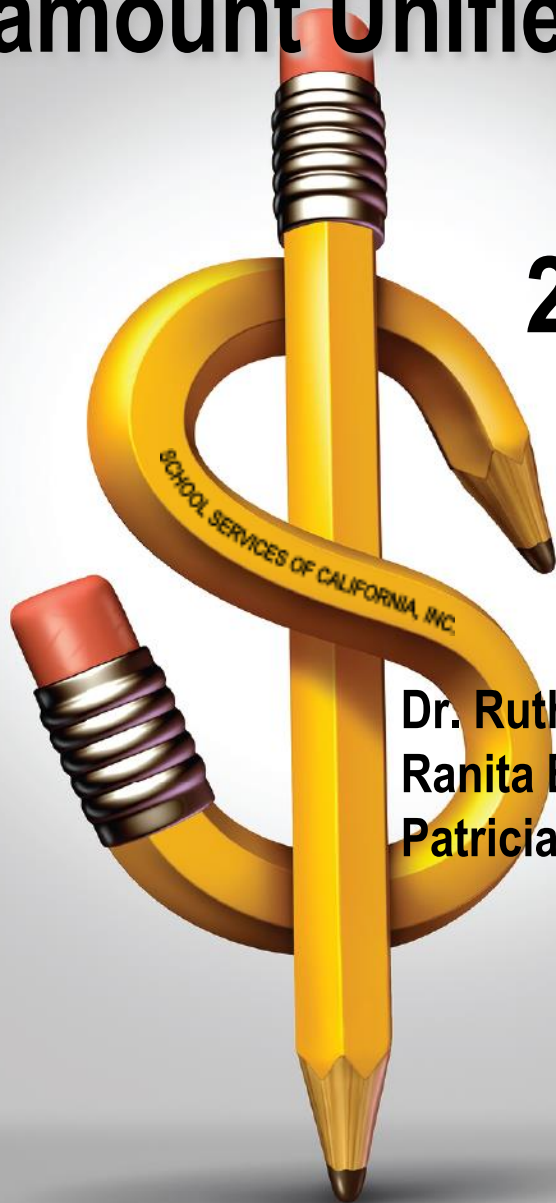


# Paramount Unified School District

## 2016-17 Governor's Proposed Budget



**Dr. Ruth Perez, Superintendent**  
**Ranita Browning, Interim Asst. Supt – Business**  
**Patricia Tu, Interim Director – Fiscal Services**

**February 10, 2016**



# Themes for the 2016-17 Governor's Budget

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- **The Governor continues to stabilize funding and programs in all areas of the State Budget**
- **Completing repayment of the education Maintenance Factor in 2015-16, as School Services of California, Inc., (SSC) projected, 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**
- **Economic growth is much stronger than in past years, but Governor Jerry Brown highlights the risk of recession**
- **Serious legislative and advocacy issues abound and draw attention and energy**
- **The Local Control and Accountability Plan (LCAP) remains a dominant governance document**
- **Yet, in what is shaping up to be a very good year, it is time to think about the potential for a slowdown**



# Preparing for the Slowdown

- **The growth in education funding has been fueled by three major factors, 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 those COLA projections come to pass, 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**



