

Santa Monica-Malibu Unified School District

Local Control Funding Formula Overview

November 19, 2013



Presented by:

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The State Budget for 2013-14

1

- The Legislature passed and Governor Jerry Brown signed an on-time Budget for 2013-14, the third time in as many years
 - Passage of Proposition 30 in November of 2012 provides stability for the State Budget – but only temporarily – the taxes are temporary
 - The majority party Democrats control the entire Budget process, and the Budget was passed without much drama
- Temporary taxes and additional revenue from a slightly stronger economy eliminated the need for gimmicks and overly aggressive assumptions
- This year, the Local Control Funding Formula (LCFF) is Governor Brown's big win
 - The last major revision of the education funding system was 40 years ago when Senate Bill (SB) 90 (Chapter 1406/1972) established revenue limits and categorical programs
 - LCFF is evolving, but will have a huge impact on local operations

Proposition 30 – The Schools and Local Public Safety Protection Act of 2012

2

- Proposition 30, the Schools and Local Public Safety Protection Act, was sponsored by Governor Brown
- Authorized temporary tax increases:
 - Sales tax increase of 0.25% will expire in 2016
 - Personal income tax increase will expire in 2018
- Generates approximately \$6 billion per year until the first tax expires



Proposition 30 – The Schools and Local Public Safety Protection Act of 2012

3

- Revenues from tax increases fund the Education Protection Account (EPA), which offsets state aid toward school district funding
 - Districts receive their apportionments from three sources now:
 - ❖ Local property taxes
 - ❖ EPA
 - ❖ State aid
- EPA funds must be spent according to a plan approved by the State Board of Education (SBE) each year
 - And a final expenditure report is prepared and posted to the District's website

