

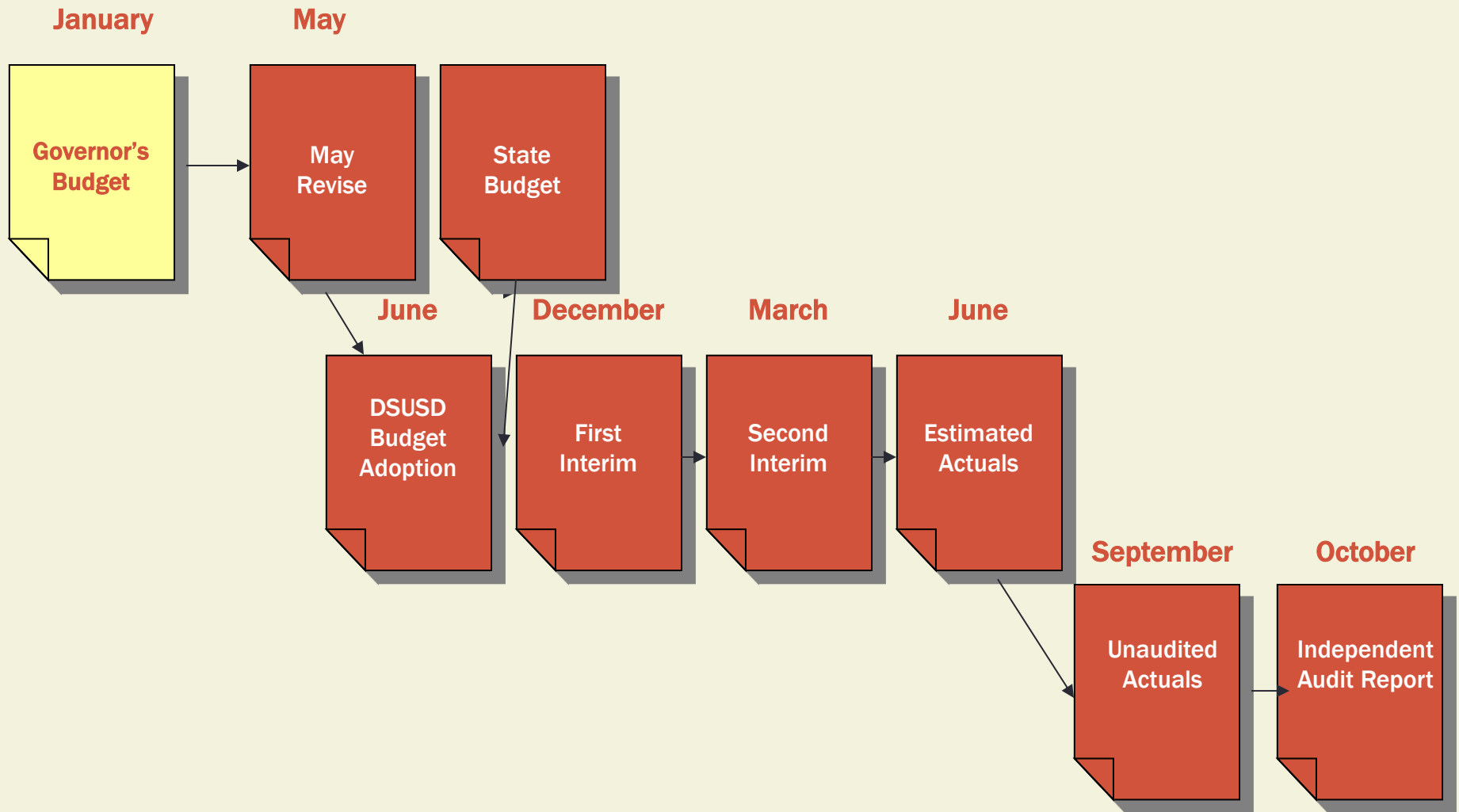


GOVERNOR'S BUDGET PROPOSAL FOR CALIFORNIA FISCAL YEAR 2017-18

Board Meeting
February 7, 2017

BUDGETING AND FINANCIAL REPORTING

A TWO-YEAR PROCESS

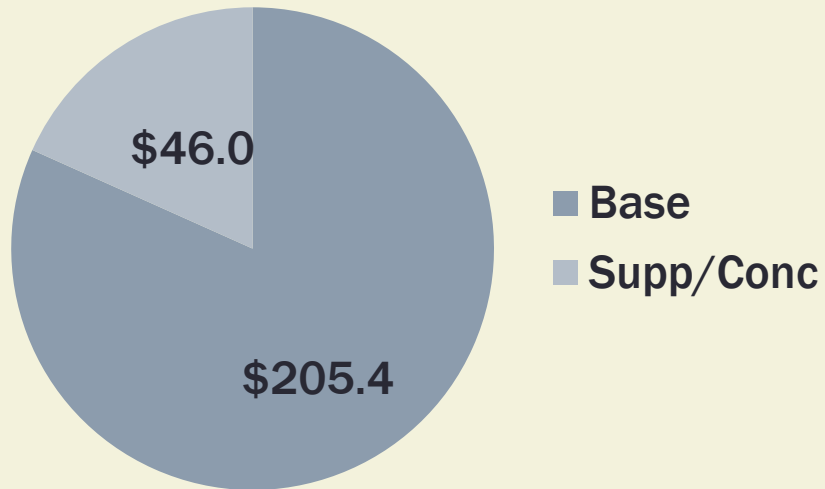


