



2015-2016 2nd Interim Financial Report

March 2016

Themes for the 2016-17 Governor's Budget

- The Governor continues to stabilize funding and programs in all areas of the State Budget
- Completing repayment of the education Maintenance Factor in 2015-16, as School Services of California, Inc., (SSC) projected, increases funding for the non-Proposition 98 side of the State Budget
- The state increased its revenue estimates, but continues to underestimate Proposition 98 revenues for 2015-16 and 2016-17
- Economic growth is much stronger than in past years, but Governor Jerry Brown highlights the risk of recession
- The Local Control and Accountability Plan (LCAP) remains a dominant governance document
- Yet, in what is shaping up to be a very good year, it is time to think about the potential for a slowdown

Preparing for the Slowdown

- The growth in education funding has been fueled by three major factors, all of which could change during 2016-17:
 - The Proposition 30 temporary taxes
 - Growth in the economy
 - Repayment of the Maintenance Factor
- At full implementation, each district will receive only cost-of-living adjustment (COLA) increases to its LCFF funding each year
 - COLAs over the next few years are estimated to be in the 2% to 3% range
 - If those COLA projections come to pass, most districts would again be making significant budget reductions
- We need to prepare for a slowdown while at the same time advocate for higher funding to continue to move toward at least the national average

2016-17 Local Control Funding Formula

- Budget proposes \$2.8 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2015-16 funding levels and LCFF full implementation targets by 49.08%
- 85% of the gap closed in the first four years
 - Reaching to 95% of the targeted funding levels
- The LCFF base grant targets are adjusted for an estimated 0.47% COLA in 2016-17
- 2016-17 LCFF growth provides an average increase in per-pupil funding of 5.6%, or \$489 per ADA

One-Time Funds

- The Governor's Budget includes \$1.2 billion in discretionary one-time Proposition 98 funding
 - Equal to about \$214 per ADA
- The Governor suggests the one-time funds may be used to support investments in:
 - Content standards implementation, technology, professional development, induction programs for beginning teachers, and deferred maintenance
- This is not a mandate and the funds can be used for any one-time purpose
 - However, any funds received will offset state obligations for any local educational agency (LEA) with outstanding mandate reimbursements, consistent with the approach used in the 2014 and 2015 Budget Acts

Educator Effectiveness Funding

- The 2015 Budget Act allocated funding to school districts and charter schools to provide beginning teacher and administrator support and mentoring, professional development, coaching and support services for teachers identified as needing improvement or additional support, professional development for teachers and administrators aligned to the state standards, and to promote educator quality and effectiveness.
- Funds are based on 2014-15 the CALPADS reported certificated FTE's at approximately \$1,466 per FTE.
- Funds must be spent by June 30, 2018 and a plan must first be adopted by the Board.

CalSTRS Rate Increases

- Employer rates are increasing to 12.58% in 2016-17, up from 10.73% in 2015-16
- 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*	Post-PEPRA*
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)

CalPERS Rate Increases

- The employer contribution to CalPERS is proposed to increase to 13.05% in 2016-17 from 11.847% in 2015-16
- “Classic” members continue to pay 7.00%
 - New members pay 6.00%, which may fluctuate from year to year based on the PEPRRA requirement to pay half the normal cost rate
- Estimates of the resulting future contribution rate increases for school employers are as follows:

CalPERS Rates

Actual	Projected				
2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.847%	13.05%	16.6%*	18.2%*	19.9%*	20.4%*

*CalPERS provided these estimates in 2014 and has not yet issued revised estimates

2016-17 Statutory Increase Projections

Statutory/Negotiated Increase for CSEA	Amount
CSEA Step Increases	\$65,895
Health & Welfare Increase	\$51,029
CalPERS Increase	\$159,642
Statutory/Negotiated Increase for PSEA	
PSEA Step Increases	\$439,446
Health & Welfare Increase	\$202,691
CalSTRS Increase	\$695,266
Statutory/Negotiated Increase for Confidential/Management	
Confidential/Management Step Increases	\$63,848
Health & Welfare Increase	\$12,864
CalPERS/CalSTRS Increase	\$114,744
Total	\$1,805,425

Note: Amounts are only projections using 2015-16 staffing and enrollment data.

Budget and MYP Assumptions

- An overview of the Budget assumptions used for LCFF Gap Funding, COLA, CalSTRS and CalPERS rates

	2014-15	2015-16	2016-17	2017-18
LCFF Gap Funding*	30.16%	51.97%	49.08%	36.45%
COLA*	0.85%	1.02%	0.47%	2.13%
CalSTRS Rate	8.88%	10.73%	12.58%	14.43%
CalPERS Rate	11.771%	11.847%	13.05%	16.60%

*Identified by averaging School Services of California and Department of Finance GAP funding percentages.

Unrestricted General Fund Summary

	2015-16 2 nd Interim	2016-17	2017-18
Beginning Balance	5,816,843	6,132,499	9,693,976
LCFF Revenue	87,644,617	93,132,235	95,959,485
Other Revenue	9,099,068	4,874,904	2,938,959
Contributions	<u>-9,190,478</u>	<u>-10,602,856</u>	<u>-10,956,204</u>
Total Revenues	87,553,207	88,003,383	88,541,340
Expenditures	87,237,552	84,441,905	87,063,079
Net Increase/(Decrease) to Ending Balance	315,655	3,561,477	1,478,261
Total Ending Balance	6,132,499	9,693,976	11,172,237

Next Steps – Defining Budget Priorities

- Continued conversations regarding budget priorities for the 2016-17 school year and beyond by engaging stakeholders in activities relating to the allocation of funds within the following areas:
 - Site and Department Budgets
 - Curricular and Material Needs
 - Facility and Maintenance Needs
 - Professional Development Needs
 - Educator Effectiveness Funding
 - Supplemental and Concentration Funding
 - Mandated Cost one-time dollars
 - Other Priorities Identified through the LCAP process

Next Steps – Fiscal Budgeting

- Positive Certification is recommended
 - Certifies that based on current projections the District will meet it's financial obligations for the current and subsequent two fiscal years
- Governor's Budget – May Revision
- 2016-17 Budget will be presented to the Board in June
 - Public Hearing – June 6, 2016
 - Adoption – June 15, 2016
- An update on the enacted State Budget along with its' impact on the Perris Union High School District budget will be presented within 45 days of the State Enacted Budget