



2015-2016 District Budget

June 2015

The Big News – 2015-16 Provides the Highest Increase in Education Funding Ever!

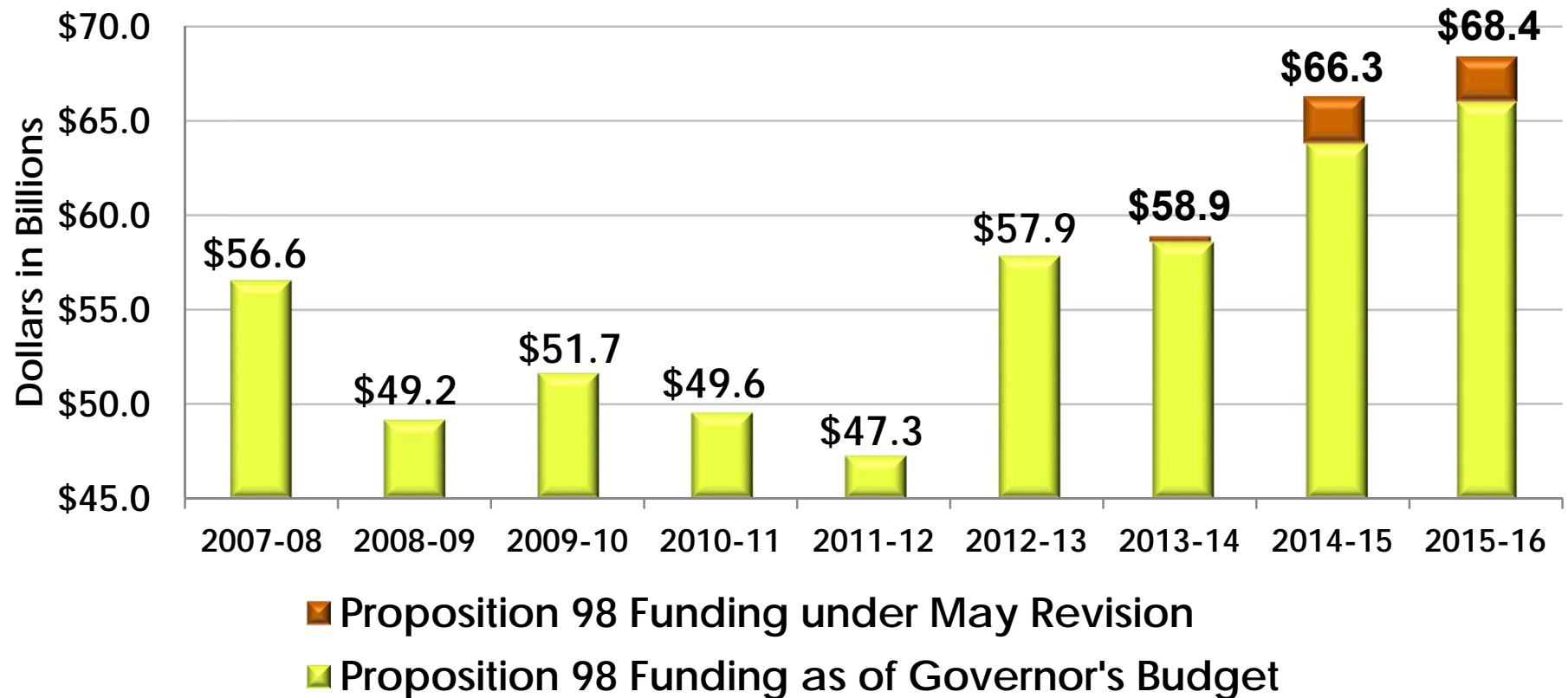
- The May Revision provides an additional \$3.1 billion for education funding in 2014-15
 - This funding is for 2014-15, but treated as one-time dollars
- That is on top of \$4.75 billion already provided in the enacted Budget for the Local Control Funding Formula (LCFF)
- The combination of a rapidly recovering California economy and Proposition 30 temporary taxes drive the increased state revenues and growth in Proposition 98 for 2014-15
- The Governor proposes adding \$2.1 billion to the \$4 billion proposed in January for 2015-16 LCFF growth, for a total of \$6.1 billion
 - Gap closure rate goes from 32.19% to 53.08%
 - Average increase is 14.13%, or \$1,088 per average daily attendance (ADA)
- The state is making rapid progress toward full implementation of the LCFF

