2016-17 PROPOSED STATE BUDGET AND SECOND INTERIM RECOMMENDATIONS WORKSHOP

Division of Business Advisory Services

February 23, 2016
<table>
<thead>
<tr>
<th>Agenda</th>
<th>Presenters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welcome</td>
<td>Dr. Scott Price</td>
</tr>
<tr>
<td>Overview</td>
<td>Keith Crafton</td>
</tr>
<tr>
<td>LCAP Updates</td>
<td>Jeanne Keith and Mirna Miranda-Welsh</td>
</tr>
<tr>
<td>Planning Considerations</td>
<td>Jeff Young</td>
</tr>
<tr>
<td>GASB 68 Update</td>
<td>Eugene Villa</td>
</tr>
<tr>
<td>Wrap Up / Q&amp;A</td>
<td>Keith Crafton</td>
</tr>
</tbody>
</table>
Overview

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

- Introduction of BAS Staff
Overview
Economic Outlook

- Although increasing slightly, inflation remains low
- The Stock market continues its upward trend; Recovery of housing market
- Low oil prices continue to stimulate economic growth
- Job growth is accelerating and interest rates remain low
Overview
Economic Outlook

• There are concerns
  ◦ Collapse of Chinese financial markets
  ◦ Impact of possible long term decline in oil prices
  ◦ Recession???
  ◦ Local/California
    • Expiration of Proposition 30
    • Annual increase in STRS/PERS contributions
Overview

Proposed State Budget

• Education funding continues to be a major driver in the 2016-17 Proposed State Budget

• Rainy Day Fund / Reserve requirements

• Adequacy and Equity in educational funding
Overview
Proposition 98

- $71.6 billion proposed for 2016-17
  - $63.2 billion to K-12 Education

- Investing in Education
  - $2.825 billion to further implement LCFF
Overview

Proposition 98

- $1.6 billion for the Early Education Block Grant
- $1.2 billion in One-time discretionary funding
- Investing $500 million in Adult Education
- Investing $300 million in CTE
Overview

Other Education Allocations

- $365.4 million for Proposition 39 Energy Efficiency Grants
- $61 million for Charter School ADA growth + $20 million for Charter School startup grant
- Not included in the Proposed Budget: Transportation funding; Facilities bond program; Funding to address increase in STRS/PERS rates
LCAP Update

LCAP / State & Federal Programs Unit
Division of Accountability, Support and Monitoring
http://www.lacoe.edu/SchoolImprovement/LCAP.aspx
# eLCAP Rollover

## Local Control and Accountability Plan

### New User
- Sign Up and Create a Local Control and Accountability Plan
- Contact Us (use this link if you don’t have an account)

### Existing User
- Create Plan
- Rollover Previous Plan to 2016-2019 LCAP
- Edit an Existing Plan
- Change Password
- Forgot Password
- Contact Us

## Upload Plan For Review
- Upload Plan Menu
  - *For plans NOT created using the eLCAP Plan Builder*

## Plan Reviewers
- County Office of Education Reviewer Menu
- California Department of Education Reviewer Menu

## General
- Plan Status by County

## Help Documents and Presentations
- eLCAP Getting Started (PDF)
- eLCAP Submission Instructions (PDF)
- eLCAP Plan Rollover Instructions (PDF)
- LCAP Template (PDF)
Enter required information.

Select the plan you wish to rollover.
The New Plan Will Appear

![Image of Local Control and Accountability Plan](image)

### Local Control and Accountability Plan

**#1 Unified**

**Plan Index**

<table>
<thead>
<tr>
<th>District or COE:</th>
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<tr>
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**LCAP Years:**  July 1, 2016 - June 30, 2019

**Created:** 01/15/2016 11:37 AM

* - Section has open comments

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<tr>
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<tr>
<td>1: Stakeholder Engagement</td>
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<td>Edit Section</td>
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<tr>
<td>2: Goals, Actions, Expenditures, and Progress Indicators</td>
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<td>Edit Section</td>
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<tr>
<td>Annual Update</td>
<td>Draft</td>
<td>Edit Section</td>
</tr>
<tr>
<td>3: Use of Supplemental and Concentration Grant funds and Proportionality</td>
<td>Draft</td>
<td>Edit Section</td>
</tr>
<tr>
<td>Expenditure Summary</td>
<td></td>
<td>Read Section</td>
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</tbody>
</table>

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Plan Index View

LCAP July 1, 2016-June 30, 2019
Plan Index

District or COE: #1 School District
Title: LCAP July 1, 2016-June 30, 2019
Type: District

LCAP Years: July 1, 2016 - June 30, 2019
Created: 11/19/2015 9:46 AM
Last Activity: 01/07/2016 1:39 PM

* - Section has open comments

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<tr>
<td>1: Stakeholder Engagement</td>
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<td>Expenditure Summary</td>
<td>Draft</td>
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</table>

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Appendices

Demographic / Contextual Information (Optional)

Cover Logo
Choose an image to use as your logo (optional).
The logo should not be wider than 6.5” or higher than 5”.
To upload an image to use as the logo, click here.