SUMMARY OF MOST SIGNIFICANT K-12 BUDGET PROPOSALS

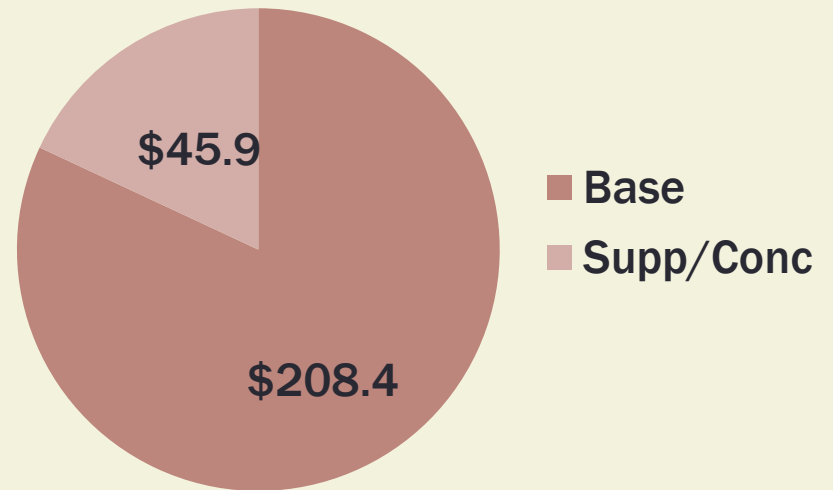
- **Local Control Funding Formula (LCFF)**
- **Deferrals**
- **One-Time Funds**
- **Special Education**

