Yolo County Office of Education

The Yolo Common Message

Second Interim 2015-16

February 2016

Sources

Association of California School Administrators
Bob Blattner and Associates
Bob Canavan, Federal Management Strategies
California Association of School Business Officials
California Department of Education
California Department of Finance
California State Board of Education
California School Boards Association
California School Information Services
Capitol Advisors
Fiscal Crisis and Management Assistance Team
Jeff Frost, Frost, Davis, and Donnelly
Michael Hulsizer, BASC Liaison & Kern County Superintendent of Schools
National Forest Counties and Schools Coalition
School Services of California
Schools for Sound Finance (SF2)
Small School Districts' Association
Statewide LEC Co Chairs
WestEd

Introduction

This edition of the Common Message is intended to provide information and guidance to assist LEAs in developing their 2015-16 Second Interim report. It contains information related to the 2016-17 January Proposed Budget, to be used in the LEAs' multiyear projections, and any updates since the adoption of the 2015-16 Budget that would impact the LEAs' current year budgets.

COEs are reminded this is a communication from ourselves to ourselves. Please review for relevance for the districts in each individual county.

Second Interim Key Guidance

Local educational agencies face increasing expectations to improve outcomes for students. This may necessitate a reallocation of resources if existing programs are not producing desired results. Each LEA faces its own particular set of educational challenges, and there is no "one size fits all" plan. Similarly, each LEA faces its own particular set of financial risk factors based on current reserve levels, enrollment trends, bargaining agreements, degree of revenue volatility and various other local and statewide factors.

There are a few key aspects to maintaining fiscal solvency and sound educational programs that apply to all districts:

1. Maintaining adequate reserves to allow for unanticipated circumstances (with the adequate level based on each LEA's unique situational assessment).

2. Maintaining fiscal flexibility by limiting commitments to future increased expenditures based on projections of future revenue growth.

3. Establishing contingencies that allow expenditure plans to be changed if needed.

LEAs are advised to use the FCMAT LCFF Calculator and the list in the Planning Factors section of this document in building multiyear projections (MYPs). If alternate assumptions are used, the source of those assumptions and the reasons for adopting them should be clearly documented. Transparency is essential for maintaining an LEA's credibility. Clearly communicating and explaining budget assumptions to stakeholders is critical.

LEAs should also consider building in contingencies for emerging and fixed expenditure obligations such as increasing employer contributions to employee retirement systems, impacts of the Affordable Care Act, rising costs of health insurance, funding other post-employment benefits (OPEB) programs, or future facility needs, to name a few examples.

Best practices for assessing district risk factors begin with using FCMAT's Fiscal Health Risk Analysis: Key Fiscal Indicators: http://fcmat.org/wp-content/uploads/sites/4/2015/05/Fiscal-Health-Risk-Analysis-K-12-5-2015-final.pdf

Summary of 2015-16 Changes Since First Interim

Educator Effectiveness

The Educator Effectiveness expenditures will be subject to annual audit. Auditors will verify whether the LEA developed, explained and adopted a plan and is tracking FTEs and expenditures in the format of the final expenditure report. If the LEA is found not in compliance, a finding will be reported with recommendations to comply with requirements. On or before July 1, 2018, an LEA will submit a detailed expenditure report to the California Department of Education (CDE). The final expenditure report template can be found on the CDE's website: http://www.cde.ca.gov/fg/aa/ca/educatoreffectiveness.asp

Summary of 2016-17 Budget Proposals

On January 7, Governor Brown released his 2016-17 budget proposal. The Governor reported the 2015-16 budget year state revenues will be $3.534 billion higher than anticipated last June, most of which ($3.041 billion) will be deposited to the Budget Stabilization Account under the provisions of Proposition 2.

- **Local Control Funding Formula:** a $2.8 billion increase in LCFF gap funding is proposed for school districts and charters. The proposed funding level eliminates nearly 50% of the remaining LCFF funding gap and brings total LCFF formula implementation to 95% of the original targets statewide.

- **One-Time Discretionary Funding:** $1.2 billion in one-time Proposition 98 funding is provided for school districts, charter schools and county offices of education. All of the funds are intended to offset any mandate reimbursement claims. CDE estimated the per-ADA amount at $207.

- Charter School Growth: $61 million in Proposition 98 funding is provided for charter school growth.

