

# Governor's Proposals for the 2017-18 State Budget and K-12 Education

Oakland Unified School District

Presentation to the Board of Education  
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# Themes for the 2017-18 Governor's Budget

- Economic conditions continue to define options for the state
- We expect major political and legislative challenges, particularly at the federal level
- The Local Control and Accountability Plan (LCAP) continues to evolve
- Execution of the Budget will present operational issues in several areas
- The road behind us has been filled with highs and lows – the road ahead will be equally uncertain



## Economic Growth, Now and Later

2

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- **All year long, the Administration has been warning of slower economic growth**
  - Lower than expected state revenues
  - Continued forecasts for low growth in Proposition 98
  - The Governor over-contributed to the state's Rainy Day Fund
- **We have been concerned that the top 1%, who pay half of the personal income tax and all of the Proposition 30 taxes, may not be doing as well as expected**
- **The November elections appear to have provided new stimuli to the economy**
  - The stock market has soared
  - State and local school facility bonds were approved and will create new jobs
  - Passage of Proposition 55 will continue the high-bracket income tax supporting education funding



## Proposition 98 Growth, Now and Later

3

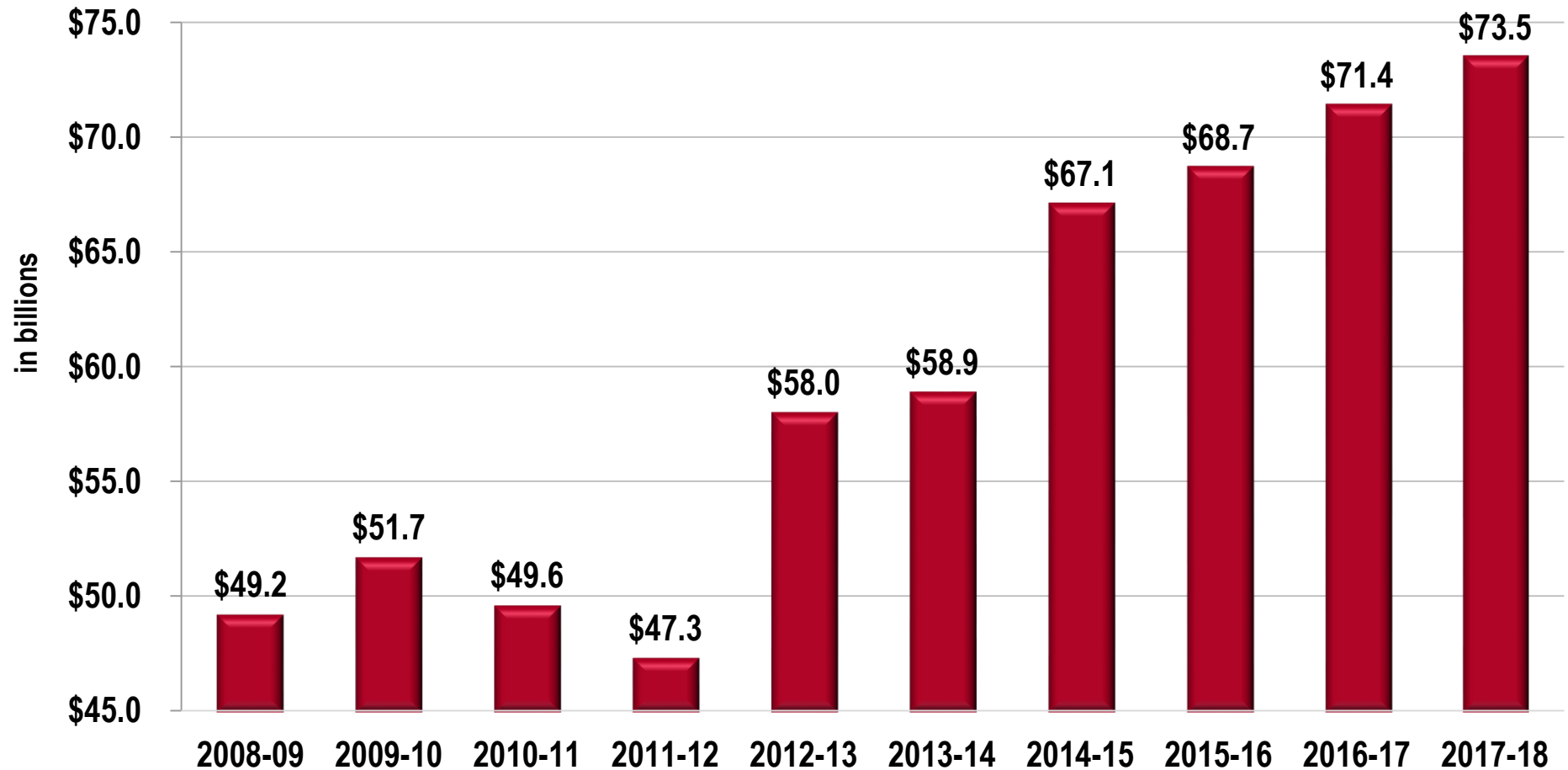
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- **Stable or expanding economic conditions increase prosperity for the population – and increase tax revenues for the state**
  - **Taxes drive Proposition 98 obligations to schools**
  - **Revenue projections dictate the rate at which the state moves toward the Local Control Funding Formula (LCFF) full implementation targets**
- **Passage of Proposition 55 maintains, but does not increase, education funding above the Proposition 30 level**
- **Proposition 55 is a replacement for Proposition 30, not an addition to it**
- **However, variability in education funding from lowered economic forecast and tax revenues more than offset the benefit of Proposition 55**
- **The state continues to meet the minimum Proposition 98 guarantee – and nothing more**



