State Budget Outlook

• LAO November 2016 Long Term Forecast
  • Projects 2016-17 General Fund revenues and expenditures to be lower than the adopted state budget assumptions
  • Outlook is positive for 2017-18 budget
    • State revenues projected at 6.8% increase over 2016-17, mostly fueled by strong personal income tax (PIT) growth

• LAO Caution
  • High degree of uncertainty regarding revenue projections through 2020-21
  • Prop 55 doesn’t kick in until after Prop 30 expires in 2018
    • No impact until 2018-19 budget
  • Unlikely to see levels of ongoing and one-time resources as we’ve seen the last few years
  • Projects LCFF funding gap at 99% in 2017-18
  • Estimated increases in CalSTRS and CalPERS employer costs will be greater than increase in Prop 98
Tonight’s Action

• Board Certification of Solvency
  ✔ Positive - ok for this year and next two years
  • Qualified - may have a problem in one or more years
  • Negative - won’t be able to meet this year’s obligations or won’t be able to meet next two years
Revenue Changes Since Adopted Budget

- LCFF Sources net increase of $3,199,943
  - Increased ADA by 405
  - Funding gap adjustments for 2015-16 and 2016-17 – decreased by .66%
    - Unduplicated 3-year rolling average decreased by .94% to 36.83%
    - Base funding increased by $1,589,847
    - EL/LI increased by $918,535
    - CTE increased by $691,561
  - Adjustments to property taxes, Education Protection Account (EPA) calculation, and in-lieu transfers
- Federal revenue net increase of $1,153,263
  - Deferred revenue from 2015-16 (Title I, II, III, Special Ed)
  - Grant award revisions for 2016-17 (Carl Perkins, Special Ed)
  - Projected carryovers for 2016-17
Revenue Changes Since Adopted Budget

• Other State revenue net increase of $8,662,150
  • Deferred revenue from 2015-16 (Academies, SSP)
  • Career Technical Education Grant (CTEIG)
  • Grant award revisions for 2016-17 (CRANE, Healthy Start, Lottery)
  • Required GASB 68 for STRS On-Behalf
  • Projected carryovers for 2016-17

• Other Local revenue increases of $1,356,337
  • Grant award revisions for 2016-17 (ISEE Grant, HEAL Grant, Measure H)
  • Leases and rentals, interest
  • Donations, misc income, ASB reimbursements, Language Saturday School
Expenditure Changes Since Adopted Budget

• Salary and benefits net increase of $5,559,171
  • Accurate placement of staff on salary schedule (new hires and adjustments based on education units)
  • Growth and temporary positions
  • Adjustments for open positions, unfilled positions requiring outside services, subs, interventions, and stipends
  • Formula-based positions (custodial, library, campus monitors)
  • Updated benefit information related to new employees and grants
  • Addition of GASB 68 required STRS On-Behalf calculation
• Supplies, other operating, capital outlay net increase of $12,952,327
  • Expenditures of prior year carryovers, state/local grants and categoricals
  • Expenditure for Governor’s one-time funding set-aside for technology
  • Adjustments for textbooks, equipment, utilities, travel and conference, legal fees/settlements, vehicles, and buses
  • Adjustments for non-public schools and agency services
Expenditure Changes Since Adopted Budget

- Other outgo net increase of $21,772
  - Indirects
- Contributions net increase of $471,449
  - Contribution increase to restricted maintenance
  - Contributions to Special Education, Transportation, and Instructional Materials
- Reserve for Economic Uncertainty increase of $550,000
  - Required 3% minimum increased due to projected expenditures
Ending Balance Changes Since Adopted Budget

• Beginning Fund balance updated as of June 30, 2016

• Components of Ending Fund Balance
  • Committed balances
    • EL/LI
    • Board resolution to commit funds to increase and improve services for unduplicated pupils based on LCAP
  • Legally restricted categoricals (Mental Health Services, MediCal LEA, Lottery, Restricted Maintenance, Educator Effectiveness)
  • Projected carryovers reflected in assigned balances
    • Projected school site and local grant carryover
      • Intel, donations, fundraisers, Mandated Cost reimbursement, MAA
    • Projected department carryover
      • Testing, Music, Language Saturday School, MAA
  • Revised unappropriated balance (from $5,086 to $495,865)
MULTI-YEAR PROJECTIONS
General Fund Multi-Year Projections

• “Positive” Financial Status
• Assumptions
  • Increased enrollment in 2016-17; flat enrollment for 2017-18 and 2018-19
  • Gap funding of 54.18% for 2016-17, 72.99% for 2017-18 and 40.36% for 2018-19
  • COLA of 0% in 2016-17, 1.11% in 2017-18, and 2.42% in 2018-19
  • Includes step and column
  • Employer increases for PERS and STRS contributions
  • Annual increases for utilities, property & liability insurance, workers’ comp, disability
  • Adjustment for one-time revenue and expenditures
• Future Considerations
  • LCFF funded at 99% in 2017-18; fully funded in 2018-19
    • Only funding for Districts would be COLA
  • Prop 55 impact unknown
  • Textbook adoption costs
  • NGSS equipment and facility implications
## Projected Structural Deficit

