

TO: BOARD OF EDUCATION  
FROM: SANDRA LYON / JANECE L. MAEZ  
RE: BUDGET UPDATE

DISCUSSION  
02/06/14

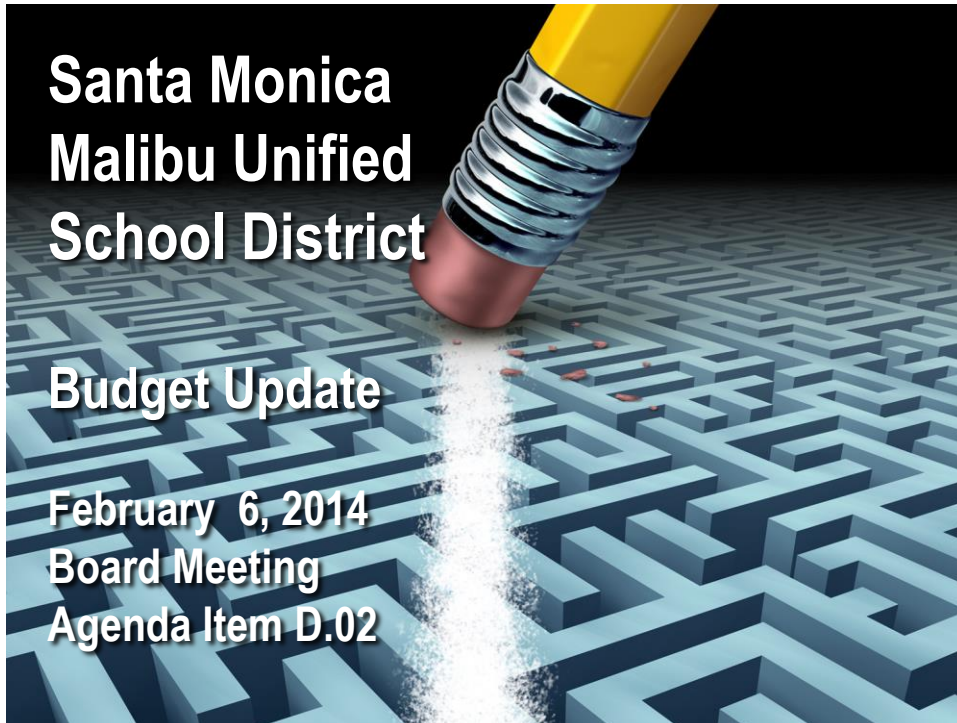
DISCUSSION ITEM NO. D.02

In mid-January, staff attended a workshop updating school districts on Governor Brown's proposed budget for 2014-15. This discussion item will allow staff to update the Board of Education on information presented at that workshop.

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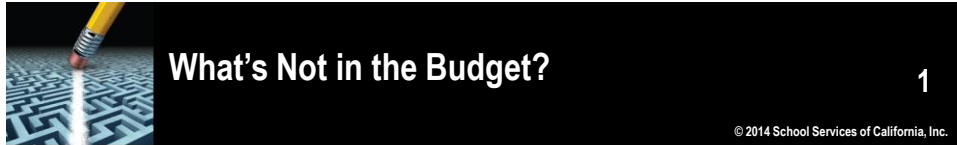
*Ms. Maez's presentation can be found under Attachments at the end of these minutes.*

*Mr. Allen asked about mandated costs funding. Ms. Lyon said she would provide the board with information regarding this topic. Ms. Leon-Vazquez asked about ROP funding. Ms. Maez said ROP funding will be included in the general fund starting 2015-16.*



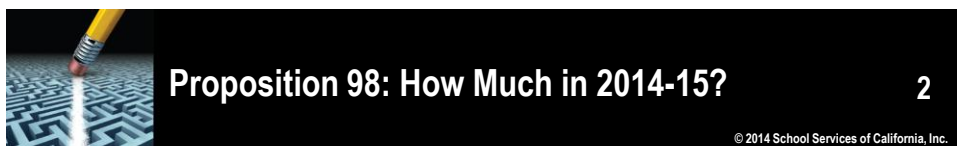
- **What a difference a year makes!**
  - **Only 14 months ago we were facing deep cuts if Proposition 30 didn't pass**
- **Governor Jerry Brown is proposing the greatest increase in per-student average funding since 2000-01**
- **He takes a wrecking ball to the "wall of debt" by buying down the remaining K-14 deferrals**
- **The Proposition 98 entitlement skyrockets even while the California economy as a whole only improves at a moderate rate**
- **The increase in Proposition 98 creates a window of opportunity unlike any we have had before**
- **To protect public education during the eventual downturns, the Governor proposes two rainy day funds: one for education and one for the rest of the State Budget**
- **The Governor is proposing a continuous appropriation for the Local Control Funding Formula (LCFF)**

