



May Revise  
May 27, 2014

Ryland | SCHOOL BUSINESS  
CONSULTING

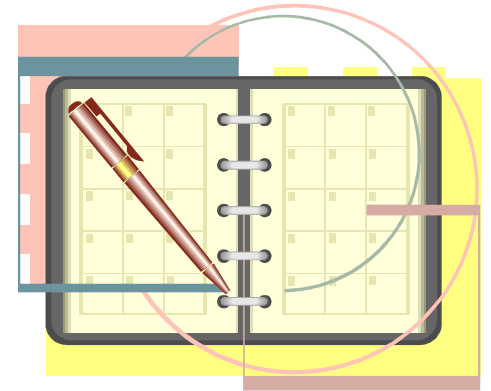
► Marysville Joint Unified School District

# Agenda

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- ▶ Changes to State Budget
- ▶ Impact on the District
- ✓ All slides courtesy of School Services of California

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# The May Revision in Broad Strokes

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- ▶ In January, education was the big winner, and in May that is still true, but with few additional gains
- ▶ The state recognizes an additional increase of \$2.4 billion in revenues, most of which are committed to:
  - ▶ Growth in the cost of Medi-Cal
  - ▶ Establishment of a Rainy Day Fund
- ▶ No major increases are proposed for any area of the State Budget other than Medi-Cal, as compared to January
- ▶ The combination of higher revenues and greater local control still offers significant prospects for improvement in education – but no real gains beyond the January proposals
- ▶ The Local Control Funding Formula (LCFF) provides widely disparate increases
  - ▶ We expect increases to range from 0% to 20%, with an average of about 11% – that is a huge difference

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# Major Proposals by the Governor

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- ▶ Once again, the Governor refuses most changes to the LCFF and maintains it essentially as proposed in January
- ▶ Continues the Governor's push for a Rainy Day Fund as per his negotiated compromise
- ▶ Takes on the California State Teachers' Retirement System (CalSTRS) unfunded liability immediately
- ▶ Fully funds increased Medi-Cal enrollments



# What's Not in the Budget?

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- ▶ What the Budget does not address:
  - ▶ No proposal for a statewide school facilities bond
  - ▶ No new funding to school districts to address the increased employer costs proposed to deal with the unfunded liability in the CalSTRS fund
  - ▶ No new funding to address special education shortfalls
  - ▶ No new funding for early childhood education
  - ▶ No payments on the prior-year state mandate credit card
  - ▶ No additional funding for the Common Core State Standards (CCSS)
  - ▶ No extension of maintenance of effort (MOE) period for adult education or regional occupational centers/programs (ROC/P)

# State Revenues vs. Proposition 98

- ▶ While state revenues are up compared to the January estimate, there is little net change to Proposition 98
- ▶ The May Revision acknowledges almost \$2.4 billion in additional revenues for the prior year, current year, and budget year combined
- ▶ However, Proposition 98 increases only \$242 million over the same period

	2012-13	2013-14	2014-15	Three-Year Total (In Millions)
State Revenues	-\$513	\$2,038	\$843	\$2,368
Proposition 98	-\$547	\$1,489	-\$700	\$242

# Why Doesn't Proposition 98 Increase?

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- ▶ Proposition 98 funding is determined by formulas specified in the State Constitution
  - ▶ Test 1 – Percentage of General Fund revenue
  - ▶ Test 2 – State per capita personal income growth
  - ▶ Test 3 – Per capita General Fund revenue growth
- ▶ In addition, there are other formulas that determine when Maintenance Factor payments are accrued and when they are made
- ▶ For 2014-15, the Proposition 98 guarantee drops \$700 million even though state revenues are up compared to the January Governor's Budget because
  - ▶ The year-over-year increase in state revenues is lower than the January estimate (4.7% now vs. 5.9% then)
  - ▶ This triggers a smaller Maintenance Factor payment to local educational agencies (LEAs)
    - ▶ \$2.6 billion at the May Revision vs. \$3.3 billion in January

# 2014-15 Local Control Funding Formula

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- ▶ May Revision does not change the January proposal
  - ▶ \$4.5 billion for continued implementation of the LCFF
  - ▶ Funding is estimated to close the gap between 2013-14 funding levels and LCFF full implementation targets by about 28%
- ▶ Combined with elimination of 11.78% of the gap in 2013-14, the new formula would be over one-third of the way toward full implementation after the first two years
- ▶ 2014-15 LCFF growth provides an estimated average increase in per-pupil funding at May Revision of 10.7%, or \$737 per average daily attendance (ADA)
  - ▶ Individual LEA experiences will vary





