2015-16 PROPOSED STATE BUDGET AND SECOND INTERIM RECOMMENDATIONS WORKSHOP

Division of Business Advisory Services

February 27, 2015
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<td>Deborah Berry / David Norton</td>
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<td>Facilities</td>
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</tr>
</tbody>
</table>
Overview

Keith Crafton, Assistant Director, Business Advisory Services- Regional Business Services
Crafton_keith@lacoe.edu; (562) 922-6144

Charles Faulkner, Assistant Director, Business Advisory Services-Financial Management Services
Faulkner_charles@lacoe.edu; (562) 922-6132
Overview

- Introduction of BAS staff
- PowerPoint Presentation
- Budget Book (electronic only-available 3/15/15)
  BAS Website: lacoe.edu/businessservices/businessadvisoryservices.aspx
- LCFF/LCAP Resources
  lacoe.edu/schoolimprovement/lcap.aspx
Overview
Proposed State Budget

- The Good
  - $7.8 billion increase to K-12; 58% of way to target

- The Bad/Challenging
  - Increased expectations; LCAP; Supplement/concentration expenditure requirements; K-3 GSA

- The Ugly
  - CalSTRS/CalPERS rate increase; Prop 2 REU CAP; No budget for facilities
Overview

Proposed State Budget - Priorities

- The major focus of the 2015-16 Proposed State Budget is the “Local Control Funding Formula” (LCFF)
- Rainy Day Fund / Reserve requirements
- Paying off K-14 deferrals
Overview
Proposition 98

- $65.7 billion proposed for 2015-16
  - $58 billion to K-12 Education
  - $7.1 billion to Community Colleges

- Investing in Education
  - $4 billion to further implement LCFF
Overview
Proposition 98 Priorities

- One time funding ($3.4 Billion)-should not be committed for on-going projects
- $1.1 discretionary funding (Common Core, prior-year mandates)
- Paying Down “Wall of Debt”
  - Approximately $900 million to buy down K-12 deferrals
- Investing $500 million in Adult Education
- Investing $250 million in CTE
Overview
Other Education Allocations

- $273.4 million for Emergency Repair Program
- $59.5 million for Charter School ADA growth
- $71.1 million to support 1.58% COLA for categorical funded outside LCFF
LCAP Update

Business Advisory Services
Budget Workshop
Winter 2015

Mid-Year Changes &
the Annual Update
LCAP Year 1 (2014-15)

- August 2014 - LCAPs Approved
- Fall 2014 - First Year LCAP Implementation Began
- Ongoing - Engagement with Stakeholder Groups
  - LCAP Implementation updates
  - Review data to address Annual Update
- Spring 2015 - Work with school sites to identify needs and ensure alignment of LCAP and SPSAs
- Revised LCAP & Annual Update board approved & submitted to COE by 7/1/15
New Template and Final Regulations

~November 2014 Final Spending Regulations and Revised LCAP Template Approved by State Board of Education
~January 2015 Approved by Office of Administrative Law
~February 2015 LACOE elcap Released in Revised Format
Changes for 2015 LCAP

Regulations:

- New definitions:
  - Consultation with students
  - Composition of required parent groups
- Revised language district-schoolwide use of funds
- Revised instructions to COEs for approval criteria

Template:

- Annual Update
- Merged Goal/Action Section
- Appendix Added
More Specificity for District/Schoolwide Use of Funds Generated by Unduplicated Pupils

- All districts must describe how such services are “principally directed towards and effective in” meeting the district’s goals for unduplicated pupils in state priorities.

- Districts with low numbers of unduplicated pupils must describe the basis for the determination including alternatives considered.

- County office must consider DW/SW use in determining if the district has fully demonstrated it will increase or improving services….for unduplicated pupils….
Template Changes

- **Section 1**
  - Annual Update must be addressed in “Engagement”

- **Sections 2**
  - Merges 3 previous sections including: Needs, Goals, Actions/Services and Expenditures for All pupils and Unduplicated Pupils

- **Annual Update - New Section Added**

- **Appendix defines six of the required metrics**
Mid-Year Changes???
Per EC 52062(b)(2) A governing board of a school district may adopt revisions to (the) LCAP….during the period the LCAP is in effect….only if it follows the process to adopt a LCAP pursuant to this section and the revisions are adopted in a public meeting.
LCAP Adoption Process

1. Present to parent advisory committees with written responses
2. Notify the public of opportunity to comment
3. Hold public hearing
4. Board adopts plan at a separate meeting
5. Resubmit LCAP to COE for approval
Must All Mid-Year Changes to the LCAP Go Through This Process?