Appendices
Appendices in the form of PDF files may be added to the end of the LCAP.

Upload/Manage Appendices.

Update Plan
Rollover: Stakeholder Engagement

Text will not rollover since this section should reflect the current year’s engagement process.
LCFF Reports (Snapshots)

Local Control and Accountability Plan

Demo eLCAP
Section 2: Goals, Actions, Expenditures, and Progress Indicators

Description

Instructions:

All LEAs must complete the LCAP and Annual Update Template each year. The LCAP is a three-year plan for the upcoming school year and the two years that follow. In this way, the program and goals contained in the LCAP align with the term of a school district and county office of education budget and multiyear budget projections. The Annual Update section of the template reviews progress made for each stated goal in the school year that is coming to a close, assesses the effectiveness of actions and services provided, and describes the changes made in the LCAP for the next three years that are based on this review and assessment.

Charter schools may adjust the table below to align with the term of the charter school's budget that is submitted to the school's authorizer pursuant to Education Code section 47604.33.

For school districts, Education Code sections 52060 and 52061, for county offices of education, Education Code sections 52066 and 52067.

Guiding Questions

Goal 1: Provide high quality classroom instruction and curriculum that promotes college and career... Add Goal

Goal 2: Build and foster an inclusive culture for parent and family engagement.

Goal 3: Prepare Students for College and Career readiness opportunities.

Add Goal
State Priorities Snapshot

Local Control Funding Formula (LCFF) State Priorities Snapshot 2014-15 Reporting
Los Angeles County Office of Education

Enrollment (4487)

Student Achievement

Percent of English Learner (EL) Students Who Made Progress Toward English Proficiency

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<tbody>
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<td>2011</td>
<td>45%</td>
<td>55%</td>
<td>65%</td>
<td>35%</td>
<td>45%</td>
<td>55%</td>
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<tr>
<td>2013</td>
<td>45%</td>
<td>55%</td>
<td>65%</td>
<td>35%</td>
<td>45%</td>
<td>55%</td>
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<tr>
<td>2014</td>
<td>45%</td>
<td>55%</td>
<td>65%</td>
<td>35%</td>
<td>45%</td>
<td>55%</td>
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Percent of 4-Year Cohort that Completed “aqg” Requirements

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</thead>
<tbody>
<tr>
<td>2012</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
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<tr>
<td>2013</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
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<tr>
<td>2014</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
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</table>

Percent of 4-Year Cohort that Completed 1 Career Technical Education (CTE) Pathway

<table>
<thead>
<tr>
<th>Year</th>
<th>English Learner (EL)</th>
<th>2013-14 Enrollment by Program Eligibility</th>
<th>2013-14 Enrollment by Program Eligibility</th>
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<tbody>
<tr>
<td>2012</td>
<td>1,276 (27%)</td>
<td>2013</td>
<td>1,276 (27%)</td>
</tr>
<tr>
<td>2013</td>
<td>1,276 (27%)</td>
<td>2014</td>
<td>1,276 (27%)</td>
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<tr>
<td>2014</td>
<td>1,276 (27%)</td>
<td>2015</td>
<td>1,276 (27%)</td>
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Percent of Students Who Passed an Advanced Placement (AP) Exam with a Score of 3 or Higher

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<tr>
<td>2012</td>
<td>4,096 (4%)</td>
<td>5,006 (5%)</td>
<td>6,006 (6%)</td>
<td>3,006 (3%)</td>
<td>4,006 (4%)</td>
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<tr>
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<td>5,006 (5%)</td>
<td>6,006 (6%)</td>
<td>7,006 (7%)</td>
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4-Year Cohort High School Graduation Rate

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<tr>
<td>2012</td>
<td>96%</td>
<td>95%</td>
<td>94%</td>
<td>86%</td>
<td>85%</td>
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<tr>
<td>2013</td>
<td>95%</td>
<td>94%</td>
<td>93%</td>
<td>85%</td>
<td>84%</td>
<td>83%</td>
</tr>
<tr>
<td>2014</td>
<td>94%</td>
<td>93%</td>
<td>92%</td>
<td>85%</td>
<td>84%</td>
<td>83%</td>
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4-Year Cohort High School Dropout Rate

