

# The Common Message

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**Adopted Budget / 45-Day Revision 2016**



**BASC**  
Business and Administration  
Steering Committee

## **Common Message Writers and Contributors**

### **Common Message Chair: John Von Flue, Kern CSOS**

	<b>Lead</b>	<b>Contributor</b>	<b>Contributor</b>
<b>Background</b>	Committee		
<b>Introduction</b>	Committee Chair	Current BASC Chair	
<b>Key Guidance</b>	Janet Riley, Merced	Tad Alexander, Butte	
<b>Planning Factors/MYP Chart/COLA/Funded Gap</b>	Janet Riley, Merced	Tad Alexander, Butte	
<b>Proposition 98</b>	Damon Smith, Imperial		
<b>Reserves/Reserve Level</b>	Rich DeNava, San Bernardino	Tami Ethier, Yolo	Gretchen Deichler, Trinity
<b>Negotiations</b>	Rich DeNava, San Bernardino	Josh Schultz, Napa	Tami Ethier, Yolo
<b>Routine Restricted Maintenance Account</b>	Mary Hart, Santa Cruz	Lynette Kerr, Humboldt	
<b>Home to School Transportation</b>	Mary Hart, Santa Cruz	Gretchen Deichler, Trinity	Shannon Hansen, San Benito
<b>Local Control Funding Formula</b>	Scott Price, Los Angeles		
<b>Education Protection Act</b>	Tami Ethier, Yolo	Wendy Benkert, Orange	Damon Smith, Imperial
<b>Adult Education</b>	Teresa Hyden, Riverside	Josh Schultz, Napa	Mary Hart, Santa Cruz
<b>Mandated Claims/Costs</b>	John Von Flue, Kern	Denise Porterfield, San Mateo	Shannon Hansen, San Benito
<b>Federal Funding</b>	Wendy Benkert, Orange	Caty Ecklund, Mono	Tami Ethier, Yolo
<b>Foster Youth Services</b>	Lora Duzyk, San Diego	Garry Bousum, Monterey	Tammy Sanchez, Sacramento
<b>Necessary Small Schools</b>	Lynette Kerr, Humboldt	Debbie Pendley, Siskiyou	Gretchen Deichler, Trinity
<b>Medi-Cal Administrative Activities/MAA</b>	Randy Jones, Glenn		
<b>Cash Management</b>	Wendy Benkert, Orange	Tami Ethier, Yolo	
<b>Proposition 39</b>	Mary Hart, Santa Cruz	Debbie Pendley, Siskiyou	

<b>Forest Reserve</b>	Debbie Pendley, Siskiyou	Gretchen Deichler, Trinity	
<b>Preschool/Child Care/TK/Early Education</b>	Robbie Montalbano, El Dorado	Wendy Benkert, Orange	
<b>Special Education</b>	Tammy Sanchez, Sacramento		
<b>Audit Requirements</b>	Tammy Sanchez, Sacramento	Steve Corl, Kings	Rose Asquith, Sierra
<b>SACS Changes</b>	Lynette Kerr, Humboldt	Gail Atwood, Sutter	
<b>Local Control Accountability Plan</b>	Gail Atwood, Sutter	Josh Schultz, Napa	Denise Porterfield, San Mateo
<b>CALPADS</b>	Bill Ridgeway, Santa Barbara	Sheldon Smith, San Luis Obispo	
<b>Basic Aid</b>	Denise Porterfield, San Mateo	Josh Schultz, Napa	
<b>Educator Effectiveness</b>	Janet Riley, Merced	Lora Duzyk, San Diego	
<b>Charter Schools</b>	Lora Duzyk, San Diego	Richard Martin, Fresno	Gary Jones, Alameda
<b>Career Technical Education</b>	John Von Flue, Kern	Lora Duzyk, San Diego	
<b>Retirement</b>	Caty Ecklund, Mono	Sheldon Smith, San Luis Obispo	
<b>Technology/High Speed Network/One-Time Funds/CA Collaborative for Educational Excellence/K-12 College Readiness/Teacher Careers/Credentialing</b>	Terena Mares, Marin		
<b>Summary</b>	Committee Chair	Current BASC Chair	

