



PERRIS UNION
HIGH SCHOOL DISTRICT

2016-17 2ND INTERIM REPORT

March 15, 2017



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LCFF AND LCAP REVIEW





Local Control Funding Formula (LCFF)

- The most dramatic change the school finance system has seen since the creation of revenue limits and categorical programs in 1972
- Moved California to a weighted student funding methodology
- LCFF replaced revenue limits and most state categorical programs
- Began in 2013-14, but provisions phased in over time
- Estimated eight years to full implementation



Local Control Accountability Plan (LCAP)

- Accountability for all LCFF dollars is linked to a locally developed plan designed to achieve identified goals – the LCAP
- Planning process is intended to be transparent and engage the school community
- The LEA budget is explicitly linked to LCAP goals and activities
- Annual review of progress and updating of the LCAP is required
- Funds are not restricted in the categorical program sense, but –
 - Funds generated by eligible students are to be used to improve and increase services for those students
 - Accountability for demonstrating how funds are used to support student needs are explicitly required as part of the LCAP



Revenue Limit vs. LCFF

- **Revenue Limit (old system):**

- Unrestricted funds received through revenue limits with few, if any, spending restrictions
- Restricted funds received through many categorical programs with varied spending requirements

- **LCFF:**

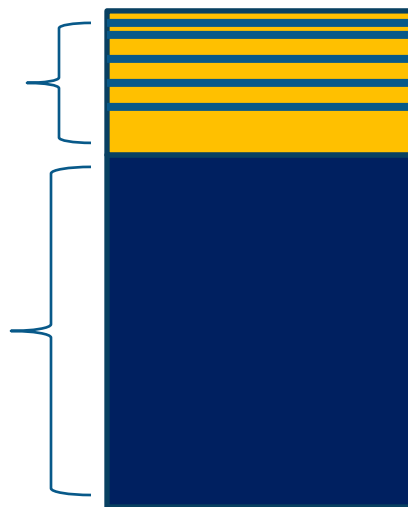
- Equal base grants per pupil for 4 grade spans that are the same for all students at all school districts
- Targeted supplemental funding based on fixed percentages of the base grant amounts per pupil
- Differentiated funding based on only 3 pupil characteristics
 - Low Income - Free and Reduced Meal Program (FRMP)
 - English Learners (EL)
 - Foster Youth/Homeless



Changes Made by LCFF

Categorical Funding for specific purposes with many rules

Revenue Limit, based on historical amounts per student with many adjustments



Pre-LCFF



LCFF

LCFF Supplemental provided to address needs of English Learners, low income, and foster youth

LCFF Base Grant is the same for every local educational agency with adjustments based on grade level



