



# SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# \_\_\_\_\_

**Meeting Date:** July 18, 2013

**Subject:** Budget Work Session

- Information Item Only
- Approval on Consent Agenda
- Conference (for discussion only)
- Conference/First Reading (Action Anticipated: \_\_\_\_\_ )
- Conference/Action
- Action
- Public Hearing

**Division:** Administrative Services

**Recommendation:** Receive information about the budget and how the budget has been built.

**Background/Rationale:** During the work session many of the multiple components and requirements of the District's General Fund Budget will be explained and discussed. Both summary and detailed information will be provided and discussed at the Board meeting to demonstrate how the various requirements under State and Federal statutes are addressed. An update on current District estimates of proposed revenue and expenditures changes to the adopted budget will be presented and discussed.

**Financial Considerations:** None.

**Documents attached:**

1. Due to the late arrival of information critical to the presentation, all documents will be presented at the Board meeting and posted on the District website prior to the meeting.

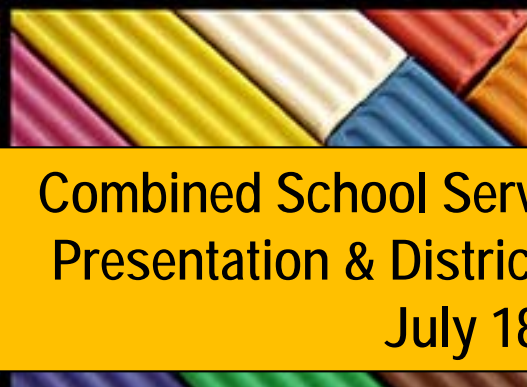
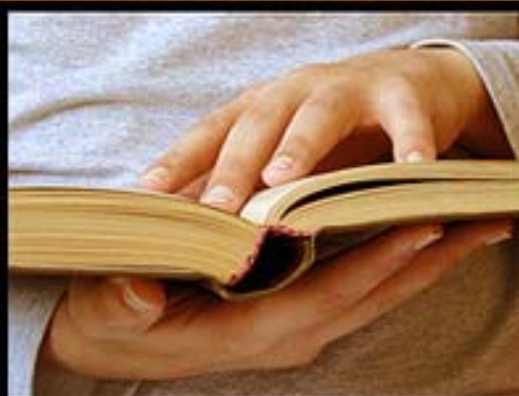
**Estimated Time:** 45 minutes

**Submitted by:** Ken A. Forrest, Chief Business Officer  
Gerardo Castillo, Budget Services Director

**Approved by:** Jonathan P. Raymond, Superintendent



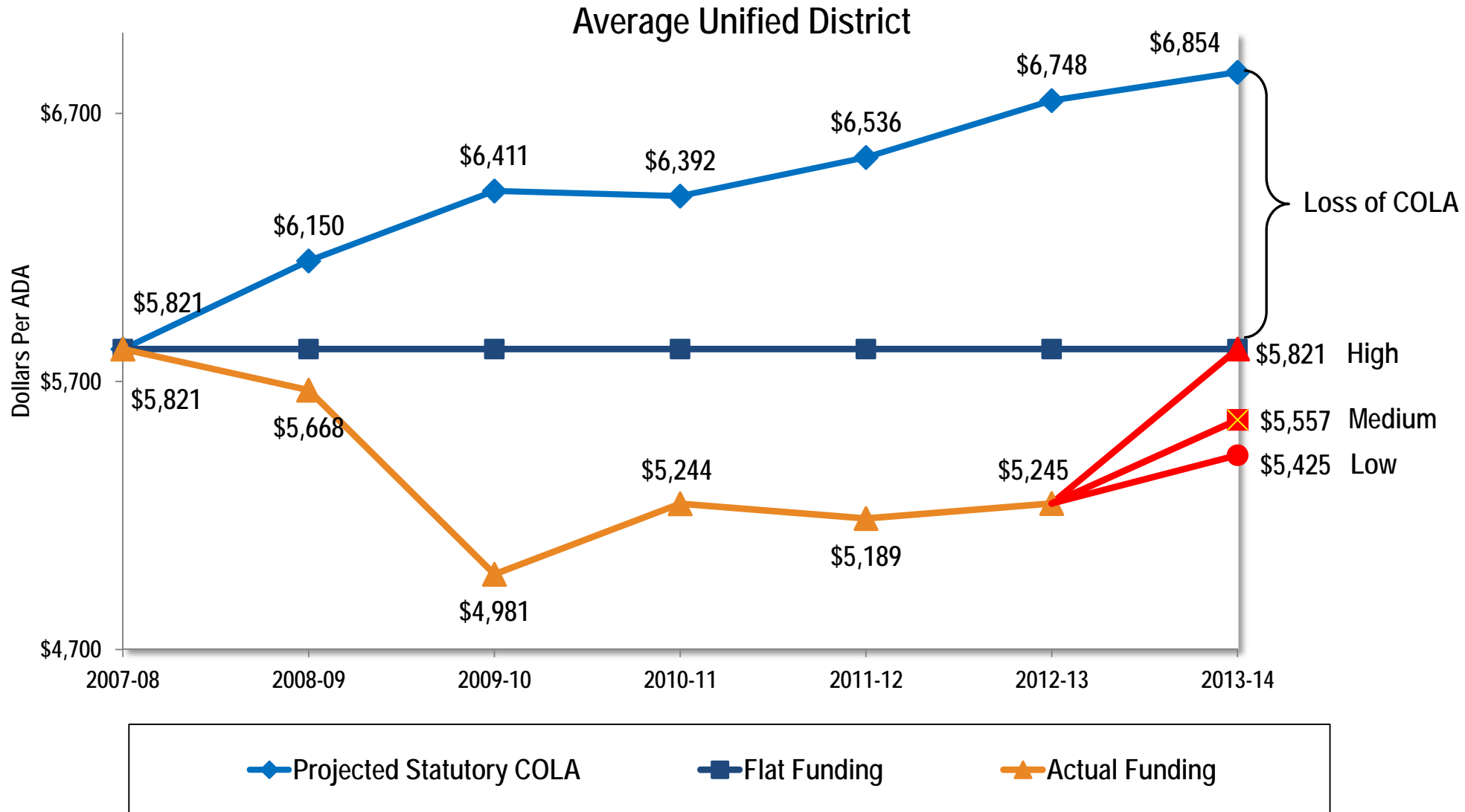
# Summary of LCFF Outcome



Combined School Services of California, Inc.  
Presentation & District Specific Information  
July 18, 2013

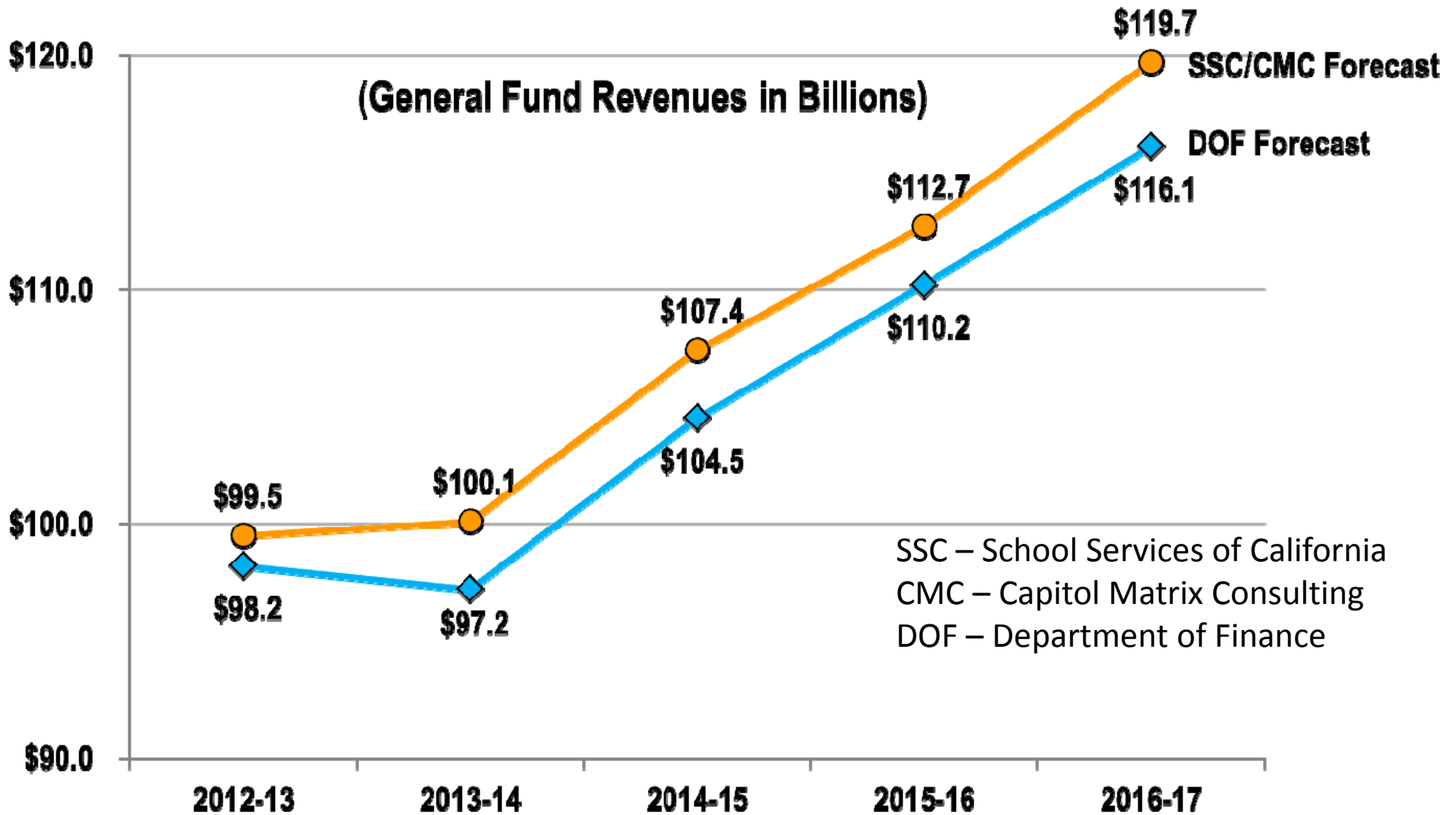
# Funding Per ADA – Actual vs. Prior Statutory Level

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# DOF vs. SSC/CMC Forecast

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# Measuring Risk of the Forecast

