



Hacienda La Puente Unified School District

Governor's May Revise

Regular Board Meeting
June 2, 2016

GYM

May Revise – Introduction

- ❖ Governor Brown released his May Revise Budget on May 13, 2016.
- ❖ The May Revise reflects a balanced budget for the next two years.
- ❖ It is contingent on halting major spending changes and avoiding any new ongoing expenditure commitments.
- ❖ The Administration has concern that the economy is finishing its seventh year of economic expansion (which is two years beyond the average recovery).

Economic Outlook

- ❖ Since the release of Governor Brown's January Budget, projected revenues have dropped \$1.9 billion.
- ❖ Weak year-to-date sales tax receipts and poor April personal income tax revenue caused the lower projection.
- ❖ The Governor pointed out that the state's projection does not assume a recession, but does assume that Proposition 30 temporary taxes expire.

Economic Outlook – cont.

- ❖ Besides the drop in revenues, the Governor acknowledged significant developments since January that impact the budget:
 - Passage of legislation that gradually increases the minimum wage to \$15 per hour by 2022, which will “eventually raise General Fund costs by an estimated \$3.4 billion.”
 - During a legislative special session, additional funding was provided for developmental disability services.
 - Passage of the managed care organization financing package solidifying funding for Medi-Cal (these federally-issued regulations will likely drive up state Medi-Cal costs by hundreds of million of dollars annually).

Proposition 98
(January Budget v. May Revise)

Proposition 98

Prop 98 Minimum Guarantee – Changes

Year	January Budget	May Revise	Increase (Decrease)
2014-15	\$66.7 billion	\$67.2 billion	\$463 million
2015-16	\$69.2 billion	\$69.1 billion	(\$125 million)
2016-17	\$71.6 billion	\$71.9 billion	\$288 million

- o 2014-15: The Prop 98 guarantee was underestimated so an adjustment is being made (Test 1).
- o 2015-16: The change in per capita personal income is down slightly from January (Test 2).
- o 2016-17: Per capita General Fund revenues estimates are higher in May than they were in January (Test 3).

Proposition 98 – cont.

Maintenance Factor – Balance Changes

Year	January Budget	May Revise	Increase (Decrease)
2015-16	\$0 million	\$155 million	\$155 million
2016-17	\$548 million	\$908 million	\$360 million

- The Governor's January Budget projected that the \$6.4 billion Maintenance Factor would be fully repaid at the end of the 2015-16 year. However, due to reduced revenue estimates, 2015-16 has a balance of \$155 million.
- Increased growth in per capita personal income has created a balance of \$908 million in 2016-17.

Proposition 98 – cont.

2016-17 Prop 98 – Other Changes

Proposals	January Budget	May Revise	Increase (Decrease)
LCFF Formula Implementation	95%	95.7%	0.7%
LCFF Gap Funding	\$2.8 billion	\$2.9 billion	\$154 million
	49.08%	54.84%	5.76%
Categorical Programs COLA	0.47%	0.0%	(0.47%)
	\$22.9 million	\$0.0 million	(\$22.9 million)
One-Time Discretionary Funds	\$1.2 billion	\$1.4 billion	\$0.2 billion
	\$214 per ADA	\$237 per ADA	\$23 per ADA

- o Prop 98 guarantee has increased due to Test 3 (the change in per capita General Fund revenues plus 0.5%). So, the increase in funding.
- o The statutory cost-of-living adjustment for categorical programs is now 0.0%.

Local Control Funding Formula

LCFF Target Funding Base Grant Per ADA – Changes

Grade Span	January Budget	May Revise	Increase (Decrease)
K - 3	\$7,116	\$7,083	(\$33)
4 - 6	\$7,223	\$7,189	(\$34)
7 - 8	\$7,438	\$7,403	(\$35)
9 - 12	\$8,618	\$8,578	(\$40)

- The reduction to the Base Grant is due to the statutory cost-of-living adjustment (COLA) now being zero .

Local Control Funding Formula – cont.

LCFF Target Funding Grade Span Adjustments Per ADA – Changes

Grade Span	January Budget	May Revise	Increase (Decrease)
K - 3	\$740	\$737	(\$3)
4 - 6	---	---	---
7 - 8	---	---	---
9 - 12	\$224	\$223	(\$1)

- o The reduction to the Grade Span Adjustment is due to the statutory cost-of-living adjustment (COLA) now being zero .

Local Control Funding Formula – cont.

