



Board Presentation – May Revise 2017-18

Update on the State K-12 Education Budget





Proposition 98 Still Governs the Level of Funding

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- **While Proposition 98 continues to rise, the rate of increase is much lower than has been experienced over the last few years**
- **Past years have started with low revenue forecasts that got better**
 - **This year, Governor Jerry Brown's 2017-18 January forecast was lower than stated in the 2016-17 Adopted Budget**
 - **However, the May Revision once again reflects higher revenues for 2017-18 than the January Budget due to increases in personal income and corporation taxes**
- **Both one-time and ongoing revenues to education grow above the January forecast for 2017-18**
 - **And the proposed deferral is eliminated**



New Proposition 98 Topics . . .

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More Proposition 98

2017-18 funding up \$1.1 billion from January proposal

LCFF* Increases

May Revision ups the LCFF funding increase to \$1.4 billion

Deferral Is Gone

2016-17 proposed deferral replaced by settle-up payment

One-Time Funding Up

May Revision adds almost \$750 million to January's one-time funds, but with a twist

*Local Control Funding Formula (LCFF)



January State Budget vs. May Revision

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Item	January Budget	May Revision
LCFF Gap Funding	23.67% or \$744 million	43.97% or \$1.4 billion
Proposition 98 Minimum Funding Guarantee		
2015-16	\$68.7 billion	\$69.1 billion
2016-17	\$71.4 billion	\$71.4 billion
2017-18	\$73.5 billion	\$74.6 billion
2017-18 COLA ¹	1.48%	1.56%
One-Time Discretionary Funds for 2017-18	\$287 million \$48 per ADA ²	\$1.01 billion ³ \$170 per ADA

¹Cost-of-living adjustment (COLA)

²Average daily attendance (ADA)

³Not received until May 2019



Implications for Education Funding

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- **The Administration continues to signal that the next recession is just around the corner**
 - **The Governor was quick to point out that the current recovery is the third longest in the post-war period and if there is not a recession within the next two years it would be historic**
 - **However, the Budget forecast does not project a recession and, in fact, reflects continued growth over the next four years**



Statutory COLA at 1.56%

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- **The Governor's January Budget estimated the 2017-18 statutory COLA for K-12 education programs at 1.48%**
- **Based on actual Implicit Price Deflator factors available for the May Revision, the COLA increases to 1.56%**
- **What's the impact?**
 - **COLA is applied to the LCFF base grant target rate, but that doesn't directly affect LCFF growth, which is based on the funds appropriated each year for the transition to full implementation**

