

Paramount Unified School District



May Revision

**Dr. Ruth Pérez, Superintendent
Ranita Browning, Interim Asst. Superintendent
Patricia Tu, Interim Director**

June 8, 2016



Proposition 98 Still Governs the Level of Funding

© 2016 School Service of California, Inc.

- **Proposition 98 is rising, but at a much lower rate**
 - **The boost from the maintenance factor is nearly gone**
- **Past years have started with low revenue forecasts that got better**
 - **This year the Governor's January forecast is higher than the May Revision revenues**
 - **We have previously reported that one of these years the Governor's forecast would be high – this is the year!**
- **However, both one-time and ongoing revenues to education grow slightly above the January forecast for 2016-17**



Preparing for the Slowdown

© 2016 School Service of California, Inc.

- The May Revision projects that the Local Control Funding Formula (LCFF) will be 95.7% implemented in 2016-17
 - At full implementation the supercharged increases are over, all local educational agencies (LEAs) just get a cost-of-living adjustment (COLA)
- The Department of Finance (DOF) projections assume:
 - Proposition 30 is allowed to expire
 - Very low COLAs for the next few years
 - Much lower growth in Proposition 98
- Now is the time to start preparing for slower growth





Proposition 98 Funding Will Slow

© 2016 School Service of California, Inc.

- **Compared to the 2011-12 Proposition 98 guarantee, funding in 2016-17 will have increased \$24.6 billion to \$71.9 billion under the May Revision**
- **These gains are largely attributed to the repayment of the Proposition 98 Maintenance Factor, an amount equivalent to the loss of funds imposed on K-14 education during the recession**
- **A restoration, not a repayment**
- **According to the May Revision, \$908 million in Maintenance Factor payments will remain at the end of 2016-17**
 - **\$155 million outstanding with another \$746 million newly created**
- **Conclusion: Proposition 98 funding will slow considerably once the Maintenance Factor has been fully paid**
 - **Growth will likely be in the range of 2% to 4% annually**



Implications for Education Funding

© 2016 School Service of California, Inc.

- **The Administration is signaling that economic slowdown is just around the corner**
- **Slow to no growth in the income tax and the sales tax, which together account for 90% of General Fund revenues, will slow LCFF funding significantly as Proposition 30 revenues fade**
 - **The May Revision is built on the assumption that no new revenues are on the horizon and the extension of Proposition 30 would simply allow the state to eliminate deficit spending, but will not provide new monies for new programs**
- **If a recession occurs and Proposition 30 is not extended, state revenues could drop below prior-year levels, and cuts to education could be on the table again**

January Budget vs. May Revision

© 2016 School Service of California, Inc.

Item	January Budget	May Revision
LCFF Gap Funding	49.08% or \$2.8 billion	54.84% or \$2.9 billion
Proposition 98 Minimum Funding Guarantee		
2014-15	\$66.7 billion	\$67.2 billion
2015-16	\$69.2 billion	\$69.1 billion
2016-17	\$71.6 billion	\$71.9 billion
2016-17 COLA	0.47%	0.00%
One-Time Discretionary Funds for 2016-17	\$1.2 billion \$214 per average daily attendance (ADA)	\$1.4 billion \$237 per ADA



Statutory COLA Goes to Zero

© 2016 School Service of California, Inc.

- **The Governor's January Budget estimated the 2016-17 statutory COLA for K-12 education programs at 0.47%**
- **Based on actual Implicit Price Deflator factors available for the May Revision, the inflation adjustment rounds to zero – NO increase over 2015-16 funding levels**
- **What's the impact?**
 - **COLA isn't applied to the LCFF, but that doesn't directly affect LCFF growth, which is based on the funds appropriated for the transition to full implementation and the Proposition 98 minimum guarantee**
 - **LEAs already at their LCFF targets (i.e., fully implemented) will see the modest January increase disappear**

2016-17 Local Control Funding Formula

© 2016 School Service of California, Inc.