No
Technical Changes

- It is a district determination if a change constitutes a “revision” or a “technical change”

- Criteria for making determination:
  - Revision is a significant change in goals or spending priorities
  - Otherwise it is a technical change and is not required to go through the formal approval process

*Source: CDE, Local Agency Systems Support Office*
Process for Technical Changes

- Keep stakeholder groups informed of current year changes through ongoing communication throughout the year
- Keep local board apprised of changes through periodic LCAP updates
- Report changes made during the year in the 2015 Annual Update

Source: CDE, Local Agency Systems Support Office
The Annual Update

~For the 2014-15 School Year
~Submitted with the 2015-2018 LCAP
Annual LCAP Cycle

July 1
Plan Submitted

Plan Implementation

Stakeholder Engagement
Ongoing

Analyze Data
Evaluate Effectiveness of Actions

Annual Update
New/Revised LCAP
Three Parts of the Annual Update

1. What was in your original plan?
2. What actually happened?
3. What changes will you make?
The Annual Update Reports on Prior Year...

✓ Outcomes for Each Goal
✓ Actions and Services
✓ Expenditures… and
✓ Planned Changes for the Coming Year
<table>
<thead>
<tr>
<th>Original GOAL from prior year LCAP:</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
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<tr>
<td>Goal Applies to:</td>
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<td>Schools:</td>
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<td>Applicable Pupil Subgroups:</td>
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<td>Expected Annual Measurable Outcomes:</td>
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<td>Actual Annual Measurable Outcomes:</td>
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<td>LCAP Year: xxxx-xx</td>
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<tr>
<th>Planned Actions/Services</th>
<th>Actual Actions/Services</th>
<th>Estimated Actual Annual Expenditures</th>
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<td>Scope of service:</td>
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<td>OR:</td>
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<td>Low Income pupils</td>
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<td>English Learners</td>
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<td>Foster Youth</td>
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<td>Redesignated fluent English proficient</td>
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<td>Other Subgroups (Specify)</td>
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What changes in actions, services, and expenditures will be made as a result of reviewing past progress and/or changes to goals?
What If....

- Actions and Services were not implemented as described in the plan or were not implemented at all?
  - Stakeholders and your board should have been kept informed of changes throughout the year.
  - You will reflect what actually happened in the Annual Update.

- We didn’t meet our expected outcomes?
  - Currently there are no external criteria for judging effectiveness of the LCAP.
  - This is an internal analysis that should result in changes in the new plan to improve outcomes.
  - Beginning next year an Evaluation Rubric will be in place to provide criteria for determining effectiveness of the plan.
What If….

- **We didn’t spend all our funds?**
  - All LCFF funds are unrestricted district funds and not subject to carryover limitations.

- The amount of funds expended from Supplemental and Concentration Grant Funds for unduplicated pupils in 2014-15 will be subtracted from the LCFF target attributed to the supplemental and concentration grants for the LEA calculated pursuant to Education Code sections 42238.02 and 2574 in the fiscal year for which the LCAP is adopted (2015-16).

- This will impact the amount and percentage of funds the LEA is required to spend on unduplicated pupils in the coming year.
Step 2 - Funding Calculation for Unduplicated Pupils

- 5 CCR 15496 (a)(2) Estimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils. The estimated amount of funds expended in 2013-14 shall be no less than the amount of Economic Impact Aid funds the LEA expended in the 2012-13 fiscal year.
2014 State Audit Guide requires auditors to select a sample of actions or services the LEA described in Sections 3A and 3B of the plan that the LEA describes as having actual expenditures.

Select a sample of expenditures for above and examine supporting documentation to determine whether the expenditures were made consistent to the actions and services.

If the expenditures were not made consistent to the identified actions and services, so state in a finding.
Audits and LCAP Changes?

- Audits impacting the 2014-15 LCAP will take place after the close of the 2014-15 school year.

- If expenditures do not support actions and services as described in the LCAP, this should be reflected in the Annual Update.