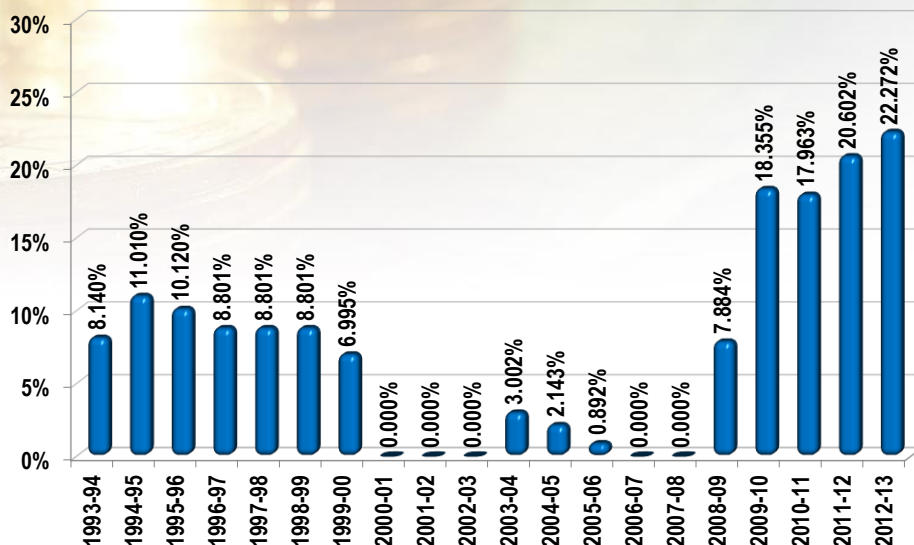
What LCFF is Replacing

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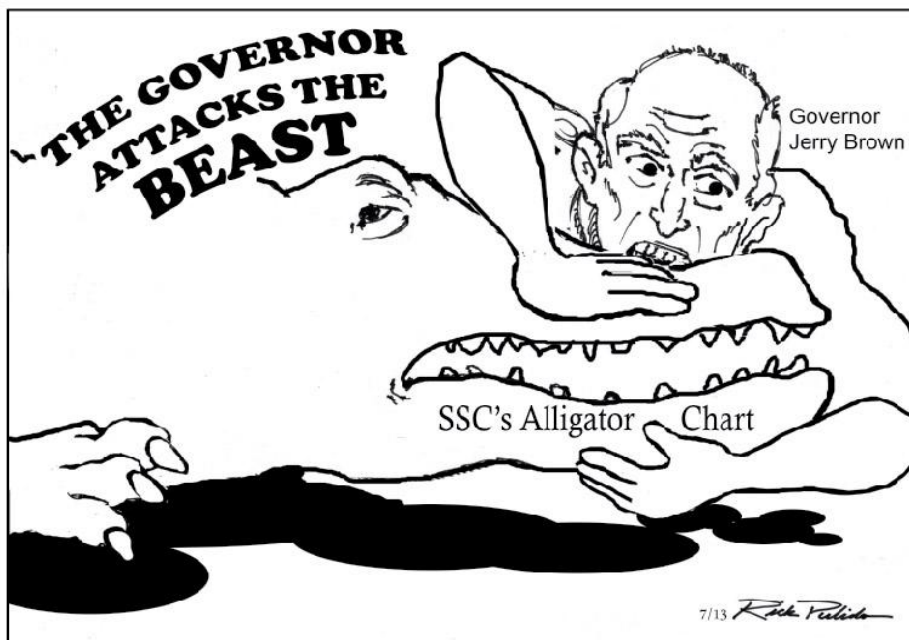
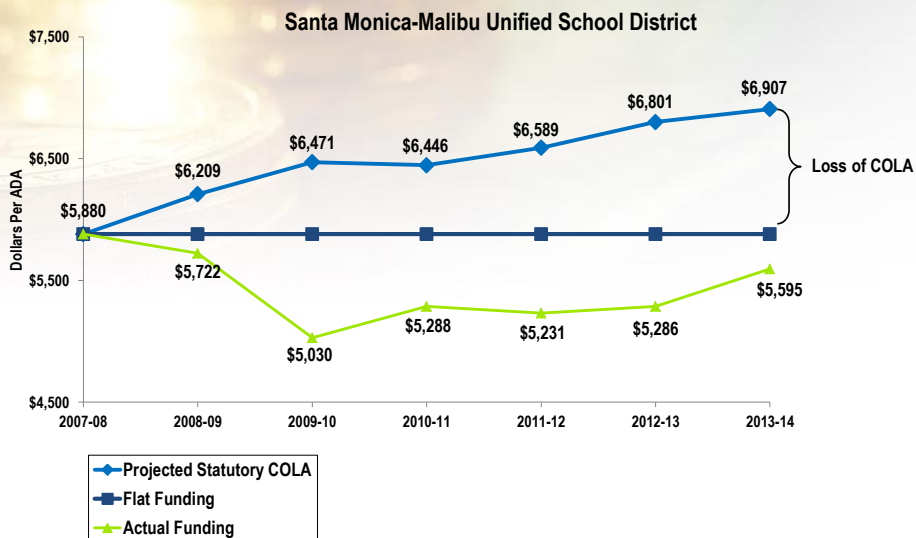
- The LCFF replaces the 40-year-old revenue limit and 40+ categorical programs
- Revenue limit entitlement calculations were very complex
 - Add the statutory cost-of-living adjustment (COLA) to the prior year's base revenue limit per average daily attendance (ADA) whether the COLA is funded or not
 - Multiply the result by current-year ADA
 - Then apply the deficit factor
 - Many adjustments and add-ons throughout – pages and pages of calculations
- The deficit factor reflects the cumulative effect of unfunded COLAs and revenue limit cuts
 - The funding is eventually provided prospectively

Revenue Limit Deficit Factors

5



Revenue Limit Funding Per Average Daily Attendance (ADA) – Actual vs. Prior Statutory Level



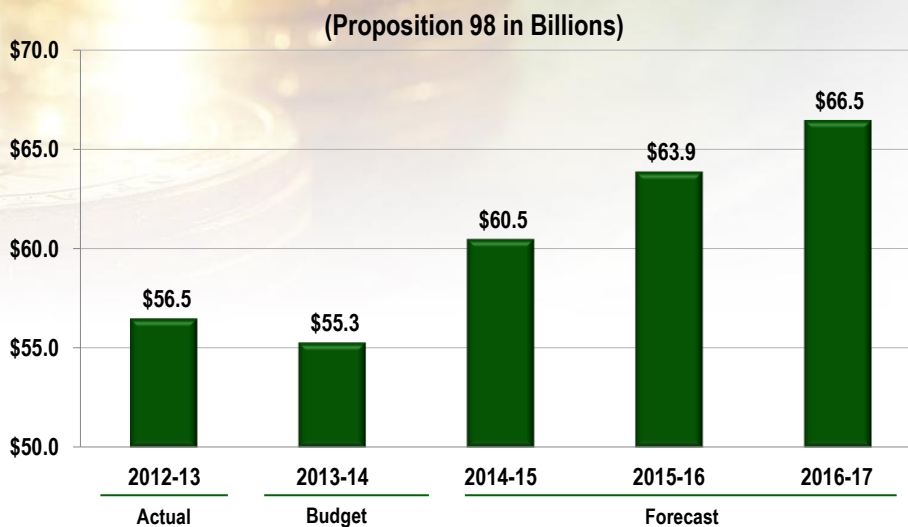
LCFF – What it Does

8

- 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 – intended to be 2020-21 – 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

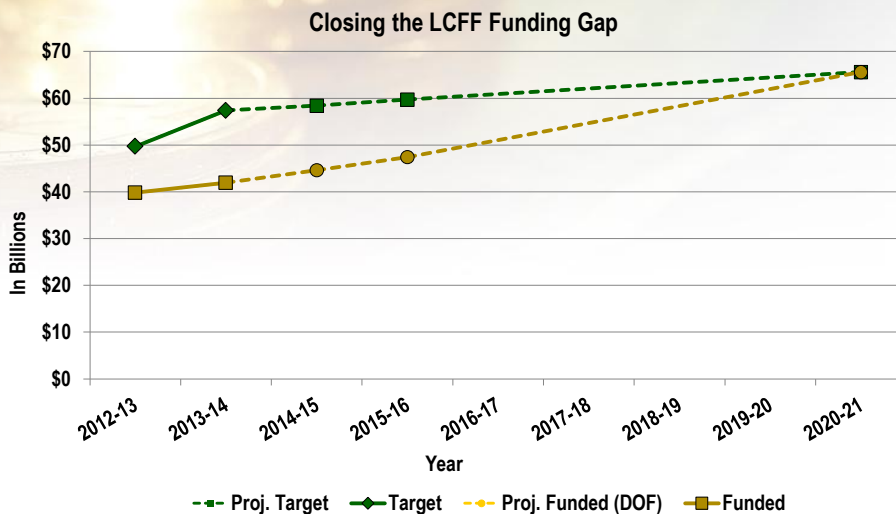
Proposition 98 Forecast

9



The LCFF: Will the State Meet Its Goal?

