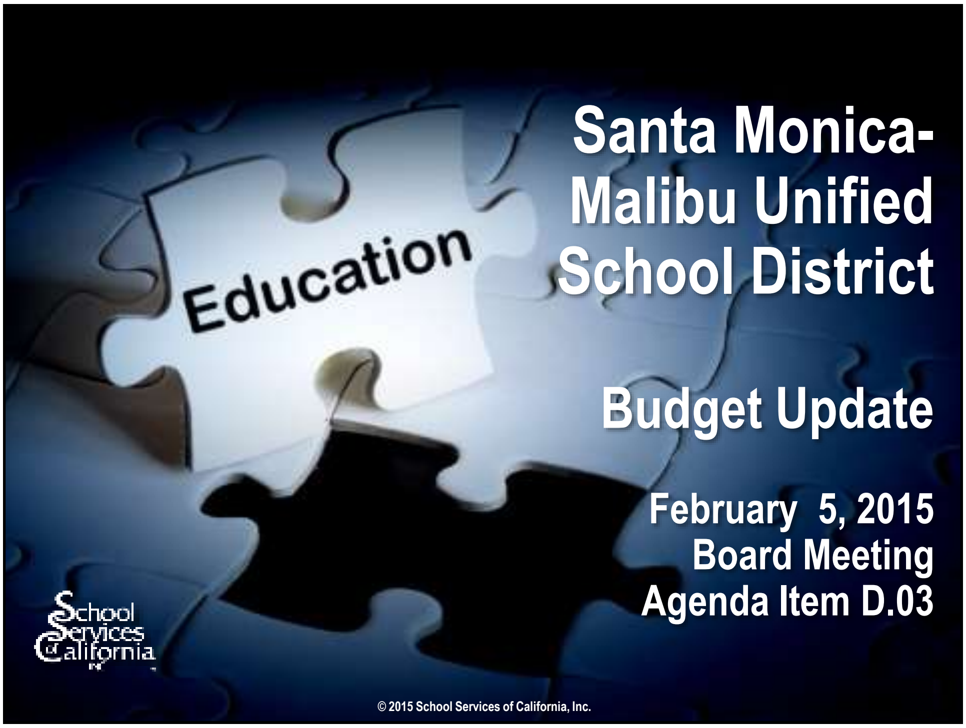


Santa Monica-Malibu Unified School District

Budget Update

February 5, 2015
Board Meeting
Agenda Item D.03

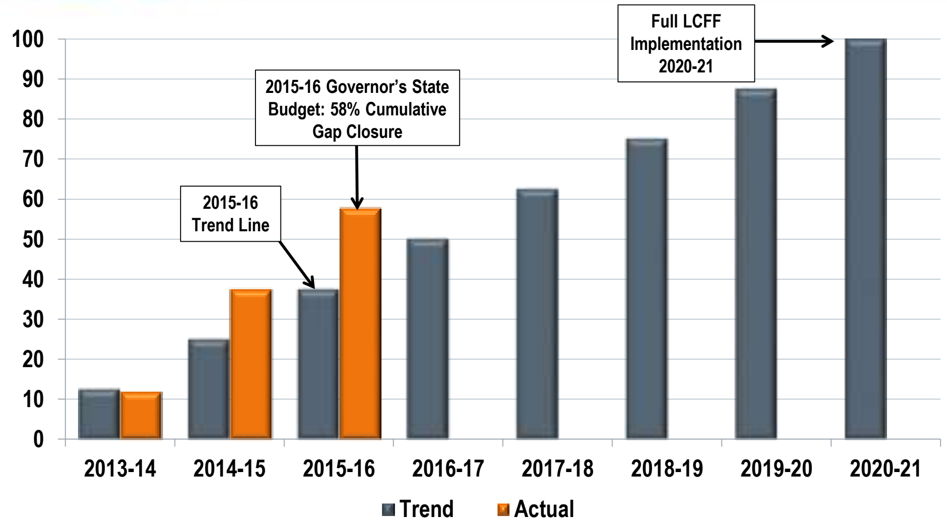
School Services of California

Themes for the 2015-16 Governor's Budget

- Positive economic growth continues and fuels public education spending
- Proposition 98 continues to receive most of the new money
- Funding is tight for the non-Proposition 98 side of the State Budget
- Governor stays the course on the Local Control Funding Formula (LCFF) and the Local Control and Accountability Plan (LCAP)
- The Wall of Debt continues to come down and is replaced with the Rainy Day Fund
- Overall, a very good State Budget for public education