LCFF Subgroups

**English
Language
Learners (EL)**

1,859 students
19.06%

**Free and Reduced
Price Meals
(FRPM)**

7,020 students
71.96%

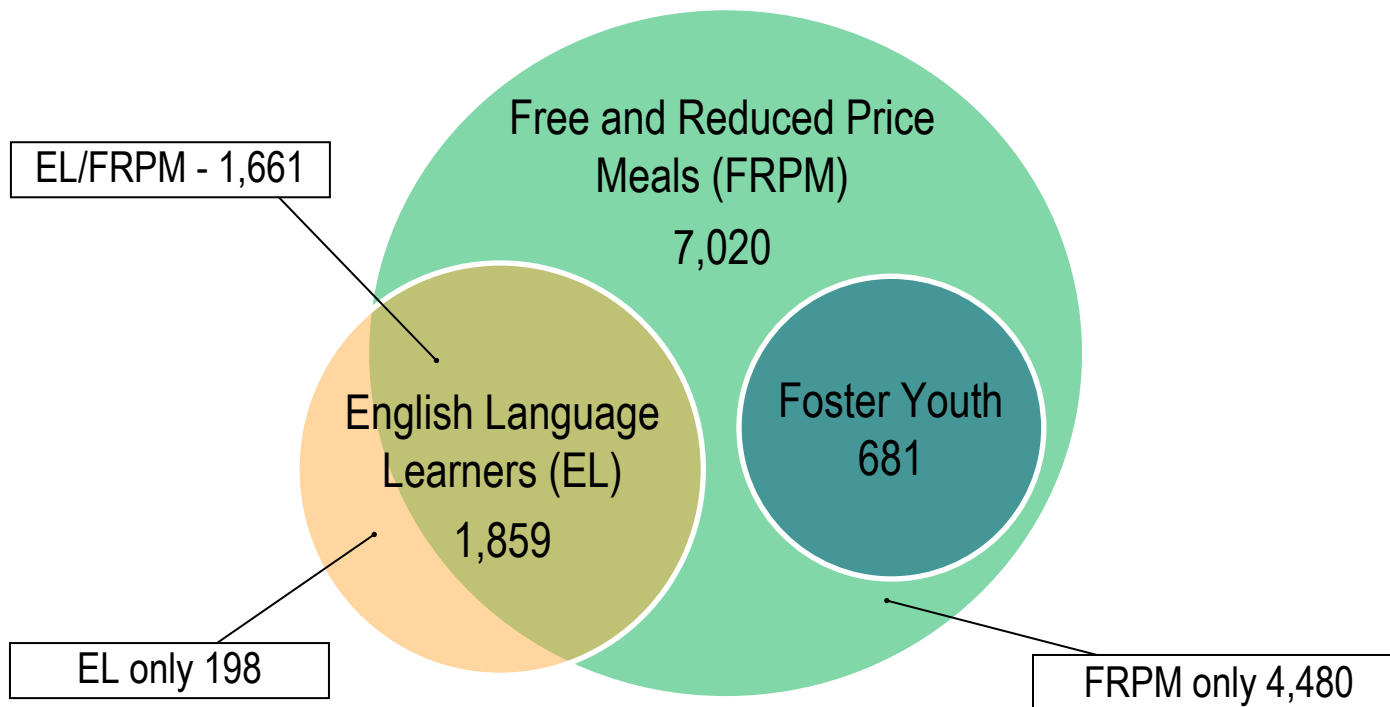
Foster Youth

681 students
6.98%

2016-17 CALPADS Enrollment = 9,755



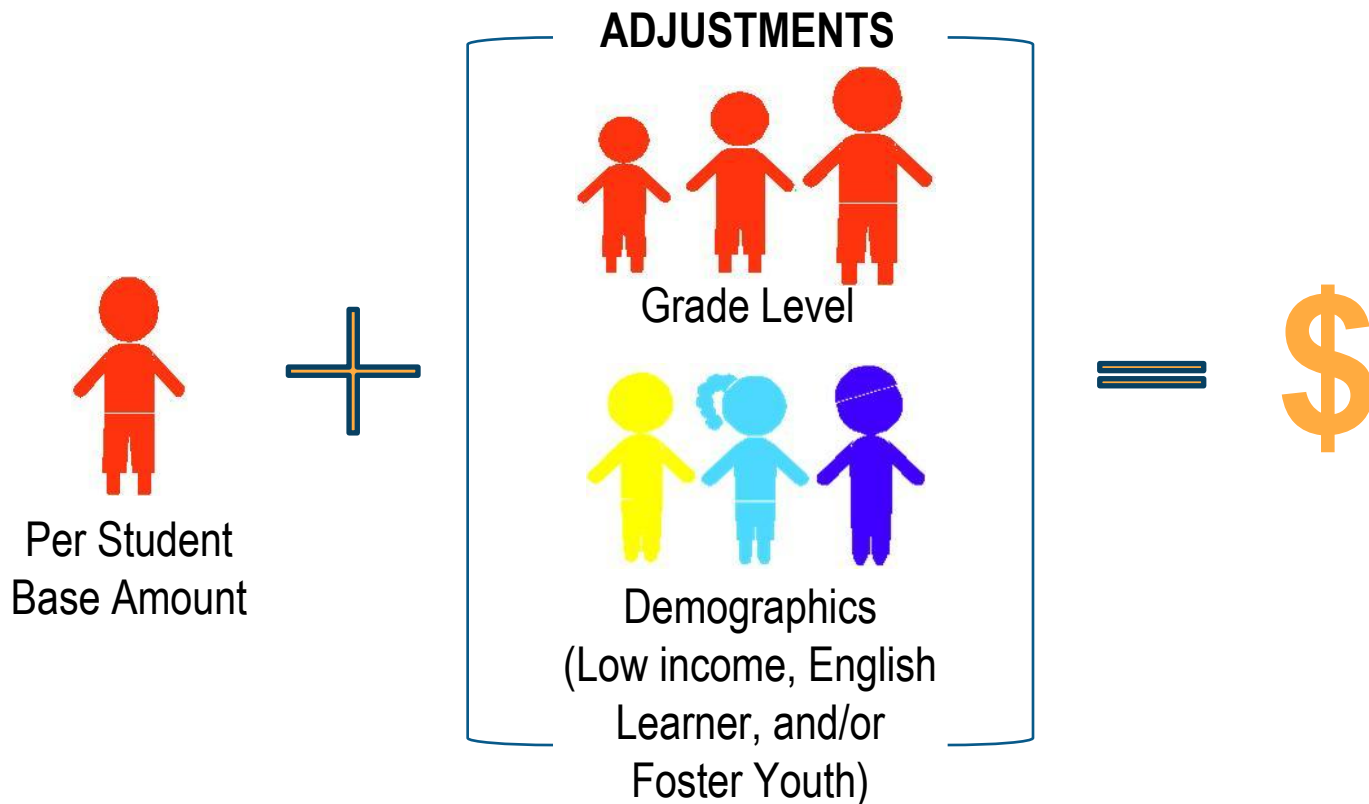
Unduplicated Pupil Count



Unduplicated Pupil Count = 7,218 or 73.99%



LCFF Simplified State Funding





LCFF Base Grant Entitlement Calculation

- 2017-18 target entitlement calculation
 - Grade span per-pupil grants are increased annually by COLA

Factors	K-3	4-6	7-8	9-12
(2016-17) Base Grant per ADA	\$7,083	\$7,189	\$7,403	\$8,578
COLA @ 1.48%	\$105	\$106	\$110	\$127
(2017-18) Base Grant per ADA	\$7,188	\$7,295	\$7,513	\$8,705



LCFF Adjustments

- 2017-18 target entitlement calculation
 - K-3 CSR and 9-12 Career-Technical Education (CTE) adjustments are additions to the base grant

Factors	K-3	4-6	7-8	9-12
(2017-18) Base Grant per ADA	\$7,188	\$7,295	\$7,513	\$8,705
Adjustment percentage	10.41% CSR	-	-	2.60% CTE
Adjustment amount	\$748	-	-	\$226
(2017-18) Adjusted Grant per ADA	\$7,936	\$7,295	\$7,513	\$8,931



LCFF Supplemental and Concentration

- 2017-18 target entitlement calculation
 - Supplemental and concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners (EL), free and reduced-price meal (FRPM) program eligible students, and foster youth

Factors	K-3	4-6	7-8	9-12
(2017-18) Adjusted Grant per ADA	\$7,936	\$7,295	\$7,513	\$8,931
Supplemental*	\$1,174	\$1,079	\$1,112	\$1321
Concentration*	\$753	\$692	\$713	\$848
Total LCFF Target per ADA	\$9,863	\$9,067	\$9,338	\$11,100

