Local Control Funding Formula (LCFF)
Local Control and Accountability Plan (LCAP)
Budget Basics
2017-18 Governor’s Budget Proposal

Presented by Tim Zearley
Assistant Superintendent, Business Services
February 8, 2017
Agenda

- What is the Local Control Funding Formula
- What is the Local Control Accountability Plan
- Budget Basics
- Summary of the 2017-18 Governor’s Budget Proposal
- Next Steps
- Questions
In 2013, California dramatically reformed the way it funds our public schools. The LCFF established a funding system that provides school districts with base funding and additional funds based on how many low-income, English learner, and foster youth students served.

- Provides extra funding for students with greater challenges
- Provides more flexibility in spending
- Simplicity
- Transparency
- Performance rather than compliance driven
- Equity and support for all students
- Accountability
- Local flexibility
State Funding Before LCFF

State Categorical Programs

Revenue Limit

$ per ADA

Federal funding
State Funding After LCFF

Base per grade + grade span adjustment for K-3 & 9-12

Supplemental

Concentration

$ per ADA
# Major Shifts Made by the Local Control Funding Formula (LCFF)

<table>
<thead>
<tr>
<th>Before LCFF</th>
<th>After LCFF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Limits</td>
<td>LCFF base funding differentiated by grade span</td>
</tr>
<tr>
<td>State categorical programs with temporary tiered flexibility</td>
<td>Unduplicated pupil weights, including supplemental and concentration funding</td>
</tr>
<tr>
<td>Accountability and performance process separate from funding</td>
<td>Local Control Accountability Plans required</td>
</tr>
</tbody>
</table>

**Unchanged**

- Financial audits
- Compliance with *Williams*
- School Accountability Report Cards
- Federal funding, planning, and accountability requirements
- Local educational agency as subgrantee of the state
How the Local Control Funding Formula (LCFF) Works

BASE GRANTS

Every student generates a base grant.

Base grant dollars are used to fund basic educational costs, such as: employee salaries, instructional materials, maintaining school facilities, operational services, etc.

SUPPLEMENTAL GRANTS

Every student who is Low-Income, English Learner, or in Foster Care generates 20% more funding above the base grant and grade span adjustment.

These funds must be spent on increasing and improving services for these high-need student groups in order to improve their achievement.
<table>
<thead>
<tr>
<th></th>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
<th>2016-17</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACUSD Enrollment</td>
<td>3,708</td>
<td>3,825</td>
<td>3,828</td>
<td>3,864</td>
</tr>
<tr>
<td>ACOE Enrollment</td>
<td>457</td>
<td>169</td>
<td>186</td>
<td>164</td>
</tr>
<tr>
<td>Total Enrollment</td>
<td>4,165</td>
<td>3,994</td>
<td>4,014</td>
<td>4,028</td>
</tr>
<tr>
<td>ACUSD Unduplicated Pupil Count</td>
<td>1,619</td>
<td>1,722</td>
<td>1,874</td>
<td>1,697</td>
</tr>
<tr>
<td>ACOE Unduplicated Pupil Count</td>
<td>296</td>
<td>117</td>
<td>133</td>
<td>105</td>
</tr>
<tr>
<td>Total Unduplicated Pupil Count</td>
<td>1,915</td>
<td>1,839</td>
<td>2,007</td>
<td>1,802</td>
</tr>
<tr>
<td>Single Year Unduplicated Pupil Percentage</td>
<td>45.98%</td>
<td>46.04%</td>
<td>50.00%</td>
<td>44.74%</td>
</tr>
<tr>
<td>Unduplicated Pupil Percentage for calculation</td>
<td>45.98%</td>
<td>46.04%</td>
<td>47.37%</td>
<td>46.93%</td>
</tr>
</tbody>
</table>

Funding calculation is based on a 3 year rolling percentage

Unduplicated Pupil Count is the number of students that are either Low Income, English Learners, or Foster Youth
What is the Local Control Accountability Plan (LCAP)?

- The Local Control and Accountability Plan (LCAP) outlines the actions scheduled to be taken to increase or improve services for English Learners, Low Income, and Foster Youth students utilizing the Supplemental and Concentration grant dollars in the LCFF calculation.
  - Goals to be achieved on behalf of all students and for each subgroup (must align to state priorities, and any local priorities)
  - Actions to achieve goals
  - Expenditures for each action that aligns to the budget
  - Process the LEA used to involve stakeholders in the development and review of the plan

- 2016-17 is the fourth year of the new funding formula and the third year for the LCAP
8 (District) or 10 (COE) State Priorities

Conditions for Learning

- Expelled Youth (COE Only) 9
- Basic Services 1
- Implementation of State Standards 2
- Course Access 7
- Foster Youth (COE Only) 10

State LCAP Priorities

Pupil Achievement 4
Other Pupil Outcomes 8
Parent Involvement 3
Pupil Engagement 5
School Climate 6

Engagement
What is a Budget?

