The Common Message

45-Day Revision Edition

2017-18 Adopted Budget

BASC
Business and Administration Steering Committee
CCSESA

Writers and Contributors

Topic			
Background	Committee		
Introduction	Committee		
Key Guidance and Considerations	Tami Ethier, Yolo	Josh Schultz, Napa	
Overview of Significant Changes	Tami Ethier, Yolo	Denise Porterfield, San Mateo	John Von Flue, Kern
Planning Factors/MYP Chart/COLA/Funded Gap/LCFF	Janet Riley, Merced	Tad Alexander, Butte	
Prop. 98/Property Taxes	Terena Mares/ Jim Cerreta, Marin		
One-Time Funding	Committee		
Mandated Costs Block Grant	Shannon Hansen, San Benito	Laurie Pendray, Plumas	
Workforce Development Investments	Tami Ethier, Yolo	Denise Porterfield, San Mateo	
District of Choice	Michael Fine, FCMAT	Tami Ethier, Yolo	
Employee Organization Access to New Employees	Committee		
Summary	Tami Ethier, Yolo	Denise Porterfield, San Mateo	John Von Flue, Kern

Sources

Association of California School Administrators
Bob Blattner and Associates
Bob Canavan, Federal Management Strategies
California Association of School Business Officials
California Collaborative for Educational Excellence
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
K-12 High Speed Network
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

Gray shading indicates sections are to be customized by COEs before sending to school districts.

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 (DOF), the State Board of Education, the California Department of Education (CDE) and the Fiscal Crisis and Management Assistance Team, as well as our colleagues 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 contains information related to the Adopted Budget for 2017-18 and is intended to provide guidance for LEAs to use in developing their 45-day budget revisions. This document *only* relates to *changes* made with the Adopted Budget and does not include all of the detail found in the May Revision Common Message document.

45-Day Revision/Adopted Budget Key Guidance

The 2017-18 Adopted Budget approaches the calculation of total revenues as follows: general fund revenues as proposed at May Revision (estimates prepared by Department of Finance), with property tax estimates higher than May Revision (estimates prepared by Legislative Analyst's Office). This combination of revenue results in an estimated $150 million in additional non-Prop. 98 revenue for spending in 2017-18 than was proposed with the Governor's May Revision.

While the 2017-18 Adopted Budget increases education funding over the May Revision, LEAs should continue to be cautious. Projected increases in 2017-18 general fund and Prop. 98 are based on higher revenues from personal income capital gains. The historical volatility of state revenues, the significant economic risks on the horizon, and the known cost pressures from statutorily scheduled employer pension contribution increases all point to the need to maintain reserves and fiscal flexibility. LEAs should take great caution when making out-year spending commitments.

Significant Changes since May Revision

- **Local Control Funding Formula (LCFF) Gap Funding:** Funding will be $1.362 billion, which is $25 million below the May Revision but $636 million above the Governor's January budget. Statewide LEA average gap closure is currently 96.87%. (Gap closure percentages by year are listed in the Planning Factors section of this document.)

- **One-time Funding:** $876.6 million in one-time discretionary funding to LEAs in 2017-18. Note: this is a departure from the Governor's May Revision proposals to delay payment of these funds to LEAs until May 2019. All of these one-time discretionary funds will be apportioned in 2017-18 at a rate of $147 per ADA.

- **Prop. 39**: Extends the date for LEAs to encumber funds received under Prop. 39 by one year, until June 30, 2019.

- **Legislative Priorities:**

  - CTE Pathway program $15.3 million (ongoing)
  - Classified Employee Credential Program $25 million (one-time)
  - Bilingual Teacher Professional Development Program $5 million (one-time)
  - COLA for mandate block grants $3.5 million (one-time)
  - Equity Diversification – Closing the Gap $2.5 million (one-time)
  - After-School / ASES Restoration $50 million (ongoing)

- **Extend the District of Choice Program through the 2022-2023 fiscal year**: Amends the law to address program equity and accessibility, increase transparency and reporting requirements, and make other minor program changes.

Planning Factors for 2017-18 and MYPs

Key planning factors for LEAs to incorporate into the 2017-18 budget and MYPs are listed below and are based on the latest information available.

