

Governor's Proposals for the 2014-15 State Budget and K-12 Education

Paramount Unified School District
Board of Education Meeting
January 22, 2014

Budget Study Committee
January 23, 2014

Presented by:
Herman Mendez, Superintendent
Michael Conroy, Ed.D., Assistant Superintendent



Presentation Outline

- Where have we been?
- Where are we today?
- Where are we going?

Themes for the 2014 Budget

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- What a difference a year makes!
 - Only 14 months ago we were facing deep cuts if Proposition 30 didn't pass
- Governor Jerry Brown proposes:
 - the greatest increase in per-student average funding since 2000-01
 - buying down the remaining K-14 deferrals
 - two rainy day funds: one to protect public education and one for the rest of the State Budget
 - a continuous appropriation for the Local Control Funding Formula (LCFF)



Education Is this Governor's Top Priority

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- While the state still faces significant Budget pressures for the non-Proposition 98 part of the Budget, the Administration's attitude toward education is dramatically different this year
- While public education took more than its fair share of the cuts during the recent recession, public education under this Governor is recovering at a much faster rate

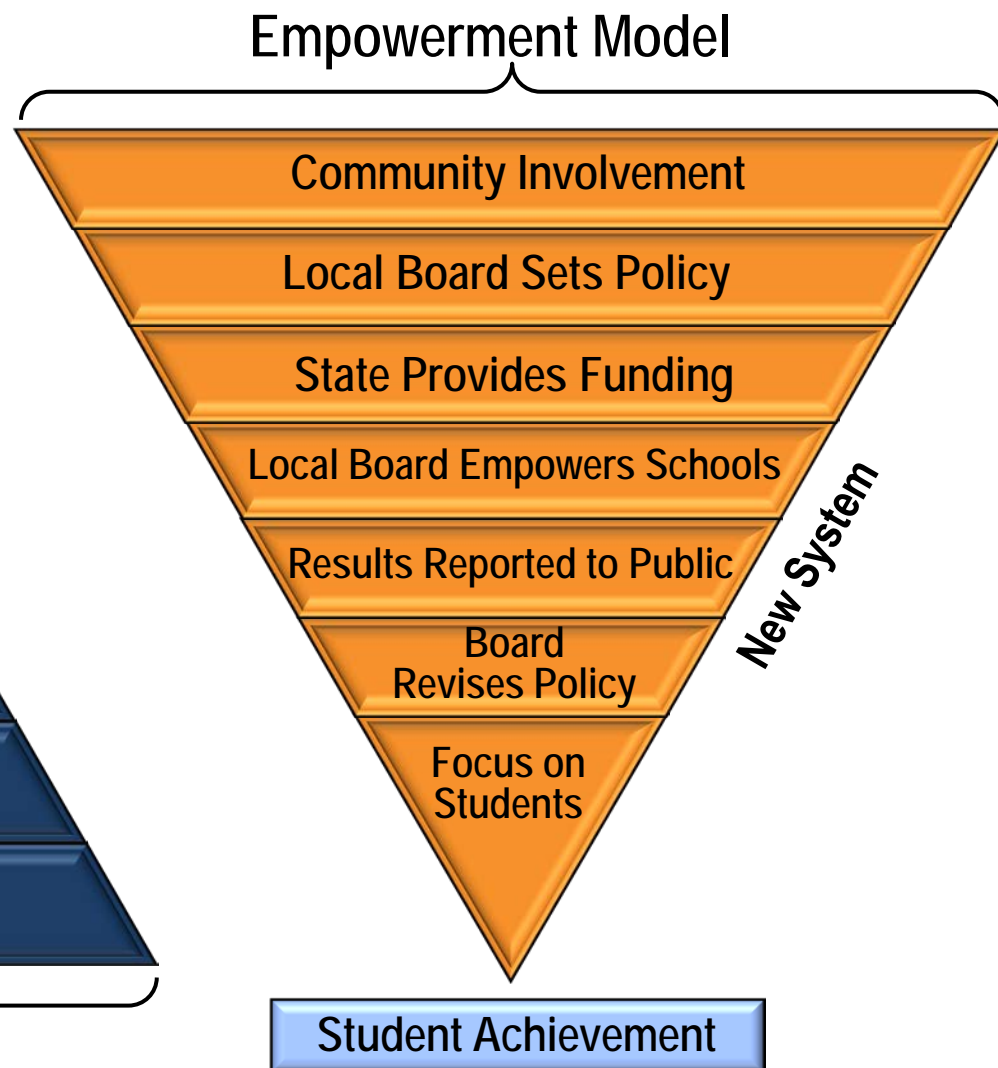
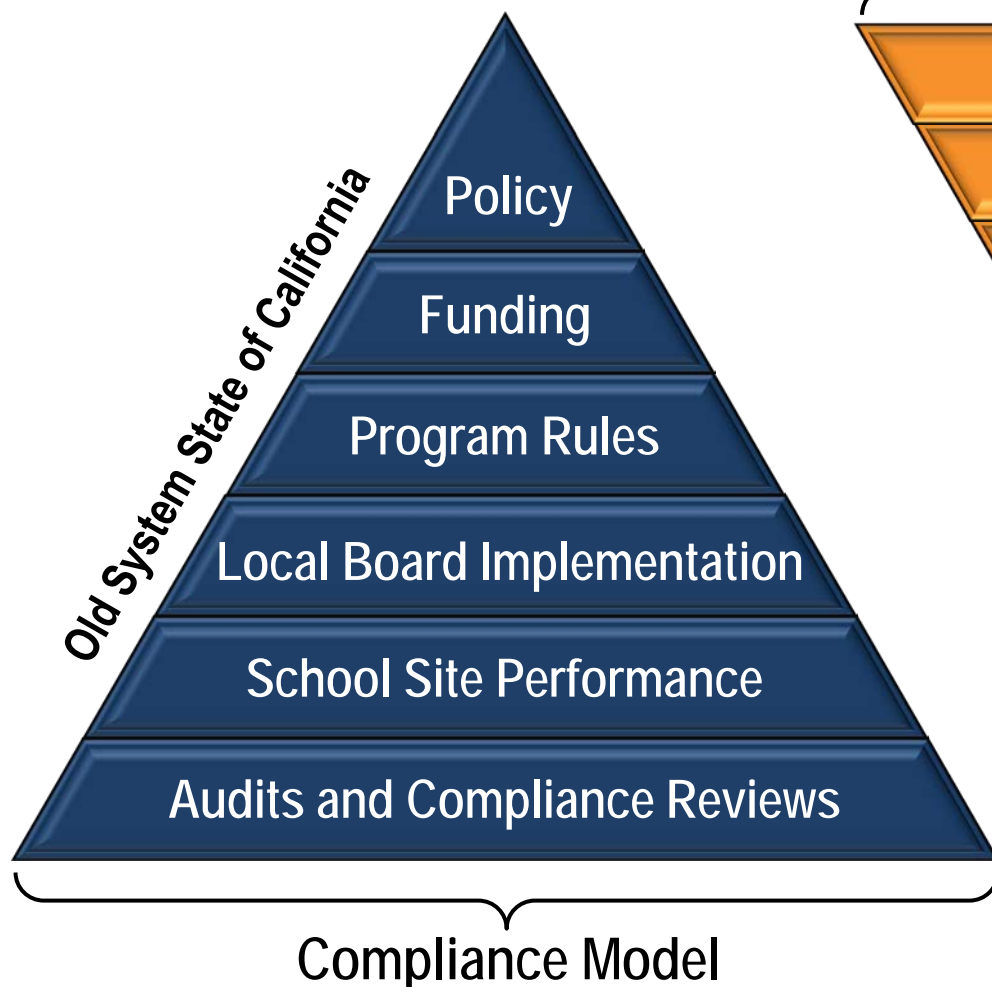
Shift Happens!