- Therefore districts should refer auditors to the Update to demonstrate that changes were appropriately reported and included in the new board approved LCAP.
Next Steps

- Engage all required stakeholder groups in the evaluation of the current year’s LCAP for input into the Annual Update.

- Verify that required advisory committees meet composition requirements and are scheduled to meet with the superintendent to present the LCAP and provide comments.

- Inform public of opportunity for comment.

- Hold public hearing.

- Present Annual Update and 2015-16 through 2017-18 LCAP to board for approval prior to July 1st.

- Submit LCAP to LACOE electronically in LACOE elcap format or pdf version of SBE template.
QUESTIONS?

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Planning Considerations

Business Advisory Services Staff

• Jeff Young, Financial Advisory Services Officer
• Deborah Berry, Business Services Consultant
• Dio Brache, Business Services Consultant
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 or contingency plan should be identified
- Use caution when obligating future years’ revenues
Planning Considerations
LCFF FUNDING PROJECTIONS

- County Office revenue projections
  - Used to validate district revenue projections
- FCMAT Calculator
  - County Office aligned with FCMAT
- Strongly recommend that districts update the data collection sheet, even if the BAS revenue projection system is not used
Planning Considerations
LCFF FUNDING INCREASES

- Latest DOF Gap Funding estimates released January 29, 2015:
  - 2014-15 Revised from 29.56% to **29.15%**
  - 2015-16 Revised from 20.68% to **32.19%**
  - 2016-17 Revised from 25.48% to **23.71%**
  - 2017-18 Initial Estimate 26.43%

- LA County revenue increase range from 4.55% to 12.08% per ADA
Planning Considerations
LCFF Cautions

- Unique impact of LCFF on district revenue
- COLA no longer a relevant framework for discussing increases in funding as was under the Revenue Limit model
- *No statutory guaranteed increase* in any year
- Districts should exercise extreme caution in obligating any increase in funds from the LCFF Gap Funding
Planning Considerations
LCFF Cautions – Prop 30

- Expiration of temporary tax increases (EPA)
  - Sales Tax Expiration in 2016
    - 2016 - $500M; 2017 and forward - $1B
  - Upper-income Tax Payer Expiration in 2018
    - 2018 - $2.5B; 2019 and forward $5B
  - Estimated Proposition 98 Impact Combined
    - 2016-17 - $225M / $34 per ADA
    - 2017-18 - $450M / $68 per ADA
    - 2018-19 - $1.6B / $236 per ADA
    - 2019-20 - $2.7B / $405 per ADA
Planning Considerations
Funding Which Should Be Considered

- Prop 98 Settle-Up Funds
  - Deferral Buy-back - $897 million
    - Continue to project deferral with payment made in July
  - Common Core / Mandated Cost Reimbursement - $1.1 billion ($171/ADA)

- GSA Augmentation Grant - 10.4 percent
- CTE Augmentation Grant - 2.6 percent
- TIIG and Transportation Add-on
Planning Considerations
Funding Which Should Not Be Considered . . . Yet

- Adult Education Block Grant - $500 million
  - $300-350 million from consortia to Districts
    - Currently funded by Districts as part of LCFF at the MOE level
  - LAO recommending one year hold-harmless provision

- CTE Incentive Grant - $250 million
  - Competitive
  - Requires local match and continuation after expiration

- Technology Infrastructure - $100 million one-time funds
Planning Considerations
Funding Going Away

• Adult Education MOE Requirement
  ◦ Must spend in 2013-14 and 2014-15 what was spent in 2012-13

• 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

• HTS Transportation MOE Requirement
  ◦ Must spend in 2013-14 and 2014-15 what was spent in 2012-13
Planning Considerations
School District Reserve Requirements

- Public hearing disclosure requirements for reserves in excess of minimum reserve
  - Beginning with 2015-16 adopted budgets
  - Public hearing must include the following:
    - Minimum required REU for each year identified in the district budget
    - Combined assigned/unassigned fund balance in excess of minimum REU (includes GF and fund 17)
    - Statement of reason substantiating need for the excess
    - Must be included each time adopted or amended budget filed with COE
Contributions to the reserve are unlikely to happen for several years and are likely to be infrequent. For a contribution to the reserve to occur, all of the following must be true:

- All Proposition 98 owed maintenance factor amounts outstanding as of 2013-14 ($6.6 billion) must have been paid to schools;

- Capital gains taxes must be greater than 8 percent of state general fund revenue (capital gains taxes have exceeded 8% seven times in the past 16 years);

- Proposition 98 must be calculated using Test 1 (Since the passage of Proposition 98 in 1988, Test 1 has only been used in 1988-89, 2011-12, and 2012-13);
Proposition 98 must not be suspended (has been suspended twice: 2004-05 and 2010-11).

