# 2019-20 Governor's January Budget Proposal

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# January Budget Proposal Overview

- 2019-20 Budget Cycle
- New Governor, New Priorities?
- Economic Forecast
- K-12 Budget Proposals
- Impacts on SLUSD
- Questions?

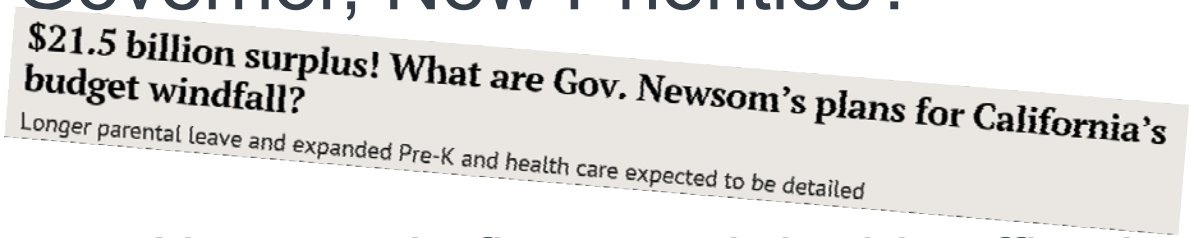
# 2019-20 Budget Cycle

| | |
|---|---|
| › January 2019 | Governor's Budget Proposal |
| › January - May 2019 | District LCAP Development |
| › May 2019 | Governor's May Revise |
| › June 2019 | State Budget Adoption |
| | District Budget and LCAP Adoption |
| › July 1, 2019 | Start of Fiscal Year |

# New Governor, New Priorities?

- Jerry Brown served as governor 1975-1983 and 2011-2019
  - Governor Brown was fiscally conservative (careful)
  - Not afraid to take on big challenges – changing school finance and accountability systems
  - Governor Brown pulled education out from depths of economic recession and oversaw restoration of funding
  - Made progress in addressing “Wall of Debt” – but a lot of debt remains
  - Left multi-billion dollar “rainy day fund” which will help cushion any future economic slowdown

