

2018-19 Proposed Budget and Long Range Financial Projections

San Marino Unified School District
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Economic Update - National

- National recovery continuing, but risks on the horizon
- Real GDP growth up 3% through 2019, to 1.7% by 2021
- Personal income rising 6.2% in 2019
- Unemployment 3.6% through 2021 with labor increase
- Interest rates increasing to 3.5% by 2021
- Increased uncertainty due to potential for recession or stock market instability, as well as labor shortages, international disputes, trade conflicts, inflation, etc.

Economic Update - California

- Economic indicators show continued strength
- State Controller's Office: April 2018 revenues 5.3% higher
- Personal Income: Increasing 5% annually through 2019
- Unemployment: Falling to 4.4% by 2019
- Business investment up: Increased automation
- Housing units built in 2017 down
- Building permits lower than population growth through 2021
- 2017 median home price (\$538,000) double national median
- Variables – stock market, tech growth, international trade, etc.

Funding for K-12 Education Continues to Rank Near the Bottom

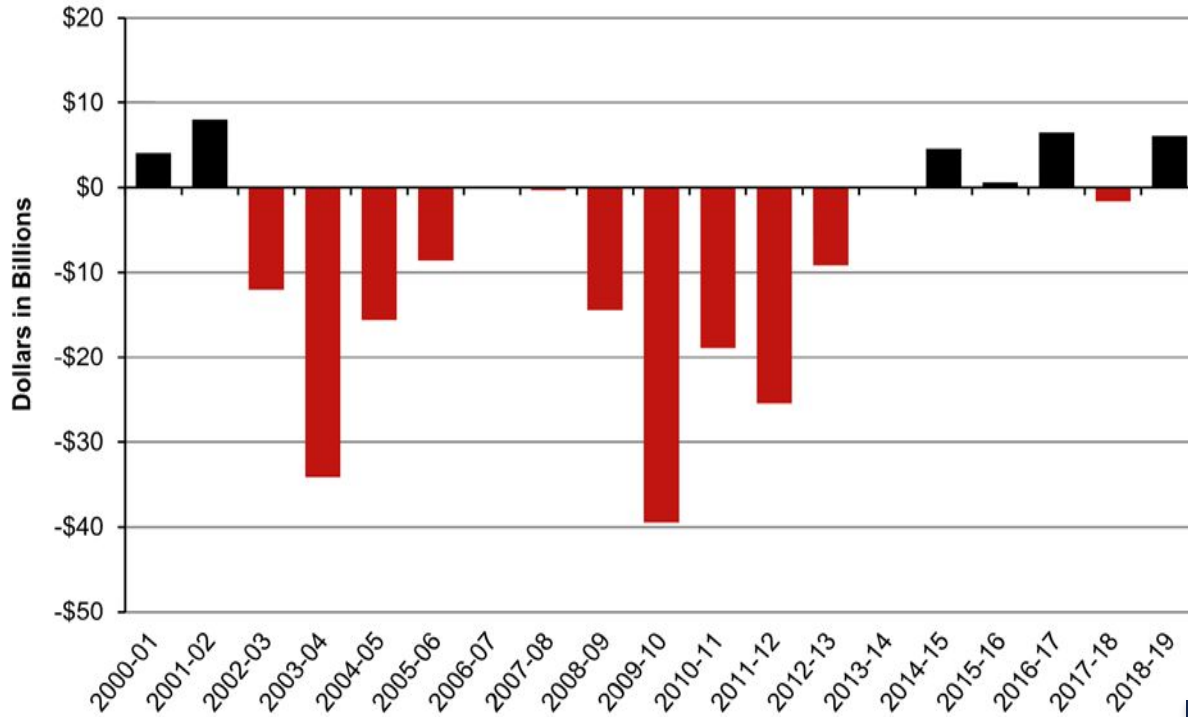
- 5th largest economy in the world
- 37th in the percentage of taxable income spent on education
- 43rd in per-pupil spending
- 22.7% English learner students
- 58.6% free/reduced lunch eligible students

2018-19 State Budget Update

- Strong revenue growth (\$8.7 billion) over three budget years compared to 2017 Budget Act
- Governor continues to exercise fiscal restraint
- General Fund revenues surge since January provides very little benefit to schools
- January proposal emphasized building budget reserves
- May proposal focuses on one-time spending
- AB2808 Proposal to increase LCFF Targets

