



# Impact on Education – the Governor’s 2016-17 Budget Proposals

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# Purpose

Provide the Board of Trustees and the Community with an update on the 2016-17 Governor's Proposed State Budget and the possible impact on the District's Budget.

Materials for this presentation provided by School Services of California (SSC) and adapted from its workshop on January 13, 2016, in Sacramento.

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# Themes for the 2016-17 Governor's Budget

- The Governor continues to stabilize funding and programs in all areas of the State Budget
- The state increased its revenue estimates, but continues to underestimate Proposition 98 revenues for 2015-16 and 2016-17
- Economic growth is much stronger than in past years, but Governor Jerry Brown highlights the risk of recession
- The Local Control and Accountability Plan (LCAP) remains a dominant governance document

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# Preparing for the Slowdown

- The growth in education funding has been fueled by three major factors, all of which could change during 2016-17
  - The Proposition 30 temporary taxes
  - Growth in the economy
  - Repayment of the Maintenance Factor
- At full implementation, each district will receive only cost-of-living adjustment (COLA) increases to its LCFF funding each year
  - COLAs over the next few years are estimated to be in the 2% to 3% range
  - If those COLA projections come to pass, most districts would again be making significant budget reductions
- Districts need to prepare for a slowdown while at the same time advocate for higher funding to continue to move toward at least the national average

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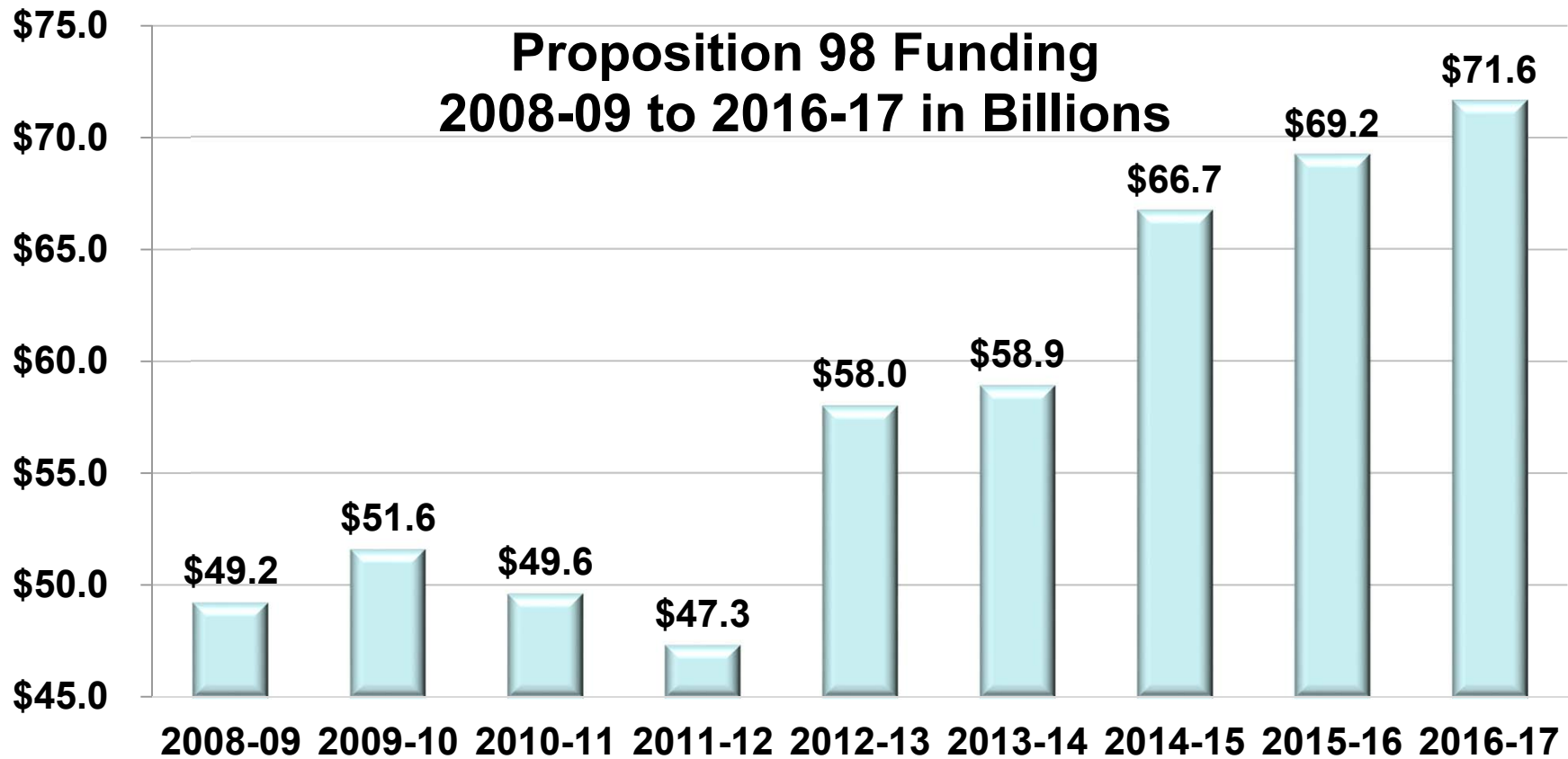
# Proposition 98 Funding