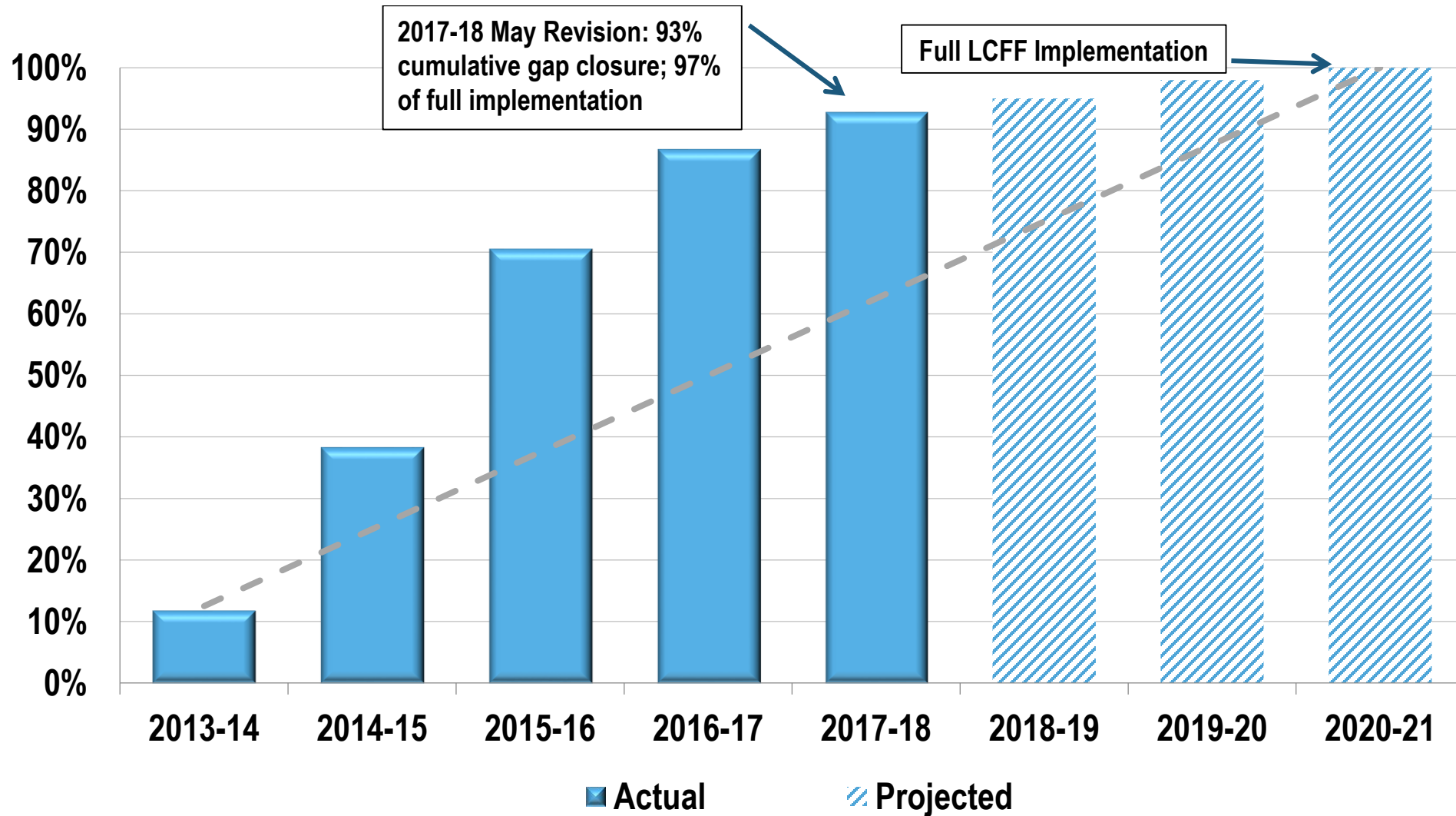


2017-18 Local Control Funding Formula

- **May Revision proposes more than \$1.4 billion for continued implementation of the LCFF, \$661 million above the January level**
- **New funding is estimated to close the gap between 2016-17 funding levels and LCFF full implementation targets by 43.97%**
 - **93% of the gap closed in the first five years**
 - **Reaching to 97% of the targeted funding levels in 2017-18**
- **1.56% COLA on the LCFF base grant targets**
- **2017-18 LCFF growth provides an average increase in per-pupil funding of 2.69%, or \$249 per ADA**
 - **Individual results will vary widely**



Progress Toward LCFF Implementation





One-Time Discretionary Funds

- As a result of modest revenue increases since the release of the January Budget, the May Revision proposes an increase in discretionary one-time funding of just under \$750 million

	January Budget	May Revision
Per-ADA	\$48	\$170
Total	\$287 million	\$1.01 billion

- But, the Governor proposes to hold all of the funds until May 2019!
- Funds can be used for any one-time expenditure as determined by a local governing board
- One-time apportionments will offset LEAs' outstanding mandate reimbursement claims on a dollar-for-dollar basis
 - We continue to believe that these funds should not count toward mandate reimbursement



What Does This All Mean for OUSD?