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- The LCFF is as much about equity and justice for our neediest students as it is about subsidiarity
- The LCFF shifts the state away from a system of rule compliance, measured by audits and enforced through penalties, to a system of accountability based upon local needs, measured by progress toward annual goals, and explicitly linked to the LEA's budget
- We are no longer implementing the state's plan for eligible students – we must develop a plan locally that achieves improved results
- This will require that we think and plan differently

Complete Mind Shift of Governance and Planning

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Overview of the State Budget and the State Economy

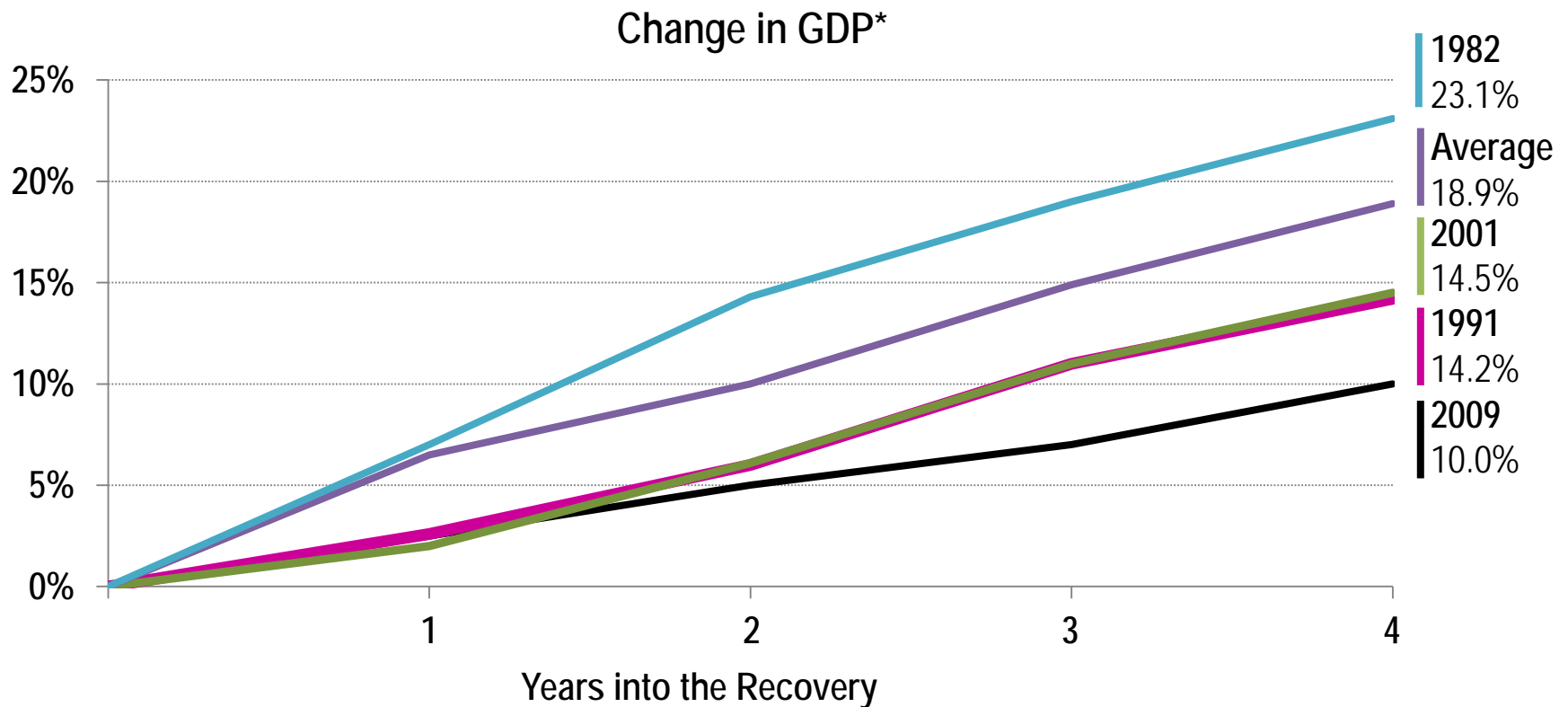




Sluggish Growth – Comparing Recent Recoveries

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- How the expansion that began in 2009 compares with the first four years of other recoveries