- The Governor's Budget proposes a revised 2015-16 Proposition 98 guarantee of \$69.2 billion
- The Budget proposes Proposition 98 funding of \$71.6 billion in 2016-17, up \$2.4 billion (3.5%) from the revised 2015-16 level
- Maintenance Factor is fully repaid in 2015-16 with a payment of \$810 million
- State General Fund support for schools slows compared to non-Proposition 98 programs: 2% increase versus 8.4% for all other programs in 2016-17

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# Proposition 98 Funding Over Time



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# Proposition 98 and the Major K-12 Proposals

- The Governor's Budget proposal includes:
  - **\$2.8 billion for Local Control Funding Formula (LCFF) gap closure**
  - \$1.6 billion for an Early Education Block Grant (not new funding)
  - **\$1.2 billion for discretionary one-time uses**
  - \$365.4 million for the K-12 portion of Proposition 39 (2012) (not new funding)
  - \$61 million to support projected charter school average daily attendance (ADA) growth
  - \$30 million in one-time funds to provide academic and behavioral supports
  - **\$22.9 million for categorical programs' COLA (0.47%)**
  - \$20 million for charter school startup grants

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# 2016-17 Local Control Funding Formula

- Budget proposes \$2.8 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2015-16 funding levels and LCFF full implementation targets by 49.08%
- 85% of the gap closed in the first four years
  - Reaching to 95% of the targeted funding levels
- The LCFF base grant targets are adjusted for an estimated **0.47%** COLA in 2016-17
- 2016-17 LCFF growth provides an average increase in per-pupil funding of 5.6%, or \$489 per ADA – Average Statewide

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# One-Time Funds

- The Governor's Budget includes \$1.2 billion in discretionary one-time Proposition 98 funding
  - Equal to about \$214 per ADA
- The Governor suggests the one-time funds may be used to support investments in:
  - *Content standards implementation, technology, professional development, induction programs for beginning teachers, and deferred maintenance*
- This is not a mandate and the funds can be used for any one-time purpose
  - *However, any funds received will offset state obligations for any local educational agency (LEA) with outstanding mandate reimbursements, consistent with the approach used in the 2014 and 2015 Budget Acts*

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# 2016-17 LCFF Target Funding Factors

- The K-12 COLA is **0.47%** for 2016-17, and is applied to the LCFF base grants for each grade span