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<td>4%</td>
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<tr>
<td>2013</td>
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<td>2%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>2014</td>
<td>3%</td>
<td>2%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
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State Climate

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<tr>
<td>2012</td>
<td>96%</td>
<td>95%</td>
<td>94%</td>
<td>86%</td>
<td>85%</td>
<td>84%</td>
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<tr>
<td>2013</td>
<td>95%</td>
<td>94%</td>
<td>93%</td>
<td>85%</td>
<td>84%</td>
<td>83%</td>
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<tr>
<td>2014</td>
<td>94%</td>
<td>93%</td>
<td>92%</td>
<td>85%</td>
<td>84%</td>
<td>83%</td>
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</table>

Number and Percent of Students Suspended

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<tbody>
<tr>
<td>Level 1</td>
<td>3,006 (11%)</td>
<td>2,906 (10%)</td>
<td>2,806 (9%)</td>
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<td>1,806 (6%)</td>
<td>1,706 (5%)</td>
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<tr>
<td>Level 2</td>
<td>900 (3%)</td>
<td>800 (3%)</td>
<td>700 (2%)</td>
<td>600 (2%)</td>
<td>500 (2%)</td>
<td>400 (2%)</td>
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<tr>
<td>Level 3</td>
<td>300 (1%)</td>
<td>200 (1%)</td>
<td>100 (1%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
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</table>

Number and Percent of Students Expelled

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</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>50 (2%)</td>
<td>40 (2%)</td>
<td>30 (2%)</td>
<td>20 (1%)</td>
<td>10 (1%)</td>
<td>0 (0%)</td>
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<tr>
<td>Level 2</td>
<td>10 (0.5%)</td>
<td>5 (0.5%)</td>
<td>5 (0.5%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
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<tr>
<td>Level 3</td>
<td>5 (0.25%)</td>
<td>2.5 (0.25%)</td>
<td>2.5 (0.25%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
<td>0 (0%)</td>
</tr>
</tbody>
</table>
Editing Goals and Actions/Services

Local Control and Accountability Plan

Demo eLCAP
Section 2: Goals, Actions, Expenditures, and Progress Indicators

Status: Draft

Description

Instructions:

All LEAs must complete the LCAP and Annual Update Template each year. The LCAP is a three-year plan for the upcoming school year and the two years that follow. In this way, the program and goals contained in the LCAP align with the term of a school district and county office of education budget and multiyear budget projections. The Annual Update section of the template reviews progress made for each stated goal in the school year that is coming to a close, assesses the effectiveness of actions and services provided, and describes the changes made in the LCAP for the next three years that are based on this review and assessment.

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For school districts, Education Code sections 52050 and 52051; for county offices of education, Education Code sections 52066 and.

Guiding Questions

LCFF Reports (Snapshots)

Goal 1: Provide high quality classroom instruction and curriculum that promotes college and career...

Goal 2: Build and foster an inclusive culture for parent and family engagement.

Goal 3: Prepare Students for College and Career readiness opportunities.

Add Goal

Edit Goal Delete Goal

Manage Outcomes & Actions/Services
Option to Populate Years 2 and 3

90% ELA, math, and science teachers will be trained in teaching Common Core State Standards and Next Generation Science Standards.

Expected Annual Measurable Outcomes for 2016-17:

<table>
<thead>
<tr>
<th>Actions/Services</th>
<th>Scope of Service</th>
<th>Pupils to be Served</th>
<th>Budgeted Expenditures</th>
<th>Add Action/Service</th>
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<tr>
<td>Provide training and support services including</td>
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<td>All</td>
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<td>School-Wide</td>
<td>Low Income pupils</td>
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<tr>
<td>new</td>
<td>Targeted</td>
<td>Low Income pupils</td>
<td>$1,000</td>
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LCAP Year 2: 2017-18
- Show
- Populate from 2016-17

LCAP Year 3: 2018-19
- Show
- Populate from 2017-18
Rollover: Expenditures in Year 1

Old format used a text box. The 2016-17 expenditures will appear as a reference.

New format uses drop down menu.
Adding an Expenditure: Step 1

Test Annual update summary
Section 2: Goal Measurable Outcomes and Actions/Services

Goal:
Build and foster an inclusive culture for parent and family engagement.

