

# CSBA Business Partners & Affiliates School Finance Insights

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# Presenters

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# Governor's January Budget

- Cautions that a rainy day lies ahead
- Says decline in 2015-16 revenues and projected decline in 2016-17 and 2017-18 revenues results in need to be prudent
- Defines problem as \$5.77 billion over 3 years
- Projects \$1.6 billion deficit end of 2017-18

# Governor's January Budget

- Identifies \$3.2 billion in potential solutions (over 3 years)
  - \$1.77 billion downward adjustment to Prop 98
  - \$400 million elimination of affordable housing funds
  - \$300 million cancellation of state office buildings fund transfer
  - \$104 million delay in child care rate augmentation
  - \$657 million from other proposed actions
- Indicates May Revision might be better

# Governor's January Budget

- Mechanics of \$1.77 billion “adjustment” to Prop 98
  - \$324 million expenditures from 2015-16 scored as 2016-17
  - \$55 million adjustments in 2015-16 (i.e. lower enrollment)
    - No less cash to LEAs
  - \$859 million deferral in LCFF payment from June (2016-17) to July (2017-18)
    - Few day delay creates minor cash issue to LEAs in 2016-17
    - Relieves state cash flow in 2017-18
    - Reduces what would otherwise be available to LEAs in 2017-18
  - Proposes 2017-18 Proposition 98 guarantee of \$73.5 billion
    - \$900 million less because of “adjustment”
    - Increase of \$2.1 billion from 2016-17

# Governor's January Budget

## Proposed K-12 Expenditures

- \$744 million increase for LCFF  
(23.67% of remaining gap but LCFF remains at 96% funded)
- \$287 million one-time discretionary funding  
(mandate claims offset – about \$48 per ADA)
- \$423 million for Prop 39 energy efficiency grants
- \$200 million (one-time) for CTE incentive grants (per 2015 Budget Act)
- \$93 million for charter school ADA growth
- \$58 million to provide COLAs to categorical programs outside of the LCFF
- \$30 million for tobacco/nicotine prevention programs (Prop 56)
- \$10 million for reducing truancy and drop out rates and supporting victims of crime (Prop 47)
- \$2.4 million for county office COLA and ADA adjustments
- -\$4.9 million for Special Education ADA decrease

# LCFF Grant Targets

- Entitlement Target = Base Grant + (GSAs) + Supplemental Grant + Concentration Grant + Add-ons
- Base Grant per ADA (with 1.48% COLA)
  - K-3 = \$7,188 (up \$105)      7-8 = \$7,513 (up \$110)
  - 4-6 = \$7,295 (up \$106)      9-12 = \$8,705 (up \$127)
- GSAs – 10.4% (\$748; up \$11) per K-3 ADA;  
2.6% (\$226; up \$3) per 9-12 ADA
- Supplemental Grant = additional 20% of Base Grant for each unduplicated ADA who is English Learner, from low income household, or in Foster Care
- Concentration Grant = additional 22.5% for each unduplicated ADA above 55% of total ADA

# Governor's January Budget

## Mandate Block Grant

- Proposes \$226.5 million for Mandate Block Grant; assumes 100 percent LEA participation
- Proposal reflects \$8.5 million increase to add Training for School Employee Mandated Reporters program into the block grant
- Rates:
  - COEs and School Districts – Approx. \$29 per K-8 ADA and \$57 per 9-12 ADA
  - COEs – additional \$1 per countywide ADA
  - Charter Schools – about \$15 per K-8 ADA and \$43 per 9-12 ADA
- Maintain MBG compliance records
- Still file claims for programs outside of grant

