

**"Empowering  
Students for  
Success"**



# Capistrano Unified School District

2015-2016 Governor's Budget Proposal

January 28, 2015

# Capistrano Unified School District

## Vision

Educated, responsible, and confident citizens succeeding in a global society



## Mission

The Capistrano Unified School District, with support from our community, prepares students to achieve academic and personal success while becoming responsible citizens and lifelong learners





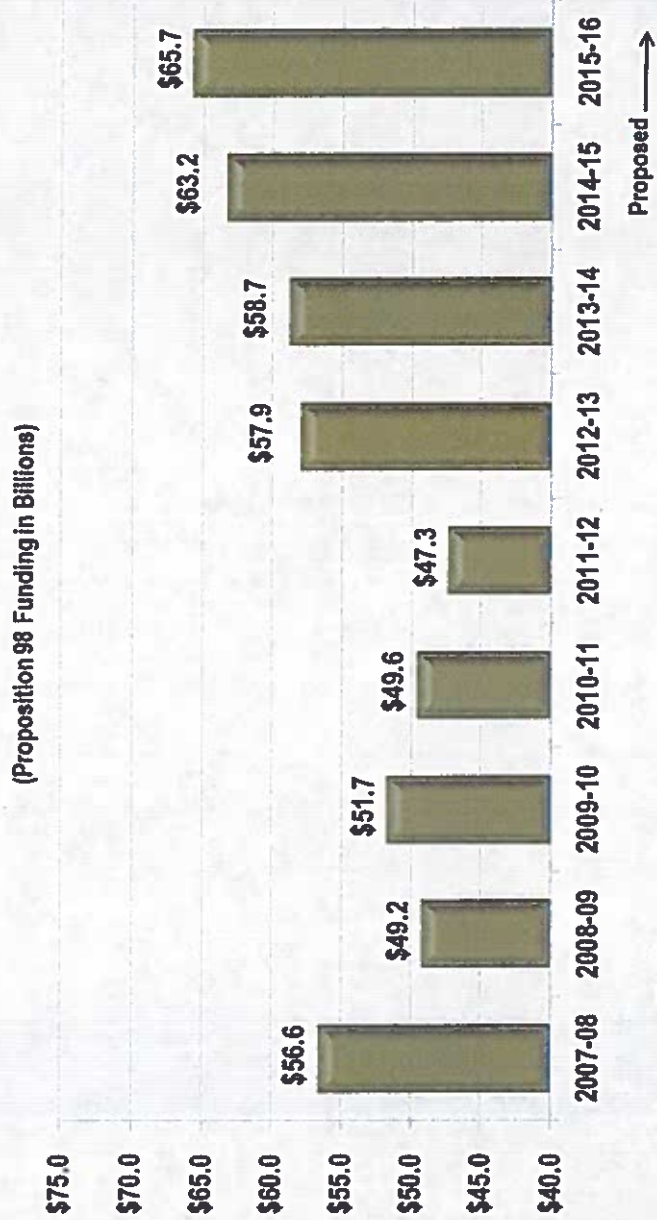
# Governor's Budget Summary

2015-2016 Fiscal Year



# Governor's Proposal

- Economic Outlook
  - Proposal assumes growing state economic strength
  - The improving economy results in healthy projected 2015-2016 state General Fund revenue growth, and, for education, an estimated increase in Proposition 98 spending to **\$65.7 billion** in 2015-2016, \$2.5 billion above the 2014-2015 budgeted level.





# Governor's Proposal

- Revenue Deferrals
  - By the end of 2014-2015, all outstanding deferrals for school districts will be eliminated. Although this doesn't provide districts more money to spend, it does lower the amount of money that districts need to borrow to manage cash flow
- Prior Year Mandated Cost Reimbursements
  - The budget includes additional money to fund the outstanding debt for prior-year mandated costs. This money is estimated to be around \$180 per ADA or about \$8.7 million in one-time discretionary funds
- Career Technical Education (CTE)
  - The Governor proposes \$250 million each year for three years to fund a new grant to replace the Career Pathways Trust Grant. This would be for Local Educational Authorities (LEA's) working in partnership with other LEA's and would require a cash match from the LEA. It is intended to develop new and high-quality Career Technical Education programs. This addresses the end of the two-year maintenance of effort (MOE) requirement for the ROP grant, which expires at the end of 2014-2015