# Proposition 98

## Proposition 98 Funding Over Time 2008-09 to 2017-18





# Proposition 98 and the Major K-12 Proposals

- **The Governor's Budget proposal includes:**
  - **\$744 million for LCFF gap closure**
  - **\$422.9 million for the K-12 portion of Proposition 39 (2012) – Clean Energy Jobs Act**
  - **\$287 million for discretionary one-time uses**
  - **\$200 million for the Career Technical Education Incentive Grant (CTEIG) Program**
  - **\$93 million to support projected charter school ADA growth**
  - **\$58.1 million for categorical programs' cost-of-living adjustment ([COLA] – 1.48%)**
  - **\$8.5 million for the Mandate Block Grant (MBG) to reflect the addition of the Training for School Employee Mandated Reporters program**



## Transition from Proposition 30 to Proposition 55

- **Proposition 55 extends the temporary personal income tax increase first enacted by Proposition 30**
- **While the higher tax rates for high-income earners will be extended for an additional 12 years (through 2030), the sales tax increase expired at the end of 2016**
  - **However, the Department of Finance (DOF) forecast of General Fund revenues for the 2016-17 Budget Act assumed expiration of both taxes**
  - **The passage of Proposition 55, therefore, has resulted in higher projected state revenues commencing in 2018-19**
  - **Any revenue boost will be realized in the second half of the year, with the full effects experienced in 2019-20**



# 2017-18 Local Control Funding Formula

- The Budget proposes \$744 million for continued implementation of the LCFF
- New funding is estimated to close the gap between 2016-17 funding levels and LCFF full implementation targets by 23.67%
- 96% of the gap closed in the first five years, but...
  - No change from 2016-17
  - New LCFF allocation only sufficient to pay cost of the COLA increase to the grade span per-ADA rates
- The LCFF base grant targets are adjusted for an estimated 1.48% COLA in 2017-18
- 2017-18 LCFF growth provides an average increase in per-pupil funding of \$132 per ADA individual results will vary





# Apportionment Deferrals

- **The Governor's State Budget proposes to re-establish apportionment deferrals, shifting \$859.1 million in LCFF costs from June 2017 to July 2017**
  - **DOF officials indicate that this deferral will be paid along with the July 2017 apportionment**
  - **Results from reductions to the Proposition 98 guarantee in 2015-16 and 2016-17**
  - **Rather than reduce each month's apportionment, the entire amount is taken in June**
- **Recall that, in 2015-16, the Governor eliminated the final piece of outstanding deferrals by shifting an \$897.2 million deferred payment from July 2016 back to June 2016 as part of his plan to pay down the wall of debt**
- **How bad did it get?**
  - **In 2011-12, inter-year deferrals reached a peak of \$9.5 billion, or about 20% of the annual payment to schools**



