

**Malibu Unification Negotiations Committee
Meeting Minutes**

**Tuesday, June 14, 2016
Malibu City Hall, 23825 Stuart Ranch Road, Malibu, CA**

- I. Call to Order / Roll Call
 - *The committee called the meeting to order at 7:04 p.m. All committee members were present:*
 - Tom Larmore Laura Rosenthal*
 - Debbie Mulvaney Makan Delrahim*
 - Paul Silvern Manel Sweetmore*
 - *Also present were: Mary Linden, Executive Assistant, City Manager's Office, City of Malibu; Karen Orlansky, Facilitator; Robert Miyashiro, Vice President of School Services of California, Inc. (SSC); and Mike Ricketts, Associate Vice President, SSC*

- II. Approve June 7, 2016 Meeting Minutes
 - *The committee approved the minutes by consensus.*

- III. Follow-up Business from June 7th Meeting
 - A. Status report on Procopio contract (Larmore/Delrahim)
 - *Mr. Larmore and Mr. Delrahim shared that Procopio Engagement Agreement contract is in the process of being finalized and signed.*
 - *Mr. Larmore reported that John Lemmo, the MUNC's primary Procopio contact to date, will be out of the office until June 22; however, Mr. Lemmo agreed to join the committee's June 21 meeting by telephone.*

 - B. Status report on School Services of California, Inc. contract (Silvern/Sweetmore)
 - *Mr. Silvern reported that everyone has agreed to the final language and the contract is in the process of being executed.*
 - *Mr. Delrahim confirmed the understanding that no work under Phase 2 of the contract would proceed without direction from the committee.*

 - C. Santa Monica Team's plans for reporting to the Board of Education (Larmore/Mulvaney/Silvern)
 - *Mr. Larmore confirmed the Santa Monica Team will provide a status report to the Board at its June 22 meeting. Ms. Mulvaney reported that when she finds out about the approximate time on the Board's agenda, she will share that information with the full committee.*
 - *Ms. Mulvaney reported that the Santa Monica Team is preparing a short letter to the Board summarizing the committee's progress to date. She stated a copy of the letter will be shared with all members of the MUNC before the report is made to the Board on June 22.*

 - D. Data request to Board of Education (Orlansky)
 - *Ms. Orlansky stated that Ms. Jan Marez, Associate Superintendent/ Chief Financial Officer, will be copied on the data request.*

- *Mr. Silvern expressed his concern about the turnaround time on the data request, particularly when it comes to providing details on funds that receive revenue from both Malibu and Santa Monica. He added that some of the data items are more critical to the MUNC's decision-making than others.*
- *Ms. Mulvaney suggested the committee prioritize the requests.*
- *Ms. Orlansky offered to talk with District staff to discern how long it would take to provide the various pieces of information and to explore options for timing and sequencing. She stated she will report back to the committee and receive members' feedback before a final data request is submitted to the District.*

IV. "School Finance 101" Workshop led by School Services of California, Inc.

- *Mr. Miyashiro, Vice President of School Services of California, Inc. (SSC), and Mr. Ricketts, Associate Vice President, SSC, thanked the committee for inviting SSC into their process and gave an overview of SSC's background and experience.*
- *Mr. Miyashiro and Mr. Ricketts provided the committee with a presentation on public school finance in California, including events that shaped school funding in California. **(Attached)***
- *The presentation contained the following sections:*
 1. *How We Fund Schools*
 2. *Proposition 98, The Minimum Guarantee for K-14 Education*
 3. *The Local Control Funding Formula (LCFF)*
 4. *Target Entitlements*
 5. *Average Daily Attendance and Unduplicated Counts for LCFF Transition to Full Funding*
 6. *Proportionality*
 7. *Considerations for Future Funding, Proposition 30 Extension and Redevelopment Agency Dissolution*
- *The portions of the meeting during which Mr. Miyashiro and Mr. Ricketts presented their slides were videotaped.*
- *The presenters paused between sections to take questions from the MUNC members. Specific issues about which MUNC members posed questions and offered comments included:*
 - *Sources of local revenues (in addition to property tax) and how these revenues affect the State's revenue contributions to school districts*
 - *Dynamic relationships among the various revenue sources over time*
 - *How the separation of SMMUSD into two separate districts might affect State funding*
 - *How student counts for supplemental funding categories are determined*
 - *How dollar amounts per student compare across school districts*
 - *How the potential expiration of Proposition 30 might affect future school funding*
 - *The mid-year budget cuts required of school districts by the State during recession years*
 - *The expected growth rates for property tax revenue in Santa Monica versus Malibu*
 - *Impacts of the State's dissolution of redevelopment agency (RDA) funds and the ongoing payment of RDA obligations still owed*

