



VENTURA UNIFIED SCHOOL DISTRICT
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Governor's Proposals for 2017-18 K-12 Education Budget

January 24, 2017

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- Overview of Budget and State Economy
- Education Budget and Challenges Ahead
- Local Agency (District) Operations and the Budget
- Next Steps

Overview of the State Budget and the State Economy





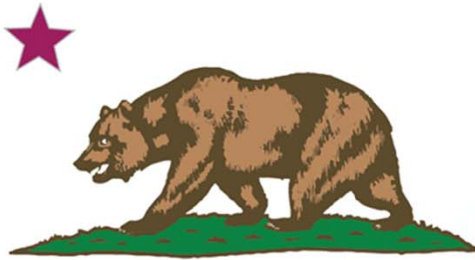
Themes for the 2017-18 Governor's Budget

- Economic conditions continue to define options for the state
- Proposition 98 still controls education funding
- We expect major political and legislative challenges, particularly at the federal level
- Execution of the Budget will present operational issues in several areas for many school districts
- The road behind us has been filled with highs and lows – the road ahead will be equally uncertain



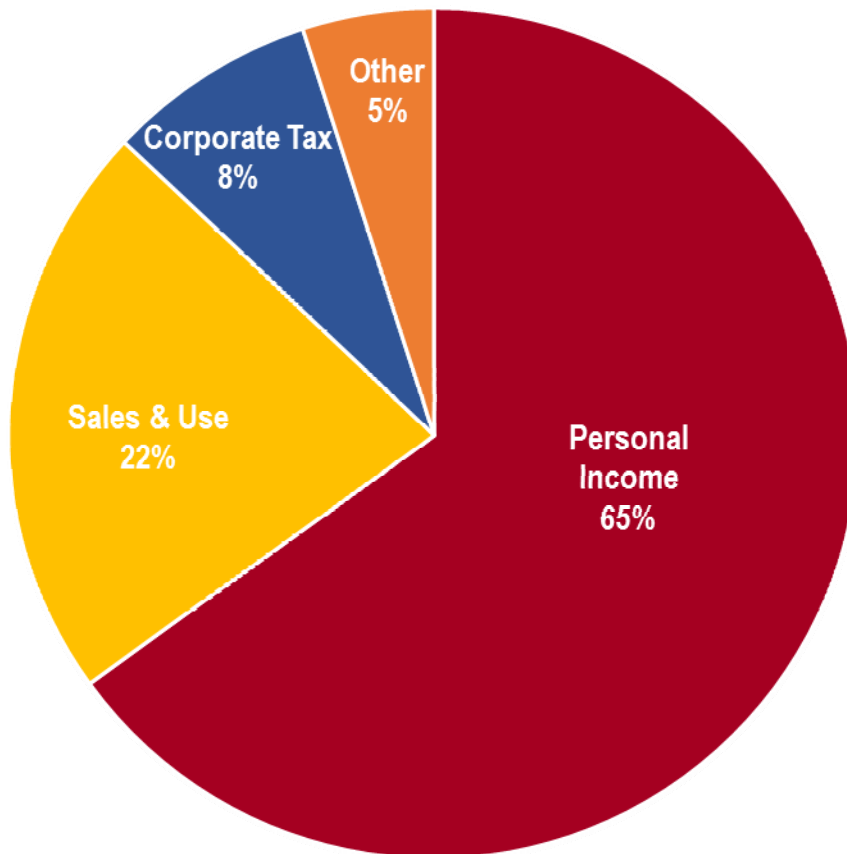
The California Economy

- California is benefiting from improvements in the larger economy
 - California will be helped by the passage of state (Proposition 51) and local bond measures
 - The State Budget will benefit from the passage of Proposition 55
- However, California is experiencing local stressors that dampen the fiscal outlook
 - California Public Employees' Retirement System (CalPERS) lowers its earning expectations
 - Lower than projected tax collections
 - Governor Brown continues to plan for a possible recession due to lackluster revenues
 - Housing affordability

