

# Governor's California State Budget Proposal

## May 2016 Revision



**Ventura Unified School District**

**June 14, 2016**



# State Budget Status

- **The 2016/17 state budget package is expected to pass with majority votes before the June 15th deadline:**
  - **There are very few differences from the May Revise**
  - **Revenue assumptions are perceived as conservative**
  - **The Governor is contributing an additional \$2 billion into the Rainy Day Fund**
  - **The Assembly included additional investments for early learning/child care**
  - **The Senate included \$200 million (one-time) for college readiness grants**
- **The Governor is expected to sign the version agreed to by the Budget Conference Committee, but may exercise his line-item veto authority. No changes to K-12 funding are expected.**



# 3 January Budget vs. May Revision vs. June Agreement

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Item	January Budget	May Revision	June 9 Agreement
<b>LCFF Gap Funding</b>	<b>49.08% or \$2.8 billion</b>	<b>54.84% or \$2.9 billion</b>	<b>\$2.94 billion</b>
<b>Proposition 98 Minimum Funding Guarantee</b>			
<b>2014-15</b>	<b>\$66.7 billion</b>	<b>\$67.2 billion</b>	<b>\$67.2 billion</b>
<b>2015/16</b>	<b>\$69.2 billion</b>	<b>\$69.1 billion</b>	<b>\$69.1 billion</b>
<b>2016/17</b>	<b>\$71.6 billion</b>	<b>\$71.9 billion</b>	<b>\$71.9 billion</b>
<b>2016/17 COLA</b>	<b>0.47%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>One-Time Discretionary Funds for 2016/17</b>	<b>\$1.2 billion \$214 per average daily attendance (ADA)</b>	<b>\$1.4 billion \$237 per ADA</b>	<b>\$1.28 billion \$214 per ADA</b>



