



Mountain View
Whisman
School District

Governor's Proposed 2019-2020 State Budget

7 February 2019





Mountain View
Whisman
School District

Budget Adoption Process

2019-2020 Budget Adoption Process

- Governor presents proposed State budget January 10
- MVWSD staff plans budget assumptions
- Governor and State legislators negotiate the specifics of the budget
- Staff presents Second Interim Budget Report to Board on 3/7
- MVWSD finalizes budget assumptions in March/April
- Governor presents a revised budget in mid-May
- District adopts 2019-2020 budget June 13
- State adopts the 2019-2020 budget by June 30



Mountain View
Whisman
School District

Themes and Highlights of Governor's Budget

General Theme of Budget Presentation

- The economy continues to outperform expectations, but the recovery from the Great Recession is in its tenth year and some fear a downturn is looming
 - National employment is robust
 - The unemployment rate remains low at 3.9% in December 2018
 - Both the U.S. and California are at full employment
- Though not as robust, the housing market remains steady
- Proposition 98 requires a minimum percentage of the state budget to be spent on K-12 education.

Prop 98 Growth is Slowing

- The minimum guarantee has declined from the 2018 Budget Act for both 2017-18 and 2018-19
- The 2019-20 minimum guarantee is \$80.7 billion (\$2.8 billion increase from 2017-18)

Risks to the California Economy and the State Budget

- The Budget assumes moderate growth over the forecast period
- Even a moderate recession could result in significant revenue declines
- Maintaining a balanced budget under the moderate recession scenario would be a challenge
- The trade war between the U.S. and China contributes to increased risks of stock market volatility and a recession
- Policy conflicts with the federal government
- Housing crisis due to decades of historical underproduction of supply when compared to demand

Overview of the State Budget

- Prop 2 Rainy Day Fund – additional reserves beyond the \$13.5 billion currently set aside in the Budget Stabilization Account (commonly called the Rainy Day Fund)
- The Budget assumes an additional \$1.8 billion transfer in 2019-20 and an additional \$4.1 billion over the remainder of the forecast period, bringing the Rainy Day Fund to \$19.4 billion by 2022-23.
- The Budget also adds \$700 million to the Safety Net Reserve created in the 2018 Budget Act, bringing the total in this reserve to \$900 million. This reserve sets aside funds specifically to protect safety net services during the next recession.
- Expand the Paid Family Leave program with the goal of ensuring that all babies can be cared for by a parent or a close family member for the first six months.

Education Budget

- Statewide K-12 enrollment continues to decline
 - ADA is expected to decline from \$5.935 million in 2018-19 to \$5.928 million in 2019-20
- Local Control Funding Formula (LCFF) at full funding
 - Began 2013-2014, with planned full funding in 2020-2021 school year
 - Proposed \$2.8B contribution in 2019-20 (increase from \$77.9 B in 2018-19 to \$80.7B in 2019-20)
 - State-funded districts can anticipate only cost of living adjustments (COLA) starting 2019-20, which is proposed at 3.46%
 - This brings LCFF funding to \$63 billion (up from \$61 billion in 2018-19)
- One-time and ongoing funding proposed to be used for Special Education services and school readiness services not currently specified in the IEP

Education Budget (continued)

- Non-Proposition 98 funding
 - \$750M for Full-Day Kindergarten and \$422M for Full-Day Preschool
 - \$700M to reduce the CalSTRS employer contribution rate by 1% in both 2019-20 and 2020-21
 - Proposed pay down of \$5.3 billion in unfunded pension liabilities.
 - \$3 billion towards supplemental payment to CalPERS
 - \$2.3 billion towards CalSTRS employers' liability, which is expected to reduce the out-year employer contribution rate by approximately 0.5%
 - \$10M in one-time funding for a longitudinal intersegmental student data system

Accountability System

- **Local Control Accountability Plan (LCAP)**
 - With full LCFF funding, districts will be expected to make academic achievement progress with Unduplicated Pupils (UPP) (low income, English learner, and/or Foster youth)
- **Dashboard**
 - In December 2018, the CDE and the State Board of Education (SBE) released the second year of the Dashboard, the state's grading system for LEAs and individual schools
- **Fiscal Transparency**
 - Proposed State template to align expenditures to LCFF goals
 - New budget overview for parents
 - New prompts to identify and detail plans for schools identified for comprehensive support and improvement as required by the Every Student Succeeds Act