If all the above conditions are met, and a transfer is made to the Public School System Stabilization Account, then the reserve cap provisions come into effect.

The cap is twice the minimum REU for most districts, three times for LAUSD.
Planning Considerations
School District Reserve Requirements

- County Superintendent may exempt districts from reserve cap
  - Statement that substantiates need
  - Identify funding amounts in budget associated with extraordinary circumstances
  - Provide documentation that no other resources available
Planning Considerations
CalSTRS/CalPERS Rate Increases

**Employer Rates**

<table>
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<tr>
<th></th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
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<tbody>
<tr>
<td>CalSTRS Rates</td>
<td>8.88%</td>
<td>10.73%</td>
<td>12.58%</td>
<td>14.43%</td>
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<tr>
<td>CalPERS Rates</td>
<td>11.771%</td>
<td>12.60%</td>
<td>15.00%</td>
<td>16.6%</td>
</tr>
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</table>

This chart identifies the increased rates to be used in district budgets by fiscal year.
Planning Considerations
Flexibility Provisions

- RRMA still required
  - Decreased to 1 percent through 2014-15
  - Increased to 3 percent effective 2015-16
  - No Deferred Maintenance contribution required but still need to maintain schools
- School year must be back to a minimum of 180 days beginning in 2015-16
Planning Considerations
Cash Flow Projections

- 2014-15: $897.2 million inter-year deferral (June 2015 to July 2015)
- Districts should continue to reflect the deferral in cash flow projections
- 2015-16 Proposed Budget: Eliminates all deferrals

<table>
<thead>
<tr>
<th>Timeframe</th>
<th>Exemption Available?</th>
<th>Amount</th>
<th>Principal Apportionment Payment Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2015 to July 2015</td>
<td>Yes</td>
<td>$897.2 million</td>
<td>32.39%</td>
</tr>
</tbody>
</table>

- BAS provides districts with LCFF State Aid cash flow projection
Planning Considerations
Cash Flow Projections

- June 2015 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 to be available in March 2015 at CDE Web site at:
    - [www.cde.ca.gov/fg/fi/ir/](http://www.cde.ca.gov/fg/fi/ir/)
Planning Considerations
Cash Flow Projections

- EPA distributed quarterly
- Reminders...
  - Board approved EPA Plan prior to expending funds
  - Posting of EPA Funds received and Actual Expenditures on LEA website
  - Send information to SCO
Planning Considerations
Cash Flow Projections

- Potential cash deficiencies need to be identified early in order to implement appropriate solutions
- Consider not only the month ending cash balance but possible deficiencies within a month prior to receipt of revenues – state funds are distributed at month end

  ◦ 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
  ◦ County 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
Planning Considerations
Cash Flow Projections

- Interfund Borrowing Guidelines...
  - Borrowings within the last 120 calendar days in fiscal year, maybe be repaid in current year or in following year
  - Borrowing made earlier in year must be repaid in current year
  - No more than 75% of maximum balance of any fund may be transferred/borrowed
Planning Considerations
Mandated Costs

- K-12 Mandated Program Block Grant - $218.3M
- LEA’s have the option to seek reimbursement via traditional claims filing or may elect to participate in the Mandate Block Grant (MBG) program
- 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
  - Cost reimbursement continues to be deferred until such time funds are appropriated and available
Planning Considerations
Mandated Costs

- 2014-15 MBG Participation:
  - School Districts Statewide - 88 percent; LA County - 96 percent
  - Charter Schools Statewide - 99 percent; LA County - 99 percent

<table>
<thead>
<tr>
<th>MBG Rates</th>
<th>K-8</th>
<th>9-12</th>
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<tr>
<td>Districts</td>
<td>$28</td>
<td>$56</td>
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<tr>
<td>Charters</td>
<td>$14</td>
<td>$42</td>
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<tr>
<td>COE</td>
<td>$29</td>
<td>$57</td>
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</table>
Planning Considerations
Mandated Costs

