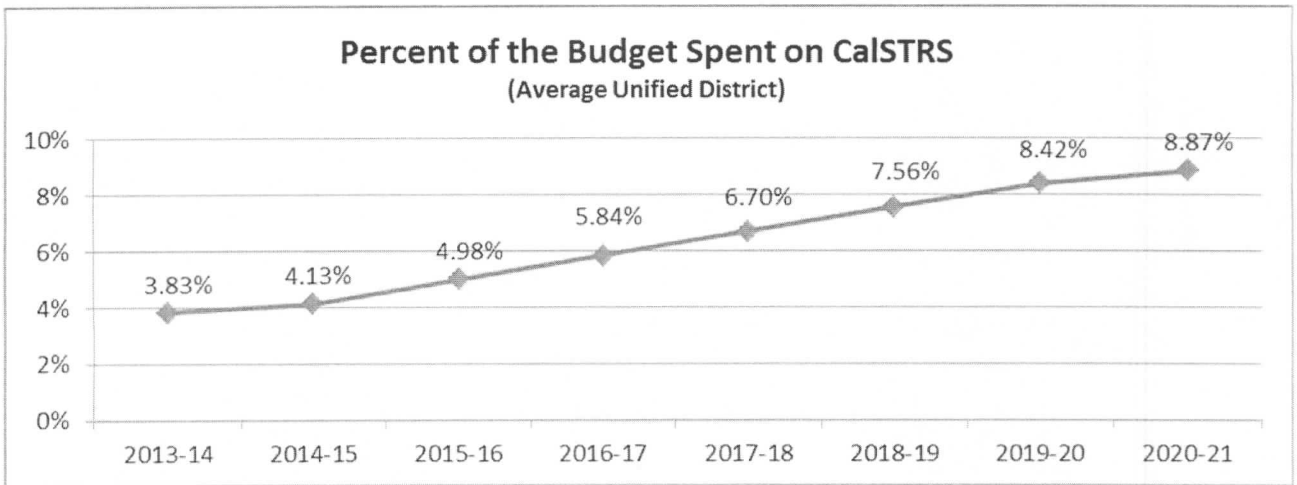
CalSTRS Funding Coalition

The rate increases to fully fund the California State Teachers' Retirement System were never discussed or contemplated when the Local Control Funding Formula (LCFF) was being developed. The CalSTRS rate increases, when fully implemented, will result in local educational agency (LEA) costs that are virtually double what they are today and will impair the ability of your district to implement the goals of the LCFF for your community.

The Issue

Many school districts will have CalSTRS cost increases that will significantly outstrip the additional funding provided through the LCFF—but this is not an issue of whether districts "win" or "lose" under the LCFF. As retirement benefit costs outpace LCFF base grant increases, LEAs will have little alternative but cut programs for all students to pay for the increases in CalSTRS contributions. For the average unified district, CalSTRS costs will increase from 3.8% to nearly 9% of the district's budget.



Effect on Manhattan Beach USD

In the first year of implementation—the smallest of the scheduled employer rate increases—we estimate your district's CalSTRS costs are increasing by $166,676; these are dollars that your community expects to go towards implementation of the LCFF. In the final year of the increase, we estimate Manhattan Beach USD's costs will be at least $2.9 million higher than those costs in 2013-14—all of which would be absorbed into the LCFF under the current funding mechanism.

While the promise of the LCFF is to restore base funding to the 2007-08 levels adjusted for inflation, this will be insufficient with retirement costs doubling over the implementation of the LCFF.

The Solution

We believe there is a better way to address these cost increases before they negatively affect the important reforms that are underway within the LCFF framework. We believe that a separate, targeted appropriation within Proposition 98 to address the increases in CalSTRS employer contribution costs will alleviate the need for LEAs to redirect LCFF funding to pay retirement costs.

Please join us in seeking a change that will improve the method of funding CalSTRS for all districts and maintains the integrity of the Local Control Funding Formula.

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Guiding Principles

Executing a plan to address the long-standing need to provide a stable funding mechanism for the California State Teachers' Retirement System (CalSTRS) is vitally important. All three parties—the state, the employer, and the employee—should be responsible for increased contributions to fund the system. We applaud the resources being provided by the state outside of Proposition 98 for the benefit structure it has created and believe that the state's contribution should not be supplanted by increases to the employers or employees.

The rate increases to fully fund CalSTRS were never discussed or contemplated when the Local Control Funding Formula (LCFF) was being developed. The CalSTRS employer rate increases, when fully implemented, will result in local educational agency (LEA) costs that are virtually double what they are today and will impair the ability of districts to implement the goals of the LCFF for their communities.

While the promise of the LCFF is to restore base funding to the 2007-08 levels adjusted for inflation, this will be insufficient with retirement costs doubling over the implementation of the LCFF. We believe the requirement for LEAs to fund the CalSTRS contribution increases within the LCFF undermines the reform's goals and the promise of increased services for students in California.

By merely increasing the contributions required of the employers—school districts, county offices of education, and community college districts—without providing a dedicated funding source, the state is placing LEAs in a squeeze that can only result in a reduction in services to students while expectations for those services are increasing.

We are not asking for the state to change how much funding is provided in Proposition 98, nor are we asking for employers to pay less to fully fund CalSTRS. We are seeking a different funding method to deal with the extraordinary cost to bring CalSTRS back to a fully funded level and maintain transparency in the LCFF.

An appropriation within Proposition 98 that would be set aside to address the increases in CalSTRS employer contribution costs could ensure that LEAs are provided a dedicated fund source for this required expenditure that will grow at a predictable rate for all districts and alleviate the need for LEAs to disrupt the existing LCFF funding to pay retirement costs.

We believe this is a better way to address the CalSTRS cost increases imposed on LEAs before they negatively affect the important reforms that are underway through the LCFF.