

# East Side Union High School District

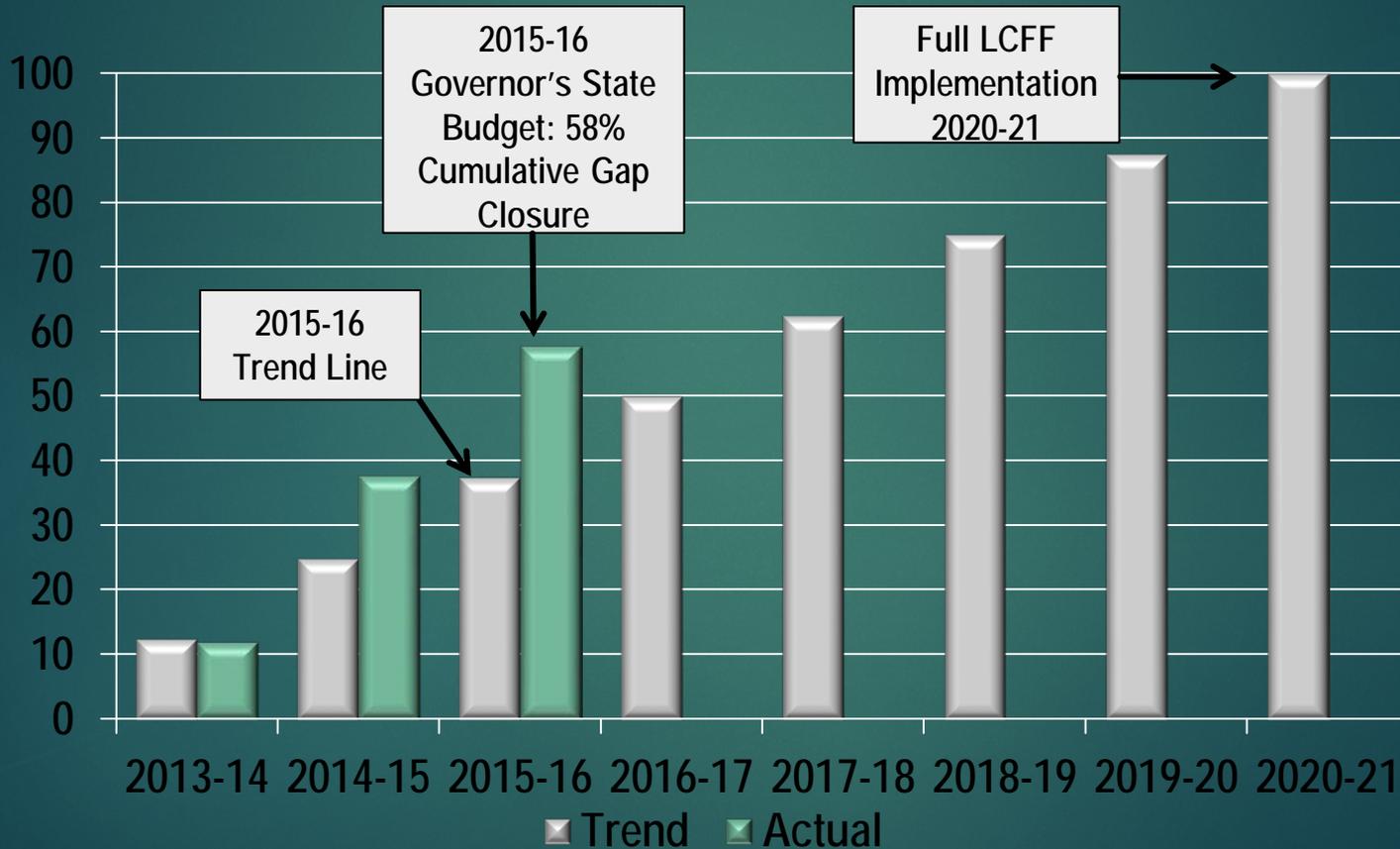
## **FY 2015-16 Governor's Budget Review – Budget Advisory Committee**

Presented by: Marcus Battle,  
Associate Superintendent for Business Services and  
Karen Poon, Director of Finance  
March 11, 2015

# Themes for the 2015-16 Governor's Budget

- ▶ Positive economic growth continues and fuels public education spending
- ▶ Proposition 98 continues to receive most of the new money
- ▶ Funding is tight for the non-Proposition 98 side of the State Budget
- ▶ Governor stays the course on the Local Control Funding Formula (LCFF) and the Local Control and Accountability Plan (LCAP)
- ▶ State makes a firm commitment to Adult Education and Career Technical Education (CTE)
- ▶ The Wall of Debt continues to come down and is replaced with the Rainy Day Fund
- ▶ Overall, a very good State Budget for public education

# Progress Toward LCFF Implementation



# Overall, a Positive Year for Education

- ▶ The 2015-16 State Budget proposed by the Governor would be good news in any year
  - ▶ But particularly coming after such a long and deep recession, this State Budget restores the hopes and dreams of many Californians
    - ▶ The recovery is not complete and won't be until at least 2021 under the Governor's plan
    - ▶ But the incremental progress is significant – particularly for public education
- ▶ During the recession, we took more cuts than any other segment of the State Budget
  - ▶ The Governor acknowledges this and is keeping his commitment toward restoration of our losses
- ▶ After all, temporary losses to public education become permanent impairments on the lives, hopes, and dreams of our children

