

# **Western Placer Unified School District – Governor’s May Revision – May 15, 2018**

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

The May Revision represents Governor Jerry Brown’s final opportunity to update his economic projections prior to enactment of the State Budget in June.

Since the Governor presented his January budget proposal, current-year state revenue collections through April are approximately \$4 billion higher than the January forecast.

Additional one-time revenues generated from an increase in the Proposition 98 minimum guarantee for the current year are used to fund some additional one-time programs, but the most significant is an additional \$286 million to the January proposal to provide \$1.8 billion in one-time discretionary funds for 2018-19.

## **Overview of the Governor’s Budget Proposals**

Governor Brown’s May Revision paints a bright, but cautious, fiscal picture.

### **State Revenues**

While revenue projections are once again up as part of the May Revision compared to the Governor’s January Budget, unlike in previous years, this is not translating into a windfall for education.

### **Proposition 98**

As expected, the Proposition 98 minimum guarantee remains relatively flat from the Governor’s Budget despite the significant infusion of state General Fund revenues. At May Revision, the 2018-19 minimum guarantee increased to \$78.4 billion from \$78.3 billion proposed in the January Budget.

### **Cost-of-Living Adjustment and Average Daily Attendance**

The May Revision includes a cost-of-living adjustment (COLA) of 2.71% for the 2018-19 fiscal year, a slight increase from the 2.51% estimated in January. For the LCFF, the Governor proposes a modest increase above the statutory COLA, bringing the total to a 3.00% increase to the LCFF base grant rates. Programs outside the LCFF, including Special Education and Child Nutrition will receive the statutory COLA of 2.71%.

### **Local Control Funding Formula**

The Governor’s 2018-19 May Revision continues the Governor’s intent of fully funding the LCFF in the budget year. The additional funding includes the increased COLA as well as provides a modest augmentation to the formula.

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The target base grants by grade span for 2018-19 increase by the combined statutory COLA of 2.71% and additional LCFF funding for a total increase of 3.00%, an upward adjustment from January’s 2.51% COLA estimate.

| <b>Grade Span</b>   | <b>2017-18 Target Base Grant Per ADA</b> | <b>3.00% Increase*</b> | <b>2018-19 Target Base Grant Per ADA</b> |
|---|--|------------------------|--|
| TK-3  | \$7,193                                  | \$216                  | \$7,409                                  |
| 4-6   | \$7,301                                  | \$219                  | \$7,520                                  |
| 7-8   | \$7,518                                  | \$226                  | \$7,744                                  |
| 9-12  | \$8,712                                  | \$261                  | \$8,973                                  |
| *Combined statutory COLA of 2.71% and additional LCFF funding |  |                        |  |

For WPUSD, this increase in COLA is projected to bring an additional \$280,000 of LCFF base funding.

As the Governor has proposed to fully-fund the LCFF program in 2018-19, any future increases from the State would be in a COLA.

### Discretionary Funds

The Governor’s May Revision proposes more than \$2 billion in one-time discretionary funds for school districts, which equates to approximately \$344/ADA (up from \$295/ADA). For WPUSD, this increase is projected to bring an additional \$325,000 of one-time funds for 2018-19.

### System of Support

New with the May Revision are proposals to improve community engagement and school climate. To this end, the Governor proposes a \$13.3 million one-time investment, under the system of support, to create the Community Engagement Initiative intended to build the capacity of School districts to effectively engage their communities with an eye toward improving student outcomes. Additionally, the Administration proposes a one-time \$15 million investment to expand the Multi-Tiered Systems of Support to improve school climate through programs such as positive behavioral interventions and support, restorative justice, social and emotional school learning, bullying prevention, trauma-informed practice, and cultural competency. These additional investments are part of and compliment the Governor’s January system of support proposals.

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## In Closing

While the Governor notes that we are in the second longest economic recovery on record and we are overdue for a recession, his forecasts do not include any potential effects of the next recession. Even with full funding of the LCFF program, the original goal was merely to restore the purchasing power that K-12 education had in 2007-08. Unfortunately, this restored funding has been negatively impacted by the increases in PERS and STRS pension contributions.

All in all, the May Revision is slightly better for public education than the January Budget, but given the automatic cost increases school districts are facing, it’s a significant challenge to merely maintain current programs, let alone augment them.

The best and most prudent plan of action is to maintain a suitable level of local reserves and prepare budgets and projections on a reasonably conservative basis.

## 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 15<sup>th</sup> requirement

At the local level – WPUSD

- **June 5, 2018 Board Meeting** – Public Hearing of WPUSD Local Control and Accountability Plan (LCAP) and 2018-19 Preliminary Budget
- **June 19, 2018 Board Meeting** – Adopt WPUSD Local Control and Accountability Plan (LCAP) and 2018-19 Adopted Budget
- **State Budget Approval** – WPUSD presents 45-day District budget revision if material changes from Adopted Budget