# Issues Outstanding

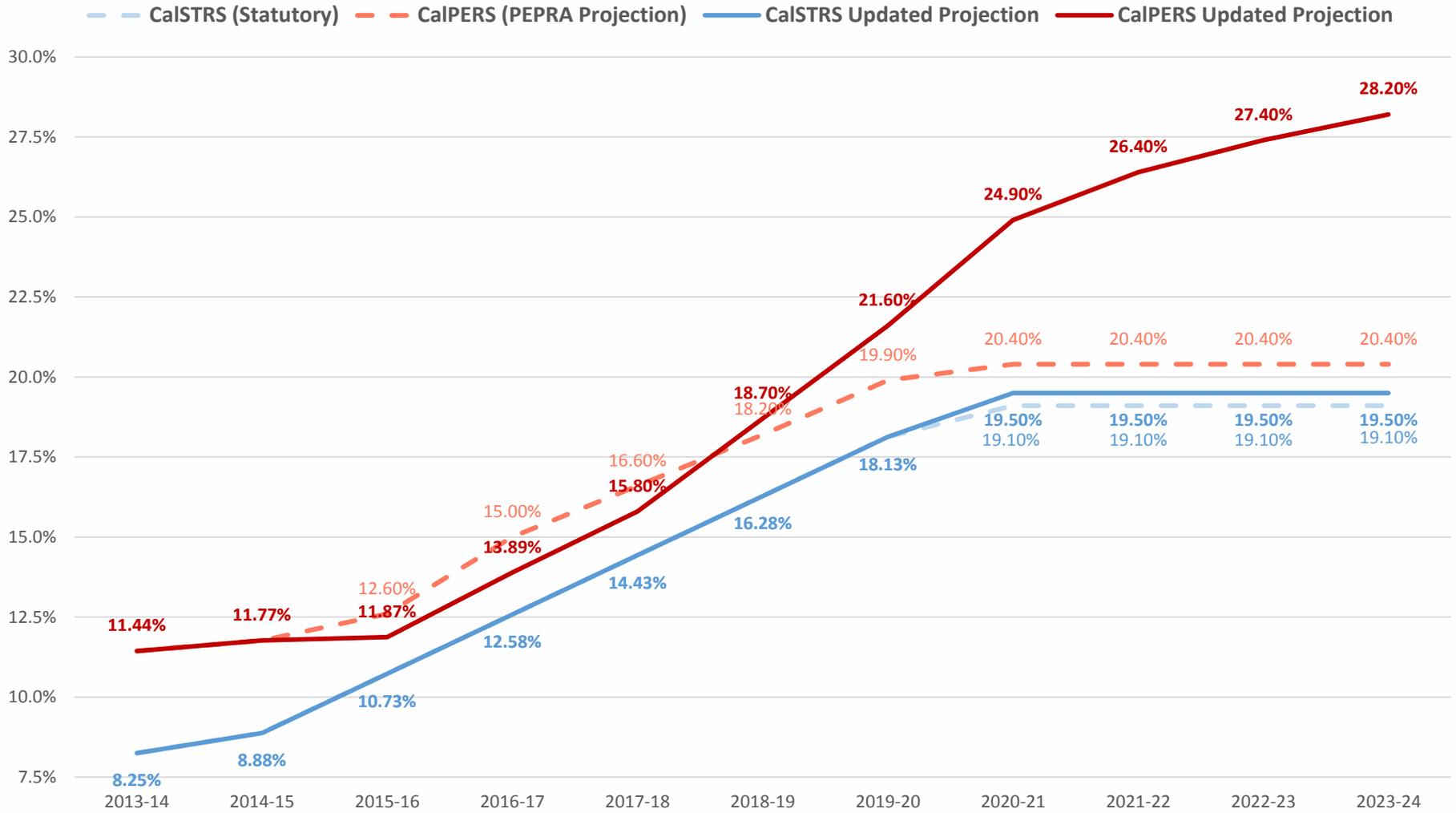
- Reserve Cap
- PERS/STRS contributions
- County Office of Education LCFF oversight reimbursement
- Home-to-School Transportation

# Issues Outstanding

## CalPERS/CalSTRS

- CalPERS employer contribution rate to increases faster than originally planned
  - CalPERS Board reduced discount rate from 7.5% to 7.0%
  - Scheduled to increase in 2017-18 from 13.9% to 15.8%
  - New projected cap increases from 20.4% in 2020-21 to 28.2% in 2023-24
- CalSTRS employer contribution rate increases
  - CalSTRS Board reduced discount rate from 7.5% to 7.0%
  - Scheduled to increase in 2017-18 from 12.6% to 14.4%
  - Tops out in 2020-21 at 19.5%

# Employer Retirement Contributions



# Issues Outstanding

## CalPERS/CalSTRS

- Year-to-year change current year to next
  - \$725-750 million for CalSTRS/CalPERS statewide
  - \$125 per ADA
- Total estimated impact on K-12 from beginning
  - \$6 billion prior to lowering of discount rates (+\$968 per student)
  - \$7.07 billion after lowering of discount rate (+\$1,140 per student)
  - CalSTRS/CalPERS future actions?
    - Discount rate could go lower
    - Both systems feel they have authority needed to address
    - CalSTRS employer rate capped at 20.25%. CalPERS no such cap.

# Prop 51 Facilities Bond

- Approved by voters in November
- Contains \$3 billion each for new construction and modernization
- Governor wants more transparency and accountability
- Looking for changes in regulations and audit guide before releasing funds
- Intends to get the money out under current program

# Questions?



# Contact Us

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