# Governor's Proposal

- **Adult Education**
  - Similar to CTE, the MOE requirement for Adult Education, which also ends in 2014-2015, the Governor proposes an Adult Education block grant in 2015-2016 which will be provided to districts in the same amounts as their MOE requirement for Adult Education
- **School Facilities**
  - The Governor expressed his belief that the ability of the State to fund construction needs is unsustainable and in line with the principles of the LCFF which are enhanced local control and targeting resources to areas of needs he proposed the following reforms:
    - Increasing the Proposition 39 caps of \$30 or \$60 per \$100,000 in assessed valuation to match the rate of inflation since the passage of Proposition 39
    - Reform developer fees to implement a single fee for specific projects, which is higher than level II but lower than level III
    - Allow the use of routine restricted maintenance funds to be used for new construction and modernization
  - On January 12, 2015, Californians for Quality Schools, an organization sponsored and funded by the Coalition for Adequate School Housing (C.A.S.H.) and the California Building Industry Association submitted an initiative titled "Kindergarten through Community College Public Education Facilities Bond Act of 2016" the State Attorney General's Office. The legislature has also introduced two bills for placement of an education facilities bill on the November 2016 ballot



# Governor's Proposal

- Local Control Funding Formula (LCFF)
  - This is the part of the Governor's proposal that translates into more ongoing funding for schools. The Budget proposes almost \$4.0 billion of additional funding allocated through the LCFF, an average per pupil increase of 8.7% and \$675 per ADA.
  - Because CUSD is well below the state average in students eligible for free reduced meals and/or English language learners, the estimated per student amount increase for CUSD is lower than the average. About \$511 Per ADA.
  - The Department of Finance staff estimate the additional funding proposed in the Budget will eliminate more than 32% of the remaining gap between the 2014-2015 funding level and the LCFF funding target for each school district. This is up from earlier estimates of 20.68% (earlier District projections had used a lower estimate of 7.9%). Additionally, the Cost of Living Adjustment (COLA) to the LCFF target was revised down to 1.58% from 2.19%.

# Governor's Proposal

- California State Teachers' and California Public Employees' Retirement System
  - Governor Brown's commitment to achieving a fully-funded retirement system within 30 years has translated into increased rates for districts and employees. The timeline for rate increases for both STRS and PERS correspond with the timeline for implementation of the LCFF funding model with full implementation achieved by 2020-2021. As outlined below, STRS rates increase from 8% in 2013-2014 to 19.1% in 2020-2021 while PERS rates increase from 11.442 in 2013-2014 to 20.4% in 2020-2021
  - These rate increases were incorporated into the Multi-Year Projection that was included in the First Interim presentation.

	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
CalPERS Employer Rate	11.77%	12.60%	15.00%	16.60%	18.20%	19.90%	20.40%
CalSTRS Employer Rate	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	19.10%
Total Dollars (in millions)	\$23.6	\$28.1	\$33.6	\$38.9	\$44.3	\$49.9	\$53.9