## Preparing for the Slowdown

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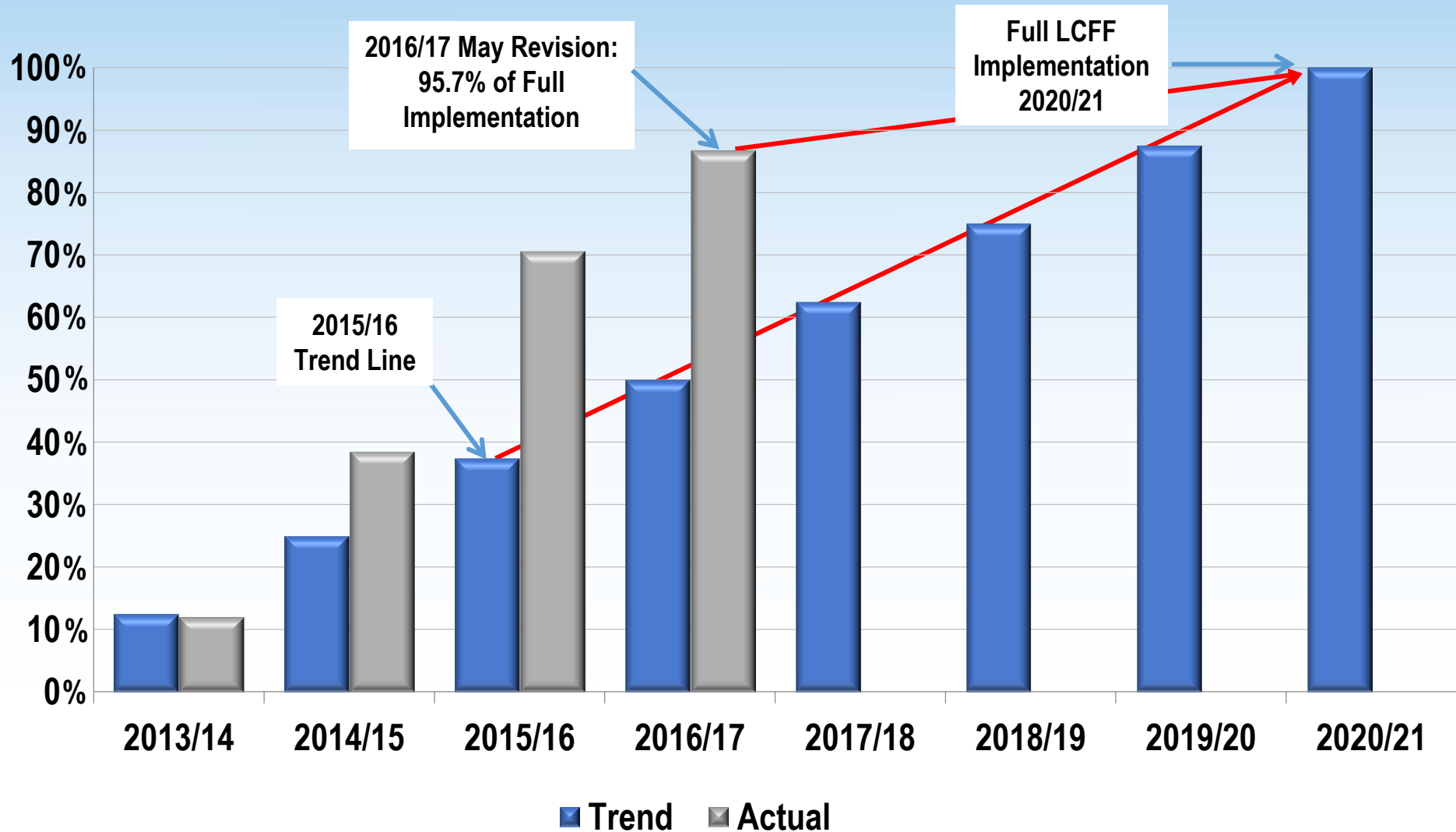
- **Proposition 98 is rising, but at a much lower rate**
  - The boost from the maintenance factor is nearly gone
- **The May Revision projects that the Local Control Funding Formula (LCFF) will be 95.7% implemented in 2016/17**
  - At full implementation the supercharged increases are over, all local educational agencies (LEAs) just get a cost-of-living adjustment (COLA)
- **The Department of Finance (DOF) projections assume:**
  - Proposition 30 is allowed to expire
  - Very low COLAs for the next few years
  - Much lower growth in Proposition 98
- **Now is the time to start preparing for slower growth**





