

Yolo County Office of Education

The Yolo Common Message 45 Day Budget Revision 2015/16

July 16, 2015

Table of Contents

Introduction	3
Significant Changes Since May Revision	3
Summary of Budget Adoption	3
Planning Factors for 45-Day Revision and MYPs.....	4
Budget Approval Dates	5
Key Guidance for 45-Day Budget Revision	5
Routine Restricted Maintenance Account (RRMA).....	5
K-12 Mandate Funding.....	6
Reserves	6
Prop. 98 Revenues	7
Spike Protection	8
Funding Outside of LCFF – Regulated Programs.....	8
Adult Education Block Grant.....	8
Career Technical Education.....	9
Preschool and Child Care	10
Educator Effectiveness	11
Technology Infrastructure/High Speed Network	12
Summary.....	12

Introduction

This edition of the Common Message is intended to provide information and guidance to assist LEAs in developing a 2015-16 Budget 45 Day Revision. The 45-Day Budget revision deadline is August 8, 2015.

Education Code 42127 (h): Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act.

Local educational agencies (LEAs) may choose to revise the 2015-16 budget when they submit the 2014-15 unaudited actuals or make revisions in the 2015-16 First Interim report.

Significant Changes Since May Revision

Summary of Budget Adoption

The Governor signed the state budget and accompanying trailer bills on June 24, 2015. The budget includes Prop. 98 funding of \$68.4 billion for 2015-16, an increase of \$7.6 billion over the 2014-15 budget. Since 2011-12, Prop. 98 funding for K-12 education has grown more than \$18.6 billion. The Prop. 98 maintenance factor will be reduced to \$772 million by the end of 2015-16.

Significant Adjustments:

- Funding for the LCFF of \$5.994 billion, 2015-16 gap funding 51.52%.
- Cost of Living Adjustment (COLA) of 1.02% to categorical programs outside of LCFF.
- Extends the time frame county offices of education have to examine, make certain determinations, approve, conditionally approve, or disapprove a district's adopted budget from August 15 to September 15.
- Deadline for State Board of Education (SBE) to adopt Local Control Accountability Plan (LCAP) rubrics is extended to October 1, 2016.
- \$3.2 billion in one-time Prop. 98 General Fund, down from the May Revision amount of \$3.5 billion, to pay down the debt owed to K-12 LEAs for the costs of state-mandated programs. The funding is unrestricted and may be used by LEAs to meet local needs as determined by their governing board. Legislative intent is to prioritize funding for investments necessary to support implementation of Common Core, English language development and Next Generation Science standards.

- Establishes the Career Technical Education (CTE) Incentive Grant Program by providing \$900 million in one-time Prop. 98 funding over the next three years to establish new or expanded high-quality CTE programs. \$400 million is provided in 2015-16. The CTE Incentive Grant Program reserves a specified amount of funds for applicants to compete for grants based on their ADA as well as positive consideration of certain applicant characteristics.
- \$500 million one-time Prop. 98 General Fund for educator support. \$490 million is for activities that promote educator quality and effectiveness. \$10 million is allotted to K-12 High Speed Network (HSN) to provide LEAs professional development and technical assistance in network management.
- Adult Education funding of \$500 million. \$375 million is provided to school districts and county offices of education for adult education maintenance of effort on the basis of the 2012-13 maintenance of effort certification. Districts need to be part of a consortium to be eligible for these funds.
- Preschool and Child Care received Prop. 98 and non-Prop. 98 funding totaling \$2.851 billion.
- \$60.1 million directed to Special Education in response to recommendations from the statewide Special Education Task Force. \$50.1 million is ongoing and \$10 million is one-time.
- Routine Restricted Maintenance Account (RRMA) now has extended flexibility delaying full implementation of the 3% requirement until 2019-20.

Planning Factors for 45-Day Revision and MYPs

Key planning factors for LEAs to incorporate into the 45-Day Revision and multiyear projections are listed below and based on the latest information available as of the final 2015-16 state budget.