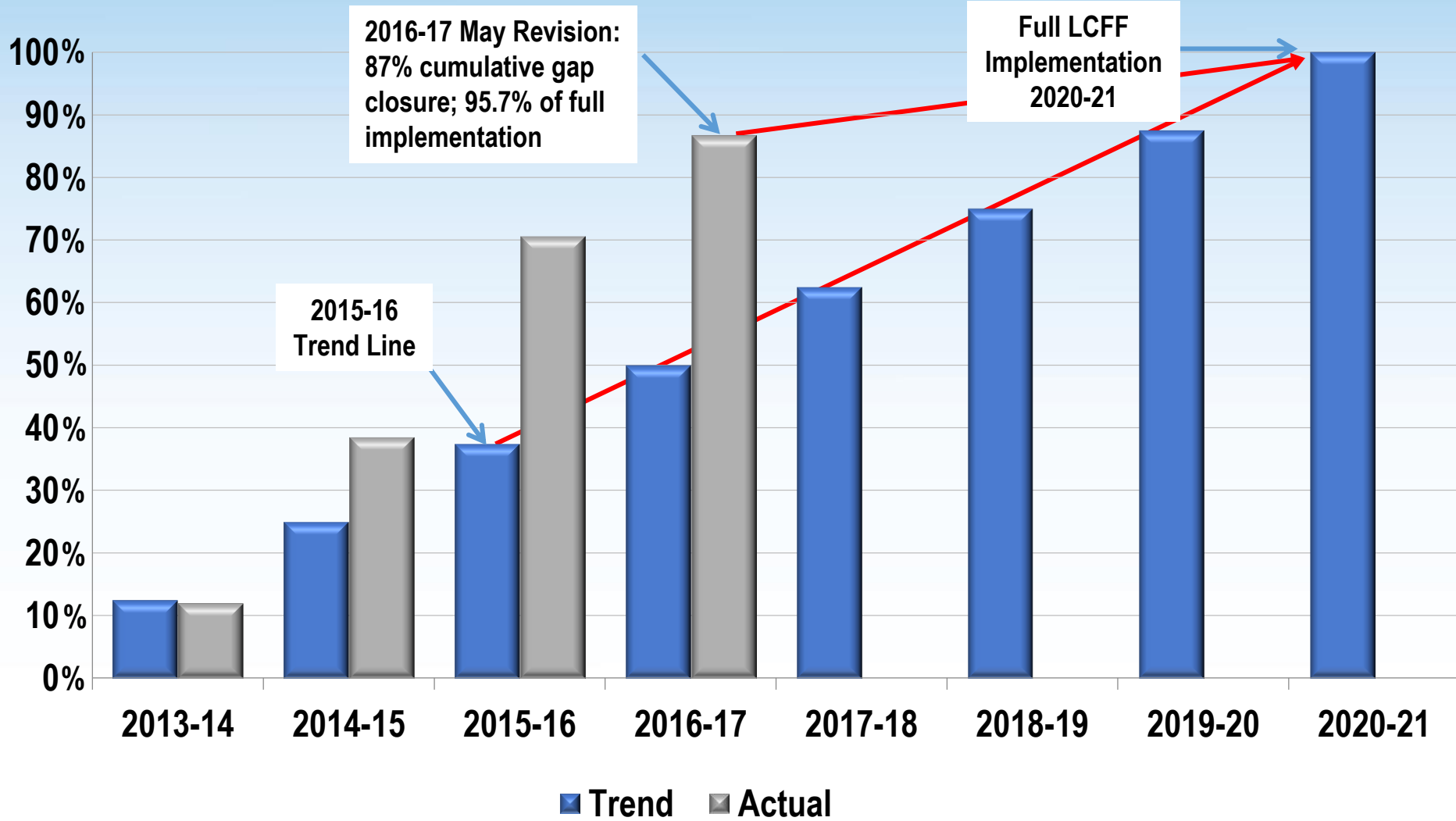
- May Revision proposes nearly \$2.9 billion for continued implementation of the LCFF, \$154 million above the January level
- New funding is estimated to close the gap between 2015-16 funding levels and LCFF full implementation targets by 54.84%
 - 87% of the gap closed in the first four years
 - Reaching to 95.7% of the targeted funding levels in 2016-17
- No COLA on the LCFF base grant targets
- 2016-17 LCFF growth provides an average increase in per-pupil funding of 5.94%, or \$520 per ADA
 - Individual results will vary widely





Progress Toward LCFF Implementation

© 2016 School Service of California, Inc.



2016-17 LCFF Target Funding Factors

© 2016 School Service of California, Inc.

- Since the COLA is zero for 2016-17, the LCFF target base grants for each grade span are unchanged from 2015-16

Grade Span	2015-16 Base Grant Per ADA	0.00% COLA	2016-17 Base Grant Per ADA
K-3	\$7,083	–	\$7,083
4-6	\$7,189	–	\$7,189
7-8	\$7,403	–	\$7,403
9-12	\$8,578	–	\$8,578



2016-17 LCFF Target Funding Factors

© 2016 School Service of California, Inc.

- Two grade span adjustments (GSAs) are also unchanged from 2015-16
 - 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 Education coursework

Grade Span	2016-17 Base Grant Per ADA	GSA	2016-17 Adjusted Grants
K-3 (10.4%)	\$7,083	\$737	\$7,820
4-6	\$7,189	–	\$7,189
7-8	\$7,403	–	\$7,403
9-12 (2.6%)	\$8,578	\$223	\$8,801



2016-17 LCFF Target Funding Factors

© 2016 School Service of California, Inc.