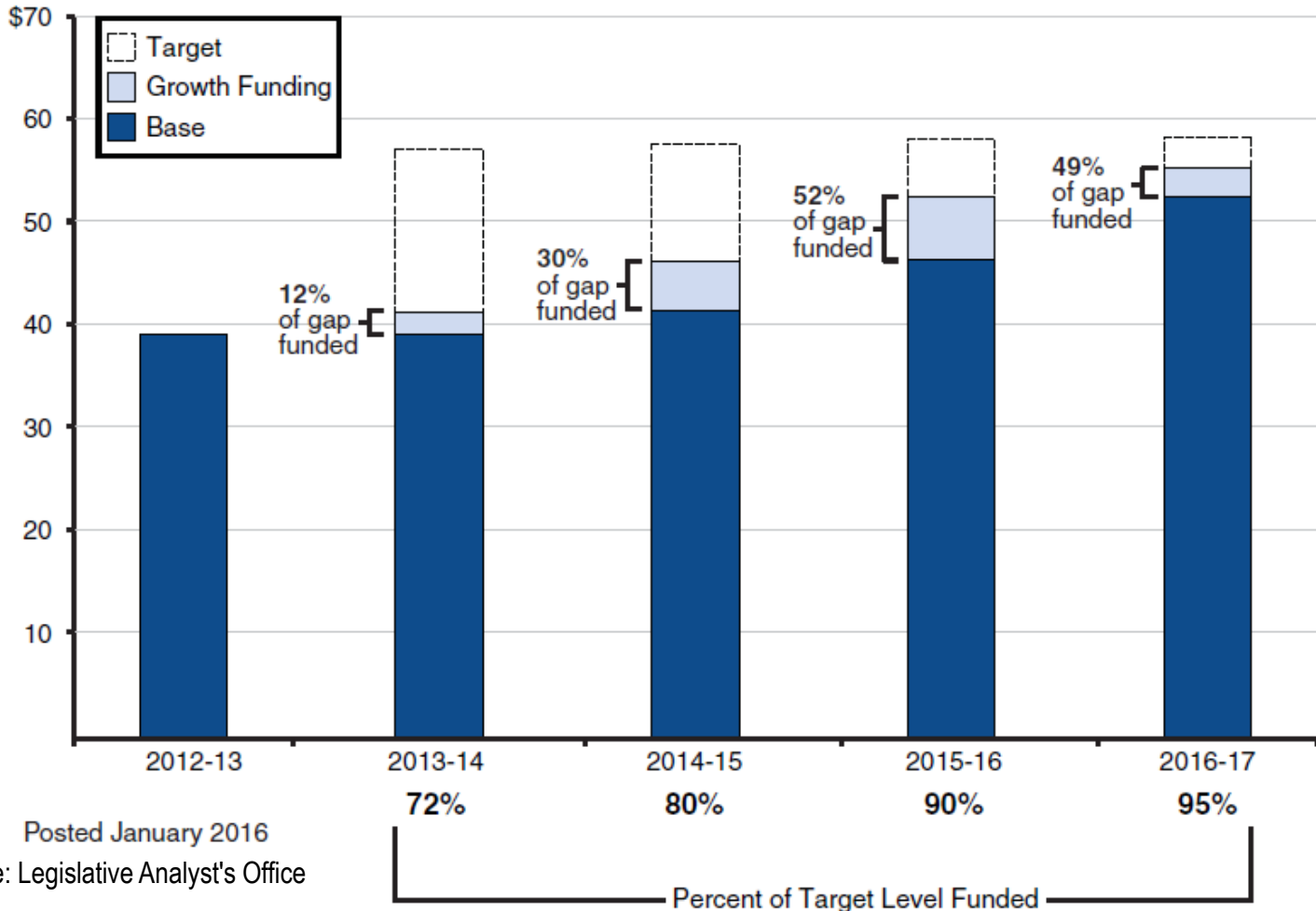
# Progress Toward LCFF Implementation

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# Preparing for the Slowdown

## Implementation of the Local Control Funding Formula (In Billions)



Posted January 2016

Source: Legislative Analyst's Office



# CalSTRS and CalPERS Rate Increases

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- Under current law, once the statutory rates are achieved, the California State Teachers' Retirement System (CalSTRS) will have the authority to marginally increase or decrease the employer and state contribution rate

## CalSTRS Rates

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%

\*Public Employees' Pension Reform Act (PEPRA)

- California Public Employees' Retirement System (CalPERS) rates are set each year by its governing body. "Classic" members continue to pay 7.00% and "New" members continue to pay 6.00%.

## CalPERS Employer Contribution Rates

Actual		Estimated			
2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
11.847%	13.888%	15.50%	17.10%*	18.60%*	19.80%*

\*CalPERS-provided estimates, April 2016



# Economic Forecasts and Implications for Education Funding

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- **The Administration is signaling that economic slowdown is just around the corner**
  - **The May Revision warns that the current economic expansion has already exceeded the average postwar expansion by over a year**
- **Slow to no growth in the income tax and the sales tax, which together account for 90% of General Fund revenues, may slow LCFF funding significantly as Proposition 30 revenues fade**
  - **The May Revision is built on the assumption that no new revenues are on the horizon and the extension of Proposition 30 would simply allow the state to eliminate deficit spending, but will not provide new monies for new programs**
- **If a recession occurs and Proposition 30 is not extended, state revenues could drop below prior-year levels, and cuts to education could be on the table again**



