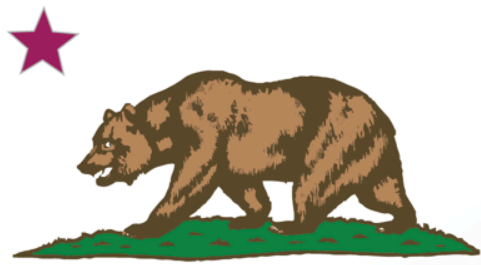


Themes for the 2017-18 Governor's Budget

- **Economic conditions continue to define options for the state**
- **Proposition 98 still controls education funding**
- **We expect major political and legislative challenges, particularly at the federal level**
- **The Local Control and Accountability Plan (LCAP) continues to evolve**
- **Passage of Proposition 55 maintains, but does not increase, education funding above the Proposition 30 level**

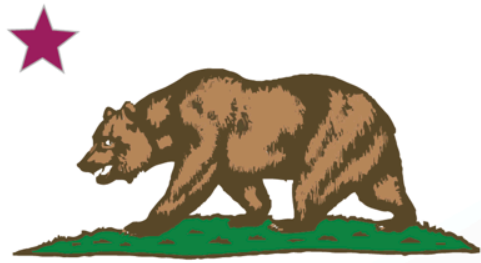


Proposition 98 Growth, Now and Later

2

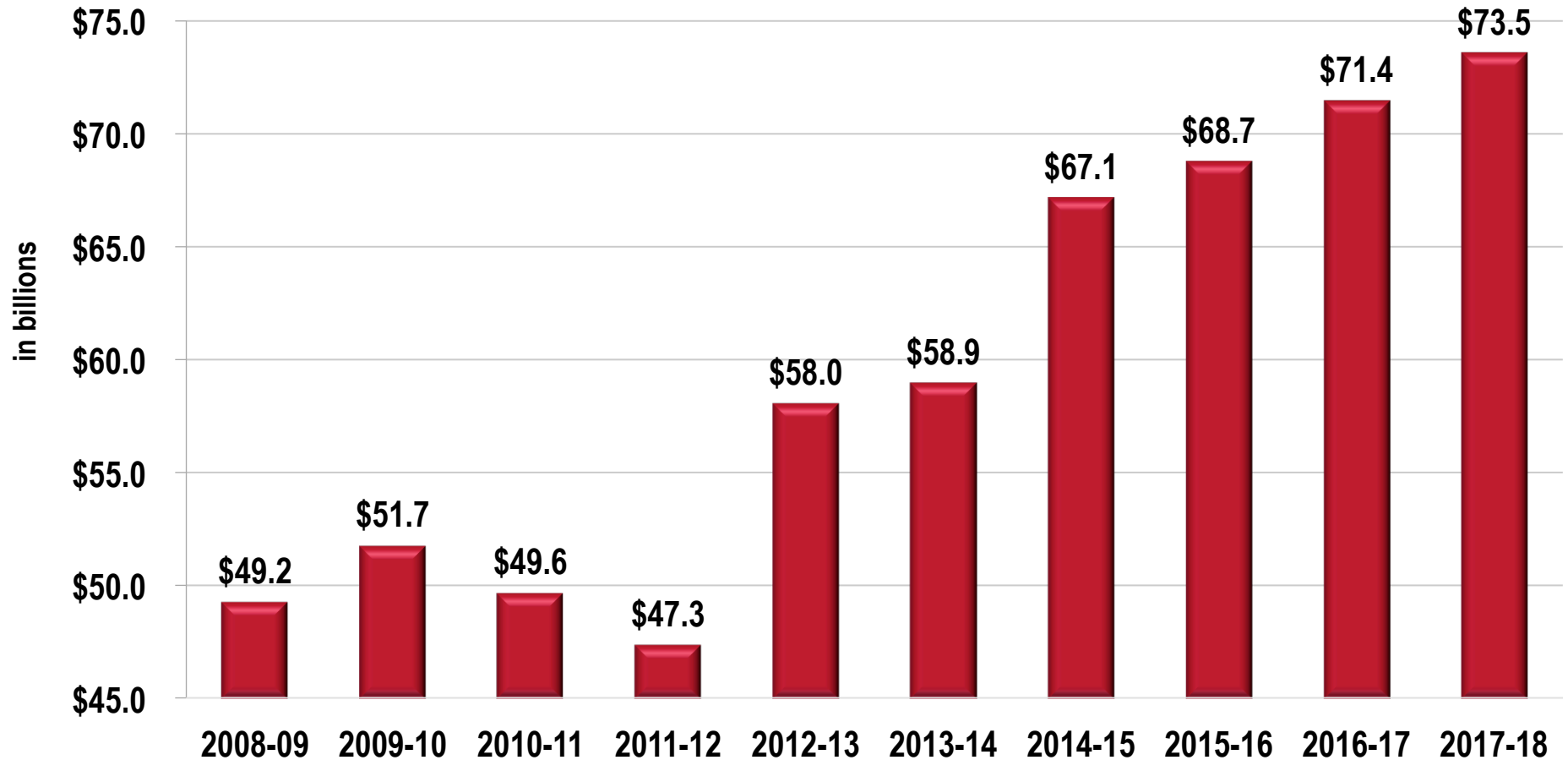
© 2017 School Services of California, Inc.