Note: Average is for recoveries after WWII, excluding the one that started in 2009

*Adjusted for inflation and the seasons

Source: Commerce Department

The Wall Street Journal, December 18, 2013

- Governor assumes about 6% growth in overall revenues
 - Personal Income tax 8.5%
 - Sales and Use tax 5.0%
 - Corporation Tax 8.9%
- Prop 30 revenues helping, but not permanent
 - Sales and Use tax expires in 2016
 - Personal Income tax (on high-earners) expires in 2018
- Capital Gains revenue extremely volatile
 - Governor wants to capture high growth in these revenues in the future

Forecast State Budget Surpluses

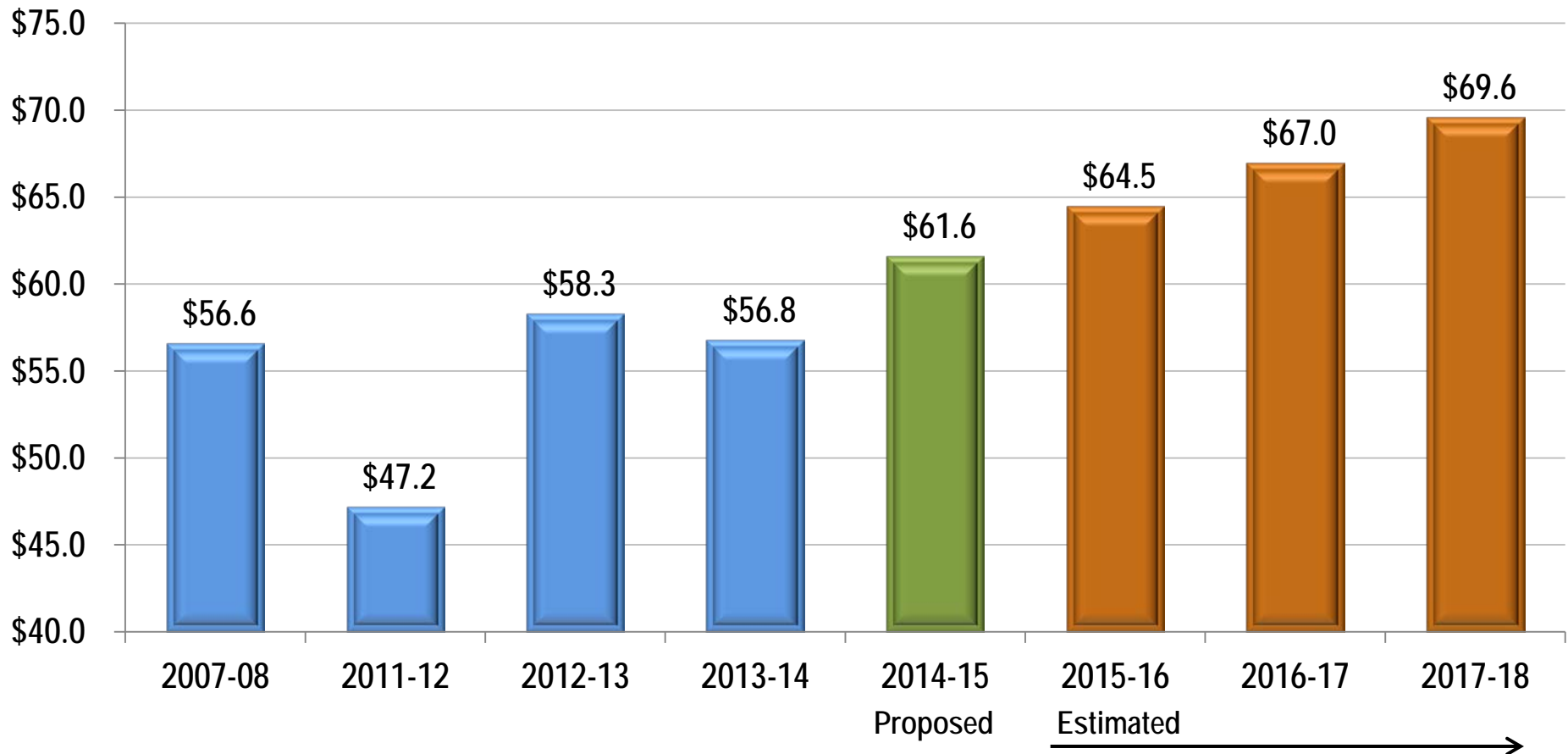
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- In its 2013 November State Budget Forecast, the Legislative Analyst's Office (LAO) projected growing budget surpluses through 2019-20, reaching \$9.6 billion in that year
- Armed with this forecast, many lawmakers are eager to spend this surplus by establishing new programs or restoring past program cuts

