

TO: BOARD OF EDUCATION  
FROM: SANDRA LYON / JANECE L. MAEZ  
RE: BUDGET UPDATE

DISCUSSION  
02/06/14

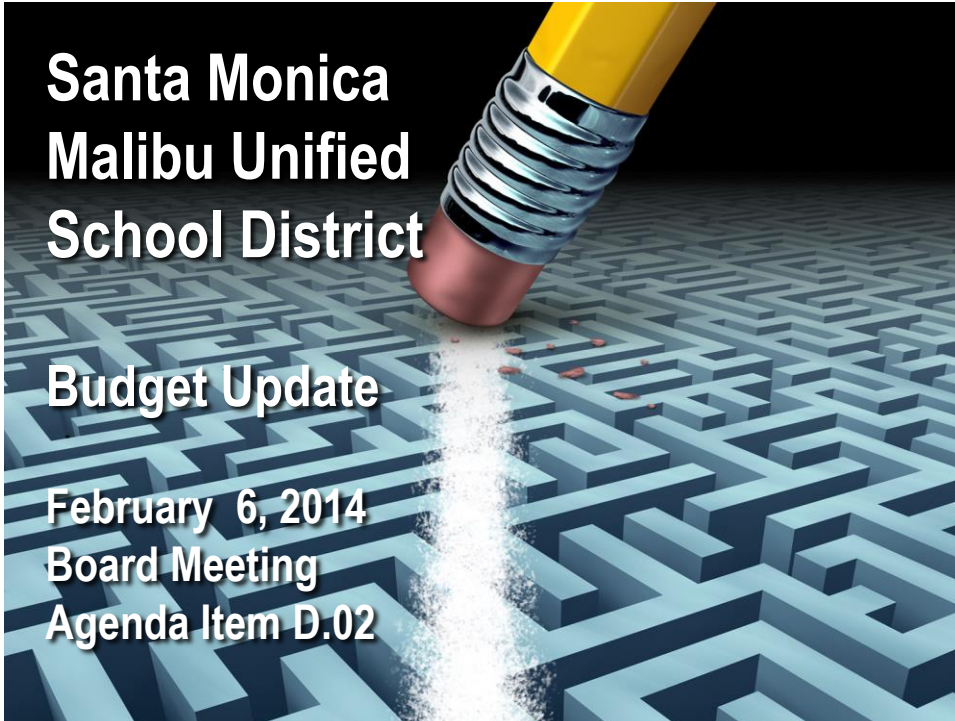
DISCUSSION ITEM NO. D.02

In mid-January, staff attended a workshop updating school districts on Governor Brown's proposed budget for 2014-15. This discussion item will allow staff to update the Board of Education on information presented at that workshop.

\*\*\*\*\*

*Ms. Maez's presentation can be found under Attachments at the end of these minutes.*

*Mr. Allen asked about mandated costs funding. Ms. Lyon said she would provide the board with information regarding this topic. Ms. Leon-Vazquez asked about ROP funding. Ms. Maez said ROP funding will be included in the general fund starting 2015-16.*



**Santa Monica  
Malibu Unified  
School District**

**Budget Update**

**February 6, 2014  
Board Meeting  
Agenda Item D.02**



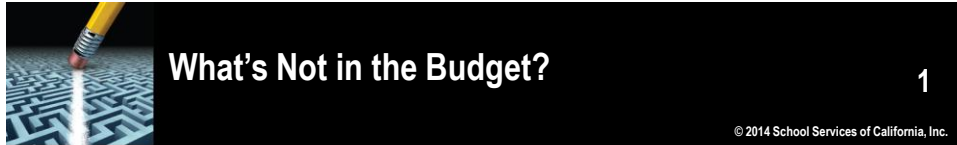
**Themes for the 2014 Budget**

1

© 2014 School Services of California, Inc.

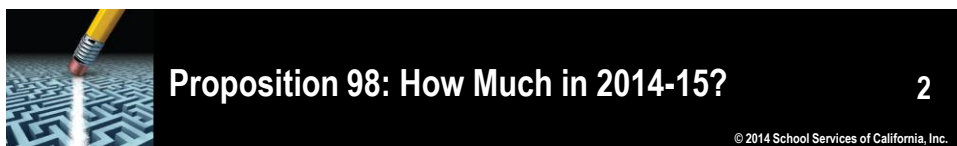
- **What a difference a year makes!**
  - **Only 14 months ago we were facing deep cuts if Proposition 30 didn't pass**
- **Governor Jerry Brown is proposing the greatest increase in per-student average funding since 2000-01**
- **He takes a wrecking ball to the "wall of debt" by buying down the remaining K-14 deferrals**
- **The Proposition 98 entitlement skyrockets even while the California economy as a whole only improves at a moderate rate**
- **The increase in Proposition 98 creates a window of opportunity unlike any we have had before**
- **To protect public education during the eventual downturns, the Governor proposes two rainy day funds: one for education and one for the rest of the State Budget**
- **The Governor is proposing a continuous appropriation for the Local Control Funding Formula (LCFF)**

