2014-15 Proposed State Budget and Second Interim Recommendations Workshop – LCFF Section Only

Division of Business Advisory Services

March 5, 2014
Planning Considerations/
LCFF

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LCFF

- Largest education finance reform in 40 years
- Replaces revenue limits and most State categorical programs
- Based on statewide per-ADA rates, historical funding, additional funding for special populations
- Largely unrestricted
  - Supplemental and Concentration Grants
  - MOEs
- 8 year transition to full funding
Revisiting the Local Control Funding Formula (LCFF)

This slide shows images that illustrate how the Local Control Funding Formula works. LCFF provides the same amount of funding per student with two adjustments (1) grade level and (2) demographics.

Taken from a WestEd Presentation
LCFF Major Components

- **Hold Harmless/Prior Year**
  - Under the Hold Harmless provision, no district, charter school or county office will receive less total state revenue than it received in the prior year (adjusted for growth or decline)

- **District Funding Targets**
  - The LCFF establishes a unique funding target for every district

- **Transitional/Gap Funding**
  - Additional funds provided to fund the Gap between a district’s Hold Harmless amount and their Target amount.
Determining LCFF Funding

- GAP
- SUPPLEMENTAL/CONCENTRATION GRANTS
- BASE AND AUGMENTATION GRANTS

2013-14 Funded LCFF
2014-15 LCFF TARGET
2014-15 FUNDING

GAP FUNDING (Est. 28% of Gap)
LCFF
Gap Funding and Total Funding

- 2013-14 Gap Funding is estimated to be 11.78%
- 2014-15 Gap Funding is proposed to be 28.05%
  - May project revenues at this level
  - For LCAP, update using May Revision projection
- DOF projects 2015-16 Gap Funding at 33.95%
  - Reserve any increase projected in 2015-16
  - Future years’ Gap funding is dependent upon the additional fund available in those years
COLA no longer a relevant framework for discussing increases in funding

Estimated range of per-ADA increase for Los Angeles County school districts from 2013-14 to 2014-15:

2.2 percent to 16.7 percent

Critical to determine for your district
Elements of the LCFF

- Base Grant by Grade Span
  - All districts receive
- Grade Span Augmentation
  - Additional funding for grades K-3 ADA and 9-12 ADA
- Supplemental and Concentration Grants
  - Additional funding for English learners, low income students, and foster youth
- TIIG/Transportation
  - Funding for former TIIG and transportation programs continue at 2012-13 level
## Overview of LCFF

### Districts and Charter Schools

<table>
<thead>
<tr>
<th>Formula Component</th>
<th>Rates/Rules</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target base rates (per ADA)</strong></td>
<td></td>
</tr>
<tr>
<td>- increased by COLA each year</td>
<td></td>
</tr>
<tr>
<td>K-3</td>
<td>$6,952</td>
</tr>
<tr>
<td></td>
<td>$7,012</td>
</tr>
<tr>
<td>4-6</td>
<td>$7,056</td>
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<tr>
<td></td>
<td>$7,117</td>
</tr>
<tr>
<td>7-8</td>
<td>$7,266</td>
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<tr>
<td></td>
<td>$7,328</td>
</tr>
<tr>
<td>9-12</td>
<td>$8,419</td>
</tr>
<tr>
<td></td>
<td>$8,491</td>
</tr>
<tr>
<td><strong>Grade Span Adjustments</strong></td>
<td></td>
</tr>
<tr>
<td>K-3 = 10.4% of base rate</td>
<td></td>
</tr>
<tr>
<td>9-12 = 2.6% of base rate</td>
<td></td>
</tr>
<tr>
<td><strong>Supplemental funding for EL/LI/FY</strong></td>
<td>20% of adjusted base rate</td>
</tr>
<tr>
<td><strong>Concentration funding</strong></td>
<td></td>
</tr>
<tr>
<td>Each EL/LI student above 55% of enrollment generates an additional 50% of adjusted base rate</td>
<td></td>
</tr>
<tr>
<td><strong>Add-ons</strong></td>
<td></td>
</tr>
<tr>
<td>Targeted Instructional Improvement Block Grant, Home-to-School Transportation, Economic Recovery Target</td>
<td></td>
</tr>
</tbody>
</table>
LCFF Base Grant

- Ungraded ADA is distributed to grade spans proportionately
  - Expect revisions to attendance reports
  - County educated ADA

- Declining enrollment protection remains
  - Only for districts – not charter schools
  - Districts in declining enrollment will be paid based on their prior year’s grade span distribution
LCFF K-3 Augmentation

- Provides additional 10.4% of Base Grant for K-3
- At full implementation (full funding in 8 years), must not exceed site-average class sizes of 24:1 or as negotiated
- Must make proportional progress in intervening years
- Failure results in loss of K-3 Augmentation
LCFF K-3 Augmentation

- SBE has released proposed regulations with the March Agenda (Item 2) to define terms and to establish a uniform, auditable methodology for calculating the class size average and for measuring progress.
  
