2014-15 Proposed State Budget and Second Interim Recommendations Workshop

Division of Business Advisory Services

March 5, 2014
Agenda

Welcome
Dr. Alex Cherniss
Overview
Charles Faulkner
LCFF/Planning Considerations
Marlene Dunn
LCAP
Bonnie McFarland
Categorical & Other Programs
Jeff Young
Facilities
Gerald Yarbrough
Reference Materials

- PowerPoint Presentation
- Budget Book (electronic copy only; available week of March 10th)
  lacoe.edu/businesstechnology/businessadvisoryservices.aspx
- LCFF/LCAP Resources
  lacoe.edu/schoolimprovement/lcap.aspx
In case you’re wondering what happened to Revenue Limits
Overview

Charles Faulkner
Assistant Director, Business Advisory Services
faulkner_charles@lacoe.edu
(562) 922-6132
Overview – Proposed State Budget

- $106.8 billion General Fund Budget
  - $8.3 billion or 8.5% increase over 2013-14
- $43.9 billion Special Fund Budget
  - $2.8 billion or 6.9% increase over 2013-14
- Spending to increase by $11 billion or 8%
Overview – Proposition 98

● $61.6 billion proposed for 2014-15
  – $6.3 billion increase over 2013-14
  – $3.4 billion increase to prior year
  – $9.7 billion total increase

● Proposition 98 “Rainy Day Fund”
  – Would redirect increase in State revenues above a certain level to the “Rainy Day Fund” to be used in future years when State revenues wouldn’t otherwise support full funding of Prop 98
Overview – Proposition 98 Priorities

- **Investing in Education**
  - $4.5 billion to further implement LCFF

- **Paying Down “Wall of Debt”**
  - $5.5 billion to eliminate K-12 deferrals

- **LCFF Continuous Appropriations**
  - Attempt to provide further funding certainty for school districts
  - Would specify preliminary Gap Funding amount to be used in advance apportionment
  - Would not guarantee Gap Funding amount in enacted budget – would still be dependent upon appropriation
Overview – Other Education Proposals

- $74.3 million for Charter School ADA growth
- $33.3 million to support 0.86 percent COLA for categorical funded outside LCFF
- $188.1 million for Williams Emergency Repair Program
- Lessening of restrictions for Independent study programs
- Creation of a 2014 Five Year Infrastructure Plan
Overview - Other Budget Pressures

- Transitional Kindergarten - Expansion
- Additional Common Core
- Development of a plan to address the CALSTRS unfunded liability
- In addition – other pressures on the State budget include prisons, health and welfare programs, infrastructure
This is what happens when your budget doesn’t add up
Planning Considerations/ LCFF

Marlene Dunn
Director, Business Advisory Services
dunn_marlene@lacoe.edu
(562) 922-6132
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

2013-14 Funded LCFF

2014-15 LCFF TARGET

2014-15 FUNDING

SUPPLEMENTAL/CONCENTRATION GRANTS

BASE AND AUGMENTATION GRANTS

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
**LCFF**
**Gap Funding and Total Funding**

- 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>Target base rates (per ADA)</td>
<td>2013-14</td>
</tr>
<tr>
<td>- increased by COLA each year</td>
<td>K-3</td>
</tr>
<tr>
<td></td>
<td>4-6</td>
</tr>
<tr>
<td></td>
<td>7-8</td>
</tr>
<tr>
<td></td>
<td>9-12</td>
</tr>
<tr>
<td></td>
<td>K-3</td>
</tr>
<tr>
<td></td>
<td>4-6</td>
</tr>
<tr>
<td></td>
<td>7-8</td>
</tr>
<tr>
<td></td>
<td>9-12</td>
</tr>
<tr>
<td>Grade Span Adjustments</td>
<td>K-3 = 10.4% of base rate</td>
</tr>
<tr>
<td></td>
<td>9-12 = 2.6% of base rate</td>
</tr>
<tr>
<td>Supplemental funding for EL/LI/FY</td>
<td>20% of adjusted base rate</td>
</tr>
<tr>
<td>Concentration funding</td>
<td>Each EL/LI student above 55% of enrollment generates an additional 50% of adjusted base rate</td>
</tr>
<tr>
<td>Add-ons</td>
<td>Targeted Instructional Improvement Block Grant, Home-to-School Transportation, Economic Recovery Target</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

