

# 2017-18 Budget Insights

For CSBA Business Partners  
and Business Affiliates

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# Presenters

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# Budget Bills 2017-2018

- AB 97 Main Budget Bill
- AB 99 Education Omnibus
- SB 85 Education (career tech)
- SB 90 Collective bargaining
- No Vetoes – The deal was done!

# Governor's January Budget

- Cautioned 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
- Relied on budget gimmicks to reduce the “over appropriation” of Prop 98

**Governor's May Revision stressed the same!**

# May Assumptions Adopted

But things are a bit better for education so...

- \$74.6 billion for schools in 2017-18
- \$661 million more for LCFF = 97% fully funded
- No pause on child care rates or slots
- No deferral or past year manipulations
- Slight COLA increase: 1.48% to 1.56% for remaining categoricals
- A little more money for ADA growth
- One-time funds

# LCFF Grant Targets

- Entitlement Target = Base Grant + (GSAs) + Supplemental Grant + Concentration Grant + Add-ons
- Base Grant per ADA (with 1.56% COLA)
  - K-3 = \$7,193 (up \$110)      7-8 = \$7,518 (up \$115)
  - 4-6 = \$7,301 (up \$112)      9-12 = \$8,712 (up \$134)
- Grade Span Adjustments – 10.4% (\$748; up \$11) per K-3 ADA; 2.6% (\$227; up \$4) 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

# May Gimmick Approved

- Suspend Prop 98 Test 3B Supplemental Appropriation for fiscal years 2018-19 through 2020-21
- Test 3B mechanism ensures that school funding grows at the same rate as the rest of the budget in years when economic growth is slower.
  - Payments not made are added to Maintenance Factor
  - Creates a contingency fund to protect against “over-appropriations”
  - Est. cuts \$850 million over 3 years

# One-time Dollars

- Rejected May proposal to withhold funds until **2019** as contingency fund
- \$877 million one-time funds available to districts in late 2018 for any purpose – approx. \$147 per ADA
- Buys down outstanding mandate payments due



# Other added items

- Curriculum development funded *\$1 million* -progress for computer science standards, ethnic studies curriculum, visual/performing arts standards & world language frameworks
- \$5 million for professional development on new History/Social Science curriculum
- 1-year encumbrance extension on Prop 39 energy efficiency funds
- County Office LCFF oversight reimbursement *\$7 million* for some COE's

# Prop 51 Facilities Bond

- Approved by voters in November
- Contains \$3 billion each for new construction and modernization
- Budget changes regulations and audit guide before releasing funds
- “Intends” to get the money out under current program this fall

# May Items - Unchanged

- Final year of CTE incentive grants funded
- Trailer bill language using Title II state withhold funds on teacher/principal development \$252 million – folding into ESSA State Plan
- Apply COLA to Charter School Facilities Grants to raise rate from \$7.50 to \$12.36 per ADA

# Mandate Block Grant

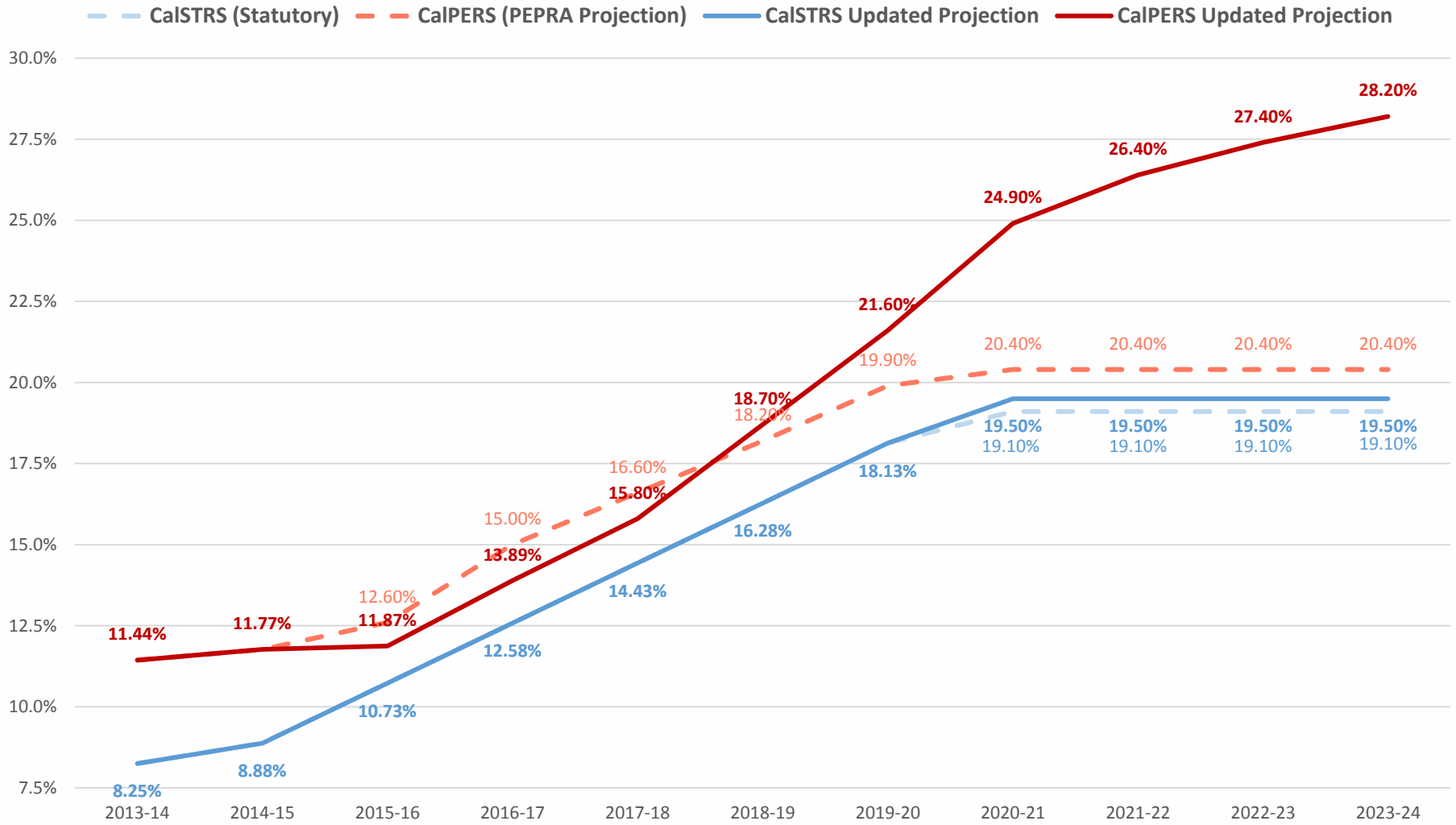
- \$230 million for Mandate Block Grant (MBG)
- \$8.5 million increase to add Training for School Employee Mandated Reporters program into the block grant
- Adds CAASPP mandate without additional funds
- Rates:
  - COEs and School Districts – Approx. \$30.34 per K-8 ADA and \$58.25 per 9-12 ADA
  - COEs – additional \$1.02 per countywide ADA
  - Charter Schools – \$15.90 per K-8 ADA and \$44.04 per 9-12 ADA
- Maintain MBG compliance records
- Still file claims for programs outside of grant

# Issues Outstanding

## CalPERS/CalSTRS

- CalPERS employer contribution rate to increase 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 Pension 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.

# Questions?





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