10



Categorical Programs and the LCFF

11

- 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 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: Free and Reduced-Price Meal (FRPM) eligible, English learner, foster youth (unduplicated counts)
 - An additional 50% for the eligible students exceeding 55% of total enrollment

Categorical Programs

12

● A partial list of the 40 categorical programs rolled into the base grant:

- Adult Education
- Deferred Maintenance
- Economic Impact Aid
- Gifted and Talented Education
- Regional Occupational Centers/Programs
- School and Library Improvement Block Grant

Percentage of District Enrollment of Free and Reduced-Price Meals and English Learners

13

District	Percent of Free and Reduced-Price Meals	Percent of English Learners
Paramount Unified	88.65%	33.74%
Los Angeles Unified	73.97%	27.26%
Inglewood Unified	72.18%	25.11%
<i>Comparative Group</i>	69.72%	25.57%
Long Beach Unified	68.11%	22.32%
Bellflower Unified	66.83%	21.24%
<i>All Unified Districts</i>	57.24%	22.11%
Glendale Unified	45.06%	25.29%
Culver City Unified	39.92%	11.03%
Burbank Unified	38.07%	10.28%
Santa Monica-Malibu Unified	27.36%	9.00%
Redondo Beach Unified	21.54%	6.61%
El Segundo Unified	11.57%	5.71%
Las Virgenes Unified	6.33%	5.80%
Oak Park Unified	4.55%	2.24%

Documenting Eligibility

14

- Pupils eligible for FRPM
 - Participation in the federal program is not required
 - Eligibility is not identical to federal requirements
 - ❖ For federal “Provision 2 and 3” schools, districts must verify eligibility annually, using an alternative method chosen by the school district
 - ❖ At this time, direct verification (good for a four-year period under federal law) is not deemed sufficient to document the count of FRPM-eligible students at Provision 2 and 3 schools for purposes of LCFF funding
- Accurate and documented verification of student status as an FRPM eligible, an English learner, or a foster youth is of high importance in the LCFF

LCFF – Base Grant Entitlement Calculation

15

- 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

16

- 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

17

- 2013-14 target entitlement calculation
 - Supplemental and concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners, FRPM program eligible students, and foster youth

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	\$1,728
50% concentration grant (for eligible students exceeding 55% of enrollment)	\$3,838	\$3,528	\$3,633	\$4,319

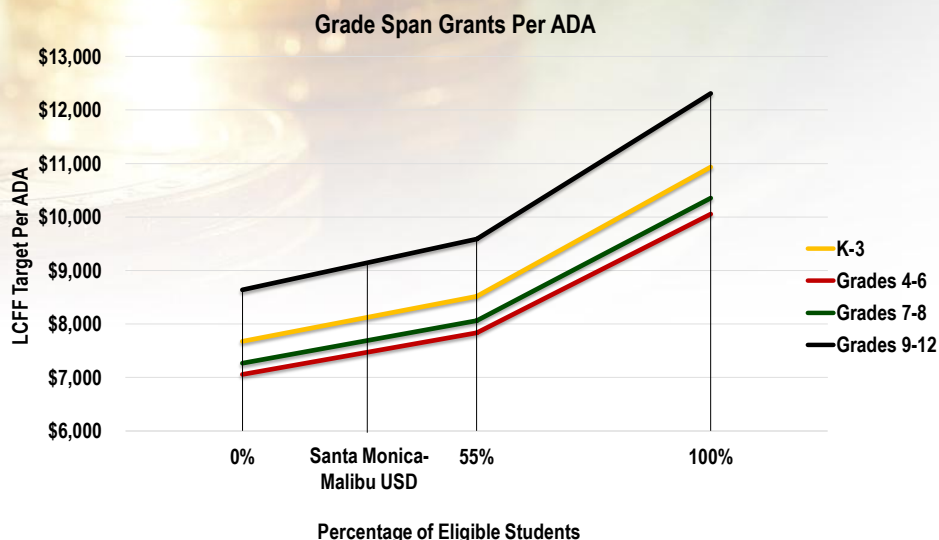
LCFF – Minimum and Maximum Target Grants Per ADA 18

● 2013-14 target entitlement calculation

- Grant amounts vary from a minimum based on no students eligible for supplemental and concentration grants to 100% of student enrollment qualifying

Factors	K-3	4-6	7-8	9-12
Minimum grant per ADA	\$7,675	\$7,056	\$7,266	\$8,638
Maximum grant per ADA	\$10,937	\$10,055	\$10,354	\$12,310
Difference (\$)	\$3,262	\$2,999	\$3,088	\$3,672
Difference (%)	42.5%	42.5%	42.5%	42.5%

