



SACRAMENTO CITY UNIFIED SCHOOL DISTRICT BOARD OF EDUCATION

Agenda Item# 11.2

Meeting Date: August 1, 2013

Subject: **Approve 2013-14 District Budget Update and Revision – State Budget Approval**

- 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: Approve the 2013-14 district budget update and revision displaying the changes of the final state budget approval.

Background/Rationale: Education Code Section 42127(i)(4) requires districts to revise their budget “not later than 45 days” after the Governor signs the Annual Budget Act. The 2013-14 Budget Act was signed by the Governor on June 27, 2013. As such, SCUSD has until Friday, August 9, to submit a revised budget to the Sacramento County Office of Education. This Budget Revision reflects the impact of the Budget Act upon the district’s budget.

Financial Considerations: The proposed revisions to the adopted budget for the general fund reflect the adjustments needed to bring the District’s budget into alignment with the changes based on the Budget Act signed by the Governor on June 27, 2013, the trailer bills that were signed on July 1, 2013, and all other expenditure and revenue data available to the District at this time.

Documents Attached:

1. Executive Summary will be available 24 hours prior to the Board meeting.
2. Letter from the California Department of Education regarding the 2013–14 Budget Act
3. Budget Revision will be available 24 hours prior to the Board meeting.

Estimated Time of Presentation: 20 Minutes

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

Approved by: Dr. Teresa Cummings, Chief Accountability Officer



CALIFORNIA
DEPARTMENT OF
EDUCATION

TOM TORLAKSON
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

July 24, 2013

Dear County and District Superintendents, Direct-Funded Charter School Administrators, and County Chief Business Officers:

BUDGET ACT FOR 2013–14

On June 27, 2013, the Governor signed the Budget Act. The related trailer bills were signed on July 1, 2013, thereby putting into place a spending plan for 2013–14 and a revised spending plan for 2012–13. This letter, prepared by the California Department of Education (CDE) fiscal policy staff, provides information on the budget actions that affect kindergarten through grade twelve (K–12) education and child development programs.

Copies of this document, as well as other budget-related documents, are available on the CDE Education Budget Web page at <http://www.cde.ca.gov/fg/fr/eb/>. Official state budget documents are available through the California Department of Finance Web site at <http://www.dof.ca.gov/>.

Overview

The 2013–14 Budget Act reflects a significant improvement in the state's finances due to the economic recovery and voter approval in the November 2012 election of temporary increases in the sales and use tax and the personal income tax (Proposition 30), as well as increased corporate income taxes for multistate businesses (Proposition 39). The budget package implements a plan to reduce the "wall of debt" the state has accumulated after years of deficits.

For the first time since 2008–09, the state did not face a multi-billion-dollar deficit. The 2013–14 budget package projects General Fund (GF) resources of \$98 billion including new revenues generated by Propositions 30 and 39 and GF expenditures of \$96.3 billion. The budget package projects an estimated \$1.1 billion reserve at the end of 2013–14.

Proposition 98 Changes

The budget package reflects Proposition 98 funding of \$56.5 billion for K–12 and community colleges (K–14) in 2012–13, an increase of \$2.9 billion over the 2012 Budget Act. This results in Proposition 98 funding of \$8,448 per unit of K–12 average daily attendance (ADA) in 2012–13. The increased Proposition 98 revenues in 2012–13 are the result of one-time income tax revenues.

The budget package includes a Proposition 98 funding level of \$55.3 billion for 2013–14. This is \$1.2 billion less than the 2012–13 revised budget level and \$900 million less than the amount provided under the Governor's January budget proposal. This results in 2013–14 funding under the budget of \$8,220 per ADA. The apparent decline in funding from 2012–13 to 2013–14 is primarily due to a one-time appropriation of \$1 billion in 2012–13 for Common Core implementation with an additional \$250 million in one-time funds provided in 2013–14.

Major components of the budget are described below.

Deferrals

The budget package reduces K–12 inter-year deferrals to \$5.6 billion at the end of the 2013–14 fiscal year. This is a decrease of \$5 billion in deferrals from the high point in 2011–12 when \$10.6 billion in funding was deferred to 2012–13.

