Jefferson School District

2017-18 Second Interim Assumptions

February 13, 2018

Governor's 2018-19 Budget Workshop

- **Annual workshop held in January each year.**
- **Provides highlights of Governor's proposed budget specific to education.**
- **The 2018-19 budget will be Governor Brown's last.**

Proposition 98

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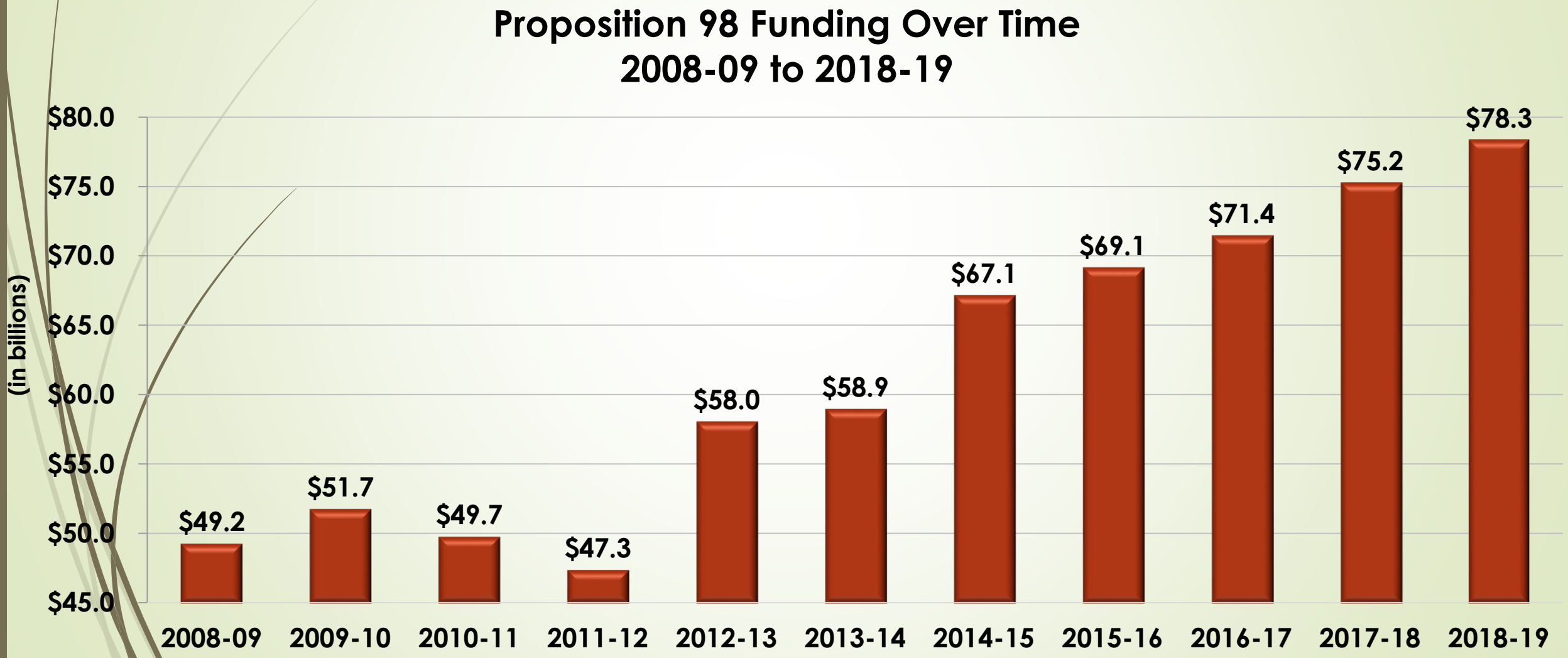

2018-19 Local Control Funding Formula

- The Budget proposes nearly $3 billion for full implementation of the LCFF
  - Two years ahead of the intended 2020-2021 implementation date
- New funding is estimated to completely close the gap between 2017-18 funding levels and LCFF full implementation
- The LCFF base grant targets are adjusted for an estimated 2.51% COLA in 2018-19
- 2018-19 LCFF growth provides an average increase in per-pupil funding of an estimated $550 per ADA, or 5.8%
  - Individual results will vary