California Invests in Education

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Budget Continues to Invest in Education
(Proposition 98 Dollars in Billions)



The Education Budget



Proposition 98: How Much in 2014-15?

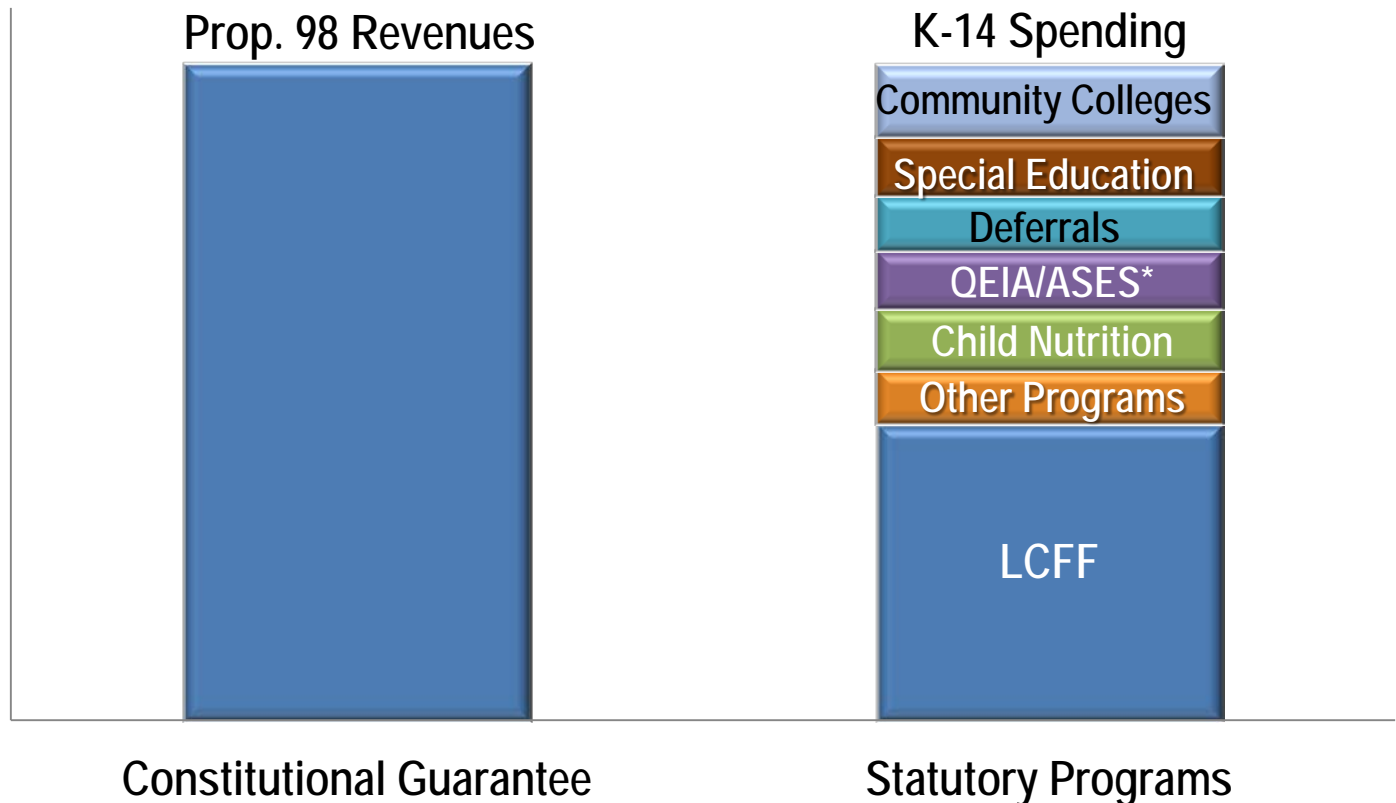
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- \$61.6 billion in K-14 Proposition 98 funds are available for 2014-15
- This is a \$6.3 billion increase – 11.4% over the 2013-14 budgeted level
- In addition, \$3.3 billion more is provided in one-time funding from prior years
 - \$1.8 billion from 2012-13
 - \$1.5 billion from 2013-14