# New Governor, New Priorities?

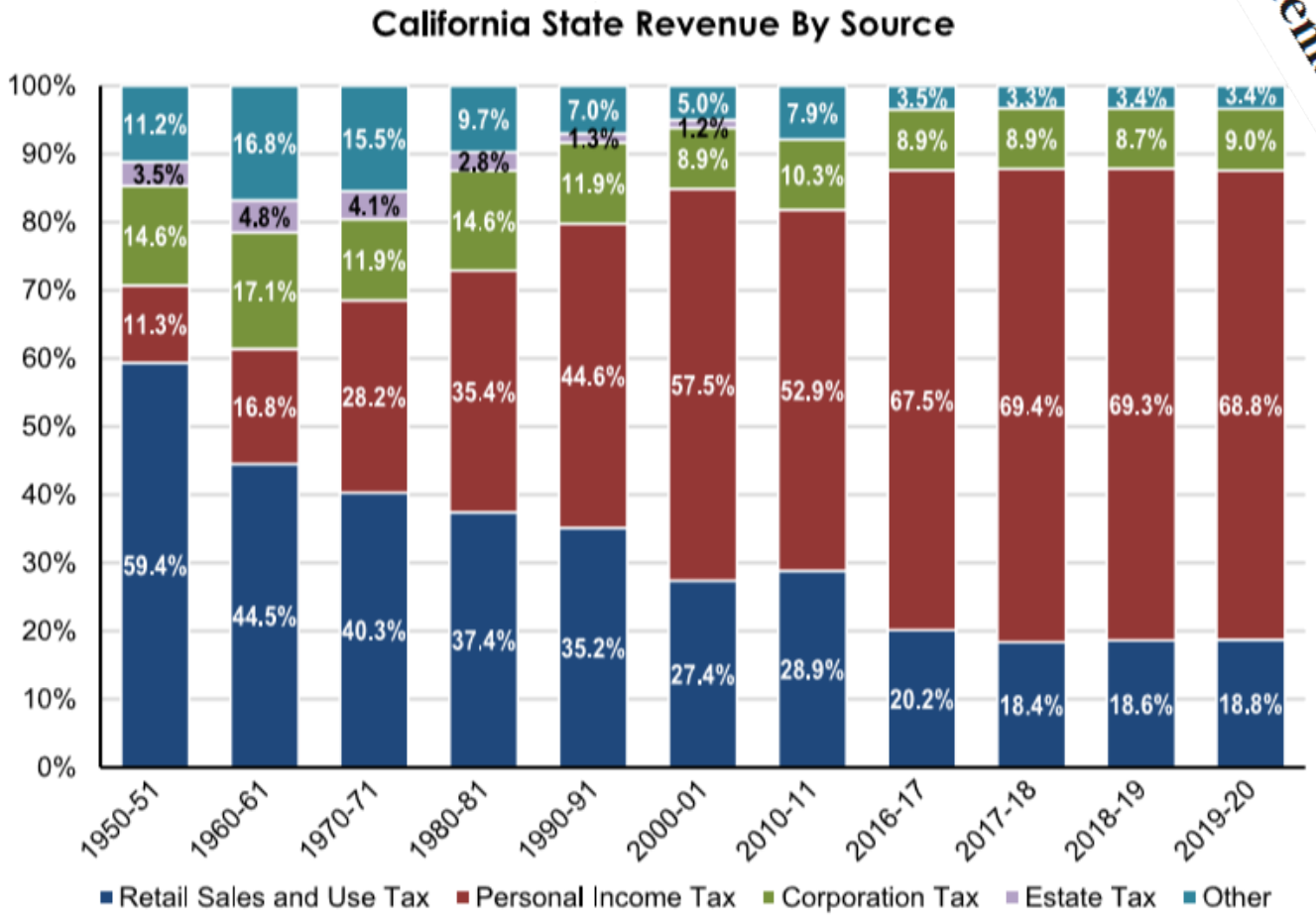


**$21.5 billion surplus! What are Gov. Newsom's plans for California's budget windfall?**

Longer parental leave and expanded Pre-K and health care expected to be detailed

- Governor Newsom in first month in this office is still becoming familiar with details of state budget
  - First budget proposal is a bit better than originally thought
  - Strong focus on early childhood education – no surprise
  - We still need more details to fully understand some proposals
  - Newsom benefits from his party having "super majority" in both houses of the legislature
  - Has indicated he wants to take on redesign of California tax system