Identified Need:
3. There is a need to accurately assess student academic performance and provide appropriate interventions

Goal Applies to:
School(s): All
Applicable Pupil Subgroups: All

Description

Guiding Questions

LCAP Year 1: 2016-17

Actions/Services:
Continue to provide support to English learners

Scope of Service:
- County-Wide
- LEA-Wide
- School-Wide
- Charter-Wide
- Targeted

Pupils to be Served:
- All
- Low Income pupils
- English Learners
- Foster Youth
- Redesignated fluent English proficient
- Other Subgroups:

Update Action Service
Cancel

Add Expenditure
Adding an Expenditure: Step 2

Select the CSAM Category from the drop down menu.
Adding an Expenditure: Step 3

Select the Funding Source from the drop down menu.

<table>
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<tr>
<th>Description</th>
<th>Category</th>
<th>Funding Source</th>
<th>Amount</th>
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- LCFF Base
- LCFF S & C
- Teacher Effectiveness
- After School Education & Safety
- Other State Revenues
- Federal Revenues - Title I
- Federal Revenues - Title II
- Federal Revenues - Title III
- Federal Revenues - Title IV
- Other Federal Funds
- Other Local Revenues
Adding an Expenditure: Step 4

**LCAP Year 1: 2016-17**

**Actions/Services:**
- Provide reading intervention teachers

**Pupils to be Served:**
- All
- OR:
  - Low Income pupils
  - English Learners
  - Foster Youth
  - Redesignated fluent English proficient
  - Other Subgroups: [Input Field]

**Scope of Service:**
- County-Wide
- LEA-Wide (Selected)
- School-Wide
- Charter-Wide
- Targeted
  - If applicable, specify an individual school or a subset of schools, or specify grade spans: [Input Field]

**Category:**
- 3000-3999 Employee Benefits

**Funding Source:**
- LCFF S & C

**Amount:**
- $63,750

**Description:**
- Benefits for reading intervention teachers

**Table:**

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<th>Rptd?</th>
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<td>LCFF S &amp; C</td>
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- **Enter Amount**
- **Description is optional.**
Supplemental and Concentration Grant Funds

At least one UDP group must be indicated when S & C funds are used.
## Sample Expenditure Summary

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<th>Budget Category</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
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<td>2,700,344</td>
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<td>1,200,344</td>
</tr>
<tr>
<td>After School Education &amp; Safety</td>
<td>28,000</td>
<td>28,000</td>
<td>28,000</td>
</tr>
<tr>
<td>Other State Revenues</td>
<td>9,000</td>
<td>9,000</td>
<td>9,000</td>
</tr>
<tr>
<td>Other Local Revenues</td>
<td>0</td>
<td>500,000</td>
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<table>
<thead>
<tr>
<th>Budget Category</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
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</thead>
<tbody>
<tr>
<td>All Budget Categories</td>
<td>14,293,344</td>
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<tr>
<td>100-1999 Certificated Salaries</td>
<td>700,000</td>
<td>900,000</td>
<td>37,700,000</td>
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<tr>
<td>2000-2999 Classified Salaries</td>
<td>200,000</td>
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<td>3000-3999 Employee Benefits</td>
<td>0</td>
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<td>0</td>
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<tr>
<td>4000-4999 Books and Supplies</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>1,000,000</td>
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<tr>
<td>After School Education &amp; Safety</td>
<td>9,000</td>
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<tr>
<td>Other State Revenues</td>
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<td>0</td>
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<tr>
<td>Other Local Revenues</td>
<td>1,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>LCFF S &amp; C</td>
<td>1,500,344</td>
<td>344</td>
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<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
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</thead>
<tbody>
<tr>
<td>All Funding Sources</td>
<td>805,000</td>
<td>1,005,000</td>
<td>805,000</td>
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<tr>
<td>LCFF Base</td>
<td>805,000</td>
<td>1,005,000</td>
<td>805,000</td>
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</table>

<table>
<thead>
<tr>
<th>Goal 1: Provide high quality classroom instruction and curriculum that promotes college and career readiness with academic interventions in place to eliminate barriers to student success.</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Funding Sources</td>
</tr>
<tr>
<td>LCFF Base</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Goal 2: Build and foster an inclusive culture for parent and family engagement.</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Funding Sources</td>
</tr>
<tr>
<td>LCFF Base</td>
</tr>
<tr>
<td>LCFF S &amp; C</td>
</tr>
<tr>
<td>After School Education &amp; Safety</td>
</tr>
<tr>
<td>Other State Revenues</td>
</tr>
<tr>
<td>Other Local Revenues</td>
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</table>

<table>
<thead>
<tr>
<th>Goal 3: Prepare Students for College and Career readiness opportunities.</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Funding Sources</td>
</tr>
<tr>
<td>LCFF Base</td>
</tr>
</tbody>
</table>
Planned Actions/Services
- Click to unlock Planned Actions/Services.