# Ventura Unified School District 2016/17 Proposed Budget

June 14, 2016



# **2016/17 Budget Assumptions**

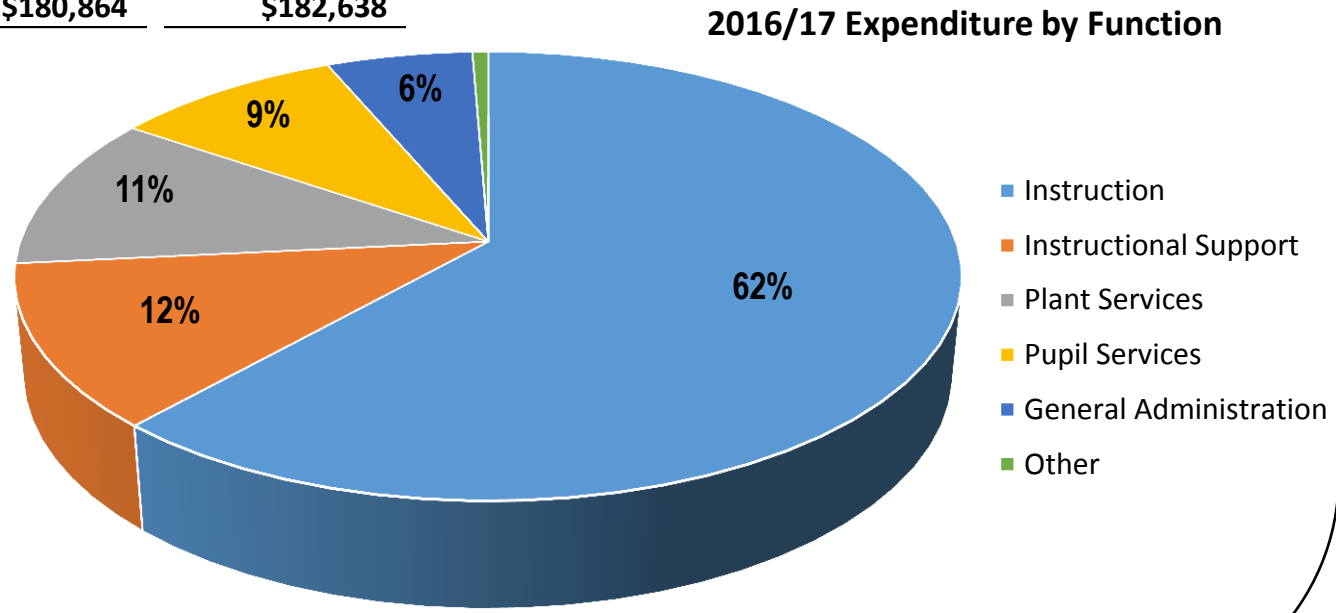
- **Incorporate Governor's May Revise and any changes from the June Budget Deal**
  - LCFF factors
  - Cost of Living Adjustment (COLA)
  - STRS/PERS employer contribution rates increase
- **On-time discretionary funds of \$3.5 million in 2016/17**
- **Districtwide Unduplicated Pupil Population (UPP) remains at approximately 49%**
- **Slight decline in enrollment**

## **2016/17 Budget Assumptions (continued)**

- **Class Sizes:**
  - **K-3 24:1**
  - **4-5 30:1**
  - **6-12 34:1**
- **Health and welfare cost increases are assumed to be employee funded; 2016/17 premiums will increase 2.6% effective July 1, 2015**
- **Final year of MSAP implementation grant**
- **Reserve for economic uncertainties \$5.4 million; 3% of general fund expenditures**