# Governor's Budget Priorities




THE SACRAMENTO BEE

**Gavin Newsom wants to redesign California's tax system. It's so hard, Jerry Brown didn't try**

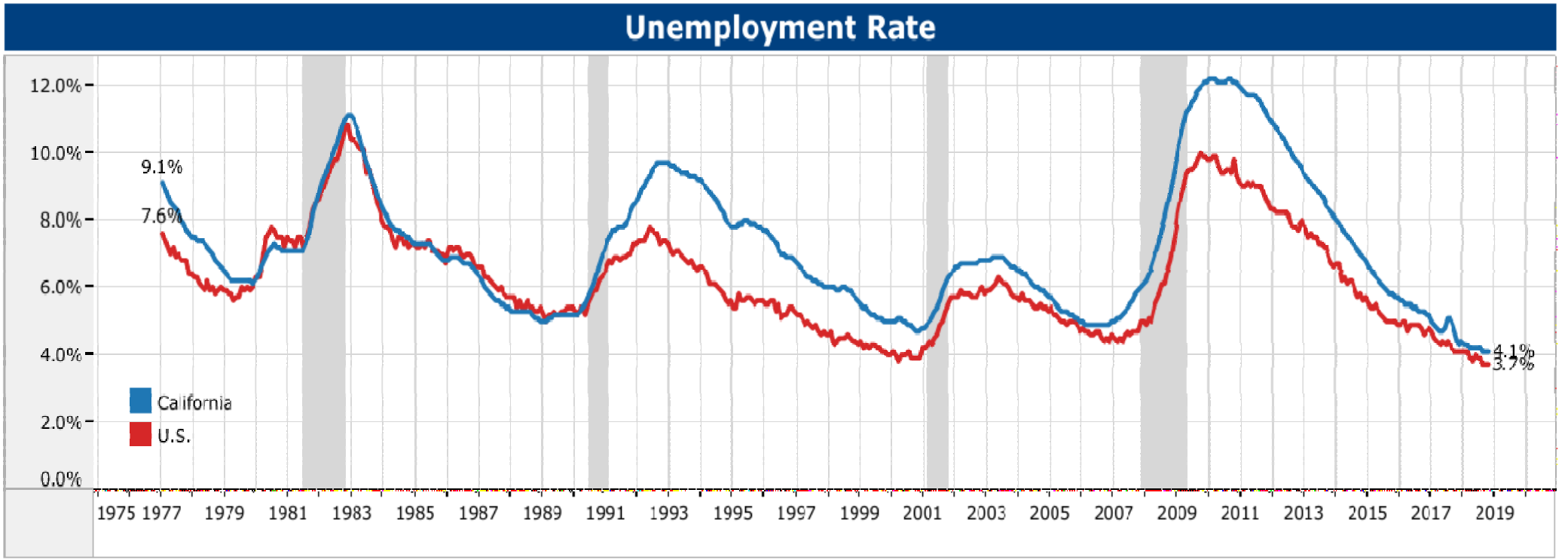
# Economic Forecast

- UCLA economists forecast a “3-2-1” economy
  - 3% GDP growth in 2018
  - 2% GDP growth in 2019
  - 1% GDP growth in 2020
- However, as the economy slows, the chances of a recession increase
  - One-sixth chance of a recession in 2019
  - One-third chance of a recession in 2020

# Economic Forecast – Dow Jones Average 2018



# Economic Forecast



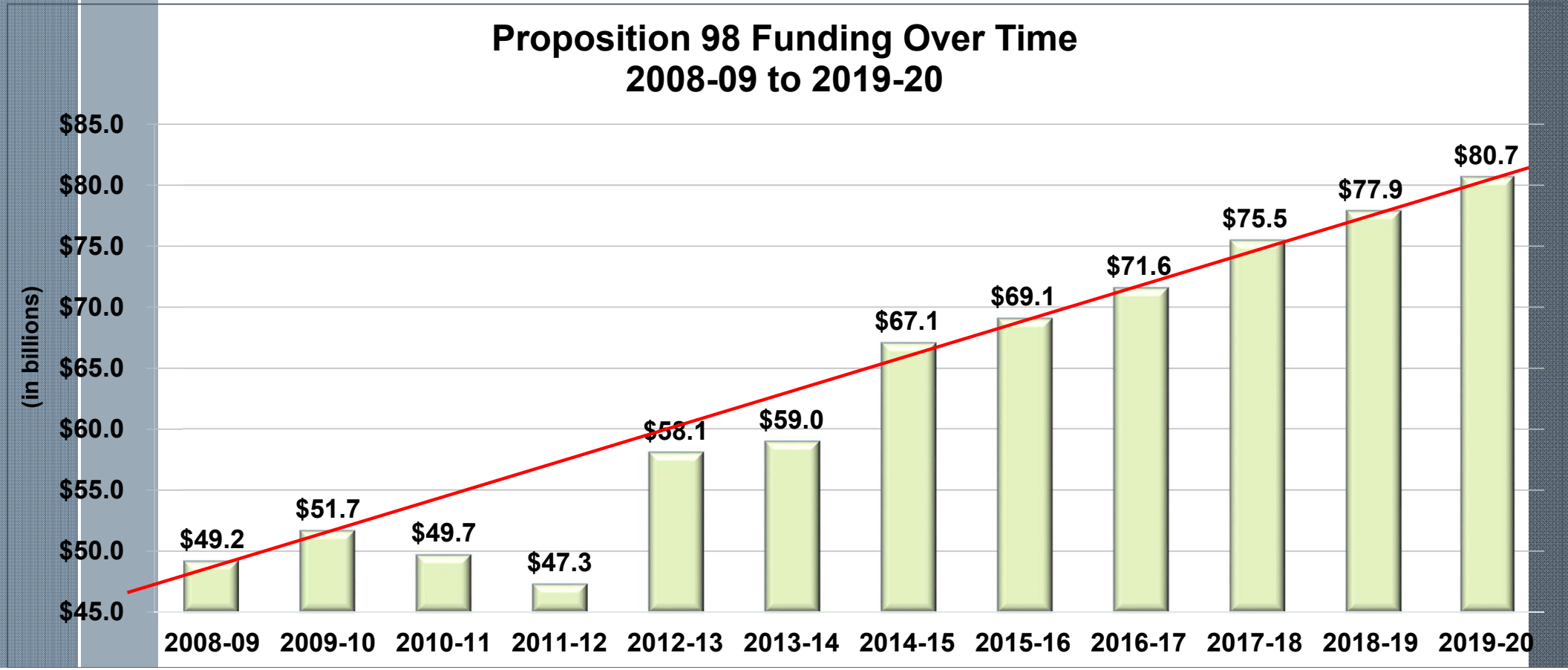
# K-12 Education Budget

- Governor Newsom's budget proposal includes:
  - No one-time funding included in K-12 budget proposal
  - 3.46% Cost of Living Adjustment (COLA) for 2019-20
  - $3 Billion to CalSTRS to lower increase of district contribution rates
  - $576 Million to Special Education – not clear how this will be implemented – need more details from state