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- All forecasts are ultimately proven wrong
  - Actual revenues are either above or below the forecast level, but almost never exactly as projected
- The more important question: What are the risks to the forecast and how can these risks be measured?
- The forecast risks include:
  - The economic impact of the federal ACA and how it will affect employment
  - The Federal Reserve's plan to retreat from "quantitative easing" and the effect of higher interest rates on the stock market, housing sales, and business investment
  - The weakness of the European and Asian economies and their impact on U.S. and California exports

# Confidence Intervals and Forecasting

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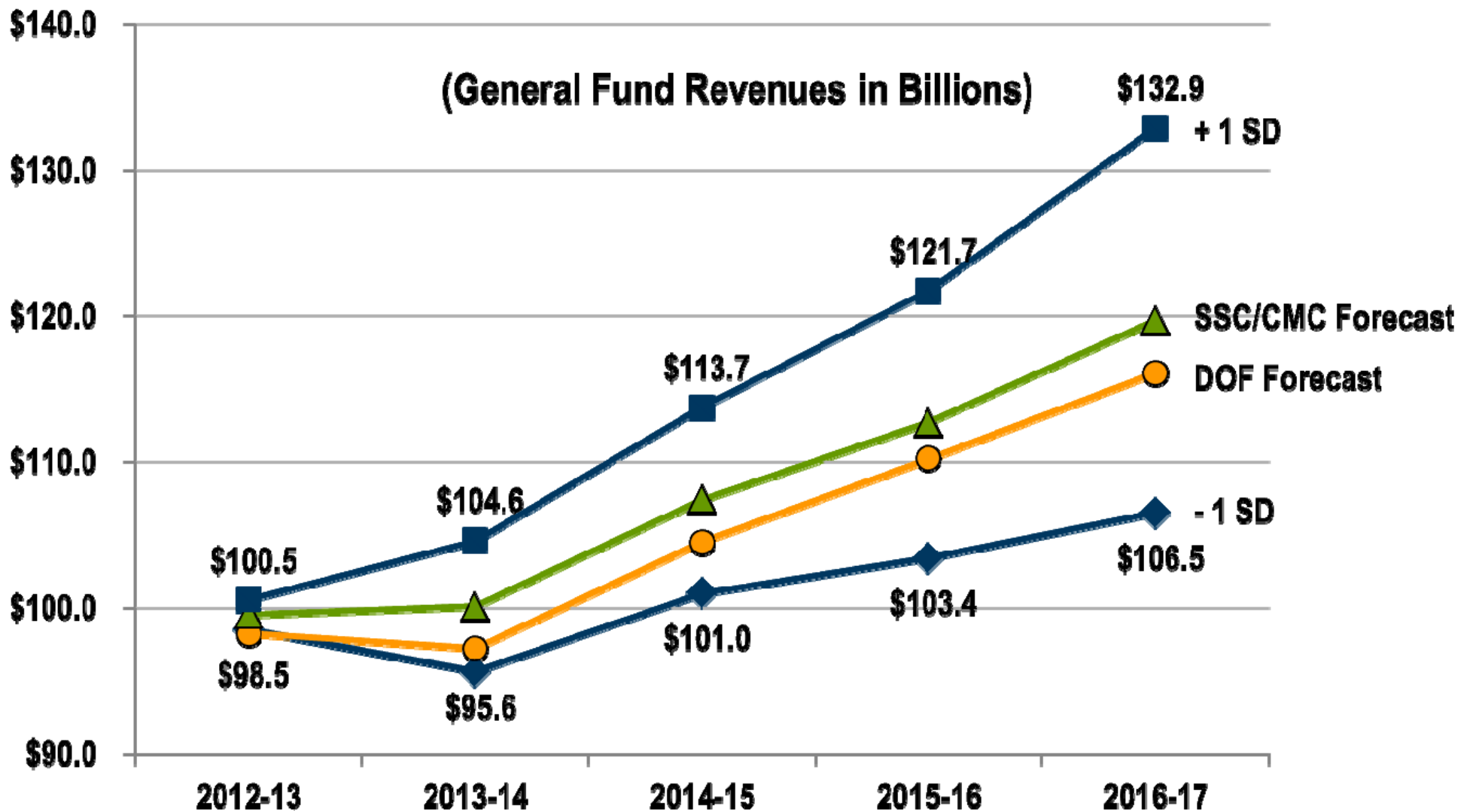


- One method of quantifying forecast risk is to establish a confidence interval around the forecast
  - The SSC/CMC analysis examined historical General Fund revenue growth rates over a 30-year period, establishing standard deviations around the growth rates for one-year through five-year sub-periods
    - Flashback to Statistics 101: A standard deviation (SD) measures the average variation from the mean growth rate
      - For normally distributed variables, about two-thirds of the observations fall within one SD of the mean
  - Using +/- 1 SD from the forecast, there is a one-sixth chance that revenues will fall below the confidence interval and a one-sixth chance that revenues will exceed the confidence interval

# Confidence Intervals and the Forecasts



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Source: *General Fund Revenues and Proposition 98 Forecast*, CMC, July 2013

# Conclusions About the DOF Forecast

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- Based on the independent analysis conducted by CMC, the DOF forecast is reasonable and falls within the +/- 1 SD confidence interval
  - There is more upside potential that actual revenues exceed the Administration's forecast than downside risks that revenues will fall short
  - The Administration's General Fund revenue forecast, therefore, provides a reasonable basis to project Proposition 98 revenues
  - The Proposition 98 projections, therefore, provide a reasonable basis to project revenues available to fund the LCFF
  - Revenues available to fund the LCFF allow districts to estimate revenues for purposes of their multiyear budget projections



# Proposition 98 Funding Guarantee

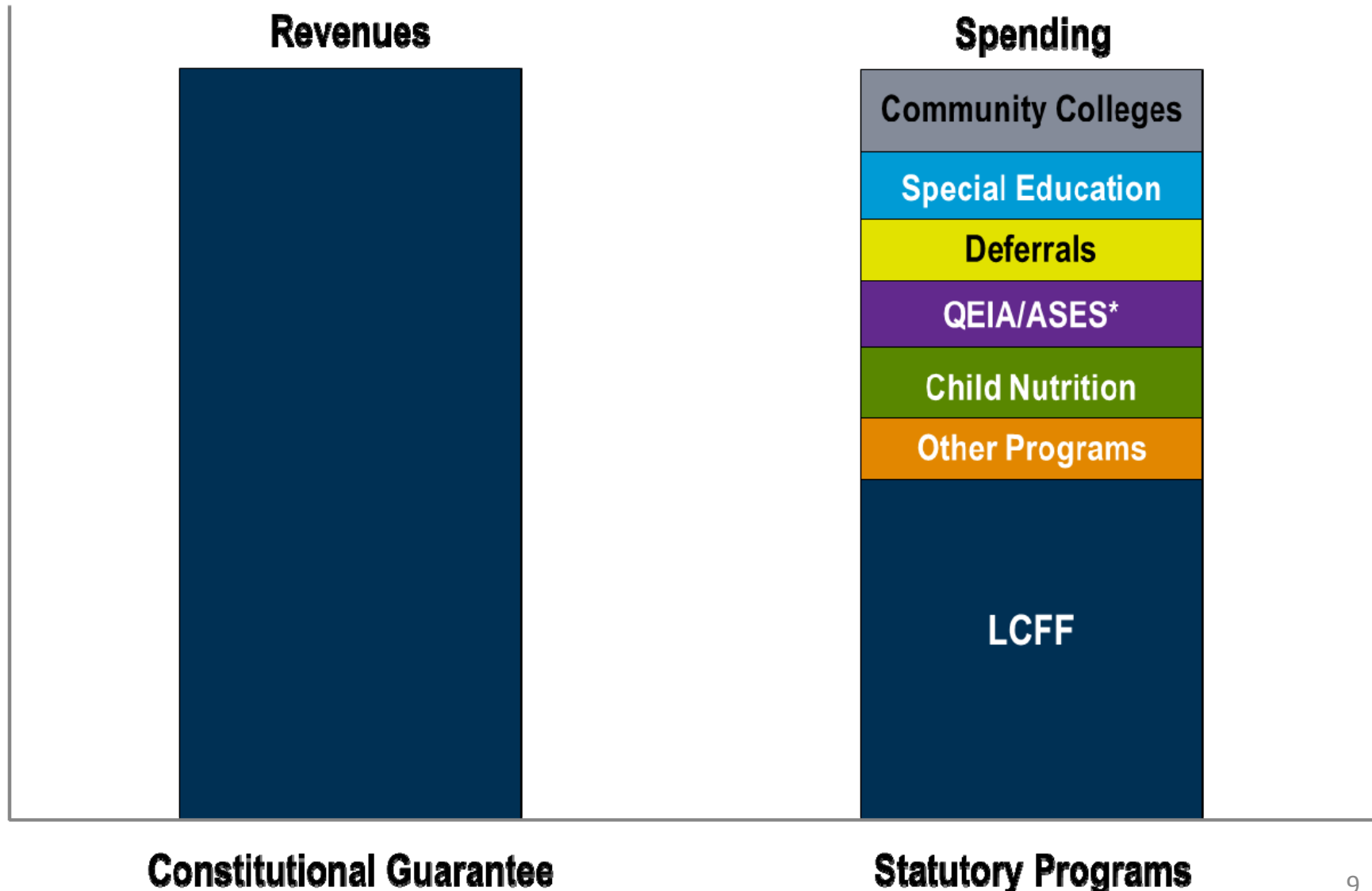
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- Proposition 98 sets the minimum funding level for K-12 education and the community colleges, based on the prior-year funding level and changes in workload (as measured by K-12 average daily attendance [ADA]) and inflation (as measured by the lesser of per-capita personal income or per-capita General Fund revenues)
  - Adopted by state voters in 1988, this is a constitutional guarantee
  - The measure specifies only the minimum funding level, it does not determine what programs will be funded
- For 2013-14, the state fully funds Proposition 98 at \$55.3 billion, a decline of \$941 million from 2012-13
  - There are no manipulations or reinterpretations of the constitutional guarantee as there have been in prior years
  - The 2013-14 guarantee declines about 2% because of the lower General Fund revenue forecast in the May Revision

# Proposition 98 Revenues and Spending

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\* Quality Education Investment Act/After School Education and Safety Program