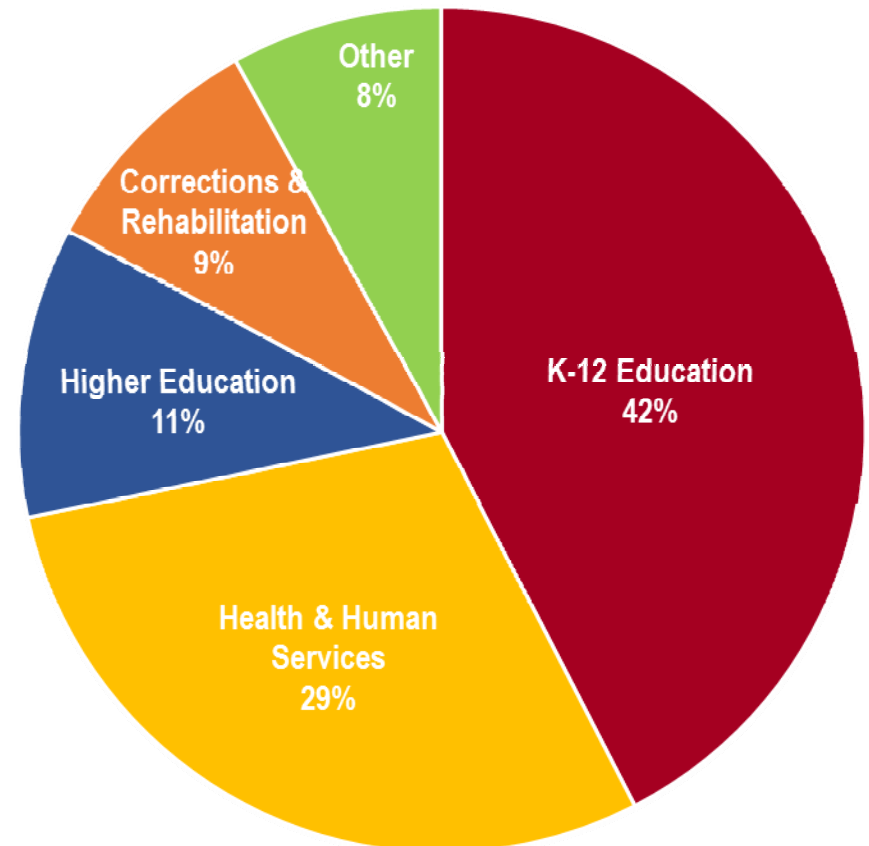


The California Economy

State Revenue Sources

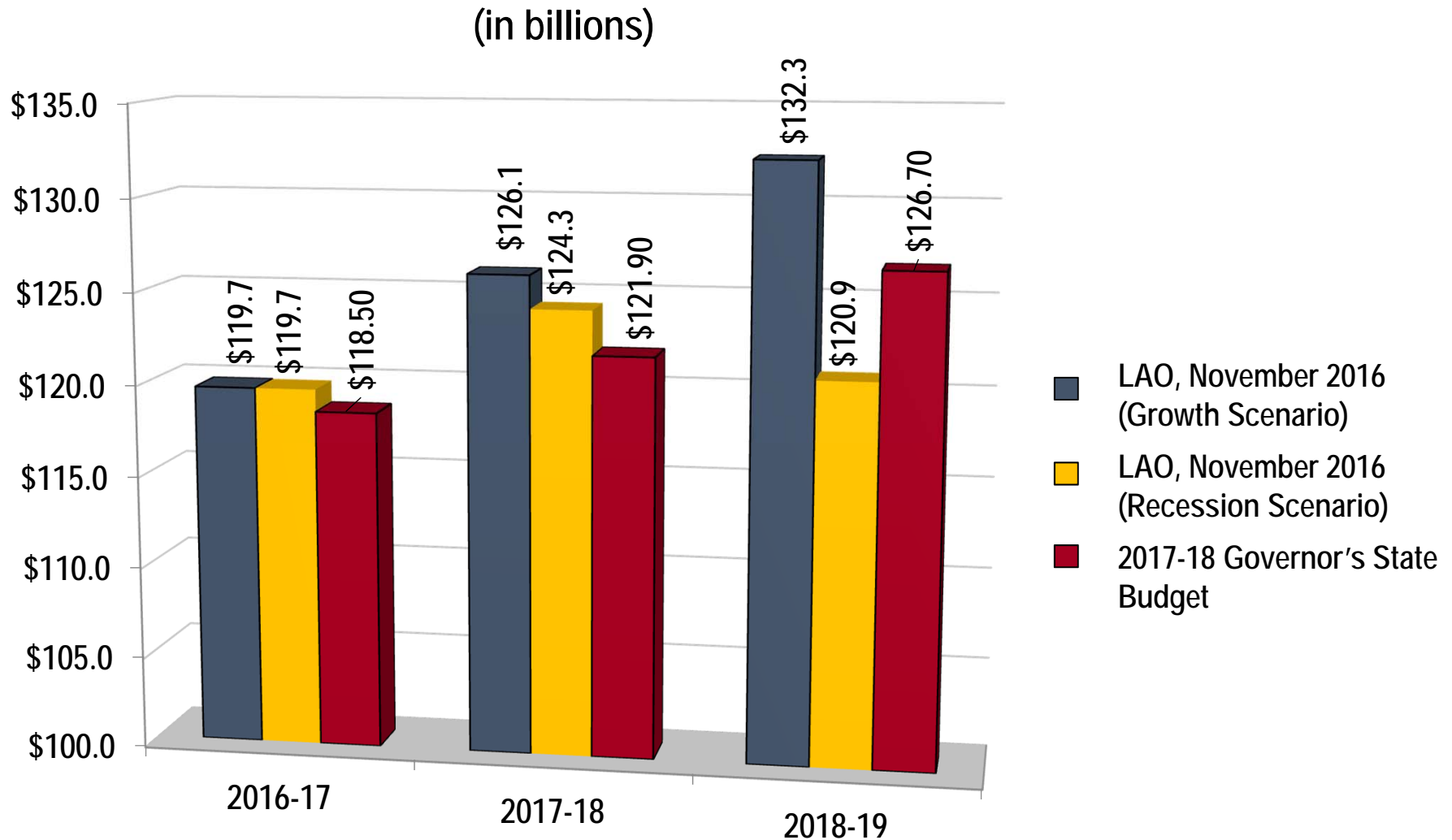


State Spending





Big Three Revenues – Personal Income Tax, Sales and Use Tax, and Corporation Tax



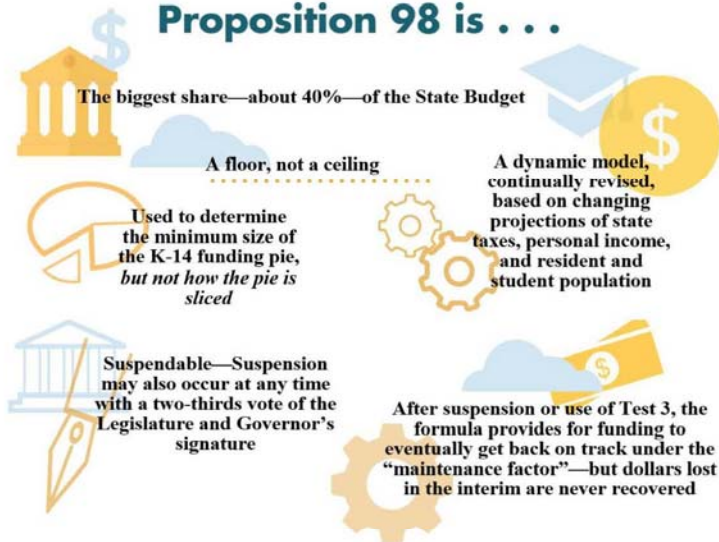


The Education Budget and Challenges Ahead

Proposition 98 Crib Sheet

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Proposition 98 is . . .



"The Tests"

Test 1 "A Fair Share of State Revenue"

Test 1 guarantees Proposition 98's share of state General Fund expenditures never fall below a minimum percentage of state revenues

Test 2

"Business as Usual"

