2017-18 May Budget Revision and District Fiscal Outlook

Presentation to the Board of Trustees
May 23, 2017
Brett W. McFadden, Associate Superintendent / CBO
What we will cover tonight

The presentation will cover the following:

- Governor’s May Budget Revision
- District’s fiscal outlook
- Challenges facing the district in the future
- Next steps in the budget / LCAP adoption process
Themes of 2017-18 May Revision

- The May Revision is the Governor’s last statutorily required revision to his 2017-18 proposed Budget

- In January, the Governor lowered revenue expectations for 2016-17
  - But for the 2017-18 May Revision he raised his revenue forecast

- Meanwhile, expenditures continue to rise, causing a huge squeeze on districts statewide
  - In response, we are seeing many LEAs deficit spending and making expenditure reductions
  - We are also seeing, for the first time, LEAs reducing programs funded by targeted dollars
## January proposal vs. May Revision

<table>
<thead>
<tr>
<th>Item</th>
<th>January Budget</th>
<th>May Revision</th>
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</thead>
<tbody>
<tr>
<td><strong>LCFF Gap Funding</strong></td>
<td>23.67% or $744 million</td>
<td>43.97% or $1.4 billion</td>
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<td><strong>Proposition 98 Minimum Funding Guarantee</strong></td>
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<tr>
<td>2015-16</td>
<td>$68.7 billion</td>
<td>$69.1 billion</td>
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<td>2016-17</td>
<td>$71.4 billion</td>
<td>$71.4 billion</td>
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<td>2017-18</td>
<td>$73.5 billion</td>
<td>$74.6 billion</td>
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<td><strong>2017-18 COLA(^1)</strong></td>
<td>1.48%</td>
<td>1.56%</td>
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<td><strong>One-Time Discretionary Funds for 2017-18</strong></td>
<td>$287 million $48 per ADA(^2)</td>
<td>$1.01 billion $170 per ADA</td>
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**Governor’s proposal:**
Districts would not receive this funding until May 2019
Local Control Funding Formula: Where the district is now

2017-18 May Revision: 97% of full implementation

Source: School Services of CA, May 2017
PERS and STRS Employer Contributions
## PERS and STRS: Estimated costs to district*

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<tr>
<th></th>
<th>CAL PERS</th>
<th>CAL STRS</th>
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<tbody>
<tr>
<td></td>
<td>2016-17</td>
<td>2017-18</td>
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<tr>
<td></td>
<td>1,782,828.00</td>
<td>2,096,418.54</td>
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<td>4,820,609.00</td>
<td>5,491,776.29</td>
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* In millions
Loss of purchasing power

Pre LCFF

Promise (2007-08 purchasing power)

Actual Funding

Actual Purchasing Power

<table>
<thead>
<tr>
<th>Year</th>
<th>Pre LCFF</th>
<th>LCFF</th>
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<tbody>
<tr>
<td>2007-08</td>
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<td>2008-09</td>
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<td>2009-10</td>
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<td>2010-11</td>
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<td>2011-12</td>
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<td>2018-19</td>
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<td>2019-20</td>
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<td>2020-21</td>
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MPUSD’s fiscal challenge: Revenue vs. Expenditures

17-18 May Revision projects small increase in district LCFF revenues

Required LCAP expenditures

District operations

Sp Ed contributions

Step and column

CalPERS increase

CalSTRS increase

2016-17 Revenues

2017-18 Projected Revenues

Multi-year expenditures

$ LCFF and categorical revenues

$ LCFF and categorical revenues

$ LCFF and categorical revenues

$ LCFF and categorical revenues
Fiscal challenges facing the district: Next two fiscal years

- **Declining enrollment**
  - 10% enrollment loss projected over a ten year period (DecisionInsie)

- **Operating costs increasing**
  - Fixed costs rising twice as much as projected revenues

- **Rate of new revenues are decreasing**
  - Only three percent away from LCFF funding target under state law
  - MYP indicates danger of qualified budget certification unless dramatic changes to revenues and expenditures

- **Need to attract and retain highly qualified staff**
  - Total compensation for employees is below regional averages
District projected to experience negative CASH flow.

2017-18 cash projection

District projected to experience negative CASH flow.
2017-18 cash projection

- Cash flow projection indicates the district will need short term borrowing to cover cash flow from October – December 2017
- Districts are authorized to secure Tax Revenue Anticipation Notes (TRANS)
- District is eligible to participate in the California School Boards Association TRANs Pool
- Staff estimates need for up to $15 million authorization in short term borrowing

**June 13 Board Action Recommended:**
Pass resolution authorizing participation in the CSBA Pool and executing a TRAN if needed during the FY
The 2017-18 budget process: Next Steps

- June 13: Budget and LCAP Public Hearing
  TRANs resolution approved

- June 27: Budget and LCAP Adoption

- July: Board Retreat

- August: Possible 45-day budget revise

- September: 2017-18 unaudited actuals
Questions and Comments