- $1.1 billion in one-time funds to pay down a portion of the debt owed to LEAs for mandated cost reimbursement
  - The intent for CCSS implementation, but not a requirement
  - The distribution of the mandate reimbursement is on a per-ADA basis, currently estimated at $171 per ADA
  - LEAs will receive these funds regardless of whether or not the LEA had any prior year claims

➤ These are one-time monies and should be used for one-time expenditures
Planning Considerations
Mandated Costs

- 2015-16 Proposed Budget includes:
  - 49 Education Mandates (up from 48)
  - 12 Suspended Mandates (same ones as 2014-15)
    - LEA’s are not required to perform suspended mandate functions
    - LEA’s may continue suspended mandate activities at their own discretion without reimbursement

More detailed information available on the SCO’s website at: www.sco.ca.gov/ard_mancost.html

Or the CDE’s website at: www.cde.ca.gov/fg/aa/ca/mandatebg.asp
Planning Considerations
Changes to Employee Benefits

- Affordable Care Act (ACA) - Employer Shared Responsibility became effective January 1, 2015
  - Measurement and benefit plan administration periods
  - Evaluation of workforce and ACA applicability
  - Documentation of compliance and record keeping for reporting requirements
Planning Considerations
Changes to Employee Benefits

Affordable Care Act (ACA) Cont.

- PC Products now has reports to help evaluate workforce hours to help with ACA compliance
  - For more information about PC Products:
    Irma Colón, Business Systems Analyst, (562) 922-8683, OR
    Gemma Cofield, Financial Operations Consultant, (562) 922-6784

- Additional information about the ACA can be found at the at:
  U.S. HHS website
  Covered California website
  [https://www.coveredca.com](https://www.coveredca.com)
Planning Considerations
Changes to Employee Benefits

• Healthy Workplace, Healthy Family Act of 2014

  ◦ Effective July 1, 2015 must provide paid sick leave for all employees
  ◦ Applies to non-unionized part-time, full-time, exempt and non-exempt employees who work 30 days or more in CA
  ◦ Sick leave accrues at one hour for every 30 hours worked, up to a minimum of 24 hour per year
  ◦ Any unused time must be carried over to the following year up to a cap of 48 hours
Planning Considerations
Changes to Employee Benefits

- Healthy Workplace, Healthy Family Act of 2014 (Cont.)
  - Employers are required to provide written notice of the amount of sick leave available with each wage statement (payroll advice)
    - Process for uploading leave balance information into HRS, contact: Erwin Labasan (562) 922-6339 or Labasan_Erwin@LACOE.edu
  - Employers must display a poster notifying employees of their rights under the law
    - Sample posters are available at the CA Labor Commission website: www.dir.ca.gov/dlse/ab1522
Planning Considerations
Audit Guide

The EAAP adopted permanent regulations for 2013-14, as well as emergency regulations for 2014-15:

http://www.eaap.ca.gov
Planning Considerations

Audit Guide

- New audit compliance procedures related to:
  - LCFF K-3 Grade Span Adjustment (GSA)
  - Verification of unduplicated pupil counts
  - LCAP expenditures
  - Common Core
  - Prop 39
  - MOEs for Transportation, Adult Ed, and ROC/P

★ Some apportionments are dependent on compliance – So it’s important to carefully monitor these areas throughout the year!
Planning Considerations
Audit Guide

- LCAPs are a new focus of annual audits beginning 2014-15:
  - Auditors will examine samples of actuals expenditures for consistency with action of services that were described in LCAP Section 3A and 3B.
  - Auditors will verify compliance with LCAP notification, presentation, public hearing and adoption requirements.
BREAK

Customer Satisfaction Survey
School-based Medi-Cal
Administrative Activities (SMAA) Program

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School-based Medi-Cal Administrative Activities (SMAA) Program

Random Moment Time Survey (RMTS)

- State Transition – January 1, 2015
- First RMTS notifications were disseminated on January 5, 2015
School-based Medi-Cal Administrative Activities (SMAA) Program

RMTS

- Local oversight agencies responsible for administering the RMTS in their respective regions.
- RMTS polls a randomly selected participants throughout the quarter to determine the work effort for entire participant poll.
- RMTS is deemed by CMS as being a statistically means for measuring reimbursable time and compliant with OMB Circular A-87.
School-based Medi-Cal Administrative Activities (SMAA) Program

