



PARAMOUNT UNIFIED SCHOOL DISTRICT

GREAT THINGS ARE HAPPENING IN PARAMOUNT SCHOOLS



Governor's Proposals for the 2018-19 State Budget and K-12 Education

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Themes for the 2018-19 Governor's Budget

- Student achievement rises to the highest priority and tests the Local Control Funding Formula (LCFF)/Local Control and Accountability Plan (LCAP) model
- Federal policy and slow growth put pressure on programs for California
- Major political and legislative challenges in an election year
- Local agencies feel the pressure of local control and stagnant resource projections
- The legacy of Governor Jerry Brown - Full Funding / State Reserves



Political and Fiscal Backdrop

- Uncertainty on the federal level could affect state budget
 - Federal Tax Changes
 - January Budget assumes no federal tax changes
 - Clearer picture of projected impact on CA economy and revenues in May Revision
 - Children's Health Insurance Program (CHIP) Reauthorization
 - Currently funded at an 88% federal match through March 2018
 - Potential Affordable Care Act cost shifting
 - If occurs, could cost GF tens of billions of dollars annually
- FY 2018 – Federal Budget
 - Continuing Resolutions fund federal government
 - DACA vs. Border Wall showdown



Economic Outlook

National

- Recovery Slowing
 - Real GDP growth: Up (3%) through 2018, but slowing to 1.5% by the end of 2019
 - Unemployment: 4.1% (down from 10% in 2009), and falling to 3.8% in 2018
 - Labor shortages – wage growth – Inflation rising to above 3% in 2019
 - Significant concerns about impact of eliminating NAFTA

California

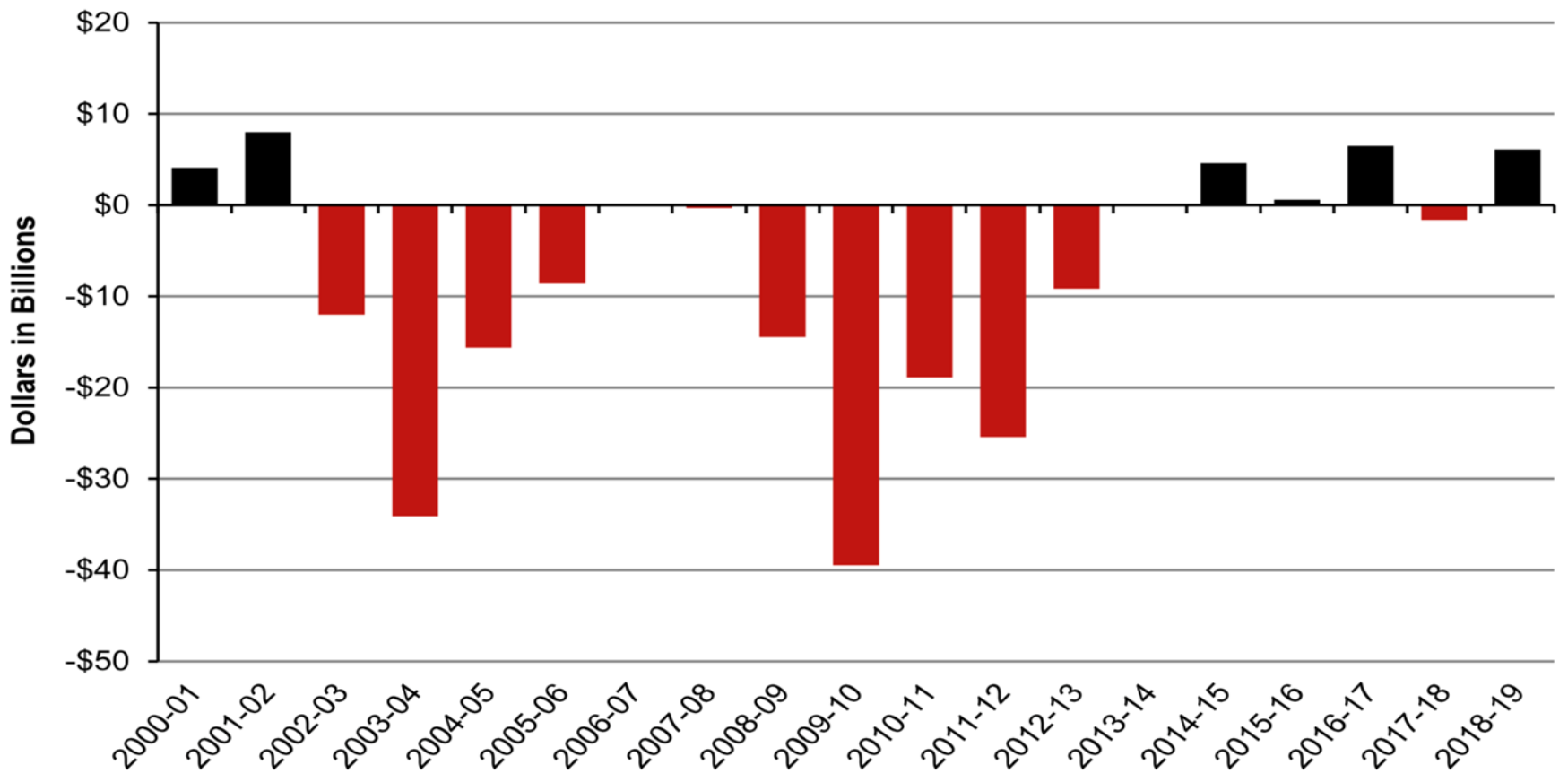
- Still recovering, but at risk
 - Unemployment: 5% (down from 12.4% in 2011), and falling to 4.6% in 2019
 - Employment growing
 - Per Capita Personal Income growth increasing through 2019
 - Construction/housing has recovered, but is now at risk