# Major Proposition 98 Changes

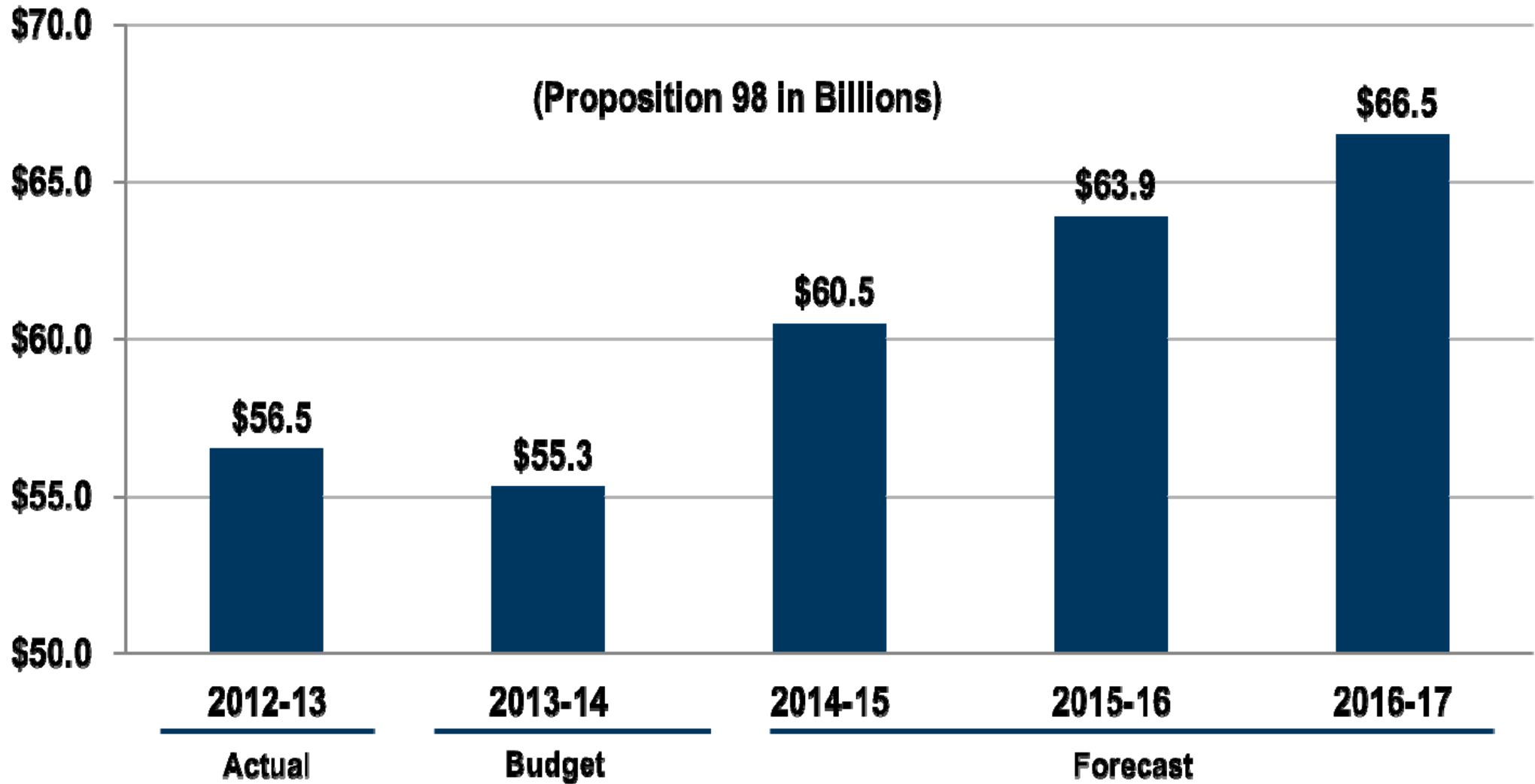
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- The State Budget implemented several changes from the Governor's May Revision proposal, which include
  - \$2.1 billion to implement the LCFF in 2013-14, up from \$1.9 billion
  - \$1.25 billion for one-time costs associated with implementation of CCSS, up from \$1 billion, to be allocated based on district enrollment
  - \$250 million for the Career-Technical Education (CTE) Pathways Grant Program for K-12 and community college partnerships
  - \$217 million for the K-12 Mandate Block Grant (MBG), down \$50 million from the May Revision to reflect the Legislature's rejection of the proposal to add the Behavioral Intervention Plan (BIP) mandate to the block grant
  - \$1.6 billion for deferral buybacks in 2012-13 and \$242 million, down by \$658 million, for deferral buybacks in 2013-14

# Proposition 98 Forecast

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# Proposition 98 and LCFF

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- It is important to remember that Proposition 98 establishes the minimum funding level for K-14 education
  - The Legislature and the Governor decide on an annual basis at what level to fund the various education programs
    - In most cases, state statutes specify districts' entitlements to state funding based on the delivery of educational services
- The LCFF is the model by which state funds are allocated to school districts, charter schools, and county offices of education (COEs)
  - Unlike revenue limits and Tier III categorical programs, there are no state statutes that specify an annual appropriation to support the LCFF
    - This makes multiyear planning very difficult
  - A district's annual LCFF entitlement will be determined by "any available appropriations" (Education Code Section [E.C.] 42238.03[b][3])



# LCFF Policy Goals and Features

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- The Governor's policy goals in pursuing reforms to the state's school finance system have remained consistent since January 2012 when he unveiled the Weighted Student Formula, the precursor to the LCFF:
  - Increase transparency and reduce complexity
  - Reduce the administrative burden
  - Improve funding equity across school districts
  - Improve local accountability
- To attain these goals, the LCFF
  - Eliminates revenue limits and almost all categorical programs, except those established by state initiative, federal statutes, or court orders or settlements
  - Establishes base grants for four grade spans, which will provide absolute dollar equalization at full implementation
  - Establishes supplemental/concentration grants to provide supplemental services to low income and English learner students

# Base Year Funding and LCFF Target

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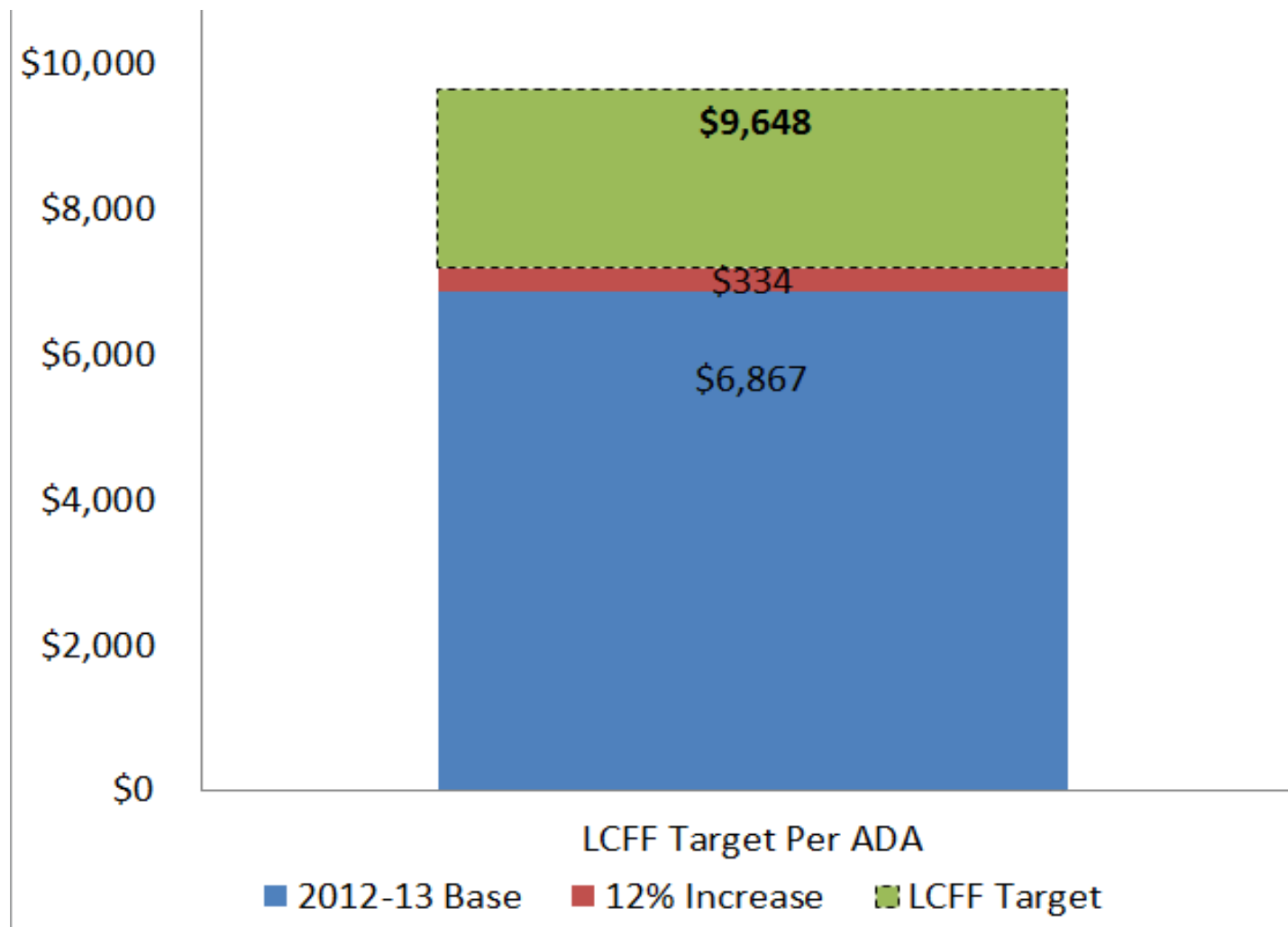
- A school district's LCFF entitlement will be based on three key elements:
  - Its base year funding in 2012-13
  - The demographics of its student population, specifically the percentage of students who qualify for supplemental/concentration grants
  - The state appropriation for LCFF
- In general, a school district is better off under the LCFF if:
  - Its base year funding is below the statewide average
  - The proportion of students qualifying for supplemental/concentration grants is above the statewide average
  - The state provides a significant amount for LCFF growth in a given year
    - The January Budget proposed \$1.6 billion, increasing to \$1.9 billion at the May Revision, and to \$2.1 billion upon State Budget enactment



## 2013-14 District LCFF Entitlement

FACTORS	SCUSD
<b>2012-13 Base</b>	<b>\$6,867</b>
<b>LCFF Target</b>	<b>\$9,648</b>
<b>Difference</b>	<b>\$2,781</b>
<b>State Factor</b>	<b>12%</b>
<b>2013-14 Increase</b>	<b>\$334</b>