- Charter School Startup Grants: $20 million one-time Proposition 98 funding is proposed for charter school startup grants in 2016 and 2017, which will help offset the loss of federal funding previously available for this purpose.

- S**pecial Education:** $15.5 million decrease in Proposition 98 General Fund that reflects a projected decrease in Special Education ADA.

- **Cost of Living Adjustments:** $22.9 million in ongoing Proposition 98 funding is provided to support a 0.47% cost of living adjustment for categorical programs that remain outside of the Local Control Funding Formula, including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education Program.

- **Proposition 39:** $365.4 million to support school district and charter school energy efficiency projects in 2016-17.

- Proposition 47: $7.3 million to support investments aimed at improving outcomes for public school pupils in K-12 by reducing truancy and supporting pupils who are at risk of dropping out of school or are victims of crime, consistent with the provisions of Proposition 47.

- **Early Education Block Grant:** $1.65 billion for the new block grant that will consolidate three programs – State Preschool Program ($880 million), transitional kindergarten ($725 million) Preschool Quality Rating and Improvement System ($725 million). The proposal will result in greater local financial flexibility and allow LEAs to develop programs that address their community's local needs.

- **Child Care:** Full implementation of 2015 Budget Act investments that includes an increase of $16.9 million in non-Proposition 98 and $30.9 million in Proposition 98 general fund.

Planning Factors for First Interim and MYPs

Key planning factors for LEAs to incorporate into the first interim and multiyear projections are listed below and are based on the latest information available.

	Fiscal Year		
Planning Factor	2015-16	2016-17	2017-18
COLA (Department of Finance - DOF)	1.02%	0.47%	2.13%
LCFF Gap Funding Percentage (DOF)	51.97%	49.08%	45.34%
STRS Employer Rates	10.73%	12.58%	14.43%
PERS Employer Rates (PERS Board / Actuary)	11.847%	13.05%	16.60%*
Lottery – unrestricted per ADA**	$140	$140	$140
Lottery – Prop. 20 per ADA**	$41	$41	$41
One-Time Discretionary Funding	$529	$207	$0
Educator Effectiveness Funding per Certificated FTE	$1,466 (See Pg. 23)	$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	*$23.98	*$24.49
State Preschool Full-Day Daily Reimbursement Rate	$38.53	$38.71	$39.54
General Child Care Daily Reimbursement Rate	$38.29	$38.47	$39.29
Routine Restricted Maintenance Account	***Phase in to 3% See Pg. 12	***Phase in to 3%	***Phase in to 3%

(all numbers in billions)

Proposition 98 Revenues

The Governor's proposed 2016-17 budget estimates $4.4 billion in new revenues to K-12 above what was provided for in the adopted 2015-16 budget. Approximately $400 million comes, on a one-time basis, from increased 2014-15 Proposition 98 recalculations; another $800 million more, on a one-time basis, for the recalculated 2015-16 Proposition 98 entitlement; and ongoing $3.2 billion for 2016-17 above current adopted levels.

Of particular note, the Governor has used Test 3 to calculate the test in 2016-17, which means the entitlement will be very sensitive to any downward revision in 2016-17 revenue at May Revision due to stock market volatility and the impact of capital gains income on state revenues. This results in some downside revenue risk that has been absent in previous years.

Also, it is noteworthy that the non-Proposition 98 side of the budget shows proposed expenditures climbing over $5.6 billion above the current adopted budget, while the state contribution to Proposition 98 increases only $1 billion. This is a notable change from recent years, when the Proposition 98 maintenance factor guaranteed almost 90 cents on every dollar that flowed to Proposition 98.

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
Jan. 2016	117.5	69.2	19.2	50.0	66.1	5.2
Fiscal Year 2016-17	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 2016	$120.6	$71.6	$20.6	$51.0	$71.6	$3.2

Reserves

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

The experience of the most recent recession has clearly demonstrated the minimum 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 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 not only fund balance but also actual cash on hand.

In recognition that the state is now $6 billion ahead of schedule in reaching original LCFF targets and the programmed escalation of STRS/PERS employer cost increases remain on schedule through 2020-21, many districts have used a portion of their LCFF base grant increases on one-time expenditures or have designated components of their fund balance to address STRS/PERS costs in the multiyear projections and beyond. While this practice may provide some argument for maintaining reserve levels at amounts well above the minimum, districts should be cautious in solely relying on fund balance to cover what are considered operational and ongoing costs such as the STRS/PERS employer contributions. Districts are advised to review the LAO's report: A Review of the CalSTRS Funding Plan at: http://www.lao.ca.gov/Publications/Report/3332. Specifically, the LAO's report notes while the CalSTRS unfunded liability is projected to decline over time, district contribution increases are fixed through 2020-21.