Planning Factor	2017-18	2018-19	2019-20
COLA (Dept. of Finance – DOF)	1.56%	2.15%	2.35%
LCFF Gap Funding Percentage (DOF)	43.19%	66.12%	64.92%

Planning Factor	2017-18	2018-19	2019-20
LCFF Gap Funding (in millions)	$1,387	$1,883	$1,407
STRS Employer Statutory Rates	14.43%	16.28%	18.13%
PERS Employer Projected Rates	15.531%	18.10%	20.80%
Lottery – Unrestricted per ADA	$144	$144	$144
Lottery – Prop. 20 per ADA	$45	$45	$45
Mandated Cost per ADA for One-Time	$147	$0	$0
Mandate Block Grant for Districts – K-8 per ADA	$30.34	$30.34	$30.34
Mandate Block Grant for Districts – 9-12 per ADA	$58.25	$58.25	$58.25
Mandate Block Grant for Charters – K-8 per ADA	$15.90	$15.90	$15.90
Mandate Block Grant for Charters – 9-12 per ADA	$44.04	$44.04	$44.04
State Preschool Part-Day Daily Reimbursement Rate	$28.32	$28.32	$28.32
State Preschool Full-Day Daily Reimbursement Rate	$45.73	$45.73	$45.73
General Child Care Daily Reimbursement Rate	$45.44	$45.44	$45.44
Routine Restricted Maintenance Account (Note: for LEAs receiving SFB funds, the RRMA requirement reverts to 3% the year following receipt of funds).	Greater of: Lesser of 3% or 2014-15 amount or 2%	Greater of: Lesser of 3% or 2014-15 amount or 2%	Greater of: Lesser of 3% or 2014-15 amount or 2%

Prop. 98 and the Adopted Budget

The Prop. 98 guarantee for the final 2017-18 state budget is $74.5 billion, or slightly lower than the $74.6 billion proposed by the Governor with the May Revision. This yields an increase of $2.6 billion over the 2016-17 year guarantee.

The final state budget act suspends the statutory requirement to provide a supplemental appropriation on top of the Prop. 98 minimum guarantee from 2016-17 through 2020-21. This provision, known as the Test 3B supplement, applies when Test 3 is operative and state revenue is growing relatively slowly. This suspension is expected to have no impact in the 2016-17 and 2017-18 fiscal years, but will likely lower the Prop. 98 minimum guarantee in 2018-19 through 2020-21. The intention of this suspension is to ensure Prop. 98 is not appropriated above the minimum guarantee, as future state revenues will likely become more volatile. Any funding reduced by this suspension would be added to the maintenance factor obligation, which would restore funding levels beyond the years of Test 3B suspension.

The revenue proposal also creates maintenance factor repayment in the 2017-18 year of $700 million, reducing the outstanding balance to $900 million and bringing the total funding increase for public education to $3.3 billion.

One Time Funding

The approved budget includes $876.6 million in discretionary one-time Prop. 98 funding for 2017-18, to be distributed to LEAs on a per-ADA basis. To the extent that LEAs have unpaid mandate claims, these funds will be scored in satisfaction of those claims. Legislative intent is that these funds be prioritized for deferred maintenance, professional development, beginning teacher induction programs, instructional materials, technology infrastructure, and any other investments necessary to support implementation of state academic standards.

As always with one-time funding, districts must exercise caution when expending; one-time money should only be spent on one-time expenditures that support the LEA’s goals.

Mandated Cost Block Grant

The Adopted Budget provides a cost of living adjustment to the block grant funding. The K-12 block grant now includes the California Assessment of Student Performance and Progress and the Training for School Employee Mandated Reporters mandates.

Workforce Development Investments

Three specific workforce development investments were highlighted in the Governor's budget summary. A combined $41.3 million one-time increase was approved to support programs aimed at recruiting and developing additional teachers and school leaders, with particular emphasis on key shortage areas such as special education, math, science and bilingual education.

- **California Classified School Employee Teacher Credentialing Program**
    - Provides $25 million in one-time Prop. 98 funding for the Commission on Teacher Credentialing to fund a second cohort of the California Classified School Employee Teacher Credentialing Program.
- **Bilingual Teacher Professional Development Program**
    - Provides $5 million in one-time Prop. 98 funds to create the Bilingual Teacher Professional Development Program to provide grants to LEAs for professional development services for specified teachers and paraprofessional employees who seek to obtain the authorizations necessary to provide bilingual instruction.

- **California Educator Development Program**
    - Provides an increase of $11.3 million in one-time federal Title II funds for a one-time competitive grant program that assists local educational agencies in attracting and supporting the preparation and continued learning of teachers, principals, and other school leaders in high-need subjects and schools.