Actual Actions/Services
- This is where you describe what actually happened.

Scope of Service:
- County-Wide
- LEA-Wide
- School-Wide
- Charter-Wide
- Targeted
- If applicable, specify an area, schools, or specify grades.

Pupils to be Served:
- All
- OR:
  - Low Income pupils
  - English Learners
  - Foster Youth
  - Redesignated fluent English proficient
- Other Subgroups:

Expenditures:
- This was the planned expenditure.

Message from webpage:
- Planned Actions/Services must match the prior year approved LCAP.

OK
LCAP Support

• LCAP Web Page: http://www.lacoe.edu/SchoolImprovement/LCAP.aspx

• LCAP Advisories

• LCAP Summary of Legal Requirements

• Phone Outreach

• Local Collaboration & Planning Meetings
  - Series #1 (LACOE): 2/17, 3/7 & 4/5
  - Series #2 (LACOE): 2/22, 3/9 & 4/14
  - Series #3 (Saugus): 2/23, 3/17 & 4/11

• Pre-Review Process
To receive LCAP Advisories, subscribe to the LCAP Mailing List.
Questions?

LCAP/State & Federal Programs

LCAP@lacoe.edu

562-922-6354
Planning Considerations
Second Interim Report

Jeff Young, Financial Advisory Services Officer
Business Advisory Services
young_jeff@lacoe.edu
(562) 922-6667
Planning Considerations
Second Interim Report - Topics

- General Planning Considerations
- Gap Funding
- Class Size Reduction (CSR) as related to the Gap
- Minimum Proportionality Percentage (MPP)
- Collective Bargaining/AB1200
- Prop 30 Expiration Impact
- Reserve Requirement Reporting
- One-time Mandated Cost Reimbursement
- Block Grants / Other
  - TK, Mandated Block Grant, Early Education, Adult Education, CTE
  - Routine Restricted Maintenance/Deferred Maintenance
- CalSTRS/CalPERS and GASB 68
- Affordable Care Act (ACA) / Form 1095 Deadlines
Planning Considerations
Second Interim Report

• Several 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 Gap Funding Increases**

- Latest DOF Gap Funding estimates released January 7, 2016:
  - 2014-15 Revised from 29.97% to **30.16%**
  - 2015-16 Revised from 51.52% to **51.97%**
  - 2016-17 Revised from 35.55% to **49.08%**
  - 2017-18 Initial Estimate 35.11 to **45.34%**
  - 2018-19 Initial Estimate 19.88% to **6.15%**
Planning Considerations
Funding Which Should Be Considered

<table>
<thead>
<tr>
<th>Grade Span</th>
<th>2015-16 BG</th>
<th>0.47% COLA</th>
<th>GSA/CTE</th>
<th>2016-17 BG</th>
</tr>
</thead>
<tbody>
<tr>
<td>TK-3</td>
<td>$7,083</td>
<td>$33</td>
<td>$740</td>
<td>$7,856</td>
</tr>
<tr>
<td>4-6</td>
<td>$7,189</td>
<td>$34</td>
<td></td>
<td>$7,223</td>
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<tr>
<td>7-8</td>
<td>$7,403</td>
<td>$35</td>
<td></td>
<td>$7,438</td>
</tr>
<tr>
<td>9-12</td>
<td>$8,578</td>
<td>$40</td>
<td>$224</td>
<td>$8,842</td>
</tr>
</tbody>
</table>

- CSR Augmentation - 10.4 percent ($740/ADA)
- CTE Augmentation - 2.6 percent ($224/ADA)
- TIIG and Transportation Add-on
  - Permanent – Same funding as 2012-13
Planning Considerations
LCFF Gap Funding Impact

- Unique impact of LCFF on district revenue
- LA County Districts revenue increase range from 3.04% to 7.4% per ADA
- *No statutory guaranteed increase* in any year
- Districts should continue to exercise extreme caution in obligating any increase in funds from the LCFF Gap Funding in out years
Planning Considerations
Class Size Reduction - Caution

- Unless there is a collectively bargained alternative ratio in place, districts must ensure all school site average class enrollment ratios meet the target ratio of 24:1, or that they are making progress to close the K-3 class size gap in proportion to progress toward closing the LCFF gap.