# LCFF – Base Grant Entitlement Calculation

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- ▶ 2014-15 target entitlement calculation
  - ▶ Grade span per-pupil grants are increased for the 0.85% statutory cost-of-living adjustment (COLA)
  - ▶ K-3 former Class-Size Reduction (CSR) and 9-12 Career-Technical Education (CTE) Grade Span Adjustments are additions to the base grant
  - ▶ Supplemental and concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners (EL), free and reduced-price meal (FRPM) program eligible students, and foster youth

# What Does the LCFF Mean for MJUSD?

- ▶ Using SSC assumptions, increased revenues of \$8.3M, \$1.8M and \$2.0M for next three years

SUPPLEMENTAL & CONCENTRATION DISTRIBUTION				
Description	Total LCFF	Base	Supp/ Conc	Progress %
Total Target funding by 2021	90,669,707	69,698,777	20,970,930	
Less: LCFF Transition (2012-13 Adj. Base)	61,196,122	58,757,204	2,438,918	
Difference	29,473,585	10,941,573	18,532,012	
2014-15 Progress Toward Target	\$8,267,341	\$3,069,112	\$5,198,229	28.05%
<i>new money and proportionality (WestEd version)</i>	13.5%		12.4%	
Description	Total LCFF	Base	Supp/ Conc	
Total Target funding by 2021	92,560,821	71,146,597	21,414,224	
Less: LCFF Transition (2012-13 Adj. Base)	69,463,462	61,826,315	7,637,147	
Difference	23,097,359	9,320,282	\$13,777,077	
2015-16 Progress Toward Target	\$1,801,594	\$726,982	\$1,074,612	7.80%
<i>new money and proportionality (WestEd version)</i>	2.6%		13.9%	
Description	Total LCFF	Base	Supp/ Conc	
Total Target funding by 2021	94,662,529	72,750,420	21,912,109	
Less: LCFF Transition (2012-13 Adj. Base)	71,265,056	62,553,297	\$8,711,759	
Difference	23,397,473	10,197,123	\$13,200,350	
2016-17 Progress Toward Target	\$1,965,388	\$856,559	\$1,108,829	8.40%
<i>new money and proportionality (WestEd version)</i>	2.8%		15.5%	



# Governor's Proposal for Funding CalSTRS

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- ▶ In January, the Governor acknowledged the \$80.4 billion shortfall within CalSTRS, but did not provide a proposal to address the shortfall
  - ▶ CalSTRS is projected to run out of money in 2046
- ▶ Would cost more than \$4.5 billion per year to resolve right now
  - ▶ Bad news does not get better with age – the shortfall grows by approximately \$22 million a day
- ▶ Three ways to fix it
  - ▶ Reduce benefits – difficult given legal protections for existing members
    - ▶ Already in place for new hires starting January 1, 2013
  - ▶ Increase earnings – means taking more risk with investment portfolio
  - ▶ Increase contributions – most likely solution

# Governor's Proposal for Funding CalSTRS

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- ▶ The Governor's May Revision proposes to fully fund CalSTRS by 2045-46
  - ▶ Plan kicks in immediately, beginning July 1, 2014
  - ▶ Contribution rate increases proposed for all three parties:
    - ▶ State contribution rate to increase from the current rate of 3.041% to 6.3% over three years
      - In addition, the state will continue to pay 2.5% of payroll annually for a supplemental inflation protection program
    - ▶ Employer contribution rate to increase from 8.25% to 19.1% over seven years
    - ▶ Employee contribution rate to increase from 8% to 10.25% over three years

# LCAP Requirements

LCAP Requirements	School Districts and COEs		Charter Schools	
<b>Eight State Priorities</b>	<b>All eight state priorities COE's – two additional state priorities</b>		<b>Only include those priorities that apply for the grade levels served or the nature of the program operated</b>	
<b>Consultation</b>	<ul style="list-style-type: none"> <li>• Teachers</li> <li>• Principals</li> <li>• Administrators</li> <li>• Parents</li> <li>• Pupils</li> </ul>	<ul style="list-style-type: none"> <li>• Other School Personnel</li> <li>• Local Bargaining Units</li> </ul>	<ul style="list-style-type: none"> <li>• Teachers</li> <li>• Principals</li> <li>• Administrators</li> <li>• Parents</li> </ul>	<ul style="list-style-type: none"> <li>• Pupils</li> <li>• Other School Personnel</li> </ul>
<b>Review and Comment</b>	<ul style="list-style-type: none"> <li>• Parent Advisory Committee</li> <li>• English Learner Parent Advisory Committee</li> <li>• Superintendent must respond in writing to comments received</li> </ul>		<b>No review and comment requirements</b>	
<b>LCAP Template</b>	<b>Use template as provided with each section filled in</b>		<b>May adjust Section 2 to align with the term of the charter budget</b>	



