

# Governor's Budget Proposal

Education

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School  
Services  
of California  
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# Themes for the 2015-16 Governor's Budget

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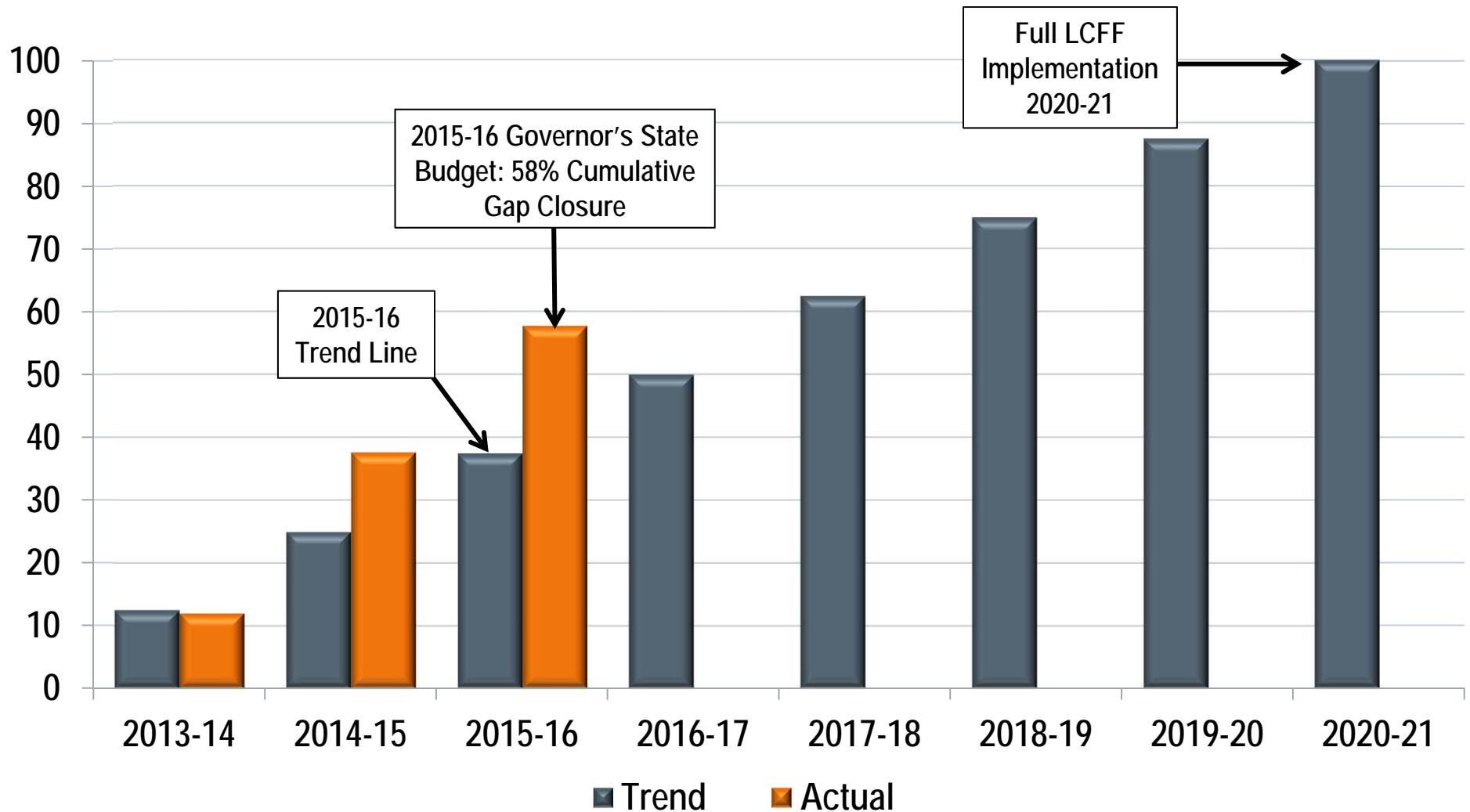
- Positive economic growth continues and fuels public education spending
- Proposition 98 continues to receive most of the new money
- Funding is tight for the non-Proposition 98 side of the State Budget
- Governor stays the course on the Local Control Funding Formula (LCFF) and the Local Control and Accountability Plan (LCAP)
- State makes a firm commitment to Adult Education and Career Technical Education (CTE)
- The Wall of Debt continues to come down and is replaced with the Rainy Day Fund
- Overall, a very good State Budget for public education