- A financial plan that reflects the goals, objectives and priorities of a district for the fiscal year
- A living and frequently changing document
- The estimated revenues and expenditures as authorized by the Board
- General Fund (Fund 01) includes Unrestricted and Restricted Funds
  - Unrestricted funds are not subject to specific constraints and may be used for any educational purpose not prohibited by law
  - LCAP funds are unrestricted but must be used to increase services to most at risk students
  - Restricted funds have been received by an external source and are legally restricted by the donor to be used for specific purposes
    - Every Student Succeeds Act (ESSA)
    - Special Education (IDEA)
    - Other State funded programs
    - Local Funds
Revenue Classifications

- Components of Revenue
  - LCFF Sources (8010-8099)
    - Property Taxes
    - State Aid
  - Federal Revenue (8100-8299)
    - Every Student Succeeds Act (ESSA)
    - Special Education IDEA
    - Child Nutrition (Fund 13)
  - Other State Revenue (8300-8599)
    - Lottery
    - Mandated Cost Reimbursement
    - Pre-School (Fund 12)
  - Other Local Revenue (8600-8799)
    - Interest
    - Donations
Expenditure Classifications

- Expenditures
  - Certificated Salaries (1000-1999)
  - Classified Salaries (2000-2999)
  - Employee and Retiree Benefits (3000-3999)
    - STRS, PERS, Heath Insurance, Other Payroll Costs
  - Books and Supplies (4000-4999)
    - Textbooks and Instructional Materials
    - Fuel, Office/Custodial Supplies, Food
  - Services and Other Operating Expenditures (5000-5999)
    - Utilities, Travel, Leases, Legal Expenses, Consultants
  - Capital Outlay (6000-6999)
  - Other Outgo (7100-7499)
    - Tuition transfer for COE operated programs
    - Debt Service Leases
Proposition 98 Growth, Now and Later

- The Brown Administration has been warning of slower economic growth
- Stable or expanding economic conditions increase prosperity for the population – and increase tax revenues for the state
  - Taxes drive Proposition 98 obligations to schools
  - The top 1%, who pay half of the personal income tax and all of the Proposition 30 taxes, may not be doing as well as expected
  - Revenue projections dictate the rate at which the state moves toward the Local Control Funding Formula (LCFF) full implementation targets
- Passage of Proposition 55 maintains, but does not increase, education funding above the Proposition 30 level
  - Proposition 55 is a replacement for Proposition 30, not an addition to it
The Budget proposes $744 million for continued implementation of the LCFF. New funding is estimated to close the gap between 2016-17 funding levels and LCFF full implementation targets by 23.67%. 96% of the gap closed in the first five years, but...

- No change from 2016-17
- New LCFF allocation only sufficient to pay cost of the COLA increase to the grade span per-ADA rates

The LCFF base grant targets are adjusted for an estimated 1.48% COLA in 2017-18.

2017-18 LCFF growth provides an average increase in per-pupil funding of $132 per ADA.
- Increases will vary by district based upon student population
Sources of One-Time Funding

- The Administration has consistently provided one-time funding to repay outstanding mandates, and 2017-18 is no different.

- One-time funding comes to fruition for two reasons:
  - Administration under projected revenues in a prior year
  - Administration does not want to commit all current-year Proposition 98 requirements to ongoing commitments

- The chart below shows the historical one-time discretionary funding per ADA:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$67</td>
<td>$529</td>
<td>$214</td>
<td>$48</td>
</tr>
</tbody>
</table>
Transitioning to Full Funding of LCFF Entitlements

Number of School Districts by Unduplicated Pupil Percentage

- 0% to 20%: 84
- 20% to 40%: 148
- 40% to 60%: 215
- 60% to 80%: 232
- 80% to 100%: 256
Transitioning to Full Funding of LCFF Entitlements

Average Funding by Unduplicated Pupil Percentage

- 2017-18 Proposed
- LCFF Increase (2013-14 thru 2016-17)
- 2012-13 Base

<table>
<thead>
<tr>
<th>UPP Range</th>
<th>0% - 20%</th>
<th>20% - 40%</th>
<th>40% - 60%</th>
<th>60% - 80%</th>
<th>80% - 100%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount Per ADA</td>
<td>$1,691</td>
<td>$1,787</td>
<td>$1,919</td>
<td>$2,425</td>
<td>$2,879</td>
</tr>
<tr>
<td>2017-18</td>
<td>$98</td>
<td>$104</td>
<td>$112</td>
<td>$137</td>
<td>$159</td>
</tr>
</tbody>
</table>
What's Ahead