# LCAP Requirements

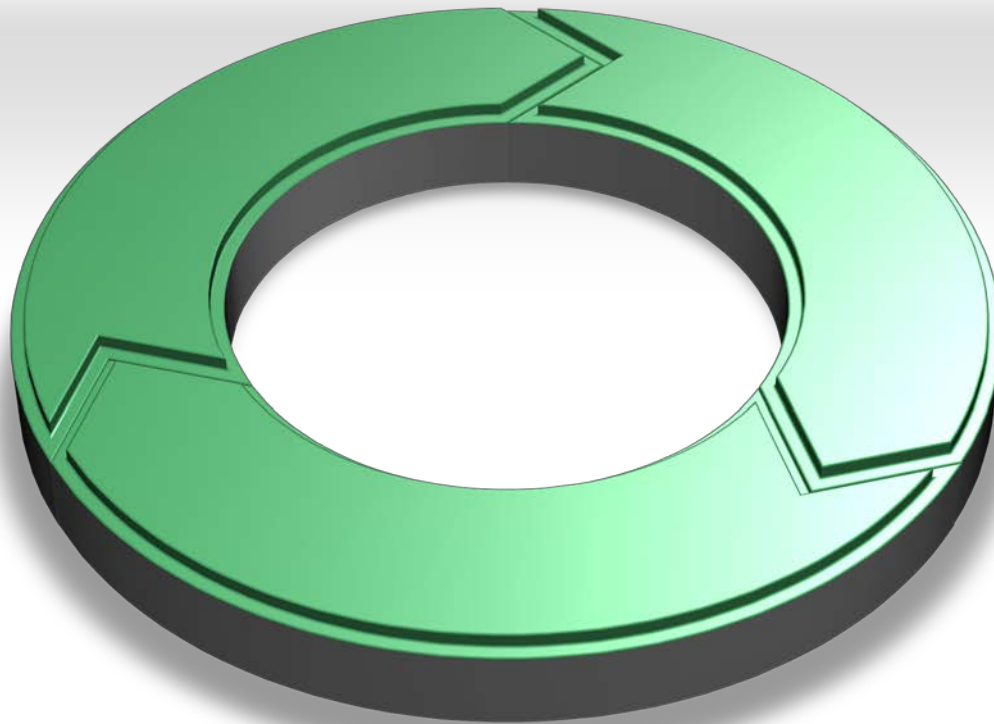
LCAP Requirements	School Districts and COEs	Charter Schools
Use of Supplemental and Concentration Grants	Use of funds on districtwide basis if unduplicated count exceeds 55% or schoolwide if unduplicated count exceeds 40% with justification	No minimum threshold to use charterwide, must simply provide justification
Adoption	During a public meeting held after, but not on the same day as, the public hearing	No public meeting required, but encouraged
Posting Requirements	<ul style="list-style-type: none"> <li>Any LCAP approved by the governing board of a school district must be posted on the district's website</li> <li>Any LCAP approved by the county board of education and all LCAPs submitted by school districts must be posted by the county superintendent</li> </ul>	<ul style="list-style-type: none"> <li>No posting of LCAP by charter schools or their chartering authorities required, but encouraged</li> <li>County superintendents not required to post charter school LCAPs, but encouraged</li> </ul>
Approval	<ul style="list-style-type: none"> <li>District LCAP must be approved by the county superintendent</li> <li>County office LCAP must be approved by the SPI</li> </ul>	Must be submitted to chartering authority and county superintendent, but not approved by either party

# The Life Cycle of the LCAP

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## GROW

- Adopt the annual update
- Implement the revised plan



## REFLECT

- Evaluate progress
- Engage stakeholders

## ADAPT

- Plan goals, actions, and services
- Review and revise based on stakeholder input

# Next Steps

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- ▶ State level

- ▶ Budget committee hearings
- ▶ Vote on Budget by Legislature
- ▶ Governor signs Budget

- ▶ Local level

- ▶ Adopt the Local Control and Accountability Plan (LCAP) and budget
- ▶ 45-day budget revision if material changes from adopted budget



# Questions

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