Issues of Note

- ▣ Issues not addressed
 - ▣ California State Teachers' Retirement System (CalSTRS)/California Public Employees' Retirement System (CalPERS) cost relief
 - ▣ Repeal of the reserve cap
- ▣ No manipulation of Proposition 98 – we appreciate that
- ▣ Is the funding increase proposed by the Governor affordable for the state? YES
 - ▣ Property tax growth alone is sufficient to cover the growth in Proposition 98
 - ▣ The “anti-spike” provisions increase non-Proposition 98 spending by about \$400 million
- ▣ Repayment of the cuts to education are affordable now

Proposition 98 Funding

Proposition 98 Funding
2007-08 to 2015-16



Source: 2015-16 May Revision, page 5

General Fund Budget Summary 2015-16

	2014-15	2015-16
Prior-Year Balance	\$5,589	\$2,359
Revenues and Transfers	<u>\$111,307</u>	<u>\$115,033</u>
Total Resources Available	\$116,896	\$117,392
Non-Proposition 98 Expenditures	\$64,929	\$65,892
Proposition 98 Expenditures	<u>\$49,608</u>	<u>\$49,416</u>
Total Expenditures	\$114,537	\$115,308
Fund Balance	\$2,359	\$2,084
Reserve for Liquidation of Encumbrances	\$971	\$971
Special Fund for Economic Uncertainties	\$1,388	\$1,113
Budget Stabilization Account/Rainy Day Fund	\$1,606	\$3,460

- Revenues and transfers increase 3.2%, while expenditures increase by less than 1%
- The May Revision proposes over \$3.4 billion in the Budget Stabilization Account
- The May Revision maintains over \$1.1 billion in the Reserve for Economic Uncertainties

Source: 2015-16 May Revision, page 10

State Revenues and Proposition 98

Proposition 98 Funding Will Slow!

- Proposition 98 has provided major increases in funding for K-14 education as the state economy recovers and funding cuts imposed during the recession are restored
 - The May Revision acknowledges a current-year surge in state revenues and transfers of \$3.3 billion, and a revised forecast for 2015-16 of \$1.7 billion
- These gains are largely attributed to the repayment of the Proposition 98 maintenance factor, an amount equivalent to the loss of funds imposed on K-14 education during the recession (a restoration, not a repayment)
- According to the May Revision, \$772 million in maintenance factor payments will remain at the end of 2015-16
- Conclusion: Proposition 98 funding will slow considerably once the maintenance factor has been fully paid
 - Growth will likely be in the range of 2% to 4% annually