# Progress Toward LCFF Implementation

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## Overall, a Positive Year for Education

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- The 2015-16 State Budget proposed by the Governor would be good news in any year
  - The recovery is not complete and won't be until at least 2021 under the Governor's plan
  - But the incremental progress is significant – particularly for public education
- During the recession, we took more cuts than any other segment of the State Budget
  - The Governor acknowledges this and is keeping his commitment toward restoration of our losses
- For the current year, the minimum guarantee increases by \$2.3 billion to \$63.2 billion from the level adopted in the 2014-15 State Budget Act. From this revised level, the Governor's State Budget proposes a 2015-16 Proposition 98 guarantee of \$65.7 billion, an increase of \$2.5 billion, or 4.1%

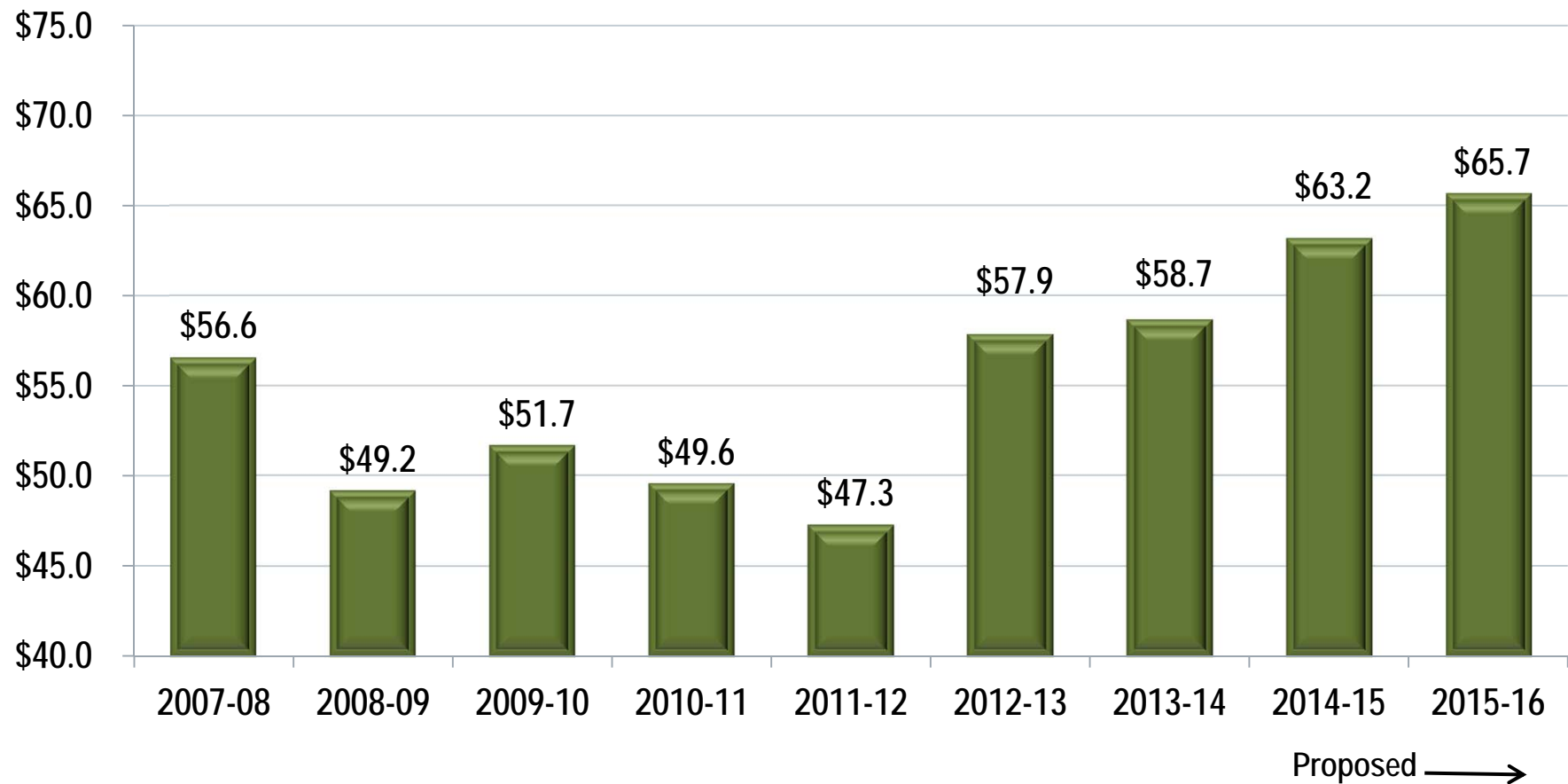


# Proposition 98 Funding

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**Budget Restores Investment in Education**  
(Proposition 98 Funding in Billions)