## 2013-14 Growth Toward Target



# LCFF Implementation Phase

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- There are two distinct phases of the LCFF: (1) the eight-year implementation phase, and (2) the fully funded phase
  - The eight-year implementation phase is not set in statute and can be longer or shorter than eight years, depending upon the annual LCFF appropriation
  - Numerous fiscal inequities could arise during the implementation phase
    - Even if the state appropriates sufficient funds to support the statutory cost-of-living adjustment (COLA) applied to the base grant, individual districts are not guaranteed a funding increase equivalent to this adjustment
    - Significant revenue volatility will be imposed on districts with high proportions of students eligible for supplemental/concentration grants
- Once the LCFF is fully implemented, these funding anomalies will be eliminated



# LCFF and Multiyear Budgeting

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- Prior to the enactment of the LCFF, school districts received the majority of their unrestricted revenue from the revenue limit
- Multiyear budgeting under revenue limits was fairly straightforward
  - For the current year, districts would budget revenues based on the factors enacted in the State Budget Act for that year
  - For the second and third years of the multiyear projections required by Assembly Bill (AB) 1200, districts would estimate their revenue using projections of the statutory COLA for revenue limits as provided by the SSC Dartboard
  - Using these assumptions, school districts statewide generally planned on the same change in unrestricted revenues over the three-year period

- **During the eight-year implementation phase, multiyear budgeting under the LCFF, however, poses major challenges**

- The different demographic composition of student populations will result in vastly different revenues from district to district
- The statutory COLA no longer determines out-year funding increases

# Differential Risks Under the LCFF

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- School districts will face vastly different levels of risk during the implementation phase of the LCFF
  - School districts experiencing significant annual funding gains can face major declines as well
    - While the statutory COLA is forecast to average 2.3% between 2013-14 and 2016-17, some districts could see gains under the LCFF of 6% to 8% annually
  - Multiyear contracts that assume high annual increases in LCFF revenues could fall out of balance when/if state LCFF appropriations fall
- In 6 years over the last 20, the state either provided no increase to fund the statutory COLA or cut funding levels due to downturns in the economy and revenues
  - It is simply a matter of time when the next downturn occurs

# LCFF and K-3 CSR Penalties



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- The LCFF specifies that districts must, as a condition of receiving the 10.4% K-3 CSR funding adjustment, limit class enrollment in grades K-3, eventually reaching a maximum average enrollment per class of no more than 24 students at each school site, **unless an alternate ratio is locally negotiated**
  - 24-student average must be reached at full implementation of the LCFF (planned for 2020-21)
  - During the intervening years, districts are to meet intermediate targets, based on the funding provided to move all districts to their LCFF target
- A district's failure to meet the target at one school site would result in the loss of all K-3 CSR funds districtwide – a penalty that is likely to be out of proportion to the error

## Negotiated class size

Grade level	Class size
Kinder	32:1
1-3	31:1
4-6	33:1
7-8	31:1
9-12	32:1

# LCFF – What it Does

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- The LCFF makes fundamental changes to how we allocate state Proposition 98 revenues to schools
- There are direct parallels with how we have funded schools in the past
  - The LCFF base grants are like revenue limits
  - The LCFF base grant adjustments – class-size reduction (CSR), Career-Technical Education (CTE), supplemental grants, concentration grants – are like categorical programs
- At full implementation, the LCFF will fund every student at the same base rate
  - Over time, most school district and charter school base grant funding will equalize to the same level
- The LCFF provides that each school district receive at least as much state aid in 2013-14 and future fiscal years as the district received in 2012-13
- The LCFF continues the necessary small school funding adjustment for eligible school districts, per E.C. 42280 et seq.



# Categorical Programs and the LCFF

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- Over the years, a variety of programs and purposes were supported by categorical program funding
  - Some were general purpose, such as instructional materials and deferred maintenance
  - Some were intended to be targeted to meet the needs of specific students or circumstances, such as Economic Impact Aid (EIA) and Home-to-School Transportation
- The LCFF replaces most categorical programs with two weighting factors applied against the LCFF base grant
  - 20% on behalf of each eligible student (down from 35% in the Governor's proposal)
  - An additional 50% for the eligible students exceeding 55% of total enrollment (up from 35% in the Governor's proposal)
    - The combination of the two factors still equals 70%, as in the May Revision

# LCFF Excluded Categoricals

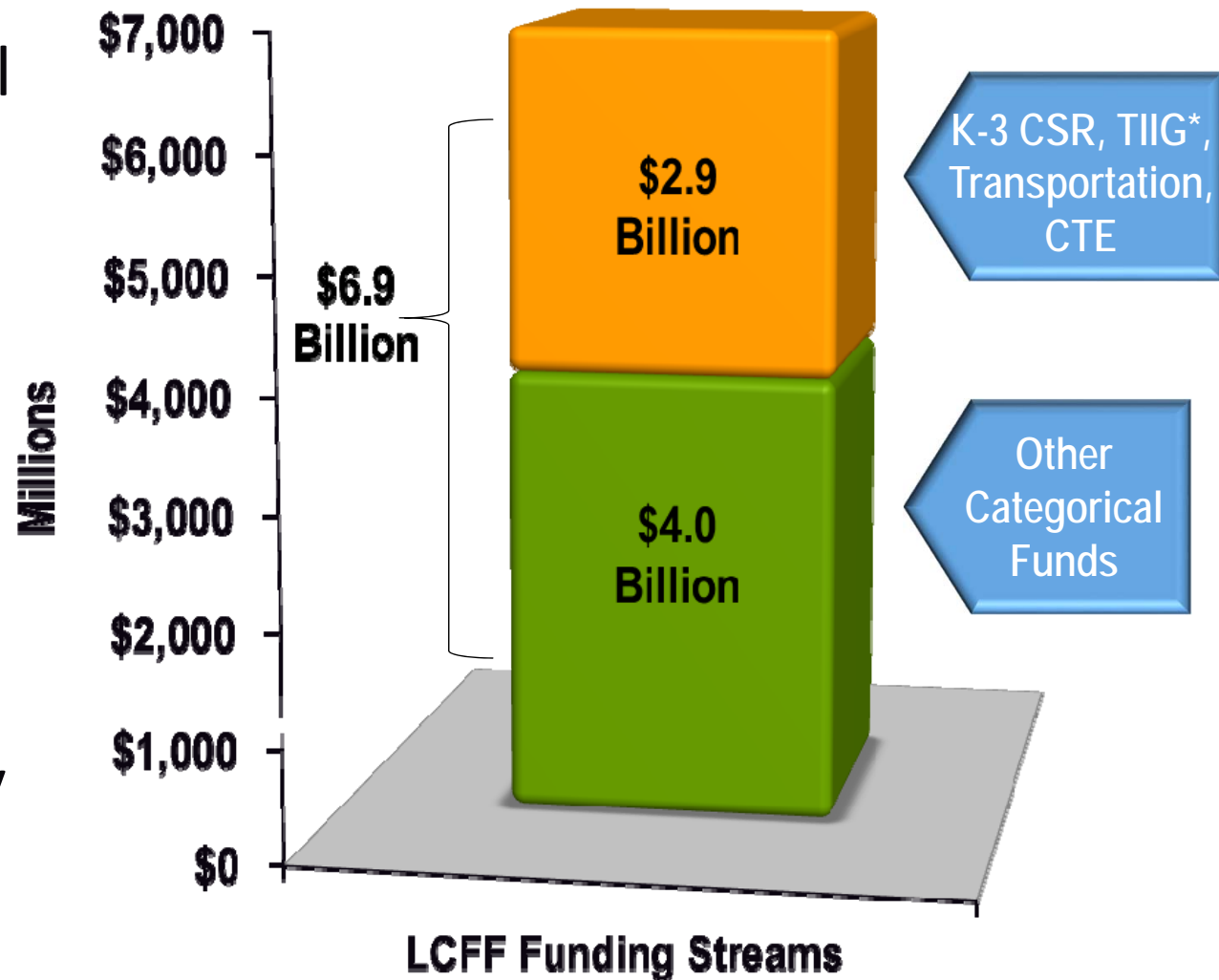
- Special education
- After School Education and Safety Program
- State Preschool
- Quality Education Investment Act
- State Testing Program
- American Indian Education Centers
- Early Childhood Education Programs
- Specialized Secondary Programs
- California Partnership Academies
- Agricultural Education Incentive Program
- Foster Youth Programs
- Adults in Correctional Facilities

# Categorical Funding

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- Total school district categorical program funding, for those dollars affected by the LCFF, equals \$6.9 billion – without restoration of the 20% categorical cut made to many programs during the recession



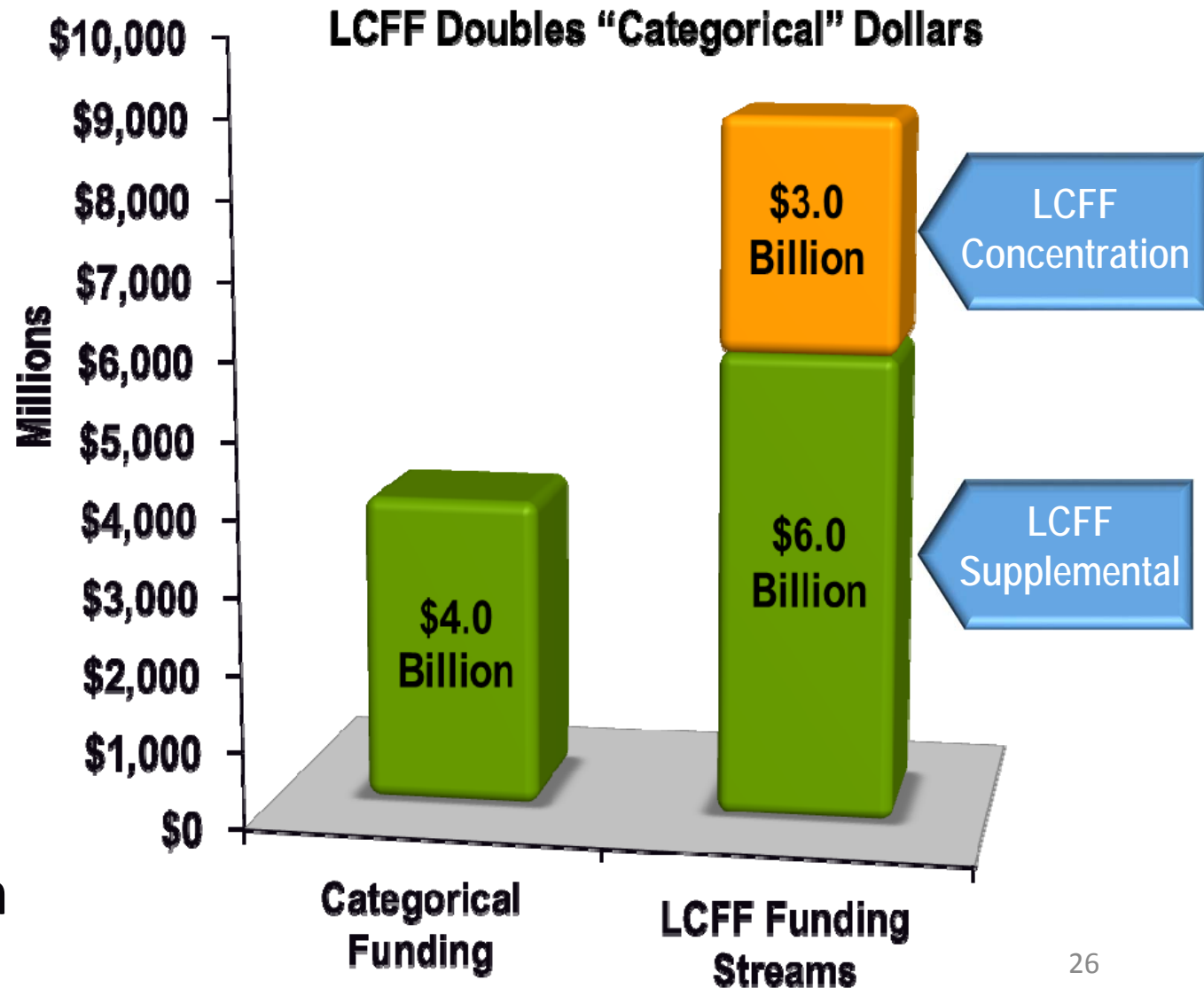
\*Targeted Instructional Improvement Grant (TIIG)