LCFF – Grade Span Grants Per ADA 19



2013-14 District LCFF Entitlement

20

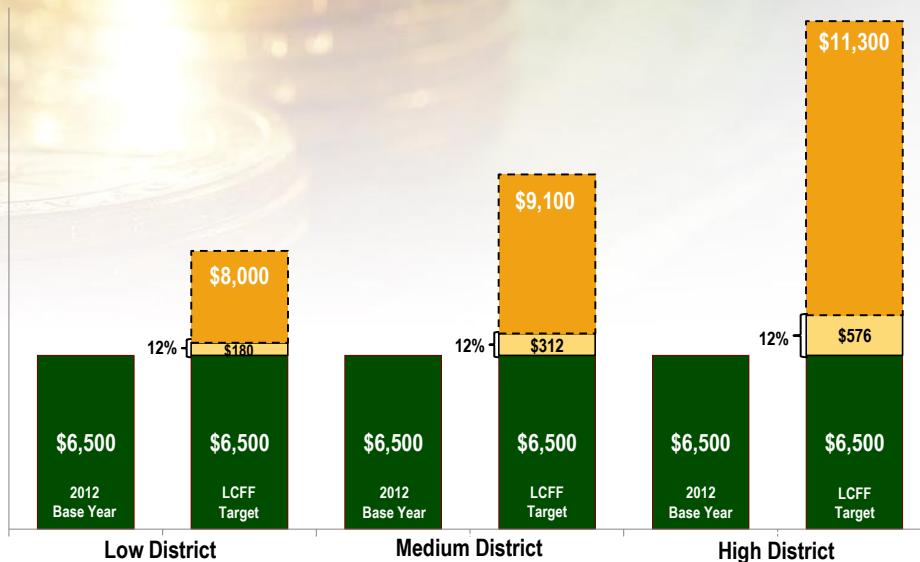
- A district's LCFF entitlement for 2013-14 will be based on its 2012-13 base year funding level, its LCFF target, and the statewide funding provided to move toward the target

	Low	Medium	High
2012-13 Base	\$6,500	\$6,500	\$6,500
LCFF Target	\$8,000	\$9,100	\$11,300
Difference	\$1,500	\$2,600	\$4,800
State Factor	12%	12%	12%
2013-14 Increase	\$180	\$312	\$576

- The state factor of 12% of growth toward target is based on the 2013-14 appropriation of \$2.1 billion and the estimated statewide funding gap of \$17.5 billion

2013-14 Growth Toward Target

21



LCFF Implementation Phase

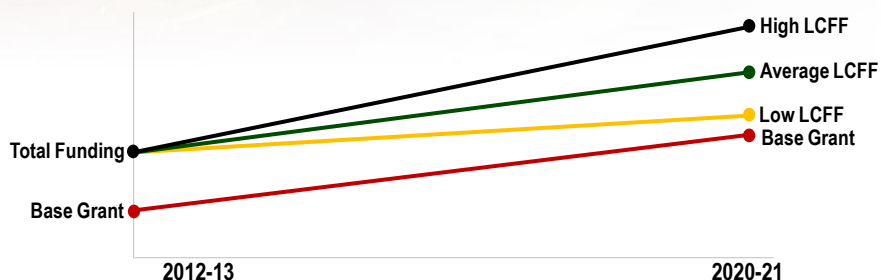
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- There are two distinct phases of the LCFF: (1) the eight-year implementation phase, and (2) the fully funded phase
 - The eight-year implementation phase is not set in statute and can be longer or shorter than eight years, depending upon the annual LCFF appropriation
 - Numerous fiscal inequities could arise during the implementation phase
 - ❖ Even if the state appropriates sufficient funds to support the statutory 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