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Figure INT-01
**Balanced Budgets Have Been Quickly
Followed by Huge Deficits^{1/}**



^{1/} Budget shortfalls or surplus, measured by the annual Governor's Budget.



One-Time vs. Ongoing Revenues

- Because actual revenue collections have outperformed this Administration's conservative revenue projections, the state has experienced significant one-time revenues since 2014-15
 - These one-time allocations total \$5.7 billion for K-12 education through the current year - The Governor's Budget proposes an additional \$1.8 billion in one-time funds for 2018-19
 - These funds offset LEAs' outstanding mandate claims
- Under Proposition 98, the new ongoing component of funding is \$3.1 billion in 2018-19
- Thus, the Governor's practice of conservative budgeting has resulted in substantial gains in one-time funding followed by a boost in ongoing revenues in the following year
 - And if Proposition 98 revenue growth flattens, the release of one-time funds from the prior year will automatically cushion the effect of the revenue contraction



What's not in the Education Budget?

- Compared to past proposed Budgets, the Administration was more proactive this year in proposing new budget items.
 - That said, the 2018-19 Budget proposal provides no funding for the following critical items:
 - Increasing the LCFF base grant target to reach the funding level of the top ten states
 - The growing local obligations for the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) unfunded liability
 - Home-to-School Transportation programs
 - Increasing and equalizing Assembly Bill 602 base funding rates for special education