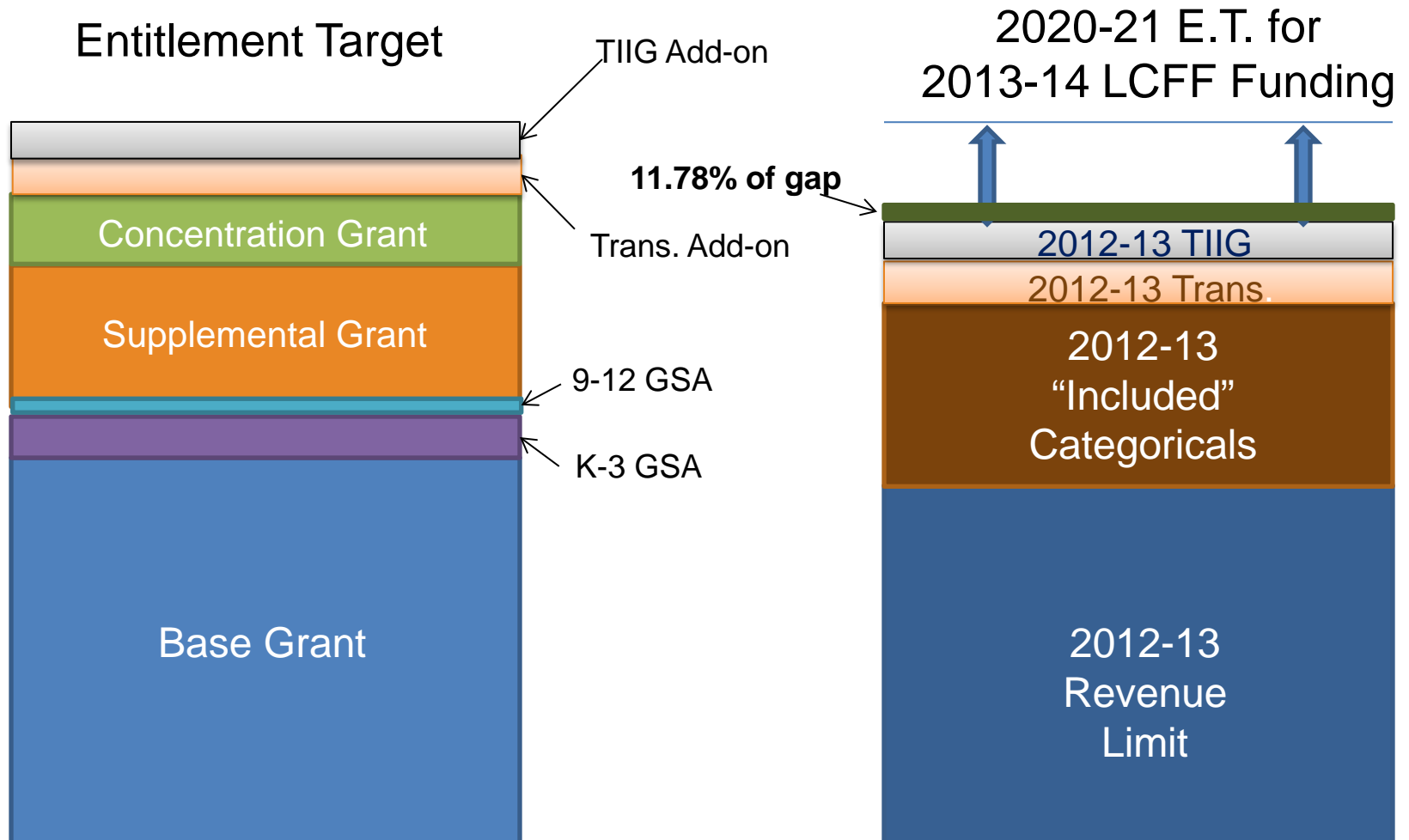
Proposition 98 Revenues and Spending

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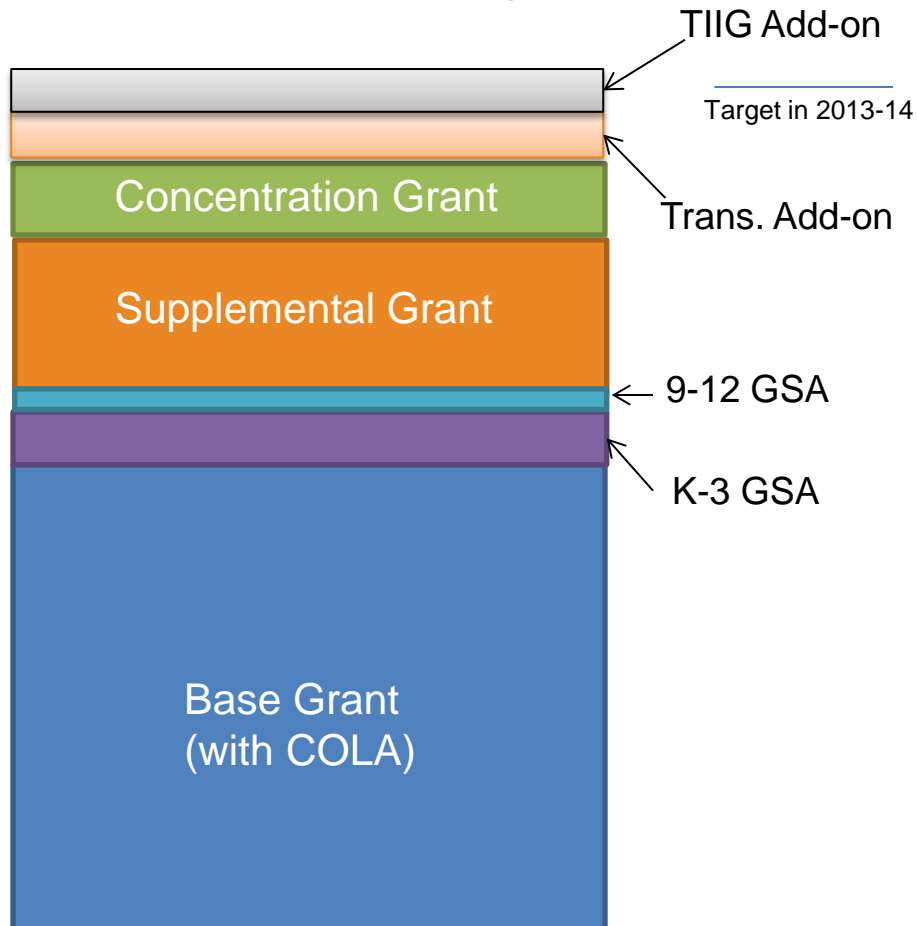
- Proposition 98 sets the minimum funding level for K-12 education and the community colleges, but . . . the Legislature and the Governor decide how to spend it



* Quality Education Investment Act/After School Education and Safety Program

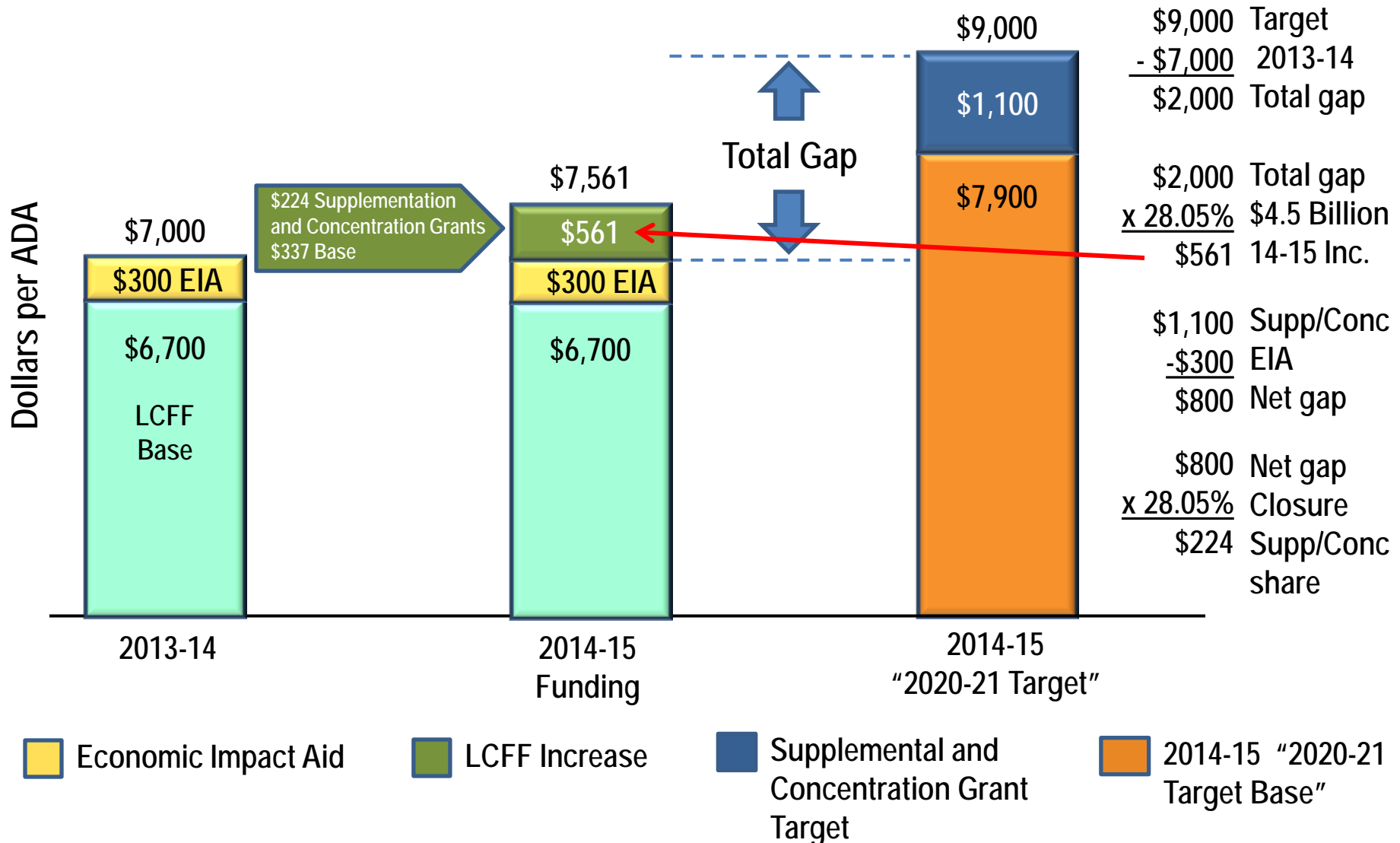


New Entitlement Target

2020-21 E.T. for
2014-15 LCFF Funding

An Example of Gap Funding Per ADA

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- The LCFF makes fundamental changes to how we allocate state Proposition 98 revenues to schools
- At full implementation, the LCFF will fund every student at the same base rate
- The LCFF provides two weighting factors applied against the LCFF base grant
 - 20% on behalf of each eligible student
 - An additional 50% for the eligible students exceeding 55% of total enrollment