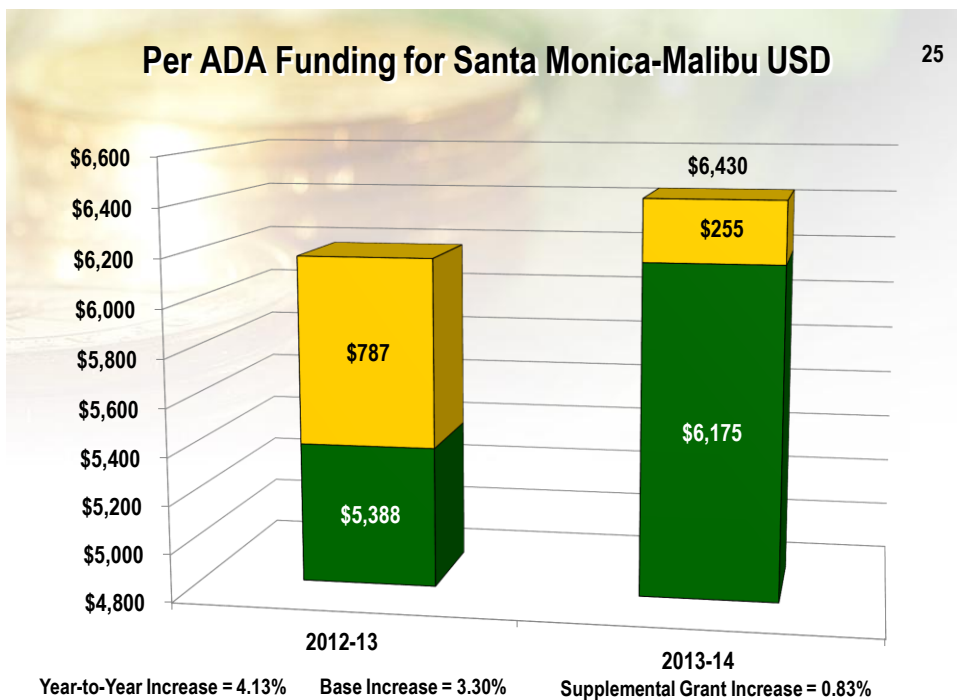
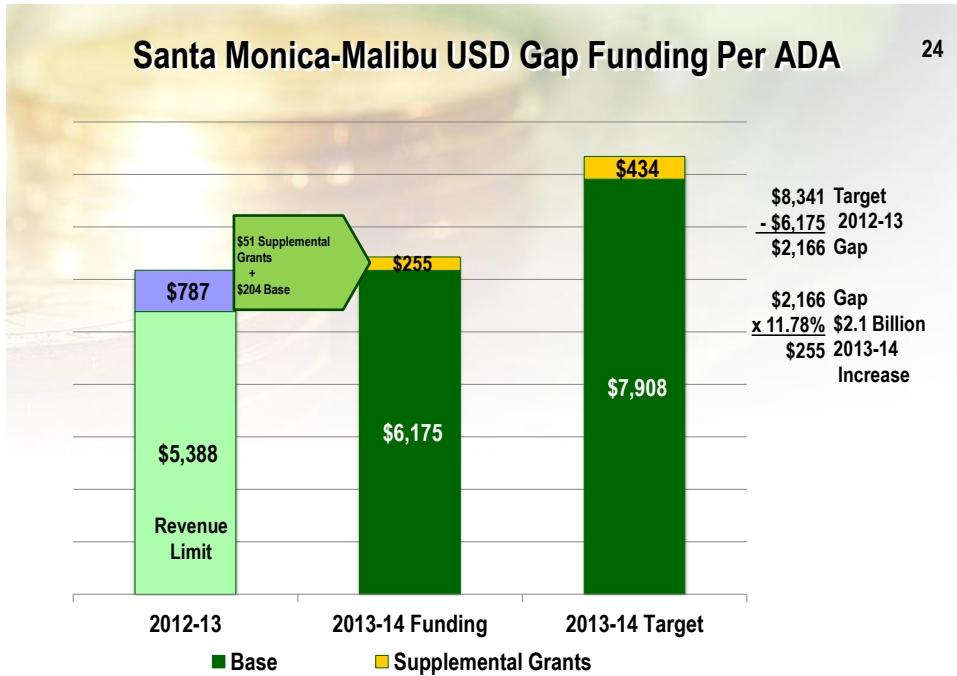
High LCFF Districts Are Particularly Vulnerable

23

- Because of the variability in rates of increase, a district with a high number of students who qualify for supplementary funding will be especially vulnerable
 - The district that has few LCFF supplementary dollars will plan to get nearly nothing, and if it gets nothing, its planning is still close
 - But the district that has high supplemental and concentration grants will plan for much higher increases, and in a bad year has much further to fall

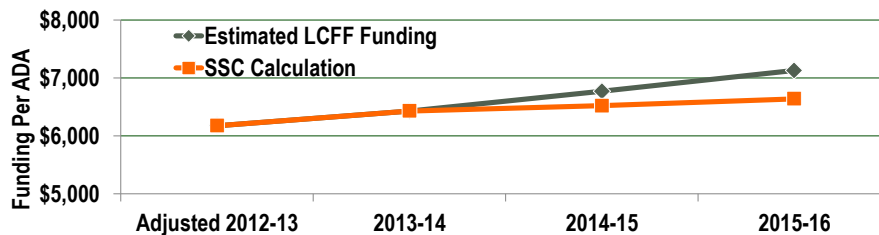


Santa Monica-Malibu Unified School District
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Projections of the Future for Santa Monica-Malibu USD 26

Multiyear Projections Analysis				
	Adjusted 2012-13	2013-14	2014-15	2015-16
Estimated LCFF Funding	\$6,177	\$6,432	\$6,771	\$7,129
Net Change Per ADA		\$255	\$340	\$353
Net Percent Change		4.13%	5.29%	5.21%
SSC Calculation	\$6,177	\$6,432	\$6,523	\$6,641
Net Change Per ADA		\$255	\$91	\$119
Net Percent Change		4.13%	1.41%	1.82%



Multiyear Financial Projections 27

- The LCFF revenue model leads to an entirely new way of thinking about multiyear projections (MYPs)
 - 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
- Under the old rules, all districts could plan for similar changes in revenue limits – not so under the LCFF
 - Every district has its own starting point and its own unique goal
 - Some districts will project very large increases and others very modest increases

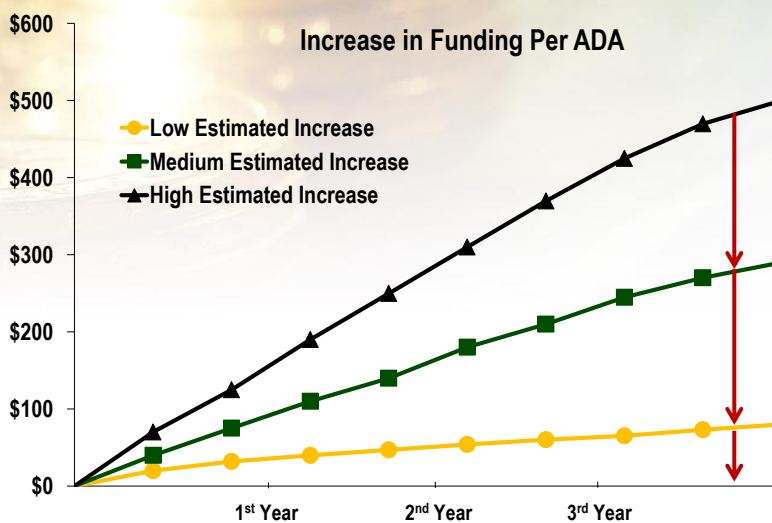
Multiyear Financial Projections

28

- This has huge implications for budget reserves
 - Under revenue limits, the SBE sets 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
- A good year, with a very high percentage contribution, will drive expenditures higher
 - But what happens when times are not so good and there is no increase or even another cut?
 - ❖ By the way – this just in – there will be another recession!
- Districts that project higher revenue growth in the out years will need to maintain much larger reserves