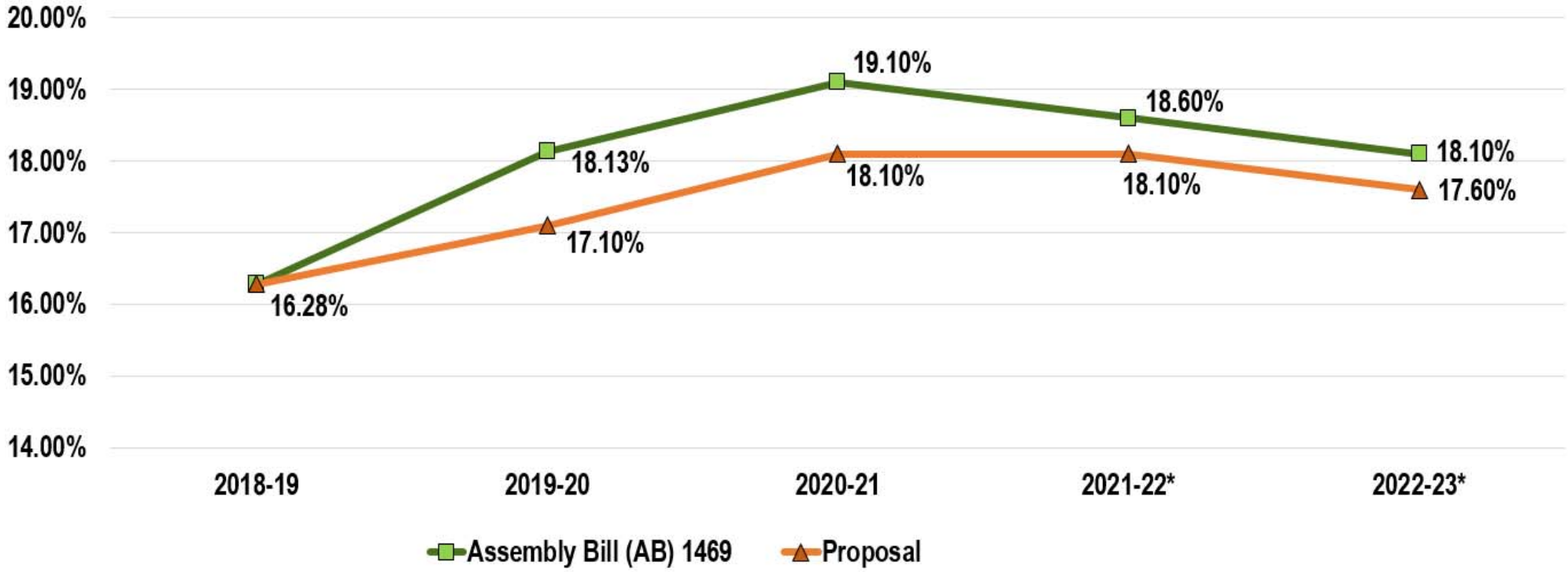
# K-12 Education Budget – One-Time Funding

- During the last four years of the economic recovery, school districts have experienced major upward revisions of the current-year Proposition 98 guarantee, providing huge one-time discretionary grants in the following year
  - 2018-19: $1.1 billion or $184 per ADA
  - 2017-18: $877 million or $147 per ADA
  - 2016-17: $1.3 billion or $214 per ADA
  - 2015-16: $3.2 billion or $530 per ADA
- In contrast, the Governor's Budget indicates that Proposition 98 has been revised downward in the current year and therefore no discretionary grant funding is proposed for 2019-20
  - Nor does Governor Newsom use other one-time funds for discretionary grant funding

# K-12 Education Budget – Prop 98 Funding



# K-12 Education Budget - $3 Billion to CalSTRS




*Beginning in 2021-22, the CalSTRS Board has authority to increase/decrease the employer contribution rate (with some restrictions) to fully fund the unfunded liability by 2046

# 2019-20 Budget Summary

- Measure I parcel tax will help district budget
  - Approximately $750,000 per year – or about 0.7% of budget
- Federal funds are expected to be flat next year – could be seen as good news
- Our most recent budget projection included one million dollars in cuts for 2020-21 to maintain required 3% reserves
- Governor Newsom will be issuing Prop 51 bonds – district is eligible and will apply to offset portable replacement costs

# 2019-20 Budget Summary

- SLUSD – SLTA Contract includes K-3 class size language that gradually brings classes to 24 to 1 in 2020-21.
- Early estimates indicate district may need to add up to nine K-3 teachers and specialists depending on enrollment projections and patterns.

# LCAP Budget Review

› Questions or Comments?