# LCFF Categorical Streams

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- The LCFF both dramatically increases the level of funding flowing to school districts in addition to the base grant and dramatically reduces the factors that influence the flow of those dollars
- Weighting factors take the place of separate categorical program appropriations



# Elements of the Formula

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- Funding allocated through the LCFF is largely unrestricted, but will be subject to comprehensive accountability requirements
- Base grant targets increased:
  - May Revision: \$6,816 per ADA (the 2012-13 undeficitated statewide average base revenue limit [BRL] per ADA [prior to statutory COLA])
  - State Budget: \$7,357 per ADA – an increase of \$541
- Differential adjustments for K-3, 4-6, 7-8, and 9-12 grade spans
- Add-ons equal to 10.4% of base grant for K-3 CSR and 2.6% for grades 9-12 CTE
  - Add-on percentages are lower than the May Revision, but dollars stay the same when calculated on a higher base

# Elements of the Formula

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- Additional funding based on the demographics of the school district:
  - English learners
  - Pupils eligible for free and reduced-price meals program
  - Foster youth
- An unduplicated count
  - The number of unduplicated pupils enrolled for each school district and charter school as a percentage of total enrollment
- A three-year rolling average of California Longitudinal Pupil Achievement Data System (CALPADS) reported counts
  - 2013-14 uses one year of data; 2014-15 uses the average of two years of data; 2015-16 and future years use three years of data

# Elements of the Formula

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- Special Education, Child Nutrition, Quality Education Investment Act (QEIA), After School Education and Safety (ASES), and other federally mandated programs stay outside of the formula

- Transportation and TIIG funding continue as formula add-ons for those school districts that currently receive funding through these programs – frozen at 2012-13 levels, no COLA

- TIIG funds can be used for any purpose
- Districts must expend no less on Home-to-School Transportation than the amount expended in 2012-13

- Creates the Economic Recovery Target (ERT) rate – establishes a minimum level of funding increase for each school district from 2013-14 through 2020-21

- Timeline: implementation to be completed in 2020-21



# LCFF – Base Grant Entitlement Calculation



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- 2013-14 target entitlement calculation
  - Grade span per-pupil grants, based on 2013-14 statewide average initial target of \$7,357 per ADA, are increased annually for a COLA

Factors	K-3	4-6	7-8	9-12
Base Grant per ADA	\$6,845	\$6,947	\$7,154	\$8,289
COLA @ 1.565%	\$107	\$109	\$112	\$130
Base grants – 2013-14	\$6,952	\$7,056	\$7,266	\$8,419

# LCFF – K-3 CSR and CTE Adjustments

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- 2013-14 target entitlement calculation
  - K-3 CSR and 9-12 CTE adjustments are additions to the base grant
  - CTE is unrestricted; CSR requires progress toward maximum site average of 24 students enrolled in each class

Factors	K-3	4-6	7-8	9-12
Base grants – 2013-14	\$6,952	\$7,056	\$7,266	\$8,419
Adjustment percentage	10.4% CSR	-	-	2.6% CTE
Adjustment amount	\$723	-	-	\$219
Adjusted grant per ADA	\$7,675	\$7,056	\$7,266	\$8,638

# LCFF – Supplemental and Concentration Grants Per ADA

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- 2013-14 target entitlement calculation
  - Supplemental and concentration grant increases are calculated based on the percentage of total enrollment

Factors	K-3	4-6	7-8	9-12
Adjusted grant per ADA	\$7,675	\$7,056	\$7,266	\$8,638
20% supplemental grant	\$1,535	\$1,411	\$1,453	
50% concentration grant (for eligible students exceeding 55% of enrollment)	\$3,838	\$3,528	\$3,633	\$4,319

# LCFF – From 2012-13 to 2013-14 Calculation Methodology

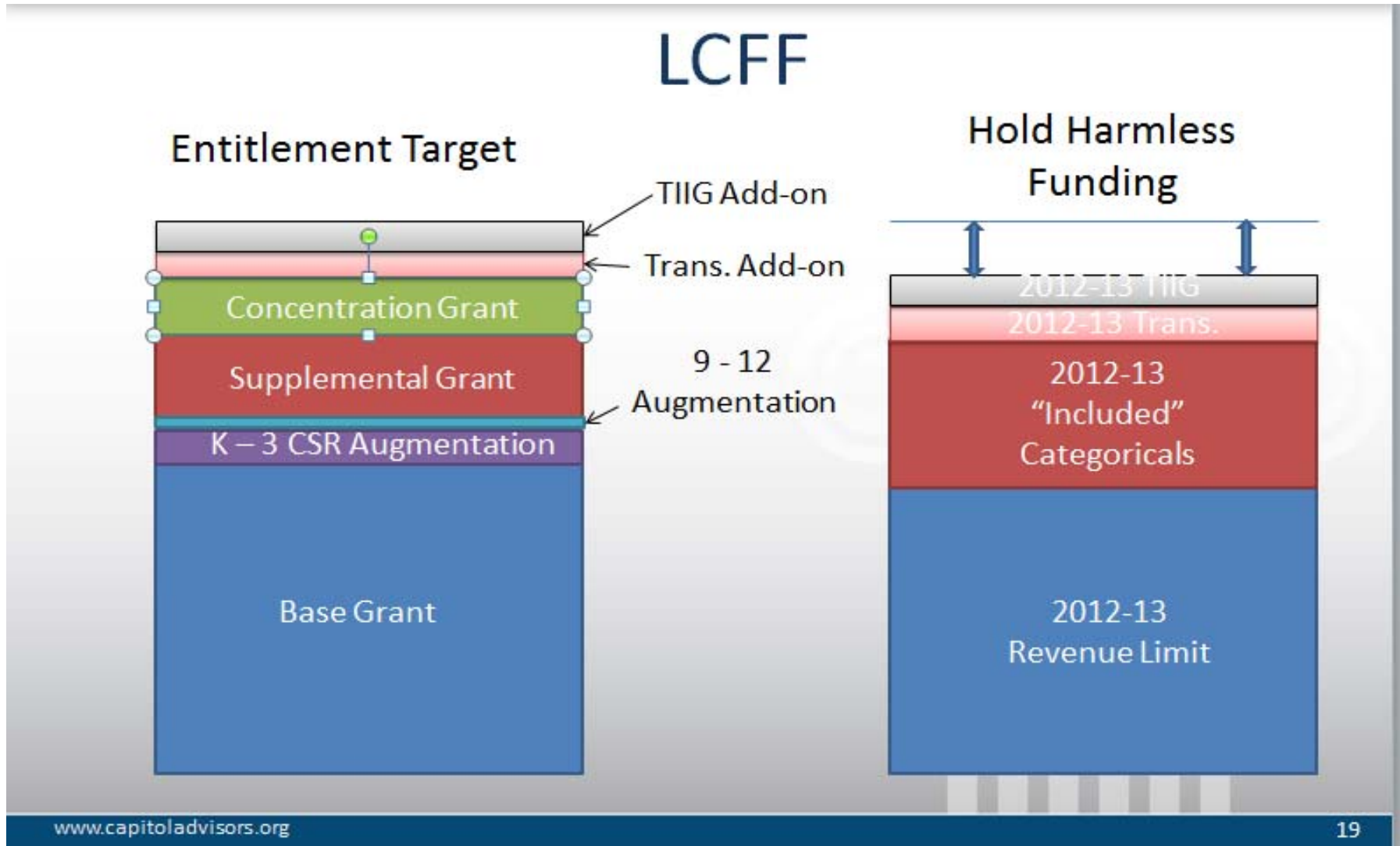
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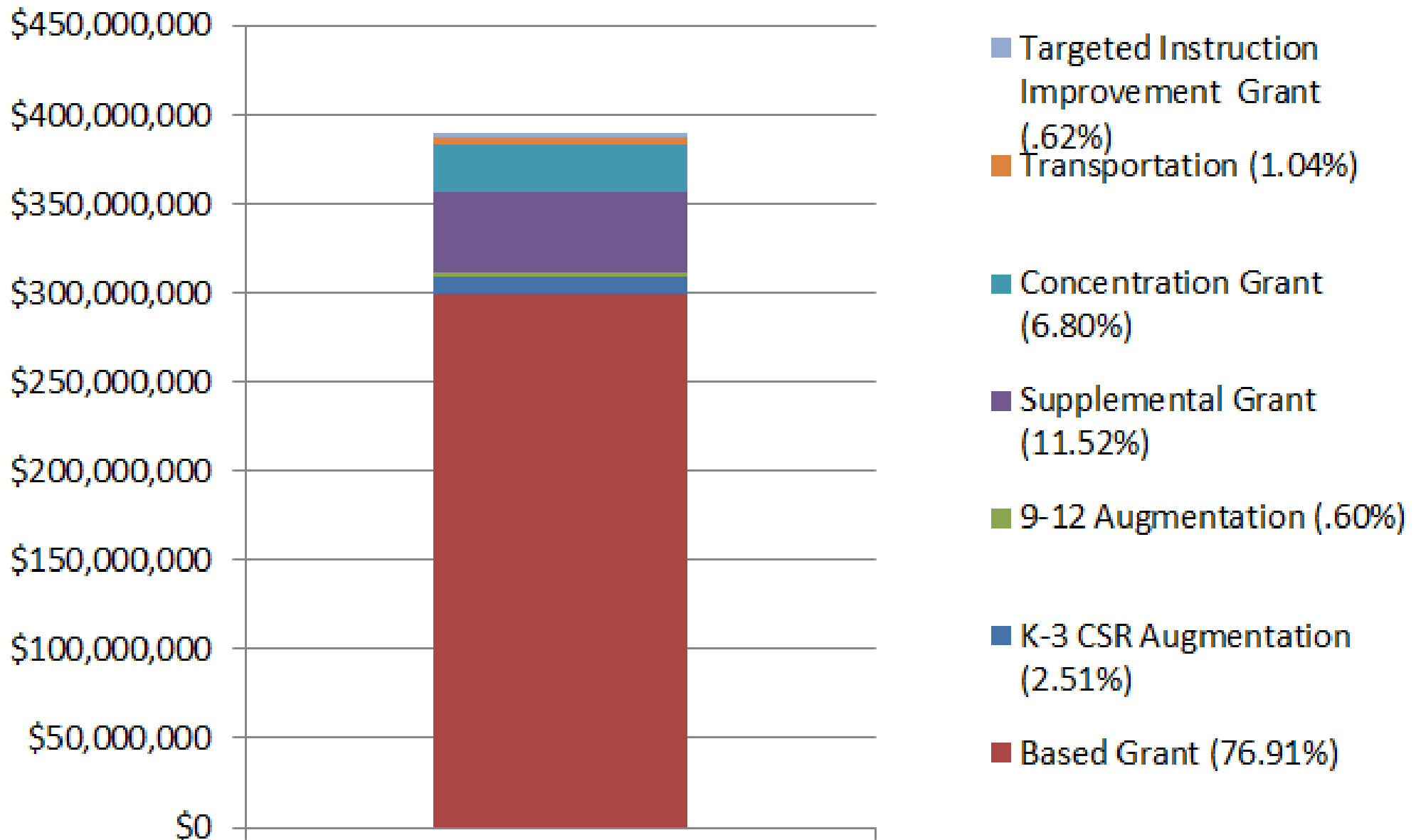