# One-Time Discretionary Funds

- The Governor's Budget proposes \$287 million in **one-time funds for school districts, COEs, and charter schools in 2017-18**
  - This equates to approximately **\$48 per ADA**
  - Expenditure of these funds is determined by the local governing board and can be used for any one-time purpose
- Like prior years, these funds will offset local educational agencies' (LEAs') outstanding mandate reimbursement claims on a dollar-for-dollar basis
  - According to the Legislative Analyst's Office (LAO), \$1.9 billion in claims will remain outstanding at the end of the current year



# What Does the LCFF Mean for Oakland Unified School District

## OUSD – 2017-18

2017-18 LCFF Per ADA Funding	Projected 2017-18 ADA	Projected 2017-18 LCFF Total Revenue
\$10,150.28	34,941.46	\$354,665,696

Note: 2017-2018 Projected ADA is based on Prior Year 2016-2017 ADA due to declining enrollment

Discretionary Funds – ONE TIME	Total
\$48 (one-time) X 2016-17 P2 ADA =	\$1,677,190



# CalPERS Rate Increases

- The employer contribution to CalPERS is proposed to increase to 15.8% in 2017-18, up from 13.9% in 2016-17
- “Classic” members continue to pay 7.0%
  - New members pay 6.0%, which may fluctuate from year-to-year based on the PEPRA requirement to pay half the normal cost rate (Public Employees’ Pension Reform Act)
- Estimates of the resulting future contribution rate increases for school employers are as follows:

Actual	Projected				
2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
13.9%	15.8%*	17.7%*	19.7%*	21.1%*	21.5%*

\*CalPERS provided these estimates in early 2016 and has not yet issued revised estimates



# CalSTRS Rate Increases

- 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 current law, once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer contribution rate
- Public Employees Pension Reform Act

CalSTRS Rates

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



## Next Steps: OUSD

13

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- **Second Interim Report Due March 15**
- **Budget Development Processes in Progress**
  - Budget Development Tool (BDT),
  - LCAP Draft Development,
  - LCFF Projections Development
- **Draft LCAP to ACOE May 1**
- **ACOE Revisions Return May 16**
- **Board 2017-2018 Budget Study Session(s) TBD**
- **Public Hearings June 14**
  - Revised LCAP with ACOE Revisions
  - Adopted Budget 2017-2018
- **Board Approvals June 28**
  - Final LCAP
  - 2017-2018 Adopted Budget
    - (BDT, LCAP, and LCFF)

# Governor's Proposals for the 2017-18 State Budget and K-12 Education



## APPENDIX

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# 2017-18 LCFF Target Funding Factors

- The K-12 COLA is 1.48% for 2017-18, and is applied to the LCFF base grants for each grade span

Grade Span	2016-17 Base Grant per ADA	1.48% COLA	2017-18 Base Grant per ADA
K-3	\$7,083	\$105	\$7,188
4-6	\$7,189	\$106	\$7,295
7-8	\$7,403	\$110	\$7,513
9-12	\$8,578	\$127	\$8,705





# 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 1.48% 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 (CTE) coursework

Grade Span	2017-18 Base Grant per ADA	GSA	2017-18 Adjusted Base Grant
K-3	\$7,188	\$748	\$7,936
4-6	\$7,295	-	\$7,295
7-8	\$7,513	-	\$7,513
9-12	\$8,705	\$226	\$8,931



# 2017-18 LCFF Target Funding Factors

- Supplemental and concentration (S/C) grants are calculated based on the percentage of an LEA’s enrolled students who are English learners (EL), free and reduced-price meal program eligible, or foster youth – the unduplicated pupil percentage (UPP)

Grade Span	2017-18 Adjusted Grants per ADA	20% Supplemental Grant – Total UPP	50% Concentration Grant – UPP Above 55%
K-3	\$7,936	\$1,587	\$3,968
4-6	\$7,295	\$1,459	\$3,648
7-8	\$7,513	\$1,503	\$3,757
9-12	\$8,931	\$1,786	\$4,466