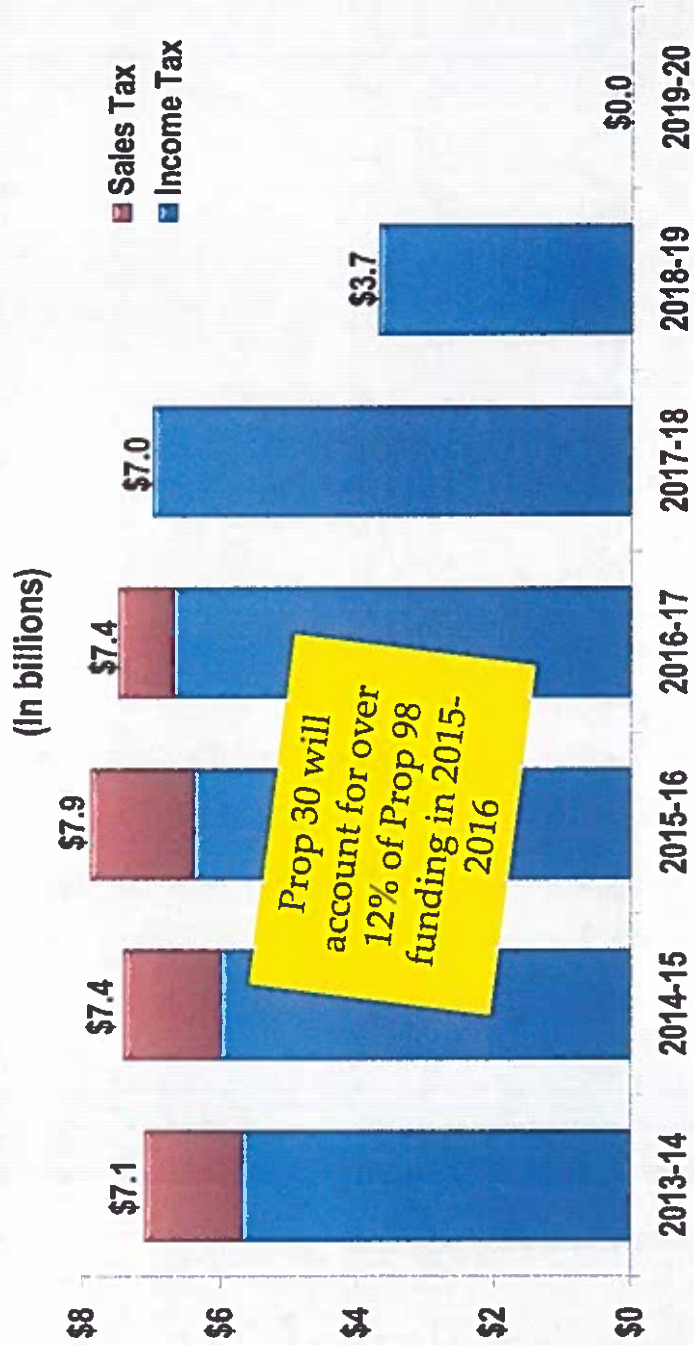


# Governor's Proposal

- In addition to the items summarized above, the budget contains other various funding proposals such as:
  - \$320 million in energy efficiency grants
  - A Proposition 98 reserve fund
  - \$100 million in one-time Internet connectivity and infrastructure funds
  - Full-Day Preschool funding
- More details will be learned as budget negotiations progress in Sacramento
- Although the economy continues to improve and Districts face an increased level of funding for 2015-2016, there is still a need for caution because of the rapid increase in costs, particularly PERS and STRS increases, over the next seven years

# Areas of Concern

- Proposition 30 taxes are temporary
  - The .25% sales tax increase expires in 2016
  - The personal income tax increase expires in 2018
  - A downturn on the economy along with expiration of Prop 30 revenues could magnify impact



Source: 2014-15 May Revision and SSC



# Areas of Concern

- **STRS/PERS Increases**
  - The added costs of STRS/PERS means the Governor's goal of the same purchasing power in 2021 as existed in 2007 is already offset by the higher STRS/PERS costs

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- **Risk of Future Recession**
  - Recovery would be longest since the Civil War if some forecasts are accurate
  - It will be important to continue to build reserves with one-time savings
- **Increasing Electricity Costs**
  - Electric rates have increased over 40% in the last two years and are projected to increase further
- **Declining Enrollment**
  - District funding is based on average daily attendance (ADA). Enrollment declines means less revenue