Progress Toward LCFF Implementation

2



Overall, a Positive Year for Education

3

- The 2015-16 State Budget proposed by the Governor would be good news in any year but particularly coming after such a long and deep recession
  - The recovery is not complete
  - Won't be until at least 2021 under the Governor's plan
  - This incremental progress is significant – particularly for public education
- During the recession, we took more cuts than any other segment of the State Budget
  - The Governor acknowledges this and is keeping his commitment toward restoration of our losses

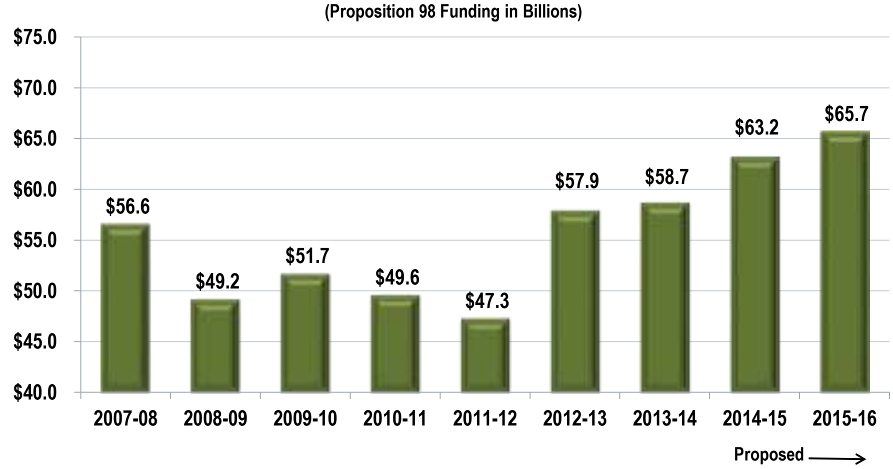
Proposition 98: The Minimum Guarantee

- The improving economy has boosted the Proposition 98 minimum funding guarantee
  - State revenues are up in the current year and moderate growth is projected for 2015-16
  - In turn, the state's obligation to K-12 education and community colleges increases
- For the current year, the minimum guarantee increases by $2.3 billion to $63.2 billion from the level adopted in the 2014-15 State Budget Act
- From this revised level, the Governor's State Budget proposes a 2015-16 Proposition 98 guarantee of $65.7 billion, an increase of $2.5 billion, or 4.1%
  - Funding is based on Test 2: (1) the growth in state per-capita personal income, which is projected to rise 2.91%, and (2) the change in K-12 ADA, which is expected to be flat

Proposition 98 Funding

Budget Restores Investment in Education

(Proposition 98 Funding in Billions)



Source: Governor's State Budget Summary, page 6

Proposition 98 and the Major K-12 Proposals 6

The Governor's State Budget proposes:

- $4 billion for LCFF gap closure
- $1.1 billion for discretionary one-time uses, including Common Core implementation (one time)
- $1 billion to eliminate the remaining K-14 apportionment deferrals
- $500 million for an Adult Education Block Grant
- $273 million for the Emergency Repair Program (one time)
- $250 million for one-time CTE incentive grants (each of the next three years)
- $198 million additional ADA growth in the current year and a $6.9 million decrease for ADA decline in 2015-16
- $100 million for Internet connectivity and infrastructure

Discretionary Funds 7

- The Governor's State Budget proposal provides more than $1.1 billion in discretionary one-time Proposition 98 funds, including $20 million for COEs
  - The allocation amounts to about $180 per ADA for districts
- The Governor suggests the one-time funds may be used to further investments in the implementation of Common Core State Standards (CCSS)
- Other uses detailed in the proposal are:
  - To support the implementation of newly adopted English language development and California's Next Generation Science standards, and
  - To support expenditures that occur due to the evolving accountability structure of the LCFF