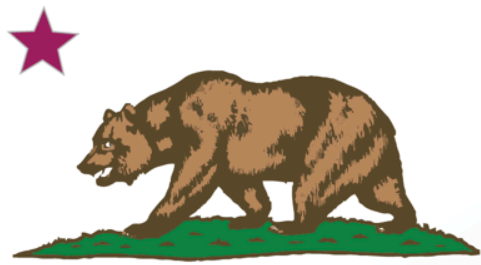
- **COLA 1.48%**
- **While the cap on district reserves will not be imposed in the near future, this remains a looming threat to district budgets and should be repealed or significantly amended**
- **The Governor's State Budget proposes to re-establish apportionment deferrals, shifting \$859.1 million in LCFF costs from June 2017 to July 2017**
- **96% of the gap closed in the first five years, but...**
 - **No change from 2016-17**
 - **New LCFF allocation only sufficient to pay cost of the COLA increase to the grade span per-ADA rate**



Proposition 98

Proposition 98 Funding Over Time 2008-09 to 2017-18



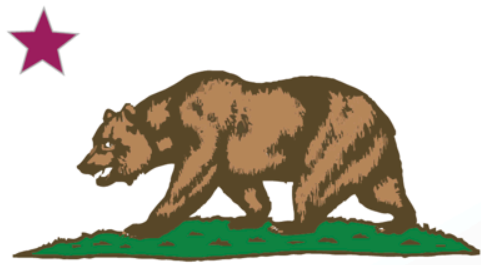


CalPERS Rate Increases

- The employer contribution to CalPERS is proposed to increase to 15.8% in 2017-18, up from 13.888% in 2016-17
- Increasing to 28.20% in 2023-24
- Estimates of the resulting future contribution rate increases for school employers are as follows:

Actual	Projected				
2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
13.888%	15.8%*	17.7%*	19.7%*	21.1%*	21.5%*

*CalPERS provided these estimates in early 2016 and has not yet issued revised estimates



CalSTRS Rate Increases

- **Employer rates are increasing to 14.43% in 2017-18, up from 12.58% in 2016-17**
 - **No specific funds are provided for this cost increase**
- **Under current law, once the statutory rates are achieved, CalSTRS will have the authority to marginally increase or decrease the employer contribution rate**

CalSTRS Rates

Year	Employer	Pre-PEPRA Employees	Post-PEPRA Employees
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%



Next Steps

- **State level**

- **Budget committee hearings**
- **Next update – May Revision**

- **Local level - MVSD**

- **2017-18 Registration and Enrollment Projections**
- **Second Interim Report - March 15, 2017**