Reserve Cap

The 2016-17 Budget Proposal remains silent on any proposed changes the reserve cap triggers related to SB 858. Nevertheless, the LAO's November Fiscal Outlook states the reserve cap would not take effect during their forecast period. Districts are advised to continue to work closely with their COE and carefully monitor their reserve status. Notably, districts are advised to continue to maintain higher than minimum reserves.

Negotiations

Under the LCFF, the process and substance of bargaining with employee groups has changed drastically. ADA is just one of the many complexities of budgeting revenue. Districts must now also consider student demographics and grade level when anticipating revenue fluctuations. School districts considering multiyear contracts should maintain flexibility through contingency language or other means that protects them from cost increases beyond their control (e.g., pension reform, health care).

The large increase in gap funding in 2015-16 will lead to smaller year-over-year increases in future years. The recent publication of the 2016-17 proposed budget assumes another year where there will be a large increase in gap funding but also affirms the projection of smaller year-over-year increases in the out years. As a consequence and as noted in the guidance on reserves in the previous section, many districts are electing to use a portion of LCFF base grant funding increases on one-time expenditures to address scheduled STRS/PERS employer cost increases in future years.

As the gap between the LCFF floor and LCFF target decreases, larger percentage gap funding numbers will net smaller per pupil funding amounts. Clearly communicating the intricacies of gap funding will be critical to avoiding misunderstandings at the bargaining table.

For some districts next year's gap funding will be less than the amount needed to cover STRS and PERS contribution rate increases, and that likely will be true for most if not all districts after 2016-17.

Many districts and their bargaining units may be tempted to address ongoing expenditure needs and priorities with one-time funds simply because more dollars appear to be available for bargaining. As a result of the potential reserve cap provisions contained in SB 858, school districts are encountering additional pressures to spend down reserves in bargaining table discussions. The existence of a potential reserve cap does not change the fact that spending one-time resources (e.g., reserves) on ongoing expenditures (e.g., salaries) is a certain recipe for fiscal trouble in out years. For this reason, districts are encouraged to exercise extreme caution when bargaining ongoing commitments for salaries or health care benefits. The 2016-17 Budget Proposal remains silent on any specific changes to SB 858. Districts will need to continue to work closely with their COE and carefully monitor their reserve status.

Along with higher gap funding percentages comes an accelerated requirement to meet class size reduction in grades K-3. Although some districts may not experience the same large increases in funding as their neighboring districts, they are still required to meet the class size reduction targets. The trend of increased funding and negotiated salary/benefit increases has placed additional pressures on districts to maintain competitive salaries. With the disparity in LCFF increases from one district to the next, many districts may be in a better position to negotiate increases than others. This will continue to place pressure on districts, as a comparability argument is sure to be broached at the bargaining table.

One-Time Funds for Outstanding Mandate Claims

The 2015-16 budget included $3.2 billion in one-time discretionary funding that is expected to provide LEAs with additional resources to invest in professional development, teacher induction for beginning teachers, and instructional materials and technology. While these funds are unrestricted for use at the LEA's discretion, districts should carefully consider their use, as they are only one-time funds.

The CDE advised that these funds will be distributed to LEAs at $529 per 2014-15 P-2 ADA in support of one-time funds for outstanding mandate claims. As such, these allocations shall first satisfy any outstanding claims for reimbursement of state-mandated local program costs. Districts received approximately 42.8% in December 2015 and 42.8% in January 2016. The remaining funds are scheduled for release in March (3.4%) and April (11%) 2016.

For 2016-17, the governor's budget proposal includes $1.2 billion in one-time Proposition 98 funding, which CDE estimates to be approximately $207 per ADA. These funds are intended to offset any mandate reimbursement claims. The budget summary states that these funds are to be used "at local discretion, to support critical investments such as content standards implementation, technology, professional development, induction programs for beginning teachers and deferred maintenance."

