# Jefferson School District

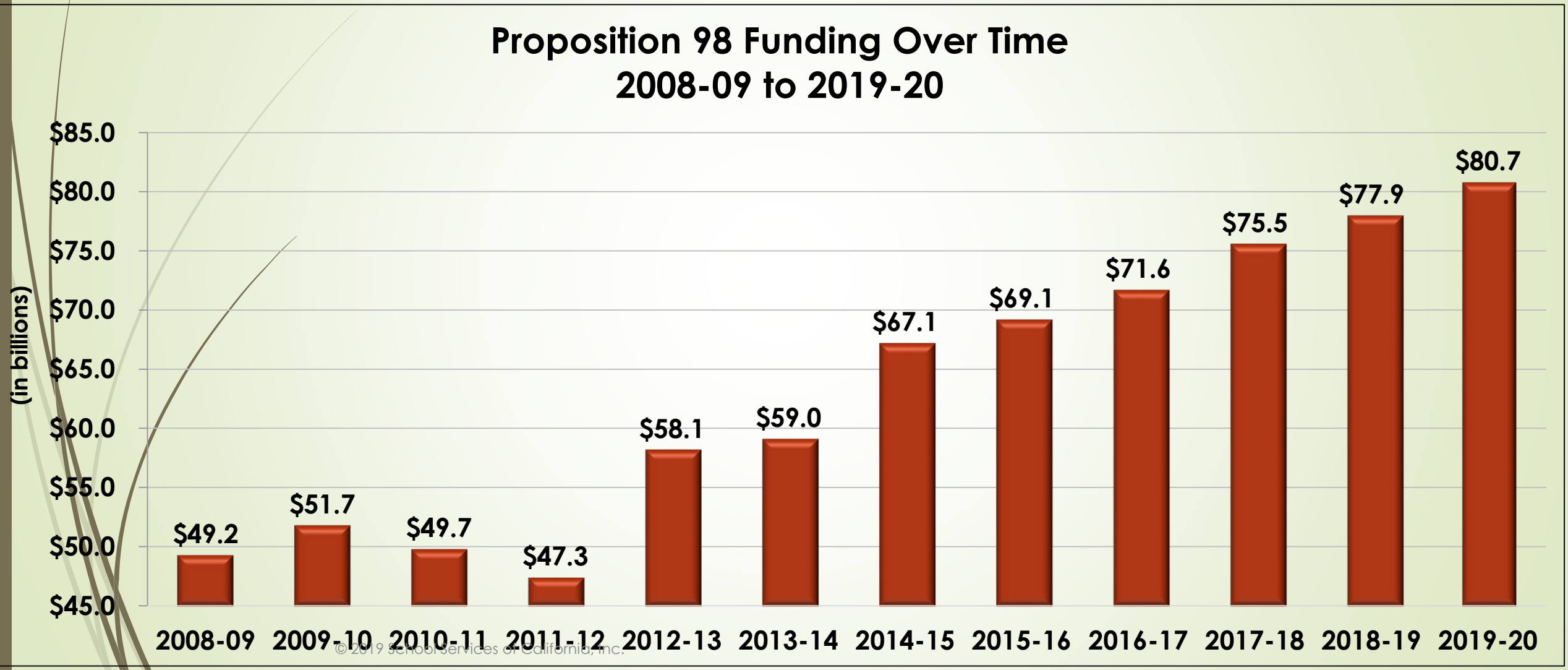
2018-19 Second Interim Assumptions

February 12, 2019

# Governor's 2019-20 Budget Workshop

- Annual workshop held in January each year.
- Provides highlights of Governor's proposed budget specific to education.
- The 2019-20 Budget is Governor Newsom's first.
- Economy continues to outperform expectations; however, recovery from the Great Recession is in its tenth year
  - Concern another downturn is looming
- Local educational agencies (LEAs) will continue to face budget challenges
  - LCFF funding flattens and costs continue to rise
- Proposition 98 growth in 2019-20 is just 3.6%.

# Proposition 98

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Source: 2019-20 Governor's Budget, page 32

# Proposition 98

- With the enactment of Proposition 98 in 1988, voters amended the State Constitution to set a minimum funding level for K-12 education and community colleges
- Both state General Fund and local property tax revenues apply toward meeting the
  Proposition 98 minimum guarantee
- The minimum guarantee is determined by one of three tests that depend upon several inputs

**Test 1**

**Share of General Fund revenues**

**Test 2**

**Changes in per capita personal income + changes in average daily attendance (ADA)**

**Test 3**

**Per capita General Fund revenue growth, plus 0.5% + changes in ADA**

**Test 1**

**2019-20 is projected to be a Test 1 Year**

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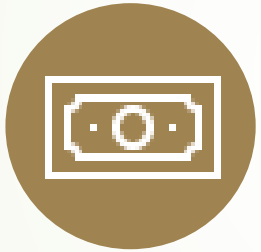
# Cap on District Reserves

- Proposition 2 (2014) established the Rainy Day Budget Stabilization Fund Act that included a state rainy day fund and a Proposition 98 reserve
- The measure also imposed a cap on what school districts could maintain in their local reserves if certain conditions are met
  - The conditions will not be met in fiscal year 2019-20