Local Control Funding Formula

The budget package replaces the current K–12 finance system with a new Local Control Funding Formula (LCFF). For school districts and charter schools, the LCFF creates base, supplemental, and concentration grants in place of most existing K–12 funding streams, including revenue limits and most state categorical programs. For county offices of education (COEs), the LCFF creates separate funding streams for oversight activities and instructional programs.

The 2013–14 Budget Act provides \$2.1 billion for school districts and charter schools and \$32 million for COEs to support the first-year implementation of the LCFF. Until full implementation, however, local educational agencies (LEAs) will receive roughly the same amount of funding they received in 2012–13 plus an additional amount each year to bridge the gap between current funding levels and the new LCFF target levels. The budget projects the time frame for full implementation of the LCFF to be eight years.

The LCFF includes the following components for school districts and charter schools:

- Provides a base grant for each LEA equivalent to \$7,643 per ADA. The actual base grants would vary based on grade span.
- Provides an adjustment of 10.4 percent on the base grant amount for kindergarten through grade three (K–3). As a condition of receiving these funds, the LEA shall progress toward an average class enrollment of no more than 24 pupils in K–3 unless the LEA has collectively bargained an annual alternative average class enrollment in those grades for each school site.
- Provides an adjustment of 2.6 percent on the base grant amount for grades nine through twelve.
- Provides a supplemental grant equal to 20 percent of the adjusted base grant for targeted disadvantaged students. Targeted students are those classified as English learners (EL), eligible to receive a free or reduced-price meal (FRPM), foster youth, or any combination of these factors (unduplicated count).
- Provides a concentration grant equal to 50 percent of the adjusted base grant for targeted students exceeding 55 percent of an LEA's enrollment.
- Provides for additional funding based on an "economic recovery target" to ensure that virtually all districts are at least restored to their 2007–08 state funding levels (adjusted for inflation) and also guarantees a minimum amount of state aid to LEAs.

The budget maintains Home-to-School Transportation and Targeted Instructional Improvement Block Grant funding as add-ons to the LCFF. The budget requires LEAs to maintain 2012–13 expenditure levels on transportation out of funds received for this purpose.

A summary of the LCFF funding amounts for school districts and charter schools is shown in Figure 1.

**Figure 1
LCFF Grade Span Funding at Full LCFF Implementation**

Grade Span	Base Grant	K-3 Class Size Reduction and Grades 9-12 Adjustments	Average Assuming 0% Unduplicated FRPM, EL, Foster Youth	Average Assuming 25% Unduplicated FRPM, EL, Foster Youth	Average Assuming 50% Unduplicated FRPM, EL, Foster Youth	Average Assuming 100% Unduplicated FRPM, EL, Foster Youth
K-3	\$6,845	\$712	\$7,557	\$7,935	\$8,313	\$10,769
4-6	\$6,947	N/A	\$6,947	\$7,294	\$7,642	\$9,899
7-8	\$7,154	N/A	\$7,154	\$7,512	\$7,869	\$10,194
9-12	\$8,289	\$216	\$8,505	\$8,930	\$9,355	\$12,119

COEs receive LCFF funding through a two-part formula with funding for oversight responsibilities and instructional activities. The oversight responsibilities would be funded through a COE operations grant, with amounts based on (1) a minimum grant per county, (2) the number of school districts in the county, and (3) the ADA in the county attributable to school districts, charter schools, and schools operated by the county superintendent.

A summary of county funding for oversight responsibilities is shown in Figure 2.

**Figure 2
County Oversight Funding at Full LCFF Implementation**

Per county	\$655,920
Per school district	\$109,320
Per ADA for ADA up to 30,000	\$70
Per ADA for ADA between 30,000 and 60,000	\$60
Per ADA for ADA between 60,000 and 140,000	\$50
Per ADA for ADA over 140,000	\$40

At full LCFF implementation, instructional activities of COEs are funded based on the category of pupil served:

- Certain pupils served by county offices (on probation, probation referred, and mandatory expelled) receive an alternative education base grant of \$11,045. In addition to the base grant, COEs receive a supplemental grant equal to 35 percent of the base grant for targeted students and a concentration grant equal to 35 percent of the base grant for targeted students exceeding 50 percent of enrollment.
- Juvenile court school pupils are funded with a base grant of \$11,045. Additionally, all juvenile court school pupils are deemed to be eligible for the supplemental and concentration grants provided for targeted disadvantaged students. The supplemental grant is equal to 35 percent of the base grant, and the concentration grant is equal to 35 percent of the base grant for students exceeding 50 percent of the juvenile court school enrollment.
- Other pupils served by COEs would be funded based on funding of their home school district.