Proportionality and Targeted Funds

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- The LCFF statutes direct the State Board of Education to develop regulations by January 31, 2014, to require LEAs to:
 - Increase or improve services for eligible pupils in proportion to the increase in funds apportioned on the basis of the number and concentration of eligible pupils
- PUSD team presented to the State Board of Education on January 16, 2014, along with over 200 other local district representatives from throughout the State
 - State Board of Education approved guidelines that provide:
 - Local decision making
 - Flexibility

● Theory

- At full LCFF implementation, base grants pay for core program and supplemental & concentration grants are for increased or improved services for EL, low-income and foster youth.

● Methodology

- Calculate 2013-14 base year spending for grant generating students, apply a formula that calculates proportional increase in spending or results (increased or improved services) for EL, low-income and foster youth for each subsequent year as District narrow the gap to full LCFF funding.

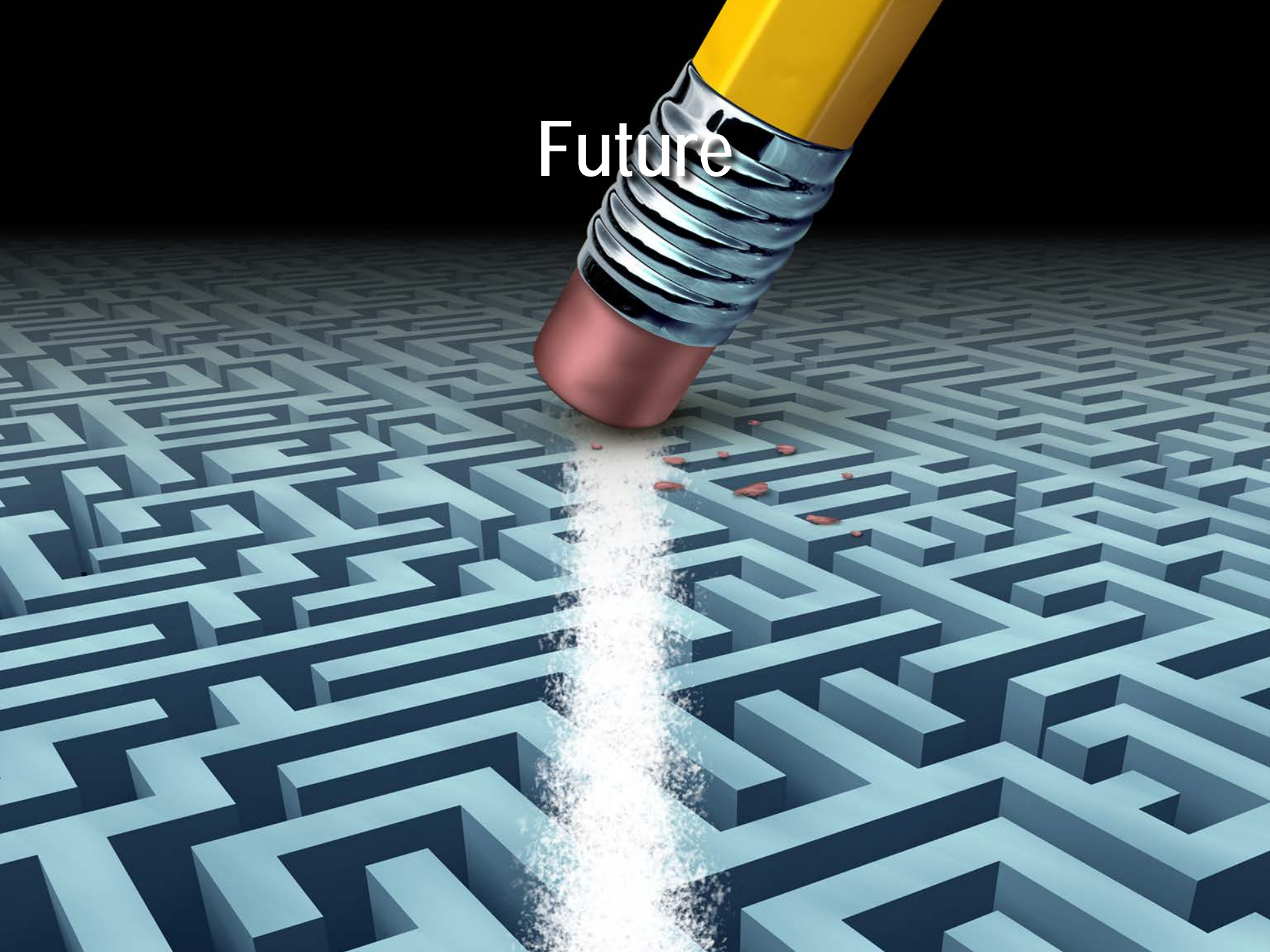
● Practice

- Level of spending calculated for 2013-14 will have a significant impact on the year-to-year rate of increased or improved services for grant generating students.