- LCFF entitlement calculation
  - Multiply each grade span per-pupil grant amount by the ADA for that grade span, and add the results
  - Add any amounts received in 2012-13 for Home-to-School Transportation and TIIG
- Determine 2012-13 base funding
  - Add together your:
    - (1) 2012-13 deficated base revenue limit
    - (2) 2012-13 funding received for categorical programs included in LCFF
    - (3) 2012-13 funding received for Transportation and TIIG
- Subtract the 2012-13 base funding total from the calculated LCFF entitlement
- Multiply the difference (if it is positive) by 12% (est.)
- Add the difference to your 2012-13 base funding amount

- 2013-14 Target Entitlement Calculation**

<b>FACTORS</b>	<b>K-3</b>	<b>4-6</b>	<b>7-8</b>	<b>9-12</b>
<b>Adjusted grant per ADA</b>	<b>\$7,675</b>	<b>\$7,056</b>	<b>\$7,266</b>	<b>\$8,638</b>
<b>% Enrollment eligible</b>	<b>72%</b>	<b>72%</b>	<b>72%</b>	<b>72%</b>
<b>72% of Supplemental</b>	<b>\$1,105</b>	<b>\$1,016</b>	<b>\$1,046</b>	<b>\$1,244</b>
<b>17% of Concentration (percentage above 55%)</b>	<b>\$652</b>	<b>\$600</b>	<b>\$618</b>	<b>\$734</b>
<b>Total 2013-14 LCFF target grant per ADA</b>	<b>\$9,432</b>	<b>\$8,672</b>	<b>\$8,930</b>	<b>\$10,616</b>







Sacramento City Unified School District	Summary
Current funding	\$277,758,567
Target funding (8 years)	<u>\$390,274,789</u>
Increase target	\$112,516,222
2013-14 Projected progress - est 12%	<u><u>\$13,501,947</u></u>
Amount per ADA	\$333.80
Adopted Budget Increase	\$267.00
<b>ADDITIONAL FUNDING PER ADA</b>	<b>\$66.80</b>
<b>INCREASE FROM FY 2013-14 ADOPTED</b>	<b>\$2,701,967.50</b>
Total Additional Funding from FY 2012-13	\$ 13,501,946.62
Percentage increase	4.861%

# CCSS Program Update

## Common Core State Standards

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- CCSS is a nationwide initiative to establish a single set of standards for K-12 education in English language arts and mathematics to ensure college and career readiness
  - California adopted the CCSS in 2010
- The CCSS require changes to the existing educational and assessment program
  - To date, no funding for CCSS implementation had been provided to LEAs to defray the costs of technology updates, professional development, or instructional materials
    - Some resources for professional development have been provided through the CDE and COEs
    - Assessment and technology readiness information has been provided by the Smarter Balanced Consortium, including practice tests

# CCSS Funding

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- The State Budget provides \$1.25 billion statewide in one-time funds from 2012-13 for the implementation of the CCSS
    - Funds will be allocated based upon prior-year enrollment to school districts, COEs, charter schools, and special state schools
      - Estimated to be about \$200 per student
  - Funds will be apportioned in July 2013 (50%) and August 2013 (50%)
  - LEAs can encumber funds any time during the 2013-14 and 2014-15 school years
- Our current estimate for SCUSD is approximately \$8,089,800**
- Remember: this is one-time money – plan accordingly!!**

# CCSS Expenditure Rules

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- LEAs can spend the funds for the following allowed purposes:
  - Professional Development
    - For teachers, administrators, and paraprofessional educators or other classified employees involved in the direct instruction of pupils that is aligned to the CCSS academic content standards
  - Instructional materials and supplemental instructional materials aligned to the CCSS academic content standards
  - Technology
    - Funds can be used for the integration of the content standards through technology-based instruction for the purposes of improving the academic performance of pupils including, but not limited to:
      - The administration of computer-based assessments and providing adequate Internet connectivity to support the computer-based assessments

# CCSS Expenditure Reporting Requirements

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- As a condition of the receipt of funds, an LEA must:
  - Develop and adopt an expenditure plan detailing how the funds shall be spent
    - Plan must be adopted and a public hearing must be held on the plan
  - On or before July 1, 2015, report detailed expenditure information to the CDE including:
    - Specific purchases made
    - Number of teachers, administrators, and paraprofessional educators who received professional development
- CDE will determine the expenditure reporting format

# CCSS Next Steps for LEAs

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- Evaluate your LEA's existing technology and compare it to the Smarter Balanced Technology Strategy Framework and System Requirements Specifications
  - Information available here: <http://www.smarterbalanced.org/smarter-balanced-assessments/technology/>
- Review practice tests – can be used for teacher training and stakeholder discussions (<http://www.cde.ca.gov/ta/tg/sa/practicetest.asp>)
- Check with your COE and the CDE for existing professional development modules (<http://www.cde.ca.gov/re/cc/>)
- Develop LEA expenditure plan for new revenue – estimate \$200 per student
  - Must be spent over two years
  - Hold public hearing for expenditure plan

# Special Education Liability Issues

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## Special Education Large Losses

- 2007 – \$5.4 million settlement paid in Los Angeles County to a student allegedly denied Free and Appropriate Public Education (FAPE); the case kept the district in litigation for seven years in federal court
- 2009 – \$4.2 million settlement paid in the Bay Area to a blind and deaf student with cerebral palsy allegedly denied FAPE
- 2013 – \$8.6 million settlement paid in Orange County to the parents of a three-year old special education student who died allegedly due to a lack of safety procedures on a school bus

## FAPE Hot Button Areas and Tips

- School districts across the state are facing a constant frequency of due process hearing requests on FAPE disputes
- Hot Button Areas:
  - Unilateral residential placements (mostly out-of-state)
  - “Stay Put” during pendency of litigation (including appeals)
  - Behavioral issues/discipline challenges
  - Procedural/timeline errors
- Districts should be aware that effective professional development and regular training of staff and administration on best practices and procedural pitfalls can be a significant deterrent to future complaints
- COEs, SELPAs, and legal counsel can provide preventative strategies, exemplary case studies, and legal lessons to be learned



# Adult Education

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- Adult Education is an important program that has been jerked all over the planet!
- The May Revision proposed maintaining the status quo for existing K-12 and community college adult education programs for two years
  - Included \$30 million in 2013-14 for two-year planning and implementation grants
  - Planning grant funding was reduced to \$25 million in the Enacted State Budget
- Allowed school districts to retain authority to continue existing adult education programs
  - Over time, the expectation is to join a regional adult education consortium in order to:
    - Gain access to additional dedicated adult education funding
    - Ensure coordination with other local adult education providers

# Adult Education

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- The Enacted State Budget is far more prescriptive, requiring LEAs maintain the same level of Adult Education expenditures in 2013-14 and 2014-15 as were expended in 2012-13
  - The timing of this late-breaking requirement caught many LEAs off guard, as many had already adopted their 2013-14 budgets
- Those taking steps to minimize budget impact may:
  - Use fee revenues where appropriate to support the program
  - Eliminate one-time expenditures from 2012-13 when determining the 2013-14 and 2014-15 expenditure levels going forward
  - Maximize the use of federal funds provided for adult education
  - Examine how program expenditures were coded – ensure no expenditures were inadvertently coded as adult education that should have been charged to another program

# Medi-Administrative Activities (MAA) Federal Reimbursement

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- Medi-Cal Administrative Activities (MAA) payments remain suspended for the vast majority of school districts
  - California Department of Health Care Services and federal health officials have not yet reached a resolution on changes to time study methodology
- Expected to lower the level of reimbursement prospectively

# Proposition 39 Funding

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- The Enacted State Budget allocates \$381 million in Proposition 98 funds to support energy efficiency projects
- The Enacted State Budget establishes the Proposition 39 funding distribution as follows:

LEAs with ADA of:	Amount Awarded
Less than 100 ADA	\$15,000
More than 100 ADA but less than 1,000	The greater of the per-ADA allocation or \$50,000
More than 2,000 ADA	Per-ADA allocation*