INCREASE IN TARGET LCFF

2016-17
\$251.4 Million



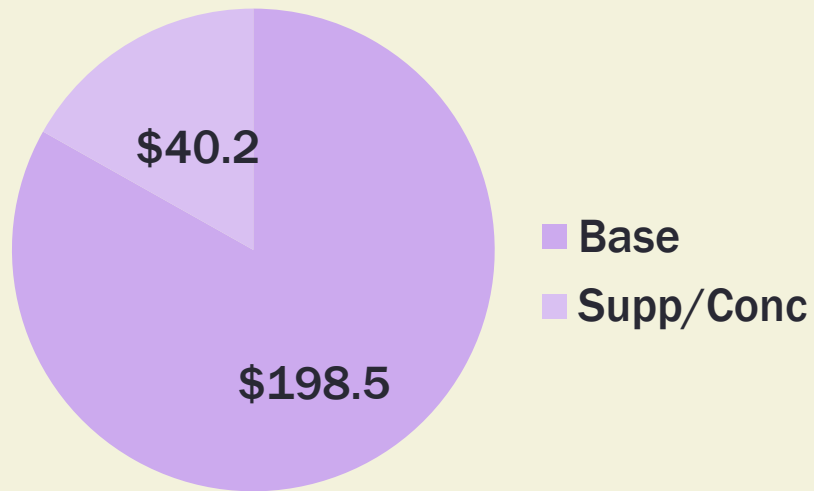
2017-18
\$254.3 Million



➤ COLA estimated to be
1.48%

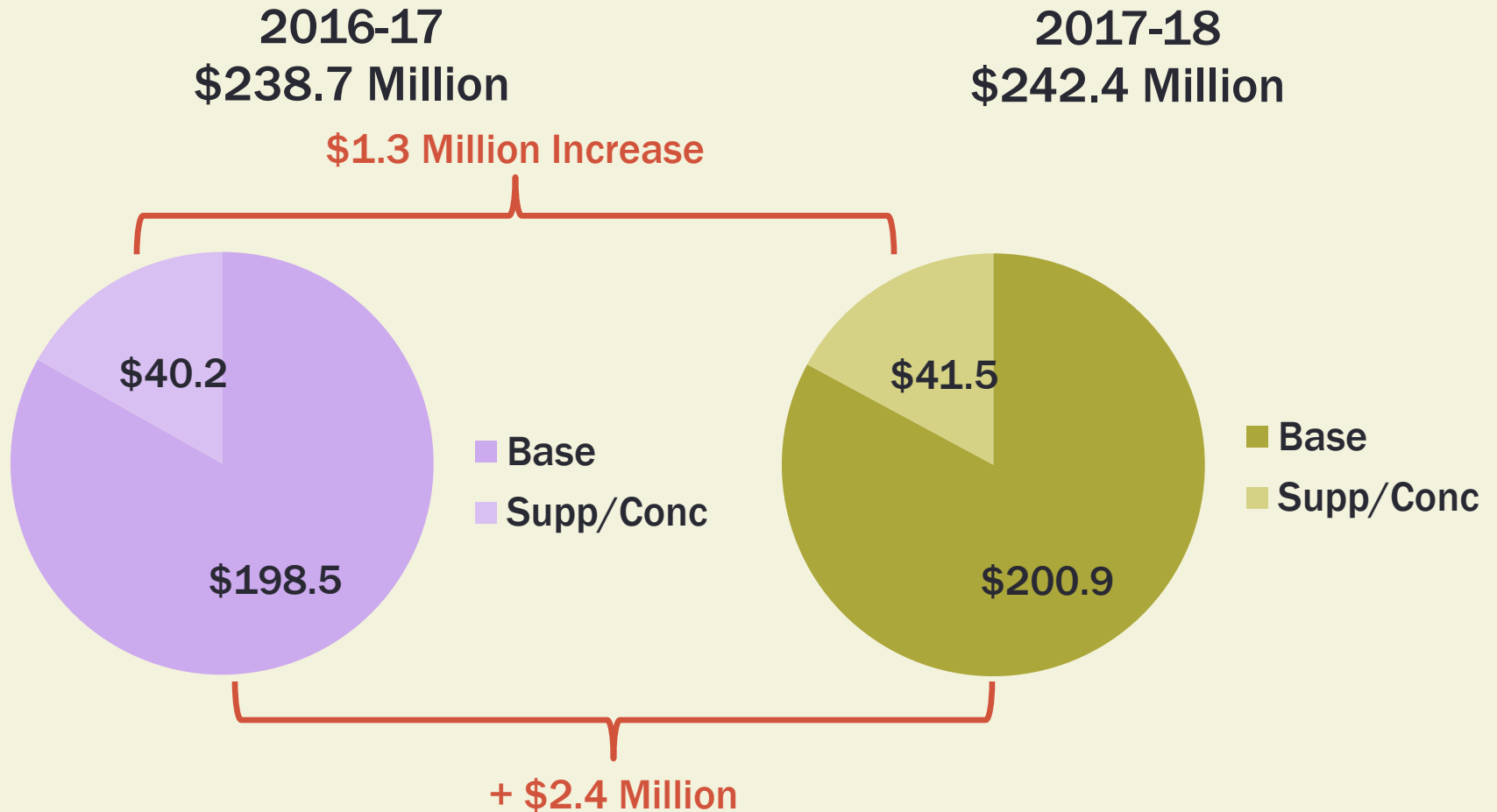
INCREASE IN FUNDED LCFF

2016-17
\$238.7 Million



**“Gap Funding”
provided, but
only to the
extent to fund a
1.48% COLA**

INCREASE IN FUNDED LCFF



INCREASES IN PENSION COST

CalPERS Employer Rate

Fiscal Year	Contribution Rate	Increase over previous year
2016-17	13.88%	2.00%
2017-18	15.80%	1.92%
2018-19	18.70%	2.90%
2019-20	21.60%	2.90%
2020-21	24.90%	3.30%
2021-22	26.40%	1.50%
2022-23	27.40%	1.00%
2023-24	28.20%	0.80%