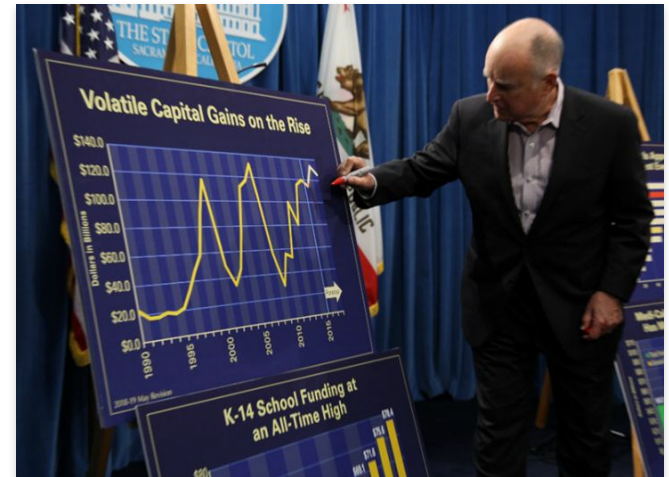


Figure INT-01
**Balanced Budgets Have Been Quickly
 Followed by Huge Deficits^{1/}**



^{1/} Budget shortfalls or surplus, measured by the annual Governor's Budget (January).

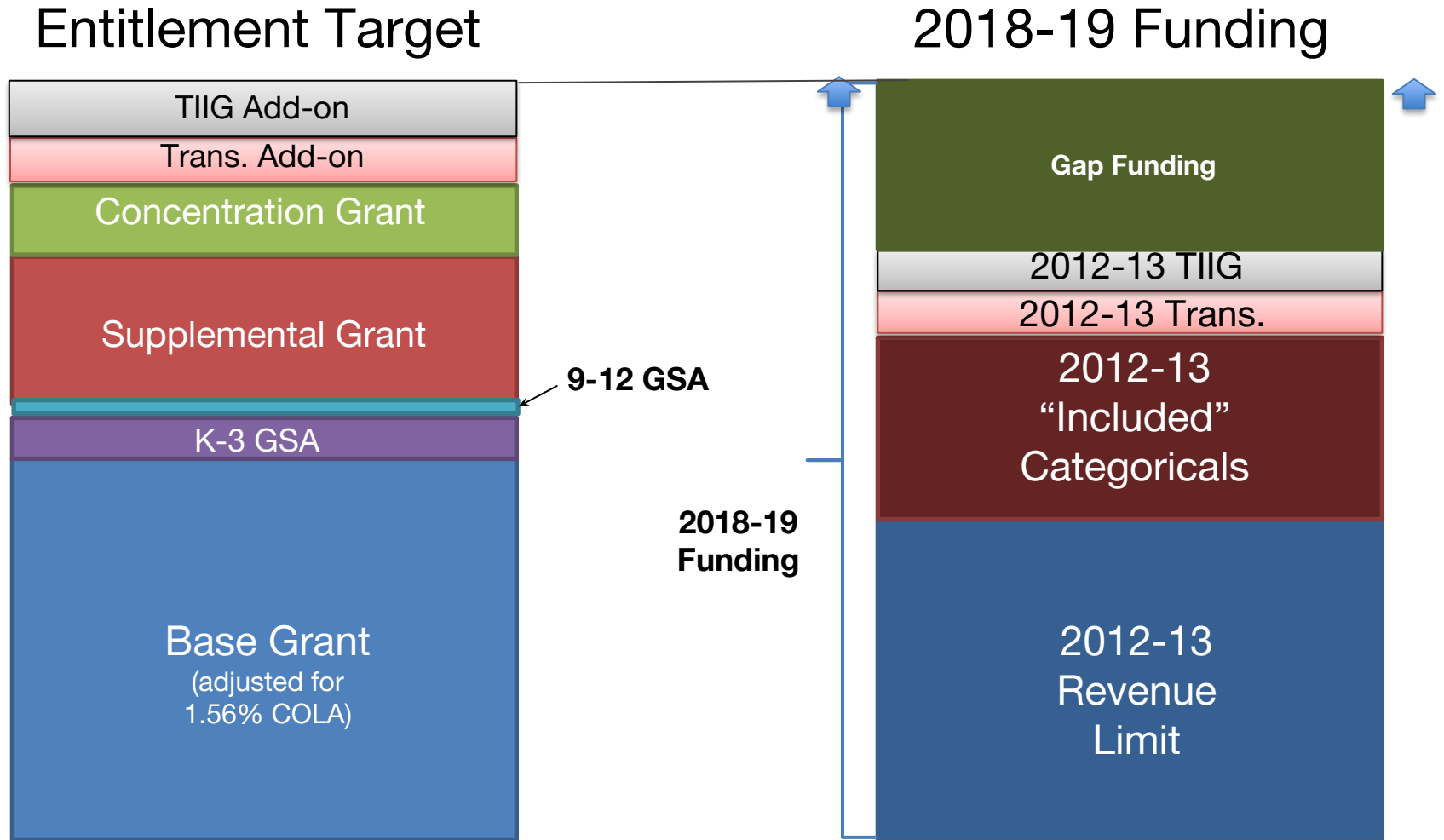
Governor Brown focused on fiscal management legacy – constant references to leaving his successor with a budget surplus and large reserves