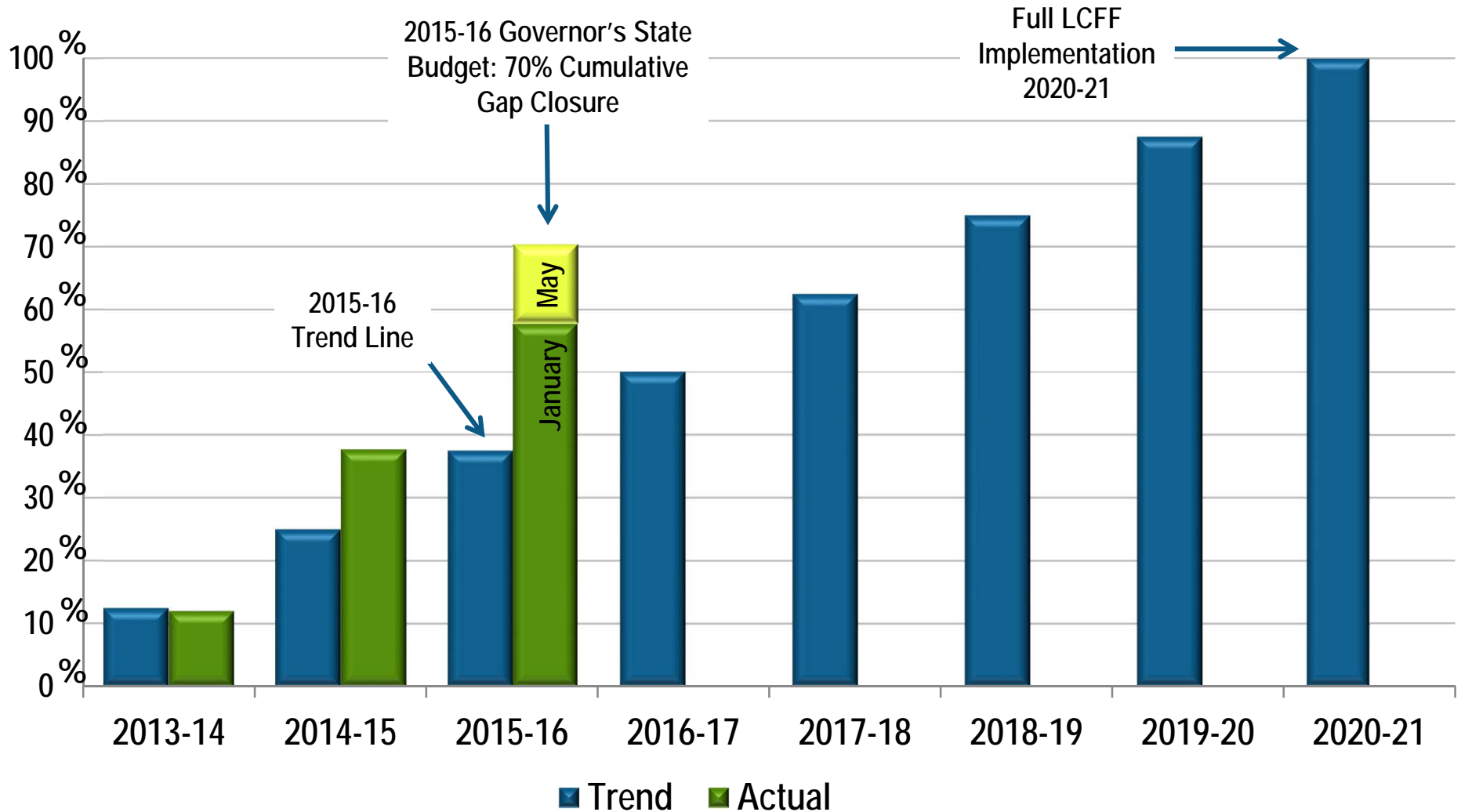
2015-16 State Budget January Budget vs. May Revision

Item	January Budget	May Revision
LCFF Gap Funding Percentage	32.19%	53.08%
Proposition 98 Minimum Funding Guarantee		
2014-15	\$63.2 billion	\$66.3 billion
2015-16	\$65.7 billion	\$68.4 billion
2015-16 COLA	1.58%	1.02%
One-time Discretionary Funds for 2015-16	\$1.1 billion \$180 per ADA	\$3.5 billion \$601 per ADA

2015-16 Local Control Funding Formula

- The January Budget proposed \$4 billion for continued implementation of the LCFF
- The May Revision provides another \$2.1 billion, for a total of \$6.1 billion of additional Proposition 98 revenues flowing to schools
- New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 53.08% in 2015-16
 - The May Revision slightly revises the current-year gap closure estimate, up from 29.15% to 29.97% for 2014-15
- When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would close almost 70% of the gap in just 3 years

Progress Toward LCFF Implementation



LCFF Phase-In

- LCFF gap closure percentage projections provided by the Department of Finance (DOF) and School Services of California (SSC)