- *Mr. Silvern advised that the budget presentation made at the June 2, 2016 Board meeting includes a detailed LCFF breakdown for SMMUSD. Ms. Orlansky stated she would circulate an electronic link to this information.*
- *At the end of the presentation, the Committee, Mr. Miyashiro and Mr. Ricketts discussed what comes next. Mr. Sweetmore emphasized his interest in SSC's helping to develop a model for forecasting school district revenue using different assumptions.*
- *Ms. Orlansky stated she would follow up with SSC to confirm details of when the committee can expect to receive the rest of SSC's Phase 1 work.*

V. Public Comments

- *None.*

VI. Topics for Next Agenda

- Topic 2. Allocation of Bond Debt and Authorization to Issue New Bonds
- Discussion of how the videotape of SSC's presentation will be made available and shared.

VII. Adjournment

- *The committee adjourned the meeting at 9:52 p.m.*

Upcoming Meeting Dates and Locations:

June 21 at District offices
 June 28 at Malibu City Hall
 July 5 at District Offices
 July 14 at Malibu City Hall
 July 19 at District Offices
 July 26 at Malibu City Hall

Public School Finance in California

Presentation to the Malibu Unification Negotiating Committee

Presented by:

Robert Miyashiro, Vice President

Michael Ricketts, Associate Vice President

June 14, 2016

**School
Services
of California
INC.™**

- Schools have always been funded by a mix of local, state and federal revenues
- The share of funding from each and the ways of distributing those resources among public schools have varied over time
- Seminal events have shaped the way we fund our schools
 - *Serrano v. Priest* court decision, finding wealth-related disparities in resources for schools unconstitutional (1971, 1974)
 - Revenue limits (1972) and categorical programs (many over many years)
 - The Proposition 13 property tax limitation initiative (1978)
 - Adoption of the Proposition 98 minimum funding guarantee for K-12 schools and community colleges (1988)
 - Enactment and implementation of the Local Control Funding Formula (LCFF) (2013 and forward)
- This presentation focuses on the impact of these events today – where funding for schools comes from, how state funding levels are determined, and how state and local revenues are distributed among school districts



