



# Excerpts of the Overview of the 2014-15 May Revision

- **Passage of Proposition 30, slow, but positive, growth in the economy, and resultant tax revenues joined to allow the Governor to offer education the highest funding increase in history in his January proposal**
- **The level of Proposition 98 is increased only slightly by the higher tax revenues and is used to:**
  - **Continue to buy down the “wall of debt”**
  - **Continue implementation of the Local Control Funding Formula (LCFF) at the \$4.5 billion level proposed in January**
    - **But no significant increases in programmatic funding for K-14 education**

# Major Proposals by the Governor

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- **Once again, the Governor refuses most changes to the LCFF and maintains it essentially as proposed in January**
- **Continues the Governor's push for a Rainy Day Fund as per his negotiated compromise**
- **Takes on the California State Teachers' Retirement System (CalSTRS) unfunded liability immediately**
- **Fully funds increased Medi-Cal enrollments**

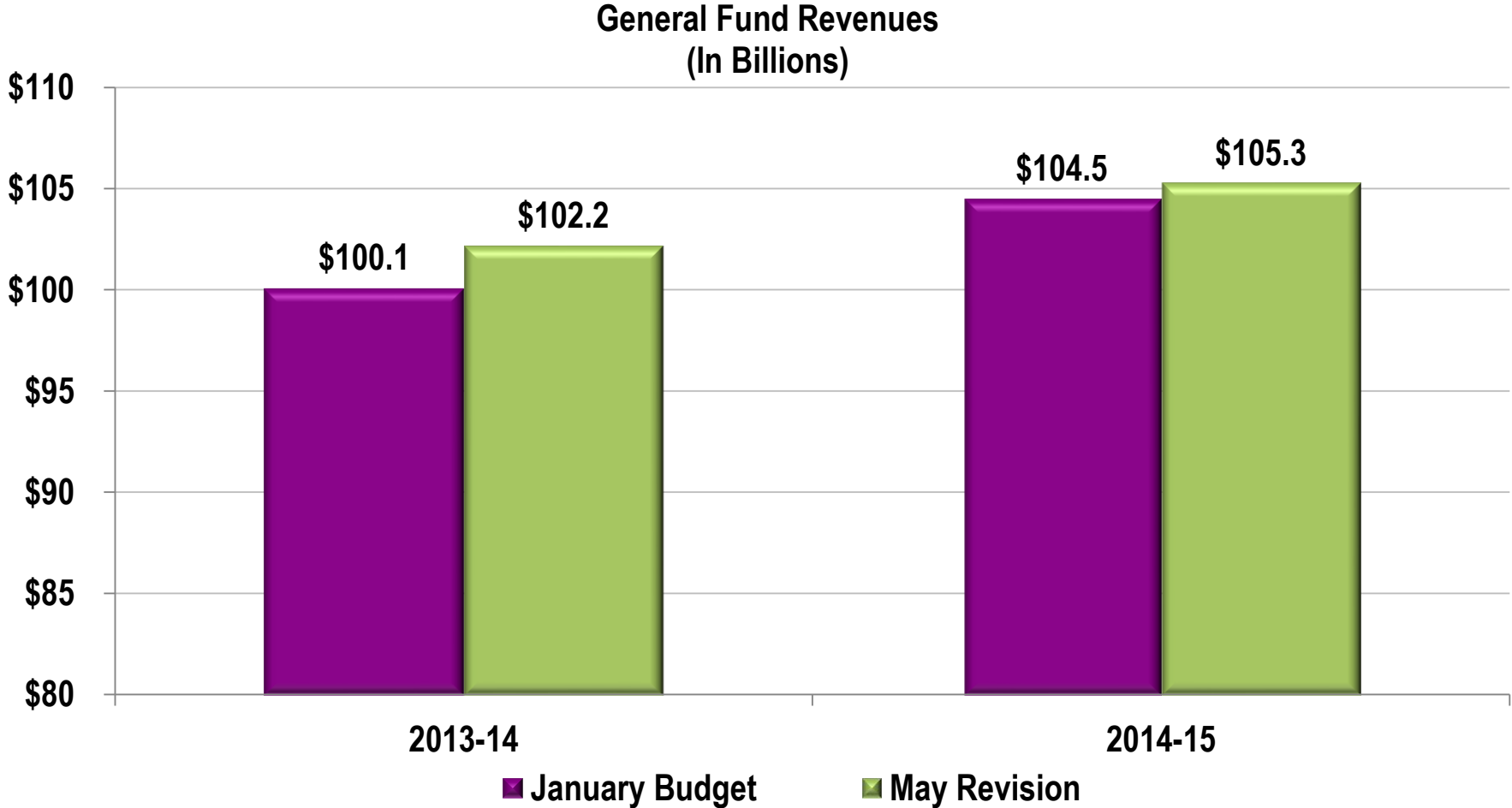


- **An additional \$1.2 billion is needed to fund Medi-Cal costs primarily due to implementation of the Affordable Care Act (ACA)**
  - **Many potential participants enrolled in Medi-Cal instead of ACA, resulting in an increase of enrollments**
- **A contribution of \$1.6 billion to the Budget Stabilization Account in 2014-15, pursuant to Proposition 58**
- **The non-education Budget shows only very minor changes from the Governor's January Budget proposals**
- **We expect heated discussion regarding demands for Budget augmentations by the courts and higher education in particular**