Local Control Funding Formula Accountability

As part of the LCFF, school districts, COEs, and charter schools are required to develop, adopt, and annually update a three-year Local Control and Accountability Plan (LCAP), beginning on July 1, 2014, using a template adopted by the California State Board of Education (SBE) on or before March 31, 2014. In addition, the SBE is required to adopt evaluation rubrics to assist LEAs and oversight entities in evaluating strengths, weaknesses, areas that require improvement, technical assistance needs, and where interventions are warranted, on or before October 1, 2015. Subsequent revisions to the template or evaluation rubrics are required to be approved by the SBE by January 31 before the fiscal year in which the template or rubric would be used. The LCAP is required to identify goals and measure progress for student subgroups across multiple performance indicators. The budget provides \$2 million to the Governor's Office of Planning and Research to support the development of the LCAP template, regulations, and evaluation rubric.

Other LCFF accountability components include:

- The SBE must adopt regulations that govern the expenditure of the supplemental and concentration grant funding. These regulations will require school districts, COEs, and charter schools "to increase and improve" services for targeted

students and will provide authority for school districts to spend funds “school-wide” when significant populations of those students attend a school.

- LEAs must obtain parent and public input in developing, revising, and updating LCAPs.
- County superintendents must review school district LCAPs and ensure alignment of projected spending, services, and goals. Charter school LCAPs will be reviewed by the chartering authority. COEs are required to provide technical assistance when they disapprove an LCAP.
- The State Superintendent of Public Instruction (SSPI) must review LCAPs of COEs, as well as intervene, if a school district or charter school fails to show improvement on LCAP goals across multiple subgroups in three out of four consecutive school years.
- The budget package provides \$10 million to establish a new regional support network, called the California Collaborative for Educational Excellence, to advise and assist LEAs in achieving their LCAP goals.
- The budget package reduces subgroup size from 50 to 30 students and establishes foster youth as a new subgroup, with a subgroup size of 15, for purposes of Academic Performance Index accountability.

Common Core Implementation

The budget package provides \$1.25 billion in one-time funds (\$1 billion in 2012–13 and \$250 million in 2013–14) to support the implementation of Common Core State Standards. Allowable expenditures include instructional materials, professional development, and technology. Funds will be distributed to school districts, COEs, charter schools, and state special schools based on prior year enrollment.

Charter Schools

The budget package extends, for three years, the requirement that school districts offer first right of refusal for identified surplus property and facilities to charter schools before selling those assets to other entities or disposing of the property. To be eligible to receive facilities under this provision, charter schools must have at least 80 units of ADA.

The budget package also includes language to specify the conditions under which charter schools can receive attendance funding for students on multi-track school calendars and requires that compliance with these requirements be included in the audits conducted pursuant to *California Education Code (EC) Section 41020*. The language reflects the requirements imposed by the SBE in granting waivers for charter schools with multi-track attendance, including:

- Attendance must be calculated and reported separately by track.
- The school may operate no more than five tracks.
- Each track must operate a minimum of 175 days.
- Each track must provide the number of instructional minutes required by *EC Section 47612.5*.
- Each track must have no less than 55 percent of its school days before April 15.
- Unless otherwise authorized by statute, no pupil shall generate more than one unit of ADA in a fiscal year.

Additionally, the budget package transfers the Charter School Facility Grant and the Charter School Revolving Loan Fund programs from the CDE to the California School Finance Authority.

Adult Education and Apprenticeship Programs

The budget package provides \$25 million for adult education planning grants to be awarded jointly by the California Community Colleges (CCC) and the CDE. The planning grants will be awarded to consortia made up of at least one college and one LEA. The budget package also requires LEAs to maintain 2012–13 expenditure levels on adult education for two years.

The budget package shifts administration of Apprenticeship Programs to the CCC. The program will be consolidated with the CCC Apprenticeship Program as a separate categorical program.

Special Education

The budget package de-links federal funding from the state's formula for allocating special education funds, commonly referred to as Assembly Bill 602. It also provides an increase of \$3 million to update the statewide target rate used in funding calculations to the statewide average after removing federal funds from the special education formula.

