

Stockton Unified School District 2014–15 Public Hearing Local Control Funding Formula and Local Accountability Plan

June 10, 2014



The May Revision

- ▶ The May Revision maintained the same funding level as the January Governor's Budget Proposal for Education
- ▶ The state did recognize an additional increase of \$2.4 billion in revenues from January, but 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%

Major Proposals by the Governor

- ▶ 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?

- ▶ 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?

- ▶ 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

- ▶ 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%
 - Individual LEA experiences will vary

LCFF – Base Grant Entitlement Calculation

- ▶ 2014–15 target entitlement calculation
 - Grade span per-pupil grants are increased for the 0.85% statutory cost-of-living adjustment (COLA)

Factors	K-3	4-6	7-8	9-12
2013-14 Base Grant per ADA	\$6,952	\$7,056	\$7,266	\$8,419
COLA @ 0.85%	\$59	\$60	\$62	\$72
Base grants – 2014-15	\$7,011	\$7,116	\$7,328	\$8,491

LCFF – K–3 Former CSR and CTE Adjustments

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

Factors	K-3	4-6	7-8	9-12
Base grants – 2014-15	\$7,011	\$7,116	\$7,328	\$8,491
Adjustment percentage	10.4% CSR	-	-	2.6% CTE
Adjustment amount	\$729	-	-	\$221
Adjusted grant per ADA	\$7,740	\$7,116	\$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 (EL), free and reduced–price meal (FRPM) program eligible students, and foster youth

Factors	K-3	4-6	7-8	9-12
Adjusted grant per ADA	\$7,740	\$7,116	\$7,328	\$8,712
20% supplemental grant	\$1,384	\$1,272	\$1,310	\$1,558
50% concentration grant (for eligible students exceeding 55% of enrollment)	\$1,331	\$1,224	\$1,260	\$1,498
Total Adjusted Amount per ADA	\$10,455	\$9,612	\$9,898	\$11,768

Governor's Proposal for Funding CalSTRS

- ▶ 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

- ▶ 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

Preliminary Budget

6/12/2014

2013–14 Unrestricted Estimated Actuals -- What if No LCFF?

Description	Estimated Actuals <u>With LCFF</u>	Estimated Actuals <u>Without LCFF</u>
Revenues, including Estimated 13–14 LCFF	\$246,311,607	\$246,311,607
Less: 2013–14 LCFF	-0	-14,450,879
Adjusted Revenue without LCFF	246,311,607	231,860,728
2013–14 Estimated Expenditures	246,638,733	246,638,733
Estimated Change in Ending Fund Balance	- 327,126	-14,778,005

Assumptions

	2014-15 through 2016-17		
	2014-15	2015-16	2016-17
Cost of Living (COLA)	0.86%	2.20%	2.30%
Step & Column - Certificated	1.68%	1.68%	1.68%
California Public Employees Retirement System (CalPERS) Rate	11.7%	12.6%	15.0%
California State Teacher's Retirement System (CalSTRS) Rate	9.50%	11.10%	12.70%
California Consumer Price Index (CPI)	2.10%	2.30%	2.50%
Enrollment	34,331	34,331	34,331
ADA	32,464	32,462	32,458

2014-15 Adopted Budget Revenue

Description	2014-15 Unrestricted	2014-15 Restricted	Total
LCFF Transition	\$269,232,220	\$0	\$269,232,220
Federal Revenue	70,176	40,196,755	40,266,931
State Revenue	5,179,722	35,839,454	41,019,176
Other Local Revenue	1,993,949	1,760,980	3,754,929
Total Revenues	\$276,476,067	\$77,797,189	\$354,273,256

2014-15 Adopted Budget Expenditures

Description	2014-15 Unrestricted	2014-15 Restricted	Total
Salaries and Benefits	\$196,025,795	\$78,707,434	\$274,733,229
Books and Supplies	6,879,378	12,936,954	19,816,332
Services, Other Operating Expenditures	20,571,579	17,547,112	38,118,691
Capital Outlay	0	2,000	2,000
Other Outgo	-2,730,020	2,791,417	61,397
Other Financing Sources	38,651,664	-34,187,728	4,463,936
Total Expenditures /Financing	\$259,398,396	\$77,797,189	\$337,195,585