# CUSD Projection

2015-2016 Fiscal Year Based on Governor's Budget Proposal



# Funding Increases

At 1<sup>st</sup> Interim

Governor's Proposal

2014-2015

LCFF Target

100%



29.56%

2013-2014

2015-2016

LCFF Target



7.9%

2014-2015

2015-2016

LCFF Target



32.19%

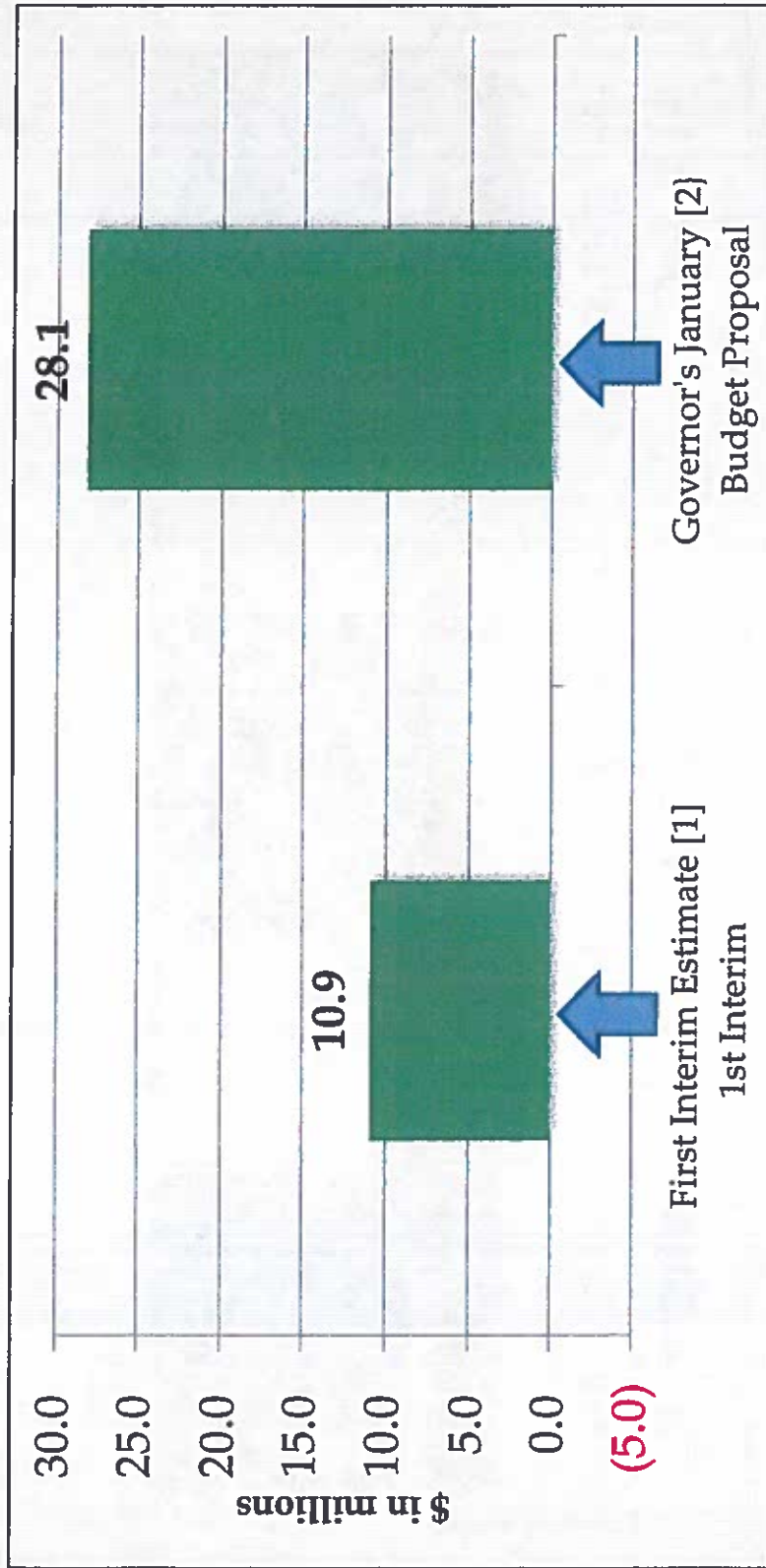
2014-2015

LCFF Target based on 2007-2008 funding levels plus inflation

State expects to hit target in 2021



# District 2015-2016 Projection



[1] Estimated 7.9% Gap Closure

[2] Actual 32.19% Gap Closure





# Questions?



