

# **Governor's 2016-17 State Budget Proposal**

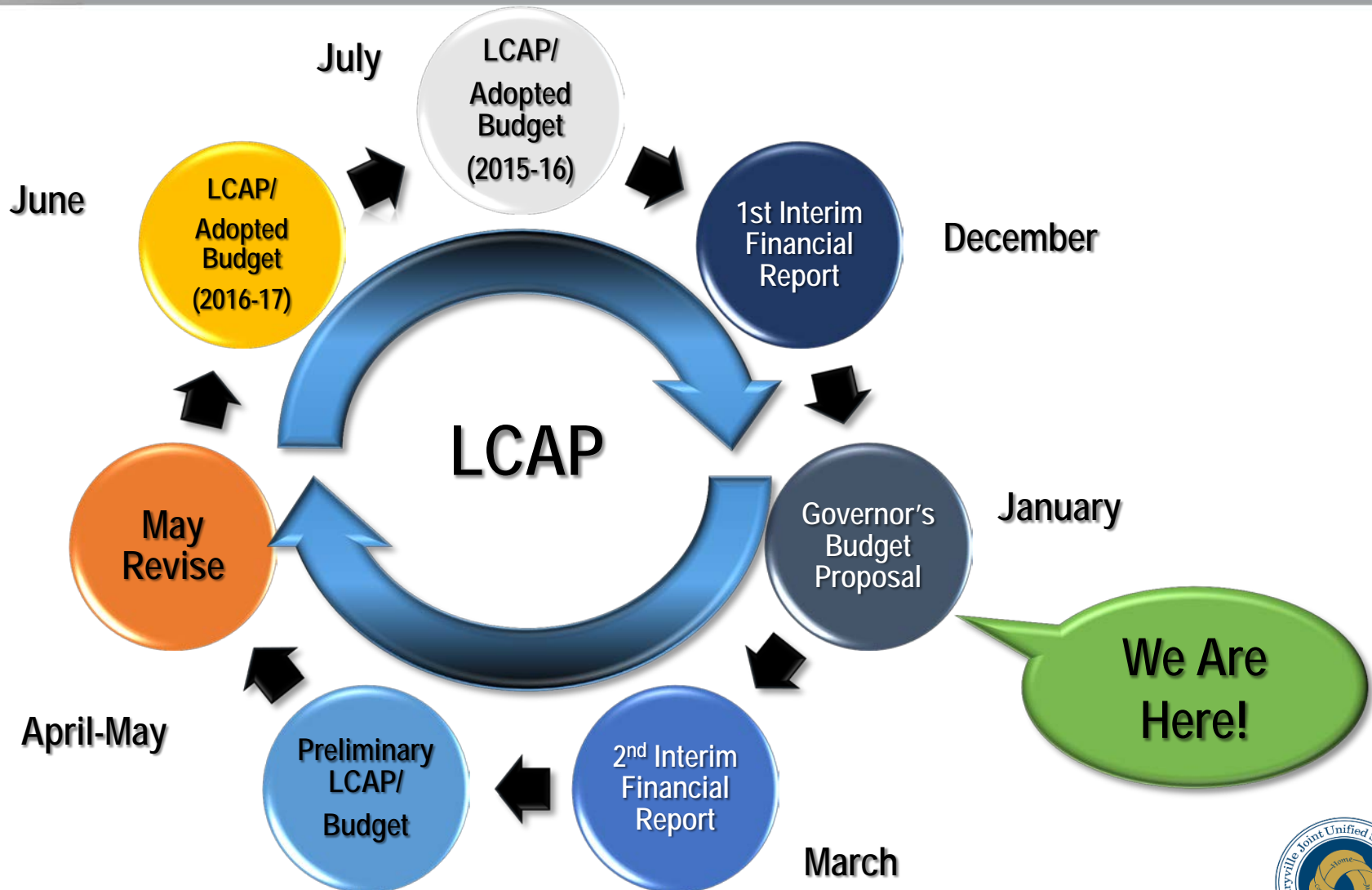


**Marysville Joint  
Unified School  
District**

**January 26, 2016**



# Budget Reporting Cycle





# 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