- 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>
</tr>
<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</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)
LCFF
Supplemental/Concentration Grants

- 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)
LCFF
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%
LCFF
Supplemental/Concentration Grants

- 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

2013-14 Funded LCFF

2014-15 LCFF TARGET

2014-15 FUNDING

SUPPLEMENTAL/CONCENTRATION GRANTS

BASE AND AUGMENTATION GRANTS

GAP FUNDING (Est. 28% of Gap)

Increase in funding attributable to Unduplicated Count

GAP

Increase in funding attributable to Unduplicated Count
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>VALUE</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>
The ERT is intended to ensure that most school districts receive, at minimum, annual increases sufficient to restore their funding to the total undeficited level of 2012-13 revenue limits and the undeficited level of 2012-13 categorical funding.
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
Planning Considerations – Cash Flow Projections

- State Aid payments based on Advance Apportionment through May 2014
  - P-1 Apportionment released in Feb. 2014 contains only minimal changes to estimated Advance Apportionment
    - Updated for 2013-14 P-1 ADA, property taxes, EPA
    - Updated for 2012-13 Categorical programs’ final calculation
    - Continues assumption of Statewide increase of 4.64% from the LCFF
Planning Considerations – Cash Flow Projections

- Actual district calculation won’t occur until P-2 in June 2014 – paid in July 2014
- Differences between 11 months of estimated payments and actual amount will be adjusted in P-2 apportionment payment
  - Districts with actual increases <4.64% will have a negative adjustment
  - Districts with actual increases >4.64% will have a positive adjustment
Planning Considerations – Cash Flow Projections

- Governor proposes $5.5 billion to completely eliminate cash deferrals
- Would not be enacted in time to prevent 2013-14 deferrals in April, May, and June
  - Districts should continue to reflect deferrals in cash flow projections
- If successful, deferral would be repaid at end of July 2014
  - True impact would be on 2014-15 payment schedule
## Planning Considerations – Cash Flow Projections

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Exemption Available?</th>
<th>Amount</th>
<th>Principal Apportionment Payment Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>April 2014 to July 2014</td>
<td>No</td>
<td>$917.54 million</td>
<td>42.21%</td>
</tr>
<tr>
<td>May 2014 to July 2014</td>
<td>No</td>
<td>$2.352 billion</td>
<td>100%</td>
</tr>
<tr>
<td>June 2014 to July 2014</td>
<td>Yes</td>
<td>$2.301 billion</td>
<td>100%</td>
</tr>
<tr>
<td>Deferred across fiscal years</td>
<td></td>
<td>$5.57 billion</td>
<td></td>
</tr>
</tbody>
</table>
Planning Considerations – Cash Flow Projections

- June Deferral Exemptions
  - Available for amount needed up to 100%
  - Must demonstrate need for State Loan in absence of exemption
  - Must reflect mid-year TRANs
  - Application expected, but not yet available, on CDE Web site at:
    [http://www.cde.ca.gov/fg/fi/ir/](http://www.cde.ca.gov/fg/fi/ir/)
  - Upon release, will provide additional information
Planning Considerations – Cash Flow Projections

- RDAs
  - One-time revenues in 2012-13 spiked local revenue
  - Many districts have negative adjustments to State Aid in February 2014
  - 2013-14 Advance adjusts for one-time RDA

- Restoration of furloughs and other salary reductions will increase cash outflow
Planning Considerations – Cash Flow Projections