Multiyear Projections

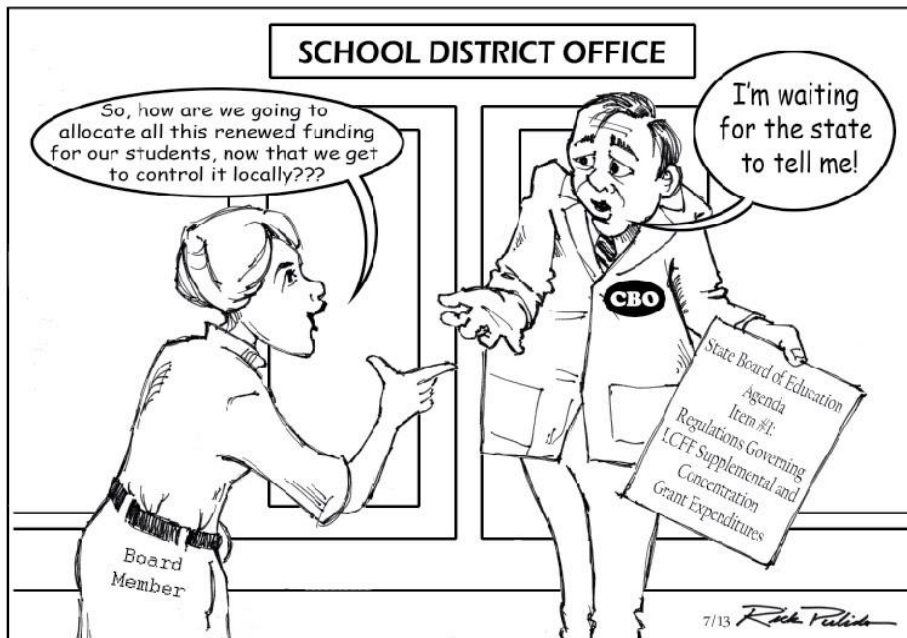
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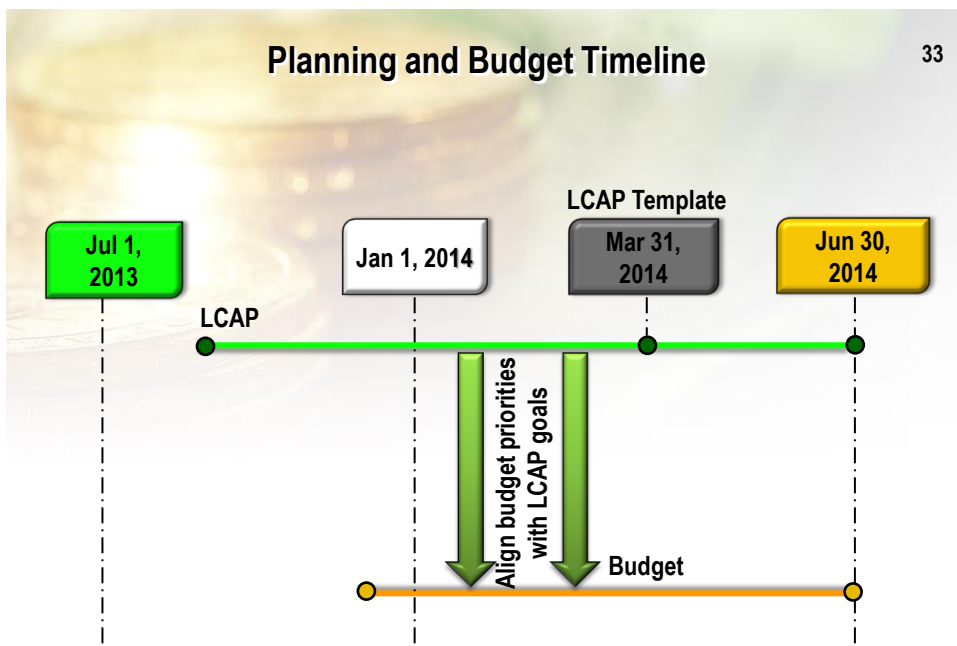
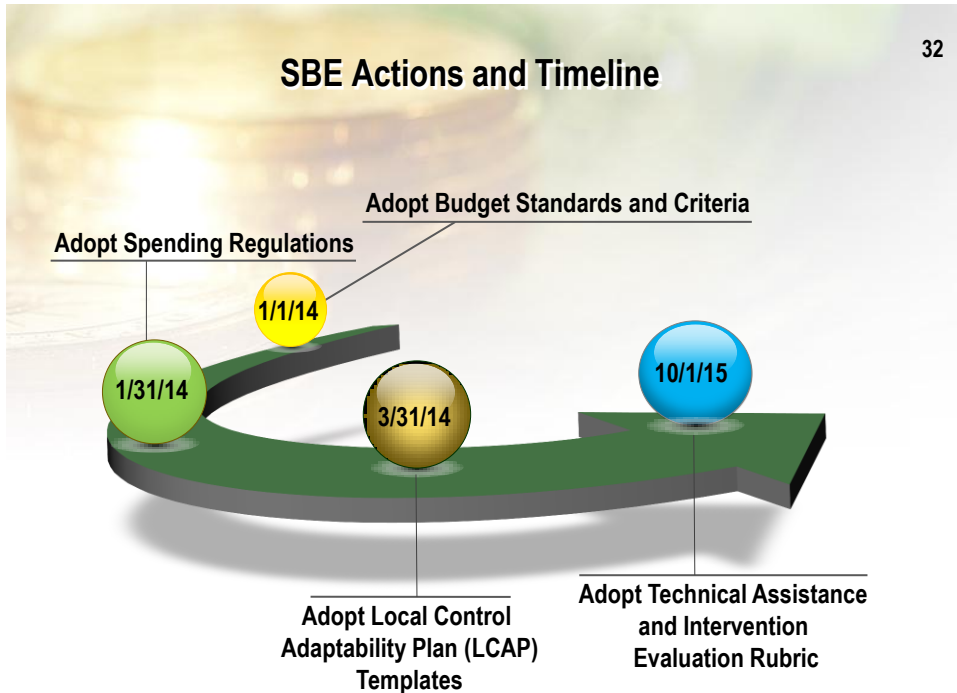