2018-19 Local Control Funding

- LCFF funding adjusted by 3.00% COLA and 15.92% Gap
- Categorical programs and Special Education 2.71% COLA
- Individual school districts' funding levels vary greatly
- SMUSD does not benefit as much as districts with high Unduplicated Count student percentages
- It is projected that SMUSD will receive approximately \$1.3 million in net "Gap Funding"
- Increase in proportionate Supplemental Grant set-aside
- One-time Discretionary Funding, est. at \$295 per ADA
- At the same time, the District will be required to fund increased costs for CalSTRS and CalPERS contributions, health benefit increases, step and column and salary adjustments

LCFF Funding Model



Key Components of the Governor's Proposed K-12 Education Budget

- LCFF Base plus Augmentation Grant per ADA (inclusive of 3.00% LCFF COLA)

K-3	\$ 8,180
4-6	\$ 7,520
7-8	\$ 7,744
9-12	\$ 9,206

- One-Time Discretionary Grants est. at \$295 per ADA
- Special Education 2.71% COLA

Key Revenue Assumptions

	2017-18	2018-19	2019-20	2020-21
Student Enrollment	3,072	3,072	3,072	3,072
LCFF Funded ADA	3.010.14	2,993.05	2,992.05	2,992.05
LCFF Gap Funding	\$528,250	\$1,466,080	\$683,143	\$706,170
One-Time Funding	\$442,505	\$885,000	TBD	TBD
Federal Revenues	\$863,903	\$811,145	\$811,145	\$811,145
Schools Foundation	\$2,141,865	\$2,000,000	\$2,000,000	\$2,000,000
Parcel Taxes	\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000
Transfers In from Cash Flow Fund	\$1,200,000	\$1,175,000	\$1,155,000	\$485,000

Expenditure Assumptions

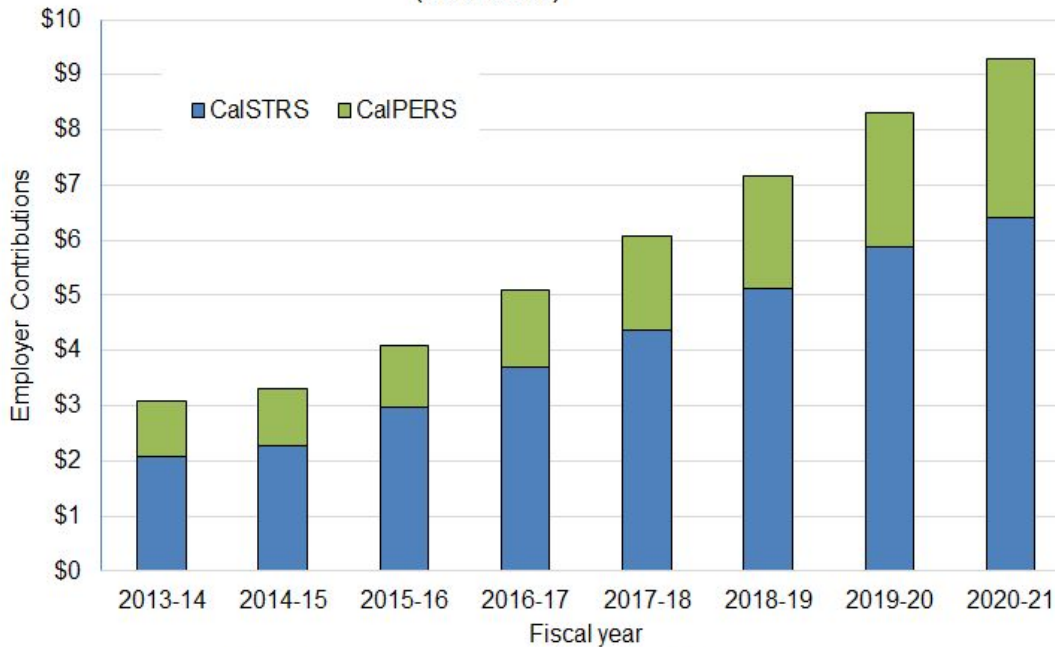
- Certificated and classified step and column
- 1% increase in base salaries
- Savings due to attrition
- Increase in District's health benefit contributions
- Alignment of projected donations and expenditures