  [http://www.cde.ca.gov/be/ag/ag/yr14/agenda201403.asp](http://www.cde.ca.gov/be/ag/ag/yr14/agenda201403.asp)

- Wednesday, March 12, 2014, beginning at 8:30 am

- Beginning with 2014-15 (to be included in 2014-15 Audit Guide)
LCFF K-3 Augmentation

• Determine prior year average class enrollment using number of pupils per class based on active enrollment as of last day of last full school month that ends on or before April 15 (P-2)
  – Excludes independent study and special day classes
  – Round to nearest half or whole integer
  – New school site prior year average is median for K-3 classes at school sites that did exist
  – Kindergarten includes TK
  – Combination classes that include K-3 are considered K-3 for determining class sizes – entire class is counted
LCFF K-3 Augmentation

- Calculate minimum required reduction in class size for current year by subtracting prior year average from 24 and multiplying difference by Gap Funding Percentage
  - Use May Revision proposed amount
- Determine current year maximum class size average by deducting minimum reduction from prior year class size average
  - Round to nearest half or whole integer
  - District may operate alternate class sizes as agreed to in a collectively bargained alternative annual average class enrollment for each school site
### EXAMPLE OF CLASS SIZE AVERAGE CALCULATION AND PROGRESS CALCULATION FOR A SAMPLE SCHOOL SITE

<table>
<thead>
<tr>
<th>Class</th>
<th>Grade</th>
<th>Month 1</th>
<th>Month 2</th>
<th>Month 3</th>
<th>Month 4</th>
<th>Month 5</th>
<th>Month 6</th>
<th>Total</th>
<th>Number of Counts (Divisor)</th>
<th>&quot;Average Number of Pupils Enrolled Per Class&quot;</th>
</tr>
</thead>
<tbody>
<tr>
<td>One</td>
<td>Kindergarten</td>
<td>26</td>
<td>25</td>
<td>25</td>
<td>26</td>
<td>27</td>
<td>26</td>
<td>155</td>
<td>6</td>
<td>25.83</td>
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<tr>
<td>Two</td>
<td>Kindergarten</td>
<td>27</td>
<td>27</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>158</td>
<td>6</td>
<td>26.33</td>
</tr>
<tr>
<td>Three</td>
<td>First</td>
<td>28</td>
<td>28</td>
<td>29</td>
<td>29</td>
<td>28</td>
<td>27</td>
<td>169</td>
<td>6</td>
<td>28.17</td>
</tr>
<tr>
<td>Four</td>
<td>First</td>
<td>28</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>27</td>
<td>27</td>
<td>160</td>
<td>6</td>
<td>26.67</td>
</tr>
<tr>
<td>Five</td>
<td>Second</td>
<td>28</td>
<td>28</td>
<td>29</td>
<td>30</td>
<td>30</td>
<td>29</td>
<td>174</td>
<td>6</td>
<td>29.33</td>
</tr>
<tr>
<td>Six</td>
<td>Second</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>30</td>
<td>30</td>
<td>176</td>
<td>6</td>
<td>29.33</td>
</tr>
<tr>
<td>Seven</td>
<td>Third</td>
<td>27</td>
<td>26</td>
<td>26</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>166</td>
<td>6</td>
<td>27.67</td>
</tr>
<tr>
<td>Eight</td>
<td>Third</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>28</td>
<td>168</td>
<td>6</td>
<td>28</td>
</tr>
</tbody>
</table>

Total (sum of the average number of pupils enrolled per class) 221
Number of classes (divisor) 8
"Average Class Enrollment" 27.625

**"Average Class Enrollment" Rounded to Nearest Half or Whole Integer** 27.5

### Required Average Class Enrollment for Purposes of Demonstrating Progress

- Prior Year Average Class Enrollment at School: 33
- Minus Target Class Enrollment: 24
- Equals: 9
- Gap Percentage (May Use Department of Finance Estimate): 11.78%
- Minimum Required Reduction over Prior Year Average: 1.06
- Prior Year Average Class Enrollment at School: 33
- Minus Minimum Required Reduction over Prior Year Average: -1.06
- Maximum Average Class Enrollment (Rounded to Nearest Half or Whole Integer): 32.0
LCFF 9-12 Augmentation

- Provides additional funding for grades 9-12
  - 2.6% of grades 9-12 Base Grant
  - No Strings (formerly CTE funding)
Provides additional funding for students that are EL, free and reduced price meal eligible, and foster youth.