CalSTRS Employer Rate

Fiscal Year	Contribution Rate	Increase over previous year
2016-17	12.58%	1.85%
2017-18	14.43%	1.85%
2018-19	16.28%	1.85%
2019-20	18.13%	1.85%
2020-21	19.10%	0.97%
2021-22	19.10%	-
2022-23	19.10%	-
2023-24	19.10%	-

INCREASES IN PENSION COST

CalPERS Employer Rate

Budgeted Classified Salaries	\$33,473,907
Increase in CalPERS Rates	x 1.92%
Increase in 2017-18 CalPERS Costs	\$642,700

CalSTRS Employer Rate

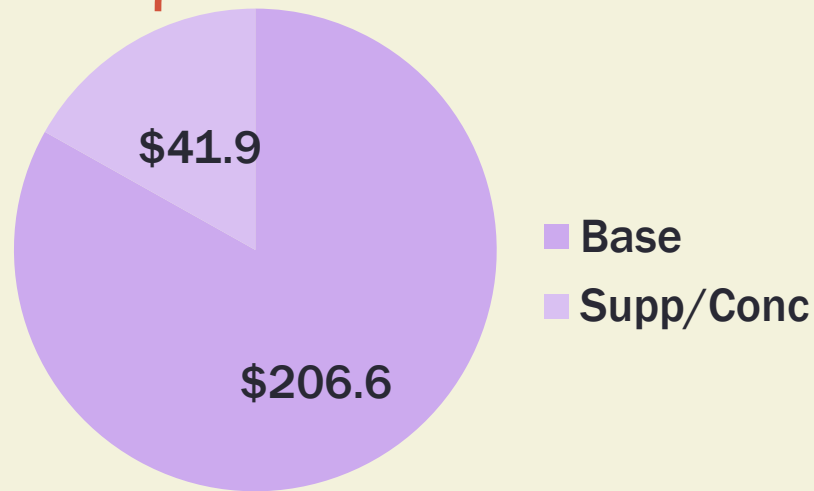
Budgeted Certificated Salaries	\$114,845,124
Increase in CalSTRS Rates	x 1.85%
Increase in 2017-18 CalSTRS Costs	\$2,124,635