Mountain View
Whisman
School District

Impact on MVWSD

The Education Budget

- No one-time discretionary funding proposed for 2019-20
- Grade Span Adjustment (24:1)
 - TK-3gr must be at 24:1 next year
- The K-12 COLA is 3.46% for 2019-20 and is applied to the LCFF base grants for each grade span
- 2019-20 LCFF growth provides an average increase in per-pupil funding of an estimated \$343 per ADA, or 3.37%
- Supplemental and concentration (S/C) grants are calculated based on the unduplicated pupil percentage (UPP)
- Mandated Block Grant - \$32.24 per ADA
- Current Expense of Education Actuals (CEA)
 - approximately 43% of elementary districts did not meet CEA threshold of 60% in 2016-2017

The Education Budget (contd...)

- Facilities - Construction
 - Includes approximately \$1.5B for the State Facility Program, including New Construction, Modernization, CTE Facilities, and the Charter School Facilities programs
- Special Education
 - \$576 million (of which \$186 million is one time) to support expanded Special Education services and school readiness supports at LEAs with high percentages of both SWDs and unduplicated students
- After School Programs
 - No increases
- Preschool reimbursement rates increased by 3.46% COLA
 - Part-day: \$30.94 per day
 - Full-day: \$49.95 per day



Mountain View
Whisman
School District

Multi-Year Projection

Multi-Year Projection (contd..)

- One-time discretionary dollars, used by many LEAs to provide off-schedule salary increases, are no more
- The proposed Budget provides some bargaining opportunities and challenges
- The annual increased cost of maintaining existing salary schedules, and related benefits, will continue to outpace annual COLAs leaving little, if any, dollars on the bargaining table
- In a COLA only environment, all districts receive the same percentage of funding increase. Increase in funding will be COLA-only.

	2018-19	2019-20	2020-21	2021-22	2022-23	Compounded Effect
Statutory COLA	2.71%	3.46%	2.86%	2.92%	2.90%	15.76%
California CPI	3.58%	3.18%	3.05%	2.92%	3.15%	16.92%

Multi-Year Projection (contd..)

- Routine Restricted Maintenance Account (RRMA)
 - minimum of 3% of general fund expenditures for ongoing maintenance in 2020-2021.
- The 2019 Federal Budget includes minimal increases for federally funded programs
- Local Agency Reserves
 - Exempts basic aid districts and districts with fewer than 2,501 ADA
 - A larger reserve is recommended because of:
 - State economic crisis
 - Fast growth
 - Smaller district
 - Declining enrollment
 - Deficit spending
 - Basic aid district

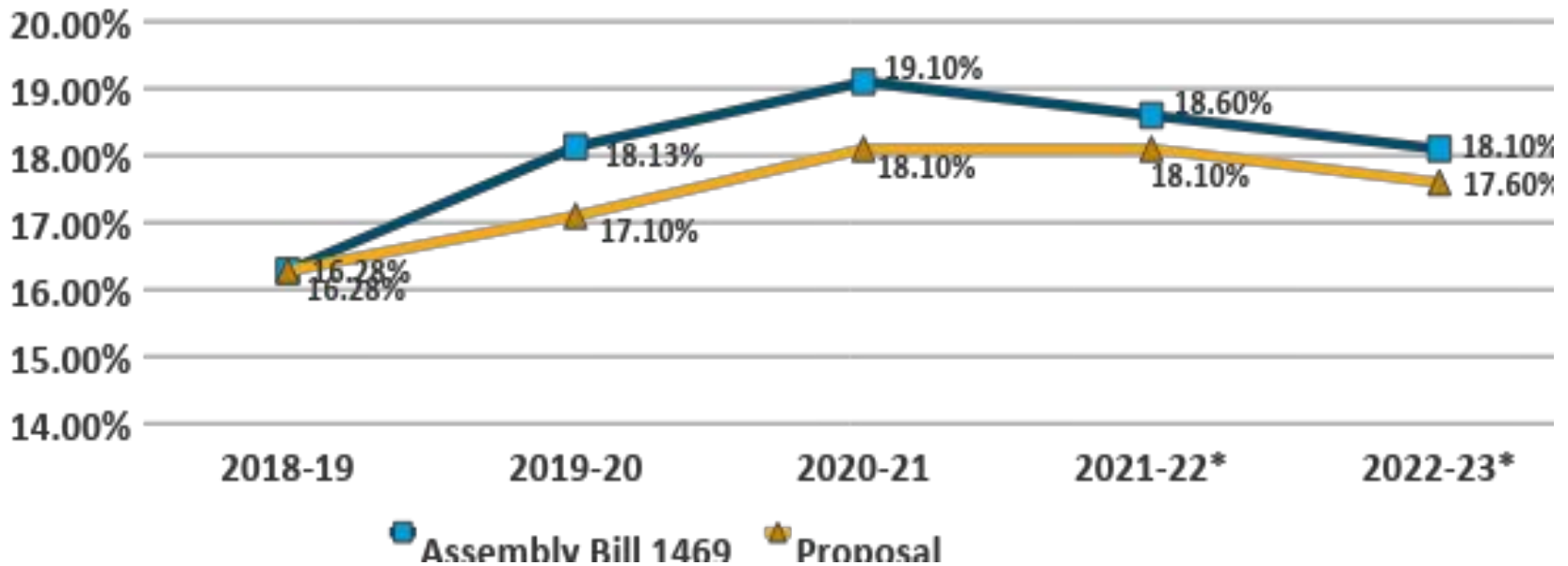
➤ Per MVWSD **Board Resolution** 1664.1/18 (January 4, 2018):

