

Evergreen School District

Board Meeting

February 12, 2015

Themes of the 2015-16 Governor's Budget

- Positive economic growth continues and fuels public education spending
- Proposition 98 continues to receive most of the new money
- Governor stays the course on the Local Control Funding Formula (LCFF) and the Local Control and Accountability Plan (LCAP)
- The Wall of Debt continues to come down and is replaced with the Rainy Day Fund
- The Governor's State Budget proposal provides more than \$1.1 billion in discretionary one-time Proposition 98 funds, including \$20 million for COEs
 - The allocation amounts to about \$180 per ADA for districts
- Overall, a very good State Budget for public education

2015-16 Local Control Funding Formula

- Budget proposes \$4 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 32.19%
- When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would cover almost 58% of the gap in just three years
- Individual district experiences will vary

2015-16 LCFF Funding Factors

- Cost-of-living adjustment (COLA): The K-12 COLA is 1.58% for 2015-16 and is applied to the LCFF base grants for each grade span

Grade Span	2014-15 Base Grant per ADA	1.58% COLA	2015-16 Base Grant per ADA
K-3	\$7,011	\$111	\$7,122
4-6	\$7,116	\$112	\$7,228
7-8	\$7,328	\$116	\$7,444

Target

2015-16 LCFF Funding Factors

- Grade span adjustment is applied as percentage increases against the adjusted base grants and also receives a 1.58% COLA in 2015-16
 - Grade K-3 – 10.4% increase for smaller average class enrollments

Grade Span	2015-16 Base Grant per ADA	Grade Span Adjustment	2015-16 Adjusted Grants
K-3 (10.4%)	\$7,122	\$741	\$7,863
4-6	\$7,228	--	\$7,228
7-8	\$7,444	--	\$7,444

Target

What Does the LCFF Mean for Evergreen School District ?

	1st Interim Projection	January 2015 Projection	Difference	1st Interim Projection	January 30 2015 DOF Projection	Difference	1st Interim Projection	January 2015 Projection	Difference
	COLA			Funding GAP			District Enrollment		
2014-15	0.85%	0.85%	0.00%	29.56%	29.15%	-0.41%	12,873	12,850	(23)
2015-16	2.19%	1.58%	-0.61%	20.68%	32.19%	11.51%	12,624	12,536	(88)
2016-17	2.14%	2.10%	-0.04%	25.48%	23.71%	-1.77%	12,396	12,191	(205)
	District ADA			% of Attendance			Special ED Student at County ADA		
2014-15	12,564	12,514	(50)	97.60%	97.39%	-0.21%	108	108	0
2015-16	12,321	12,223	(98)	97.60%	97.50%	-0.10%	108	108	0
2016-17	12,099	11,886	(213)	97.60%	97.50%	-0.11%	108	108	0
	LCFF Supplemental Grant Funding			LCFF Entitlement PER ADA			Total LCFF Revenue		
2014-15	\$5,657,797	\$5,717,528	\$59,731	\$6,757	\$6,755	(\$2)	\$87,571,196	\$87,540,256	(\$30,940)
2015-16	\$6,174,015	\$6,550,264	\$376,249	\$7,093	\$7,259	\$166	\$89,884,405	\$91,628,368	\$1,743,963
2016-17	\$6,662,145	\$6,946,087	\$283,942	\$7,459	\$7,555	\$96	\$92,703,322	\$93,164,875	\$461,553
2015-16 Discretionary Funds - One Time				\$180 (one-time) X 2014-15 P-2 ADA					\$2,252,520

Other Major Assumptions

- Reduction of Teachers due to declined enrollments
 - 2015-16 reduce 13 teachers
 - 2016-17 reduce 14 teachers
- Health cost increase in 2015-16 and 2016-17 = 5.12%
- 5 retirements in future years
- 3.25% salary increase for all groups beginning 2014-15
- 4% cost increase for contract services and utility costs
- Met supplemental dollars spending requirements
- Transfer \$0.8M from GASB 45 fund in 2016-17. \$0.9M remaining
- STRS rate increases in future years
 - 2014-15 =8.88%; 2015-16=10.73%; 2016-17=12.58%
- PERS rate increase in future years
 - 2014-15=11.771%; 2015-16=12.6%; 2016-17=15%