# Governor's Proposals for the 2014-15 State Budget and K-12 Education



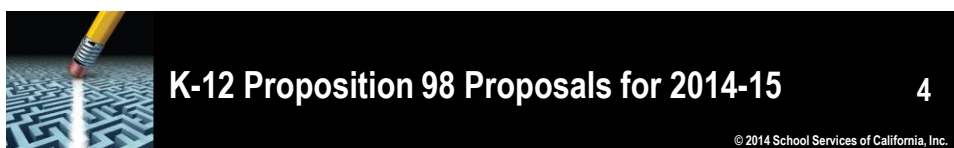
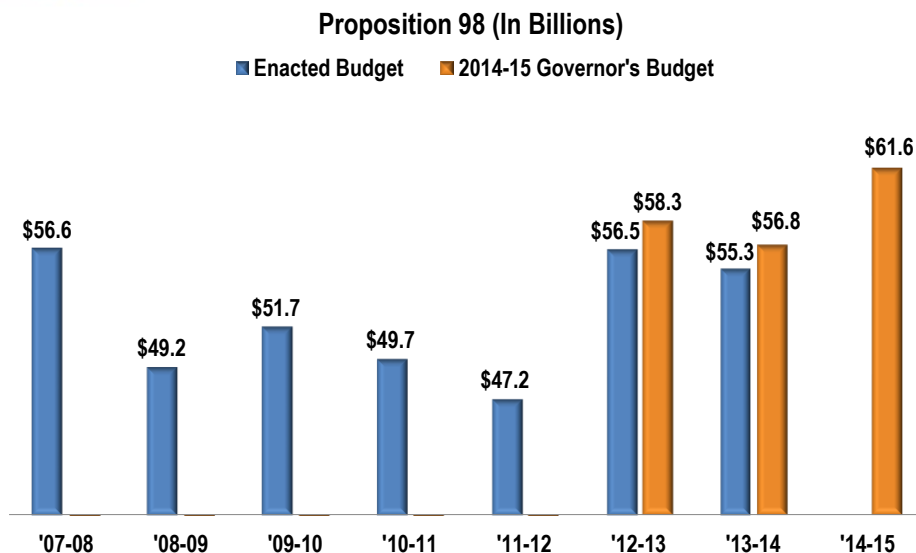
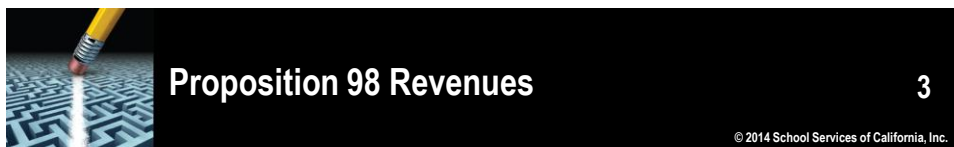
## ● What the Budget does not address:

- No proposal for a statewide school facilities bond
- No new funding to address the unfunded liability in the California State Teachers' Retirement Systems fund
- No new funding to address special education shortfalls
- No new funding for early childhood education
- No payments on the prior-year state mandate credit card



- \$61.6 billion in K-14 Proposition 98 funds are available for 2014-15
- This is a \$6.3 billion increase – 11.4% over the 2013-14 budgeted level
  - On average, \$751 per average daily attendance (ADA) ongoing is K-12 education's share
- In addition, \$3.3 billion more is provided in one-time funding from prior years
  - \$1.8 billion from 2012-13
  - \$1.5 billion from 2013-14

# Governor's Proposals for the 2014-15 State Budget and K-12 Education

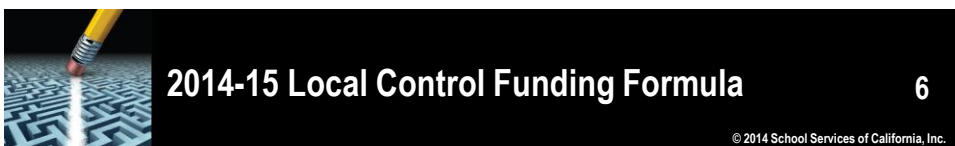


- \$5.5 billion of one-time and ongoing Proposition 98 to fully eliminate interyear K-12 apportionment deferrals in 2014-15
- \$4.472 billion in additional funding for school districts and charter schools to continue implementation of the LCFF
- \$316.5 million to support Proposition 39 energy efficiency projects
- \$33.3 million to fund a 0.86% statutory cost-of-living adjustment (COLA) for categorical programs that remain outside of the LCFF
- \$188.1 million for the Emergency Repair Program from one-time Proposition 98 funds