Total Estimated Increase in Pension Costs

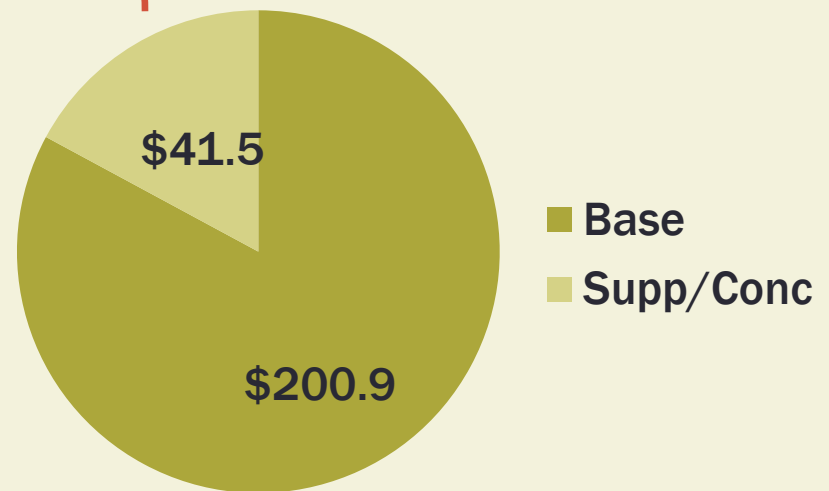
\$2,767,335

PROJECTED CHANGE IN FUNDED LCFF FROM FIRST INTERIM

2017-18
First Interim Projection
\$248.5 Million



2017-18
Governor's Budget Projection
\$242.4 Million



\$0.4 Million Decrease

\$5.7 Million Decrease

EFFECT OF GOVERNOR'S BUDGET ON ESTIMATED RESERVES

Projected 2017-18 General Fund Reserves – as of First Interim	\$14,397,033
Decrease in Projected LCFF Funding	\$5,749,194
Projected 2017-18 General Fund Reserves – Governor's Budget	\$8,647,839
Required 3% Reserve for Economic Uncertainties	\$9,563,196

DEFERRALS

- **Deferrals are back, but “temporary”**
- **As a result of a decrease in the 2016-17 Proposition 98 minimum guarantee, June 2017’s LCFF payment (\$859 million) is being deferred to July.**
- **DSUSD’s \$4 million June 2017 state payment will be added to the July 2017 state payment**

ONE-TIME INVESTMENTS

- One-Time Proposition 98 funding to further investments in “content standards implementation, technology, professional development, induction programs for beginning teachers, and deferred maintenance.”
- Total Statewide amount is \$287 million
 - Equates to approximately \$48 per ADA (\$1.2 million for DSUSD)

SPECIAL EDUCATION

- No additional funding beyond the 1.48% COLA.
- Proposal to change Special Education Funding Model:
 - Will engage stakeholders regarding the Public Policy Institute of California (PPIC) recommendations:
 - Fund LEAs directly as a part of LCFF.
 - Equalize special education funding.
 - Protect small districts and charter schools from extraordinary special education expenses.
 - Provide better support for local infant and preschool special education programs.

