

2014–15 Governor's Budget Update

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Themes for the 2014 Budget

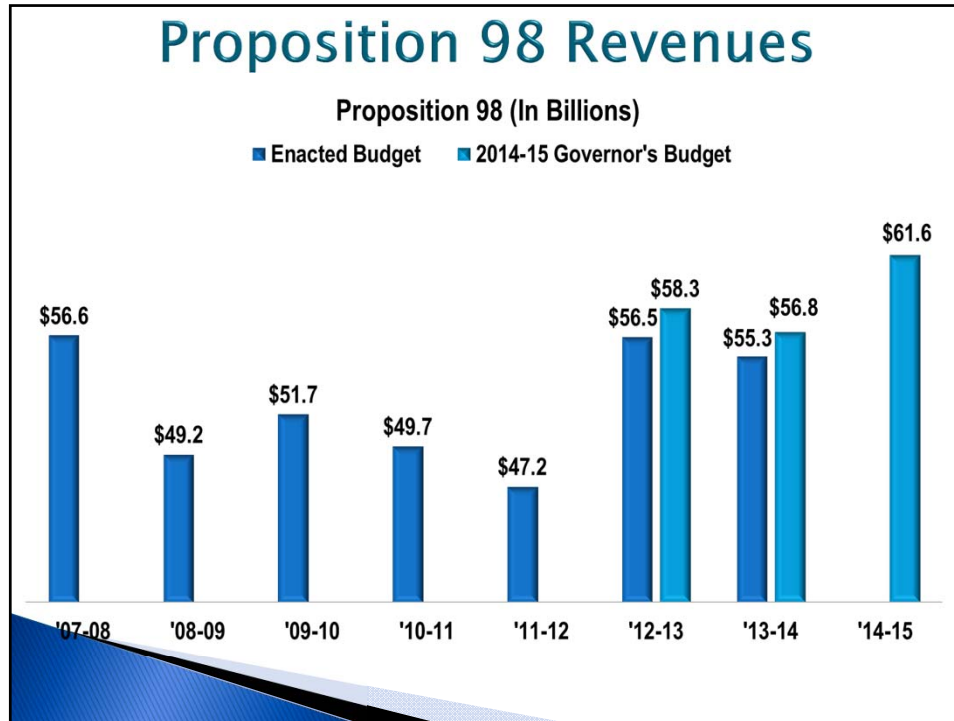
- ▶ The Proposition 98 entitlement is increasing even while the California economy as a whole only improves at a moderate rate
- ▶ To protect public education during the eventual downturns, the Governor proposes two rainy day funds: one for education and one for the rest of the State Budget
- ▶ The Governor is proposing a continuous appropriation for the Local Control Funding Formula (LCFF)

What's Not in the Budget?

- ▶ What the Budget does not address:
 - No proposal for a statewide school facilities bond
 - No new funding to address the unfunded liability in the California State Teachers' Retirement Systems 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

Proposition 98: How Much in 2014-15?

- ▶ This is a \$6.3 billion increase - 11.4% over the 2013-14 budgeted level
 - On average, \$751 per average daily attendance (ADA) ongoing is K-12 education's share
- ▶ In addition, \$3.3 billion more is provided in one-time funding from prior years
 - \$1.8 billion from 2012-13
 - \$1.5 billion from 2013-14



- ### K-12 Proposition 98 Proposals for 2014-15
- ▶ \$5.5 billion in one-time and ongoing Proposition 98 to fully eliminate interyear K-12 apportionment deferrals in 2014-15
 - ▶ \$4.472 billion in additional funding for school districts and charter schools to continue implementation of the LCFF
 - ▶ \$25.9 million to complete the implementation of the county office of education LCFF
 - ▶ \$316.5 million to support Proposition 39 energy efficiency projects
 - ▶ \$33.3 million to fund a 0.86% statutory cost-of-living adjustment (COLA) for categorical programs that remain outside of the LCFF
 - ▶ \$74.3 million to fund projected growth in charter school ADA
 - ▶ \$46.5 million for assessment costs associated with implementation of Common Core State Standards
 - ▶ \$188.1 million for the Emergency Repair Program from one-time Proposition 98 funds

