

Western Placer Unified School District – Governor’s May Revision – May 21, 2018

An Overview of the 2018-19 Governor’s May Revision

The May Revision builds off of Governor Gavin Newsom’s “California for All” vision from January. Also, it is the final statutory opportunity for the Governor to update his economic projections prior to the enactment of the State Budget in June. Factors such as tax revenues, population growth, and competing state priorities are all detailed in the Governor’s May Revision.

With this being Governor Newsom’s first May Revision in his inaugural term, there was considerable uncertainty in the capital community about how much his proposals would change from January and how much he would distinguish himself from former Governor Jerry Brown.

Overview of the Governor’s Budget Proposals

With strong April tax revenues, Governor Newsom was able to retain most of his proposals from January and was even able to invest additional funds into programs that he has designated as a priority.

Governor Newsom’s May Revision lays out a slightly more optimistic view of the state’s economy and revenues for 2019-20 than his January Budget proposal.

The Economy and Revenues

While the May Revision reflects stronger than expected growth in the economy and revenues, the revised Budget anticipates a slowdown over the forecast period..

State Revenues

State revenues from 2017-18 through 2019-20 are approximately \$3.2 billion above January projections, due to better-than-expected receipts in personal income and corporation tax.

Governor Newsom’s May Revision proposes building budget resiliency by growing reserves, reducing debt and liabilities, and making one-time or time-limited investments that will have real benefits for some of California most vulnerable residents.

Proposition 98

The May Revision provides increases in the Proposition 98 guarantee in all three budget years, largely due to increases in General Fund revenues and a slightly slower ADA decline.

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Current- and Prior-Year Minimum Guarantee

Proposition 98 funding levels have increased from the 2018 Governor’s Budget for both 2017-18 and 2018-19 even with continued declines in ADA. This is a reversal from January, where the funding levels for both 2017-18 and 2018-19 had declined from the 2018 Budget Act.

For the 2018-19, the May Revision adjusts the Proposition 98 guarantee up by \$278.8 million from the Governor’s Budget for an estimated \$78.1 billion. In 2017-18 a more modest increase of \$78.4 million is reflected, increasing the minimum guarantee from \$75.5 billion to \$75.6 billion.

2019-20 Minimum Guarantee

For 2019-20, the May Revision proposes a Proposition 98 guarantee of \$81.1 billion, an increase of \$389.3 million from the Governor’s Budget and \$3 billion year over year.

Cost-of-Living Adjustment, Average Daily Attendance & LCFF

The May Revision includes a COLA for many K-12 education programs, including the LCFF, and is calculated to be 3.26% for the 2019-20 fiscal year, a slight decrease from the 3.46% estimated in January.

The 3.26% statutory COLA will also be applied to programs outside of the LCFF. These include Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and American Indian Early Childhood Education.

With the release of the Governor’s 2019-20 May Revision, the Department of Finance has revised estimates of the statutory cost-of-living adjustments (COLAs) after 2019-20. The table below illustrates the COLAs along with the Local Control Funding Formula (LCFF) gap funding in each year:

	2018-19	2019-20	2020-21	2021-22
Statutory COLA	2.71% (3.7% for LCFF)	3.26%	3.00%	2.80%
LCFF Gap Funding %	100.00%	–	–	–

For WPUSD, the decrease in the 2019-20 projected COLA reduces LCFF base funding by \$115,000.

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Charter Schools

The May Revision proposes to “level the playing field” between traditional school districts and charter schools. Specifically, it calls for four proposals to “prevent families from being wrongfully turned away from the public school of their choice.” The May Revision proposes:

1. Prohibiting charter schools from discouraging enrollment or encouraging disenrollment from charter schools based on academic performance or student characteristic (e.g., Special Education status).
2. Prohibiting charter schools from requesting or requiring the submittal of student academic records prior to enrollment in the charter school.
3. Creating a process for current or prospective charter school families to report concerns to the respective authorizer.
4. Requiring the CDE to determine whether data from the California Longitudinal Pupil Assessment Data System can be used to identify charter school enrollment disparities for further investigation and intervention by the respective authorizer.

CalSTRS

The Governor’s May Revision proposes an additional investment to further reduce the CalSTRS employer contribution rate from the statutory rate of 18.13% to 16.7% in 2019-20. The May Revision adds \$150 million of one-time non-Proposition 98 funds to the \$3 billion that was part of the January proposal to reduce the employer share of the CalSTRS unfunded liability. The proposal retains the decrease in the employer rate that was included in the January proposal of 19.1% to 18.1% in 2020-21.

For WPUSD, the decrease in CalSTRS statutory rate is projected to bring an additional \$132,000 of savings for the 2019-20 budget year.

In Closing

While Governor Newsom’s May Revision does not forecast an impending recession, his state spending plan for the upcoming year is based on conservative economic and revenue assumptions, similar to his predecessor’s.

The latest data on the U.S. economy shows no signs of weakness. The first quarter gross domestic product increased 3.2%, exceeding the forecasts of most economists, and the national unemployment rate has hit a 50-year low. Nevertheless, there is growing concern that a downturn may be looming in late 2020. By retaining a modest General Fund revenue forecast, the May Revision reflects this concern.

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Next Steps

At the State level:

- Budget Committees conduct broad overview
- LAO issues detailed review of Governor’s May Revision
- Budget Subcommittee process
- Negotiations between the Governor and Legislature
- On time State budget - June 15th requirement

At the local level – WPUSD

- **June 4, 2019 Board Meeting** – Public Hearing of WPUSD Local Control and Accountability Plan (LCAP) and 2019-20 Preliminary Budget
- **June 18, 2019 Board Meeting** – Adopt WPUSD Local Control and Accountability Plan (LCAP) and 2019-20 Adopted Budget
- **State Budget Approval (June 15th Deadline)**– WPUSD presents 45-day District budget revision if material changes from Adopted Budget