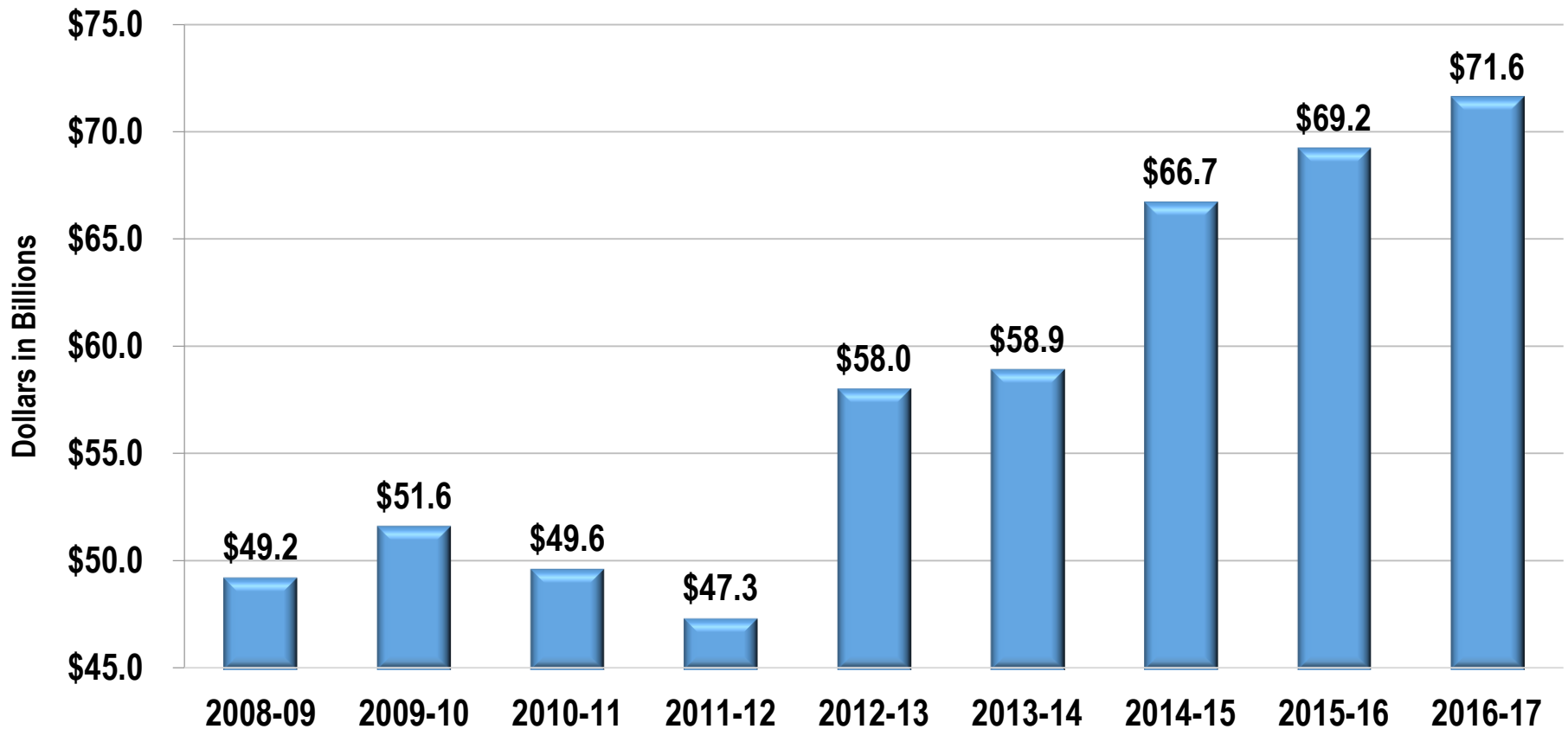
# Proposition 98 Funding

- **The Governor's Budget proposes a revised current year Proposition 98 guarantee of \$69.2 billion**
  - **An increase of \$766 million from the enacted Budget related to an increase in the Test 2 factor (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 Test 3 (per capita General Fund revenues, plus 0.5%), estimated at 2.88%**
  - **ADA is expected to drop slightly by 0.08%**
- **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 due to the operation of Test 3**
- **General Fund support for schools slows compared to non-Proposition 98 programs: 2% increase versus 8.4% for all other programs in 2016-17**



# Proposition 98 Funding Over Time

## Proposition 98 Funding 2008-09 to 2016-17





# 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**



# Cap on District Reserves

- **One year ago, we warned that the conditions triggering the cap on district reserves could be met sooner than expected**
  - **In 2014-15, three of the four conditions were met**
    - **Conditions met: Funding based on Test 1, full funding for enrollment growth and COLA, and capital gains revenue exceeding the 8% threshold**
    - **Condition not met: Full repayment of the Proposition 98 Maintenance Factor**
  - **The enacted Budget for 2015-16 assumed that two conditions would not be met – funding based on Test 1 and full repayment of the Maintenance Factor**
- **The Governor's Budget now indicates that the Maintenance Factor will be fully repaid in 2015-16 after all, leaving only Test 1 as the criterion not met**



# 2016-17 Local Control Funding Formula

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- Budget proposes \$2.8 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2015-16 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
- 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 will vary







# 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 local educational agency (LEA) with outstanding mandate reimbursements, consistent with the approach used in the 2014 and 2015 Budget Acts**



# 2016-17 LCFF Target Funding Factors

- The K-12 COLA is 0.47% for 2016-17, and is applied to the LCFF base grants for each grade span

Grade Span	2015-16 Base Grant per ADA	0.47 % COLA	2016-17 Base Grant per ADA
K-3	\$7,083	\$33	\$7,116
4-6	\$7,189	\$34	\$7,223
7-8	\$7,403	\$35	\$7,438
9-12	\$8,578	\$40	\$8,618



# 2016-17 LCFF Target Funding Factors

- **Two grade span adjustments (GSAs) are applied as percentage increases against the adjusted base grant, also receiving the benefit of a 0.47% COLA in 2016-17**
  - **Grade K-3 – 10.4% increase for smaller average class enrollments**
  - **Grades 9-12 – 2.6% increase in recognition of the costs of Career Technical Career (CTE) coursework**

Grade Span	2016-17 Base Grant per ADA	GSA	2016-17 Adjusted Grants
K-3 (10.4%)	\$7,116	\$740	\$7,856
4-6	\$7,223	--	\$7,223
7-8	\$7,438	--	\$7,438
9-12 (2.6%)	\$8,618	\$224	\$8,842



# What Does the LCFF Mean for Paramount

Paramount – 2016-17		
2016-17 LCFF Per ADA Funding	Projected 2016-17 ADA	Projected 2016-17 LCFF Total Revenue
\$ 10,362,50	14,681.61	\$ 155,768,832

**Note: Please use the SSC LCFF Simulator to generate your district's unique numbers to insert in the table above.**

Discretionary Funds – ONE TIME	Total
\$214 (one-time) X 2015-16 P2 ADA =	\$ 3,141,865



# 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 PEPPRA 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

## ■ State level

- Budget committee hearings
- Next update – May Revision

## ■ Local level

- Second Interim Report due by March 16 for school districts, March 15 for charter schools



**Questions**