## **Sources**

<b>Association of California School Administrators</b>
<b>Bob Blattner and Associates</b>
<b>Bob Canavan, Federal Management Strategies</b>
<b>California Association of School Business Officials</b>
<b>California Collaborative for Educational Excellence</b>
<b>California Department of Education</b>
<b>California Department of Finance</b>
<b>California State Board of Education</b>
<b>California School Boards Association</b>
<b>California School Information Services</b>
<b>Capitol Advisors</b>
<b>Fiscal Crisis and Management Assistance Team</b>
<b>Jeff Frost, Frost, Davis, and Donnelly</b>
<b>K-12 High Speed Network</b>
<b>Michael Hulsizer, BASC Liaison &amp; Kern County Superintendent of Schools</b>
<b>National Forest Counties and Schools Coalition</b>
<b>School Services of California</b>
<b>Schools for Sound Finance (SF2)</b>
<b>Small School Districts' Association</b>
<b>State Board of Education</b>
<b>Statewide LEC Co Chairs</b>
<b>WestEd</b>

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## **Background**

*Since May 2008, county office chief business officials have crafted common messages to give guidance to school districts on assumptions for budget and interim reports. The goal of the Business and Administration Steering Committee (BASC) is to provide county office chief business officials with a consistent message that can be used in providing this guidance to school districts.*

*The BASC would like to thank the State Department of Finance, the State Board of Education, the California Department of Education and the Fiscal Crisis and Management Assistance Team, as well as our friends and partners in education listed in the sources section for providing BASC and our local educational agencies (LEAs) the most up-to-date information at the time of the Common Message writing.*

*Purpose: The BASC Common Message is intended as guidance and recommendations to county offices of education. Each COE will tailor the guidance to the unique circumstances of the LEAs located in their county. Even within a county, COE situational guidance may vary considerably based on the educational, fiscal and operational characteristics of a particular district. Districts and other entities seeking to understand the guidance applicable to a particular LEA should refer to the information released by the COE in the county where the LEA is located.*

## **Introduction**

This edition of the Common Message is intended to provide information and guidance to assist LEAs in developing their 2016-17 45-day revision and their multiyear projections (MYPs). It contains information related to the final Adopted Budget for 2016-17 that was signed by Governor Brown on June 27. COEs and LEAs should note this version of the Common Message primarily addresses changes from the Governor's May Revision as well as items considered important for LEAs to include in their budgets and MYPs. Information remaining unchanged from the May Revision proposal can be located in the May Revision Common Message.

## **Significant Changes Since May Revision**

The 2016-17 Adopted Budget contains few and minor changes from the budget proposed at May Revision. Those changes are highlighted as follows:

- LCFF funding was reduced from \$2.98 billion to \$2.942 billion.
- LCFF gap funding percentage was reduced from 54.84% to 54.18%.
- Early Education Block Grant proposal was not included in the 2016-17 budget agreement, but is expected to be revisited in future budgets.

- Emergency Repair Revolving Loan Program was eliminated.
- Mandate reimbursement allocates \$1.28 billion (\$214 per ADA) in unrestricted funds to offset the mandate backlog.
- Quality drinking water: Provides grants totaling \$9.5 million in one-time Prop. 98 funds to increase access to safe drinking water in schools.
- Breakfast Startup Grant: Allocates an additional \$2 million in one-time Prop. 98 funds to support additional needs in the Breakfast Startup Grant through 2018-19.
- College Readiness Block Grant: Allocates \$200 million in one-time Prop. 98 funds to support access and successful transition to higher education for high school students.
- Classified School Employees Credentialing Program: Allocates \$20 million in one-time Prop. 98 funds to recruit non-certificated school employees to become certificated classroom teachers.
- California Center on Teaching Careers: Allocates an additional \$2.5 million (\$5 million total) to establish the California Center on Teaching Careers to recruit individuals to become certificated classroom teachers.
- Child Care: Beginning January 2017, the standard reimbursement rate increases by 10% for direct-contracted providers. The regional market reimbursement rate ceiling for voucher-based child care providers will adjust to recent estimates and to increase license-exempt providers from 65% to 70% of the licensed family child care home rate.
- State Preschool: Increases access for an additional 2,959 children effective March 1, 2017.