● Caution

- Districts must think about some defensible metric if they choose to demonstrate “increased or improved” services by means other than expenditures.

Future



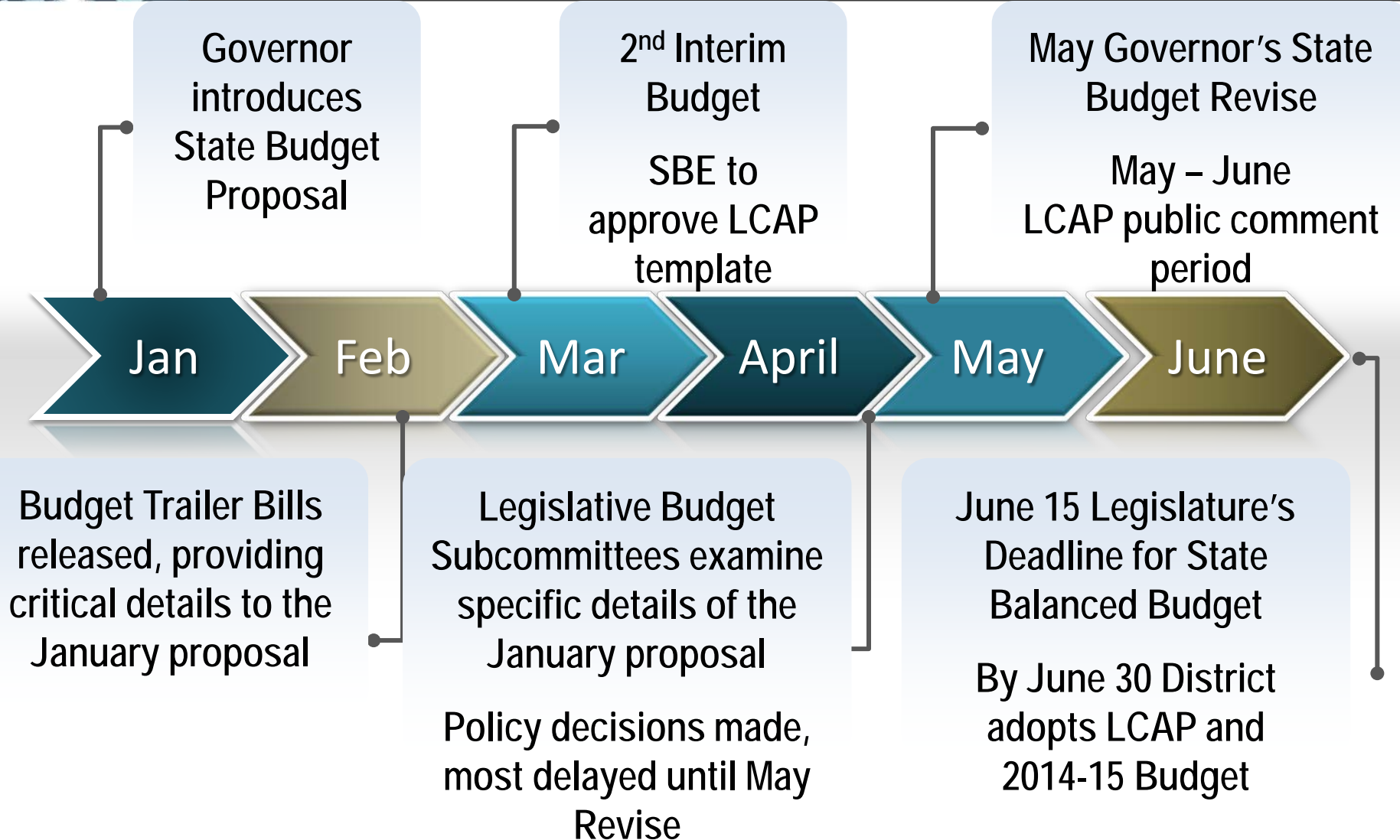
What does this all mean for PUSD?

- Possible increase in funding for 2014-15 than was projected in December at 1st Interim
 - Provided no changes to ADA or demographics (eligibility for supplemental/concentration grants)
 - All State funds are included in the LCAP and the 2014-15 Budget Adoption
 - Approved by the Board in June
- Provides flexibility and local decision-making

- It's an even-numbered year – election year
- Governor's platform is written
 - Fiscal house in order
 - Ambitious infrastructure & environmental agenda
 - Education
- Torlakson opposition well funded
- Democrats maintenance of 2/3 majority in both houses
- Ballot Measures
 - Teacher initiatives
 - Prohibit funding deferrals
 - Transgender referendum
 - Rainy Day Fund – Prop 98 in or out
 - Pension reform
 - Triple flip reversal (triple back flip)
- Bond issues –State Water? School Facilities? Parcel Taxes?
- Legislative leadership change in State Senate and Assembly

Timeline: January – June 2014

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Questions ?