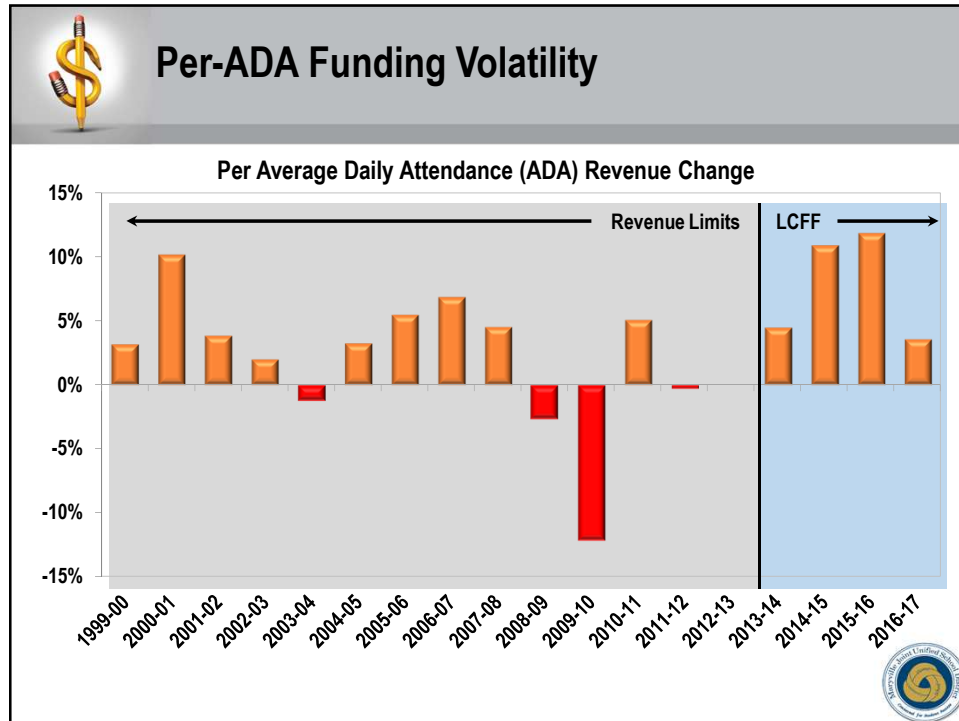
- The Governor's Budget proposal includes:
 - \$2.8 billion for Local Control Funding Formula (LCFF) gap closure
 - \$1.6 billion for an Early Education Block Grant (not new funding)
 - \$1.2 billion for discretionary one-time uses
 - \$365.4 million for the K-12 portion of Proposition 39 (2012) – Clean 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
 - \$1.7 million for county offices of education (COE) to support COLA and ADA changes



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 2014-15 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 (from 2007-08)
- The LCFF base grant targets are adjusted for an estimated 0.47% COLA in 2016-17
- 2016-17 LCFF growth provides an average increase in per-pupil funding of 5.6%, or \$489 per ADA
 - Individual results for school districts will vary







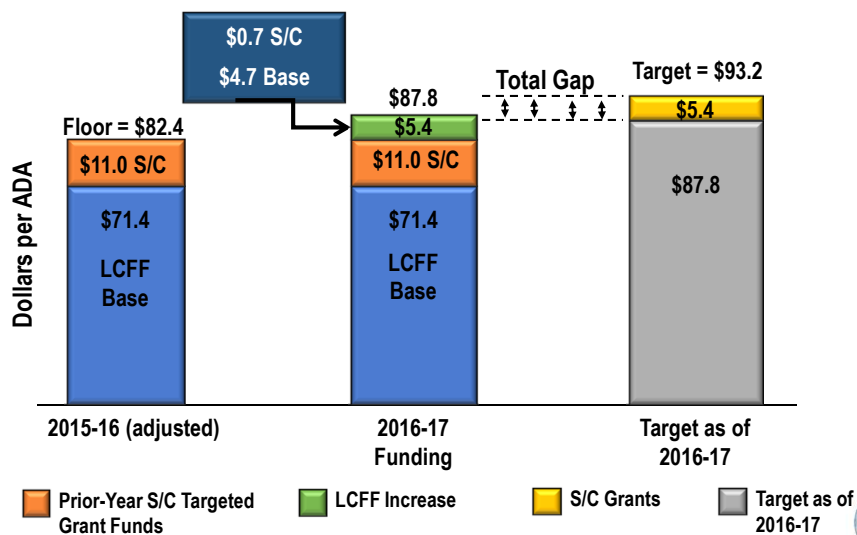
What Does This Mean for MJUSD?

MJUSD – 2016-17		
2016-17 LCFF Per ADA Funding	Projected 2016-17 ADA <small>(based on First Interim projection of 2015-16 P2)</small>	Projected 2016-17 LCFF Total Revenue
\$9,820	8,937	\$87,766,152

MJUSD – 2015-16 vs. 2016-17		
2015-16 LCFF Total Revenue	2016-17 LCFF Total Revenue	Funding Increase from 2015-16 to 2016-17
\$82,364,267	\$87,766,152	\$5,401,885



Gap Closure and Proportionality Calculation (in Millions \$)





One-Time Funds

- The Governor's Budget includes \$1.2 billion in discretionary one-time Proposition 98 funding
 - Equal to about \$214 per ADA
- 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 mandate and the funds can be used for any one-time purpose
 - However, any funds received will offset state obligations for any school district with outstanding mandate reimbursements, consistent with the approach used in the 2014 and 2015 Budget Acts

Discretionary Funds – ONE TIME	Total
\$214 (one-time) x Projected 2016-17 ADA* =	\$1,912,622

*based on First Interim projection of 2015-16 P2



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
- Under current law, once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer contribution rate

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 PEPRA 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



Next Steps

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- State level
 - Budget committee hearings
 - Next update – May Revision
- Local level
 - Second Interim Report in March
 - Will show:
 - Changes to projected revenue and expenditures for 2015-16
 - Multi-Year Projection (MYP)
 - 2016-17: Revenue projections based on Budget proposal as well as expenditure estimates so as to project net surplus/deficit
 - LCAP Budget Advisory Committee (LBAC)
 - Continue efforts towards 2016-17 based on projections derived from January Budget Proposal