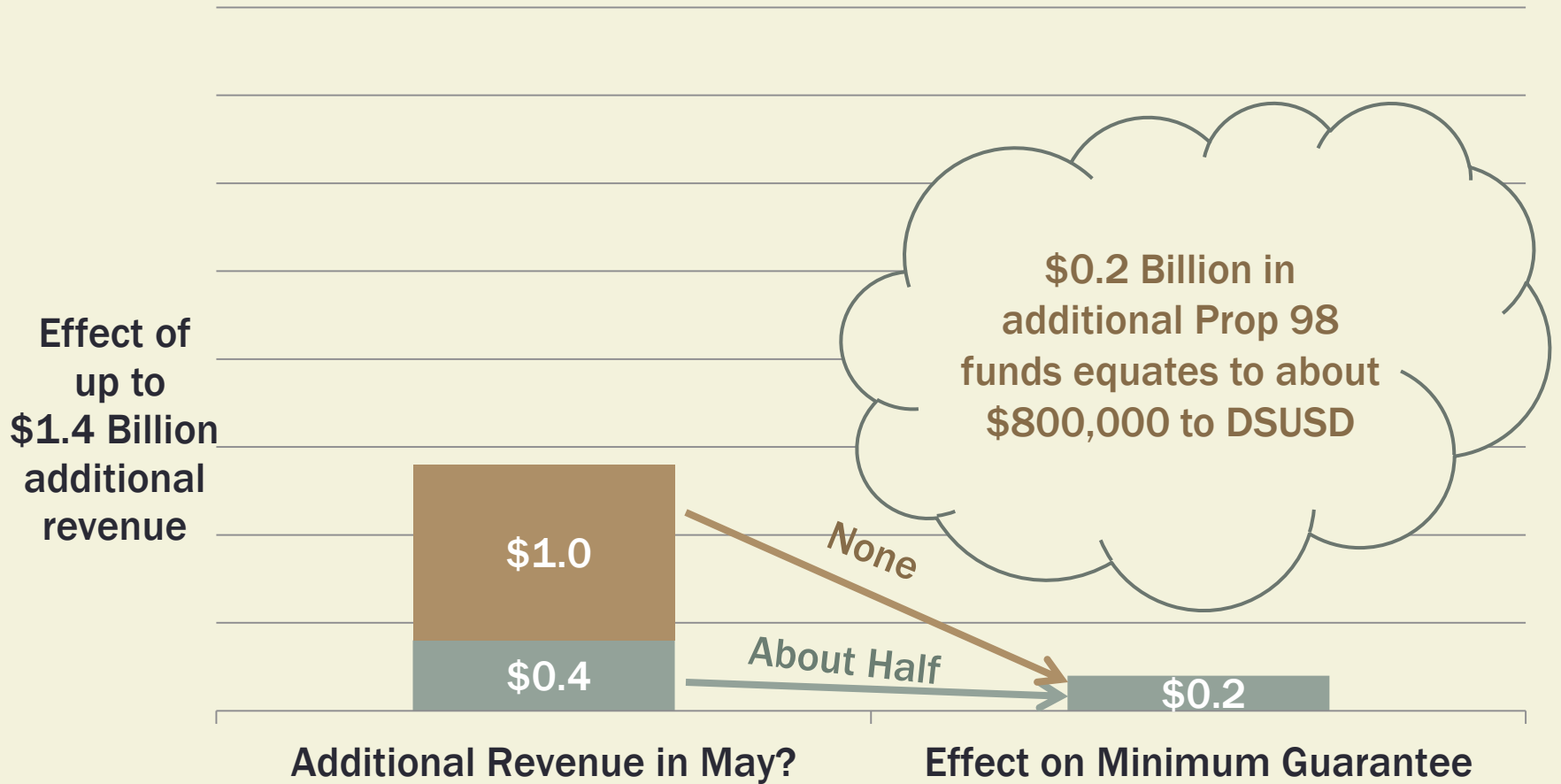
CAUTION FROM THE GOVERNOR

“This year’s budget will be the most difficult that we have faced since 2012. The surging tide of revenue increases that we enjoyed the past few years appears to have turned. Instead, we now face a budget deficit of \$2 billion.

While this amount pales in comparison to the \$27 billion deficit we faced in 2011, it demands our attention. Small deficits can quickly mushroom into large ones if not promptly eliminated.”