- Districts that fail to meet the above requirements at each school site are subject to lose 100 percent of this additional funding in that fiscal year.
Planning Considerations - The Proportionality Conundrum

- The minimum proportionality percentage (MPP) is defined as the percentage by which districts are required to increase or improve services to the students who generate supplemental and concentration (S&C) grant funding.
- The MPP at full implementation is calculated as:

\[
\frac{\text{Total Revenue from S&C grant funding}}{\text{Total LCFF Revenue generated by LCFF less add-ons minus Target Revenue for S&C funding}}
\]

\(\text{MPP}\)
Planning Considerations - The Proportionality Conundrum

- LCFF is 95% funded to target in 2016-17 (85% of Gap closed in the first four years)
  - If the District is not spending 100% of its S&C funds each year -
    - There is the potential that the District would need to increase its S&C spending in excess of new LCFF revenues at some point in the future to meet its MPP requirement
A district that significantly under-invests may have few options to meet its proportionality requirement at full LCFF implementation other than by reducing non-targeted programs and/or services that may have been supported in previous years by unexpended S&C grant funding.
Planning Considerations - The Proportionality Conundrum

- In this example, the District has a Unduplicated Pupil Percentage of 72%
- The solid line assumes the district spends 100% of its S&C funds each year
- The dotted line assumes that the district spends 70% of its new S&C funds each year, and the remaining 30% falls to fund balance
- The 30% that falls to fund balance allows the district to re-bench its S&C curve during the implementation of LCFF

Cumulative Supplemental and Concentration (S/C) Grant Expenditures (in millions)

- $1.9 (2013-14)
- $7.5 (2014-15)
- $17.5 (2015-16)
- $29.2 (2016-17)
- $38.5 (2017-18)
- $57.3 (2018-19)

Source: School Services of California
Planning Considerations - The Proportionality Conundrum

- If full implementation of LCFF were reached in 2017-18, the district would need to increase S&C grant spending in excess of the new LCFF revenues it would receive in that year to meet its MPP requirement.
• While Districts have local control over the expenditure of S&C grant dollars – which are targeted, not restricted – they must meet their proportionality percentage requirement

• More importantly, they must demonstrate that they are *increasing* and *improving* services to their unduplicated pupils

  - Proportionality is about services – not just expenditures
  - The LCAP must ensure that the services provided are effective in meeting the district’s goals for its unduplicated pupils
  - Ultimately, the district must improve outcomes for its unduplicated pupils and close the achievement gap

• If a District fails to demonstrate results and fails to meet its MPP requirement, the consequences could be dire
Planning Considerations - Collective Bargaining/AB 1200
Statutory Authority

- Requirements pertaining to public disclosure of proposed collective bargaining agreements are prescribed by various statutory laws, such as:
  - AB 1200
  - AB 2756
  - Government Code 3540.2 (a)(b)(c)(d)
  - Government Code 3547.5 (a)(b)(c)
Planning Considerations - Collective Bargaining Awareness

- **Consultation** with the Bargaining Unit on LCAP development is a statutory requirement . . . negotiations are not
- There continues to be much confusion about how to access S&C funds for bargaining purposes
- Districts should continue to exercise extreme caution in obligating any increase in funds from the LCFF Gap Funding in out years
Planning Considerations - Collective Bargaining/AB 1200

• Before entering into a written agreement with a BU, the major provisions, including cost of current and future years, shall be disclosed at a public meeting

• Districts requested to provide disclosure documents to the County Office 10 days prior to the Board adoption

• BAS reviews and analyzes fiscal impact of the proposed settlement
  • BAS does not approve or disapprove proposed collective bargaining agreements or AB1200 disclosures
  • Makes recommendation on fiscal stability/solvency

http://www.lacoe.edu/BusinessServices/DocumentsForms.aspx
Planning Considerations
LCFF Cautions – Prop 30 Expiration

- Expiration of temporary tax increases (EPA)
  - Sales Tax Expiration in 2016
    - 2016 Impact - $500M; 2017 and forward - $1B
  - Upper-income Tax Payer Expiration in 2018
    - 2018 Impact - $2.5B; 2019 and forward $5B
  - Estimated **Proposition 98** Impact Combined
    - 2016-17 - $34 per ADA
    - 2017-18 - $68 per ADA
    - 2018-19 - $236 per ADA
    - 2019-20 - $405 per ADA
Planning Considerations
Proposed Legislation Prop 30 Extension