- EPA now distributed quarterly
- Don’t forget:
  - EPA Plan prior to expenditures
  - Posting of EPA Actual Expenditures
  - Send information to SCO
- BAS State Aid Cashflow
  - Reflects BAS LCFF estimates
Planning Considerations – Cash Flow Projections

- Potential cash deficiencies need to be identified early in order to implement appropriate solutions
  - Reduction of expenditures (temporary and/or ongoing)
  - Interfund Borrowing
  - TRANs
    - Mid-year TRANs amount limited to amount of deferrals
    - If deferrals are eliminated, then so too are mid-year TRANs
  - Treasurer Borrowing
    - Very limited – discuss with your BSC prior to planning
Planning Considerations – Cash Flow Projections

- Every district should have Board Resolutions for:
  - Interfund borrowing
  - Treasurer borrowing

- Consider not only the month ending cash balance but possible deficiencies during the month prior to receipt of revenues, typically at month end.
Planning Considerations

Flexibility Provisions

- Tier III Now Moot – No Longer Applicable
- RRMA still required
  - decreased to 1% through 2014-15
  - No Deferred Maintenance contribution required but still need to maintain schools
- School year reduced by 5 days to 175 days
  - However, the flexibility to reduce five days from the school year sunsets June 30, 2015
    (EC Section 46201.2)
Audit Guide

- Major changes made in February to the 2013-14 Audit Guide

- Local Control Funding Formula Certification
  - LEAs must confirm, in writing, its awareness of LCFF requirements
  - Sample form will be available at CDE website:

- CalPADS Unduplicated Count
Audit Guide

- California Clean Energy Jobs Act
  - Plan consistent with regulations
- Education Protection Account (EPA) Funds
  - Adopted Plan and posting of revenues and expenditures
- Common Core Implementation Funds
  - Adopted Plan and appropriate expenditures
- Charter Schools
  - Attendance and Charter School Facility program
The SMAA program offers a way for LEAs to obtain federal reimbursement for the cost of certain administrative activities necessary for the proper and efficient administration of the Medi-Cal program.

The DHCS serves as the principal administrator over the SMAA program.

11 COEs serve as oversight agencies.
Octavio Castelo
Region 11 LEC SMAA Coordinator
castelo_octavio@lacoe.edu
(562) 922-6144
Planning Considerations
Bonds

- AB 182, effective January 1, 2014, limits Bond Issuances
  - Debt service ratio to principal can be no greater than 4:1
  - Limits term to 30 years for current interest bonds (40 years through 2019)
  - Limits term to 25 years and interest to 8% for CABs
  - CABs must be callable after 10 years
  - Increases public and Board disclosure
Collective Bargaining Disclosures

- Must submit 10 days prior to Board adoption of agreement
- Should submit for any rescission of previously approved reductions
  - Furlough days
  - Salary rollbacks
- Consider how uses of funds will be reflected in your 2014-15 LCAP
Planning Considerations-
Second Interim Report

- Many districts still facing budget challenges
- Plans to address any projected budget deficits should be reasonable and implementable
  - Sufficiently detailed (not just a plug number)
  - If dependent upon negotiations, an alternate plan should be identified
  - Use caution when obligating future years’ revenues
    - Consider impact on LCAP
    - Should not obligate 2015-16 projected increases
Planning Considerations-
Second Interim Report

- Certifications
  - Not bad to be qualified
  - Sends public message to stakeholders
  - Demonstrates openness; district is working issues
  - Little impact on TRANS

- LACOE Staff available for Board Presentations
BREAK
LCAP
Categorical & Other Programs

Jeff Young
Financial Advisory Services Officer
young_jeff@lacoe.edu
(562) 922-6667
Categorical Programs

- Categorical programs are programs for which State or Federal funds are granted to:
  - Qualifying school districts for children with special needs, such as the Educationally Handicapped (Special Education)
  - For special programs such as Foster Youth and Partnership Academies
  - For special purposes such as State Testing & Assessments
Categorical Programs – Impact of the LCFF