SMAA Deferred Invoices - Settlement Update

- Friday, February 20, 2015 – DHCS submitted a proposal to CMS for their approval
School-based Medi-Cal Administrative Activities (SMAA) Program

SMAA Deferred Invoices - Settlement Update

- Terms of the Proposal
  a. Invoices less than $25,000 – 100% settlement payment
  b. Invoices greater than $25,000 – 75% settlement payment or a flat amount of $25,000, whichever is higher
  c. Invoices greater than $25,000 – adjust vendor fees to no more than 15% of the total allowable costs on the adjusted invoices
This new proposal letter supersedes the October 14, 2014 letter previously submitted by DHCS, in which a back casting methodology based on 4 quarters of RMTS data would have been used to calculate and reconcile deferred SMAA claims.
Local Control Funding Formula

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Financial Advisory Services Officer
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LCFF – Keys to an Effective LCAP

• Performance mindset to counter previous compliance mindset
  ◦ Should always be in continuous improvement mode
  ◦ Not a record keeping exercise
  ◦ Focus on the why – LCFF designed to improve student outcomes

• Make it local . . . make it meaningful
# LCFF Mindset Shift

<table>
<thead>
<tr>
<th></th>
<th>Compliance Orientation</th>
<th>Performance Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan Responsibility</strong></td>
<td>Lower level staff</td>
<td>Leadership function</td>
</tr>
<tr>
<td><strong>Stakeholders</strong></td>
<td>Invite and inform</td>
<td>Seek contributions</td>
</tr>
<tr>
<td><strong>Budget</strong></td>
<td>Submit a rollover budget</td>
<td>Align resources to goals</td>
</tr>
<tr>
<td><strong>Time</strong></td>
<td>Episodic, aligned to required deadlines</td>
<td>Ongoing, continuous improvement cycle</td>
</tr>
<tr>
<td><strong>Measurement</strong></td>
<td>Compliant plan, approved by required entity</td>
<td>Plan implemented with a positive impact on students</td>
</tr>
<tr>
<td><strong>Data</strong></td>
<td>NCLB disaggregation</td>
<td>Deep, locally meaningful analysis</td>
</tr>
<tr>
<td><strong>Orientation</strong></td>
<td>Extra work; Focused on parts</td>
<td>Is the work; Focused on the whole</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>Equal funding</td>
<td>Equal outcomes</td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td>Focused on rules and regulations</td>
<td>Focused on building understanding and capacity</td>
</tr>
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</table>
LCFF

- Based on statewide per-ADA rates, historical funding, additional funding for special populations
- Largely unrestricted
  - Supplemental and Concentration Grants
  - MOEs
  - K-3 GSA
  - 9-12 CTE
  - TIIG & Home to School Transportation
- 8 year transition to full funding (2020-21)
LCFF Major Components

- **Floor/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.
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 indefinitely
## 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>&lt;br&gt;-increased by COLA each year</td>
<td>2014-15</td>
</tr>
<tr>
<td>K-3</td>
<td>$7,012</td>
</tr>
<tr>
<td>4-6</td>
<td>$7,117</td>
</tr>
<tr>
<td>7-8</td>
<td>$7,328</td>
</tr>
<tr>
<td>9-12</td>
<td>$8,491</td>
</tr>
<tr>
<td><strong>Base rate adjustments</strong></td>
<td>K-3 = 10.4% of base rate&lt;br&gt;9-12 = 2.6% of base rate</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>Each EL/LI student above 55% of enrollment generates an additional 50% of adjusted base rate</td>
</tr>
<tr>
<td><strong>Add-ons</strong></td>
<td>Targeted Instructional Improvement Block Grant, Home-to-School Transportation, Economic Recovery Target</td>
</tr>
</tbody>
</table>
Determining LCFF Funding

GAP

SUPPLEMENTAL/CONCENTRATION GRANTS

BASE AND AUGMENTATION GRANTS

GAP FUNDING (29.15% of Gap)

2013-14 Funded LCFF

2014-15 LCFF AT TARGET

2014-15 FUNDING
LCFF Base Grant

- Declining enrollment protections remain
  - 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 GSA