An unduplicated count (a student who qualifies for more than one category may only be counted once):
- Expressed as a % of total enrollment
- Use 3-year rolling average

As reported in CalPADS:
- COE now required to review CalPADS data
- Will be audited for 2013-14 (added as Emergency Regulations)
Supplemental/Concentration Grants

- Supplemental Grant provides additional 20% of the Base Grant multiplied by the percentage of the unduplicated count.
- Concentration Grant provides additional funding for districts with more than 55% of its population as identified students.
  - 50% of the Base Grant multiplied by the percentage greater than 55%.
Any increase in funds generated by identified pupils (FRPM, EL, or foster youth) must be used to improve the educational program for those pupils (Supplemental and Concentration Grants).

SBE released regulatory guidance on the expenditure of these funds in January 2014 defining calculation of increase and Proportionality Percentage.
Portion of LCFF Increase to be used for Identified Students

- GAP FUNDING (Est. 28% of Gap)
- Increase in funding attributable to Unduplicated Count

2013-14 Funded LCFF

2014-15 LCFF TARGET

2014-15 FUNDING
Calculating the Proportionality Percentage

1. Calculate the LCFF supplemental and concentration grant targets, at full implementation
2. Determine prior year expenditures to support unduplicated pupils.
   - No less than the amount of EIA expended in 2012-13
3. Subtract the estimated 2013-14 expenditures from the supplemental and concentration grant target.
4. Multiply the difference by the gap percentage funding for the year in which the LCAP is adopted (funded portion of increase in funding generated by unduplicated count)
Calculating the Proportionality Percentage (continued)

5. Add to the LEA’s prior year estimated expenditures from step 2 (*total amount of LCFF funding identified for use for unduplicated count*)

6. Subtract the amount in step 5 from the total LCFF funding in 2014-15 (*total amount of LCFF funding available for use for all students*)

7. Divide the approximate amount from step 5 by the amount in Step 6 (*the Proportionality Percentage, the % that must be used to improve or increase services for the unduplicated count over what is provided to all students*)
8. When the LCFF is fully implemented statewide (or if your prior year’s expenditures equal or exceed the funded S&C Grants), then the Proportionality Percentage is the total S&C grants divided by the remainder of the LCFF funding, excluding add-ons for TIIG and Transportation.
Sample District

- Unified School District
- ADA – 20,000
- Unduplicated Count – 57%
- 2012-13 EIA - $2.4 million
- Total Est. 2014-15 LCFF Funding - $134.3 million
- 2014-15 Gap Funding – 28.05%
## Calculation of Proportionality Percentage

<table>
<thead>
<tr>
<th>STEP</th>
<th>DESCRIPTION</th>
<th>TALLY</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Target S&amp;C Grant at Target</td>
<td>$19,600,000</td>
</tr>
<tr>
<td>2</td>
<td>Spent on identified students last year</td>
<td>$2,400,000</td>
</tr>
<tr>
<td>3</td>
<td>Difference?</td>
<td>$17,200,000</td>
</tr>
<tr>
<td>4</td>
<td>Funded portion of the increase in the S&amp;C Grants</td>
<td>$4,825,000</td>
</tr>
<tr>
<td>5</td>
<td>Amount that must be spent on identified students (LCAP 3C)</td>
<td>$7,225,000</td>
</tr>
<tr>
<td>6</td>
<td>Amount available to support all students</td>
<td>$127,075,000</td>
</tr>
<tr>
<td>7</td>
<td>Proportionality Percentage (LCAP 3D)</td>
<td>5.69%</td>
</tr>
</tbody>
</table>
LCFF
TIIG/Transportation Add-on

- Preserves 2012-13 funding level for the former Targeted Instructional Improvement Grant and Transportation
- Unrestricted funding
- Never changes – no COLA or growth
LCFF MOEs

- **Transportation**
  - Must spend in 2013-14 and ALL future years what was spent in 2012-13
  - Limited to amount generated by transportation

- **Adult Education and ROC/P**
  - Must spend in 2013-14 and 2014-15 what was spent in 2012-13
  - May combine ROC/P district and COE expenditures

- **Transportation and ROC/P JPAs**
  - Districts must continue to forward funding to JPAs in 2013-14 and 2014-15 at same levels as in 2012-13
LCFF – Charter Schools

- Charter schools essentially mirror district LCFF calculation except:
  - Paid on current year ADA only – no declining enrollment protection
  - Unduplicated count capped at authorizing district’s unduplicated count %
    - Alternative calculation for charters in more than 1 district
  - Not subject to K-3 CSR requirements
Planning Considerations - LCFF Cautions

- CDE won’t release final calculation of LCFF until June 2014
- Districts should exercise extreme caution in obligating any increase in funds from the LCFF
  - Must reflect uses of the LCFF funds in LCAP
- Two meetings are required for budget adoption
  - One that contains two public hearings: LCAP and Budget
  - One that contains two adoptions: LCAP and Budget