For 2013-14 and forward - Tier III categorical programs were incorporated into the LCFF
  - Categorical funds received in 2012-13 have been included in the LCFF hold harmless (now known as minimum state aid) calculation of your base amount
  - Tier III public hearings are no longer required
Categorical Programs – Funded Outside the LCFF

- **Adults in Correctional Facilities**
  - Funded at $15 million; on-going funding, includes COLA

- **After School Education & Safety Programs (ASES)**
  - Funded at $547 million; on-going funding, no COLA

- **Agricultural Vocational Education** (now included in the LCFF)

- **American Indian Education Centers and American Indian Early Childhood Education Program**
  - Funded at $4.5 million; on-going funding, includes COLA

- **Foster Youth Services**
  - Funded at $15.2 million; on-going funding, includes COLA
Categorical Programs – Funded Outside the LCFF

- Partnership Academies
  - Funded at $21.4 million ($2.6 million for “Clean Technology”); on-going funding, no COLA

- Quality Education Investment Act (QEIA) (expired in 2013-14)

- Special Education
  - Funded at $4.51 billion ($3.3 State, $1.2 Federal)

- Specialized Secondary Programs (now included in the LCFF)

- State Preschool
  - Funded at $508 million

- State Testing / Assessments
  - Funded at $128.8 million
Special Education

- Federal Sequestration Impact
  - Most of the 2012-13 reduction to Federal Funding for Special Education programs has been restored for 2014-15
- Will receive 0.86 percent COLA ($31.6 million)
- Negative 0.437 percent growth due to a decline in special education ADA ($2.2 million)
- Special Education transfer included in the analysis tab in the LCFF revenue projection worksheet
Special Education

- **Major Changes to AB 602 Calculation in 2013-14**
  - Program Specialist/Regionalized Services are now rolled into the AB 602 base
  - Base now excludes Federal IDEA Part B funds

- CDE released revised AB 602 calculations with the 2013-14 P-1 Apportionment
  
  http://www.cde.ca.gov/fg/aa/se/ab602apptdat.asp
Special Education

- Mental Health Services
  - For 2014-15, total of $426 million in funding
  - Responsibility continues to remain with LEAs
  - Districts should continue to work with your SELPAs to identify qualifying students and total costs
  - Funds received shall first be considered as offsetting revenues for any reimbursable mandated cost claims for Behavioral Intervention Plans
Special Education – NPS Extraordinary Costs

- $3.0 million funding again for 2014-15
- Reimburses districts for new NPS placements for costs exceeding extraordinary cost (2.5 times the statewide average)
  - Includes out-of-home residential services
  - Threshold - $74,385 for 2013-14
- Claims filed using the CDE-issued Revenue Software
  - Districts must submit all invoices and back-up to support claims
  - Require certification by COE prior to submission
  - Claims for 2013-14 must be filed by November 30, 2014
- Late claims will not be funded
Special Education – Statewide Task Force

- A new Statewide 32-member Task Force has been formed to examine California's complex systems for serving students with disabilities
  - Funded by the Schwab Foundation & the Stuart Foundation
- Membership includes parents, teachers, school and district administrators, university professors, members of the policy community and other stakeholder groups
- Work completed over the course of the year with a report and policy recommendations released in late Fall
Categorical Programs – Foster Youth Services

- Provides support services for foster children who often experience multiple placements in foster care
- County Superintendents retain the responsibility to coordinate services between:
  - Child welfare agencies, schools, juvenile courts and probation; Including efficient transfer of health and education records
- Foster Youth is included in Unduplicated Count and generates Supplemental and Concentration Grant funding
  - Must include in LCAP
Categorical Programs – State Testing / Assessments