LCFF Target Funding Supplemental Grant Per ADA – Changes

Grade Span	January Budget	May Revise	Increase (Decrease)
K - 3	\$1,571	\$1,564	(\$7)
4 - 6	\$1,445	\$1,438	(\$7)
7 - 8	\$1,488	\$1,481	(\$7)
9 - 12	\$1,768	\$1,760	(\$8)

- o The reduction to the Supplemental Grant is due to the statutory cost-of-living adjustment (COLA) now being zero .

Local Control Funding Formula – cont.

LCFF Target Funding Concentration Grant Per ADA – Changes

Grade Span	January Budget	May Revise	Increase (Decrease)
K - 3	\$3,929	\$3,910	(\$19)
4 - 6	\$3,612	\$3,595	(\$17)
7 - 8	\$3,719	\$3,702	(\$17)
9 - 12	\$4,421	\$4,401	(\$20)

- o The reduction to the Concentration Grant is due to the statutory cost-of-living adjustment (COLA) now being zero .

Early Education Block Grant

- **Brief Description** – The early education block grant proposal to consolidate the state-subsidized early learning programs into a single \$1.6 billion program.
- **Implementation Date** – Because of the concern over such a major shift in program funding happening so quickly, the implementation date has been moved to the beginning of the 2017-18 fiscal year.
- **Elimination of TK** – The proposal would eliminate Transitional Kindergarten by July 1, 2017.

Early Education Block Grant – cont.

- **Prioritize Services** – Services would be prioritized for children who meet the following requirements:
 - Homeless
 - Foster youth
 - At-risk of abuse or neglect
 - Children with exceptional needs
 - Non- or limited-English-speaking
 - Low income (either eligible for free or reduced priced meals or income-eligible for state child care programs)

- **Service Levels** – School districts will be required to serve no fewer than the number of subsidized children served in the district through Transitional Kindergarten or State Preschool in the 2016-17 school year.

Early Education Block Grant – cont.

- **New Requirements** – There will be new reporting requirements and the establishment of several new state requirements.
- **Legislature Status on Proposal** – The Assembly Budget Subcommittee on Education Finance rejected the proposal on April 12, 2016. The Senate Budget Subcommittee on Education Finance held the issue open.

May Revise – Other Items

- **Special Education** – There is no proposed increase for special education base programs or special education preschool.
- **Adult Education** – The May Revise maintains \$500 million in ongoing funding for the Adult Education Block Grant.
- **STRS & PERS** – The 2016-17 State Teachers' Retirement System (STRS) employer contribution rate increases to 12.58% and the 2016-17 Public Employees' Retirement System (PERS) increases to 13.888%. The May Revise does not address either cost increase to school districts.

Legislative Action

Legislative Action

- **Last week, the Assembly and Senate Budget Committees met and approved their respective 2016-17 budget plans.**
- **The following table shows a comparison of the Governor's May Revise, the Assembly's version and the Senate's version**

Legislative Action – cont.

		May Revise	Assembly	Senate
Prop 98		\$71.874 B	\$71.938 B	\$71.937 B
Increase in LCFF Gap Funding		\$0	\$3.1 B	\$3.1 B
One-Time Discretionary Funds		\$1.4 B	\$1.2 B	\$1.2 B
		\$237 per ADA	\$214 per ADA	\$214 per ADA
K-12 School Facility Emergency Repair Revolving Loan Program		\$100 M	\$0	\$0
Charter School Start-up Grants		\$20 M	\$0	\$0
Early Education Block Grant		Proposed	Rejected	Rejected
Increase in Early Education Funding	Prop 98	\$0	\$214 M	\$99 M
	State General Fund	\$0	\$405 M	\$0

Legislative Action – cont.

- **The differences in the two houses' proposals and the Governor's May Revise will have to be reconciled by the two-house Budget Conference Committee.**
- **On May 31, 2016, the members of the Budget Conference Committee were announced.**

Legislative Action – cont.

○The members of the Budget Conference Committee are:

Senate	Assembly
Senator Mark Leno	Assembly Member Philip Y. Ting
Senator Patricia C. Bates	Assembly Member Richard H. Bloom
Senator Loni Hancock	Assembly Member Lorena Gonzalez
Senator Ricardo Lara	Assembly Member Jay E. Obermolte
Senator Jim W. Nielsen	Assembly Member Kristin M. Olsen

Legislative Action – cont.

- **The Budget Conference Committee is scheduled to meet between June 1 and June 11.**
- **The final version of the 2016-17 State Budget needs to be approved by both houses before June 15.**
- **The constitutional deadline for the Legislature to send the 2016-17 Budget to the Governor is June 15, 2016.**

Thank You!