



## Collective Bargaining Changes at Full LCFF Implementation

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- There are statutory and practical considerations that affect collective bargaining upon reaching full implementation of the LCFF in 2018-19
  - For 2018-19, revenues will be higher than previously forecast, however, subsequent year-to-year growth will be slightly lower
  - The concept of “LCFF Target” amounts vs. “LCFF Funded” amounts, becomes moot; for the future, we have a single number, the funded amount
  - The concept of distributing new targeted dollars specifically to meet the needs of the students who generate the dollars is replaced by an ongoing proportionality calculation
  - Districts have been receiving differentiated supplemental and concentration grant increases each year; now, all districts receive is the COLA, albeit on a higher or lower per ADA funding amount
- The LCAP still leads the process, the budget follows, and both continue to affect negotiations



## Changed Rules Dictate Changes in Preparations

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- When the LCFF/LCAP model was adopted effective for the 2013-14 fiscal year, we urged stakeholders to take the time necessary to develop a clear understanding of the new system
  - We offer the same advice now
  - Districts should be prepared to explain the changes that come with full implementation and how they affect bargaining
  - Financial documentation changes somewhat and needs to be explained
  - Proportionality is a mathematical calculation, but it can dramatically affect dollars available for negotiations
- We still argue that base grant funding, from which the majority of salary increases come, is way too low to cover the recurring costs of public education
  - Over time, that statewide structural imbalance will become increasingly painful for all districts

# Governor's Proposals for the 2018-19 State Budget and K-12 Education



## Closing Thoughts

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- Over the last four years, the Governor has insisted on building the Rainy Day Fund
  - He again provides more than the minimum contribution in order to reach the full target level in 2018-19
    - He will not need this Budget cushion; it will be available for his successor
  - Managing the state's finances through the Great Recession may be his biggest accomplishment
- In our opinion, the Governor continues to win on the issues most important to him



## Closing Thoughts

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- Are we reaching the end of the economic expansion?
  - The stock market has reached an all-time high with no signs of slowing down
  - All three major indices reached new levels the first week in January, with the Dow Jones surpassing 25,000 for the first time
  - Wages are increasing and the unemployment rate for both the nation and California dropped to 4.1% and 4.6%, respectively, further narrowing the gap between the two
  - At the end of next year, California will match the longest economic recovery since World War II
- The trouble with downturns is that they do not announce when they will arrive
  - Several years ago, we noted that one of the economic consulting firms that we follow, the Institute for Trend Research, forecast a moderate recession in 2019 – the jury is still out!
- Like the Governor stated, you can only prepare for the inevitable, but you can't know when it will occur