# Proposition 98: The Minimum Guarantee

- ▶ The improving economy has boosted the Proposition 98 minimum funding guarantee
  - ▶ State revenues are up in the current year and moderate growth is projected for 2015-16
  - ▶ In turn, the state's obligation to K-12 education and community colleges increases
- ▶ For the current year, the minimum guarantee increases by \$2.3 billion to \$63.2 billion from the level adopted in the 2014-15 State Budget Act
- ▶ From this revised level, the Governor's State Budget proposes a 2015-16 Proposition 98 guarantee of \$65.7 billion, an increase of \$2.5 billion, or 4.1%
  - ▶ Funding is based on Test 2: (1) the growth in state per-capita personal income, which is projected to rise 2.91%, and (2) the change in K-12 ADA, which is expected to be flat

# Proposition 98 Funding

Budget Restores Investment in Education  
(Proposition 98 Funding in Billions)



Source: Governor's State Budget Summary, page 6

© 2015 School Services of California, Inc.

# Proposition 98 and the Major K-12 Proposals

- ▶ The Governor's State Budget proposes:
  - ▶ \$4 billion for LCFF gap closure
  - ▶ \$1.1 billion for discretionary one-time uses, including Common Core implementation (one time)
  - ▶ \$1 billion to eliminate the remaining K-14 apportionment deferrals
  - ▶ \$500 million for an Adult Education Block Grant
  - ▶ \$273 million for the Emergency Repair Program (one time)
  - ▶ \$250 million for one-time CTE incentive grants (each of the next three years)
  - ▶ \$198 million additional ADA growth in the current year and a \$6.9 million decrease for ADA decline in 2015-16
  - ▶ \$100 million for Internet connectivity and infrastructure

# Discretionary Funds

- ▶ The Governor's State Budget proposal provides more than \$1.1 billion in discretionary one-time Proposition 98 funds, including \$20 million for COEs
  - ▶ The allocation amounts to about \$180 per ADA for districts
- ▶ The Governor suggests the one-time funds may be used to further investments in the implementation of Common Core State Standards (CCSS)
- ▶ Other uses detailed in the proposal are:
  - ▶ To support the implementation of newly adopted English language development and California's Next Generation Science standards, and
  - ▶ To support expenditures that occur due to the evolving accountability structure of the LCFF

# 2015-16 Local Control Funding Formula

- ▶ Budget proposes \$4 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 32.19%
- ▶ When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would cover almost 58% of the gap in just three years
- ▶ 2015-16 LCFF growth provides an average increase in per-pupil funding of 8.7%, or \$675 per ADA
  - ▶ Individual LEA experiences will vary



# 2015-16 LCFF Funding Factors

- ▶ Cost-of-living adjustment (COLA): The K-12 COLA is 1.58% for 2015-16, and is applied to the LCFF base grants for each grade span

Grade Span	2014-15 Base Grant per ADA	1.58% COLA	2015-16 Base Grant per ADA
K-3	\$7,011	\$111	\$7,122
4-6	\$7,116	\$112	\$7,228
7-8	\$7,328	\$116	\$7,444
9-12	\$8,491	\$134	\$8,625

# 2015-16 LCFF Funding Factors

- ▶ Two grade span adjustments are applied as percentage increases against the adjusted base grants, and also receive a 1.58% COLA in 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 CTE coursework

Grade Span	2015-16 Base Grant per ADA	Grade Span Adjustment	2015-16 Adjusted Grants
K-3 (10.4%)	\$7,122	\$741	\$7,863
4-6	\$7,228	--	\$7,228
7-8	\$7,444	--	\$7,444
9-12 (2.6%)	\$8,625	\$224	\$8,849

# What Does the LCFF Mean for ESUHSD?

## East Side Union High School District – 2015-16

2015-16 LCFF Per ADA Funding	Projected 2015-16 ADA	Projected 2015-16 LCFF Total Revenue
\$9,063	22,667.34	\$205,439,596

Discretionary Funds – ONE TIME	Total Est.
\$180 (one-time) X 2014-15 P2 ADA =	\$ 4 mil.

# CalSTRS Rate Increases

- ▶ Employer rates are increasing to 10.73% in 2015-16, up from 8.88% in 2014-15
  - ▶ No specific funds are provided for this cost increase
- ▶ Once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer and state contribution rates

Year	Employer	Pre-PEPRA*	Post-PEPRA*
2014-15	8.88%	8.15%	8.15%
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

# CalPERS Rate Increases

- ▶ The employer contribution to CalPERS is projected to increase from 11.771% in 2014-15 to 12.6% in 2015-16 (final rate awaiting CalPERS Board approval)
  - ▶ “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:

Actual	Projected					
2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.771%	12.6%	15.0%	16.6%	18.2%	19.9%	20.4%

- ▶ In most cases, the base grant will need to cover increased operating expenses, including the employer’s share of CalSTRS and CalPERS increases

# Next Steps

- ▶ State level
  - ▶ Budget committee hearings
  - ▶ Next update – May Revision
- ▶ Local level
  - ▶ Second Interim Report due by March 17 for school districts, March 15 for charter schools

The image part with relationship ID 1162 was not found in the file.



Preparing every student to thrive in a global society.

# Questions