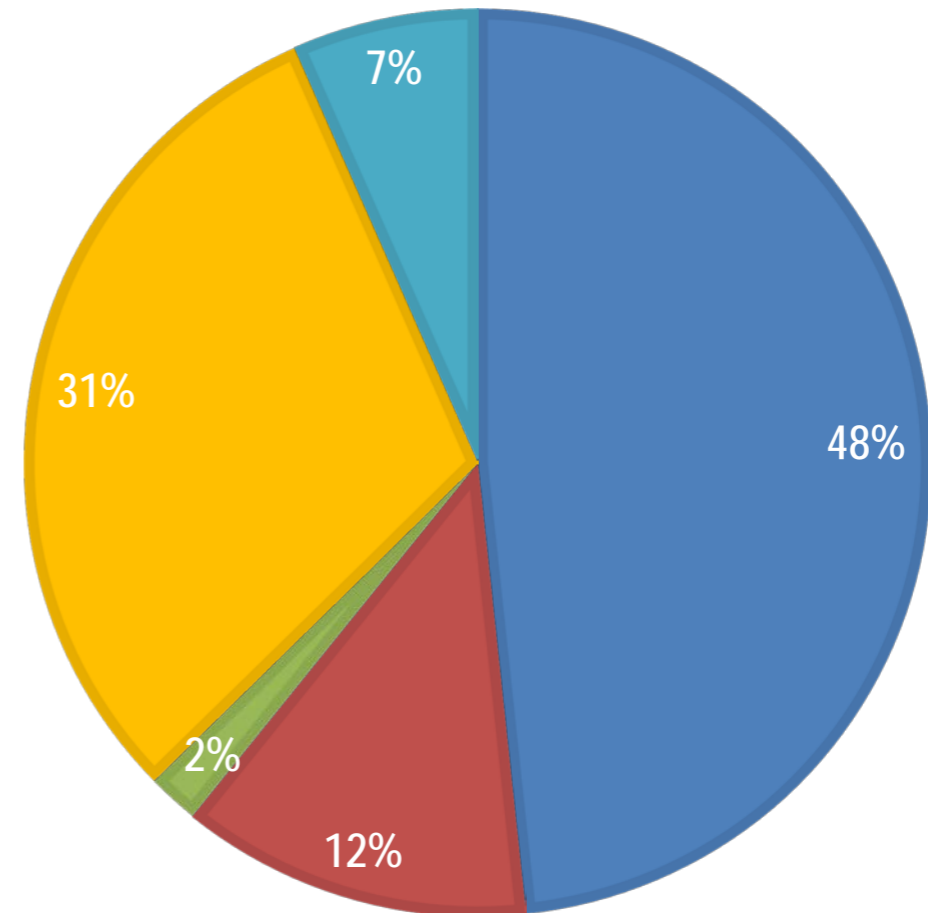
HOW WE FUND SCHOOLS

Revenues Supporting Public Schools

- State General Fund
- Education Protection Account (EPA – Proposition 30)
- Lottery
- Local (property, parcel taxes)
- Federal