Planning Factor	Fiscal Year		
	2015-16	2016-17	2017-18
COLA (Department of Finance - DOF)	1.02%	1.60%	2.48%
LCFF Gap Funding Percentage (DOF)	51.52%	35.55%	35.11%
STRS Employer Rates	10.73%	12.58%	14.43%
PERS Employer Rates (PERS Board / Actuary)	11.847%	13.05%	16.6%*
Lottery – unrestricted per ADA**	\$140	\$140	\$140

Planning Factor	Fiscal Year		
	2015-16	2016-17	2017-18
Lottery – Prop. 20 per ADA**	\$41	\$41	\$41
Mandated Cost per ADA or One-Time Allocations	\$528	\$0	\$0
Mandate Block Grant for Districts – K-8 per ADA	\$28.42	\$28.42	\$28.42
Mandate Block Grant for Districts – 9-12 per ADA	\$56	\$56	\$56
Mandate Block Grant for Charters – K-8 per ADA	\$14.21	\$14.21	\$14.21
Mandate Block Grant for Charters – 9-12 per ADA	\$42	\$42	\$42
State Preschool Part-Day Daily Reimbursement Rate	\$23.87	\$23.87	\$23.87
State Preschool Full-Day Daily Reimbursement Rate	\$38.53	\$38.53	\$38.53
General Child Care Daily Reimbursement Rate	\$38.29	\$38.29	\$38.29
Routine Restricted Maintenance Account	***Phase in to 3% See Pg. 8	***Phase in to 3%	***Phase in to 3%

**PERS rate shown for 2017-18 is based on projections made in 2014 and may be revised downward.*

***Lottery funding will no longer include the 2007-08 ROP and Adult Education ADA in 2015-16 and beyond.*

****The routine restricted maintenance account has new requirements under a phase-in cycle. Details of the requirements are included in the Summary of Budget Adoption section.*

Budget Approval Dates

The 2015 Budget Act extends the budget approval date for county superintendents to examine, make certain determinations, approve, conditionally approve, or disapprove a district's adopted budget from August 15 to September 15. The budget approval date change allows additional time for county superintendents to review and approve district LCAPs prior to approving district budgets.

The date for county superintendents to seek written clarification from school boards on LCAPs remains August 15. Ultimately, county superintendents still have until October 8 to approve district LCAPs.

Additionally, the budget approval date extends all associated dates triggered when a budget is conditionally approved or disapproved.

Key Guidance for 45-Day Budget Revision

Routine Restricted Maintenance Account (RRMA)

The 2015-16 provides a phase-in of the 3% contribution to Routine Restricted Maintenance Account (RRMA). For the 2015-16 and 2016-17 fiscal years, the required minimum amount to be deposited into the account shall be the *lesser* of the following amounts:

- Three percent of the total general fund expenditures for that fiscal year or the amount that the school district deposited into the account in the 2014-15 fiscal year.

For the 2017-18 to 2019-20 fiscal years, the required minimum amount to be deposited into the account shall be the *greater* of the following amounts:

- The lesser of three percent (3%) of the general fund expenditures for that fiscal year or the amount that the school district deposited into the account in the 2014-15 fiscal year.
- Two percent of the total general fund expenditures of the applicant school district for that fiscal year.

Full language can be found in the budget trailer bill, AB 104:

http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB104

K-12 Mandate Funding

An increase of \$3.2 billion in one-time Prop. 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs is intended as a down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support essential investments in education. Districts will receive approximately \$528 per ADA. These are discretionary funds, but the budget includes intent language that they are spent on professional development, teacher induction, and to support implementation of state-adopted academic content standards. The budget also includes statutory language stating districts will not be required to pay back this funding for disallowed costs identified by a State Controller's audit of mandate claims.

Reserves

County offices continue to reinforce the need for reserves over the minimum reserve requirements.

The experience of the most recent recession has clearly demonstrated that the minimum statutory reserve levels are not sufficient to protect educational programs from severe disruption in an economic downturn. The typical 3% reserve minimum represents less than two weeks of payroll for many districts. Many LEAs have established reserve policies calling for higher than minimum reserves, recognizing their duty to maintain fiscal solvency. The adequacy of a given reserve level should be assessed based on the LEA's own specific circumstances, and numerous reasonable models are available for consideration. Examples include:

- The Government Finance Officers Association recommends reserves equal to two months of average general fund operating expenditures, or about 17%.

- Rating agencies like Fitch or Moody's typically assess the adequacy of a district's reserves by comparing them to statewide averages, which have hovered around 15% for California unified school districts in recent years.
- The Fiscal Crisis and Management Assistance Team emphasizes the need to assess both fund balance and actual cash on hand.

Prop. 98 Revenues

The state's 2015-16 adopted budget provides more than \$6.1 billion in additional Prop. 98 funding for K-14 above the level proposed in the Governor's January budget. \$241 million of the increase is attributable to 2013-14 (no table included) and will yield additional one-time funding. 2014-15 Prop. 98 funding increases from \$63.2 billion to \$66.3 billion – yielding \$3.1 billion in additional one-time funding for that year. The adopted budget for 2015-16 increases from \$65.7 to \$68.4 billion: an additional \$2.7 billion over the Governor's January proposal.

