SAN LEANDRO UNIFIED SCHOOL DISTRICT

2017-18 GOVERNOR'S JANUARY BUDGET PROPOSAL

Kevin Collins, Ed.D.
Assistant Superintendent

February 7, 2017

1

2017-18 Budget Overview

- Items to cover:
  - State Budget Overview
  - Proposition 98
  - Federal Issues
  - CalSTRS and CalPRS Increases
  - Next Steps

2

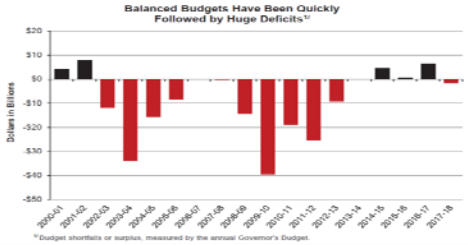
2017-18 Governor's Budget Proposal

- Governor noted that state's tax revenues are below expected levels
- Governor very focused on protecting the state from a future recession
- Governor has resisted calls for new programs and continues to put money into state's rainy day fund

3

2017-18 Governor's Budget

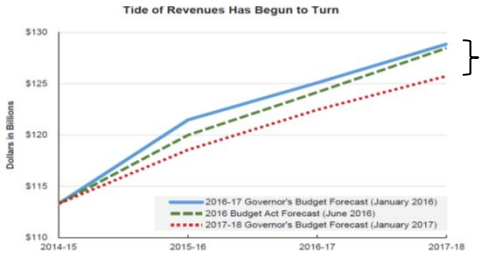
- Governor concerned with future budgets



4

2017-18 Governor's Budget

- State tax revenue projections have declined



5

2017-18 Governor's Budget

- 2017-18 budget includes Cost of Living Adjustment (COLA) of 1.48%
- Does not include any additional funding for closing Local Control Funding Formula gap (remains at 96%)
- Includes one time funding of about $48 per student
- COLA applied to other categorical programs such as special education and child nutrition

6

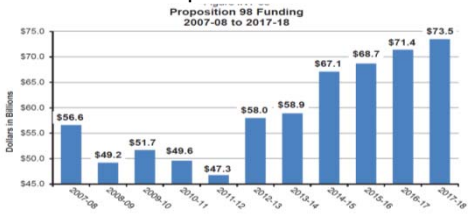
Proposition 98

- Proposition 98 was passed by voters in1988
- Gives K-14 education a "minimum guarantee" of funding – approx 40% of state general fund
- Guarantee has come to be viewed as "*maximum guarantee*"
- Governor states that the current budget "*proposes a combination of adjustments designed to fund the minimum guarantee amount—but not overappropriate the guarantee*"

7

Proposition 98

- Prop 98 Guarantee has seen large growth in past few years
- 2017-18 Budget includes deferral of 2016-17 revenue of $859 million



8

Proposition 98

LCFF Gap Closure Estimates

(Billions of dollars)

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Transition Funding	$2.087	$4.722	$5.994	$2.942	$.744	$1.904	$2.022	$2.294
Gap Closure	12.02%	29.99%	51.97%	55.28%	23.67%	53.85%	68.94%	100%
COLA	1.57%	0.85%	1.02%	0.00%	1.48%	2.40%	2.53%	2.66%
Percent of Target Funded	72%	80%	90%	90%	90%	97%*	98%* *estimated	100%

- $744 million in LCFF revenue is less than increases in PERS and STRS employer increases next year
- On state-wide basis, all new ongoing money going to pension costs

9

Proposition 98

- Since budget adoption in June 2016, state passed Prop 55 tax extension – now included in DOF forecast
- Governor's out year declines are greater than Prop 55 additions
- Net result: January Budget shows anticipated LCFF increases are lower than were projected in June 2016

10

Impact of Governor's Budget

- Based on previous forecast, SLUSD had prepared for up to $2 million in cuts for 2017-18
- If enacted, Governor's budget forecast would bring $1.5 million fewer dollars to district next year
- Brings total potential cuts to $3.5 million for 2017-18

11

Impact of Governor's Budget

- Non-partisan Legislative Analyst's Office (LAO) believes Governor is being too conservative, and revenue forecasts are too low
- However, December tax receipts were $2 billion below budget

12

Federal Issues

- Federal revenue constitutes about 4% of SLUSD General Fund
- Anticipating federal tax cuts, taxpayers could delay taking capital gains and thereby delay state income tax collections
  - Capital Gains make up a significant portion of total state revenue
- State currently receives $20.5 billion in annual funding for Medi-Cal expansion and exchange subsidies

13

STRS and PERS Increases

- Based on current increases:
  - SLUSD will pay about $1.1 million more for PERS and STRS contributions in 2017-18
- CalPERS announced it will lower its rate of return from 7.5% to 7.0%
  - This change will result in increased employer rates beginning in 2018-19
  - 2018-19: 17.70% goes to 18.70%
  - Rate then increases to 28.2% in 2023-24 (about 7% higher than current estimates)
  - Additional increase of about $1 million annually based on current payroll

14

STRS and PERS Increases

- CalSTRS is also lowering the assumed rate of return from 7.5% to 7.25%, and making changes to demographic assumptions
  - Rate of return would result in additional increase to district contribution
  - 2022-23: 19.1% goes to 20.25%
  - Additional $600,000 based on current payroll
  - New members (2% at 62) would also have to pay additional 0.5% to STRS

15

Next Steps

- District is beginning to develop 2017-18 budget based on Governor's estimates
- Governor will release May Revise that will reflect several additional months of tax revenue
- Ultimately, Governor and Legislature will negotiate final amounts to be included in budget to be adopted in June

16

Next Steps

- Even if 2017-18 budget improves, we will not see large amounts of new money coming to education
- Based on historical cycles, recession is likely over next several years
- Parcel tax expires in June 2018 – multi-year projection assumes it is not renewed

17

Questions or Comments?

18