2014-15 Revenues - \$56.3 Billion

■ State General Fund (GF) ■ EPA ■ Lottery ■ Property Taxes ■ Federal

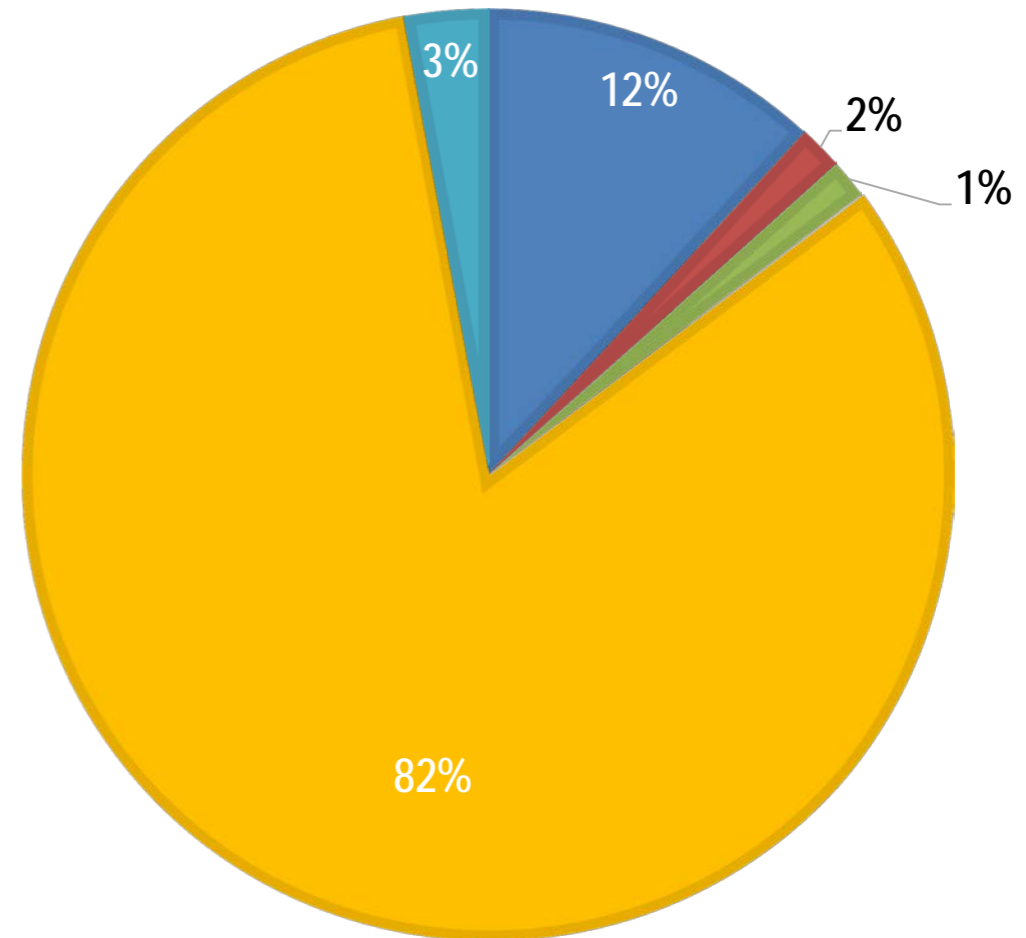


Santa Monica-Malibu Unified School District Revenues

2014-15 Revenues - \$140.9 Million

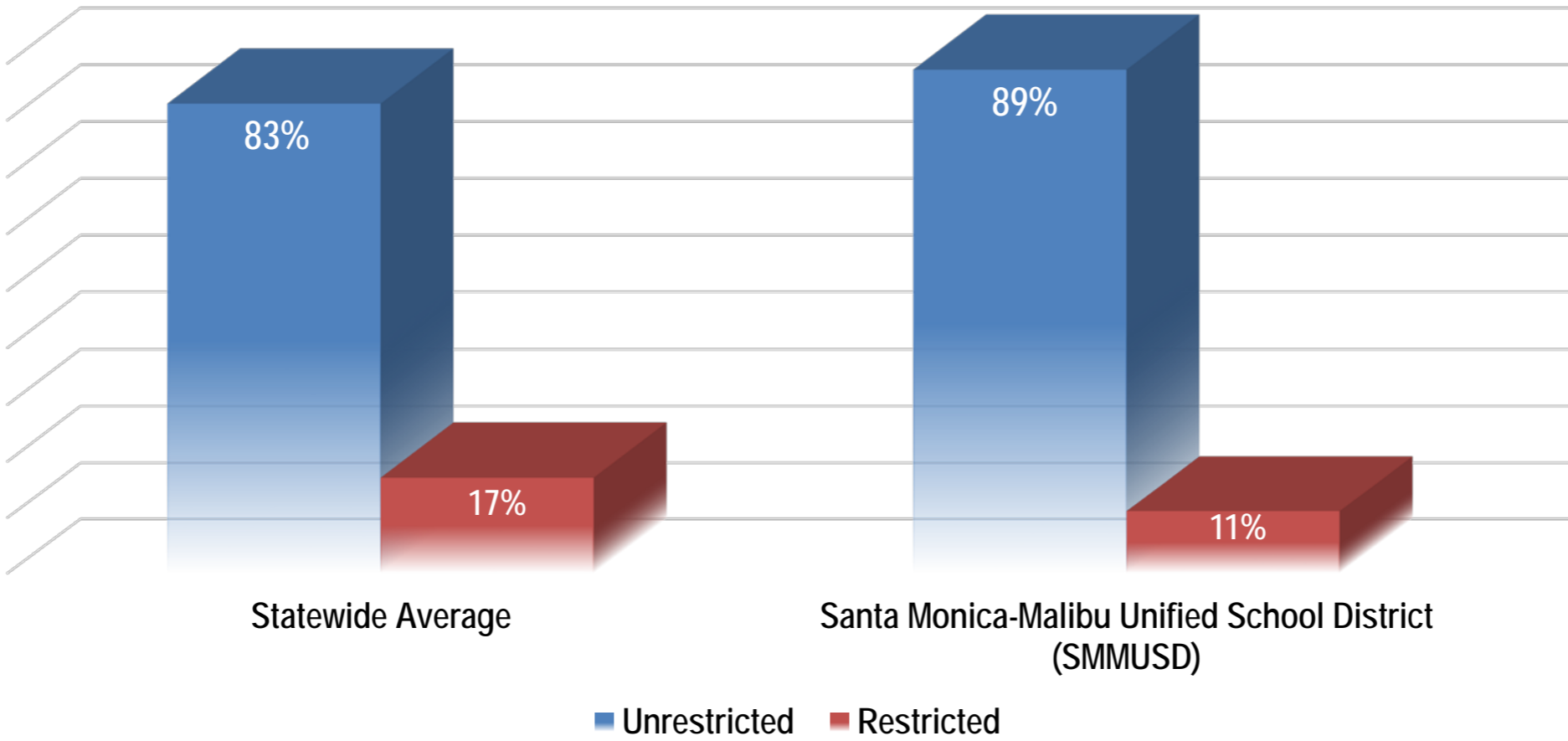
■ State GF ■ EPA ■ Lottery ■ Property Taxes ■ Federal