Grade Span	2015-16 Base Grant per ADA	<b>0.47 % COLA</b>	2016-17 Base Grant per ADA
<b>K-3</b>	<b>\$7,083</b>	<b>\$33</b>	<b>\$7,116</b>
<b>4-6</b>	<b>\$7,189</b>	<b>\$34</b>	<b>\$7,223</b>
<b>7-8</b>	<b>\$7,403</b>	<b>\$35</b>	<b>\$7,438</b>
<b>9-12</b>	<b>\$8,578</b>	<b>\$40</b>	<b>\$8,618</b>

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# 2016-17 LCFF Target Funding Factors

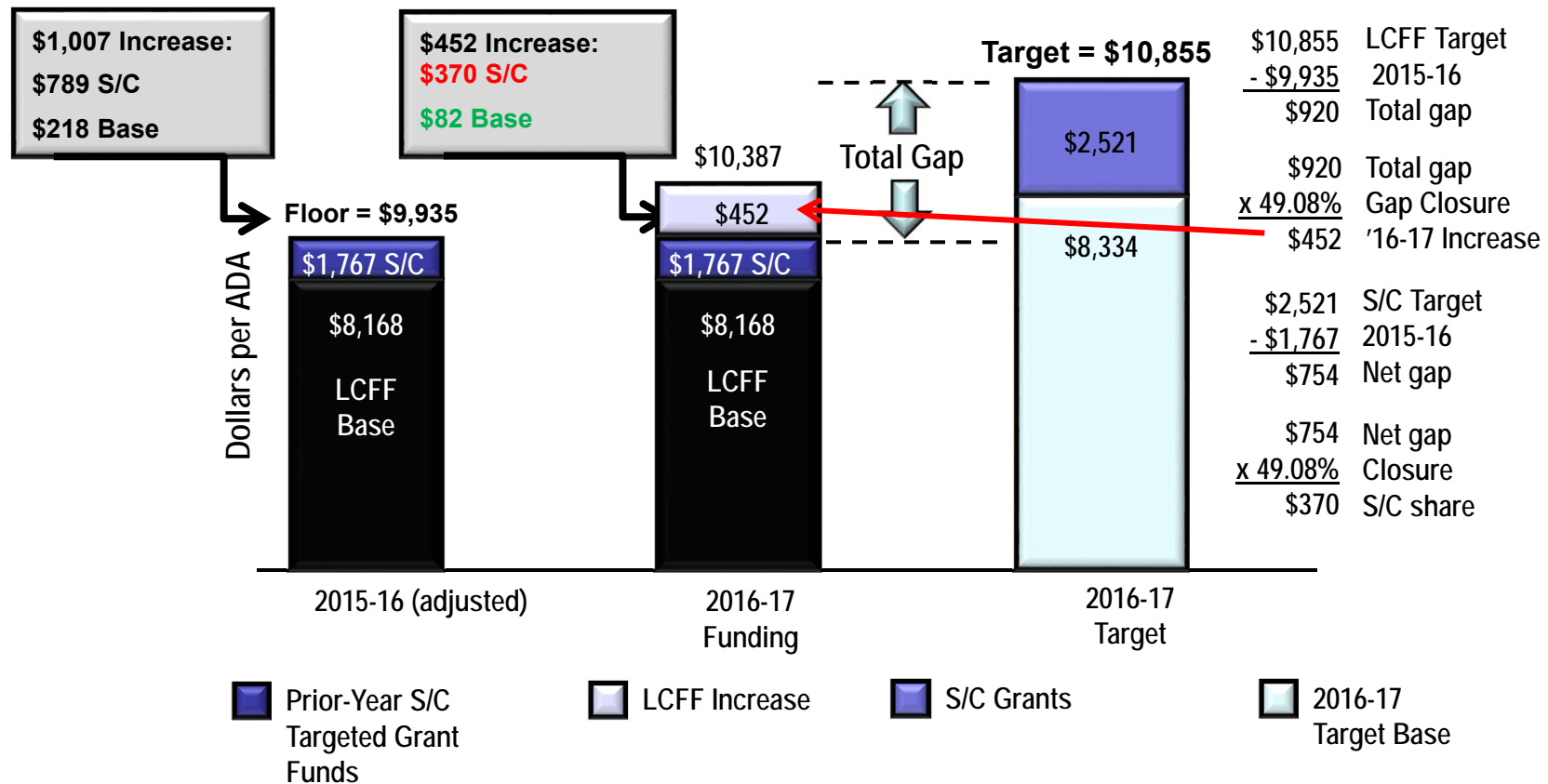
- Two grade span adjustments (GSAs) are applied as percentage increases against the adjusted base grant, also receiving the benefit of a **0.47%** COLA in 2016-17
  - Grade K-3 – 10.4% increase for smaller average class enrollments
  - Grades 9-12 – 2.6% increase in recognition of the costs of Career Technical Career (CTE) coursework