California schools do as well as California residents. The annual change equals the average annual percentage change in the income of Californians (Per Capita Personal Income—PCPI) plus the change in average daily attendance (ADA)

Test 3

"Sharing the Pain"

When state tax revenues grow more slowly than personal income, the Proposition 98 minimum funding level changes by the percentage increase, or decrease, in state General Fund revenues plus 1/2% and the change in ADA

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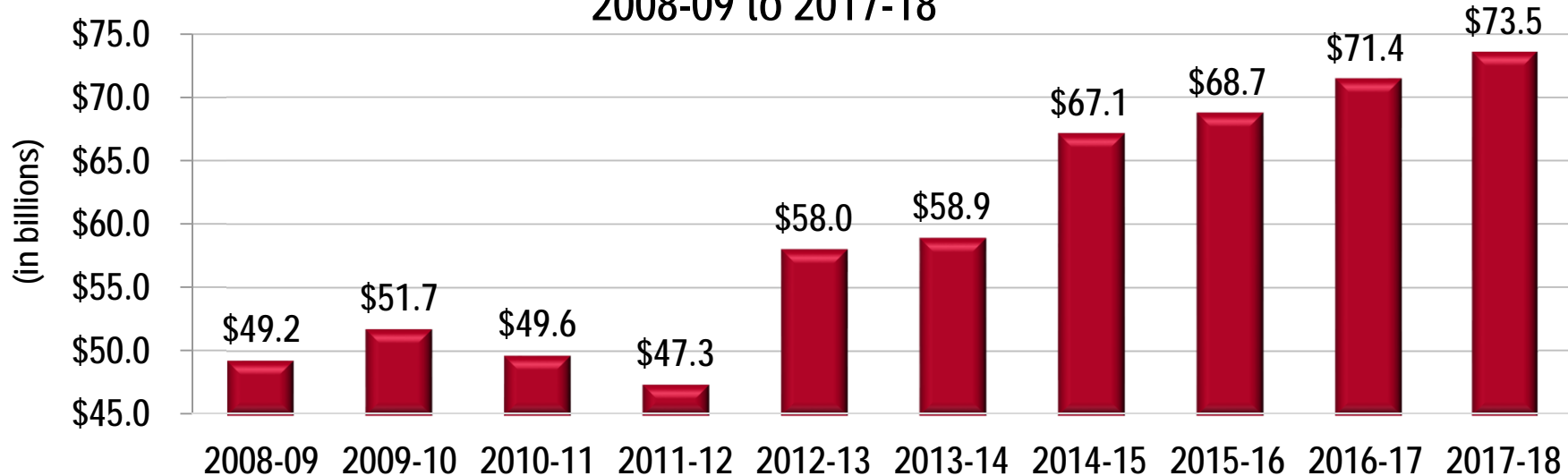
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Proposition 98