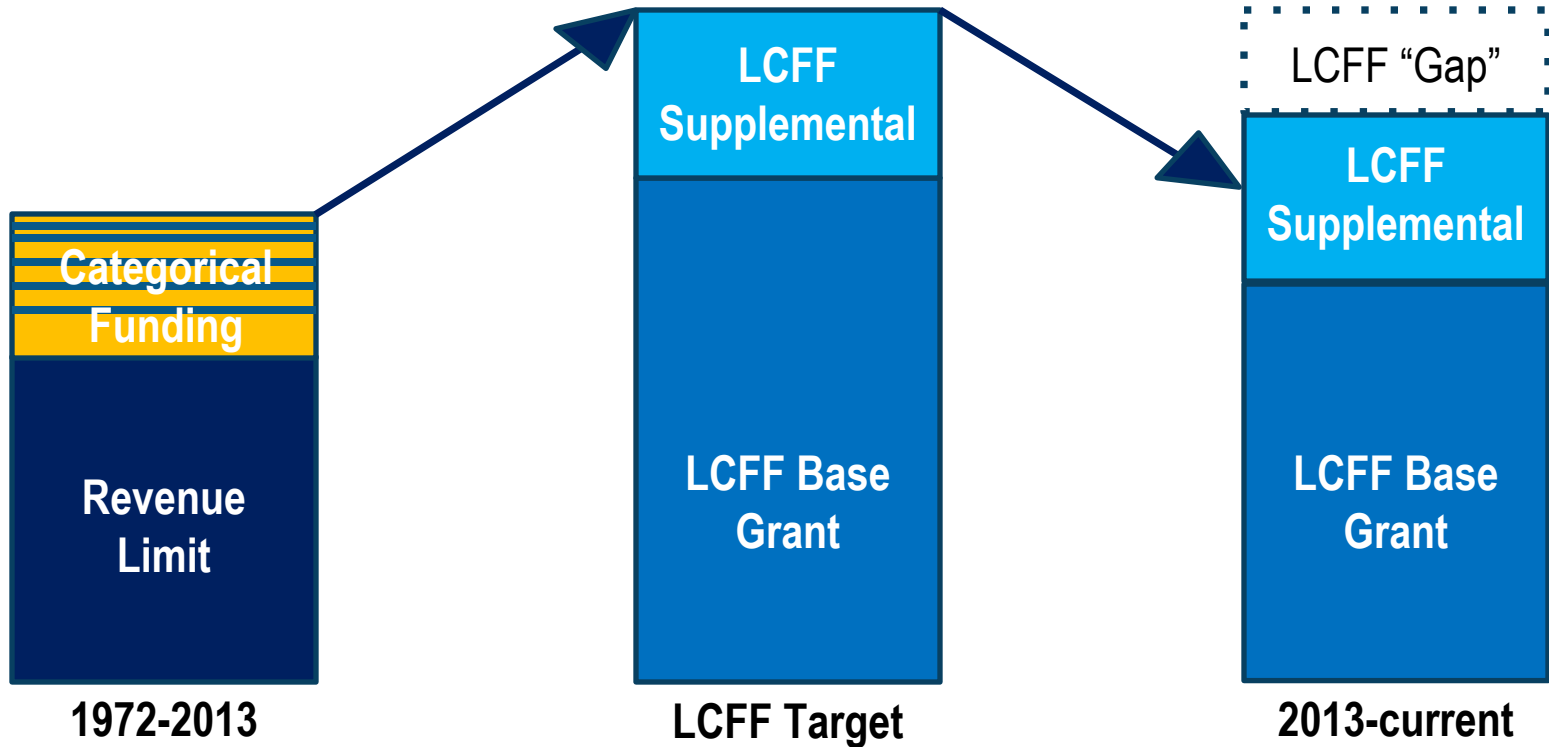


2017-18 LCFF Target

	7-8	9-12	Total
ADA	1,080.06	8,199.82	9,279.88
Target per ADA	\$9,338	\$11,100	
Net Base	\$10,085,176	\$91,017,860	\$101,103,035
Targeted Instructional Improvement Block Grant (TIIG)			\$203,227
Transportation			\$711,623
Total LCFF Target			\$102,017,885



LCFF Target and Gap





LCFF Phase-In

	2016-17	2017-18	2018-19
LCFF Target	\$99,542,152	\$102,017,885	\$105,168,986
- Funding Floor	\$88,506,011	\$95,243,845	\$97,491,444
= Difference (Gap)	\$11,036,141	\$6,774,040	\$7,677,542
x Gap Funding Rate	55.28%	23.67%	44.14%
= Gap Funding	\$6,100,779	\$1,603,415	\$3,388,867
LCFF Entitlement (Floor + Gap Funding)	\$94,606,790	\$96,847,260	\$100,880,311
Per ADA Amount (funded)	\$10,269	\$10,436	\$10,793

