

Governor's 2015-16 State Budget Proposal

Education

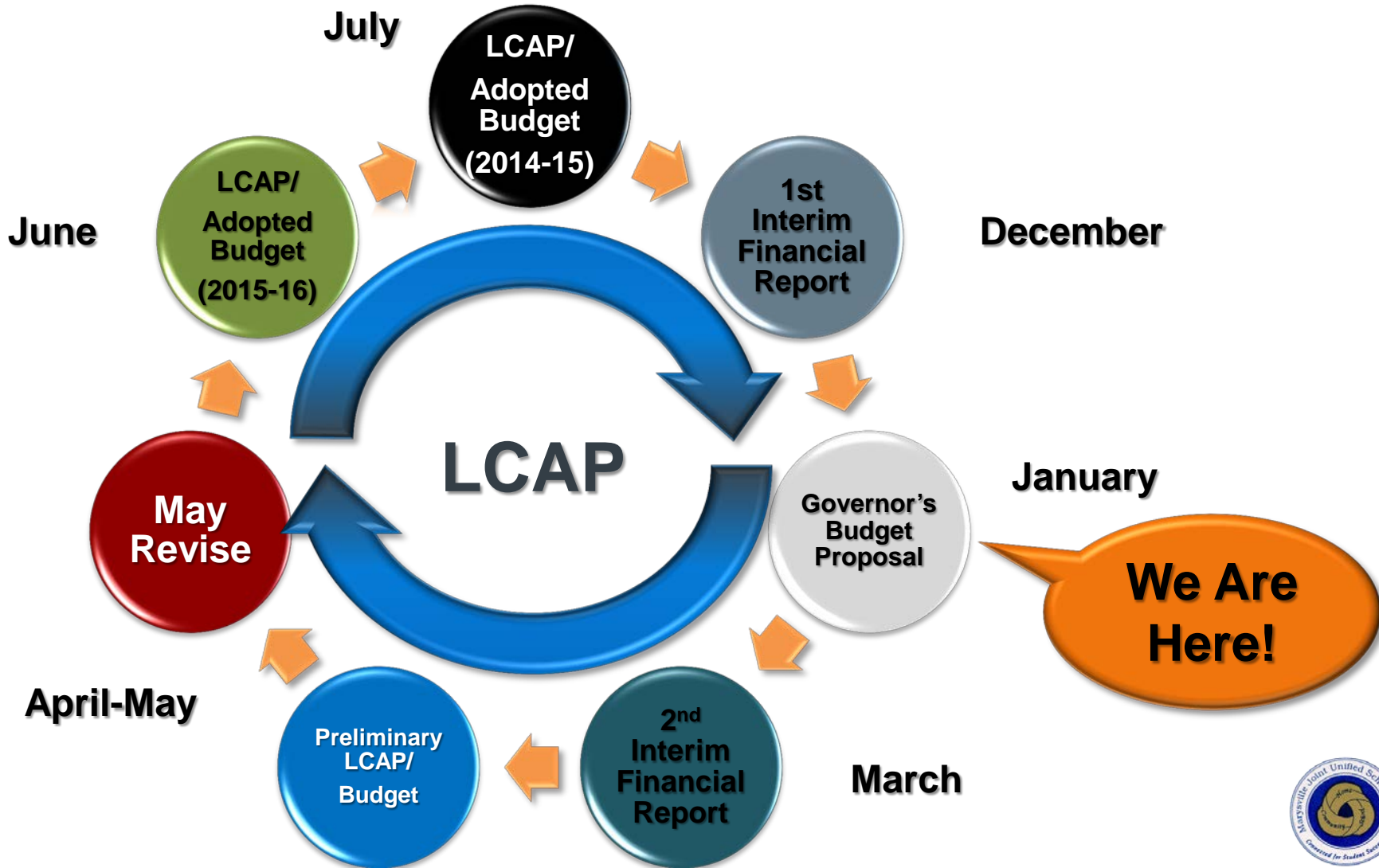


**Marysville Joint Unified
School District**

January 27, 2015



Budget Reporting Cycle





Themes for the 2015-16 Governor's Budget

- Positive economic growth continues and fuels public education spending
 - Economic activity is up, stronger job growth, lower oil prices provide short-term stimulus, real estate prices continue to climb, the stock market hits new highs
 - Even without the added boost provided by Proposition 30 revenues, the 2015-16 state revenues would be the highest ever
- Proposition 98 continues to receive most of the new money
- 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