Fiscal Year 2014-15	Projected Statewide Revenue	Prop. 98 Calculation	Property Tax Portion of Prop. 98	State Budget Portion of Prop. 98	Non- Prop. 98 Budget	Ending Balance
Adopted	107.1	60.9	16.4	44.5	63.5	3.0
Jan 2015	108.0	63.2	16.6	46.6	65.1	1.4
May 2015	111.3	66.3	16.7	49.6	64.9	2.4
Adopted	111.3	66.3	16.7	49.6	64.9	2.4

(All numbers in billions)

Fiscal Year 2015-16	Projected Statewide Revenue	Prop. 98 Calculation	Property Tax Portion of Prop. 98	State Budget Portion of Prop. 98	Non- Prop. 98 Budget	Ending Balance
Jan 2015	\$113.4	\$65.7	\$18.7	\$47.0	\$66.3	\$1.5
May 2015	115.0	68.4	19.0	49.4	65.9	2.1
Adopted	115.0	68.4	19.0	49.4	65.9	2.1

(All numbers in billions)

The adopted budget increases the Prop. 98 allocation from \$60.9 billion in 2014-15 to \$66.3 billion for 2015-16, an increase of \$5.4 billion. The 2015-16 adopted budget

increases Prop. 98 spending to \$68.4 billion, or \$7.5 billion above the 2014-15 enacted budget.

Spike Protection

The 2013-14 to 2014-15 year-over-year General Fund revenue increase is so large that for only the second time in history, spike protection provisions included in Prop. 98 are triggered. In normal years, the entire Prop. 98 base carries forward to the next year, but in times of exceptional growth, some of the growth only applies as a one-time bonus and does not carry forward. In 2014-15, \$424 million of the Prop. 98 base was affected by this provision.

Funding Outside of LCFF – Regulated Programs

Adult Education Block Grant

The 2015-16 budget provided approval of the \$500 million Adult Education Block Grant with trailer bill amendments. The final version contains these provisions:

- Requires the SPI and California Community Colleges Chancellor to certify by July 31, 2015 the 2012-13 Adult Education maintenance of effort requirement for each school district and county office. Each district and COE will be apportioned the amount certified by the SPI and Chancellor as long as the LEA is a member of an adult education consortium.
- Calls for remainder of the funds, after the direct funding to LEA apportionments described above, to be apportioned to adult education consortia based on a schedule approved by the SPI and Chancellor.
- Specifies that joint powers agencies may participate as adult education consortia members.
- Allows older adults to access programs that relate to employment or helping children succeed in elementary and secondary education.
- Provides for the development and collection of outcome data relating to the effectiveness of each adult education consortia in meeting the educational and workforce training needs of adults.
- Authorizes the Chancellor and SPI to collaborate on the development of common outcome data collection, and requires them to report to the Legislature by November 1, 2015 on progress.
- Changes references to apprenticeship programs in adult education statutes to pre-apprenticeship training activities conducted in coordination with

apprenticeship programs approved by the Division of Apprenticeship Standards. Pre-apprenticeship programs will provide job preparation training courses that will lead into apprenticeship programs.

Career Technical Education

The 2015-16 budget establishes the California Career Technical Incentive Grant Program, which will be a competitive grant program administered by CDE. The grant process, including the RFA and timeline, has yet to be developed. Accordingly, grant funding may not be available until later in the fiscal year. The purpose of the program is to encourage and maintain the delivery of career technical programs during the implementation to full funding of LCFF. Funding provided for the program is \$400 million in 2015-16, \$300 million in 2016-17, and \$200 million in 2017-18 and will be available through competitive grants based on the prior fiscal year's P-2 ADA for grades 7-12 as follows:

- 4% for ADA ≤ 140
- 8% for ADA >140 and ≤ 550
- 88% for ADA >550

A proportional dollar-for-dollar match is required for the program and increases each year as follows:

- 2015-16, \$1 match for every dollar received
- 2016-17, \$1.50 match for every dollar received
- 2017-18, \$2 match for every dollar received

The matching dollars may come from LCFF, the federal Carl D. Perkins Career and Technical Education Improvement Act of 2006 (Perkins), the California Partnership Academies (CPA), the Agricultural Career Technical Education Incentive Grant (Ag Grant), or any other source *except* for funding received from the California Career Pathways Trust.