2014-15 Ending Fund Balance

	Unrestricted	Restricted	Total
Beginning Fund Balance	\$43,398,927	\$0	\$43,398,927
Change in Funding Balance	<u>17,077,671</u>	<u>0</u>	<u>17,077,671</u>
Ending Fund Balance	<u>\$60,476,598</u>	\$0	<u>\$60,476,598</u>

Budget Cautions

- ▶ CalSTRS and CalPERS increased contribution
 - The LCFF increase over seven years equates to \$125 million
 - The increased cost of CalSTRS and CalPERS over the same period is \$60 million
- ▶ Lack of Developer fee funds to support COPS at \$36 million beginning in 2017-18
- ▶ Education Protection Account expiration in 2017-18
 - The Governor and Legislature will need to take budgeting action to ensure education is kept whole
 - 2014-15 projection is \$31 million

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Local Control Funding Formula

Education Funding Model

- ▶ Local
- ▶ Control
- ▶ Funding
- ▶ Formula



- ▶ Local
- ▶ Control
- ▶ Accountability
- ▶ Plan



LCFF Funding Model

Money for New Programs to Improve Student Achievement:



Concentration

Supplemental

Current System:



Base

LCFF Basic Concepts

- ▶ Funds are to be spent for the students who generate them
- ▶ Supplemental and concentration funds must be spent to increase or improve services to the students who generate the additional funding
- ▶ The additional funds must be spent in proportion to the students who generate the funding

Local Control Accountability Plan (LCAP)

....Because it is about all our students!



LCAP Basics

- LCAP is required for all school districts, county offices of education and charter schools
- All LEAs must use the LCAP template approved by the State Board of Education (Per AB97 Charters required to use SBE template for the July 1, 2015 Update)
- LCAP must be approved by local board by July 1, 2014 (New or renewing Charters must submit with Charter Petition)

State Board Approved LCAP Template

- ▶ Adopted by State Board of Education as part of Emergency Regulations at January State Board of Education Meeting
- ▶ Emergency Regulations include:
 - Definitions
 - Proportionality Calculations
 - Criteria for District/Schoolwide or Charterwide use of funds

LCAP Template Organization



LCAP Requirements

- ▶ A three year plan
 - To be updated annually
 - Must include:
 - Annual goals, specific actions and services, expenditures
 - That address the eight state priority areas and any additional local priorities
 - For all pupils and each subgroup
 - A description of additional actions and services for “unduplicated pupils”
- ▶ Charter schools must address the priorities that apply for the grade levels served or the nature of the program
- ▶ The LCAP is required for both locally and direct-funded Charter schools.

Development of the LCAP

- ▶ Requires consultation with teachers, principals, administrators, other school personnel, parents, and pupils
- ▶ Prior to the presentation of the LCAP or Update to the local board for consideration, the superintendent must present the plan/update to required advisory committees for review and comment. (**Advisory committees not required for Charters**)
- ▶ The superintendent must respond, in writing, to comments received from the advisory committees.

Advisory Committees

- ▶ Districts are required to establish:
 - Parent Advisory Committee – includes parents of low-income students, English learners, Foster Youth (Unduplicated Pupils)
 - English Learner Advisory Committee – required if District enrollment includes at least 15% English learners and at least 50 pupils who are ELs
 - LEAs may use existing advisory committees for this purpose if they meet these requirements
- ▶ Parent committees not required for Charter schools

Eight Priorities

State Priorities

LCAP categorizes 8 state priorities into 3 areas:

- **Conditions for Learning**
 - Basic Services
 - Implementation of State Standards
 - Course Access
- **Pupil Outcomes**
 - Pupil Achievement
 - Other Pupil Outcomes
- **Engagement**
 - Parent Involvement
 - Pupil Engagement
 - School Climate

Thank You!