

Twin Rivers Unified School District



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Workshop

Impact on Education
– the Governor's
May 2015-16 Budget
Proposals

Presented to Cabinet

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The Big News – Increase in Education Funding!

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- The May Revision provides an additional \$3.1 billion in 2014-15 for education funding
 - This funding is for 2014-15, but treated as one-time dollars in 2015-16
- The combination of a rapidly recovering California economy and Proposition 30 temporary taxes drive the increased state revenues and growth in Proposition 98 for 2014-15
- The Governor proposes adding \$2.1 billion to the \$4 billion proposed in January for 2015-16 LCFF growth, for a total of \$6.1 billion increase
 - Gap closure rate goes from 32.19% to 53.08%
 - Average increase is 14.13%, or \$1,088 per average daily attendance (ADA)
- The state is making rapid progress toward full implementation of the LCFF



Issues of Note

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- Is the funding increase proposed by the Governor affordable for the state?
YES
 - Property tax growth alone is sufficient to cover the growth in Proposition 98
 - The “anti-spike” provisions increase non-Proposition 98 spending by about \$400 million

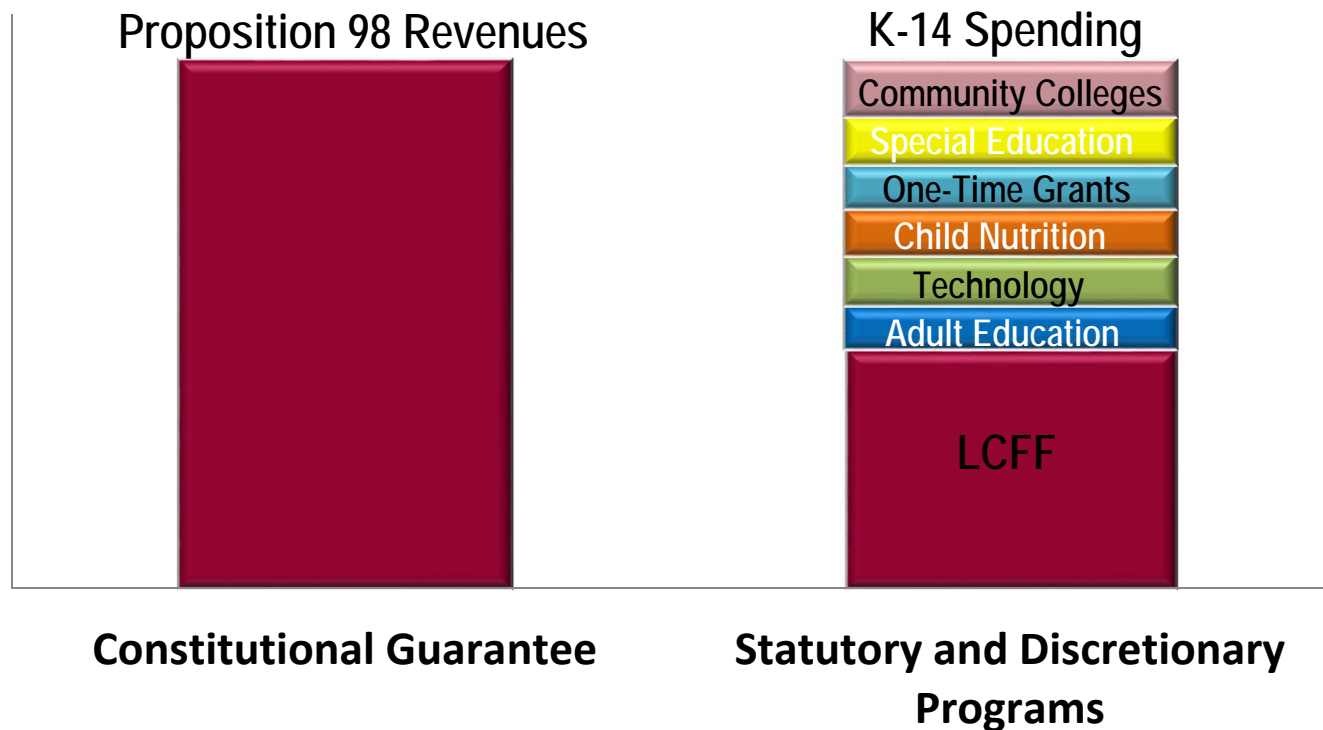
- Issues not addressed
 - California State Teachers’ Retirement System (CalSTRS)/California Public Employees’ Retirement System (CalPERS) cost relief
 - Repeal of the cap on district reserves



Proposition 98 Revenues and Spending

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- Proposition 98 sets the minimum funding level for K-14 education, but the Governor and Legislature decide how funds are spent





Proposition 98 Funding Will Slow

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- Proposition 98 has provided major increases in funding for K-14 education as the state economy recovers and funding cuts imposed during the recession are restored
 - Compared to the 2011-12 Proposition 98 guarantee, funding in 2015-16 will have increased \$21.1 billion to \$68.4 billion under the May Revision, an average annual gain of 9.7%
- These gains are largely attributed to the repayment of the Proposition 98 maintenance factor, an amount equivalent to the loss of funds imposed on K-14 education during the recession (a restoration, not a repayment)
- According to the May Revision, \$772 million in maintenance factor payments will remain at the end of 2015-16
- Conclusion: Proposition 98 funding will slow considerably once the maintenance factor has been fully paid
 - Growth will likely be in the range of 2% to 4% annually