2018-19 Local Control Funding Formula

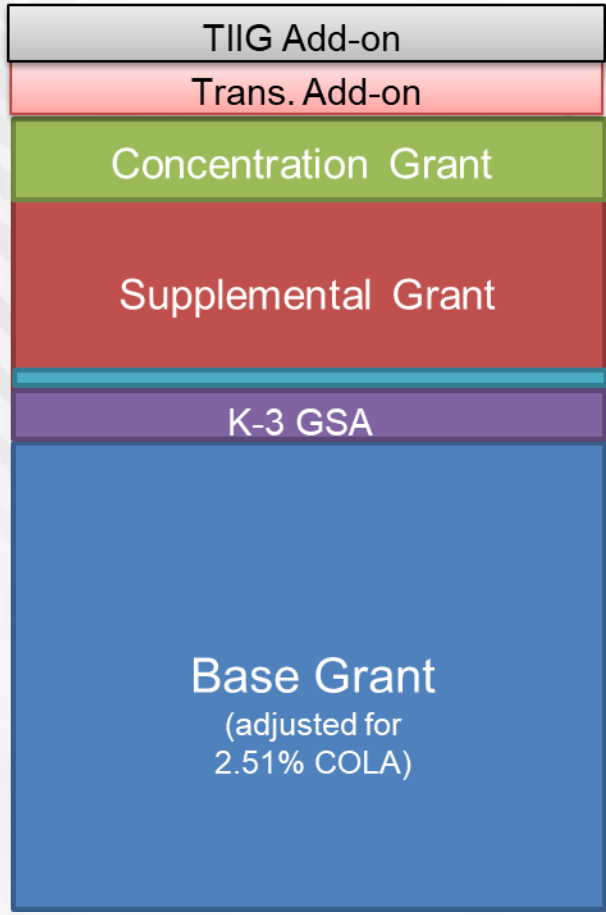
- The Budget proposes nearly \$3 billion for full implementation of the LCFF
 - Two years ahead of the intended 2020-2021 implementation date
- New funding is estimated to completely close the gap between 2017-18 funding levels and LCFF full implementation
- The LCFF base grant targets are adjusted for an estimated 2.51% COLA in 2018-19



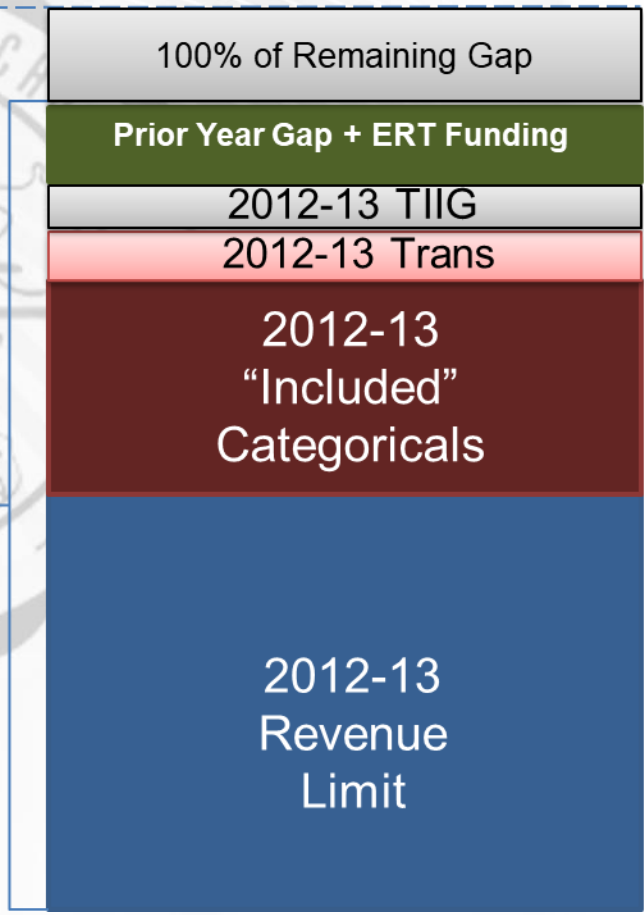
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Entitlement Target



2018-19 Funding



← 9-12 GSA

2017-18 Funding



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LCFF Gap Closure (billions of dollars)

| | <u>2013-14</u> | <u>2014-15</u> | <u>2015-16</u> | <u>2016-17</u> | <u>2017-18</u> | <u>2018-19</u> |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Transition Funding | \$2.067 | \$4.722 | \$5.994 | \$2.942 | \$1.362 | \$2.883 |
| Gap Closure | 12.00% | 30.16% | 52.56% | 56.08% | 44.97% | 100% |
| COLA | 1.57% | 0.85% | 1.02% | 0.00% | 1.56% | 2.51% |
| Percent of Target Funded | 72% | 80% | 90% | 96% | 97% | 100% |



What Does the LCFF Mean for Paramount?