CALIFORNIA STATE BUDGET





Themes for the 2017-18 Governor's Budget

- Economic conditions continue to define options for the state
- Proposition 98 still controls education funding
- Lower than expected state revenues
- Continued forecasts for low growth in Proposition 98
- The road behind us has been filled with highs and lows – the road ahead will be equally uncertain



Proposition 98

- Proposition 98 was adopted by state voters in 1988 as a constitutional minimum guarantee in funding for K-12 education and community colleges
- Unfortunately the minimum guarantee has functioned as a maximum funding level, with the Legislature rarely having passed a Budget that appropriated more than the minimum level required by law
- Nevertheless, in recent years, K-14 education has seen unprecedented boosts in funding as the economy has strengthened and the amounts owed to schools have been repaid (i.e., the Maintenance Factor)
- This boom, however, may have come to an end in 2017-18



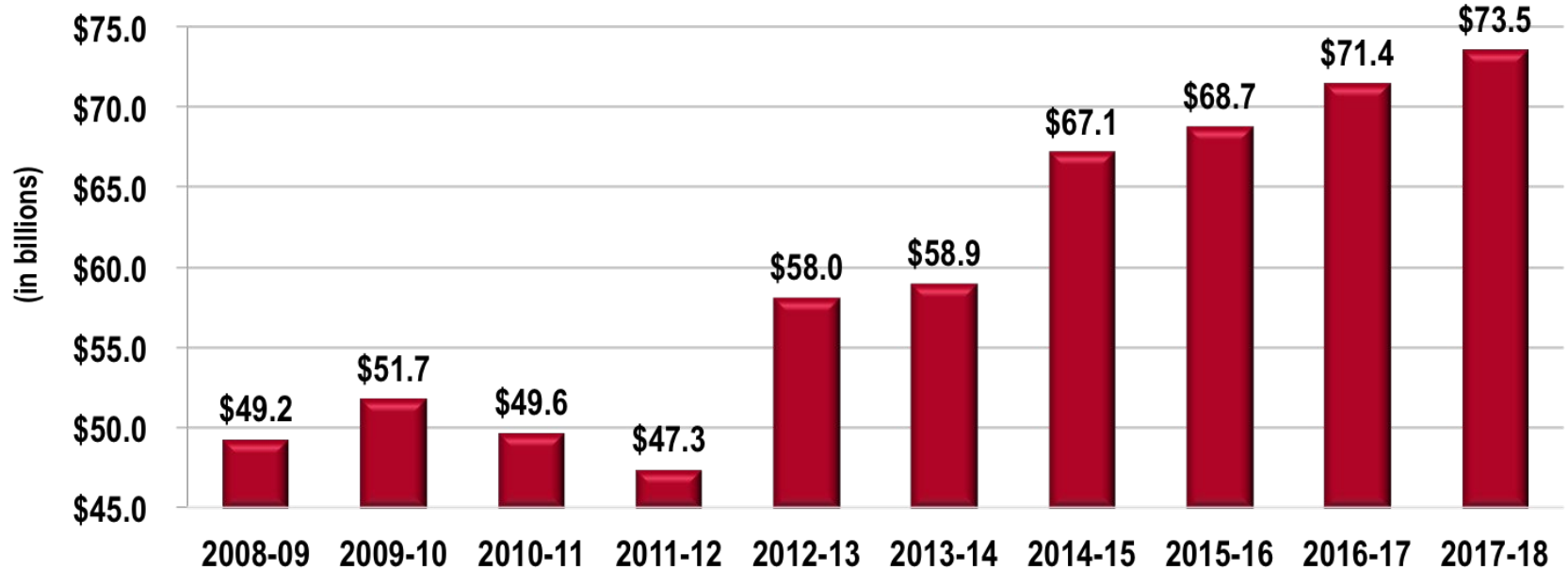
Proposition 98

- The Governor's Budget proposes a revised current-year Proposition 98 guarantee of \$71.4 billion
- A decrease of \$506 million from the enacted Budget due to lower-than-expected General Fund tax revenues, which declined by \$5.8 billion over the three-year budget period
- The Budget proposes Proposition 98 funding of \$73.5 billion in 2017-18, down \$953 million from the forecast level accompanying the enacted Budget
- Maintenance Factor increases by \$264 million for a total of \$1.6 billion by the end of 2017-18