	2014-15	2015-16	2016-17	2017-18	2018-19
Department of Finance (DOF)	29.97%	53.08%	37.40%	36.74%	20.97%
School Services of California (SSC)	29.97%	53.08%	12.62%	18.24%	20.58%
PUHSD gap % Used in LCFF Budget and MYP	29.97%	53.08%	25.01%	27.45%	20.78%

LCFF Funding Calculation

	2014-15	2015-16	2016-17	2017-18
LCFF Target	\$95,248,872	\$98,239,558	\$99,797,919	\$102,243,413
- Funding Floor	\$65,862,037	\$76,121,693	\$87,861,952	\$90,847,107
= Difference (Gap)	\$29,386,835	\$22,117,595	\$11,935,967	\$11,396,306
x Gap Funding Rate	29.97%	53.08%	25.01%	27.45%
= Gap Funding	\$8,807,234	\$11,740,019	\$2,985,185	\$3,128,286
LCFF Entitlement (Floor + Gap Funding)	\$74,669,271	\$87,861,982	\$90,847,137	\$93,975,393
Per ADA Amount (funded)	\$8,330	\$9,595	\$9,921	\$10,262

LCFF Gap Funding Breakdown

	2014-15	2015-16	2016-17	2017-18
Base Grant	\$5,170,003	\$6,206,748	\$2,008,546	\$1,938,850
Supplemental	\$2,126,412	\$3,973,634	\$1,382,255	\$954,709
Concentration	\$1,284,032	\$2,399,476	\$834,674	\$576,500
Grade Span (CTE)	\$376,520	\$612,854	\$238,547	\$169,622
Total Gap Funding (new funding allocations)	\$8,956,967	\$13,192,712	\$4,464,022	\$3,639,681

**Approximate Breakdown of Gap Funding*

Discretionary Funds

- The May Revision provides an increase of \$2.4 billion in discretionary one-time Proposition 98 funding
 - From \$1.1 billion to \$3.5 billion, equal to about \$601 per ADA
 - Of these funds, \$40 million is for County Office of Educations (COEs) to assist in meeting new responsibilities associated with the Local Control and Accountability Plan (LCAP)
- The May Revision suggests that local educational agencies (LEAs) prioritize these funds for professional development, teacher induction, and instructional materials and technology
 - This is not a mandate and the funds can be used for “any one-time purpose, as determined by the governing board”
 - However, any funds received will offset state obligations for any LEA with outstanding mandate reimbursements, consistent with the approach used in the 2014 Budget Act

Funding CalPERS and CalSTRS

- The employer contribution costs for both CalPERS and CalSTRS are significantly increasing over the next several years
 - The 2015-16 CalPERS employer contribution rate increase is less than expected – increasing to 11.847% instead of 12.6%
 - The 2015-16 CalSTRS employer contribution rate statutorily increases to 10.73%
 - The increase in 2014-15 was made purposefully small – an 8% increase in the employer cost
 - The increase in 2015-16 is more significant – a 30% increase above the 2013-14 employer contribution rate
- The 2015-16 State Budget proposal does not address these cost increases for LEAs

CalSTRS and CalPERS Increases

Combined General Fund

	CalSTRS		CalPERS	
	Rate	Additional Budget Impact	Rate	Additional Budget Impact
2013-14	8.25%		11.442%	
2014-15	8.88%	\$228,467	11.771%	\$41,037
2015-16	10.73%	\$724,635	11.847%	\$10,974
2016-17	12.58%	\$834,841	13.05%	\$188,535
2017-18	14.43%	\$833,341	16.60%	\$560,383
4-year Total		\$2,621,284		\$800,929

Additional Budget Impact is the amount associated with the increased employer contribution rate.