- 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

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



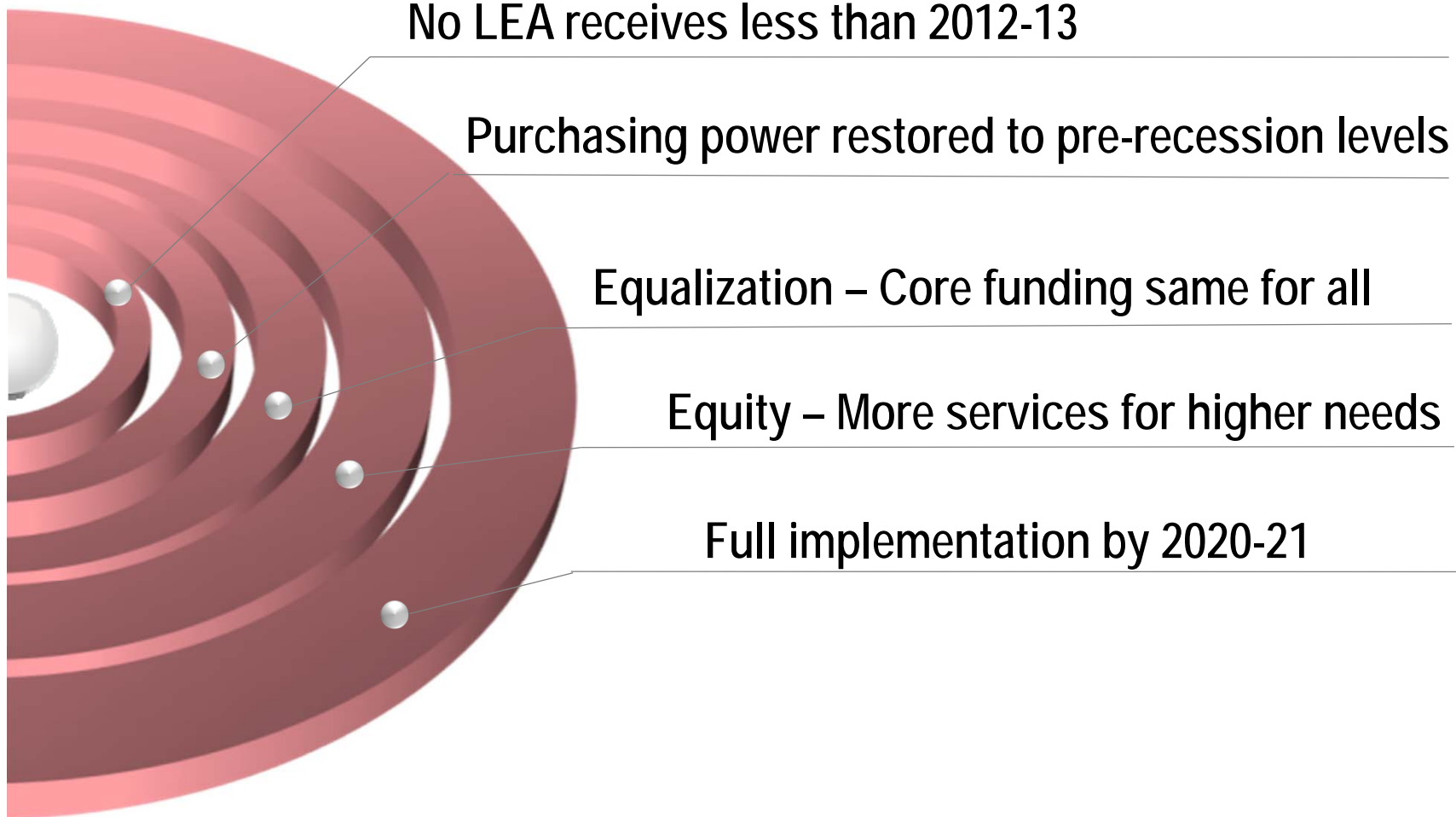


Transition from Proposition 30 to Proposition 55

- Proposition 55 extends the temporary personal income tax increase first enacted by Proposition 30
- While the higher tax rates for high-income earners will be extended for an additional 12 years (through 2030), the sales tax increase expired at the end of 2016