<table>
<thead>
<tr>
<th></th>
<th>2017-18</th>
<th>Percentage</th>
<th>2018-19</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Grant increase</td>
<td>$5,304,007</td>
<td>3.73%</td>
<td>$2,506,945</td>
<td>1.52%</td>
</tr>
<tr>
<td>Step/Column</td>
<td>$2,193,295</td>
<td>1.70%</td>
<td>$2,193,295</td>
<td>1.70%</td>
</tr>
<tr>
<td>STRS employer contribution</td>
<td>$1,960,950</td>
<td>1.85%</td>
<td>$2,034,774</td>
<td>1.85%</td>
</tr>
<tr>
<td>PERS employer contribution</td>
<td>$591,035</td>
<td>1.61%</td>
<td>$634,831</td>
<td>1.60%</td>
</tr>
<tr>
<td>Property/Liability, Work Comp, Disability Insurances</td>
<td>$209,203</td>
<td>1.00%</td>
<td>$209,935</td>
<td>1.00%</td>
</tr>
<tr>
<td>Contribution to Special Ed, Maint, Transp Encroachments</td>
<td>$663,878</td>
<td></td>
<td>$363,878</td>
<td></td>
</tr>
<tr>
<td>Structural Deficit</td>
<td>&lt;$314,354&gt;</td>
<td></td>
<td>&lt;$2,929,768&gt;</td>
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</tr>
</tbody>
</table>
## Employer Retirement Contributions

- Projected cost to Employer (District) $12.8 million for CalSTRS and $4.2 million for CalPERS over 7 years

<table>
<thead>
<tr>
<th>Year</th>
<th>CalSTRS</th>
<th>Cumulative Increase</th>
<th>CalPERS</th>
<th>Cumulative Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>8.88%</td>
<td>0.63%</td>
<td>11.77%</td>
<td>.329%</td>
</tr>
<tr>
<td>2015-16</td>
<td>10.73%</td>
<td>2.48%</td>
<td>11.847%</td>
<td>.405%</td>
</tr>
<tr>
<td>2016-17</td>
<td>12.58%</td>
<td>4.33%</td>
<td>13.888%</td>
<td>2.446%</td>
</tr>
<tr>
<td>2017-18</td>
<td>14.43%</td>
<td>6.18%</td>
<td>15.50%</td>
<td>4.058%</td>
</tr>
<tr>
<td>2018-19</td>
<td>16.28%</td>
<td>8.03%</td>
<td>17.10%</td>
<td>5.658%</td>
</tr>
<tr>
<td>2019-20</td>
<td>18.13%</td>
<td>9.88%</td>
<td>18.60%</td>
<td>7.158%</td>
</tr>
<tr>
<td>2020-21</td>
<td>19.10%</td>
<td>10.85%</td>
<td>19.80%</td>
<td>8.358%</td>
</tr>
<tr>
<td>2021-22</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 2016-17 Multiyear Projection (no negotiated salary increases)

<table>
<thead>
<tr>
<th>Description</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beg Balance, July 1</td>
<td>36,494,953</td>
<td>28,024,917</td>
<td>27,455,554</td>
</tr>
<tr>
<td>Revenues/Other Financing Sources</td>
<td>201,949,985</td>
<td>202,645,750</td>
<td>205,152,695</td>
</tr>
<tr>
<td>Expenditures/Other Financing Uses</td>
<td>210,420,021</td>
<td>203,215,113</td>
<td>208,030,719</td>
</tr>
<tr>
<td>Ending Balance, June 30</td>
<td>28,024,917</td>
<td>27,455,554</td>
<td>24,577,530</td>
</tr>
<tr>
<td>Designated for Economic Uncertainties</td>
<td>6,300,000</td>
<td>6,100,000</td>
<td>6,250,000</td>
</tr>
<tr>
<td>Legally Restricted</td>
<td>11,683,403</td>
<td>11,220,652</td>
<td>9,824,676</td>
</tr>
<tr>
<td>Assigned/Committed</td>
<td>9,545,650</td>
<td>9,918,298</td>
<td>8,474,502</td>
</tr>
<tr>
<td>Unassigned/Unappropriated</td>
<td>495,865</td>
<td>216,605</td>
<td>28,352</td>
</tr>
</tbody>
</table>

*No negotiated salary increases are included for 2016-17, 2017-18 or 2018-19*
Multi-Year Projections - Other Funds

- Charter School – decreased ADA
- Adult Education
- Child Development
- Food Services – may need meal price increase
- Deferred Maintenance – coordinating with bond projects
- Building Funds – bond projects for Measures P & G
- Developer Fees – increased activity past several years; expected to slow down
- Special Reserve for Capital Outlay – more changes in federal e-rate credits
- Student Care
- Retiree Benefit Trust – unfunded liability continues to grow
What’s Next?

- Governor’s Proposed 2017-18 Budget – January 2017
- P-1 ADA Report – January 2017
- CBEDS (for EL/LI funding) – January 2017
- LCAP Discussions – September 2016 through May 2017
- Second Interim – March 2017
- P-2 ADA Report – April 2017
- Start Budget Development – March 2017
- Governor’s May Revise – May 2017
- Adopted 2017-18 Budget – June 2017