- LEAs must encumber the Proposition 39 funds by June 30, 2018
- Proposition 39 funds utilized for expenditures that are not in accordance with the funding's provisions must be paid back to the state

\* A per-ADA amount has not been specified to date

# Proposition 39 Funding

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- An LEA receiving an award of more than \$1 million is required to use no less than 50% of the funds for projects larger than \$250,000 that achieve energy efficiency, clean energy, and job benefits
- Also, the Enacted State Budget provides \$28 million in interest-free loans for energy efficiency projects and technical assistance
- \$3 million is appropriated to the California Workforce Investment Board for the development and implementation of a competitive grant program for eligible organizations preparing disadvantaged youth and veterans for employment
- At this time, there are many moving parts and not enough information to determine LEA allocation estimates for the Proposition 39 funding, interest-free loans, and the competitive grants
  - More information will be provided in our *Fiscal Report* articles as it becomes available

# State Lottery 2013-14

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- The Lottery Commission has approved its 2013-14 budget, and it is projecting a 15% increase in sales above those in 2012-13
- The 2013-14 projections for sales and the contributions to education are the highest since the Lottery's inception in 1984
- Lottery funding for 2013-14 is estimated at \$156 per annual ADA
  - \$126 per annual ADA for unrestricted
  - \$30 per annual ADA for Proposition 20 (restricted)
- We recommend that you plan for these amounts

# Multiyear Projections

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- MYPs are still required by law and more necessary than ever
- Legal and historical basis for MYP
  - Formally enacted as part of AB 1200 (Chapter 1213/1991)
    - Requires the district to project the current year plus two
    - Formal board self-certification of solvency
    - COE oversight and intervention
    - State maintains ultimate authority for intervention
- None of that changes, nor should it change
  - But it will be a lot different under the LCFF
  - The absence of a universal level of change in funding means each district will have unique funding and planning factors
- Our SSC team, both those with district experience and those with state-level experience, have spent months working out the details of a realistic, but conservative, planning model



# Conclusions About Multiyear Budgeting

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- Because of the differential risks under the LCFF, all school districts, but especially high-funded districts, will have to make prudent out-year revenue assumptions
  - There is no longer a statewide standard for expected revenue growth in the form of an expected inflationary adjustment
  - Each district will have to carefully assess its demographic projections
    - The total projected ADA
    - The demographic composition of the ADA, i.e., low-income students, English learners, and foster youth
- State Budget priorities can change from year to year with no guarantee that LCFF growth will be provided or that the LCFF will be fully funded
  - The statutory protection of annual COLAs is eliminated
- Local conditions and budget decisions will be more important than ever in maintaining each district's solvency

# Balances, Reserves, and Planning

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- The LCFF revenue model leads to an entirely new way of thinking about revenues, reserves, balances, and planning for the future
  - Gone are the anchors of the past: base revenue limit, deficit factor, current-year COLA, etc.
  - They are replaced with a “commitment” by the state to make a contribution to “closing the gap” each year
    - But there is no statutory calculation for how much the state will contribute – and no obligation to fund any certain amount
- This has huge implications for districts
  - Many districts will need to maintain much larger reserves
  - Much of the “new money” will still be tied to expenditures for specific programs
  - Our SSC Dartboard will be more subjective than in the past, but more relevant than ever for conservative and reasonable planning
- This new section is intended to address all of these issues

# There Is No Such Thing as a Good Budget That Does Not Have an Adequate Reserve!

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- Good budgets have good reserves; but how much is really needed?
  - Under revenue limits, the State Board of Education (SBE) set reserve levels as a percentage of expenditures based on district size – that won't work anymore
  - Some districts will have much more risk and volatility than similar-sized districts – they may need ten times the amount of the state's recommended reserves
  - All state-recommended reserve levels will now be too low
    - As we will explain, both calculation and contribution risks will increase with the LCFF
    - We may not see the consequences of low reserves immediately because the state is providing an increase, but we will see it in the first downturn
- So, what constitutes an adequate reserve?

# What Constitutes a Reasonable Reserve?

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- We have already concluded that a reserve level dictated solely by district size is no longer relevant when volatility and exposure is disparate
- We recommend that every district first observe the current SBE-required reserve level for the traditional economic uncertainties
- Then we recommend the establishment of a separate LCFF reserve
  - We recommend that districts develop a plan to bring the level of the LCFF reserve to at least one year's revenue growth in the multiyear projection (MYP)

Current estimates for SCUSD indicate we should establish a separate reserve as per this recommendation of \$9 Million

- The purpose of this reserve is to provide a “softer landing” when the next downturn occurs, as it surely will
- This is a similar methodology to what we have recommended for basic aid districts due to their reliance on local property tax revenues above the revenue limit

This concludes our LCFF Update  
Presentation.

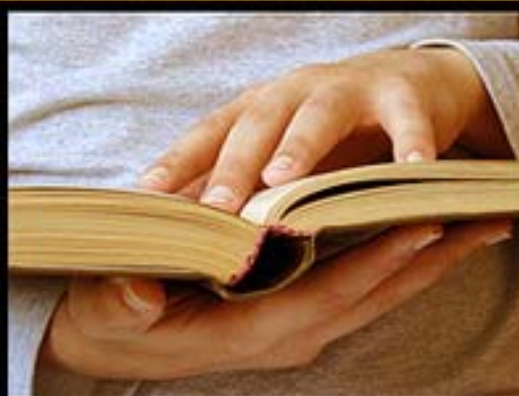
Questions?

Local Control Accountability Program  
Follows.





# Accountability Under the Local Control Funding Formula



# The LCFF Accountability System

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- The full local control touted in January was significantly reduced in the May Revision
- The Enacted State Budget tips the spending scale once again – striking what appears to be a better balance between local and state control
  - Relaxed proportionality rules will allow LEAs to use concentration and supplemental grant funds for school wide and districtwide purposes subject to SBE regulations
  - The priorities of the state, which form the basis for the annual goals of the Local Control Accountability Plan (LCAP), are broad in scope and are both qualitative and quantitative in nature
    - Providing an improved accountability system
  - The extent to which LEAs will have flexibility over expenditure of supplemental and concentration grant funds is still uncertain

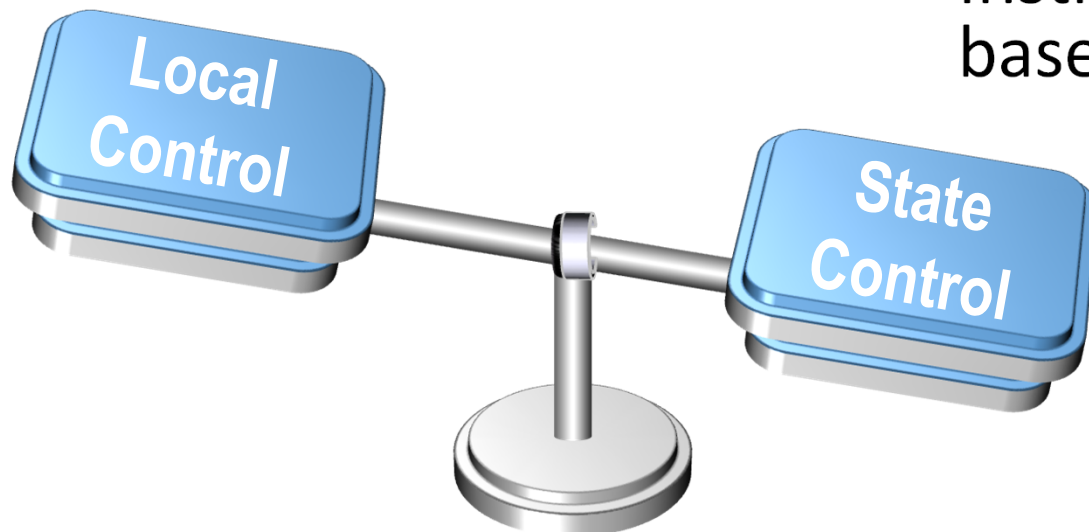


# Spending Control Scale at the May Revision

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- Some discretion regarding content of the LCAP
- Retain control of statewide testing system and student achievement expectations
- Strict expenditure and proportionality requirements
- Annual audits
- Superintendent of Public Instruction (SPI) intervention based on direction of the SBE

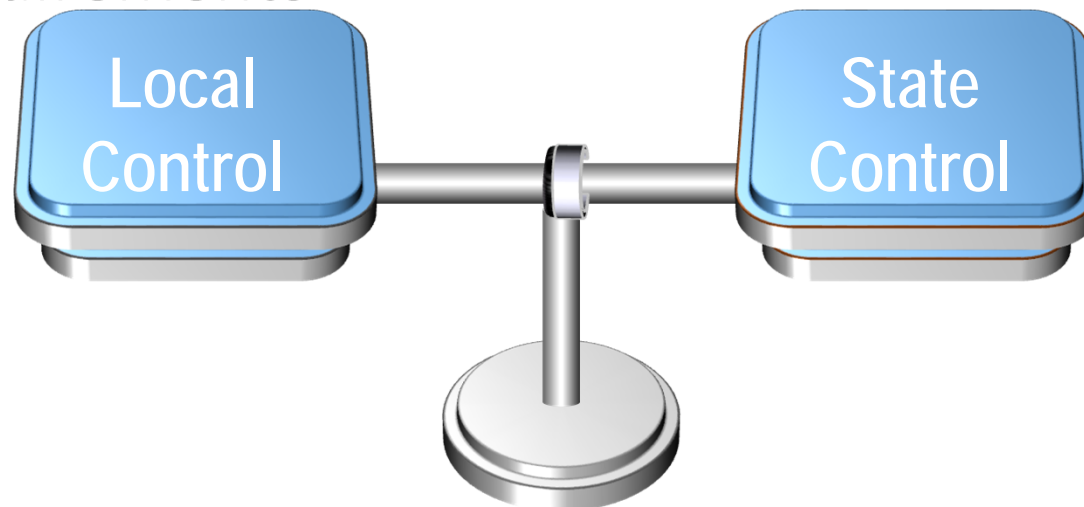


# Spending Control at State Budget Enactment



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- Discretion regarding content of the LCAP
- Relaxed proportionality rules
- Ability to use concentration and supplemental grant funds for school and districtwide purposes subject to SBE regulations
- No MOE requirements
- State priorities are specific but broad
- SBE tasked with making changes to Academic Performance Index (API) based on LCFF and adopting spending regulations and LCAP templates
- SPI continues to have academic oversight responsibilities