## ● What the Budget does not address:

- No proposal for a statewide school facilities bond
- No new funding to school districts to address the increased employer costs proposed to deal with the unfunded liability in the CalSTRS fund
- No new funding to address special education shortfalls
- No new funding for early childhood education
- No payments on the prior-year state mandate credit card
- No additional funding for the Common Core State Standards (CCSS)
- No extension of maintenance of effort (MOE) period for adult education or regional occupational centers/programs (ROC/P)

# General Fund Revenues in 2014-15



Source: Governor's Budget 2014-15, page 14 and May Revision 2014-15, page 12

- **California's per pupil expenditures continue to lag the national average, ranking 49<sup>th</sup> in the nation in 2011-12, the most recent data comparison**
  - **California reported per pupil expenditures of \$8,341, comprising about 70% of the U.S. average of \$11,864**
  - **We can attempt to do more with less for only so long – real changes will take a commitment to the local control and accountability model and an increased and adequate level of funding**

<b>State</b>	<b>Current Expense Per Student</b> (Adjusted for Regional Cost Differences)	<b>Percentage of National Average</b>
<i>United States</i> <sup>1</sup>	<b>\$11,864</b>	<b>100.0%</b>
<b>California (Rank 49)</b>	<b>\$8,341</b>	<b>70%</b>

Source: Education Week Quality Counts 2014 – January 9, 2014

<sup>1</sup>United States average includes the District of Columbia

- **The Governor's May Revision proposes to fully fund CalSTRS by 2045-46**
  - **Plan kicks in immediately, beginning July 1, 2014**
  - **Contribution rate increases proposed for all three parties:**
    - **State contribution rate to increase from the current rate of 3.041% to 6.3% over three years**
      - **In addition, the state will continue to pay 2.5% of payroll annually for a supplemental inflation protection program**
    - **Employer contribution rate to increase from 8.25% to 19.1% over seven years**
    - **Employee contribution rate to increase from 8% to 10.25% over three years**



# Potential CalSTRS Rate Increases

- CalSTRS contribution rates and benefit levels are set in statute
  - Legislation is required to change the rates
- Accelerating the timeframe to address the shortfall from 2015-16 to 2014-15, the Governor proposes immediate contribution rate increases

			Pre-PEPRA	Post-PEPRA	
	Year	Employer	Employee		State
Current	2013-14	8.25%	8.00%	8.00%	3.041%
Proposed	2014-15	9.50%	8.15%	8.08%	3.45%
	2015-16	11.10%	9.20%	8.56%	4.89%
	2016-17	12.70%	10.25%	9.21%	6.33%
	2017-18	14.30%	10.25%	9.21%	6.33%
	2018-19	15.90%	10.25%	9.21%	6.33%
	2019-20	17.50%	10.25%	9.21%	6.33%
	2020-21	19.10%	10.25%	9.21%	6.33%

- For 2014-15, the May Revision proposes categorical programs outside of the LCFF will receive the statutory 0.85% COLA, down minimally from 0.86% proposed in January
- These programs include:
  - Special Education
  - Foster Youth
  - American Indian Education Centers
  - American Indian Early Childhood Education Programs
  - Child Nutrition
  - Adults in Correctional Facilities
- The May Revision proposes an increase of \$15.3 million for select categorical programs based upon projected ADA growth

- **2013 Budget Act appropriated \$1.25 billion to LEAs for implementation of the CCSS for professional development, instructional materials, and technology**
  - **Funds must be used by June 30, 2015, and LEA expenditure plans must be Board-approved**
- **Concerns raised after Spring 2014 field testing about the technological capability for computer-based assessments statewide**
- **The May Revision proposes \$26.7 million for the K-12 High Speed Network in order to:**
  - **Perform a comprehensive network connectivity assessment**
  - **Provide grant funds to support LEAs with the most need in ensuring accessibility and participation in computer adaptive tests during the 2014-15 year**

- **Senate President pro Tempore Darrell Steinberg's (D-Sacramento) SB 837 to provide TK for all four-year-olds would cost nearly **\$1.5 billion** once fully implemented**
- **The Governor's CalSTRS increased employer and employee contributions would begin in six weeks and is a surprise**
  - **Will it be postponed?**
- **Will the compromise reached on the Rainy Day Fund stand as is?**
- **ACSA has made it loud and clear that additional Common Core implementation dollars are top priority**

# Enacting the State Budget – Where Do We Go From Here?

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- **Behind the scenes, legislative leaders and the Governor negotiate the “big ticket” items, such as revenue assumptions and overall spending level, the corresponding Proposition 98 minimum guarantee, and any particular policy priorities**
  - **Last year, a final big ticket item was the details of the LCFF**
  - **This year, the level of the Rainy Day Fund and CalSTRS funding may be sticking points**
- **Once agreement is reached, the final version of the State Budget is drafted into a main Budget Bill and corresponding trailer bills, addressing specific aspects of the Budget**
- **To continue to receive their pay, members of the Legislature must approve the State Budget by June 15, which they have done the past two years!**