Routine Restricted Maintenance Account (RRMA)

AB 104 allows gradual increase to the required 3% contribution to routine restricted maintenance. The full 3% requirement must be in place by full implementation of LCFF.

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 3% 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.

- Two percent of the total general fund expenditures of the applicant school district for that fiscal year.

For the 2020-21 fiscal year and beyond, the required minimum is 3% of the total general fund expenditures.

Full language can be found in the budget trailer bill, AB 104:
http://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB104

Local Control Funding Formula

Implementation

Full implementation of LCFF is projected by the Department of Finance to occur in 2020-21. It is recommended that LEAs use the LCFF Calculator maintained on the FCMAT website at http://fcmat.org/local-control-funding-formula-resources/. Additional information about LCFF can be found at http://www.cde.ca.gov/fg/aa/lc/.

The following amounts should be used for target LCFF base grants and grade span adjustments, which include the estimated COLA:

Grade Level	2015-16 Target Base Grant	2015-16 Target GSA	2016-17 Target Base Grant	2016-17 Target GSA	2017-18 Target Base Grant	2017-18 Target GSA	2018-19 Target Base Grant	2018-19 Target GSA
Grades TK-3	$7,083	$737	$7,116	$740	$7,268	$756	$7,461	$776
Grades 4-6	$7,189		$7,223		$7,377		$7,572	
Grades 7-8	$7,403		$7,438		$7,596		$7,797	
Grades 9-12	$8,578	$223	$8,618	$224	$8,802	$229	$9,035	$235

Below are the Department of Finance estimated gap factors and COLA percentages:

	Actual 2014-15	Estimate 2015-16	Estimate 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
LCFF Gap Funding Percentage	30.16%	51.97%	49.08%	45.34%	6.15%	34.21%
Annual COLA	0.85%	1.02%	0.47%	2.13%	2.65%	2.72%

Grade Span Adjustment (GSA)

The LCFF provides a 10.4% increase in funding for grades K-3 (including TK) base grant. For 2015-16 this equates to $380/student. To receive these funds districts must maintain enrollment at all school sites at an average of no more than 24 students per class at full implementation of LCFF.

School districts have the authority to collectively bargain an alternative, locally defined class size ratio.

School districts that do not have an alternative agreement must annually make progress to a school site average enrollment of 24 students per class. Progress is measured by the percentage used for gap funding. A school district can accelerate the progress but at minimum must meet the annually calculated progress.

The calculation is as follows:

Prior Year Average Class Enrollment at School	33.00
Minus Target Class Enrollment	24.00
Student reduction by full implementation	9.00
Gap Percentage (May Use DOF Estimate)	28.06%
Minimum Required Reduction Over Prior-Year Average	- 2.53
Maximum Class Enrollment	30.50
Actual Enrollment	25.00

(Example from 2015 School Services Budget workshop)

The starting point of calculation for the next fiscal year progress is the prior year maximum class enrollment, not the actual enrollment.

The penalty for noncompliance is the loss of all K-3 GSA funding districtwide.

Minimum State Aid

The minimum state aid (MSA) guarantee is intended to remain in effect indefinitely. MSA is the level of funding to ensure LEAs receive at least the same amount in state aid as received in 2012-13, adjusted for changes in ADA and property taxes. MSA applies primarily in two instances: basic aid districts because categorical funding was not previously offset by local property taxes, and necessary small school districts because of loss of eligibility under new rules.

Home to School Transportation

The maintenance of effort for all districts receiving transportation funds does not expire. The transportation funds are received as an add-on to LCFF for home to school Special Education transportation and bus replacement. The level of expenditures must be at least equal to the lesser of the amount spent in 2012-13 or the amount of the transportation revenue (home to school, special education and bus replacement) received in 2012-13.

CALPADS

Because CALPADS data is used in a variety of revenue calculations for LEAs, it is imperative that financial personnel review the data both for accuracy and completeness.

Key Upcoming Deadlines

- Fall 1 amendment window is open**.** LEAs must certify Fall 1 data by March 18, 2016. See CALPADS FLASH #114 available at http://www.cde.ca.gov/ds/sp/cl/calpadsupdflash114.asp – Note: The CDE did not use these data in the calculation of an LEA's unduplicated pupil percentage (UPP) for the 2015-16 P-1 Apportionment. Additional information is posted on the CDE web page under Principal Apportionments.

- Fall 2 certification deadline is March 4, 2016, with an amendment window that closes on April 8, 2016.