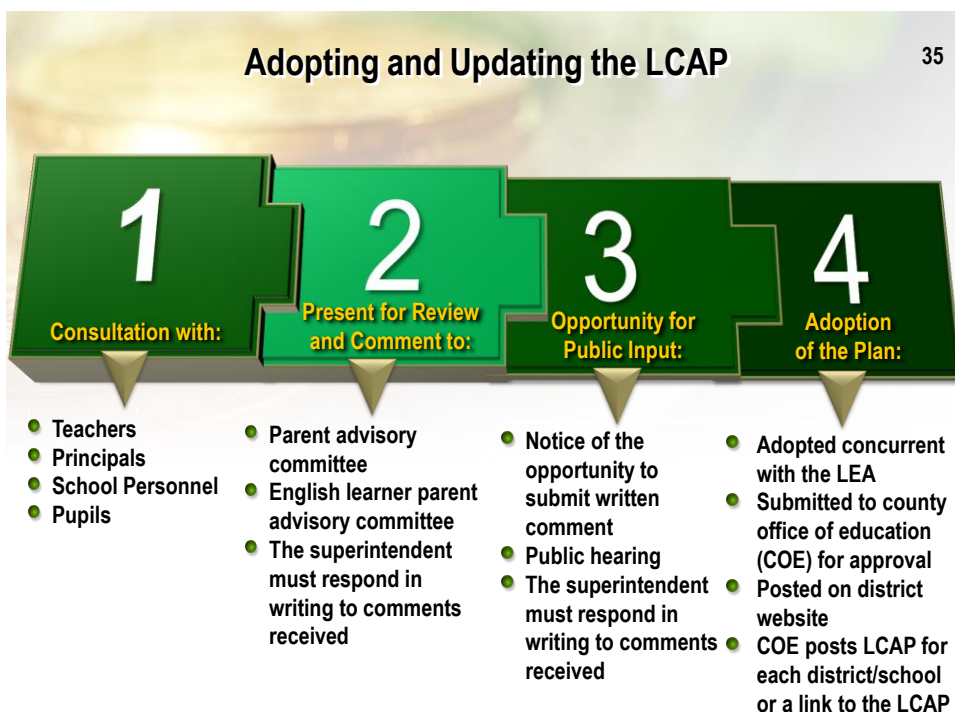
Multiyear Financial Projections

30

- Districts will need a larger buffer to provide time to make ongoing budget adjustments
 - The state-recommended reserve level of the past will be too low
- 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 MYP
- The purpose of this reserve is to provide a "softer landing" when the next downturn occurs, as it surely will







Oversight by the County Office of Education

36

- 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 Superintendent of Public Instruction (SPI) assign the California Collaborative for Educational Excellence (CCEE) to provide advice and assistance

Oversight by the Superintendent of Public Instruction

37

- With approval by the SBE, the SPI is authorized to:



- Appoint an academic trustee
- Stay and rescind action of the governing board – except where such action would violate a local CBA
- Impose budget revisions
- Make changes to the LCAP

Criteria: A district fails to improve outcomes for three or more subgroups three out of four consecutive years, and the CCEE finds that the district is unable to implement its recommendations

LCFF Spending Regulations

38

- The SBE is required to approve final LCFF final spending regulation by January 31, 2014
 - A draft of proposed regulations was presented to the SBE on November 7, 2013
- The final draft of spending regulations will be presented to the SBE for approval of emergency regulations and commencement of the rulemaking process at the January 2014 SBE meeting
- The draft proposed regulations provided a conceptual framework related to the expenditure of LCFF funds and the LCAP templates

Three Local Options

39

- Options for demonstrating increased or improved services to eligible students in proportion to the increase in funds apportioned for supplemental and concentration grants

In proportion to
increase in funds
over amount spent
in prior year

**Spend
More**

Expand services,
extend learning
time, increase
learning options,
professional
development