LEA Name – 2018-19

| 2018-19 LCFF Per ADA Funding | Projected 2018-19 Funded ADA | Projected 2018-19 LCFF Total Revenue |
|------------------------------|------------------------------|--------------------------------------|
| \$11,512 | 14,661 | \$168,789,776 |

Discretionary Funds – ONE TIME

Total

| | |
|-------------------------------------|-------------|
| \$295 (one-time) X 2017-18 P2 ADA = | \$4,319,390 |
|-------------------------------------|-------------|

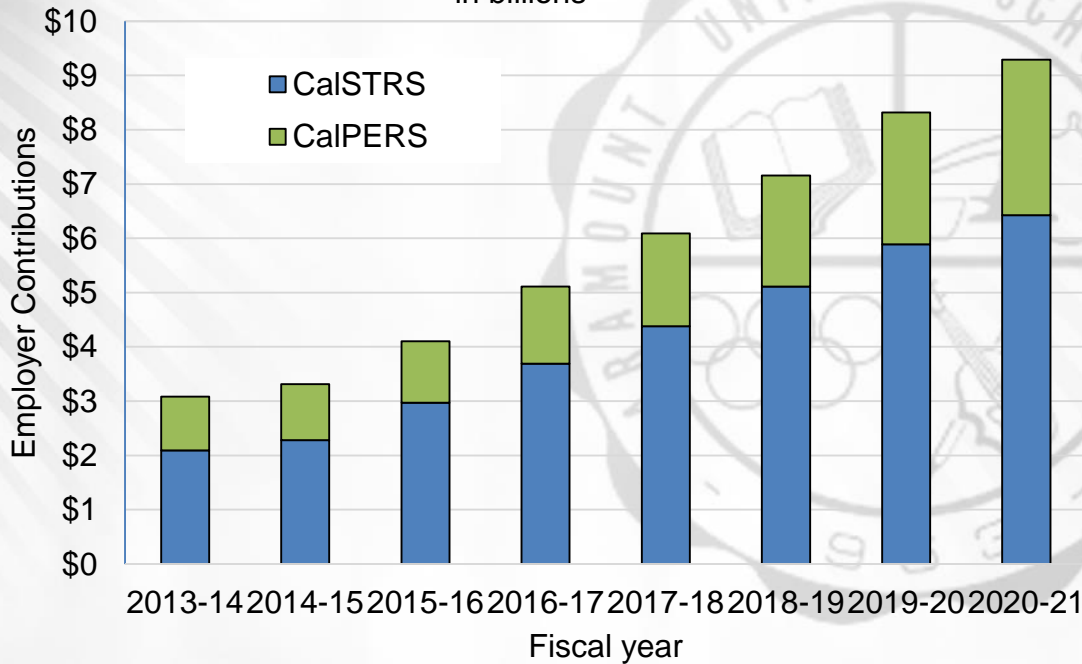


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CalSTRS & CalPERS: Employer Contribution Rates

Projected Annual K-12 Employer Contributions
in billions



Projected K-12 Employer Contributions
as a percentage of payroll

| Fiscal Year | CalSTRS | CalPERS |
|--------------|---------|---------|
| Current Year | 14.43 | 15.531 |
| 2018-19 | 16.28 | 17.7* |
| 2019-20 | 18.13 | 20.0* |
| 2020-21 | 19.10 | 22.7* |
| 2021-22 | 18.10* | 23.7* |
| 2022-23 | 18.10* | 24.3* |
| 2023-24 | 18.10* | 24.8* |
| 2024-25 | 18.10* | 25.1* |

* Projected





Budget Recap

- 1.LCFF (Fund 100% of gap)**
- 2.Uncertainty on the federal level could affect state budget**
- 3.State Financial Reporting**
- 4.Systems of Support**
- 5.COLA (2.51%) and Projections**
- 6.One-Time Discretionary Funding**
- 7.Special Education Teachers**
- 8.State Unfunded Liability (CalSTRS / CalPERS)**
- 9.Limited State Facilities Funding**
- 10.Final Governor's Budget**



What's Next

- January through May:
 - Budget subcommittees review
 - LAO issues detailed review of Governor's plan – expect support for spending restraint and slightly higher revenue forecast
- May Revision
- On-time State budget by June 15



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Questions?

The mission of the Paramount Unified School District is to ensure learning and success for each student by providing a quality education.



Stepping into the future...