# The LCAP Then and Now

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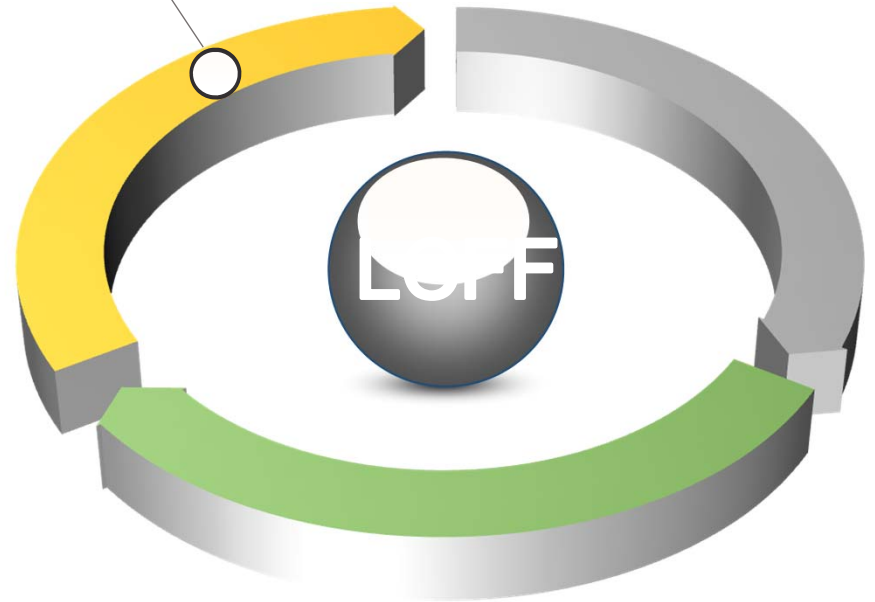
## LCAP

### *May Revision . . .*

- Local goals focused on improved student outcomes
- Goals aligned with annual spending plan
- Adopted every five years and updated annually

### *Enacted State Budget . . .*

- Annual goals and specific actions based on state priority areas for the district and each school in the district
- Description of expenditures implementing specific actions
- Adopted every three years and updated annually

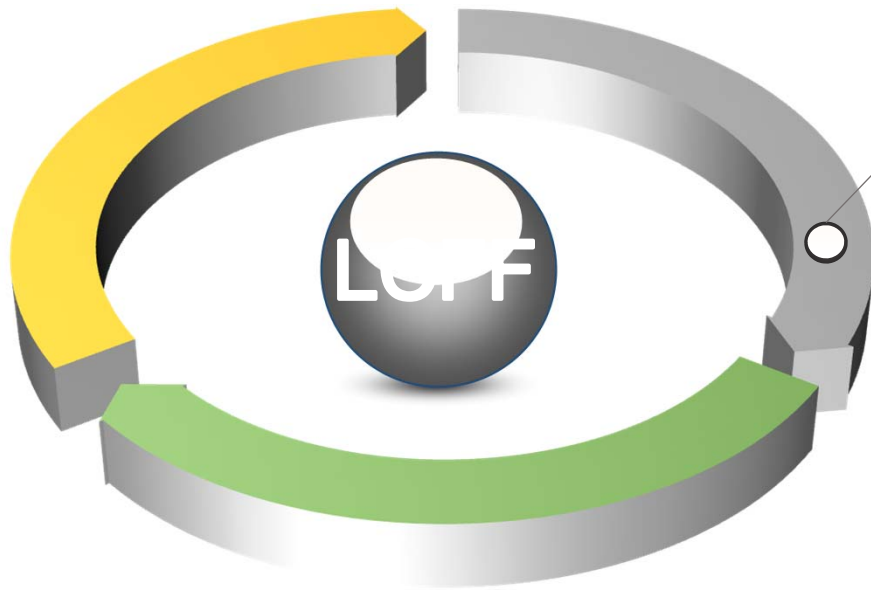


# Oversight Responsibilities Then and Now

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## County and State Superintendent Oversight



### *May Revision . . .*

- Technical assistance
- Approval and disapproval of local plans
- Review data on eligible student counts
- Stay and rescind actions of a local governing board

### *Enacted State Budget . . .*

- Technical assistance
- Approval and disapproval of local plans based on adherence to SBE-adopted template and sufficiency of funds allocated for implementation of LCAP
- COE approval of plans and posting of plans for each district and each school in each district or a link to each plan on the COE website
- Stay and rescind authority granted solely to SPI upon approval of the SBE

# State Requirements Then and Now

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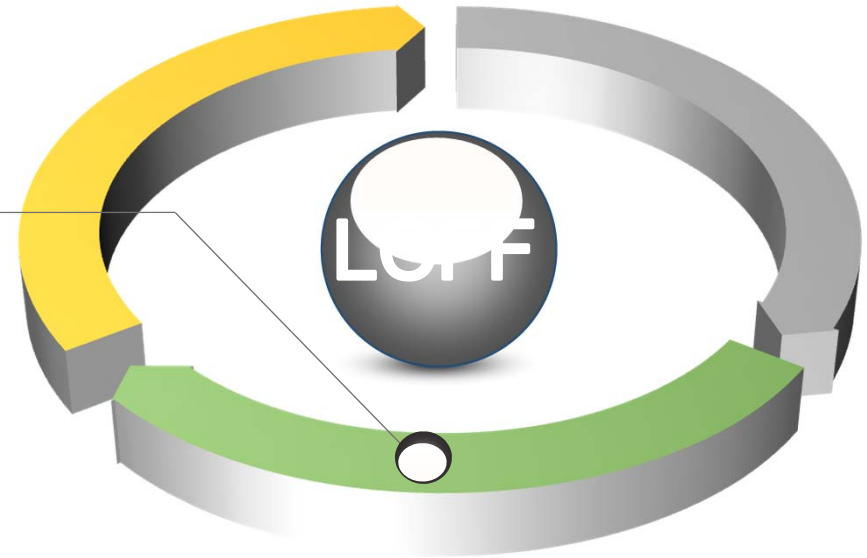
## State Requirements

### *May Revision . . .*

- Performance expectations
- Expenditure requirements
- Proportionality rule
- MOE requirement until full implementation of LCFF

### *Enacted State Budget . . .*

- State priority areas explicitly stated
- SBE will update standards and criteria for local budget adoption and make changes to API based on the LCFF
- Proportionality rule less rigid allowing for school wide and districtwide expenditures subject to regulations to be adopted by the SBE
- No mention of an MOE requirement



# What Do I Have to Do and When Do I Have to Do It?

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- On or before July 1, 2014, and every three years thereafter, LEAs must adopt the LCAP using the template adopted by the SBE
- The LCAP must include a description of the following:
  - Annual Goals
    - Based on state priorities for all students and “numerically significant subgroups”
      - Numerically significant: defined as 30 students with valid test scores at the school or school district – with the following exceptions
        - Foster youth – 15 or more students
        - Schools or districts with 11 to 99 students – defined by the superintendent with approval of the SBE



# What Do I Have to Do and When Do I Have to Do It?

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- Specific Actions
  - What steps the LEA will take to accomplish the annual goals
  - Districtwide actions and actions by school site
- Description of Expenditures
  - For each fiscal year of the plan, list and describe expenditures implementing specific actions included in the LCAP
  - List and describe expenditures serving “unduplicated” students and students redesigned as fluent English proficient



# State Priorities

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- State priorities are broad in scope, and are both qualitative and quantitative in nature
- Eight priority areas have been identified for school districts, including:
  - Basic conditions for student achievement (appropriately assigned teachers, standards-aligned instructional materials, school facilities in good repair)
  - Pupil outcomes
  - Parental involvement
  - Pupil engagement
  - School climate
- Two additional priority areas have been identified for COEs
  - Coordination of instruction for students who have been expelled
  - Coordination of services for foster children

# Relaxed Proportionality Rules

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- At the May Revision, we reported that the proposed accountability system implemented strict expenditure requirements:
  - Supplemental and concentration grant funding must be spent in a manner that benefits students generating those additional funds
  - Expenditure of funds must be proportional to the number of students at each school site
  - LEAs may not spend less than they spent on these students in 2012-13 and must meet annual MOE requirements
- These strict expenditure requirements have been relaxed
  - The SBE will adopt regulations that govern the expenditure of funds apportioned on the basis of the number and concentration of unduplicated pupils

# Relaxed Proportionality Rules

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- The regulations shall include, but are not limited to, provisions that do all of the following (E.C. 42238.07):
  - Require a school district, COE, or charter school to increase or improve services for unduplicated pupils in proportion to the increase in funds apportioned on the basis of the number and concentration of unduplicated pupils
  - Authorize a school district, COE, or charter school to use funds respectively for school wide, districtwide, countywide, or charter wide purposes, in a manner that is no more restrictive than the restrictions provided for in Title I of the federal No Child Left Behind Act of 2001

# Adopting and Updating the LCAP



## Changes from the May Revision:



### Consultation with:

- ~~District Assistance and Intervention Team~~
- Teachers
- Principals
- School personnel
- Pupils

### Present for review and comment to:

- Parent advisory committee
- English learner parent advisory committee
- The superintendent must respond in writing to comments received

### Opportunity for public input:

- Notice of the opportunity to submit written comment
- Public hearing
- The superintendent must respond in writing to comments received

### Adoption of the plan:

- Adopted concurrent with the LEA's budget
- Submitted to COE for approval
- Posted on district website
- COE posts LCAP for each district/school or a link to the LCAP

# Oversight Responsibilities

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- Oversight responsibilities of the COE starting in 2014-15:
  - August 15 – may seek clarification about the contents of a district’s LCAP or annual update and the local governing board must respond within 15 days
  - By October 8, the COE will approve the LCAP if:
    - The LCAP or annual update adheres to the template adopted by the SBE
    - The budget includes expenditures sufficient to implement the specific actions and strategies included in the LCAP
  - If the LCAP is not approved:
    - Identify strengths and weaknesses in regard to state priorities
    - Assign an academic expert or team of experts
    - Request that the SPI assign the California Collaborative for Educational Excellence (CCEE) to provide advice and assistance



# Oversight Responsibilities



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- Oversight responsibilities of the SPI starting in 2014-15:
  - Approve LCAP submitted by county boards of education in the same manner and provide technical assistance when necessary
  - When a district or COE
    - Fails to improve outcomes for three or more subgroups three out of four consecutive years, and
    - The CCEE finds that the LEA is unable to implement its recommendations, then
    - With approval by the SBE, the SPI is authorized to:
      - Make changes to the LCAP
      - Impose budget revisions
      - Stay and rescind action of the governing board – except where such action would violate a local CBA
      - Appoint an academic trustee

# SBE Actions and Timeline

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