**Provide
More**

Provide evidence
of significant
growth in the
preceding two or
more year period

**Achieve
More**

Governance in the Past

40

- School district governance is coming full circle
- In the recent past, school district governance has evolved from:
 - Pre-Serrano (1971) – local property taxes funded local schools and local boards governed
 - ❖ Local boards made the rules
 - Post-Serrano (1972) – SB 90 established revenue limits as a base for all students and categorical programs to deal with special needs
 - ❖ Local boards had to conform to the state's rules
 - Post-Proposition 13 (1979) – property taxes are out, the state becomes the primary funder for education
 - ❖ Local boards lose authority and basically administer state driven and funded programs
 - LCFF (2013) – funding levels and state priorities are reflected in the LCFF
 - ❖ Most governance and policy issues are returned to local boards and embodied in the LCAP
- We have come full circle

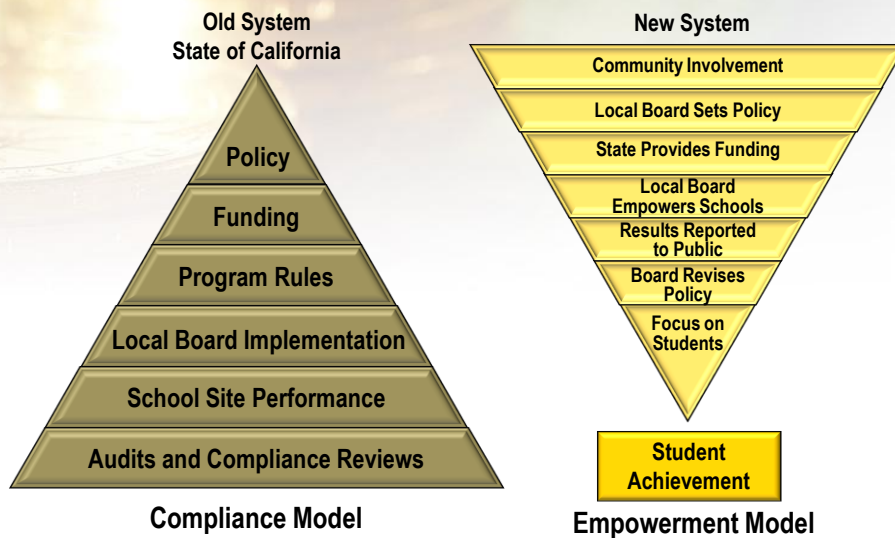
Governance Now

41

- Old rules:
 - How much money is in categorical programs?
 - What are we allowed to use it for?
 - How do we comply with state law?
 - What are the audit requirements and penalties?
- New rules:
 - What priorities have we set with our community?
 - Have we defined student expectations and outcomes as well as key elements of operation of the program?
 - What do our professional teachers, administrators, and classified employees advise?
 - How will we measure success?
 - What alternative programs get a “no” in order to give this one a “yes”?
- The motive and tone of the discussion changes – we think for the better

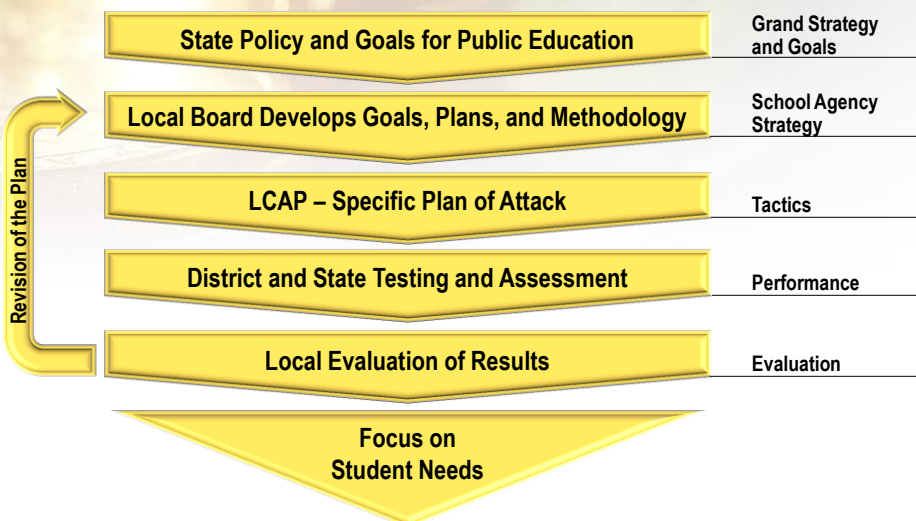
To Act Differently We Must Think Differently

42



Linkage Between Policy and Performance


43



Conceptual Planning Matrix

44

Planning Requirement	Planning Components							
	Community Involvement	Technology	Professional Development	Assessment	Facilities	Materials	Policy	Delivery
	✓	✓						
	○	✓						
	✓	✓						
	✓							
	✓							
	✓	○						

 Component Required
  Most Restrictive

What To Do Now . . .

45

- You don't need to wait for regulations to get the planning process started!
 - Build understanding of the new requirements and draft regulations
 - Start with the board, cabinet, and staff
 - Expand the circle to include other participants
 - Help your leadership team depict financial expectations under the LCFF
 - Start developing options and priorities for student needs
 - Become the expert on the new testing schedules and requirements
- Under the LCFF, the LOCAL DISTRICT is in charge
 - Show your leadership team you are ready to be in CHARGE!

Thank you!