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January Budget vs. May Revision

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Item	January Budget	May Revision
Proposition 98 Minimum Funding Guarantee 2014-15 2015-16	\$63.2 billion \$65.7 billion	\$66.3 billion \$68.4 billion
LCFF Gap Funding Percentage	32.19%	53.08%
2015-16 COLA	1.58%	1.02%
TRUSD LCFF	\$218 million	\$227 million
One-time Discretionary Funds for 2015-16	\$1.1 billion \$180 per ADA TRUSD = \$4.4 million	\$3.5 billion \$601 per ADA TRUSD = \$14.8 million



2015-16 Local Control Funding Formula

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- The January Budget proposed \$4 billion for continued implementation of the LCFF
- The May Revision provides an additional \$2.1 billion, for a total of \$6.1 billion of additional Proposition 98 revenues flowing to schools
- New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 53.08% in 2015-16
 - The May Revision slightly revises the current-year gap closure estimate, up from 29.15% to 29.97% for 2014-15



2015-16 LCFF Target Funding Factors

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- Grades K-12 – 1.02% cost of living adjustment (COLA) applied to the base grants
- 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	2015-16 Base Grant per ADA (includes 1.2% COLA)	Grade Span Adjustment	2015-16 Adjusted Grants per ADA
K-3	\$7,083	\$737 (10.4%)	\$7,820
4-6	\$7,189	–	\$7,189
7-8	\$7,403	–	\$7,403
9-12	\$8,578	\$223 (2.6%)	\$8,801

Target



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2015-16 LCFF Target Funding Factors

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- Supplemental and concentration grants are calculated based on the percentage of a district's enrolled students (unduplicated pupil percentage or [UPP]) who are English learners (EL), free and reduced-price meal (FRPM) program eligible, or foster youth

Grade Span	2015-16 Adjusted Grants per ADA	20% Supplemental Grant – total UPP	50% Concentration Grant – UPP above 55%
K-3	\$7,820	\$1,564	\$3,911
4-6	\$7,189	\$1,438	\$3,595
7-8	\$7,403	\$1,481	\$3,702
9-12	\$8,801	\$1,760	\$4,401

Target



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LCFF Target for Twin Rivers

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- The target entitlement is the sum of the base grant, supplemental grant, concentration grant, and add-on funding

Funding Component	Amount
Base Grant	\$178,888,156
Supplemental Grant	\$31,215,984
Concentration Grant	\$28,845,716
Add-on Funding	<u>\$9,932,217</u>
Total	\$248,882,073

Note: This is the target entitlement, not the current-year funding.



LCFF Transition Calculation for Twin Rivers

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- The *transition entitlement* is the sum of the adjusted floor based on 2014-15 funding plus the gap closure amount for 2015-16

Floor Components	Amount
2015-16 LCFF target	\$248,882,073
2015-16 Floor	<u>\$202,657,675</u>
2015-16 Gap	\$46,224,398
2015-16 Gap Closure Percentage	53.08%
Gap Closure Amount	<u>\$24,535,910</u>
2015-16 Transition Entitlement Funding	<u>\$227,193,585</u>
Base Grant (including Add-on Funding)	\$184,990,435
Supplemental/Concentration Grant	\$42,203,150



LCFF Transition Calculation for Twin Rivers

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- Net state aid is the remainder after local revenue and Education Protection Account (EPA) allocations are deducted from the transition funding amount

Floor Components	Amount
2015-16 Transition Funding	\$227,193,585
Less: Local Revenue (Property Taxes)	<u>\$22,128,120</u>
Gross State Aid	\$205,065,465
Less: EPA	<u>\$31,170,757</u>
2015-16 Net State Aid	\$173,894,708



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Funding CalPERS and CalSTRS

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- The employer contribution costs for both CalPERS and CalSTRS are significantly increasing over the next several years
 - The 2015-16 CalSTRS employer contribution rate statutorily increases over the next several years
 - The increase in 2014-15 was .63% for a new rate of 8.88%
 - The increase in 2015-16 is more significant – a 1.85% increase, for a new rate of 10.73%; TRUSD General Fund increased cost = \$3 million
 - The 2015-16 CalPERS employer contribution rate increase is less than expected – increasing from 11.771% to 11.847% instead of 12.6%
- The 2015-16 State Budget proposal does not address these cost increases for LEAs



Cap on District Reserves

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- The enactment of SB 858 (Chapter 32/2014) and Proposition 2 (the Rainy Day Fund) together establish a hard cap on school district reserves when all of the following conditions are met
- Triggering conditions include:
 - The Proposition 98 maintenance factor must be fully repaid
 - Proposition 98 must be funded based on Test 1
 - Proposition 98 is sufficient for enrollment growth and statutory COLA
 - A deposit must be made into the Proposition 98 reserve when capital gains revenues exceed 8% of General Fund revenues (school district reserve cap required to be instituted the following fiscal year)
- Some have argued that it is highly unlikely that the cap will ever be triggered
 - ➔ **THIS CONCLUSION IS WRONG** – It may be triggered sooner than we think!
- Cap for school district reserves would be no more than twice the minimum reserve for economic uncertainties recommended by the State ($3\% \times 2 = 6\%$ cap)



Questions?