# Governor's Proposals for the 2014-15 State Budget and K-12 Education



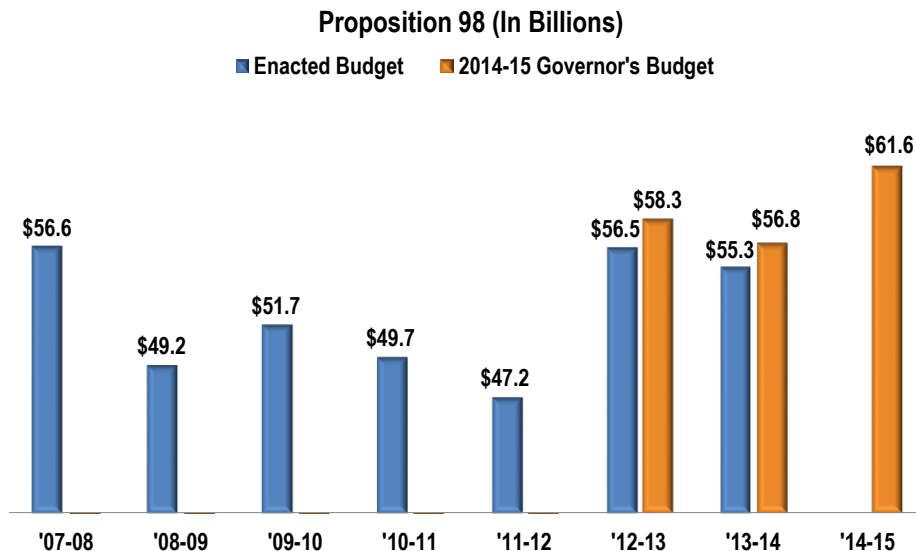
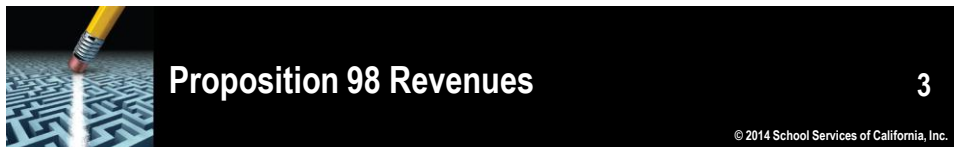
## ● What the Budget does not address:

- No proposal for a statewide school facilities bond
- No new funding to address the unfunded liability in the California State Teachers' Retirement Systems fund
- No new funding to address special education shortfalls
- No new funding for early childhood education
- No payments on the prior-year state mandate credit card



- \$61.6 billion in K-14 Proposition 98 funds are available for 2014-15
- This is a \$6.3 billion increase – 11.4% over the 2013-14 budgeted level
  - On average, \$751 per average daily attendance (ADA) ongoing is K-12 education's share
- In addition, \$3.3 billion more is provided in one-time funding from prior years
  - \$1.8 billion from 2012-13
  - \$1.5 billion from 2013-14

# Governor's Proposals for the 2014-15 State Budget and K-12 Education

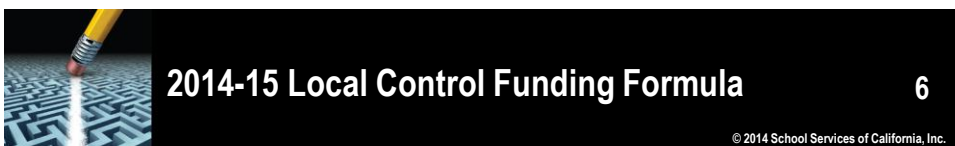


- \$5.5 billion of one-time and ongoing Proposition 98 to fully eliminate interyear K-12 apportionment deferrals in 2014-15
- \$4.472 billion in additional funding for school districts and charter schools to continue implementation of the LCFF
- \$316.5 million to support Proposition 39 energy efficiency projects
- \$33.3 million to fund a 0.86% statutory cost-of-living adjustment (COLA) for categorical programs that remain outside of the LCFF
- \$188.1 million for the Emergency Repair Program from one-time Proposition 98 funds