Proposition 98

**Proposition 98 Funding Over Time
2008-09 to 2017-18**





2017-18 Local Control Funding Formula

- The Budget proposes \$744 million for continued implementation of the LCFF
- New funding is estimated to close the gap between 2016-17 funding levels and LCFF full implementation targets by 23.67%
- 96% of the gap closed in the first five years, but...
- No change from 2016-17
- New LCFF allocation only sufficient to pay cost of the COLA increase to the grade span per-ADA rates
- The LCFF base grant targets are adjusted for an estimated 1.48% COLA in 2017-18



One-Time Discretionary Funds

- The Governor's Budget proposes \$287 million in one-time funds for school districts, COEs, and charter schools in 2017-18
 - This equates to approximately \$48 per ADA
- Expenditure of these funds is determined by the local governing board and can be used for any one-time purpose
- Like prior years, these funds will offset local educational agencies' (LEAs') outstanding mandate reimbursement claims on a dollar-for-dollar basis
- The chart below shows the historical one-time discretionary funding per ADA

2014-15	2015-16	2016-17	2017-18 Proposed
\$67	\$529	\$214	\$48



CalPERS Rate Increases

- The employer contribution to CalPERS is proposed to increase to 15.8% in 2017-18, up from 13.888% in 2016-17
- “Classic” members continue to pay 7.0%
 - New members pay 6.0%, which may fluctuate from year-to-year based on the PEPRA requirement to pay half the normal cost rate
- Estimates of the resulting future contribution rate increases for school employers are as follows:

Actual	Projected			
2016-17	2017-18	2018-19	2019-20	2020-21
13.888%	15.8%*	18.7%*	21.6%*	24.9%*

*CalPERS provided these estimates in early 2016 and has not yet issued revised estimates



CalSTRS Rate Increases

- Employer rates are increasing to 14.43% in 2017-18, up from 12.58% in 2016-17
 - 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

CalSTRS Rates

Year	Employer	Pre-PEPRA Employees	Post-PEPRA Employees
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%



Cap on District Reserves

- The four conditions that could ultimately trigger the cap on district reserves are:
 - Fully pay outstanding Maintenance Factor of \$6.2 billion from 2014-15
 - Not met: \$543 million outstanding at the end of 2017-18
 - Proposition 98 funding based on Test 1
 - Not met: Funding based on Test 3 in 2017-18
 - Fully fund ADA growth/decline and statutory COLA
 - Met: ADA decline of 0.01% and statutory COLA of 1.48% fully funded
 - Capital gains tax revenues account for more than 8% of tax revenues
 - Met: Capital gains revenues account for 8.8% of tax revenues in 2017-18
- While the cap on district reserves will not be imposed in the near future, this remains a looming threat to district budgets and should be repealed or significantly amended



Managing Ending Fund Balance?

- The Governor has it right; hold onto your reserves
- At least two of the four will not be met in 2017-18

Maintenance Factor
The Proposition 98 Maintenance Factor must be fully repaid

Capital Gains
Capital Gains revenue must exceed 8% of General Fund revenues

Proposition 98 Test
Proposition 98 must be in a Test 1 Year

Enrollment Growth ✓
Fully paying increases in student enrollment and funding the statutory COLA



What's Not in the Budget?

- Given the Administration's conservative revenue estimates and the lean Education Budget due in large part to prior-year adjustments to Proposition 98, the 2017-18 Budget proposal provides no funding for critical programs and obligations, including:
 - No funding to address the growing local obligations for the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) unfunded liability
 - No new funding for special education programs beyond the 1.48% COLA
 - No new funding for Home-to-School Transportation programs
 - No funding to close the LCFF "gap"
 - No additional investments to deal with the state's teacher shortage



Preparing for the Future - Multiyear Projections

- On the natural, costs continue to rise
 - Step and column
 - Health and welfare
 - CalPERS/CalSTRS contributions
- Contributions to restricted programs continue to increase
- New revenues will not cover new costs (and it gets worse in the out years)
 - Ongoing revenues rise by only 1.48% for 2017-18
 - Ongoing costs for most districts are likely to exceed 4%
- There is no such thing as a good budget without an adequate reserve