District of Choice

Under the District of Choice (DOC) program, established by AB 19 (Quackenbush), Chapter 160, Statutes of 1993, a school board may declare the district to be a DOC willing to accept a specified number of interdistrict transfers. Statutory authorization to operate the program was scheduled to sunset on June 30, 2017. The Legislature took action to reauthorize the program, with a number of reforms, for five years and included the reauthorization in the budget trailer bill. A summary of some of the more important provisions of the reauthorization is as follows:

1. Extends the program through July 1, 2023, and repeals the program as of January 1, 2024.

2. By July 1, 2018, districts that elect to be in the program must register with the Superintendent of Public Instruction (SPI) and the county board of education.

3. Reduces the current 70% apportionment of state funds for ADA for students who enroll at a DOC who are residents of a basic aid school district to 25%.

4. Requires the DOC to post information, forms, timelines and an explanation of the selection process online, and in languages for which translations are required in the district.

5. Requires the DOC to determine and adopt by resolution the number of transfers it is willing to accept, and must accept all requests until the DOC is at maximum capacity.

6. Requires the DOC to give first priority for attendance to siblings of children already in the district and to give second priority to pupils eligible for free or reduced-price meals.

7. With limited exception, requires that applications be submitted by January 1 of the school year preceding the school year for which the transfer is requested. No later than February 15, the DOC must notify the parent in writing whether the application has been provisionally accepted, rejected or the pupil is placed on a waiting list. Vacancies may be filled from the waiting list until May 1. No pupils shall be accepted after May 1.

8. If a pupil is accepted, the DOC must notify the school district of residence by February 15. Additionally, by February 15, the DOC must notify all school districts of residence of the number of pupils accepted, by school and grade level. By May 2, the DOC must notify all school districts of residence of the number of pupils enrolled by school and grade levels, and their names.

9. If a pupil is rejected, the DOC must include in the written notification the number of pupils applying that exceeded the capacity of the DOC and were not selected in the random drawing. This information must be recorded in the minutes of the board meeting in which the determination was made.

10. The DOC and the district of residence may waive the application and notification deadlines above. However, the DOC must notify the parent of its decision to admit the student within 90 days of receiving the application, and the student may enroll immediately upon acceptance. Applications from recently relocated military families must be processed promptly so the determination may be made before the commencement of the school year.

11. If the county superintendent determines that a school district of residence would not meet the standards and criteria for fiscal stability specified in Education Code Section 42131 for the subsequent fiscal year exclusively due to the impact of additional pupil transfers pursuant to the DOC, the school district of residence may limit the number of additional pupils who transfer in the upcoming school year up to the number that the county superintendent of schools identifies, beyond which number the additional transfers would result in a qualified or negative certification in that year.

12. Districts may prohibit the transfer of a pupil (except children of an active military duty parent) to a DOC if the transfer would negatively impact any of the following:

    a. Court-ordered desegregation plan.
    b. Voluntary desegregation plan consistent with Prop. 209 (1996).
    c. The racial and ethnic balance consistent with Prop. 209.

13. Authorizes the SPI to withhold apportionment based on the DOC's ADA for DOCs that fail to comply with the new regulations.

14. All DOC program information must be reported to the governing board of the DOC at a regularly scheduled meeting of the governing board. No later than October 15 of each year, the DOC must report the information for the current school year in addition to information regarding the school district's status as a DOC for the upcoming school year to:

    a. Each school district that is geographically adjacent to the school district of choice,

b. the county office of education in which the school district of choice is located, and

c. in a manner specified by the SPI.

Please see Assembly Bill 99, Sections 32-44 for the full text of the trailer bill language pertaining to district of choice.

Employee Organization Access to New Employees

The State Government Budget Trailer Bill (AB 119) included provisions to guarantee employee organizations additional access to new employees through orientation sessions in schools, cities, counties, and in state government. As signed by the Governor, AB 119 requires:

- Public employers to provide the exclusive representative with mandatory access to new employee orientations.
- Both parties to negotiate regarding the structure, time and manner of that access, with failure to reach agreement being subject to compulsory interest arbitration.
- Public employers to provide the name, job title, department, work location, home address, phone and cellular number of new employees to employee organizations within 30 days of hire.

Summary

As stated in the introduction, this edition of the Common Message contains information as adopted in the 2017-18 budget and provides guidance for LEAs to use in developing their 2017-18 45-day revision document. It is imperative that LEAs stay well-informed, consider the impact of proposed and potential changes, both fiscal and programmatic, and adapt accordingly.

The greatest increases in LCFF are behind us. As funding for education flattens, districts are cautioned to have contingency plans. Increases in retirement expense, greater focus on Local Control Accountability Plan spending and minimal funding through Prop. 98 can quickly impact a district’s financial status.