 - However, the Department of Finance (DOF) forecast of General Fund revenues for the 2016-17 Budget Act assumed expiration of both taxes
 - The passage of Proposition 55, therefore, has resulted in higher projected state revenues commencing in 2018-19
 - Any revenue boost will be realized in the second half of the year, with the full effects experienced in 2019-20



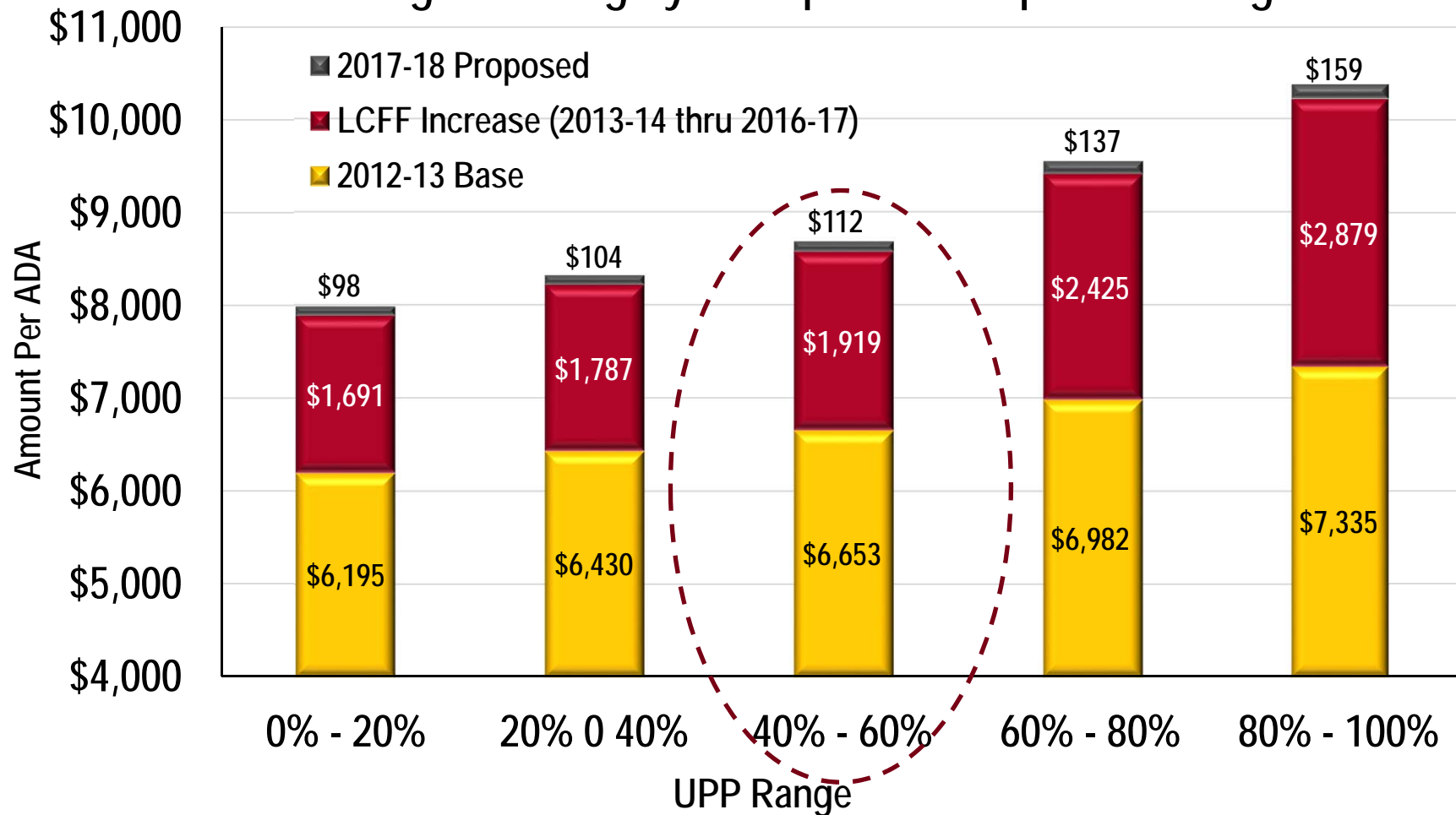
Goals of the LCFF and Its Implementation