Audit adjustments to CALPADS data are to be reported through the Principal Apportionment Data Collection (PADC) software. LEAs should report the correction in the applicable fiscal year's version of the software in either the School District or Charter School Audit Adjustments to CALPADS Data entry screen using the Annual Corrected mode. LEAs will report the net difference to CALPADS enrollment and/or unduplicated pupil count based on the LEA's audit finding. The adjustments will only affect the LCFF UPP calculation(s) and will not be used to modify previously certified CALPADS data for any other purpose. For additional information see the PADC Data Reporting Instruction Manual available on CDE's web page at http://www.cde.ca.gov/fg/sf/pa/.

The Principal Apportionment prior year corrections deadline is March 1, 2016.

A CALPADS certification and amendment calendar is posted on the CDE web page: http://www.cde.ca.gov/ds/dc/es/subcal.asp

Historical Snapshot Reports

Based on feedback received from LEAs, the CDE will continue to make prior year snapshot reports available through CALPADS.

LCFF Reporting for Provision 2, 3, and Community Eligibility Provision Schools

To further reduce the burden of data collection, Education Code Section 42238.01(a) was recently amended (Chapter 327, Statutes of 2015) to clarify the data collection and reporting requirements for schools participating in Provision 2, 3, or Community Eligibility Provisions under the National School Lunch Program. The FAQs on this topic have been updated to reflect these changes in law and can be found on the CDE Local Control Funding Formula (LCFF) Web page at this link: http://www.cde.ca.gov/fg/aa/lc/lcfffaq.asp#FREE

Age Eligibility Filter to Assist in Forecasting LCFF Funding

Recently enacted legislation allows LEAs to enroll students who turn 5 after December 2 in a Transitional Kindergarten (TK) program at the start of the school year, but disallows these students from being included in the unduplicated pupil percentage used to determine funding under the LCFF Supplemental and Concentration grants. Additionally, LEAs may not claim average daily attendance (ADA) for these students until they turn 5.

The 1.17 FRPM/English Learner/Foster Youth report in CALPADS has an age eligibility filter to assist LEAs in forecasting LCFF funding. The age eligibility filter defaults to "LCFF." The three filter options are:

- **LCFF** – includes grades KN–12, UE, US and excludes students with grade level KN and whose 5th birthday (student birth date) is greater than December 2 of the selected Academic Year based on the As of Date of the report

- **All (KN–12, UE, US)** – includes grades KN–12, UE, US based on the As of Date of the report

- **Title 1 (5–17 year olds only)** – includes ages 5–17 in whole years based on Student Birth Date and the As of Date of the report

More information about a variety of CALPADS topics can be found at: http://www.cde.ca.gov/ds/sp/cl/communications.asp

Special Circumstances

Foster Youth

The state Foster Youth Services (FYS) Program provides support services for foster children who suffer the effects of displacement from family and school and who often experience multiple placements in foster care. County superintendents retain the responsibility to coordinate services for foster youth among child welfare agencies, schools, juvenile court and probation.

The enactment of Assembly Bill (AB) 854 (Weber) restructured the FYS Program from a direct services program to a grant program designed to enhance collaboration of services and build the capacity of LEAs. Now called the Foster Youth Services Coordinating (FYSC) Program, the program structure is intended to align more closely with that of the Local Control Funding Formula (LCFF). The new program requirements necessitate ongoing collaboration between child welfare, probation, LEAs and other organizations to determine proper placement of foster youth, to build capacity of coordinating programs, and to coordinate local planning in the development of the Local Control and Accountability Plan (LCAP).

Additionally, FYSC Programs had to submit an FYSC Program Plan by January 15, 2016 to be eligible for 2015-16 funding. To address all the requirements of AB 854, the FYSC Program Plan had to address the following topics:

- Demonstration of Need

- Executive Advisory Council Composition

- Facilitating Service Delivery and Sustainability

- Local Control and Accountability Plan Planning and Development
- Policy and Protocol Development
- Coordinating Transition to Career and College Programs
- Prioritizing Service Coordination
- Program Reporting

The minimum level of funding for each FYSC Program in 2015-16 is $150,000. The funding level is set at or above 2014-15 levels as a "hold harmless," which means no county will get less than its 2014-15 award or $150,000, whichever is greater. The funding is allocated 50% based on the percentage of foster youth in each county and the other 50% based on the number of districts in each county. The proposed funding results, pending approval, can be found on the CDE's website at http://www.cde.ca.gov/fg/fo/r8/fyscp15result.asp

Charter Schools

The LCFF allocates funds to charters in the same manner as for school districts, except in certain circumstances charter funding will be constrained by factors related to the district in which the charter is physically located. Charter schools are not subject to the 24:1 K-3 class size requirement as a condition of apportionment; however, independent study programs are required to use 25:1 student-to-teacher ratios schoolwide.