Salary Increases – Based on Tentative Agreements with PSEA and CSEA

	2014-15 2% <i>(Ongoing)</i>	2014-15 3% <i>(Bonus)</i>	2015-16 6.5% <i>(Ongoing)</i>	2015-16 6.41% <i>(Ongoing – additional minutes)</i>	2015-16 Other <i>(Salary Placement – PSEA & CSEA)</i>	<i>Total</i>
PSEA	\$780,913	\$1,041,254	\$2,704,351	\$2,666,753	\$200,000	\$7,393,271
CSEA	\$288,146	\$360,922	\$955,203		\$200,000	\$1,804,271
Mgt/Conf	\$138,066	\$179,419	\$472,176			\$789,661
Total	\$1,207,125	\$1,581,595	\$4,131,730	\$2,666,753	\$400,000	\$9,987,203

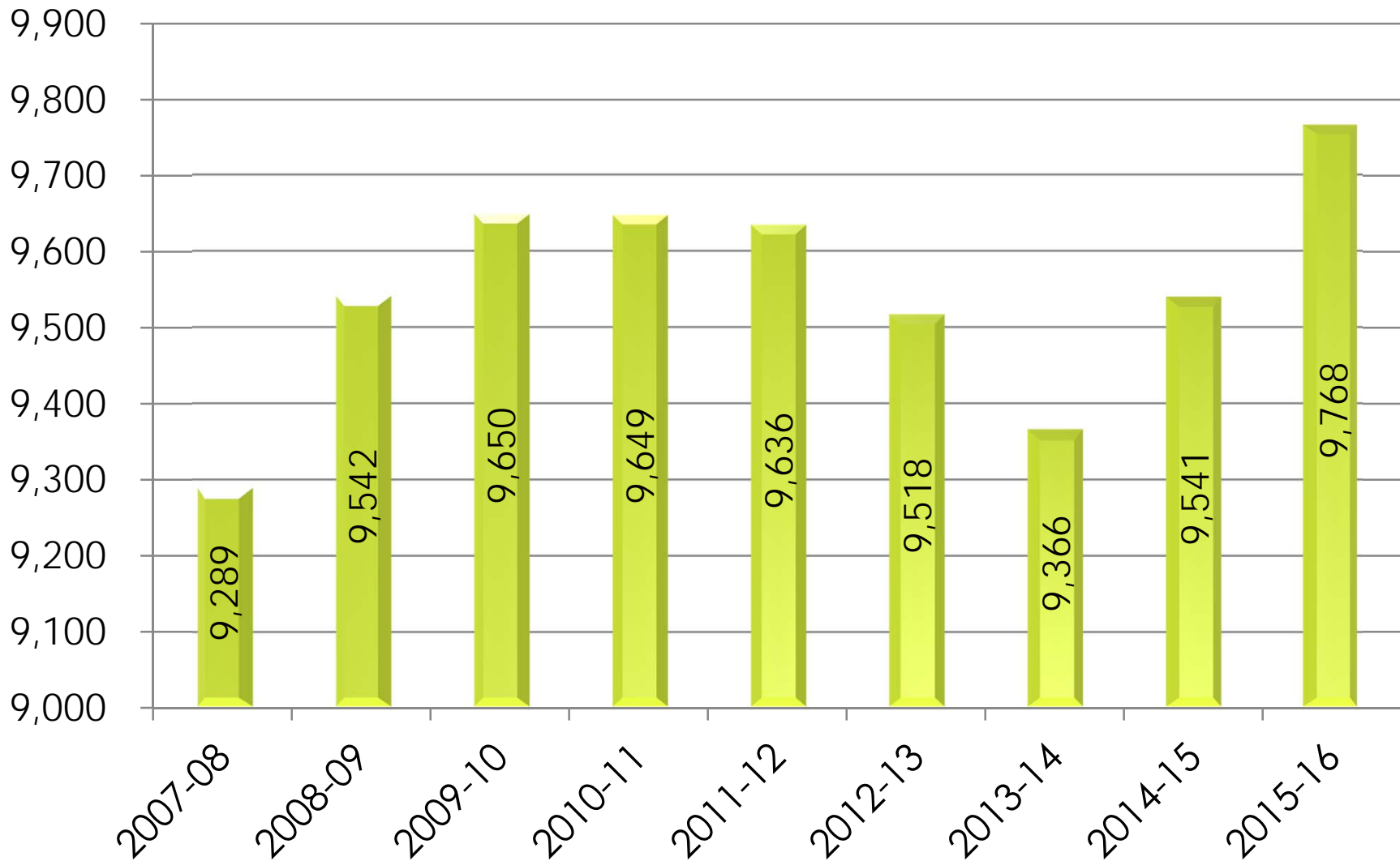
Including fixed costs.