A balanced general fund shall be defined as the unrestricted general reserve level in the third year of any Board-enacted budget adoption or interim budget report falls within the range of 17%-20%, and may include deficit spending in any or all of they three years included in the multi-year projection.

Multi-Year Projection

- CalPERS and CalSTRS
 - Contribution rates are scheduled to grow through 2020-21

CalSTRS Employer Contribution Rates – Current Law Vs Governor’s Proposal



Multi-Year Projection

- CalPERS and CalSTRS
 - Employer Contribution Rates – Current Law Vs Governor’s Proposal

CalSTRS

Fiscal Year	Current (per AB 1469)	Proposed (per Jan. Budget)	Effect of Jan. Budget
2018-19	16.28	16.28	
2019-20	18.13	17.1	-1.03
2020-21	19.1	18.1	-1.0
2021-22	18.2*	17.7*	-0.5
2022-23	18.2*	17.7*	-0.5
2023-24	18.2*	17.7*	-0.5
2024-25	18.2*	17.7*	-0.5
2025-26	18.2*	17.7*	-0.5

CalPERS

Fiscal Year	Projected Rates
2018-19	18.062
2019-20	20.7*
2020-21	23.4*
2021-22	24.5*
2022-23	25.0*
2023-24	25.5*
2024-25	25.7*
2025-26	25.5*

Reduction in STRS rate will save the District \$230K in 2019-2020 and \$204K in 2020-2021

Multi-Year Projection (contd..)

Change From First Interim to Second Interim				
Assumption	2018-19	2019-20	2020-21	Applied to
<p>COLA %</p> <p>Cost of Living Adjustment</p>	0.00%	0.89%	0.19%	<ul style="list-style-type: none"> • LCFF • Special Education and other categorical programs • MBG
CalSTRS Rate	0.00%	-1.03%	-1.00%	<ul style="list-style-type: none"> • Certificated salaries

Multi-Year Projection (cont'd..)

PLANNING FACTORS						
Factors		2018-19	2019-20	2020-21	2021-22	2022-23
Statutory COLA ³		2.71%	3.46%	2.86%	2.92%	2.90%
California CPI		3.58%	3.18%	3.05%	2.92%	3.15%
California Lottery	Unrestricted per ADA	\$151	\$151	\$151	\$151	\$151
	Restricted per ADA	\$53	\$53	\$53	\$53	\$53
Mandate Block Grant	Grades K-8 per ADA	\$31.16	\$32.24	\$33.16	\$34.13	\$35.12
CalPERS Employer Rate ⁴		18.062%	20.70%	23.40%	24.50%	25.00%
CalSTRS Employer Rate ⁵		16.28%	17.10%	18.10%	18.10%	17.60%
One-Time Discretionary Funds per ADA		\$184	-	-	-	-



Mountain View
Whisman
School District

Next Steps

Next Steps

- State spends next few months working/negotiating trailer bills
- Draft assumptions for MVWSD budget review and discussion
- Staff presents the Second Interim Budget Report at March 7 board meeting
- Action on budget assumptions in late March/early April
- Governor presents his Revised Proposed State Budget in May