Transitioning to Full Funding of LCFF Entitlements

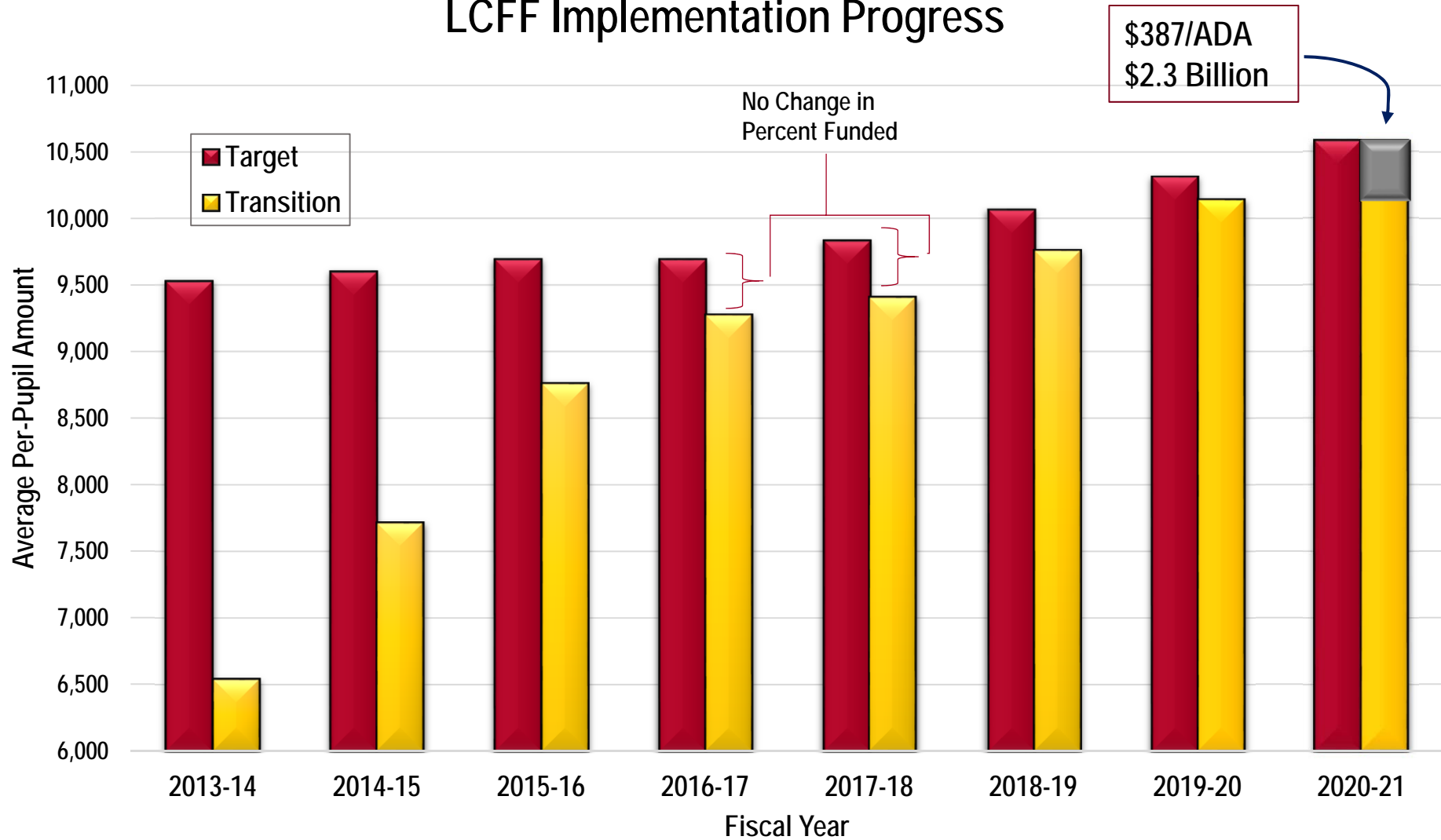
Average Funding by Unduplicated Pupil Percentage