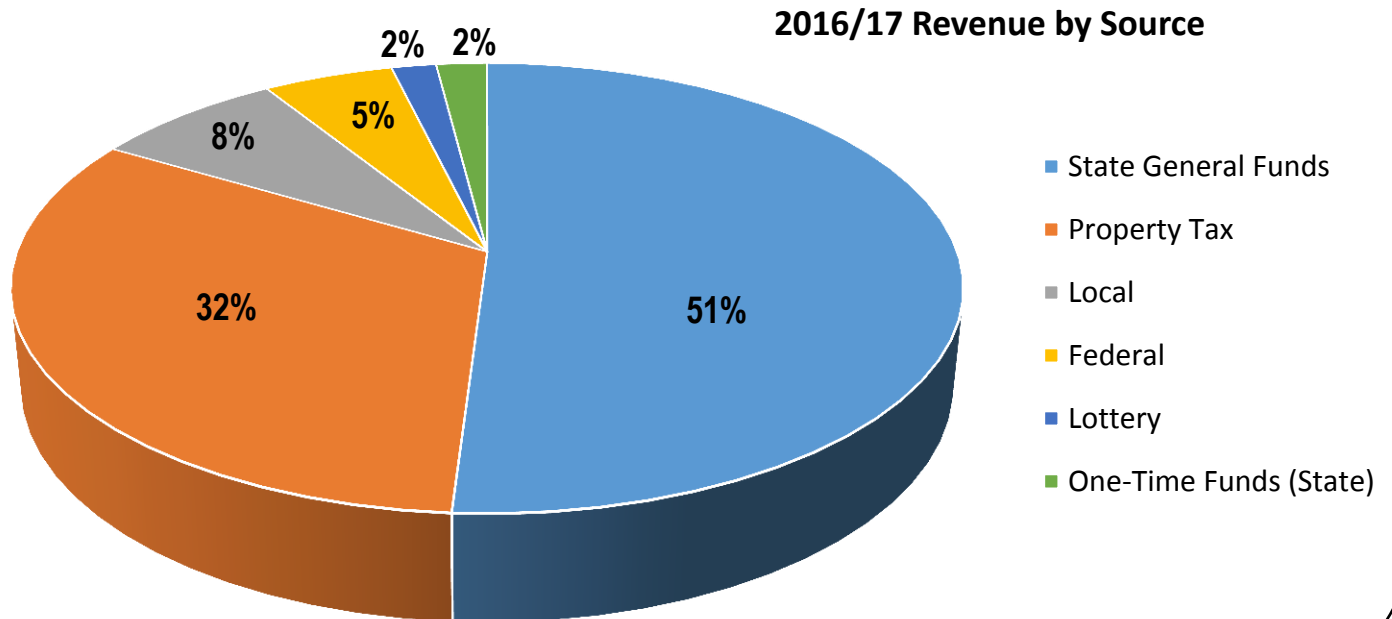
# Expenditures (in thousands)

Type	2015/16	2016/17
	Estimated	Proposed Budget
Certificated Salaries	\$75,079	\$74,330
Classified Salaries	\$26,468	\$27,031
Employee Benefits	\$44,085	\$46,871
Books/Supplies	\$14,000	\$11,652
Services and Other Operating	\$14,063	\$14,488
Capital Outlay	\$2,015	\$4,440
Transfers Between Agencies	\$3,754	\$3,605
Transfers to Other Funds	\$1,402	\$221
<b>Total Expenditures</b>	<b>\$180,864</b>	<b>\$182,638</b>



# Revenues (in thousands)

Source	2015/16 Estimated	2016/17 Proposed Budget
LCFF	\$136,747	\$141,409
Federal	\$12,506	\$8,980
State	\$23,205	\$16,345
Local	\$14,017	\$13,193
<b>Total Revenues</b>	<b>\$186,475</b>	<b>\$179,926</b>