Proposition 98 Funding Increases

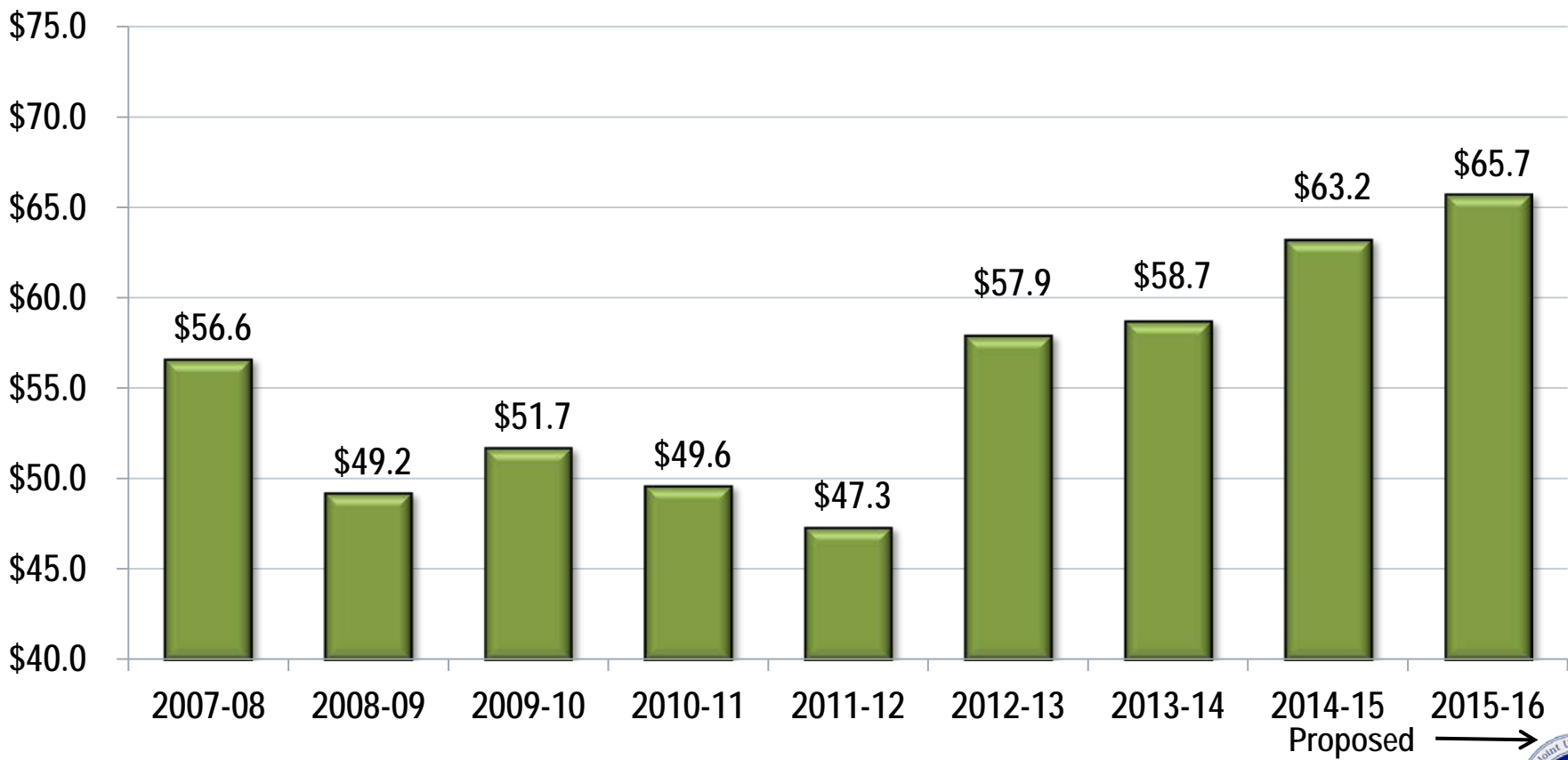
- The Governor is appropriately conservative
 - For the past three years, revenues have been budgeted conservatively
 - Recognizing higher revenues after State Budget enactment provides the opportunity to see the money before making commitments
 - For example, Proposition 98 is up at least \$2.3 billion in 2014-15, but that amount will not be committed to ongoing purposes until 2015-16
 - That gives the Governor room to buy back deferrals and pay off mandates before committing the money long term
 - And then Proposition 98 provides at least another \$4.8 billion for 2015-16 above 2014-15 State Budget levels
- Proposition 98 serves us better during good times, as is evident here
- However, as we have also seen, Proposition 98 does not offer much protection during bad times