2016-17 2ND INTERIM





Budget and Multi Year Assumptions

	2015-16	2016-17	2017-18	2018-19
Enrollment	9,703	9,755	9,805	9,855
ADA	9,055	9,101	9,168	9,235
ADA to Enrollment %	93.33%	93.30%	93.51%	93.71%
COLA	1.02%	0.00%	1.48%	2.40%
CalSTRS Rate	10.73%	12.58%	14.43%	16.28%
CalPERS Rate	11.847%	13.888%	15.80%	18.70%
LCFF GAP Funding	52.56%	55.28%	23.67%	44.14%

Note: Enrollment and ADA does not include County Office of Education Programs



Projected Statutory Budget Increases for the Out Years

Statutory/Negotiated Increase for PSEA	2016-17	2017-18	2018-19
PSEA Step Increases	\$588,262	\$724,781	\$736,283
Health & Welfare Increase	\$161,857	\$257,859	\$270,752
CalSTRS Increase	\$752,869	\$771,250	\$776,328
Statutory/Negotiated Increase for CSEA			
CSEA Step Increases	\$122,333	\$163,645	\$164,853
Health & Welfare Increase	\$2,651	\$2,784	\$2,923
CalPERS Increase	\$282,379	\$329,713	\$411,381
Statutory/Negotiated Increase for Confidential/Management			
Step Increases	\$90,680	\$128,918	\$131,390
Health & Welfare Increase	\$1,845	\$1,937	\$2,034
CalPERS/CalSTRS Increase	\$156,563	\$172,845	\$213,921
Total	\$2,159,439	\$2,553,732	\$2,709,865



Unrestricted General Fund Multi-Year Projection Summary

	2016-17 2 nd Interim Budget	2017-18 Projected Budget	2018-19 Projected Budget
Beginning Balance	\$8,025,274	\$7,943,006	\$10,594,939
LCFF Revenue	\$94,606,790	\$96,847,260	\$100,880,311
Other Revenue	\$6,609,719	\$3,974,205	\$3,537,352
Contributions	<u>-\$13,790,907</u>	<u>-\$14,043,653</u>	<u>-\$14,450,471</u>
Total Revenues	\$87,425,602	\$86,777,812	\$89,967,192
Certificated Salaries	\$38,623,327	\$39,129,902	\$39,803,691
Classified Salaries	\$13,631,433	\$13,834,850	\$13,994,231
Employee Benefits	\$16,285,921	\$17,350,729	\$18,887,107
Books and Supplies	\$5,955,141	\$3,069,663	\$3,234,656
Services, Operating Expenses	\$12,800,137	\$12,501,686	\$12,581,660
Capital Outlay	\$1,746,660	\$332,257	\$332,257
Other Outgo	<u>-\$1,534,749</u>	<u>-\$2,093,208</u>	<u>-\$2,040,546</u>
Total Expenditures	\$87,507,870	\$84,125,879	\$86,793,056
Net Increase/(Decrease) to Ending Balance	(\$82,268)	\$2,651,933	\$3,174,136
Total Ending Balance	\$7,943,006	\$10,594,939	\$13,769,075



Components of the Unrestricted General Fund Ending Balance

	2016-17 2 nd Interim Budget	2017-18 Projected Budget	2018-19 Projected Budget
One-Time Mandated Cost / Common Core Dollars	\$2,528,867	\$2,416,605	\$1,885,490
Supplemental / Concentration / CTE		\$573,492	\$1,976,079
Resource Balances <i>(Risk Management / Facility Usage / Lottery)</i>	\$44,101		
Revolving Cash	\$25,000	\$25,000	\$25,000
Minimum 3% Reserves for Economic Uncertainties	\$3,574,379	\$3,409,342	\$3,476,513
Other Reserves for Economic Uncertainties	\$1,770,659	\$3,409,342	\$3,476,513
Unassigned		\$761,158	\$2,929,480
Total Ending Balance	\$7,943,006	\$10,594,939	\$13,769,075



QUESTIONS?