Governor’s Proposals for the 2019-20 State Budget and its impact on the KHSD Budget

KHSD Board Meeting
February 4, 2019

Sources: School Services of California, Inc., KCSOS, Dave Walrath, and Michael Hulsizer
Overview
Economic Outlook
California Education Budget
KHSD Budget
Timeline and Questions
The economy continues to outperform expectations, but the recovery from the Great Recession is in its tenth year and some fear a downturn is looming.

Governor Newsom’s Budget notes the General Fund revenue loss would be near $70 billion over a three year period if a recession were to occur.

Proposition 98 growth in 2019-20 is just 3.6%.

Slow revenue growth with increasing costs means more strain on LEA budgets.

Governor Newsom has indicated that he intends to continue former Governor Brown’s signature school funding program and believes that continued successful implementation of the LCFF and its accountability and continuous improvement system are key next steps for the state’s public education system.
Overview of the Economy
Gross domestic product (GDP) is the monetary value of all the goods and services produced nationally, representing the most comprehensive measure of U.S. economic activity.

Source: U.S. Bureau of Economic Analysis

UCLA economists forecast:
- 3% GDP growth in 2018
- 2% GDP growth in 2019
- 1% GDP growth in 2020
The Education Budget
Changes from Governor Brown’s Projected Budget

- The State Budget proposes $2 billion towards LCFF to fund the 3.46% statutory COLA (up from 2.71%)
- A $3 billion one time non-Prop 98 contribution to reduce CalSTRS liabilities for employers
- $576 million to support expanded Special Education services and school readiness supports at LEAs with high percentages of **both** SWDs and unduplicated students
LCFF Increases During Implementation

Actual LCFF Increases During Implementation Phase

Effective LCFF Increases

COLA Applied to LCFF Targets

Low (10% UPP)  
Medium (50% UPP)  
High (90% UPP)
CalSTRS Employer Contribution Rates – Current Law Versus Governor’s Proposal

<table>
<thead>
<tr>
<th>Year</th>
<th>Assembly Bill (AB) 1469</th>
<th>Proposal</th>
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</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>16.28%</td>
<td></td>
</tr>
<tr>
<td>2019-20</td>
<td>18.13%</td>
<td></td>
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<tr>
<td>2020-21</td>
<td>18.00%</td>
<td>18.10%</td>
</tr>
<tr>
<td>2021-22*</td>
<td>18.60%</td>
<td>18.10%</td>
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<tr>
<td>2022-23*</td>
<td>18.10%</td>
<td>17.60%</td>
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</tbody>
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*Beginning in 2021-22, the CalSTRS Board has authority to increase/decrease the employer contribution rate (with some restrictions) to fully fund the unfunded liability by 2046.
Facilities
- Put bond measures on the 2020 and 2022 ballot for preschool through university facilities

LCFF
- Increase the LCFF base grant targets to adequately fund a rigorous education program

Special Education
- Equalize AB 602 funding across districts and provide additional funding for preschoolers with disabilities and students with severe disabilities

School Start Time – Last year, former Governor Brown vetoed Senator Anthony Portantino’s (D-La Cañada Flintridge) late start time bill that would have prohibited middle and high schools (except rural school districts) from starting before 8:30 a.m.
The Governor’s State Budget proposal marks the beginning of the process, not the end.

The Legislature may push back on the Governor’s priorities and propose their own.

- As the various proposals are considered by legislative committees, we can expect both confrontation and compromise.

Based on those compromises, we expect the Governor to deliver his May Revise on time (around the middle of May 2019).

If recent history holds true, we would expect to see the Governor approve the budget on time (around the end of June 2019).
Questions