Key Expenditure Assumptions

	2017-18	2018-19	2019-20	2020-21
Certificated Salaries	\$16,977,061	\$17,288,457	\$17,203,457	\$17,268,457
Classified Salaries	\$8,082,219	\$8,273,296	\$8,228,296	\$8,048,296
Employee Benefits	\$9,592,628	\$9,979,256	\$10,349,548	\$10,524,024
Books and Supplies	\$2,233,200	\$1,291,544	\$1,291,544	\$1,291,544
Operating Expenditures	\$5,410,106	\$3,490,972	\$3,490,972	\$3,490,972
Equipment	\$913,241	\$625,000	\$625,000	\$625,000

CalSTRS and CalPERS Employer Contribution Rates

Projected Annual K-12 Employer Contributions
(in billions)



Source: LAO, "Proposition 98 Analysis" (Feb. 7, 2018)

Projected K-12 Employer
Contribution Rates

Fiscal Year	CalSTRS	CalPERS
2017-18	14.43	15.531
2018-19	16.28	18.062
2019-20	18.13	20.8*
2020-21	19.10	23.5*
2021-22	18.60*	24.6*
2022-23	18.10*	25.3*
2023-24	18.10*	25.8*
2024-25	18.10*	26.0*
2025-26	18.10*	25.7*

* Projected

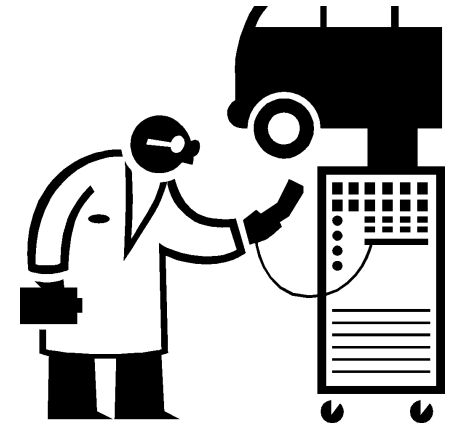
Added pension costs are consuming 40% of Prop 98 growth. Future year increases are projected through 2023-24.

Ending Balance Projections

	2017-18	2018-19	2019-20	2020-21
Reserve for Economic Uncertainties (June 30th)	\$1,313,956	\$1,242,891	\$1,253,012	\$1,255,704
Assigned LCFF Gap Funding	\$0	\$1,466,080	\$2,149,223	\$2,855,393
Assigned Carryover	\$172,060	\$100,453	\$100,453	\$100,453
Stores/Revolving Fund	\$102,758	\$102,758	\$102,758	\$102,758

Budget Variables

- State and Federal Revenues
- Proposition 98 Allocations
- LCFF Funding COLA and Formula
- CalSTRS/CalPERS Increases
- Health and Welfare Benefit Increases
- Deferred Maintenance Needs



Future Year Considerations

- Enrollment/ADA
- LCFF Gap Funding
- Salaries and Benefits Costs
- CalSTRS/CalPERS Increases
- Parcel Tax Renewal 2019 and 2021
- Cash Flow Fund Depletion
- Deferred Maintenance Needs



2018-19 Budget Planning - Next Steps

- Continue to assess/evaluate staffing, and budgets
- June 26th Board of Education approval of LCAP and Budget
- July 1st Adoption of the State Budget
- August 14th District budget will be updated based on the 2018-19 Adopted State Budget



Thank you