Concentration grants for charter schools will be limited to no more than the concentration grant increase provided to the school district where the charter school is physically located. If a charter school is physically located in more than one district, then it will utilize the percentage of unduplicated pupils of the school district with the highest percentage of unduplicated pupils.

A newly operational charter school's prior year per ADA funding amount is equal to the lesser of the prior year funding amount per unit of ADA for the school district in which the charter school is physically located, or the charter school's LCFF rate. The physical location of a charter school includes the sponsoring school district, even if it is not the physical location of the charter school. If a charter school is physically located in more than one school district, then it utilizes the funding entitlement per unit of ADA of the school district with the highest prior-year funding.

Payments to Charter Schools in Lieu of Property Taxes

A sponsoring LEA is required to transfer funding in lieu of property taxes monthly to the associated charter school(s). The payment amount(s) are dependent on the charter school's average daily attendance, which may be comprised of students from numerous districts. A school district that initially denies a charter school petition, which is later approved by the county board of education, is still obligated to make these payments. The state will "backfill" the school district for the funding, but the payment may still impact the district's cash flow. Basic aid districts will not receive complete reimbursement from the state.

LCAP for Charter Schools

Charter schools are required to abide by some of the elements required in the district's Local Control and Accountability Plans (LCAP), but not all. Charter schools are required to develop an LCAP and annual update, using the Local Control and Accountability Plan and Annual Update template adopted by the State Board of Education, focusing on the eight key state priority areas that apply for the grade levels served or the nature of the charter. Charters may adjust the goals table in Section 2 of the template to align to the term of their budget submitted to their authorizer, which can be one or more years depending on their Memorandum of Understanding.

Although the statute does not specifically state that charters are required to present their LCAP at a public hearing, they are required to solicit input from teachers, principals, administrators, other school personnel, parents, pupils and community members in the development of the annual update. Therefore, it is recommended that they hold a public hearing prior to approval and submission to the charter authorizer. Charter authorizers do not approve the charter LCAP, but they are required to ensure that LCAP and annual updates are completed. Charters must submit the LCAP and annual update to the chartering authority and county superintendent of schools.

Necessary Small Schools (NSS)

Eligibility

County offices received guidance from the CDE regarding NSS eligibility criteria in a letter dated June 17, 2015. County offices verify existing and new NSS approvals, and may be asked to provide supporting documentation to the CDE that can include the number of pupils residing in district boundaries, distance requirements and other information to ensure statutory requirements. Districts should be prepared to provide documentation to their county office during the certification process. Districts with special conditions such as not meeting distance requirements or other unusual hardships should contact their county office to discuss a request for exemption. County offices must submit requests to the CDE by April 1 for current year P-2 funding consideration.

Cash Management

LEAs should monitor cash flow to ensure there is sufficient cash to meet all obligations.

For the 2015-16 fiscal year, the State Controller's Office has posted estimated payment dates for K-12 principal apportionments, lottery apportionments, and Education Protection Account Proposition 30 apportionments through December 2016. The CDE has posted estimated payment schedules for 2015-16 one-time funding for outstanding mandate claims and Educator Effectiveness. The table below illustrates state apportionments for the period of January 2016 through June 2016.

Apportionments	Jan. 2016	Feb. 2016	Mar. 2016	Apr. 2016	May 2016	June 2016
K-12 Principal Apportionment	1/27/16	2/29/16	3/28/16	4/27/16	5/26/16	6/30/16
K-12 Proposition 30 EPA			3/24/16			6/24/16
K-12 Lottery			3/30/16			6/28/16
Funds for Outstanding Mandate Claims (One-time)	42.8%		3.4%	11.0%		
Educator Effectiveness (One-time)			20%			

Funding Outside of LCFF-Regulated Programs

Adult Education Block Grant

AB 104 (Chapter 13 of 2015) created the Adult Education Block Grant. The 2015-16 Budget Act provided $500 million in ongoing Proposition 98 funding for the block grant. The state provided this funding to further a restructuring of adult education services begun in 2013. Under the restructuring, adult education providers formed regional consortia to improve coordination and better serve the needs of adult learners within each region.