Additional Budget Considerations

Statutory Increases

CSEA	Amount
CSEA Step Increases	\$88,076
Health & Welfare Increase	\$55,342
CalPERS Increase	\$10,132
PSEA	
PSEA Step Increases	\$522,785
Health & Welfare Increase	\$207,910
CalSTRS Increase	\$696,678
Confidential/Management/Board	
Confidential/Management Step Increases	\$49,227
Health & Welfare Increase	\$46,778
CalPERS/CalSTRS Increase	\$95,277
Total	\$1,772,205

District Enrollment History & 2015-16 Projection

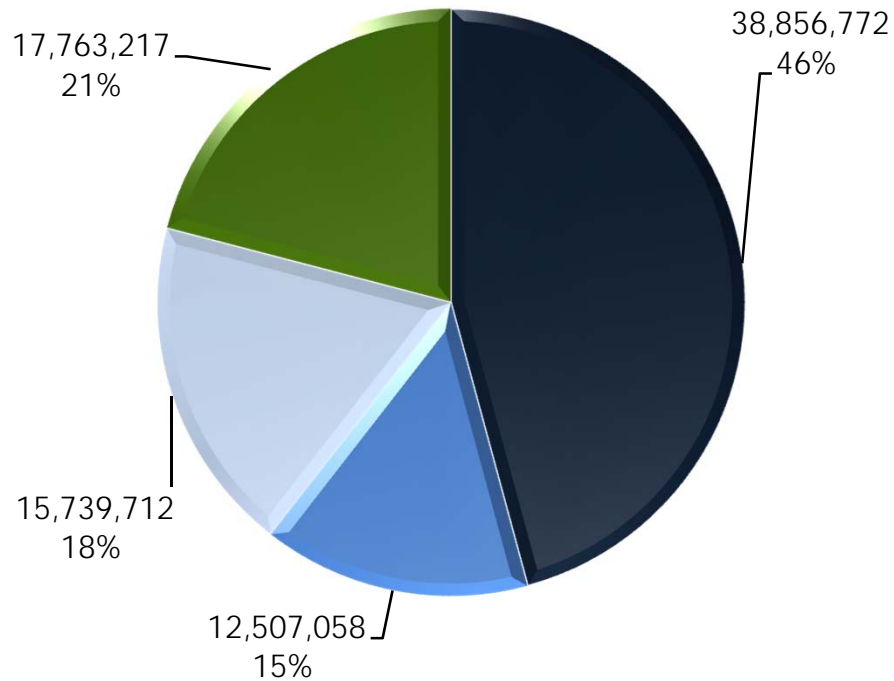


Unrestricted General Fund Summary

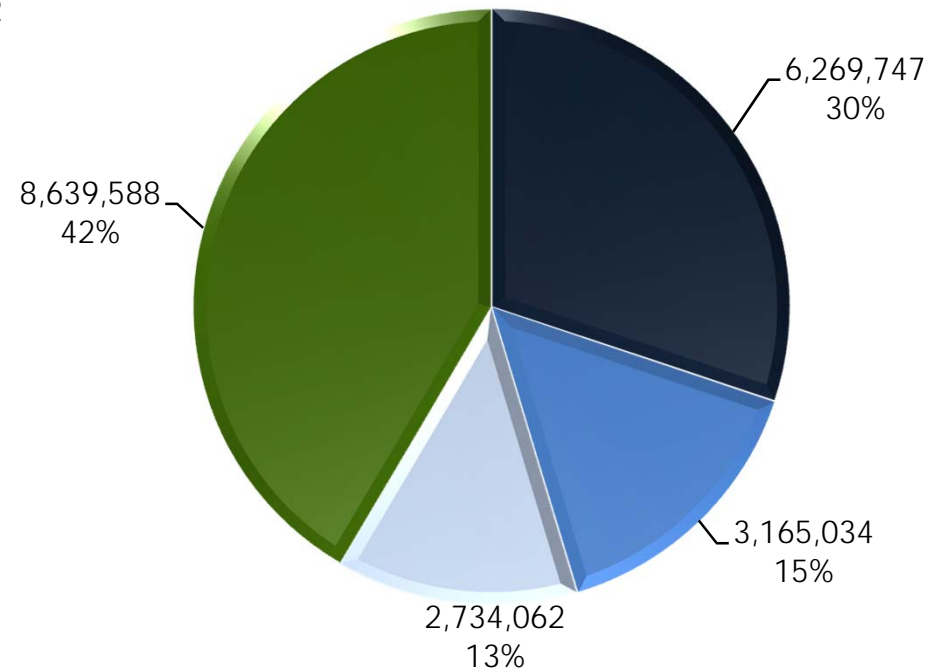
	2014-15 Estimated Actuals	2015-16 Proposed Budget	2016-17 Proposed Budget	2017-18 Proposed Budget
Beginning Balance	6,220,513	4,478,033	5,981,861	6,164,427
LCFF Revenue	74,669,271	87,734,386	90,719,541	93,847,797
Other Revenue	4,301,220	7,918,674	2,584,006	2,584,006
Contributions	<u>-8,712,827</u>	<u>-9,282,473</u>	<u>-8,847,160</u>	<u>-9,204,334</u>
Total Revenues	70,257,664	86,370,587	84,456,387	87,227,469
Expenditures	72,000,145	84,866,759	84,273,822	87,109,867
Net Increase/ (Decrease) to Ending Balance	(1,742,481)	1,503,829	182,566	117,602
Total Ending Balance	4,478,033	5,981,861	6,164,427	6,282,029
3% Reserve Non Spendable Balances	2,787,405	3,170,256	3,116,322	3,212,798
Other Reserves	1,665,628	2,811,605	3,048,105	3,069,231

2015-16 Budgeted Expenditures

Unrestricted Expenditures