The budget package also modifies the behavioral intervention plan mandate, aligning it more closely with federal law. The budget provides \$230,000 in one-time federal funds to the CDE to develop technical assistance advisories that reflect federal laws, regulations, research, and best practices.

The following program and funding consolidations are also part of the budget package:

- Consolidates Program Specialists and Regionalized Services and Staff Development funds into the AB 602 allocation formula, with \$2.7 million set aside for small Special Education Local Plan Areas (SELPAs).
- Consolidates funding for low incidence disabilities (LID) materials and services as well as LID Regional Occupational Centers/Programs (ROC/P) with language to specify that LID ROC/P has first call on up to \$2.1 million of consolidated funds.
- Consolidates funding for extraordinary costs associated with single placements in nonpublic, nonsectarian schools; pupils residing in licensed children's institutions; and educationally related mental health services for necessary small SELPAs.
- Consolidates two WorkAbility grant programs into one funding stream.
- Merges the Cross-Cultural Assessments Grant into the Statewide Training and Technical Assistance Grant.

Mandates Block Grant

The budget package provides an additional \$50 million to the K–12 Mandates Block Grant for a total appropriation of \$217 million in 2013–14. The additional funding is for ADA in grades nine through twelve to cover the cost of the High School Science Graduation mandate.

Proposition 39

The budget provides a total of \$464 million (Proposition 98) in funding for energy efficiency programs including \$381 million for K–12. K–12 funds would largely be distributed based on prior year ADA with minimum grant awards for small LEAs. Some of the funds would be allocated based on need as reflected by a district's percentage of low-income students. The California Energy Commission will consult with the CDE, the CCC, and the Public Utilities Commission to establish program guidelines and must approve an LEA's expenditure plan outlining projects to be funded prior to the CDE disbursement of funds. However, a portion of the funds may be distributed to an LEA prior to submission of the plan, upon request, for energy audits and other plan development activities.

Career Technical Education

The budget provides \$250 million in one-time funds, available for expenditure in the 2013–14 through 2015–16 fiscal years, to support competitive grants for K–14 Career Technical Education. Grants will be awarded based on the following priorities:

- Fund work-based learning in locally defined career pathways programs that promote regional collaborative relationships to connect California's K–14 education system with community organizations and business entities.
- Promote efforts that will develop and integrate standards-based academics with career-relevant sequenced curriculum aligned to regional job markets.
- Demonstrate a funding commitment from program partners to support the ongoing costs of the program.

The budget also:

- Requires LEAs to maintain 2012–13 expenditure levels on ROC/P for two years.
- Funds the following programs outside of the LCFF: Partnership Academies, Agricultural Career Technical Education Incentive, and Specialized Secondary Programs.

Child Development

The budget provides \$25 million in Proposition 98 funds to restore preschool services. The budget also provides \$15.8 million to backfill the anticipated federal sequestration reduction and \$10 million in one-time GFs to expand services in the General Child Care, Alternative Payment, and Migrant Programs. It is the intent of the Legislature to fully fund caseload projections for CalWORKs Stage 2 and Stage 3 child care programs.

Budget and Trailer Bills

The Budget Act and trailer bills are as follows:

- Budget Act: AB 110, Chapter 20, signed June 27, 2013
- Education omnibus trailer bill: AB 86, Chapter 48, signed July 1, 2013
- LCFF: AB 97, Chapter 47, signed July 1, 2013
- LCFF amendments: SB 91, Chapter 49, signed July 1, 2013
- Proposition 39: SB 73, Chapter 29, signed June 27, 2013
- Higher education: AB 94, Chapter 50, signed July 1, 2013

If you have any questions regarding the 2013–14 budget, please contact the Government Affairs Division by phone at 916-324-4728. You may also contact Carol Bingham, Senior Fiscal Policy Advisor, Fiscal Policy Office, by e-mail at cbingham@cde.ca.gov.

Sincerely,



Tom Torlakson

TT:cn

2013-06216

NOTICE: The guidance in this letter is not binding on local educational agencies or other entities. Except for the statutes, regulations, and court decisions that are referenced herein, this letter is exemplary, and compliance with it is not mandatory. (See *Education Code* Section 33308.5.)