# 2016/17 Proposed Budget – All Funds

<b>Fund Description</b>	<b>Estimated Beginning Fund Balance</b>	<b>Budgeted Revenues</b>	<b>Budgeted Expenditures</b>	<b>Budgeted Other Sources</b>	<b>Budgeted Other Uses</b>	<b>Net Change to Fund Balance</b>	<b>Budgeted Ending Fund Balance</b>
010 <b>General Fund</b>	\$18,224,317	\$179,926,442	\$181,706,955	-	(\$931,542)	(\$2,712,055)	\$15,512,262
110 <b>Adult Education Fund</b>	\$2,212,213	\$5,384,369	\$5,353,247	\$150,000	(\$422,652)	(\$241,530)	\$1,970,683
120 <b>Child Development Fund</b>	\$25,210	\$1,442,110	\$1,523,652	\$81,542	-	-	\$25,210
130 <b>Cafeteria Fund</b>	-	\$6,888,469	\$7,588,469	\$700,000	-	-	-
21x <b>Building Funds</b>	\$16,602,454	\$403,000	\$1,574,030	\$422,652	-	(\$748,378)	\$15,854,076
25x <b>Capital Facilities Funds</b>	\$4,665,681	\$359,000	\$2,774,355	-	-	(\$2,415,355)	\$2,250,326
35x <b>County School Facilities Funds</b>	\$131,984	\$1,500	-	-	-	\$1,500	\$133,484
510 <b>Bond Interest and Redemption Fund</b>	\$4,402,357	\$4,664,154	\$4,883,794	-	-	(\$219,640)	\$4,182,717
73x <b>Private Purpose Trust Funds</b>	\$679,195	\$181,150	\$132,500	-	-	\$48,650	\$727,845
<b>Total All Funds</b>	<b>\$46,943,411</b>	<b>\$199,250,194</b>	<b>\$205,537,002</b>	<b>\$1,354,194</b>	<b>(\$1,354,194)</b>	<b>(\$6,286,808)</b>	<b>\$40,656,603</b>

## **Multi-Year Projection Assumptions**

- **COLA at 1.1% in 2017/18 and 2.4% in 2018/19**
- **No one-time discretionary funds received in 2017/18 or 2018/19**
- **Enrollment declines approximately 1% each year**
- **Continue multi-year timeline for curriculum adoption to implement State Content Standards**
- **Continued commitment to facilities maintenance and repair**

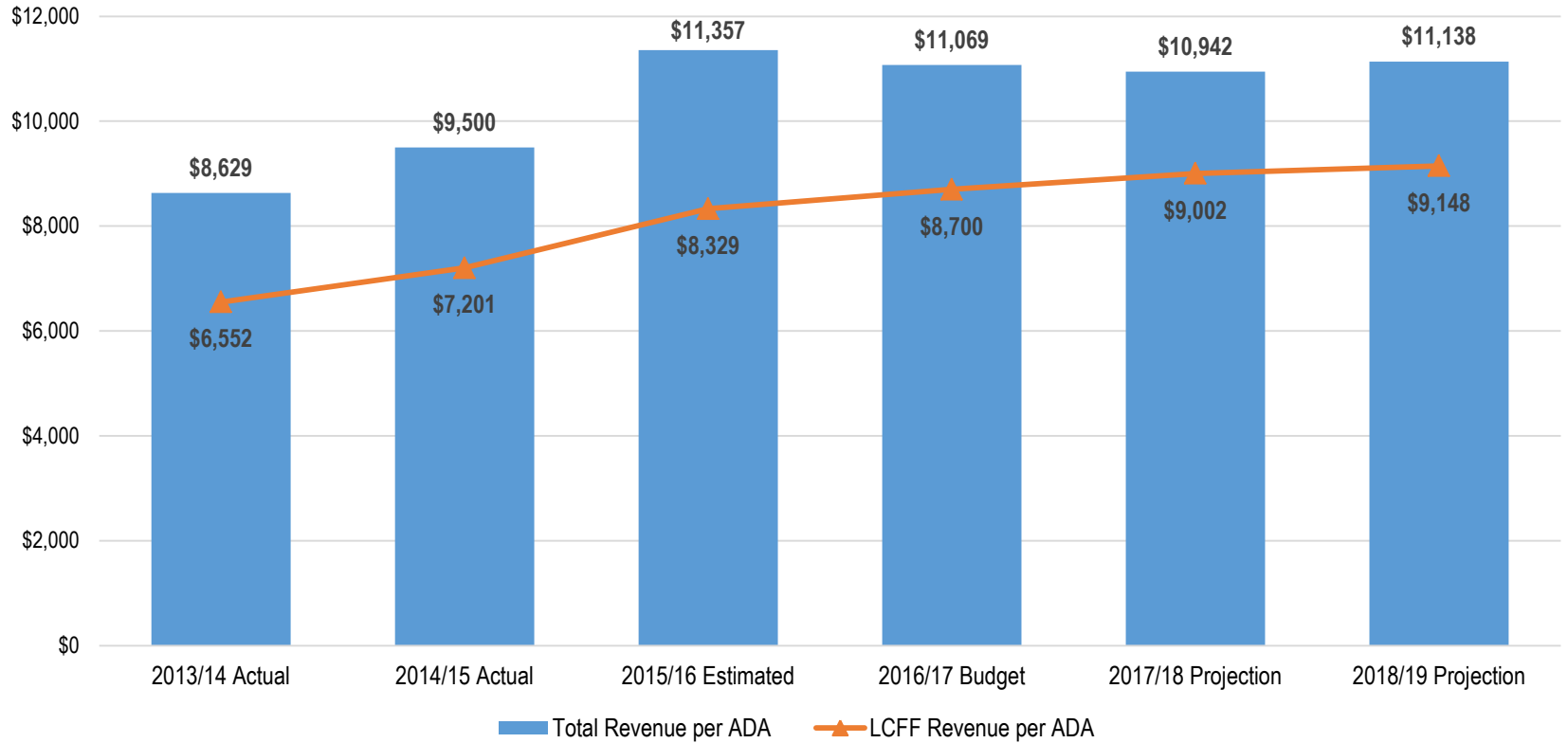
## **Multi-Year Projection Assumptions (continued)**