## Planning Factors for 2016-17 and MYPs

Key planning factors for LEAs to incorporate into the 2016-17 budget and multiyear projections are listed below and based on the latest information available.

Planning Factor	Fiscal Year		
	2016-17	2017-18	2018-19
COLA (Department of Finance - DOF)	0.00%	1.11%	2.42%
LCFF Gap Funding Percentage (DOF)	54.18%	72.99%	40.36%
STRS Employer Statutory Rates	12.58%	14.43%	16.28%
PERS Employer Projected Rates	13.888%	15.50%	17.10%
Lottery – unrestricted per ADA	\$144	\$144	\$144
Lottery – Prop. 20 per ADA	\$45	\$45	\$45
Mandated Cost per ADA or One-Time Allocations	\$214	\$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 / 26.26*	\$26.26	\$26.26
State Preschool Full-Day Daily Reimbursement Rate	\$38.53 / 42.38*	\$42.38	\$42.38
General Child Care Daily Reimbursement Rate	\$38.29 / 42.12*	\$42.12	\$42.12
	*increase of 10% effective Jan 1, 2017		
Routine Restricted Maintenance Account <i>(Note: if the school facility bond proposition on the November 2016 ballot passes, the RRMA requirement will revert to 3% for all LEA's)</i>	Lesser of: 3% or 14/15 amount	Greater of: Lesser of 3% or 14/15 amount or 2%	At Least: 3%

## **Key Guidance**

The economy has finished its seventh year of expansion, lasting two years longer than the average recovery. The Governor and the Department of Finance continue to urge the Legislature and local governments, including LEAs, to plan for the next recession. Accordingly, county offices continue to provide conservative budget guidance to school district leaders with emphasis on the following:

### **One-Time Money**

Plan to expend one-time money on one-time expenditures that support the LEA's goals.

### **Reserves**

Maintain adequate reserves over the minimum typical 3%-5% required by the state. The adequacy of a given reserve level should be determined using the unique and specific circumstances impacting each LEA. There are numerous reasonable models that LEAs can adopt to justify higher reserves.

### **LCFF**

Annual gap-closure percentage estimates can be misleading as relatively small increases in overall gap funding produce larger percentage estimates on a declining gap. In other words, while the annual gap-closure percentage estimates appear large, the actual new dollars an LEA may receive can be a relatively small percentage. In addition, cost of living adjustment (COLA) is a component used to calculate LCFF target grants, and does not equate to the percentage of new money an LEA may receive. LEAs should focus not on projected COLA but on the amount of new dollars they are projected to receive; i.e., new LCFF base dollars, when discussing salary or benefit increases.

LEAs should be particularly cautious when considering the ramifications of using the 2018-19 COLA as a base percentage. Currently, without state policy changes, the cost of COLA in 2018-19 exceeds the amount of projected LCFF revenue by over \$500 million.

## ***One-Time Funding***

### ***Mandate Reimbursement***

Allocates \$1.28 billion to offset the outstanding mandate backlog, \$194.2 million of which satisfies the 2009-10 Prop. 98 minimum guarantee. The per-student allocation is now estimated at \$214 per ADA. While the intent is for these one-time funds to be used for professional development, induction for beginning teachers, and other support for the state content standard implementation, these funds are not restricted.