Proposition 98 Funding

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

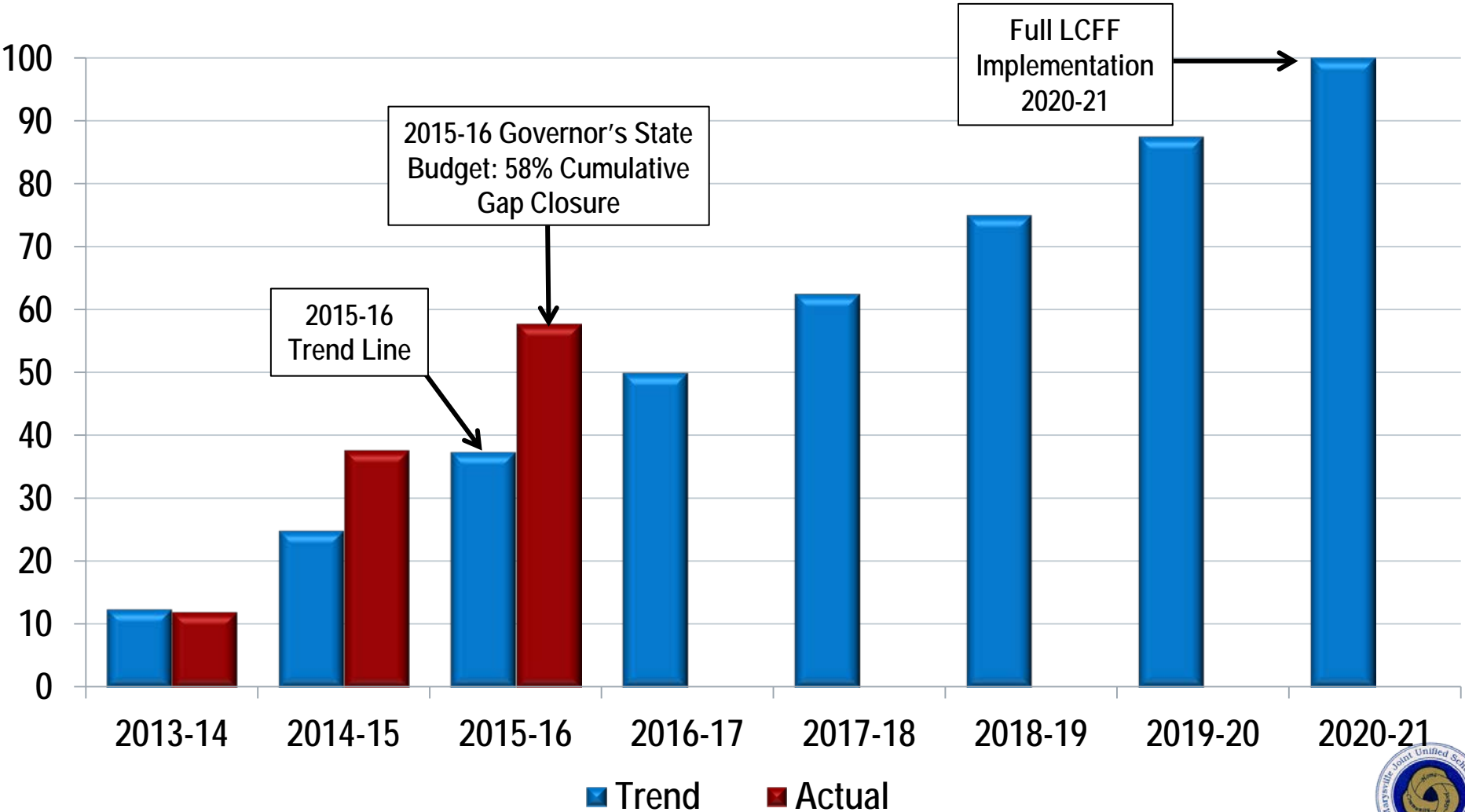


Source: Governor's State Budget Summary, page 6





Progress Toward LCFF Implementation





Summary of Major K-12 Proposals

- 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
 - \$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





The Cost of Education

The final adjusted 2011-12 expenditure data is in:

Ranking	State	Current Expense Per Student (Adjusted for Regional Cost Differences)	Percentage of National Average
1	Vermont	\$18,882	161%
2	Alaska	\$18,113	154%
3	Wyoming	\$17,758	151%
4	New York	\$17,326	148%
5	New Jersey	\$15,421	131%
6	Connecticut	\$15,172	129%
7	Maine	\$14,613	125%
8	New Hampshire	\$14,561	124%
9	District of Columbia	\$13,917	119%
10	Delaware	\$13,902	118%
-	US Average	\$11,735	100%
46	California	\$8,308	71%

Source: Education Week Quality Counts 2015 – January 8, 2015





Discretionary Funds

- The Governor's State Budget proposal provides more than \$1.1 billion in discretionary one-time Proposition 98 funds
 - 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





Technology Infrastructure

- The Governor proposes an additional \$100 million to further upgrade school internet infrastructure
 - Adds to last year's \$27 million investment to assist LEAs most in need of securing Internet connectivity and infrastructure in order to administer the computer-based assessments administered under Common Core
 - Broadband Infrastructure Improvement Grant (BIIG) recipients were announced on January 7, 2015
 - The proposed new funding is intended to focus on further upgrading school Internet infrastructure throughout the state
 - BUT MJUSD is ahead of the curve





What's Not in the State Budget?

● What the State Budget has:

- No proposal for a statewide school facilities bond, although the Governor lays out tenets for a new facilities funding framework
- No new funding to address the increased district costs for the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) funds
 - More on that later
- No new funding for transportation
- No expansion of Early Childhood Education beyond the 2014-15 State Budget agreement





2015-16 Local Control Funding Formula

- 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
- 2014-15 LCFF growth provides an average increase in per-pupil funding of 8.7%, or \$675 per ADA
 - Individual LEA experiences will vary





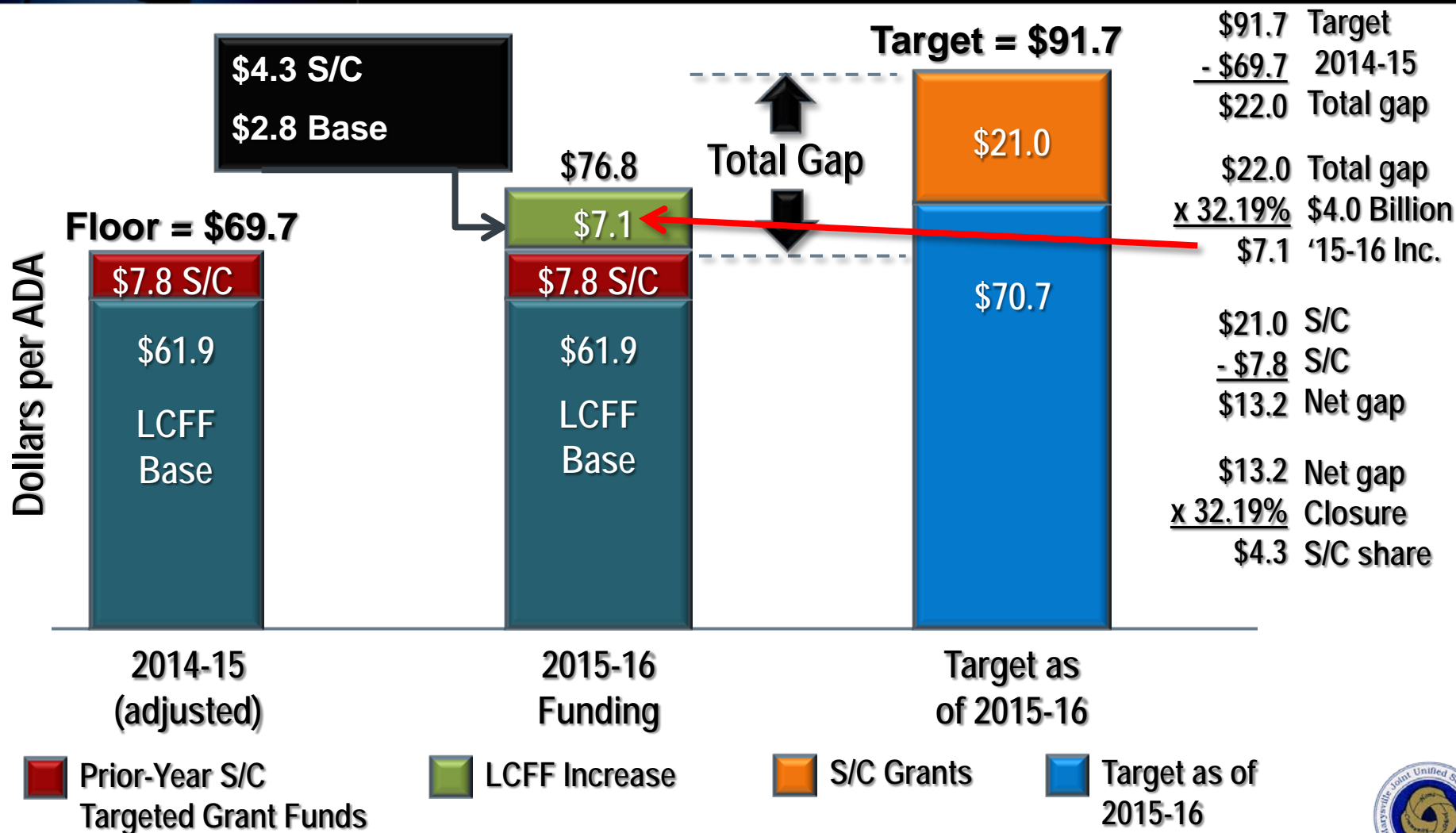
What Does This Mean for MJUSD?