# Governor's Proposals for the 2014-15 State Budget and K-12 Education



- The Governor is proposing a constitutional amendment to make major changes to the state's "Rainy Day Fund," which was established in 2004 through Proposition 58
- The amendments are intended to address revenue volatility stemming from the capital gains tax
- The specific provisions include:
  - Establishing a Proposition 98 reserve in addition to the existing Rainy Day Fund
  - Requiring contributions to these reserves when capital gains revenues exceed 6.5% of General Fund tax revenues
  - Establishing a maximum size for the Rainy Day Fund of 10% of revenues, as opposed to the 5% maximum of Proposition 58
  - Limiting withdrawals to 50% of the balance in the first year of a recession



- Budget proposes \$4.5 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2013-14 funding levels and LCFF full implementation targets by 28.05%
- Combined with elimination of 11.78% of the gap in 2013-14, the new formula would be over one-third of the way toward implementation in the first two years
- 2014-15 LCFF growth provides an average increase in per-pupil funding of 10.9%, or \$751 per ADA (approx. \$590 for SMMUSD)
  - Individual local educational agency experiences will vary





## LCFF – A Quick Review

7

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- The LCFF makes fundamental changes to how we allocate state Proposition 98 revenues to schools
- At full implementation, the LCFF will fund every student at the same base rate
- The LCFF provides two weighting factors applied against the LCFF base grant
  - 20% on behalf of each eligible student
  - An additional 50% for the eligible students exceeding 55% of total enrollment
- Each school district receives at least as much state aid in future fiscal years as the district received in 2012-13



## LCFF – Base Grant Entitlement Calculation

8

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- 2014-15 target entitlement calculation - **EXAMPLE**
  - Grade span per-pupil grants are increased annually for the COLA

| Factors                    | K-3     | 4-6     | 7-8     | 9-12    |
|----------------------------|---------|---------|---------|---------|
| 2013-14 Base Grant per ADA | \$6,952 | \$7,056 | \$7,266 | \$8,419 |
| COLA @ 0.86%               | \$60    | \$61    | \$62    | \$72    |
| Base grants – 2014-15      | \$7,012 | \$7,117 | \$7,328 | \$8,491 |




## LCFF – K-3 CSR and CTE Adjustments

9

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- K-3 Class-Size Reduction (CSR) and 9-12 Career-Technical Education (CTE) Grade Span Adjustments are additions to the base grant
  - CTE is unrestricted; CSR requires progress toward maximum site average of 24 students enrolled in each class

| Factors                | K-3       | 4-6     | 7-8     | 9-12     |
|------------------------|-----------|---------|---------|----------|
| Base grants – 2013-14  | \$7,012   | \$7,117 | \$7,328 | \$8,491  |
| Adjustment percentage  | 10.4% CSR | -       | -       | 2.6% CTE |
| Adjustment amount      | \$729     | -       | -       | \$221    |
| Adjusted grant per ADA | \$7,741   | \$7,117 | \$7,328 | \$8,712  |




## LCFF – Supplemental and Concentration Grants Per ADA

10

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- Supplemental and concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners, free and reduced-price meal program eligible students, and foster youth

| Factors   | K-3     | 4-6     | 7-8     | 9-12    |
|---|---------|---------|---------|---------|
| Adjusted grant per ADA  | \$7,741 | \$7,117 | \$7,328 | \$8,712 |
| 20% supplemental grant  | \$1,548 | \$1,423 | \$1,466 | \$1,742 |
| 50% concentration grant (for eligible students exceeding 55% of enrollment) | \$3,871 | \$3,559 | \$3,664 | \$4,356 |




## What Impact Does the Budget Proposal Have On Our District?

11

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- Our District with 27.82 % eligible students would calculate the following LCFF target grants for 2014-15

| Factors  | K-3     | 4-6     | 7-8     | 9-12    |
|--|---------|---------|---------|---------|
| Adjusted grant per ADA                         | \$ 7741 | \$ 7117 | \$ 7328 | \$ 8712 |
| % Enrollment eligible                          | 27.82 % | 27.82 % | 27.82 % | 27.82 % |
| Supplemental and Concentration Grants          | \$ 430  | \$ 396  | \$ 408  | \$ 484  |
| Total 2014-15 LCFF <b>TARGET</b> grant per ADA | \$ 8171 | \$ 7513 | \$ 7736 | \$ 9196 |



## Next Steps

12

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- Ongoing – developing the Local Control Accountability Plan (LCAP)
- The May Revision
- Adoption of the final LCFF spending requirements and LCAP template and requirements
- Adopt school district budget
- Adopt State Budget



# Governor's Proposals for the 2014-15 State Budget and K-12 Education