- Proposal Extends Proposition 30 income tax increases through 2030 (12 years)
  - Under this measure, the Proposition 30 income tax rate increases on high-income Californians would not expire at the end of 2018
  - This measure would increase state income tax revenues by billions of dollars per year above current expectations for the years 2019 through 2030
Planning Considerations
Proposed Legislation Prop 30 Extension

- Tax Extension to Fund Education and Healthcare Initiative Constitutional Amendment
- Extends the temporary personal income tax increases enacted in 2012 on earnings over $250,000 for single filers; over $500,000 for joint filers; over 340,000 for heads of household
- Allocates billions of dollars to schools
- Allocates up to $2 billion per year in certain years for healthcare programs
Planning Considerations
Proposed Legislation Prop 30 Extension

- Fiscal Impact Increased State Tax Revenues
- Analysts and the DOF currently estimate that:
  - If the stock market and economy were weak in 2019 this measure might generate around $5 billion of increased revenue
  - Conversely, if the stock market and economy were strong at that time, the measure might raise around $11 billion of increased revenue
  - Under this measure, Proposition 30's sales tax rate increase *would not* be extended
Planning Considerations
Mandated Cost Reimbursement

- The proposed budget provides $1.2 billion in one-time funds to pay down a portion of the debt owed to LEAs for mandated cost reimbursement
  - The distribution of the mandate reimbursement is on a per-ADA basis, currently estimated at $214 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
Transitional Kindergarten

• Recently enacted legislation allows LEAs to enroll students who turn 5 after December 2nd in a Transitional Kindergarten (TK) program at the start of the school year.

• However, these students *may not* be included in the UPP used to determine funding under the LCFF Supplemental and Concentration grants.

• Additionally, LEAs *may not* claim (ADA) for these students until they turn 5 years old.
Planning Considerations
Funding Which Should Considered

- The 2015-16 Enacted Budget provided $490 million in funding for the Educator Effectiveness Program
- Funding will be available to spend over the next three FYs
  - As a condition of receiving the funds the LEA is required to develop a plan how the funds will be spent
  - The plan shall be explained in a public hearing of the governing board before it is adopted in a subsequent public meeting
- On or before July 1, 2018, an LEA will submit a detailed expenditure report. The final expenditure report template can be found on CDE’s website:
  http://www.cde.ca.gov/fg/aa/ca/educatoreffectiveness.asp
Planning Considerations
Funding Which Should Considered

• The Proposed Budget again provides $500 million in funding for the **Adult Education Block Grant** Program

• These funds will supplant the funding (which was certified by the SSPI in July 2015) school districts may have been allocating for Adult Education programs in the past year(s)
  ◦ In 2015-16, funding was provided directly to K-12 school districts in the amount equal to their 2014-15 MOE expenditures

• Future allocations will be distributed per the direction of the local allocation committees
Planning Considerations
Funding Which Should Be Considered

- The Proposed Budget continues to provide the second year of “bridge funding,” of $300 million for 2016-17 for the transitional **California Career Technical Education Incentive Grant (CTEIG) Program**
  - The local match ratio requirement increases each year from 1:1 in 2015-16, 1.5:1 in 2016-17 and 2:1 in 2017-18
  - The expectation is that Districts will use LCFF and the 9-12 grade span adjustment (GSA) funds to support the program beginning 2018-19
- Any CTE programs should be included in your LCAP
- Requires local match and continuation after expiration
Planning Considerations

Funding Which Should Not Be Considered . . . Yet

- $1.6 billion for the Early Education Block Grant
  - Not new funding
  - Consolidates the Proposition 98 funding from the State Preschool Program, TK, and Preschool Quality Rating and Improvement Grant

- The to-be-determined block grant funding formula intends to mirror the core tenets of the LCFF
  - Ensuring that funds would be provided equitably to schools with higher percentages of disadvantaged students
Planning Considerations
Funding Which Should Not Be Considered . . . Yet

- Proposes that no LEA would receive less funding under the Block Grant than was received under prior funding models

- Program details should be available by the May Revision, after the Administration receives input from stakeholders. Input should be emailed to earlyeducation@dof.ca.gov
Planning Considerations
Mandated Block Grant

- 2015-16 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>
</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>
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</table>
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
Planning Considerations
Routine Restricted Maintenance

° As specified in AB 104, there is a gradual increase in the required contribution for the Routine Restricted Maintenance (RRM) to 3 percent