**Maintenance Factor**

**Met: Proposition 98 Maintenance Factor prior to 2014-15 is fully paid**



**Test 1**

**Met: Minimum Guarantee is determined by Test 1**

**ADA and COLA**

**Not Met: Proposition 98 Minimum Guarantee is sufficient to fund ADA, but not COLA**

**Capital Gains**

**Met: Capital gains exceed 8% of General Fund revenues**

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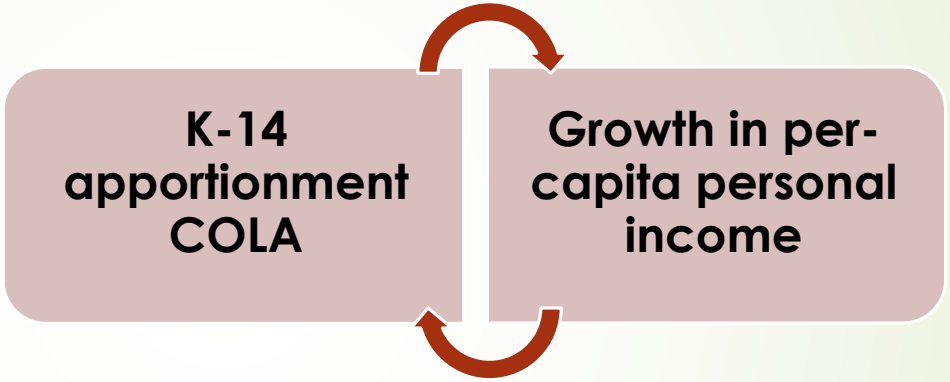
# Cap on District Reserves

- Proposition 2's definition of the COLA is the greater of




- The estimated apportionment COLA for 2019-20 is 3.46%
- The estimated growth in per-capita personal income for 2019-20 is 5.07%

- As the Budget Proposal provides Proposition 98 minimum guarantee funding sufficient to meet ADA and the lower apportionment COLA only, this condition is not met

**ADA and COLA**

**Not Met:**
**Proposition 98 Minimum Guarantee is sufficient to fund ADA, but not COLA**

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# CalSTRS – Employer Contributions

- **The State Budget recognizes the cost pressures LEAs face with rising the California State Teachers' Retirement System (CalSTRS) employer contribution rates**

**$3 billion one-time non-Proposition 98 to reduce liabilities for employers**

**$700 million to reduce the employer contribution rate in both 2019-20 and 2020-21**

**$2.3 billion towards employers' liability, which is expected to reduce the out-year employer contribution rate by approximately 0.5%**

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# Other 2019-20 Budget Information

- If the proposal for STRS rate buy down is adopted, employer rates could drop to 17.13% in 19/20 and 18.1% in 20/21.
  - ~1.0% decrease in STRS employer rate for each year.
  - Since this is only a proposal – and a very unusual plan to use non-Prop 98 dollars for this buy down – Districts in our county will not incorporate the lower STRS rates at this time.
- No one-time discretionary grants proposed in this budget year.
- Mandate Block Grant increases by 3.6% COLA.
  - No changes made to the mandates recognized for funding under Mandate Block Grant.

# 2nd Interim Enrollment & ADA Projection

- At Budget in June, we were projecting to be down 75 ADA per year
- At 1st Interim in December, we were projecting to be down 50 ADA per year
  - Like last year, we started this school year with higher enrollment (and consequently higher ADA projections) than we planned at Budget in June
- Reviewing our staffing needs for next year revealed what appears to be a larger decrease, likely related to the change in our neighbor district's Interdistrict policy
- Additionally, we are losing an 8th grade class of 318 at the end of 2018-19 while projecting only 190 new Kindergarten students

## PROJECTED ENROLLMENT

| | 18-19 1ST Interim | 18-19 2nd Interim | Funding Year |
|---|---|---|---|
| 2018-19 | 2,360.00 | 2,360.00 | 2018-19 and 2019-20 |
| 2019-20 | 2,308.00 | 2,220.00 | 2020-21 |
| 2020-21 | 2,256.00 | 2,145.00 | 2021-22 |

# Revised ADA Projections

- Based on this updated information, 2nd Interim revenue calculations have been adjusted downward as follows:

| 2018-19 1st Interim | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Grades K-3 | 958.50 | 937.40 | 916.40 |
| Grades 4-6 | 730.30 | 714.30 | 698.30 |
| Grades 7-8 | 593.20 | 580.30 | 567.30 |
| Total | 2,282.00 | 2,232.00 | 2,182.00 |

| 2018-19 2nd Interim | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Grades K-3 | 958.50 | 889.00 | 859.00 |
| Grades 4-6 | 730.30 | 713.00 | 689.00 |
| Grades 7-8 | 593.20 | 545.00 | 526.00 |
| Total | 2,282.00 | 2,147.00 | 2,074.00 |

# 2nd Interim Assumptions

- Change in ADA projections impacts primarily the 2020-21 year.
  - **Decrease** of $460,475 in that year.
- Reducing 4 teachers in 2019-20.
- Step & Column of 1.0% for certificated and 0.7% for classified staff.
- No budgeted changes to salary or benefits in any year.
- LCFF fully implemented, no GAP funding. Future increases to base grant based on COLA.
  - 2018-19 2.71%
  - 2019-20 3.46%
  - 2020-21 2.86%

# Next Steps

- Continue to monitor enrollment.
  - Hoping to see new students from the Ellis and (eventually) Tracy Hills housing developments
  - Monitoring the effect of neighboring district's change to Interdistrict transfers
- 2nd Interim report presented in March
- More information presented as we move into Budget Development for 2019-20 in upcoming months