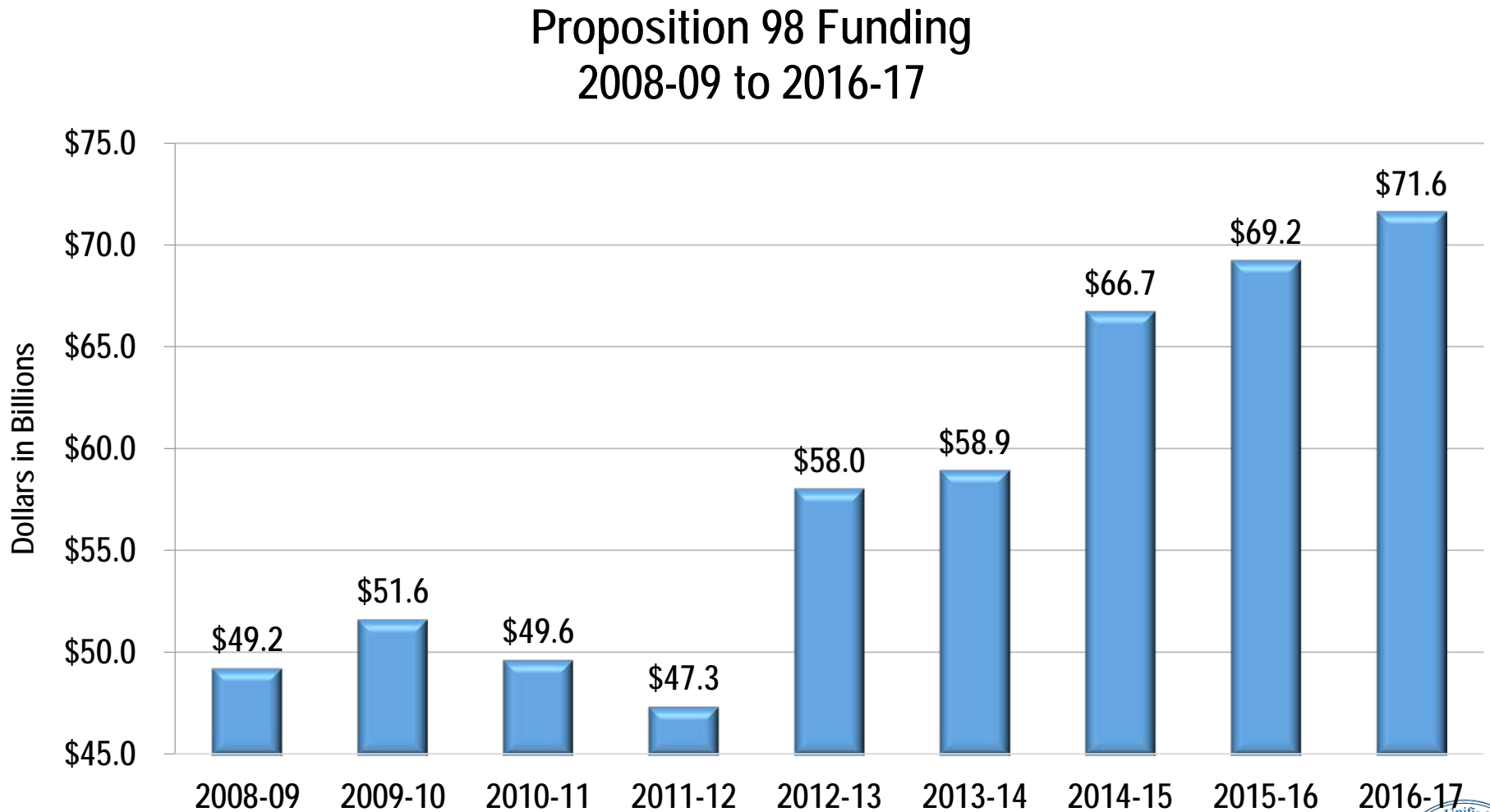
# Proposition 98 Funding

- 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





# 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

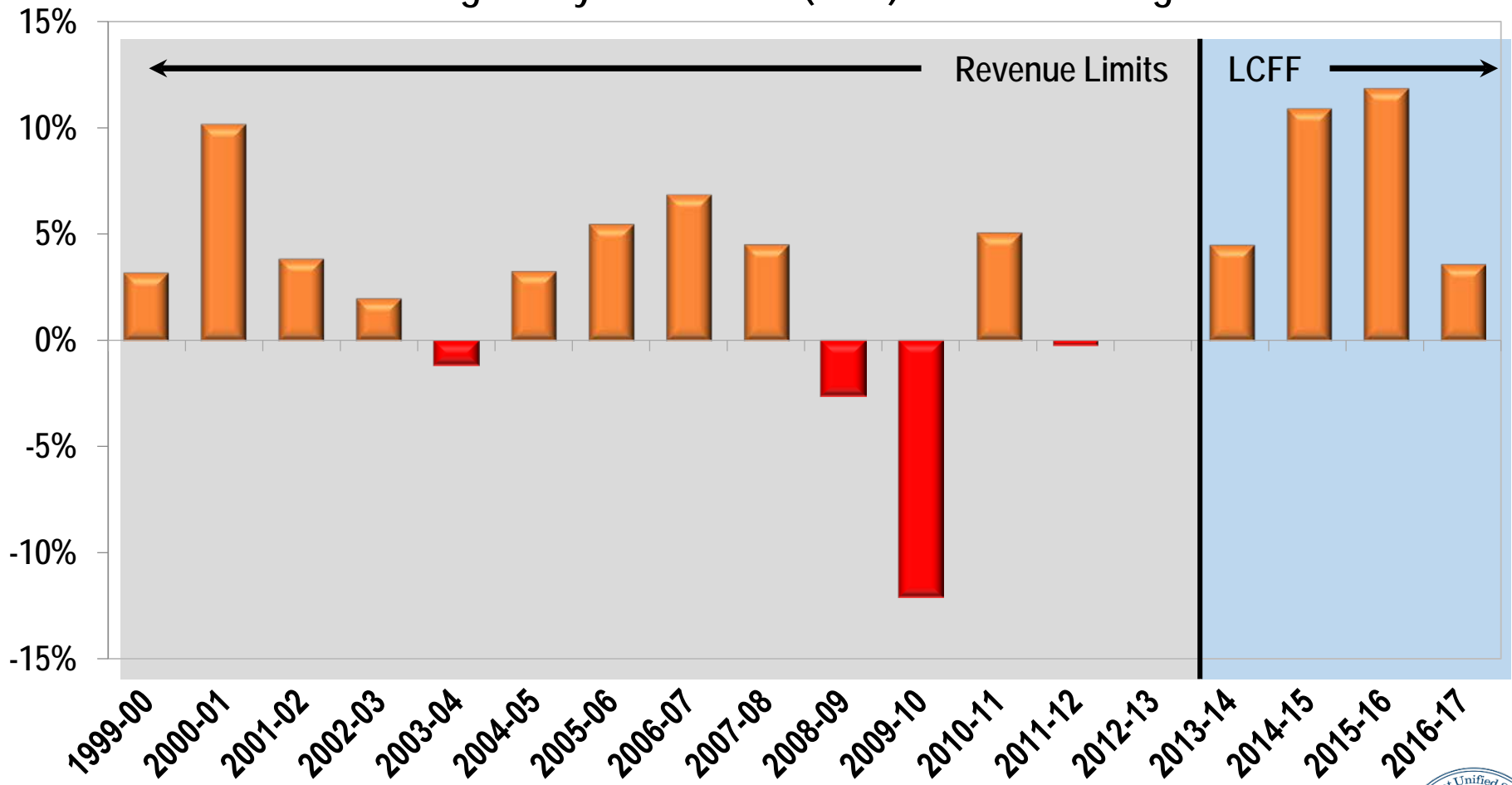
- Budget proposes \$2.8 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 49.08%
- 85% of the gap closed in the first four years
  - Reaching to 95% of the targeted funding levels (from 2007-08)
- 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