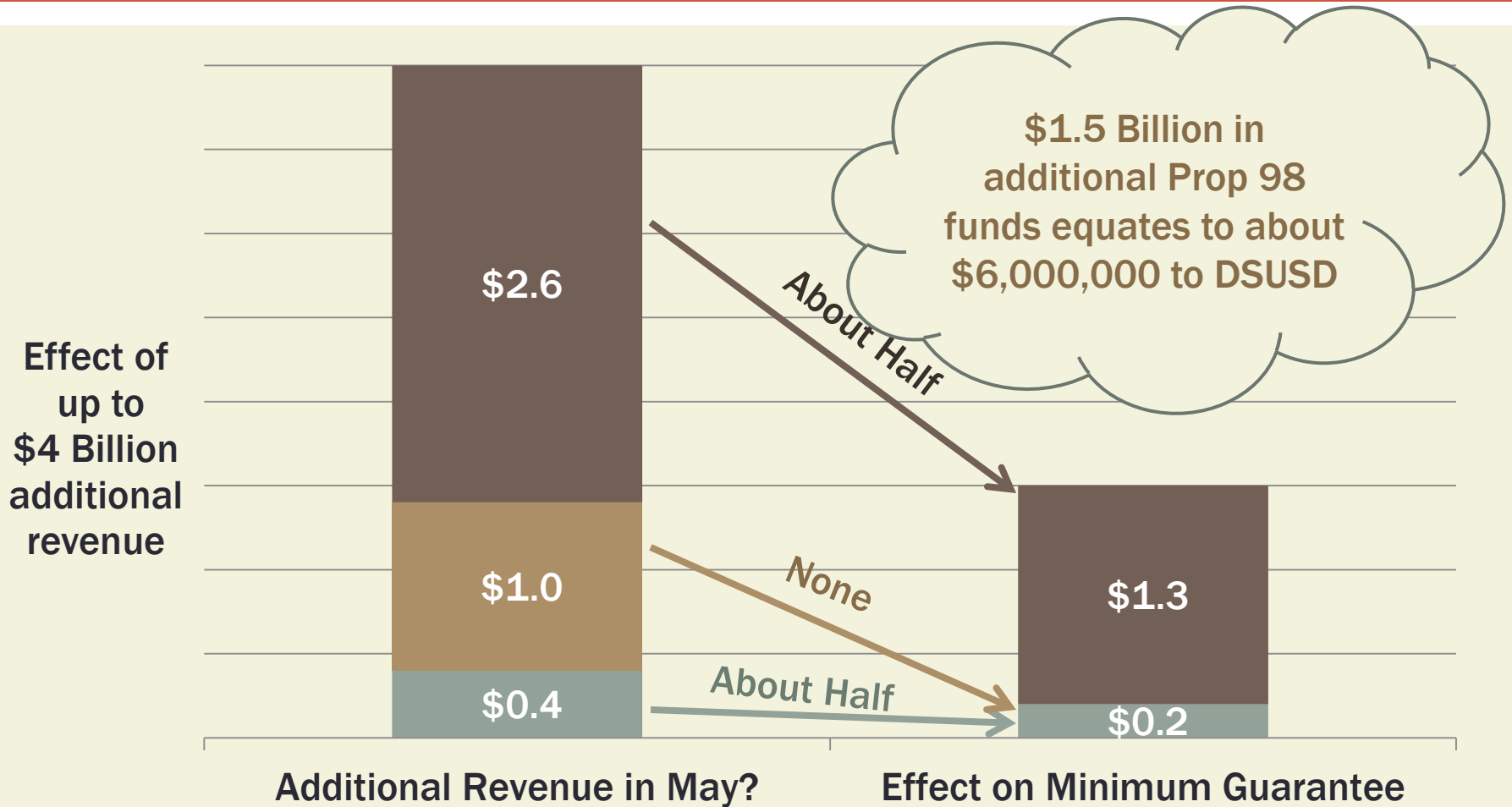
LEGISLATIVE ANALYST'S OFFICE

EFFECT OF CONSERVATIVE ESTIMATES



LEGISLATIVE ANALYST'S OFFICE

EFFECT OF CONSERVATIVE ESTIMATES



SUMMARY

- Lower state revenues = minimal additional funding for DSUSD.
- Additional funding doesn't cover required increased costs.
- Minimal increase in Supplemental and Concentration Costs.
- Unless additional revenues are provided at May Revise, we will need to make budget cuts to ensure we meet our required reserves.
- While this may be a conservative budget by Governor Brown, we shouldn't count on the May Revise being significantly better.