What's Ahead for LCFF

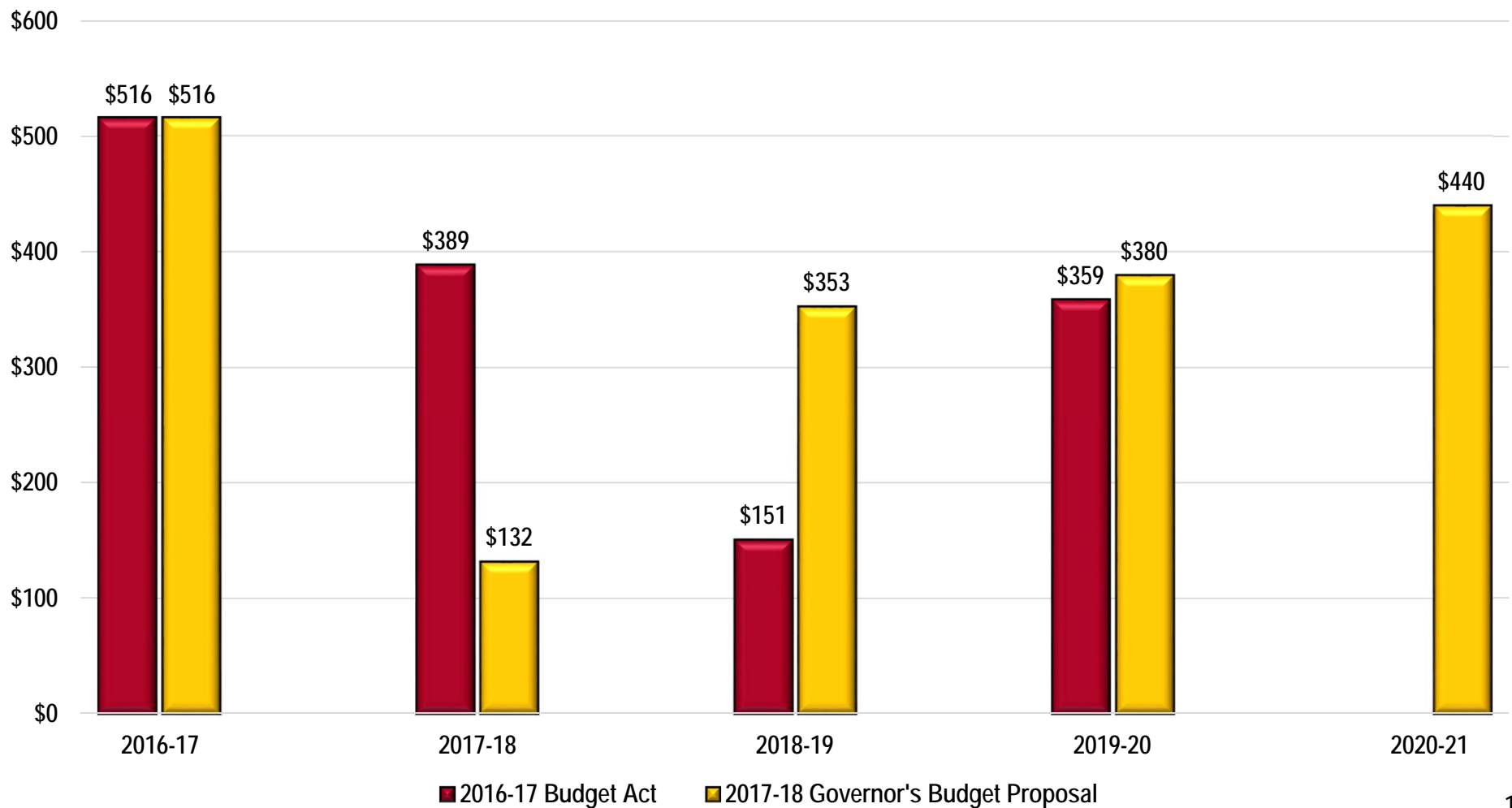
LCFF Implementation Progress





Department of Finance Forecasts

Average Gap Closure Funding Per Pupil





Sources of One-Time Funding

- The Administration has consistently provided one-time funding to repay outstanding mandates, and 2017-18 is no different
- One-time funding comes to fruition for two reasons
 - Administration under projected revenues in a prior year
 - Administration does not want to commit all current-year Proposition 98 requirements to ongoing commitments
- 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

Local Agency Operations and the Budget





Revenue vs. Cost

- Ongoing revenues rise by only 1.48% for 2017-18
- New revenues will not cover new costs
 - And it gets worse in the out years
- Declining enrollment also results in revenue losses
- There is no new “targeted money” for gap closure in 2017-18
- Costs continue to rise
 - Step and column
 - Health and welfare
 - CalPERS/CalSTRS contributions
- Increases to ongoing costs for most districts are likely to exceed 4%
- Bottom line, most districts will have difficulty sustaining commitments made in prior years in the face of lower state revenue projections



CalPERS Rate Increases

- On December 21, 2016, the CalPERS Board approved a 0.5% reduction in its investment return assumption, from 7.5% to 7.0%
- The assumed return on investments will be lowered over the next three fiscal years
- Estimates of the resulting future contribution rate increases for school employers, which reflect the reduction in the investment return rate, are as follows:

Actual			Projected				
2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
11.771%	11.847%	13.888%	15.8%*	18.7%*	21.6%*	24.9%*	26.4%*

*CalPERS provided revised estimates, January 2016

- Despite the increases in contributions the unfunded liability continues to grow



CalSTRS Rate Increases

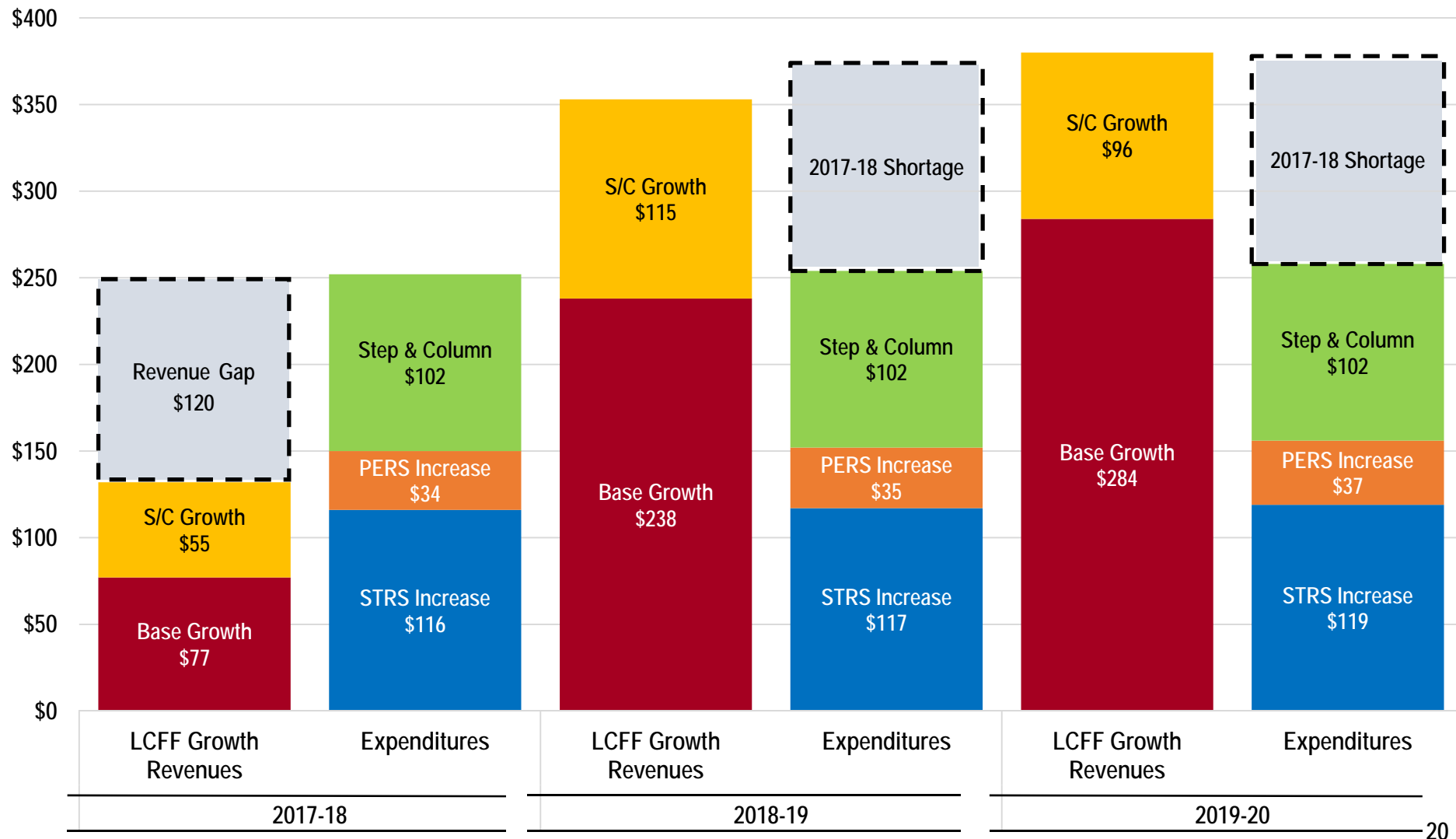
- Employer rates are increasing to 14.43% in 2017-18, up from 12.58% in 2016-17
 - No specific funds are provided for this cost increase
- Under current law, once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer contribution rate

CalSTRS Rates

2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
8.88%	10.73%	12.58%	14.43%	14.43%	16.28%	19.10%



Estimated Per-ADA Revenues vs. Expenses



Next Steps

- State Level

- Budget Committee Hearings
- Next Update – May Revision

- At VUSD

- Second Interim Report due by March 16
- Continue LCAP Review
- Begin 2017-18 Budget Development