State law authorizes consortia to use block grant funds for programs in seven adult education instructional areas:

- Elementary and secondary reading, writing, and mathematics (basic skills).
- English as a second language and other programs for immigrants.
- Workforce preparation for adults (including senior citizens) entering or re-entering the workforce.
- Short-term career technical education with high employment potential.
- Pre-apprenticeship training activities coordinated with approved apprenticeship programs.
- Programs for adults with disabilities.
- Programs designed to develop knowledge and skills that enable adults (including senior citizens) to help children to succeed in school.

The 2015-16 Budget Act provides funding to regional consortia in two parts: (1) maintenance of effort (MOE) funding and (2) need-based funding. Under the MOE part, up to $375 million was earmarked for school districts and COEs that operated adult education programs in 2012-13 and subsequently became members of regional consortia. Each of these providers received the same amount of funding in 2015-16 as it spent on adult education in 2012-13 (effectively functioning as a hold harmless provision). Under the need-based part, at least $125 million was designated for regional consortia to distribute to members based on each region's share of the statewide need for adult education as determined by the California Community College Chancellor, Superintendent of Public Instruction, and Executive Director of the State Board of Education. In determining need, statute requires these leaders to consider, at a minimum, measures related to adult population, employment, immigration, educational attainment, and adult literacy.

Career Technical Education

The California Career Technical Incentive Grant Program is a competitive grant program administered by the CDE. Its purpose is to encourage and maintain the delivery of career technical programs during implementation of the LCFF. To receive funding, the grant proposals must ensure "the delivery and sustainability of high quality Career Technical Education programs" that meet 10 criteria, including curriculum and instruction aligned with California CTE standards; a cohesive sequence of CTE courses that enable pupils to transition to postsecondary education programs that lead to a career pathway or attain employment upon graduation from high school; qualified teachers and faculty, and data collection that allows for program evaluation. The CDE has received nearly 400 applications, representing over 660 local educational agencies and nearly 2.3 million students across the state.

Program funding is $400 million in 2015-16, $300 million in 2016-17, and $200 million in 2017-18, and will be appropriated 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.

Due to the late distribution of funding, year 1 funds will serve years 2015-17. Subsequent year funds will be budgeted as identified above but distributed in the following year, such that year 2 funds will be distributed in 2017-18 and year 3 funds in 2018-19. Accordingly, the sustainability years will be 2019 through 2022.

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 programs within the current or projected budget and contain a written commitment to do so.

Early round grant recipients were announced in January 2016.

Early Education Block Grant and Child Care

The budget summary includes some significant proposed changes for 2016-17. Details are limited at this time and we do not expect more clarity until trailer bill language is released or if additional details emerge through the Governor's May Revision.

The Governor proposes to redirect $1.65 billion in Proposition 98 funds to create a new block grant for low-income and at-risk preschoolers (4-year-olds and young 5-year-olds). This would redirect all Proposition 98 funds from State Preschool ($878 million), Transitional Kindergarten ($726 million), and the State Preschool Quality Rating and Improvement System Block Grant ($50 million). The block grant would be given to LEAs and possibly other entities that currently offer subsidized preschool. The restructuring would include a hold harmless provision for LEAs and potentially these other entities. The details of the proposal would be developed through a stakeholder process. Key details to be discussed include eligibility criteria, curriculum requirements, funding rates, staffing requirements, child-to-staff ratios, and the possibility of non-LEA grant recipients.

The Governor's proposal does not move the wrap component of full-day State Preschool provided by non-LEAs into the block grant. This wrap component is currently funded out of General Child Care (non-Proposition 98). As a result of not moving these existing preschool wrap funds into the block grant, the number of General Child Care slots increases notably in 2016-17 under this proposal. Depending on what the final block grant proposal includes concerning non-LEAs, this associated funding may be moved into the block grant or fund additional slots for non-LEA, non-preschool care (for example, care for infants and toddlers).