Funded at $128.8 million, an increase of $56.0 million

- This includes an additional $46.5 million to implement AB484 (Chapter 489/Statutes 2013)
  - Deletes the provisions of the EC establishing the Standardized Testing and Reporting (STAR) Program and instead establishes the Measurement of Academic Performance and Progress (set forth in Education Code section 60640 as MAPP, however, now referenced in the regulations as the California Assessment of Student Performance and Progress (CAASPP))
  - Expands the field testing of the new CCSS Smarter Balanced Assessment starting with the 2013-14 school year
During this transition phase, the assessments shall include:
- CA Standards Test/CA Modified Assessment (CST/CMA) in Science for students in grades 5, 8 & 10
  - CST in English, Algebra II, Summative HS Math for students in grade 11
- CA Alternate Performance Assessment (CAPA)
- Consortium-developed field test in English language arts and mathematics

In addition, AB484 authorizes the SSPI, with the approval of the SBE, to determine if the 2014 and 2015 APIs would be a valid measure of school and district performance.
Other Programs - Common Core

- $1.25 billion - $200/CBEDS Enrollment
  - Available in 2013-14 on a one-time basis for the implementation of Common Core State Standards (CCSS) over a two-year period
  - LEA’s may encumber funds apportioned pursuant to this section at any time during the 2013–14 or 2014–15 fiscal year
  - Most feel that significant additional funding required for successful implementation
Other Programs - Common Core

- LEA’s shall expend funds allocated pursuant to this section for any of the following purposes:
  - Professional development
  - Instructional materials
  - Technology
    - Support the administration of computer-based assessments
    - Provide high-speed, high-bandwidth Internet connectivity for computer-based assessments
Other Programs - Common Core

- Must adopt a plan delineating how funds will be spent
  - First explained in a public board meeting
  - Then adopted by the board in a subsequent public meeting
- Must report detailed expenditures to the CDE on or before July 1, 2015
  - The CDE shall determine the format for this report
- Also must address Implementation of Common Core as one of the 8 areas of the LCAP
Other Programs - Common Core

- LACOE’s Curriculum and Instructional Services Division are available to assist districts with the implementation of the Common Core program

Raynette Sanchez, Director CIS
(562) 922-6319
sanchez_raynette@lacoe.edu

Yvonne Contreras, Assistant Director CIS
(562) 922-6404
contreras_yvonne@lacoe.edu
State Mandates
Mandated Block Grant / Reimbursement

- K-12 Mandated Program Block Grant - $216.6 million
  - $50 million for Graduation Requirements

- LEA’s have option to seek reimbursement via the Mandate Block Grant (MBG) or traditional claims filing
  - Applications for MBG participation available in July and due to the CDE no later than August 30; usually funded in November
  - MBG participants will have compliance tested via annual audit
  - Claims participants are subject to SCO compliance testing
Mandated Block Grant / Reimbursement

- 2013-14 MBG Participation:
  - School Districts Statewide - 84 percent; LA County - 96 percent
  - Charter Schools Statewide - 97 percent; LA County - 98 percent

New Developments:
- LAO is recommending the Legislature repeal the Reasonable Reimbursement Methodology (RRM) process for educational mandates
  - Under the MBG, funding can be adjusted annually based on expected costs
  - Also recommending COLA be applied similar to other educational programs
Mandated Block Grant

<table>
<thead>
<tr>
<th>MGB Rates</th>
<th>K-8</th>
<th>9-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Districts</td>
<td>$28</td>
<td>$56</td>
</tr>
<tr>
<td>Charters</td>
<td>$14</td>
<td>$42</td>
</tr>
<tr>
<td>COE</td>
<td>$29</td>
<td>$57</td>
</tr>
</tbody>
</table>

- These are one-time monies and should be used for one-time expenditures
- Prior to 2012-13, charter schools were not eligible
  - New charters not eligible as funding is based on 2013-14 P-2 ADA
State Mandates