Amendments to the “Rainy Day Fund”

- ▶ The Governor is proposing a constitutional amendment to make major changes to the state’s “Rainy Day Fund,” which was established in 2004 through Proposition 58
- ▶ The amendments are intended to address revenue volatility stemming from the capital gains tax
- ▶ The specific provisions include:
 - Establishing a Proposition 98 reserve in addition to the existing Rainy Day Fund
 - Requiring contributions to these reserves when capital gains revenues exceed 6.5% of General Fund tax revenues
 - Establishing a maximum size for the Rainy Day Fund of 10% of revenues, as opposed to the 5% maximum of Proposition 58
 - Allowing supplemental payments to existing debt in lieu of a deposit to the Rainy Day Fund
 - Limiting withdrawals to 50% of the balance in the first year of a recession

2014–15 Local Control Funding Formula

- ▶ Budget proposes \$4.5 billion for continued implementation of the LCFF
- ▶ New funding is estimated to close the gap between 2013–14 funding levels and LCFF full implementation targets by 28.05%
- ▶ Combined with elimination of 11.78% of the gap in 2013–14, the new formula would be over one-third of the way toward implementation in the first two years
- ▶ 2014–15 LCFF growth provides an average increase in per-pupil funding of 10.9%, or \$751 per ADA
 - Individual local educational agency experiences will vary

LCFF – A Quick Review

- ▶ The LCFF makes fundamental changes to how we allocate state Proposition 98 revenues to schools
- ▶ At full implementation, the LCFF will fund every student at the same base rate
- ▶ The LCFF provides two weighting factors applied against the LCFF base grant
 - 20% on behalf of each eligible student
 - An additional 50% for the eligible students exceeding 55% of total enrollment
- ▶ Each school district receives at least as much state aid in future fiscal years as the district received in 2012-13
- ▶ The LCFF continues the necessary small school funding adjustment for eligible school districts
- ▶ The LCFF provides an Economic Recovery Target to assure district funding is restored to 2007-08 levels, adjusted for inflation

LCFF – Base Grant Entitlement Calculation

- ▶ 2014-15 target entitlement calculation, with full implementation in 2020-21
 - Grade span per-pupil grants are increased annually for the

Factors	K-3	4-6	7-8	9-12
2013-14 Base Grant per ADA	\$6,952	\$7,056	\$7,266	\$8,419
COLA @ 0.86%	\$60	\$61	\$62	\$72
Base grants – 2014-15	\$7,012	\$7,117	\$7,328	\$8,491

LCFF – K–3 CSR and CTE Adjustments

- ▶ K–3 Class–Size Reduction (CSR) and 9–12 Career–Technical Education (CTE) Grade Span Adjustments are additions to the base grant
 - CTE is unrestricted; CSR requires progress toward maximum site average of 24 students enrolled in each class

Factors	K-3	4-6	7-8	9-12
Base grants – 2013-14	\$7,012	\$7,117	\$7,328	\$8,491
Adjustment percentage	10.4% CSR	-	-	2.6% CTE
Adjustment amount	\$729	-	-	\$221
Adjusted grant per ADA	\$7,741	\$7,117	\$7,328	\$8,712

LCFF – Supplemental and Concentration Grants Per ADA

- ▶ Supplemental and concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners, free and reduced–price meal program eligible students, and foster youth

Factors	K-3	4-6	7-8	9-12
Adjusted grant per ADA	\$7,741	\$7,117	\$7,328	\$8,712
20% supplemental grant	\$1,548	\$1,423	\$1,466	\$1,742
50% concentration grant (for eligible students exceeding 55% of enrollment)	\$3,871	\$3,559	\$3,664	\$4,356

Next Steps

- ▶ Ongoing - developing the Local Control Accountability Plan (LCAP)
- ▶ The May Revision
- ▶ Adoption of the final LCFF spending requirements and LCAP template and requirements
- ▶ Adopt school district budget
- ▶ Adopt State Budget

Thank You!