2015-16 Local Control Funding Formula

8

- Budget proposes $4 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 32.19%
- When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would cover almost 58% of the gap in just three years
- 2014-15 LCFF growth provides an average increase in per-pupil funding of 8.7%, or $675 per ADA
  - ***Individual LEA experiences will vary***

2015-16 LCFF Funding Factors

9

- Cost-of-living adjustment (COLA): The K-12 COLA is 1.58% for 2015-16, and is applied to the LCFF base grants for each grade span

Target

Grade Span	2014-15 Base Grant per ADA	1.58% COLA	2015-16 Base Grant per ADA
K-3	$7,011	$111	$7,122
4-6	$7,116	$112	$7,228
7-8	$7,328	$116	$7,444
9-12	$8,491	$134	$8,625

2015-16 LCFF Funding Factors 10

- Two grade span adjustments are applied as percentage increases against the adjusted base grants, and also receive a 1.58% COLA in 2015-16
  - Grade K-3 – 10.4% increase for smaller average class enrollments
  - Grades 9-12 – 2.6% increase in recognition of the costs of CTE coursework

Target

Grade Span	2015-16 Base Grant per ADA	Grade Span Adjustment	2015-16 Adjusted Grants
K-3 (10.4%)	$7,122	$741	$7,863
4-6	$7,228	--	$7,228
7-8	$7,444	--	$7,444
9-12 (2.6%)	$8,625	$224	$8,849

What Does the LCFF Mean for SMMUSD? 11

Santa Monica-Malibu USD 2015-16		
2015-16 LCFF per ADA Funding	Projected 2015-16 ADA	Projected 2015-16 LCFF Total Revenue
$7,514	10,804	$81,180,811

- Total SMMUSD Target $92,522,199
- Gap closure at 32.19%
- Includes $2,975,636 Supplemental Grant funds to be designated through the LCAP process ($976,563 new $$)
- Unrestricted LCFF revenue above 1st Interim projection = $1,890,696

Discretionary Funds – ONE TIME	Total
$180 (one-time) X 2014-15 P2 ADA =	$1,944,720

How does the Governor's Budget Affect SMMUSD Multi-Year Projections?

12

MULTI-YEAR PROJECTION
UNRESTRICTED GENERAL FUND
2014-15 1st Interim

	2014-15	2015-16	2016-17
(Decrease) Fund Balance	(4,955,079)	(3,693,956)	(3,065,817)
Beginning Fund Balance	21,775,362	16,820,283	13,126,327
Ending Fund Balance	16,820,283	13,126,327	10,060,510

MULTI-YEAR PROJECTION
UNRESTRICTED GENERAL FUND
2014-15 1st Interim Adjusted for Governors 2015-16 Budget Proposal

(Decrease) Fund Balance	(4,955,079)	(1,890,696)	(1,262,557)
Beginning Fund Balance	21,775,362	16,820,283	14,929,587
Ending Fund Balance	16,820,283	14,929,587	13,667,030

CalSTRS Rate Increases

13

- Employer rates are increasing to 10.73% in 2015-16, up from 8.88% in 2014-15
  - No specific funds are provided for this cost increase
- Once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer and state contribution rates
- SMMUSD 1st Interim includes projected increases

Year	Employer	Pre-PEPRA* Employees	Post-PEPRA* Employees
2014-15	8.88%	8.15%	8.15%
2015-16	10.73%	9.20%	8.56%
2016-17	12.58%	10.25%	9.205%
2017-18	14.43%	10.25%	9.205%
2018-19	16.28%	10.25%	9.205%
2019-20	18.13%	10.25%	9.205%
2020-21	19.10%	10.25%	9.205%