### ***Water***

Provides \$9.5 million in one-time Prop. 98 funding for the State Water Board to award grants to LEAs to improve access to quality drinking water in schools. Recommended uses include water bottle filling stations and improved filtering and treatment for water fountains. Priority is given to schools in small disadvantaged communities and projects that are most effective in increasing access to safe drinking water in schools. Further details regarding these funds are forthcoming.

### ***Breakfast Startup Grant***

Provides \$2 million in one-time Prop. 98 funding to enhance the existing \$1 million School Breakfast Startup Grant program through 2018-19. Funds are to address additional need in the program and will be prioritized to school districts and county offices with over 60% unduplicated pupil count to start or expand breakfast served after the start of the school day.

### ***College Readiness Block Grant***

The final budget provides \$200 million in one-time Prop. 98 funds for grants to school districts, county offices and charter schools serving high school students to provide additional services that support access and successful transition to higher education. These funds can be spent over the next three years. Allocation of the funding will be based on the number of unduplicated students in grades 9 through 12 (English learners, low income, or foster youth). No school district, county office or charter school will receive less than \$75,000 if they serve at least one unduplicated student.

Funds are to support activities such as professional development, implementing partnerships with postsecondary institutions, and providing subsidies to cover AP exam fees and college prep coursework.

Grant recipients must develop a plan and discuss the plan at a public board meeting. The recipients must also report to the SPI by January 1, 2017 on how they will measure the impact of the funds received.

## ***Teacher Workforce Development***

### ***Classified School Employees Credentialing Program***

Allocates \$20 million in one-time Prop. 98 funds, available for five years, to establish the California Classified School Employees Credentialing Program. This program will provide grants to K-12 local educational agencies to support recruitment of noncertificated school employees to participate in a teacher preparation program and become certificated classroom teachers in California public schools.

Grants will be allocated at up to \$4,000 per participant per year, up to 1,000 participants per year.

Participating employees must have an associate's degree or higher or have completed two years of postsecondary education. They must commit to completing a bachelor's degree and teaching credential, and must complete one year of classroom instruction in the LEA providing the assistance.

### ***California Center on Teaching Careers***

Allocates \$5 million in one-time Prop. 98 funds (as compared to the \$2.5 million proposed at May Revision) to provide a multiyear award to establish a California Center on Teaching Careers to recruit qualified individuals into the teaching profession.

Recruitment prioritization will be in the areas of math, science, and bilingual education, and for schools with low-income populations.

## ***Child Care and Early Education***

The May Revision contained significant proposed changes to the child care program and to Transitional Kindergarten and State Preschool. The final budget includes none of the Governor's proposed reforms; all programs remain with the following augmentations:

### ***Child Care***

An increase to child care provider reimbursement rate ceilings reflects a corresponding increase in the cost of providing care related to changes in the state minimum wage. The following amounts are expected to grow with future minimum wage increases:

- **Standard Reimbursement Rate** – an increase of \$43.7 million in Prop. 98 and \$23.9 million in non-Prop. 98 funds to provide a 10% increase to the reimbursement rate for State Preschool and other direct-contracted child care and development providers, beginning January 1, 2017.
- **Regional Market Reimbursement Rate** – An increase of \$69.9 million to increase the maximum reimbursement ceiling for voucher-based child care providers to reflect more recent estimates of business costs and to increase the rate for license-exempt providers from 65% to 70% of the licensed family child care home rate, both beginning January 1, 2017. This increase in funding includes a provision ensuring that providers in areas where the estimated cost of doing business has decreased in recent years will not receive a lower reimbursement rate through June 30, 2018.

### ***State Preschool***

**Full Day State Preschool** – An increase of \$7.8 million to provide access to full-day State Preschool for an additional 2,959 children from low-income working families, starting March 1, 2017. Over a period of four years, a total of 8,877 new full-day State Preschool slots will be added at a total cost of \$100 million to Prop. 98.

## **Summary**

This edition of the Common Message serves to provide data and guidance to LEAs for the purpose of fiscal planning and to develop their 2016-17 45-day revision to their budget and MYP. The 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.