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One-Time Discretionary Funds

- The Governor's Budget proposes $1.8 billion in one-time discretionary funds for school districts, COEs, and charter schools in 2018-19
  - This equates to approximately $295 per ADA
  - Expenditure of these funds is determined by the local governing board and can be used for any one-time purpose
- Like prior years, these funds will offset LEAs' outstanding mandate reimbursement claims on a dollar-for-dollar basis
  - According to the DOF, less than $1 billion in claims will remain outstanding at the end of the current year
- Because all LEAs receive these one-time discretionary funds, regardless of their outstanding mandate claims, it's our view these funds should not be counted as meeting this state constitutional obligation

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2nd Interim Assumption

- Subsequent to Governor's Budget Workshop, Trailer Bill language was released
- Within Trailer Bill is language that makes the one-time funds planned for 2018-19 'soft'
  - These are funds that may not be one-time depending on negotiations for State budget
- Given uncertainty of these funds at this time, they are not included in 2nd Interim

What's Not in the Education Budget?

- **Compared to past proposed Budgets, the Administration was more proactive this year in proposing new investments that were typically agreed to after negotiations with the Legislature**
  - **That said, the 2018-19 Budget proposal provides no funding for the following critical items:**
    - **Increasing the LCFF base grant target to reach the funding level of the top ten states**
    - **The growing local obligations for the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) unfunded liability**
    - **Home-to-School Transportation programs**
    - **Increasing and equalizing Assembly Bill 602 base funding rates for special education**

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CalPERS Rate Increases

- The employer contribution to CalPERS is proposed to increase to 18.1% in 2018-19, up from 15.531% in 2017-18
- "Classic" members continue to pay 7.0%
  - New members pay 6.0%, which may fluctuate from year to year based on the Public Employees' Pension Reform Act (PEPRA) requirement to pay half the normal cost rate
- Estimates of the resulting future contribution rate increases for school employers, which reflect the reduction in the investment return rate, are as follows:

Actual	Projected				
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
15.531%	18.1%	20.8%	23.8%	25.2%	26.1%

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CalSTRS Rate Increases

- Employer rates are increasing to 16.28% in 2018-19, up from 14.43% in 2017-18
  - No specific funds are provided for this cost increase
- Under current law, once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer contribution rate

CalSTRS Rates

Year	Employer	Pre-PEPRA Employees	Post-PEPRA Employees
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%

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Proposition 98 and the Major K-12 Proposals

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The Governor's Budget proposal includes:

- **$2.9 billion** — **Fully fund LCFF**
- **$1.8 billion** — **One-time discretionary funding**
- **$212 million** — **Strong Workforce Program to establish a K-12 specific component**
- **$167.2 million** — **Child Care and State Preschool to expand inclusive care and education settings for children up to 5 years old**
- **$100 million** — **Teacher Workforce to increase and retain special education teachers**

PERS Employer Contribution Revised

PERS Employer Rates updated day after our workshop:

Actual	Projected				
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
15.531%	18.1%	20.8%	23.8%	25.2%	26.1%

Actual	Revised Projection				
2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
15.531%	17.7%	20.0%	22.7%	23.7%	26.1%

2nd Interim ADA Projection

- At 1st Interim in December, we were projection to be down 20 ADA per year
  - Improving enrollment slightly based on projections but still conservative
  - New housing developments are providing some slight lift
- JSD has recently been made aware that a neighboring district has changed their Inter-district transfer procedures
  - No new IDAs will be approved to Jefferson
- Based on this new information, 2nd Interim will include
  - Down 15 in enrollment (was 20 at 1st Interim) AND
  - Down an additional 60 students, all in the K-3 range
  - Will show a decrease of 3 teachers in 2018-19 based on this change

2nd Interim Assumptions

- Will budget for increases to STRS & PERS as outlined in previous slides
- Step & Column of 1.65% for certificated and 1.14% for classified staff
- No budgeted changes to salary or benefits in any year

Next Steps

- 2nd Interim report presented in March
- Impact of being down a total of 75 ADA each year will result in need to escalate and implement our ongoing review of budget reductions
- More information presented as we move into Budget Development for 2018-19 in upcoming months