LCFF Implementation Progress

Average Per-Pupil Amount

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Target</th>
<th>Transition</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>9,500</td>
<td>6,500</td>
</tr>
<tr>
<td>2014-15</td>
<td>9,500</td>
<td>7,500</td>
</tr>
<tr>
<td>2015-16</td>
<td>9,500</td>
<td>8,500</td>
</tr>
<tr>
<td>2016-17</td>
<td>9,500</td>
<td>9,500</td>
</tr>
<tr>
<td>2017-18</td>
<td>9,500</td>
<td>10,500</td>
</tr>
<tr>
<td>2018-19</td>
<td>9,500</td>
<td>11,000</td>
</tr>
<tr>
<td>2019-20</td>
<td>9,500</td>
<td>11,000</td>
</tr>
<tr>
<td>2020-21</td>
<td>9,500</td>
<td>11,000</td>
</tr>
</tbody>
</table>

No Change in Percent Funded

$387/ADA
$2.3 Billion
Revenue vs. Cost

- On the natural, costs continue to rise
  - Step and column
  - Health and welfare
  - CalPERS/CalSTRS contributions
- Declining enrollment also results in revenue losses
- Ongoing revenues rise by only 1.48% for 2017-18
- Ongoing costs for most districts are likely to exceed 4%
- New revenues will not cover new costs
  - And it gets worse in the out years
- There is no new "targeted money" for gap closure in 2017-18
The employer contribution to CalPERS is proposed to increase to 15.8% in 2017-18, up from 13.888% in 2016-17.

For perspective, the projected employer contribution rate of 28.2% in 2023-24 is 2.4 times greater than the rate of 11.847% in 2015-16.

- 138% increase in just eight years

Estimates of the resulting future contribution rate increases for school employers are as follows:

<table>
<thead>
<tr>
<th>Actual</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>2017-18</td>
</tr>
<tr>
<td>2016-17</td>
<td>2018-19</td>
</tr>
<tr>
<td>2016-17</td>
<td>2019-20</td>
</tr>
<tr>
<td>2016-17</td>
<td>2020-21</td>
</tr>
<tr>
<td>2016-17</td>
<td>2021-22</td>
</tr>
<tr>
<td>13.888%</td>
<td>15.8%</td>
</tr>
<tr>
<td>13.888%</td>
<td>18.7%</td>
</tr>
<tr>
<td>13.888%</td>
<td>21.6%</td>
</tr>
<tr>
<td>13.888%</td>
<td>24.9%</td>
</tr>
<tr>
<td>13.888%</td>
<td>26.4%</td>
</tr>
</tbody>
</table>
Amador County School District
PERS Cost Analysis
(in millions)
CalSTRS Rate Increases

- Employer rates are increasing to 14.43% in 2017-18, up from 12.58% in 2016-17
  - No specific funds are provided for this cost increase
  - STRS Employer Rate was 8.25% in 2013-14

<table>
<thead>
<tr>
<th>Year</th>
<th>Employer</th>
<th>Pre-PEPRA Employees</th>
<th>Post-PEPRA Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-17</td>
<td>12.58%</td>
<td>10.25%</td>
<td>9.205%</td>
</tr>
<tr>
<td>2017-18</td>
<td>14.43%</td>
<td>10.25%</td>
<td>9.205%</td>
</tr>
<tr>
<td>2018-19</td>
<td>16.28%</td>
<td>10.25%</td>
<td>9.205%</td>
</tr>
<tr>
<td>2019-20</td>
<td>18.13%</td>
<td>10.25%</td>
<td>9.205%</td>
</tr>
<tr>
<td>2020-21</td>
<td>19.10%</td>
<td>10.25%</td>
<td>9.205%</td>
</tr>
</tbody>
</table>
STRS Cost Increase Analysis

Amador County Unified School District
STRS Cost Analysis
(in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>STRS Cost (Based on Approved Rate) (in millions)</th>
<th>STRS Cost @8.25% (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013-14</td>
<td>$0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>2014-15</td>
<td>$0.50</td>
<td>$0.50</td>
</tr>
<tr>
<td>2015-16</td>
<td>$1.00</td>
<td>$1.00</td>
</tr>
<tr>
<td>2016-17</td>
<td>$1.50</td>
<td>$1.50</td>
</tr>
<tr>
<td>2017-18</td>
<td>$2.00</td>
<td>$2.00</td>
</tr>
<tr>
<td>2018-19</td>
<td>$2.50</td>
<td>$2.50</td>
</tr>
<tr>
<td>2019-20</td>
<td>$3.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>2020-21</td>
<td>$3.50</td>
<td>$3.50</td>
</tr>
<tr>
<td>2021-22</td>
<td>$4.00</td>
<td>$4.00</td>
</tr>
<tr>
<td>2022-23</td>
<td>$4.50</td>
<td>$4.50</td>
</tr>
<tr>
<td>2023-24</td>
<td>$5.00</td>
<td>$5.00</td>
</tr>
<tr>
<td>2024-25</td>
<td>$5.50</td>
<td>$5.50</td>
</tr>
</tbody>
</table>
Managing Volatile Projections

- Multiyear financial planning is a sound business practice that all well-run organizations do regardless of any legal requirements.
  - However, it is very challenging to prepare meaningful MYPs in this environment.