Restricted Expenditures



- Certificated Salaries
- Classified Salaries
- Employee Benefits
- Other Expenditures

Summary of Other District Funds

Fund	2015-2016 Estimated Beginning Fund Balance	Total Revenues/ Contributions/ Other Sources	Total Expenditures/ Transfers Out	2015-2016 Ending Fund Balance
Unrestricted General Fund	\$1,716,385	\$86,370,587	\$84,866,759	\$5,981,861
Restricted General Fund	\$2,618,632	\$20,316,089	\$20,808,431	\$2,126,290
Charter School Fund	\$2,150,554	\$9,517,100	\$8,735,120	\$2,498,365
Adult Education Fund	\$24,602	\$147,016	\$171,618	\$0
Cafeteria Fund	\$2,267,096	\$4,248,000	\$4,372,986	\$2,142,110
Building Fund	\$5,489,214	\$5,000	\$5,315,226	\$178,988
Capital Facilities Fund	\$2,129,785	\$2,886,630	\$1,967,100	\$3,049,315
County School Facilities Fund	\$13,796,989	\$20,005	\$0	\$13,816,994
Debt Service Fund	\$3,770	\$608,124	\$611,894	\$0

District Budget – Next Steps

- The Board will open a public hearing to receive input on the District's budget
- A final budget will be presented to the Board for approval on June 17, 2015
- The District's Adopted Budget, along with the District's Local Control Accountability Plan (LCAP) will be reviewed and approved by the County Office of Education
- After the California State Budget is adopted, the District's budget will be revised and presented to the Board for approval, if necessary