- At full implementation (full funding in 8 years), must not exceed site-average class sizes of 24:1
  - *or a collectively bargained alternative*

- Must make proportional progress in intervening years
  - Proportional progress as it relates to Gap percentage

- Failure at any one site results in loss of the entire K-3 Augmentation funding
  - Included in the 2014-15 Audit Guide
LCFF K-3 GSA

- 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 GSA

- 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
  - Sample calculation model (Item 2, Attachment 5) located at: http://cde-ca.granicus.com/MediaPlayer.php?view_id=5&clip_id=109
LCFF Supplemental/Concentration Grants

- Any increase in funds generated by identified pupils (Low Income, English Learner, or Foster Youth) must be used to improve the services and educational program for those pupils.

- Driven by certified CALPADS data

“Principally Directed Towards”
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 class size requirements
Other Topics of Interest

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Categorical Programs – Funded Outside the LCFF

- Adults in Correctional Facilities
  - Appears as reappropriation of PY balances in Governor’s proposal; currently estimated at $908 thousand
- After School Education & Safety Programs (ASES)
  - Currently Funded at $542 million; on-going, no COLA
- American Indian Education Centers and American Indian Early Childhood Education Program
  - Funded at $4.7 million; on-going funding, includes COLA
- Foster Youth Services
  - Funded at $15.5 million; on-going funding, includes COLA
Categorical Programs – Funded Outside the LCFF

- California Partnership Academies
  - Funded at $21.4 million on-going funding, no COLA
- Special Education
  - Funded at $3.32 billion
- State Preschool
  - Funded at $607 million
- State Testing / Assessments
  - Funded at $127.8 million
Lottery

- Lottery sales for 2014-15 are projected to reach $5.4 billion, providing education with an estimated $1.35 billion (14 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
## Lottery

<table>
<thead>
<tr>
<th>Lottery Rates</th>
<th>Actual 2013-14</th>
<th>Actual 2014-15</th>
<th>Projected 2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>$125.00</td>
<td>$128.00</td>
<td>$128.00</td>
</tr>
<tr>
<td>Restricted Prop 20</td>
<td>31.00</td>
<td>34.00</td>
<td>34.00</td>
</tr>
<tr>
<td>Total</td>
<td>$156.00</td>
<td>$162.00</td>
<td>$162.00</td>
</tr>
</tbody>
</table>

- Historical 10 year average - 64 percent spent on salaries and benefits
Common Core State Standards

- Common Core Implementation funds of $200 per ADA were apportioned in August and October 2013.
  - This is a reminder that LEAs must use any remaining encumbered funds in 2014-15.
- LEAs are also required to submit detailed expenditure reports on the use of the funds to the CDE on or before July 1, 2015.
- There was no additional Common Core funding in the Proposed Budget.
Special Education

- $1.2 billion in Federal funding available
- $3.3 billion in State funds available
- Received 1.58 percent COLA
- 0.412 percent adjustment for growth
- Net $15.3 million growth from prior year
Special Education

- Remains funded outside of LCFF
- Federal Sequestration
  - No effect through September 2015.
  - Effect of BCA on Special Education for 2015-16 period unknown at this time.
Special Education – AB 602

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

• AB 602 apportionment exhibits available online at CDE website:
  
  http://www.cde.ca.gov/fg/aa/se/ab602apptdat.asp
Mental Health Services

- Responsibility remains with LEAs
- For 2015-16, total of $364 million in funding
- Funds shall first be considered as offsetting revenues for any reimbursable mandated cost claims for Behavioral Intervention Plans
- Districts should continue to work with their SELPAs to identify qualifying students and total costs
Special Education – NPS
Extraordinary Costs

- $3.0 million again for 2015-16
- Reimburses districts for new NPS placements for costs exceeding extraordinary cost (2.5 times the statewide average)
  - Includes out-of-home residential services
  - Threshold - $75,018 for 2014-15
- Claims filed using the CDE-issued Principal Apportionment Data Collection Software
  - Districts must submit all invoices and back-up to support claims
  - Require certification by COE prior to submission
  - Claims for 2014-15 must be received at LACOE by November 2, 2015
    - Late claims will not be funded
CALPADS

- CALPADS data directly affects LCFF funding because Certified report is basis for supplemental and concentration grant funding