- 2014-15 Budget includes:
  - 44 Education Mandates (up from 42)
    - However, no additional funding provided
  - 12 Suspended Mandates
    - LEA’s are not required to perform suspended mandate functions
    - LEA’s may continue suspended mandate activities at their own discretion without reimbursement
State Mandates

- Mandate Programs Specifically Excluded from the MBG for 2014-15:
  - Behavioral Intervention Plans
  - California Public Records Act
  - Charter School IV
  - Developer Fees
  - Open Meetings Act/Brown Act Reform
  - Parental Involvement Programs
  - Public Contracts
  - Teacher Incentive Program
  - Uniform Complaint Procedures
  - Williams Case Implementation I, II, III
Mandated Cost Reimbursement

- Deferred and Unfunded Mandates
  - Only $1,000 was appropriated for each mandate, resulting in no funds being provided to Districts

- Current estimate is $5.4 billion in unpaid claims
  - LEA’s should continue to file cost reimbursement claims
  - Cost reimbursement continues to be deferred until such time funds are appropriated and available (Governor proposes full reimbursement by end of 2017-18, although no funds provided in 2014-15 budget)
Mandated Costs

Final Thought…..

- Remember ... agencies have legal requirement to perform all mandated services, whether they are reimbursed or not

More detailed information available on the SCO’s website at:

www.sco.ca.gov/ard_mancost.html

Or the CDE’s website at:

http://www.cde.ca.gov/fg/aa/ca/mandatebg.asp
Lottery

How many times have you heard from your friends and neighbors “What are you guys doing with all the money from the lottery?” Well . . . .
Lottery

- Lottery sales for **2013-14** are projected to reach $5.1 billion, providing education with an estimated $1.3 billion (13 consecutive years $1 billion or more)
- Distributed quarterly on a per-ADA basis
- A portion of lottery funds will remain restricted (Prop 20), even under LCFF
- Provides less than 2 percent of total K-14 funding
- Multi-State Powerball enacted April 8, 2013
## Lottery

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$ 110.58</td>
<td>$ 126.00</td>
<td>$ 126.00</td>
<td></td>
</tr>
<tr>
<td>Restricted Prop 20</td>
<td>34.92</td>
<td>31.00</td>
<td>31.00</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 145.50</td>
<td>$ 157.00</td>
<td>$ 157.00</td>
<td></td>
</tr>
</tbody>
</table>

- Historical 10 year average - 64 percent spent on salaries and benefits
Facilities

Gerald Yarbrough
Regionalized Business Services Coordinator
yarbrough_gerald@lacoe.edu
(562) 922-6122
Facilities

- Proposition 39 – California Clean Energy Job Act
  - Created with passage of Proposition 39 in November 2012
  - Enabling legislation SB 73 approved by Governor June 27, 2013
  - Guidelines adopted by the CEC January 3, 2014
  - Energy Expenditure Plan Handbook is now available on CEC website
Facilities

- Proposition 39 – Funding distribution
  - $381 million to LEAs including COEs and charter schools
  - $47 million to community college districts
  - $28 million to CEC for low interest loans and zero interest loans to provide technical assistance
  - $5 million to the California Conservation Corps to perform energy surveys
  - $3 million to the California Workforce Investment Board to develop competitive grant program
Facilities

- Proposition 39 – Award allocations based on prior year ADA
  - 100 or less: $15,000 + FRPM
  - 101 to 1,000: $50,000 + FRPM
  - 1,001 to 1,999: $100,000 + FRPM
  - 2,000 or more based on prior year ADA plus FRPM
  - Award amounts available on CDE website:
Facilities

- Proposition 39 – Energy Expenditure Plans
  - CDE will continue to take request for Energy Expenditure Plans funding
  - Planning dollars may be used for first year only
  - Subtracted from total allocation
  - Retroactive to July 1, 2013
Facilities