# Governor's Proposals for the 2014-15 State Budget and K-12 Education



- The Governor is proposing a constitutional amendment to make major changes to the state's "Rainy Day Fund," which was established in 2004 through Proposition 58
- The amendments are intended to address revenue volatility stemming from the capital gains tax
- The specific provisions include:
  - Establishing a Proposition 98 reserve in addition to the existing Rainy Day Fund
  - Requiring contributions to these reserves when capital gains revenues exceed 6.5% of General Fund tax revenues
  - Establishing a maximum size for the Rainy Day Fund of 10% of revenues, as opposed to the 5% maximum of Proposition 58
  - Limiting withdrawals to 50% of the balance in the first year of a recession



- Budget proposes \$4.5 billion for continued implementation of the LCFF
- New funding is estimated to close the gap between 2013-14 funding levels and LCFF full implementation targets by 28.05%
- Combined with elimination of 11.78% of the gap in 2013-14, the new formula would be over one-third of the way toward implementation in the first two years
- 2014-15 LCFF growth provides an average increase in per-pupil funding of 10.9%, or \$751 per ADA (approx. \$590 for SMMUSD)
  - Individual local educational agency experiences will vary





## LCFF – A Quick Review

7

© 2014 School Services of California, Inc.

- The LCFF makes fundamental changes to how we allocate state Proposition 98 revenues to schools
- At full implementation, the LCFF will fund every student at the same base rate
- The LCFF provides two weighting factors applied against the LCFF base grant
  - 20% on behalf of each eligible student
  - An additional 50% for the eligible students exceeding 55% of total enrollment
- Each school district receives at least as much state aid in future fiscal years as the district received in 2012-13



## LCFF – Base Grant Entitlement Calculation

8

© 2014 School Services of California, Inc.

- 2014-15 target entitlement calculation - **EXAMPLE**
  - Grade span per-pupil grants are increased annually for the COLA

Factors	K-3	4-6	7-8	9-12
2013-14 Base Grant per ADA	\$6,952	\$7,056	\$7,266	\$8,419
COLA @ 0.86%	\$60	\$61	\$62	\$72
Base grants – 2014-15	\$7,012	\$7,117	\$7,328	\$8,491




## LCFF – K-3 CSR and CTE Adjustments

9

© 2014 School Services of California, Inc.

- K-3 Class-Size Reduction (CSR) and 9-12 Career-Technical Education (CTE) Grade Span 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	\$7,012	\$7,117	\$7,328	\$8,491
Adjustment percentage	10.4% CSR	-	-	2.6% CTE
Adjustment amount	\$729	-	-	\$221
Adjusted grant per ADA	\$7,741	\$7,117	\$7,328	\$8,712




## LCFF – Supplemental and Concentration Grants Per ADA

10

© 2014 School Services of California, Inc.

- Supplemental and concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners, free and reduced-price meal program eligible students, and foster youth

Factors	K-3	4-6	7-8	9-12
Adjusted grant per ADA	\$7,741	\$7,117	\$7,328	\$8,712
20% supplemental grant	\$1,548	\$1,423	\$1,466	\$1,742
50% concentration grant (for eligible students exceeding 55% of enrollment)	\$3,871	\$3,559	\$3,664	\$4,356




## What Impact Does the Budget Proposal Have On Our District?

11

© 2014 School Services of California, Inc.

- Our District with 27.82 % eligible students would calculate the following LCFF target grants for 2014-15

Factors	K-3	4-6	7-8	9-12
Adjusted grant per ADA	\$ 7741	\$ 7117	\$ 7328	\$ 8712
% Enrollment eligible	27.82 %	27.82 %	27.82 %	27.82 %
Supplemental and Concentration Grants	\$ 430	\$ 396	\$ 408	\$ 484
Total 2014-15 LCFF <b>TARGET</b> grant per ADA	\$ 8171	\$ 7513	\$ 7736	\$ 9196



## Next Steps

12

© 2014 School Services of California, Inc.

- Ongoing – developing the Local Control Accountability Plan (LCAP)
- The May Revision
- Adoption of the final LCFF spending requirements and LCAP template and requirements
- Adopt school district budget
- Adopt State Budget



# Governor's Proposals for the 2014-15 State Budget and K-12 Education