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Oakland Unified School District – 2017-18		
201-18 LCFF Per ADA Funding	Projected 2017-18 ADA	Projected 2017-18 LCFF Total Revenue
\$10,265.14	35,040	\$359,690,383

Note 1: The increase in LCFF funding from the Governor’s January budget is approximately \$3.9M for OUSD

One-Time Funds	January State Budget	May Revision
Per-ADA	\$48	\$170
Total for OUSD	\$1.7 million	\$6.0 million

Note 2: The increase in one-time funds from the Governor’s January budget is approximately \$4.3M for OUSD. However, because the Governor is proposing to hold these funds until May 2019, districts are being advised not to budget these funds for 2017-18 and not to include them as part of the multi-year projections.

Summary – The net impact of the above is an increase of \$2.2M from the Governor’s January Budget (\$3.9M increase in LCFF funding less the \$1.7M of One-Time funds assumed as part of the January Budget that are now on hold).



CalPERS Employer Contribution Rate Increases

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- The California Public Employees' Retirement System (CalPERS) Board adopted an employer contribution rate of 15.531% for 2017-18, almost 2% higher than the current-year rate of 13.888%
- While the new projected rates are slightly lower than those previously released by CalPERS, they are still significant annual increases that will add to the squeeze on base revenues
- CalPERS Board also adopted the contribution rate for employees subject to the Public Employees' Pension Reform Act (PEPRA)
 - Currently, PEPRA members are contributing 6%, which will increase to 6.5% for 2017-18
 - "Classic" members continue to pay 7.0%

Year	Previously Released Employer Contribution Rates	Employer Contribution Rate*
2017-18	15.8%	15.531%
2018-19	18.7%	18.1%
2019-20	21.6%	20.8%
2020-21	24.9%	23.8%
2021-22	26.4%	25.2%
2022-23	27.4%	26.1%
2023-24	28.2%	26.8%
2024-25	N/A	27.3%

*Actual for 2017-18



Funding CalSTRS

- **Employer rates are increasing to 14.43% in 2017-18, up from 12.58% in 2016-17**
 - **No specific funds are provided for this cost increase**
- **Under Education Code Section 22950.5, once the statutory rates are achieved, the California State Teacher’s Retirement System (CalSTRS) will have the authority to marginally increase or decrease the employer and state contribution rate**
 - **CalSTRS cannot increase rates by more than 1% in a year and cannot exceed 12% overall, until the remaining unfunded actuarial obligation is eliminated**

Year	Employer	Pre-PEPRA*	Post-PEPRA**
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%

* First hired on or before December 31, 2012

** First hired on or after January 1, 2013



Questions?



Appendix



2017-18 LCFF Target Funding Factors

- The K-12 COLA is 1.56% for 2017-18 and is applied to the LCFF base grants for each grade span

Grade Span	2016-17 Base Grant Per ADA	1.56% COLA	2017-18 Base Grant Per ADA
K-3	\$7,083	\$110	\$7,193
4-6	\$7,189	\$112	\$7,301
7-8	\$7,403	\$115	\$7,518
9-12	\$8,578	\$134	\$8,712



2017-18 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 1.56% COLA in 2017-18
 - 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	2017-18 Base Grant Per ADA	GSA	2017-18 Adjusted Grant
K-3 (10.4%)	\$7,193	\$748	\$7,941
4-6	\$7,301	-	\$7,301
7-8	\$7,518	-	\$7,518
9-12 (2.6%)	\$8,712	\$227	\$8,939



2017-18 LCFF Target Funding Factors

- Supplemental and concentration grants, based on the Unduplicated Pupil Percentage (UPP), are also increased from 2016-17 because a 1.56% COLA is applied to the LCFF base grants

Grade Span	2017-18 Adjusted Grants Per ADA	20% Supplemental Grant – Total UPP	50% Concentration Grant – UPP Above 55%
K-3	\$7,941	\$1,588	\$3,971
4-6	\$7,301	\$1,460	\$3,651
7-8	\$7,518	\$1,504	\$3,759
9-12	\$8,939	\$1,788	\$4,470



Proposition 98 Funding

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Proposition 98 Funding 2007-08 to 2017-18