- Proposition 39 – Planning continued
  - Planning activities are:
    - Screening and energy audits (85% of planning allocation)
    - Prop 39 program assistance (15% of planning allocation)
Facilities

- Proposition 39 – Funding for training
  - LEAs may use 2% of award or $1,000, whichever is greater to train classified staff in energy efficiency
Facilities

- Proposition 39 – Funding Energy Managers
  - LEAs may use up 10% of their award or $100,000 to fund an energy manager (or company)
  - May pool resources with other LEAs
Facilities

- Proposition 39 – Energy Efficiency Projects (Examples)
  - Lighting
  - HVAC
  - Water-Efficiency
  - Alternative Energy

- Savings to Investment Ratio (SIR)
  - Spend $1.00 to recover $1.05
Facilities

- A look back
  - Proposition 1D passed in November 2006
- Remaining Bond Authority for New Construction and Modernization virtually zero
- Governors proposed budget transfers Remaining Bond Authority from Seismic Mitigation, Career Technical Education and Overcrowding Relief programs to New Construction and Modernization
- Approved applications will not be guaranteed funding
Facilities

- Priority Funding
  - Next available filing window for SFP funding begins May 14, 2014
  - Districts have 30 days to submit an application to OPSC
Facilities

• Future Direction of the SFP
  – The Governor’s administration looking to more local control and flexibility
  – Next opportunity for a statewide bond November 2014
    • AB 2235 Introduced by Joan Buchanan and Curt Hagman
Facilities

- Deferred Maintenance Program
  - Now included in LCFF with no restrictions
  - Schools must be kept in “good repair”
  - Under LCAP requirements district must develop a strategy for maintaining good repair of facilities

- Routine Restricted Maintenance
  - 1.0 percent contribution of general fund remains optional through 2014-15
  - Requirement of 3 percent contribution returns in 2015-16
Facilities

- Developer Fees
- Bi-annual adjustment January 2014
  - Level 1 residential rate increased from $3.20 to $3.36 per square foot
  - Level 1 commercial/industrial rate increase from $0.51 to $0.54
  - Fees go in to effect 60 days after a Board adoption
  - A Fee Justification Study must substantiate an increased rate
Facilities

- Emergency Repair Program (ERP)
  - Williams Legislation Settlement provides $800 million
  - Governor’s Budget proposal provides $188.1 million for the ERP
  - The program is over subscribed by $225.5 million
  - 638 applications waiting for approval
Facilities

- Surplus Property Proceeds
  - Site sale
    - Flexibility continues through January 1, 2016
    - Proceeds may be used for a one-time general fund purchase
  - Lease
    - OPSC current position – leases one year or less may be used for general fund purposes
    - Excess of a year restricted to capital fund uses
Facilities

- Surplus Property – Charter Schools
  - SB 1016 gives charter schools first right to your surplus property
  - Only applicable to property identified as surplus after July 1, 2012
  - Selling price limited to the price district paid for the property, with some adjustment for improvements
  - Charter must use facility for direct instruction or instructional support
  - Effective through June 30, 2016
Facilities

- Seismic Mitigation Program
  - As of the January SAB meeting $162 million available for replacement of “most vulnerable” school facilities
  - Governor’s Proposed Budget transfers remaining Bond Authority to New Construction and Modernization programs.
Facilities

- High Performance Incentive Grant Funding
  - As of January 2014, $35.4 million still available for high performance projects
  - Funding may be used for sustainable sites, energy, water and indoor environmental quality projects
  - SAB approved regulations allowing Energy Efficiency and Green components for the Modernization Program
  - April 2012 Career Technical Education projects also eligible
Facilities

- Storm Water – Industrial Permit
  - Only applicable to districts who maintain bus maintenance yards
  - July 2013 fourth draft released
  - Group monitoring replaced with Compliance Groups
  - Final adoption scheduled April 4, 2014
  - All provisions effective July 1, 2015
Not sure which way to go, we’re here to help