*Public Employees' Pension Reform Act

CalPERS Rate Increases

14

- The employer contribution to CalPERS is projected to increase from 11.771% in 2014-15 to 12.6% in 2015-16 (final rate awaiting CalPERS Board approval)
  - "Classic" members continue to pay 7.00%
  - New members pay 6.00%, which may fluctuate from year to year based on the PEPRA requirement to pay half the normal cost rate
- Estimates of the resulting future contribution rate increases for school employers are as follows (SMMUSD 1st Interim partially includes projected increases):

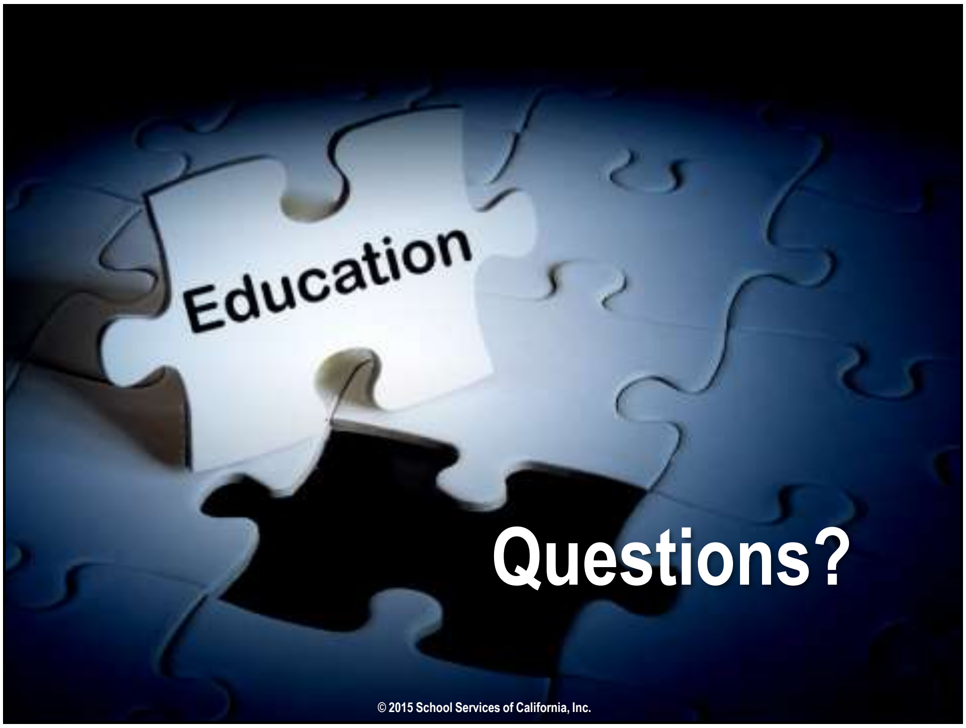
Actual	Projected					
2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
11.771%	12.6%	15.0%	16.6%	18.2%	19.9%	20.4%

- In most cases, the base grant will need to cover increased operating expenses, including the employer's share of CalSTRS and CalPERS increases

Next Steps

15

- State level
  - Budget committee hearings
  - Next update – May Revision
- Local level
  - 2014-15 - 2nd Interim Report due by March 17
  - Regular Board Budget Updates
  - Board Budget Workshop – date to be determined
  - SMMUSD Budget Adoption – June 29, 2015



What is the impact of ROP?

MULTI-YEAR PROJECTION
UNRESTRICTED GENERAL FUND
2014-15 1st Interim Adjusted for Governors 2015-16 Budget Proposal

(Decrease) Fund Balance	(4,955,079)	(1,890,696)	(1,262,557)
Beginning Fund Balance	21,775,362	16,820,283	14,929,587
Ending Fund Balance	16,820,283	14,929,587	13,667,030

MULTI-YEAR PROJECTION
UNRESTRICTED GENERAL FUND
2014-15 1st Interim Adjusted for Governors 2015-16 Budget Proposal PLUS ROP

	2014-15	2015-16	2016-17
(Decrease) Fund Balance	(4,955,079)	(2,775,132)	(2,146,993)
Beginning Fund Balance	21,775,362	16,820,283	14,045,151
Ending Fund Balance	16,820,283	14,045,151	11,898,158