- Supplemental and concentration grants, based on the Unduplicated Pupil Percentage (UPP) are also unchanged from 2015-16 because no COLA is applied to the LCFF base grants

Grade Span	2016-17 Adjusted Grants Per ADA	20% Supplemental Grant – Total UPP	50% Concentration Grant – UPP Above 55%
K-3	\$7,820	\$1,564	\$3,910
4-6	\$7,189	\$1,438	\$3,595
7-8	\$7,403	\$1,481	\$3,702
9-12	\$8,801	\$1,760	\$4,401



What Does the LCFF Mean for Paramount USD?

© 2016 School Services of California, Inc.

LEA Name – 2016-17		
2016-17 LCFF Per ADA Funding	Projected Funded 2016-17 ADA	Projected 2016-17 LCFF Total Revenue
\$10,422	14,880.44	\$155,078,350

Discretionary Funds – ONE TIME	Total
\$237 (one-time) X 2015-16 P2 ADA =	\$3,522,443



13

CalSTRS Rate Increases

© 2016 School Service of California, Inc.

- **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, the California State Teachers' Retirement System (CalSTRS) will have the authority to marginally increase or decrease the employer and state 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)



14 CalPERS Rate Increases

© 2016 School Service of California, Inc.

- The employer contribution to the California Public Employees' Retirement System (CalPERS) was expected to increase to 13.05% in 2016-17 from 11.847% in 2015-16
 - The actual employer contribution rate for 2016-17 is higher than anticipated, at 13.888%
 - Fortunately, out-year estimated contribution rates have been lowered since they were last released in 2014

CalPERS Rates

Actual		Estimated			
2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.847%	13.888%	15.50%	17.10%*	18.60%*	19.80%*

*CalPERS-provided estimates, April 2016

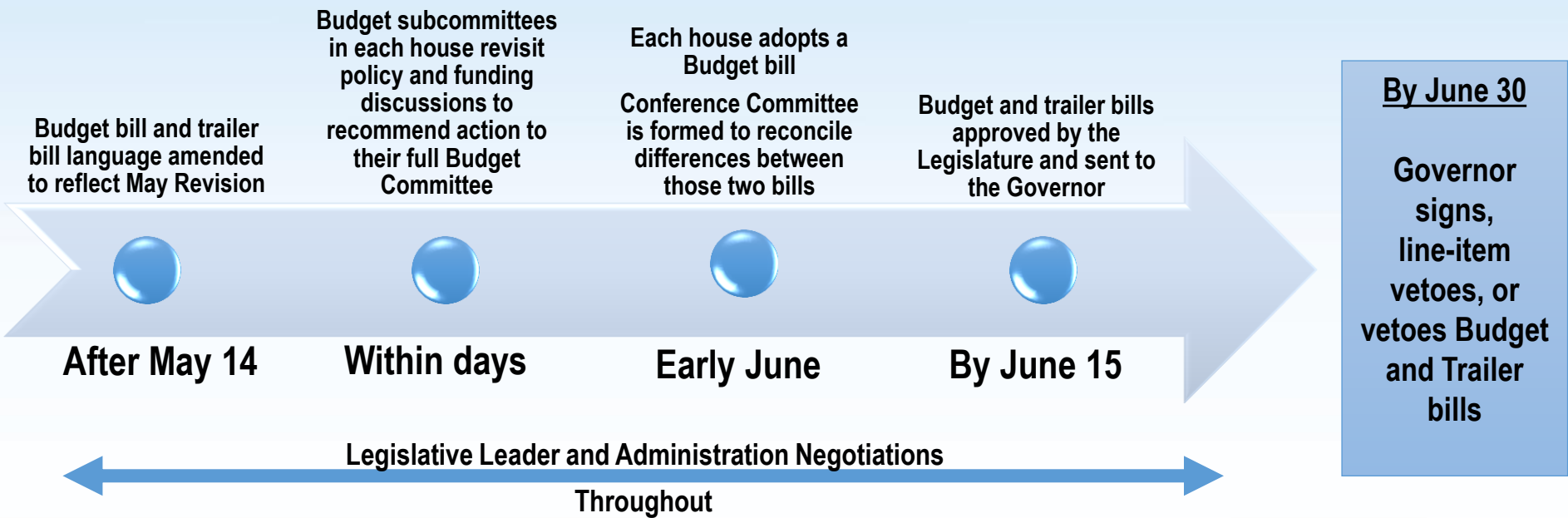
- “Classic” members continue to pay 7.00%
 - New members continue to pay 6.00%, which may fluctuate in the future based on the PEPRA requirement to pay half the normal cost rate



Enacting the State Budget – CliffsNotes™ Version

© 2016 School Service of California, Inc.

- While the State Budget process is complicated and covers six months, here's the CliffsNotes™ version of the process between the May Revision and the new fiscal year





Questions?