- **Parcel tax expires June 2017 and class sizes in 2017/18 and 2018/19 are increased to:**
  - **K-3 24:1**
  - **4-5 32:1**
  - **6-12 35:1**
- **Step & Column movement increases Certificated salaries by 1.2% each year and Column movement increases Classified salaries by 0.8%**
- **Health and welfare cost increases are assumed to be employee funded**
- **Reserve for economic uncertainties 3% of general fund expenditures**



# Multi-Year Projections

Revenue Trend



**LCFF % of  
Total  
Revenue**

**75.9%**

**75.8%**

**73.3%**

**78.4%**

**82.3%**

**82.1%**

# Multi-Year Projections

	2015/16 Estimated Actuals	2016/17 Proposed Budget	2017/18 Projections	2018/19 Projections
Revenues	\$186,475	\$179,926	\$176,083	\$177,447
Expenditures	<u>\$178,751</u>	<u>\$181,707</u>	<u>\$179,502</u>	<u>\$181,866</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>\$7,724</b>	<b>(\$1,781)</b>	<b>(\$3,419)</b>	<b>(\$4,419)</b>
Other Sources	\$0	\$0	\$0	\$0
Other Uses	<u>(\$2,113)</u>	<u>(\$932)</u>	<u>(\$942)</u>	<u>(\$965)</u>
<b>Net Increase (Decrease) in Fund Balance</b>	<b>\$5,611</b>	<b>(\$2,712)</b>	<b>(\$4,361)</b>	<b>(\$5,384)</b>
Beginning Fund Balance	<u>\$12,613</u>	<u>\$18,224</u>	<u>\$15,512</u>	<u>\$11,151</u>
<b>Ending Fund Balance (EFB)</b>	<b><u><u>\$18,224</u></u></b>	<b><u><u>\$15,512</u></u></b>	<b><u><u>\$11,151</u></u></b>	<b><u><u>\$5,767</u></u></b>
Components of EFB				
Legally Restricted	\$3,739	\$2,132	\$0	\$0
Other Commitments	\$1,900	\$355	\$0	\$0
Other Assignments	\$1,312	\$807	\$0	\$0
<b>3% Reserve for Economic Uncertainty</b>	<b>\$5,426</b>	<b>\$5,479</b>	<b>\$5,413</b>	<b>\$5,485</b>
<b>Undesignated</b>	<b>\$5,848</b>	<b>\$6,739</b>	<b>\$5,738</b>	<b>\$282</b>

# **2016/17 Proposed Budget and Multi-Year Projections**

- **Fiscally stable**
- **Importance of Parcel Tax extension**
  - **Class sizes**
  - **Music and art**
  - **Technology**
- **Closely monitor financial position in light of higher expenditure trend and smaller revenue increases**

**Questions?**