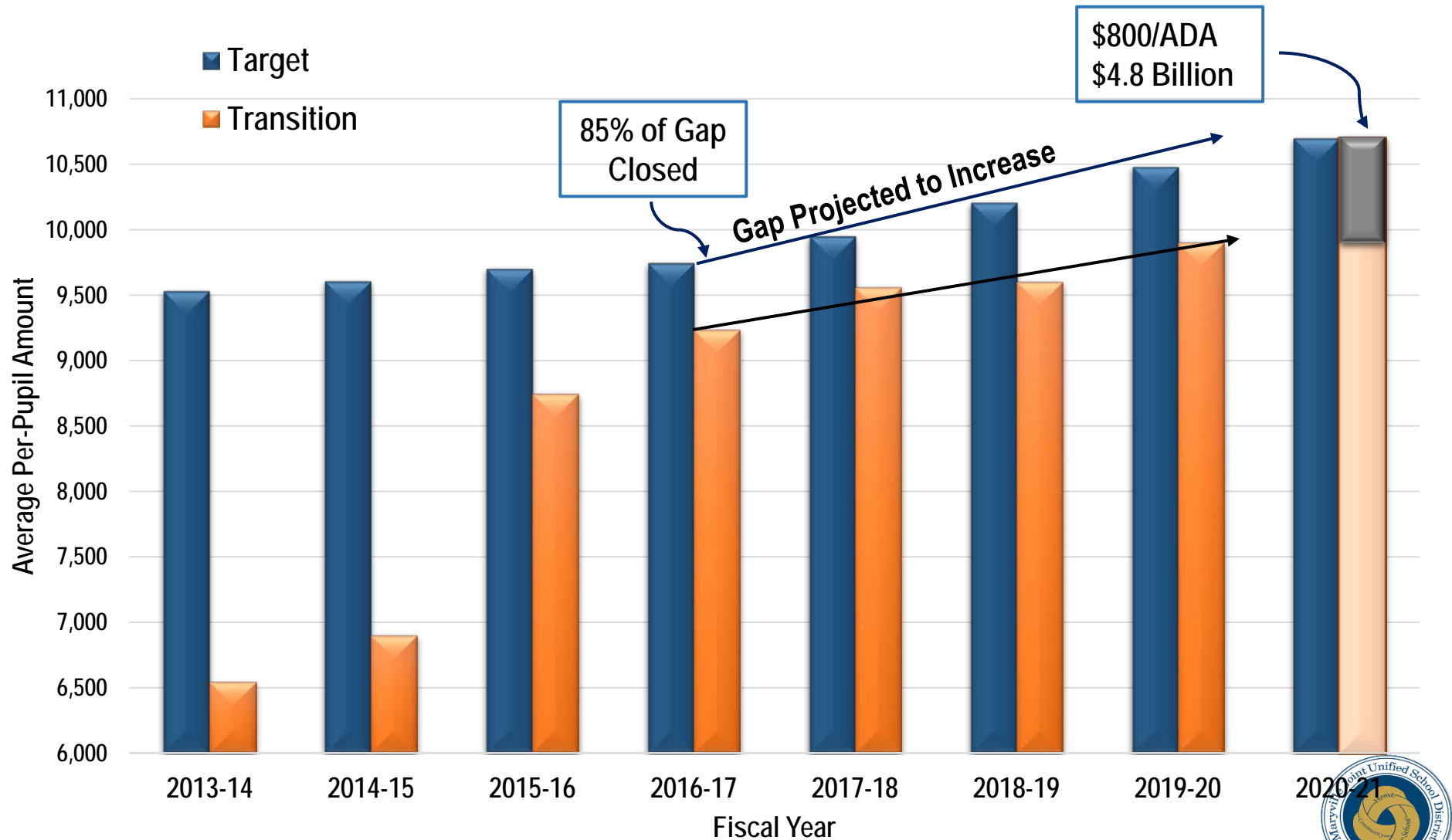
# Per-ADA Funding Volatility

Per Average Daily Attendance (ADA) Revenue Change





# LCFF Implementation Progress and Looking Ahead





# 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

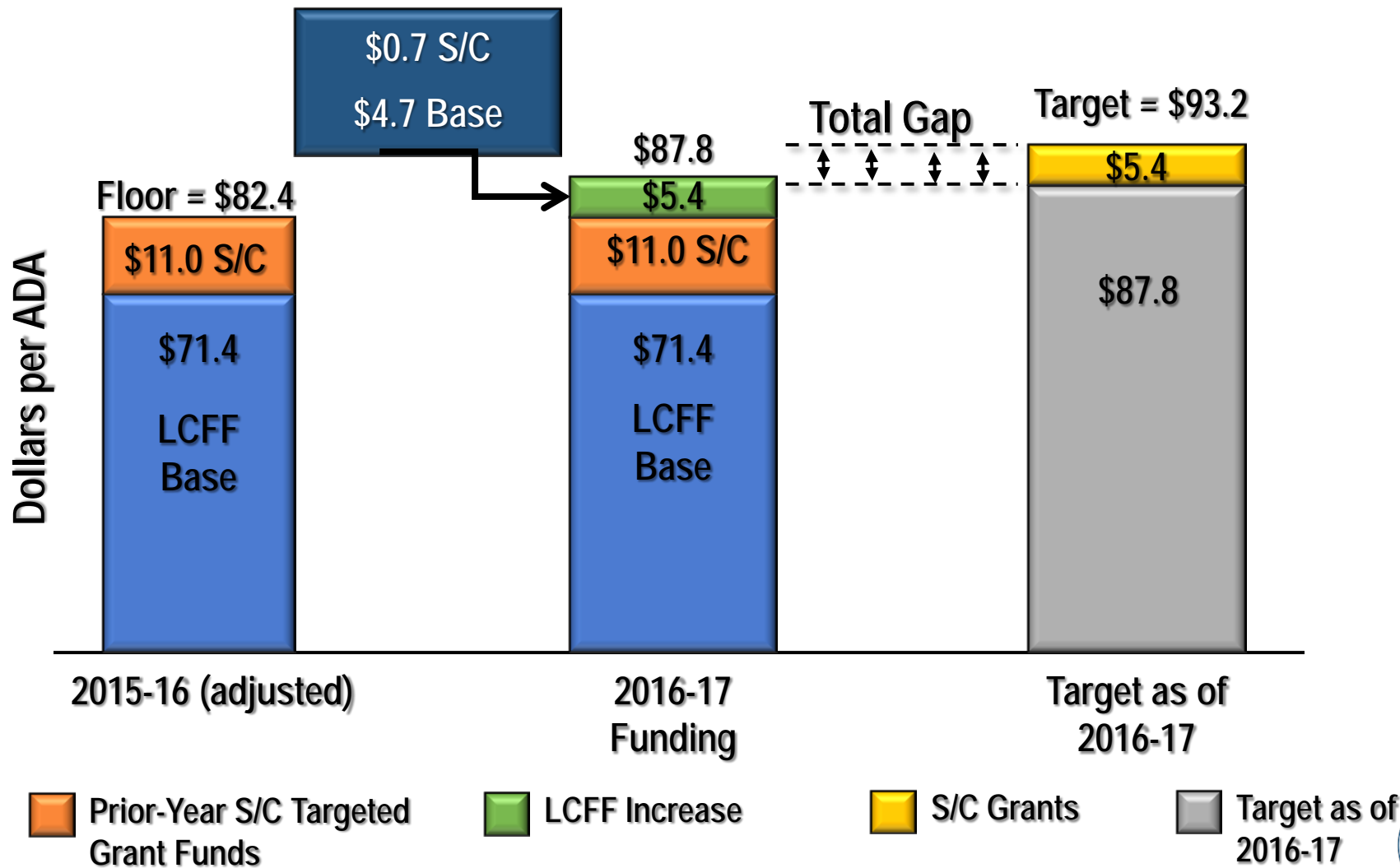
## MJUSD – 2015-16 vs. 2016-17

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* Employees	Post-PEPRA* Employees
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

14

© 2015 School Services of California, Inc.

## ■ 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





Thank You

Questions?