- Education Code Section 60900
  - Failure to comply may result in zero enrollment counts and zero enrollment counts will result in loss of funding based on official enrollment
CALPADS

- 3rd year of County CALPADS LCFF Report
  - 1.17 – C/A FRPM Eligible/EL/Foster Youth - Count
  - Aggregate report for 2015-16 Fall 1 submission of FRPM/EL/Foster Youth Counts by school site.
- COEs “ensure that data reported accurately”
  - Review reports for reasonableness
  - Discuss issues w/LEA during amendment window
- Collaborate with LACOE Pupil Attendance Accounting unit on county educated students
CALPADS

- COE review period runs October 1st (Census Day) thru mid-December (Certification Day)
- Amendment window runs thru mid-February
- After mid-February, 2016, amendment window closes & COE will validate data
  - Data remains responsibility of districts
  - BSCs reference the data against budget and interim reports
Planning considerations

- Organizational collaboration across LEA
- Report temporary and permanent closures on Fall Census Day for an accurate UPP
  - Temporarily closed schools appear as if they were open but reported ZERO enrollment
  - Schools that recently closed appear as if they have enrollment
- Audit Adjustments to CALPADS Data due to COE mid-September and require Auditor’s letter.
CALPADS

• Resources
  ◦ FCMAT/ CSIS—Division of FCMAT - California School Information Services (CSIS) provides CALPADS technical support, maintenance and training
  ◦ Self-Paced Training online at: http://csis.fcmat.org/Pages/Self-Paced-Training.aspx
Facilities

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Facilities

- Proposition 39 – California Clean Energy Jobs Act
  - Created with passage of Proposition 39 in November 2012
  - 2015-16 budget provides $320 million for K-12 school schools
  - Saving to Investment Ratio (SIR) redefined
  - As of February 20, 2015, 248 EEPs approved
Facilities

- A look back
  - Proposition 1D passed in November 2006

- Remaining Bond Authority for New Construction and Modernization is virtually zero
  - SAB unfunded list totals $393 million
  - $820 million received but not processed

- Approved applications will not be guaranteed funding
Facilities

- Future Direction of the SFP
  - Governor’s proposed budget does not include a state facilities bond
  - CASH and CBIA sponsoring an initiative to place a $9 million bond on the November 2016 ballot
  - SB 114, Senator Liu would also place a bond on the November 2016 ballot
  - Governor's message:
    - Create new program, less complex
Facilities

- **Priority Funding**
  - Next available filing window for SFP funding begins May 13, 2015
  - Districts have 30 days to submit an application to OPSC
Facilities

- **Deferred Maintenance Program**
  - 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**
  - Requirement of 3 percent contribution returns in 2015-16
  - Governor’s proposal would allow RRM to be used for new construction and modernization
Facilities

- Developer Fees
- Bi-annually adjusted
- Current Level 1 residential fee $3.36 per square foot
- Commercial / industrial fee $0.54
- Governor’s proposal would create a single fee, capped at 75% of cost
Facilities

- Emergency Repair Funding (ERP)
  - Williams Legislation Settlement provides $800 million
  - Governor’s 2015-16 budget proposal provides $273 million for the ERP
  - Completes the state’s ERP obligation related to the settlement
Facilities

- **Seismic Mitigation Program**
  - As of the November, 2014 SAB meeting $142 million available for replacement of “most vulnerable” school facilities
  - SAB Implementation Committee is currently exploring ways to streamline the program.
Facilities

- Surplus Property Proceeds
  - Site sale
    - Flexibility continues through January 1, 2016
    - Proceeds may be used for a one-time general fund purchase

- AB 308 requires the SAB to require LEAs to return state funds from sale unless certain conditions are met
  - Proceeds used for capital outlay purposes
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

- High Performance Incentive Grant Funding
  - As of the November SAB meeting, $32.2 million still available for high performance projects
  - Funding may be used for sustainable sites, energy, water and indoor environmental quality projects
Facilities

- Storm Water – Industrial Permit
  - Only applicable to districts who maintain bus maintenance yards
  - New Permit adopted April 1, 2014
  - All provisions effective July 1, 2015
    - Changes to definition of Qualifying Storm Event, new sampling criteria
  - Monitoring Groups replaced by Compliance Groups
Not sure which way to go.....
we’re here to help