2/11/2015	2011-12 <u>ACTUAL</u>	2012-13 <u>ACTUAL</u>	2013-14 <u>ACTUAL</u>	2014-15 <u>BUDGET</u>	2015-16 <u>BUDGET</u>	2016-17 <u>BUDGET</u>
SUMMARY						
TOTAL REVENUES	\$94,303,833	\$91,135,796	\$96,293,209	\$101,514,969	\$106,003,443	\$106,089,260
TOTAL EXPENDITURES	94,223,585	96,040,889	99,061,983	105,198,394	106,436,220	109,148,577
SURPLUS/(DEFICIT)	\$80,248	(\$4,905,093)	(\$2,768,775)	(\$3,683,425)	(\$432,777)	(\$3,059,317)
BEGINNING BALANCE						
UNRESTRICTED	\$21,966,145	\$21,000,375	\$15,860,129	\$11,946,220	\$9,369,684	\$8,320,255
RESTRICTED	\$1,246,115	\$2,292,134	\$2,527,287	\$3,672,421	\$2,565,532	\$3,182,184
ENDING BALANCE	\$23,292,509	\$18,387,416	\$15,618,642	\$11,935,217	\$11,502,440	\$8,443,122
COMPONENTS OF ENDING BALANCE						
A) NONSPENDABLE						
1 REVOLVING CASH	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
2 STORES	70,160	57,888	46,767	46,767	46,767	46,767
3 PREPAID EXPENDITURES	1,110,290	1,191,521	1,192,232	1,192,232	1,192,232	1,192,232
B) RESTRICTED						
MAIN. RESERVES	303,546	58,121	58,121	58,121	328,424	619,874
RESTRICTED	1,988,588	2,469,166	3,614,301	2,507,412	2,853,761	3,191,665
C) COMMITTED						
STABILIZATION ARRANGEMENTS	0	0	0	0	0	0
OTHER COMMITMENTS	0	0	0	0	0	0
D) ASSIGNED						
OTHER ASSIGNMENTS	668,573	431,299	0	0	0	0
E) UNASSIGNED/UNAPPROPRIATED						
RESERVE FOR ECO. UNCERTAINTIES	2,826,708	2,881,226	2,971,860	3,155,952	3,193,087	3,274,457
UNASSIGNED/UNAPPROPRIATED	16,309,645	11,283,195	7,720,362	4,959,734	3,873,170	103,128
	\$23,292,509	\$18,387,416	\$15,618,641	\$11,935,217	\$11,502,440	\$8,443,122
UNRESTRICTED (DEFICIT)/SURPLUS	(\$965,771)	(\$5,140,245)	(\$3,913,909)	(\$2,576,536)	(\$1,049,429)	(\$3,688,671)
% of AVAILABLE RESERVE	20.31%	14.75%	10.79%	7.71%	6.64%	3.09%

CalSTRS Rate Increases

- Employer rates are increasing to 10.73% in 2015-16, up from 8.88% in 2014-15
 - No specific funds are provided for this cost increase
- Once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer and state contribution rates

Year	Employer	Pre-PEPRA*	Post-PEPRA*
2014-15	8.88%	8.15%	8.15%
2015-16	10.73%	9.20%	8.56%
2016-17	12.58%	10.25%	9.205%
2017-18	14.43%	10.25%	9.205%
2018-19	16.28%	10.25%	9.205%
2019-20	18.13%	10.25%	9.205%
2020-21	19.10%	10.25%	9.205%

*Public Employees' Pension Reform Act
Source: School Services of California, Inc.

CalPERS Rate Increases

- The employer contribution to CalPERS is projected to increase from 11.771% in 2014-15 to 12.6% in 2015-16 (final rate awaiting CalPERS Board approval)
 - “Classic” members continue to pay 7.00%
 - New members pay 6.00%, which may fluctuate from year to year based on the PEPPRA requirement to pay half the normal cost rate
- Estimates of the projected future contribution rate increases for school employers are as follows:

Actual	Projected					
2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.771%	12.6%	15.0%	16.6%	18.2%	19.9%	20.4%

The “Promise” of a Return to 2007-08 Purchasing Power

- When promoting the LCFF, the Governor promised a return to 2007-08 purchasing power
- In most cases, the LCFF base grant will need to cover increased operating expenses, including the employer’s share of CalSTRS and CalPERS increases
- Increasing costs such as CalSTRS and CalPERS erode that promise and make it difficult for districts to achieve the goals of the LCFF

Next Steps

- State level
 - Budget committee hearings
 - Next update – May Revision
- Local level
 - Second Interim Report due by March 17, 2015 for school districts. Evergreen School District scheduled for Board approval on March 12, 2015.
 - LCAP and Budget Study session on April 16, 2015