° For 2015-16 and 2016-17, the RRM contribution is the lesser of:
  • 3 percent of the total General Fund (GF) expenditures or the amount deposited in 2014-15
Planning Considerations
Routine Restricted Maintenance

- For 2017-18, 2018-19 and 2019-20, the RRM contribution is:
  - The greater of (1) the lesser of 3 percent of the total GF expenditures or the current amount deposited in 2014-15 or (2) 2 percent of the total GF expenditures
- In 2020-21 and beyond, or at full LCFF implementation, the minimum RRM contribution is 3 percent of total GF expenditures
Planning Considerations
Deferred Maintenance

◦ No Deferred Maintenance contribution is currently required, however:
  • The District LCAP (State Priority Area) as well as Williams legislation still mandate the need to maintain schools
### Planning Considerations

#### CalSTRS/CalPERS Rate Increases

<table>
<thead>
<tr>
<th></th>
<th>2015-16</th>
<th>2016-17</th>
<th>2017-18</th>
<th>2018-19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CalSTRS Rates</strong></td>
<td>10.73%</td>
<td>12.58%</td>
<td>14.43%</td>
<td>16.28%</td>
</tr>
<tr>
<td><strong>CalPERS Rates</strong></td>
<td>11.847%</td>
<td>13.05%</td>
<td>16.60%</td>
<td>18.20%</td>
</tr>
</tbody>
</table>

This chart identifies the increased rates to be used in district budgets.
Planning Considerations
CalSTRS/CalPERS – Future Impact

- Latest CalSTRS employer contribution for 2018-19 is 16.28 percent
- Latest Cal PERS employer contribution for 2018-19 is 18.20 percent
- Latest Gap Funding Estimate for 2018-19 is 6.15 percent, down from 19.88 percent
Planning Considerations

CalSTRS/CalPERS - GASB 68

- Effective June 30, 2015
  - LEAs required to record their proportionate share of CalSTRS and CalPERS net pension liabilities (NPLs) on Comprehensive Annual Financial Reports (CAFR/Audit Report)
    - GASB 68 does not directly impact SACS reports (budget or interims)
  - You can obtain information from CalSTRS and CalPERS websites
  - For LACOE: proportionate share of NPL in 2014-15 is as follows: STRS - $124,183,818 and PERS - $163,554,566
    - Could make unrestricted net position (on Audit Report) negative
    - Understood to be due to a change in GASB principal
  - Auditors included in Audit Reports (CAFR) as of June 30, 2015
On-Behalf Payments (STRS only)

- Conceptually: The State of California makes direct payments for retirement benefits to the STRS system on behalf of LEAs

- GASB Statement 24
  - CDE Management Advisory 96-03 advised LEAs that while CDE understood the intent of GASB 24, the CDE believed it was not necessary for LEAs to recognize on-behalf revenue and expenditures in their governmental financial statements (SACS reports)
On-Behalf Payments (STRS only)

- HOWEVER: As a result of GASB 68, CDE has issued revised guidance on GASB 24
  - CDE has established restricted resource 7690, STRS On-Behalf Pension Contributions, to account for receipt and expenditure of financial assistance represented by the state’s contribution to STRS.

- On-Behalf Payments – SACS reporting (budget, interims, unaudited actuals)
  - Increase Restricted Revenues and Expenditures
  - For Districts, increases base expenditures used to calculate 3% reserve for economic uncertainties
  - Could increase required RRMA contribution in future years
  - May impact other calculations and ratios
On-Behalf Payments (STRS only)

- CDE has developed an Excel Workbook to assist LEAS in developing accounting and budget entries for on-behalf payments:

- For LACOE, with approximately 880 certificated staff (teachers and certificated management):
  - STRS on-behalf payments is $5.3 million
Planning Considerations
CalSTRS/CalPERS - GASB 68

- Effective June 30, 2015
  - LEAs required to record their share of CalSTRS and CalPERS pension liabilities on Financial Statements
  - LEAs should ensure that their stakeholders understand that this is not additional funding and the revenue will be offset by expenditures, and that this is an accounting entry only which is required to be made before the district can close its books
Planning Considerations
Reporting Requirements

**Affordable Care Act (ACA) - Employer Shared Responsibility** became effective January 1, 2015

- Forms 1095B & 1095C are now due to individuals by March 31, 2016
- Forms 1094B & 1094C are now due to the IRS by June 31, 2016
- Starting in 2018 - 40% excise tax assessed
  - Self coverage threshold: $10,200
  - Employee and other threshold: $27,500
Not sure which way to go..... we’re here to help