MJUSD – 2015-16		
2015-16 LCFF Per ADA Funding	Projected 2015-16 ADA (as of First Interim)	Projected 2015-16 LCFF Total Revenue
\$8,777	8,746	\$76.8 Million

Discretionary Funds – ONE-TIME	Total
\$180 (one-time) X Projected 2015-16 ADA =	\$1.6 Million



Gap Closure and Proportionality Calculation (in Millions \$)





Proportionality and Targeted Funds

- The SBE's Title 5 regulations define the requirements for districts to increase or improve services for eligible pupils in proportion to the increase in funds generated by those pupils
- Districts must include in their LCAP a description of expenditures for services that support local goals for pupils generating supplemental and concentration grants
 - The proportion of the increase in funds attributable to the number of eligible pupils enrolled is a calculation required by the Title 5 regulations
 - BUT the goals, actions, and services that increase or improve support for eligible students are a local decision





Career Technical Education / ROP

- The Governor proposes \$250 million in each of the next three years for a new transitional CTE Incentive Grant Program, in lieu of continuing the Career Pathways Trust Grant
 - Priority given to LEAs working in partnerships with other LEAs to offer regional programs
 - Unlike the Career Pathways Trust Grant, it is a matching grant program
 - Intended to accelerate the development of new and expanded high-quality CTE programs
 - Between 2011-12 and 2012-13 CTE enrollment decreased 11.8% statewide*
- MJUSD: Consortium “Phase Out”
 - \$400,000 from LCFF dollars in 2015-16





School Facilities Issues

- The State Budget's school facilities proposal:
 - Increase Local Control and Flexibility
 - Increase the statutory Proposition 39 caps of \$30 or \$60 per \$100,000 in assessed valuation to, at a minimum, match the rate of inflation since 2000
 - Reform developer fees to provide the authority to levy, subject to negotiation, a single fee for specific projects at a level higher than current Level II fees but less than Level III fees
 - The use of Proposition 98 monies for capital projects is problematic unless Proposition 98 is re-benched upward
 - Expand the use of Routine Restricted Maintenance Account funds to allow funds to be used for new construction and modernization projects, if necessary
 - The budget flexibility that reduces or waives the minimum requirement expires with the 2014-15 fiscal year and the 3% Routine Restricted Maintenance Account (RRMA) contribution requirement returns for the 2015-16 fiscal year
 - \$580,000 from LCFF dollars in 2015-16 to meet 3% requirement





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* Employees	Post-PEPRA* Employees
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 PEPPRA 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





Cost Increases

- Happen every year

- In 2015-16:

- Salary/Step increases - \$768,500
- Statutory benefit increases - \$746,900
- Inflation (2.1% CPI) on goods and services - \$221,500
- TOTAL = \$1,738,000





Next Steps

• MJUSD level

- As we plan towards 2015-16 LCAP and budget:
 - Projected additional revenue: \$7.1 Million (\$2.8 M Base/\$4.3 M S/C)
 - Coming in 2015-16:
 - \$400,000 for ROP
 - \$580,000 for RRMA
 - \$1,738,000 for rising costs
 - TOTAL of \$2,718,000
- LBAC next meeting – February 12th
- Second Interim Report – March 10th Board meeting

• State level

- Budget committee hearings
- Next State budget update – May Revision



Questions?

Education