Grade Span	2016-17 Base Grant per ADA	GSA	2016-17 Adjusted Grants
<b>K-3 (10.4%)</b>	<b>\$7,116</b>	<b>\$740</b>	<b>\$7,856</b>
<b>4-6</b>	<b>\$7,223</b>	<b>--</b>	<b>\$7,223</b>
<b>7-8</b>	<b>\$7,438</b>	<b>--</b>	<b>\$7,438</b>
<b>9-12 (2.6%)</b>	<b>\$8,618</b>	<b>\$224</b>	<b>\$8,842</b>

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# TR Gap Closure Calculation



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# What Does the LCFF Mean for Twin Rivers?

Twin Rivers Unified – 2016-17		
2016-17 LCFF Per ADA Funding	Projected 2016-17 ADA	Projected 2016-17 LCFF Total Revenue
\$452.00	24,902	\$11,256,000

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# Details of LCFF Total - \$11,556,000

Twin Rivers Unified – 2016-17		
2016-17 LCFF <b>Base</b> Per ADA Funding	Projected 2016-17 ADA	Projected 2016-17 LCFF <b>Base</b> Revenue
<b>\$82.00</b>	24,902	<b>\$2,042,000</b>
Twin Rivers Unified – 2016-17		
2016-17 LCFF <b>S/C</b> Per ADA Funding	Projected 2016-17 ADA	Projected 2016-17 LCFF <b>S/C</b> Revenue
<b>\$370.00</b>	24,902	<b>\$9,214,000</b>

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# CalSTRS Rate Increases

**\$2,465,000 Increase to TR**

## CalSTRS Rates

- Employer rates are increasing to 12.58% in 2016-17, up from 10.73% in 2015-16. **1.85% Increase**
  - 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

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

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# CalPERS Rate Increases

- The employer contribution to CalPERS is proposed to increase to 13.05% in 2016-17 from 11.847% in 2015-16 a **1.203%** increase
- Estimates of the resulting future contribution rate increases for school employers are as follows:

**\$530,000 Increase to TR**

## CalPERS Rates

Actual	Projected				
2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.847%	13.05%	16.6%*	18.2%*	19.9%*	20.4%*

\*CalPERS provided these estimates in 2014 and has not yet issued revised estimates

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# Projected Budget Impact - Ongoing

## LCCF - Base

Addition Revenue - \$2,042,000  
 Additional Expenditures - \$3,151,000  
     CalSTRS - \$2,465,000  
     CalPERS - \$530,000  
     Utilities - \$156,000  
 Deficit – **(\$1,109,000)**

## LCFF – Supplement Concentration

- Additional Revenue \$9,214,000
- Additional Expenditures
  - LCAP Process

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## What Does the One-Time Funding Mean for Twin Rivers?

Discretionary Funds – ONE TIME	Total
\$214 (one-time) X 2015-16 P2 ADA =	\$5,329,000

Additional One-time funding from 2014-15 and 2015-16 used for Certificate of Participation (COP) debt payments and facilities improvements

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# Questions?

## Thank you!

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