- The enacted State Budget often differs significantly from what was planned in an LEA's budget.

- LEAs need to build the MYP based on the best information available.
  - And then be flexible and revise often.
Average Gap Closure Funding Per Pupil

- **2016-17**: $516 (Budget Act), $516
- **2017-18**: $389 (Budget Act), $132 (Governor's Budget Proposal)
- **2018-19**: $353 (Budget Act), $151
- **2019-20**: $359 (Budget Act), $380
- **2020-21**: $440

Legend:
- Red: 2016-17 Budget Act
- Yellow: 2017-18 Governor's Budget Proposal
State revenues, and Proposition 98 revenues, are now forecast to flatten out

- Districts that budgeted for the DOF estimated increases forecast earlier may now come short

- Even with the addition of the Proposition 55 taxes in the out years, education funding is now projected to be below earlier forecasts

- Erosion in the state's revenue forecasts consume all of the gains from Proposition 55
Examples of Changes in MYPs

Cumulative New Dollars Per ADA
(Average District)

$2,000
$1,500
$1,000
$500
$0

2017-18  $89  $132
2018-19  $29  $617
2019-20  $1,828  $1,482

June Budget  January Budget
## MYP Revenue Projection Challenges

<table>
<thead>
<tr>
<th>LCFF Calculation</th>
<th>2017-18 Projection June Budget</th>
<th>2017-18 Projection January Budget</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Control Funding Formula Target</td>
<td>$34,732,054</td>
<td>$34,855,110</td>
<td>$123,056</td>
</tr>
<tr>
<td>Local Control Funding Formula Floor</td>
<td>$32,890,757</td>
<td>$32,926,739</td>
<td>$35,982</td>
</tr>
<tr>
<td>Local Control Funding Formula Need</td>
<td>$1,841,297</td>
<td>$1,928,371</td>
<td>$87,074</td>
</tr>
<tr>
<td>Current Year Gap Funding</td>
<td>$1,361,823</td>
<td>$456,445</td>
<td>-$905,378</td>
</tr>
<tr>
<td>Local Control Funding Formula Entitlement</td>
<td>$34,252,580</td>
<td>$33,383,184</td>
<td>-$869,396</td>
</tr>
<tr>
<td>Department of Finance Gap Funding Estimates</td>
<td>73.96%</td>
<td>23.67%</td>
<td></td>
</tr>
</tbody>
</table>
LCFF implementation for COEs is quite different – unlike school districts and charter schools, the LCFF was fully implemented for COEs in 2014-15

- All COEs were at or above their LCFF full implementation targets in 2015-16

- Simplifies funding formula calculations, but . . .

- COEs have seen minimal increases in LCFF revenues since in 2015-16

- COE LCFF funding rates increase in 2017-18 by a COLA of 1.48%
The Operations Grant combines three components that reflect funding needs based on county office responsibilities, the number of districts within the county, and the countywide ADA.

<table>
<thead>
<tr>
<th>Funding Component</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Each County</td>
<td>$678,132</td>
</tr>
<tr>
<td>For each school district within the county</td>
<td>$113,022 per school district</td>
</tr>
<tr>
<td>Countywide ADA:</td>
<td></td>
</tr>
<tr>
<td>0 – 30,000</td>
<td>$72.38 per ADA</td>
</tr>
<tr>
<td>30,001 – 60,000</td>
<td>$62.03 per ADA</td>
</tr>
<tr>
<td>60,001 – 140,000</td>
<td>$51.69 per ADA</td>
</tr>
<tr>
<td>Greater than 140,000</td>
<td>$41.35 per ADA</td>
</tr>
</tbody>
</table>
Special Education

- The Governor’s Budget includes no new funding for special education programs beyond the 1.48% COLA
  - Estimated at $7.88 per ADA
- Special education funding is reduced by $4.9 million due to a projected decrease in statewide ADA in 2017-18
  - Though statewide ADA is projected to decrease, student enrollment in special education continues to grow
    - The latest data shows special education enrollment grew by 2.29% between 2014-15 and 2015-16 while enrollment statewide declined by 0.14% in the same period
Special Education:

- Special Education costs increase as overall funding declines
- No mechanism in place to increase funding based on student needs
- General fund contributions nearing 60% of total cost squeezing all other educational goals
Next Steps

- State level
  - Budget committee hearings
  - Next update – May Revision

- Local level
  - Second Interim Report due by March 16 for school districts
  - 2017-18 Budget Development begins
  - 2017-18 Budget and LCAP adopted by June 30, 2017