The 2016-17 budget proposal does include 0.13% statutory growth and a 0.47% COLA to both Proposition 98 and non-Proposition 98 child care and preschool programs. For General Child Care, State Preschool, handicapped, and some migrant child care programs, the COLA increases the standard reimbursement rate. For the Alternative Payment Program, the associated funding increase results in additional slots.

Additionally, the 2016-17 proposal includes annualized funding for the 4.5% increase in the regional market reimbursement rate and additional 5% increase in the license-exempt rate for the Alternative Payment Program and all three CalWORKs stages that started October 1, 2015.

Changes to CalWORKs include a decrease of $17 million in caseload and average cost of care for Stage 1, which is offset by increases of $1.8 million for Stage 2, and $33 million for Stage 3, with an overall increase of about $18 million for CalWORKs.

Of particular interest is the governor's proposal to transition child care (non-Proposition 98) to a full voucher system. The budget summary states, "California provides about a third of its child care funding by direct contract to providers and about two thirds by vouchers that families can use to choose providers. Contracts are administered by the state Department of Education and vouchers are administered locally by alternative payment agencies. Vouchers are a more efficient way to provide eligible families with access to subsidized care and provide families, especially those with a need for care during non-traditional hours, more choice and access to care that better meets their needs. The Budget proposes trailer bill language that will require the Department of Education to develop a plan to transition contracted funding into vouchers over the next five years."

More details to come in the May revision.

Educator Effectiveness

On September 22, 2015, Governor Brown signed Senate Bill (SB) 103, the Education Budget Trailer Bill, into law, which contained revised appropriation language for the $490 million to be disbursed to local educational agencies (LEA) for purposes of enhancing the effectiveness of teachers and administrators.

The $490 million is 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 funding will be available to spend over the next three fiscal years (2015-16, 2016-17, and 2017-18). As a condition of receiving the funds the LEA is required to develop a plan for how the funds will be spent. The plan shall be explained in a public meeting 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

The funding expenditures will be subject to annual audit. Auditors will verify whether the LEA developed, explained and adopted a plan and are tracking FTEs and expenditures in the format of the final expenditure report to be submitted to CDE. If the LEA is found not in compliance, a finding will be reported with recommendations to comply with requirements.

Proposition 39 – California Clean Energy Jobs Act

Proposition 39 provides funding to K-12 schools in 2015-16 of $313.4 million for improving energy efficiency and creating clean energy jobs.

The Governor's budget proposes $365.4 million for 2016-17 for districts and charters, an increase of $52 million over 2015-16.

All LEA facilities, including leased facilities, are eligible. In addition to classrooms, other school building areas such as auditoriums, multipurpose rooms, gymnasiums, cafeterias, kitchens, pools, and special purpose areas (school/district office, library, media center, and computer and science labs) can be considered for energy efficiency measures and clean energy installations.

Dates for the proposed 2016-17 application are to be determined.

Schedule:

Program Fiscal Years	2013-14 through 2017-18
Two fiscal year combined funding award requests	September 1st (annually)
Award calculation completed by CDE	October 30th (annually)
SSPI begins allocating awards for approved multiple-year energy expenditure plans	January (annually)
LEAs project completion reporting	Ongoing
LEAs expenditure reports to Citizens Oversight Board and Energy Commission	October 1st (annually beginning 2015)
LEAs final encumbrance date	June 30, 2018
Final date all projects must be complete	June 30, 2020
LEAs final project reporting date	June 30, 2021

For additional information and a listing of LEA funding please visit:
http://energy.ca.gov/efficiency/proposition39/.

http://www.cde.ca.gov/fg/aa/ca/documents/prop39consolidatedent.xls

Once an LEA completes all modifications to the energy expenditure plan, the amended plan is submitted back to the Energy Commission for review and approval, similar to the initial application submission process.

An energy expenditure plan is allowed one amendment per fiscal year. For more information, please see the Workshops, Webinars, Documents and Announcements page at: http://www.energy.ca.gov/efficiency/proposition39/documents/index.html

Summary

This Common Message serves to provide data and guidance to LEAs for the purpose of fiscal planning and to develop their 2015-16 second interim reports. Information provided for fiscal year 2016-17 and beyond includes the latest known proposals and projections to assist with multiyear planning. As each LEA has unique funding and program attributes and needs, it remains essential that LEAs continuously assess their individual situations, work closely with their county offices of education, and plan accordingly to maintain fiscal solvency and educational program integrity.