Funding of the program requires at least a three-year plan for continued support after grant funding expires. The plan must include how the district has budgeted the costs to continue to support career technical education (CTE) programs within the current or projected budget and contain a written commitment to do so.

Positive consideration in the awarding of grants will be based on the following:

- Did not operate a career technical education program during the 2014-15 fiscal year.

- Serves unduplicated pupils (low-income, English learner, foster and homeless youth).
- Serves pupil subgroups that have higher than state average dropout rates.
- Located in an area with a high unemployment rate.
- Successfully leverages Perkins, CPA, Ag Grant, and contributions from industry, labor, and philanthropic sources.
- Engages in regional collaboration with postsecondary education or other local education agencies.
- Significant investment in CTE infrastructure and equipment.
- Operates within a rural school district.

Preschool and Child Care

Full-Day State Preschool: An increase of \$34.3 million (\$30.9 million Prop. 98, \$3.5 million General Fund) to provide access to full-day state preschool for an additional 7,030 children from low-income working families. In addition, \$145 million will shift from general child care to state preschool to allow full-day state preschool providers that are LEAs to access a single funding stream (Prop. 98) in their full-day state preschool contracts. Under the existing program, LEAs receive funding for full-day state preschool from a combination of Prop. 98, General Fund, and the federal Child Care and Development Fund.

- Alternative Payment Program Vouchers – An increase of \$52.6 million General Fund to provide child-care vouchers for an additional 6,800 children from low-income working families.
- Standard Reimbursement Rate – An increase of \$61 million (\$38.3 million Prop. 98, \$22.7 million General Fund) to provide a 5-percent increase to the reimbursement rate for state preschool and other direct-contracted child care and development providers.
- Regional Market Reimbursement Rate – An increase of \$62.1 million General Fund to increase the maximum reimbursement ceiling for voucher-based child care providers by 4.5 percent and increase the rate for license-exempt providers from 60 to 65 percent of the licensed family child care home rate.

Infant/Toddler Child Care Quality – A one-time grant of \$24.2 million General Fund to Quality Rating and Improvement System consortia to provide training, technical

assistance, and resources to help infant and toddler child care providers meet a higher level of quality.

Daily rates for reimbursement are:

- Preschool Part-Day \$23.87
- Preschool Full-Day \$38.53
- General Child Care \$38.29

1% is included in the rates above to provide additional parental information about the process to access special education assessments and services and to provide preschool teachers with additional training on targeted interventions to improve kindergarten readiness for the entire diversity of the preschool classroom.

Educator Effectiveness

An increase of \$500 million in one-time Prop. 98 general fund for educator support, with \$490 million targeted to promote:

- Beginning teacher and administrator support and mentoring.
- Professional development, coaching, and support services for teachers who have been identified as needing improvement or additional support.
- Professional development for teachers and administrators that is aligned to the state academic content standards.
- Educator quality and effectiveness.

The funds will be allocated to school districts, county office of education, charter schools, and the state special schools in an amount per certificated staff in the 2014-15 fiscal year. This funding will be available to spend over the next three years. As a condition of receiving the funds LEAs will be required to develop a plan for how the funds will be spent. The plan **must** 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 report, still to be developed, to the California Department of Education (CDE).

The official amount per certificated staff is still being determined by the fiscal division of CDE and will be based on information provided through the CalPADs system. LEAs are cautioned to carefully consider any budget amount pending notification from CDE.

In addition, \$10 million in one-time funding is provided to the K-12 High Speed Network (HSN) to provide professional development and technical assistance to LEAs related to broadband network management. These services will include statewide training of technical staff, dissemination of best practices, and guidance related to designing and managing broadband network infrastructure.

Technology Infrastructure/High Speed Network

The 2015-16 budget provides an increase of \$50 million in one-time Prop. 98 funding to provide assistance to local educational agencies in securing required Internet connectivity and infrastructure. This is a second installment of one-time funding and is to support network connectivity grants. In the 2014 the state provided \$26.7 million, with priority given to LEAs unable to administer computer-based assessments at a school site.

Summary

The state budget significantly increases funding to K-12 education in 2015-16. There is a substantial amount of one-time funding, and consistent with the LCFF, California schools are in a better position to increase and improve services to students in 2015-16.

Each district receives differing amounts of revenue and has its own particular set of financial risk factors. All LEAs should continue to assess their individual situations and plan accordingly to maintain fiscal solvency.