Source: Governor's State Budget Summary, page 6



# The Cost of Education

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Ranking	State	Current Expense Per Student (Adjusted for Regional Cost Differences)	Percentage of National Average
1	Vermont	\$18,882	161%
2	Alaska	\$18,113	154%
3	Wyoming	\$17,758	151%
4	New York	\$17,326	148%
5	New Jersey	\$15,421	131%
6	Connecticut	\$15,172	129%
7	Maine	\$14,613	125%
8	New Hampshire	\$14,561	124%
9	District of Columbia	\$13,917	119%
10	Delaware	\$13,902	118%
-	US Average	\$11,735	100%
<u>46</u>	<u>California</u>	<u>\$8,308</u>	<u>71%</u>

Source: Education Week Quality Counts 2015 – January 8, 2015



# Proposition 98 and the Major K-12 Proposals

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- The Governor's State Budget proposes:
  - \$4 billion for LCFF gap closure
  - \$1.1 billion for discretionary one-time uses, including Common Core implementation (one time)
  - \$1 billion to eliminate the remaining K-14 apportionment deferrals
  - \$500 million for an Adult Education Block Grant
  - \$273 million for the Emergency Repair Program (one time)
  - \$250 million for one-time CTE incentive grants (each of the next three years)
  - \$198 million additional ADA growth in the current year and a \$6.9 million decrease for ADA decline in 2015-16
  - \$100 million for Internet connectivity and infrastructure



# Discretionary Funds

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- The Governor's State Budget proposal provides more than \$1.1 billion in discretionary one-time Proposition 98 funds to fulfill a portion of the state's obligation to districts for Mandated Cost programs.
  - The allocation amounts to about \$180 per ADA for districts
- The Governor suggests the one-time funds may be used to further investments in the implementation of Common Core State Standards (CCSS)
- Other uses detailed in the proposal are:
  - To support the implementation of newly adopted English language development and California's Next Generation Science standards, and
  - To support expenditures that occur due to the evolving accountability structure of the LCFF





# 2015-16 Local Control Funding Formula

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- Budget proposes \$4 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 32.19%
- When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would cover almost 58% of the gap in just three years
- 2014-15 LCFF growth provides an average increase in per-pupil funding of 8.7%, or \$675 per ADA
  - Individual LEA experiences will vary





# 2015-16 LCFF Target Funding Factors

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- Cost-of-living adjustment (COLA): COLA is 1.58% for 2015-16 (lower than prior projections of 2.19%), applied to LCFF base grant and grade span adjustments (applied as percentage increases against the adjusted 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 CTE coursework

Grade Span	2014-15 Base Grant per ADA	1.58% COLA	2015-16 Base Grant per ADA	Grade Span Adjustment	2015-16 Adjusted Grants
K-3	\$7,011	\$111	\$7,122	\$741	\$7,863
4-6	\$7,116	\$112	\$7,228	--	\$7,228
7-8	\$7,328	\$116	\$7,444	--	\$7,444
9-12	\$8,491	\$134	\$8,625	\$224	\$8,849



# What Does the LCFF Mean for MBUSD?

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Manhattan Beach Unified School District – 2015-16		
Funding Type	First Interim Projection	Current Estimated Projection
LCFF Target	\$55,088,249	\$55,782,832
Gap Funding	\$1,877,605	\$2,921,326
CCSS/NGSS/LCFF (Mandated Cost) One Time Funds	\$0	\$1,233,900

Above projections based on the following assumptions:

- Reduced COLA (from 2.19% to 1.58%)
- Increasing P-2 ADA (1<sup>st</sup> Interim based on 2013-14 P2; current projection based on 2014-15 CBEDS)
- Increased Gap Funding (from 20.68% to 32.19%)



# CalSTRS Rate Increases

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- Employer rates are increasing to 10.73% in 2015-16, up from 8.88% in 2014-15
  - No specific funds are provided for this cost increase
- Once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer and state contribution rates.

Year	Employer	Pre-PEPRA* Employees	Post-PEPRA* Employees
2014-15	8.88%	8.15%	8.15%
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, which became effective on January 1, 2013.



## CalPERS Rate Increases

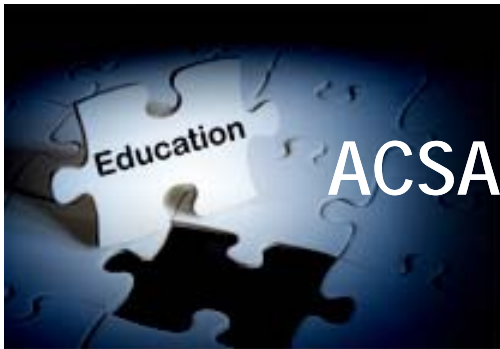
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- The employer contribution to CalPERS is projected to increase from 11.771% in 2014-15 to 12.6% in 2015-16 (final rate awaiting CalPERS Board approval)
  - “Classic” members continue to pay 7.00%
  - New members pay 6.00%, which may fluctuate from year to year based on the PEPPRA requirement to pay half the normal cost rate
- Estimates of the resulting future contribution rate increases for school employers are as follows:

Actual	Projected					
2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.771%	12.6%	15.0%	16.6%	18.2%	19.9%	20.4%

- In most cases, the base grant will need to cover increased operating expenses, including the employer’s share of CalSTRS and CalPERS increases



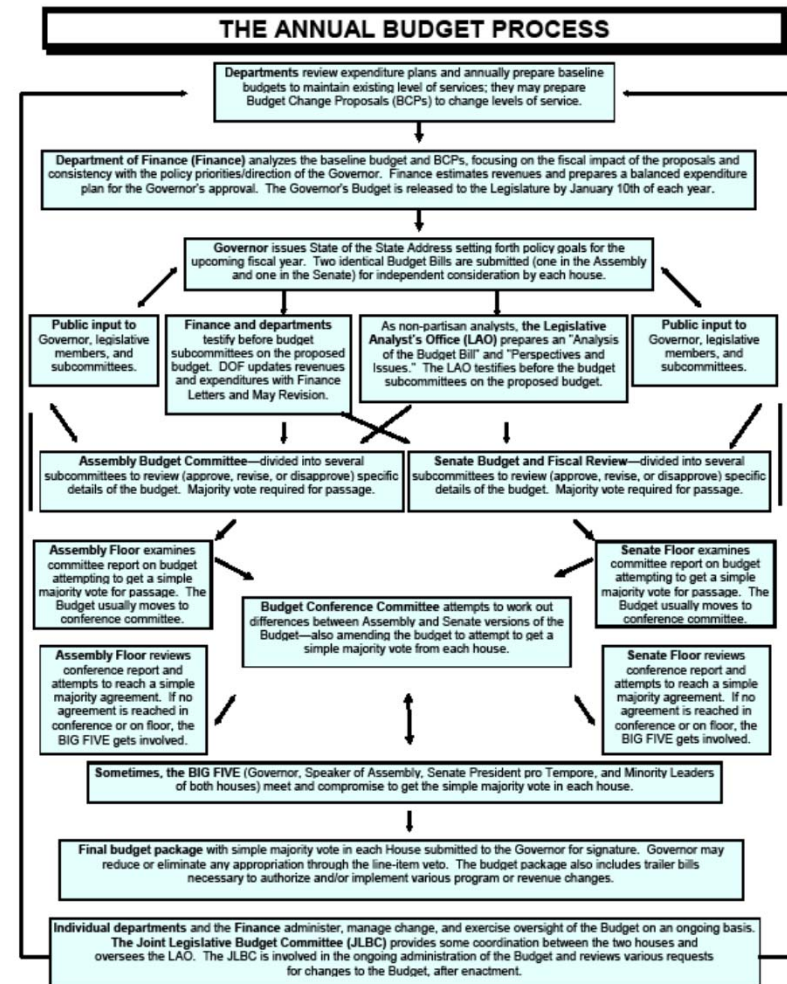
# ACSA Budget Feedback

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- Facilities – Tension between a proposal that includes no new funding but suggests changes to the program. Ballot initiative language has been filed.
- CTE – If implemented, RFP's would likely go out in Fall 2015, too late for the 2015-16 Budget Adoption Cycle.
- Adult Education – A cumbersome process may be revised to create a program that looks very similar to previous categorical programs.
- BTSA – Mandated BTSA programs face uncertain revenue streams.
- Reserves Cap – The Governor has acknowledged concerns regarding this legislation; discussions will likely take place in February and March.
- Preschool/TK and Teacher Dismissal/Teacher Effectiveness – There is ongoing focus on these areas.

- State level
  - Budget committee hearings
  - Next update – May Revision
- Local level
  - Second Interim Report due by March 17







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**Questions**

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