- State General Fund
- EPA – Proposition 30
- Lottery
- Local (property, parcel taxes)
- Federal



Largest Share of Funds Are Discretionary

Percentage of Restricted and Unrestricted Funds (2014-15)





The Minimum Guarantee for K-14 Education

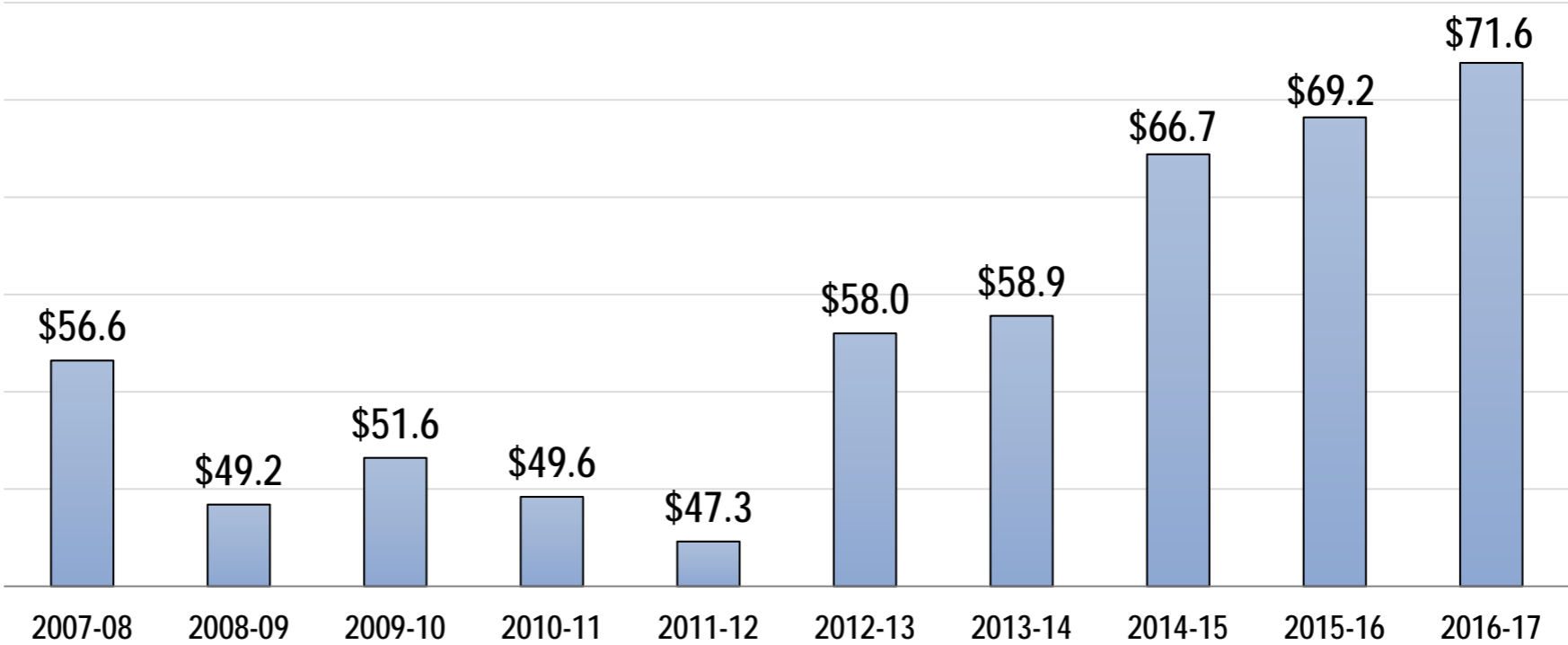
PROPOSITION 98

What is the Minimum Guarantee?

- Established in 1987 by Proposition 98
- A formula that determines the minimum amount of state aid that must be allocated to K-14 educational agencies each year
- Three tests –
 - The greater of:
 - Test 1: A minimum share of state General Fund revenues (38% in 2016-17)
 - Or the lesser of:
 - Test 2: Schools do as well as Californians – the percentage change in per capita personal income (5.37% in 2016-17)
 - Test 3: Schools do as well as the state, plus a little bit more – the percentage change in state General Fund revenues plus 0.5% (3.56% in 2016-17)
- The minimum guarantee is based on Test 3 for 2016-17

Proposition 98 Funding

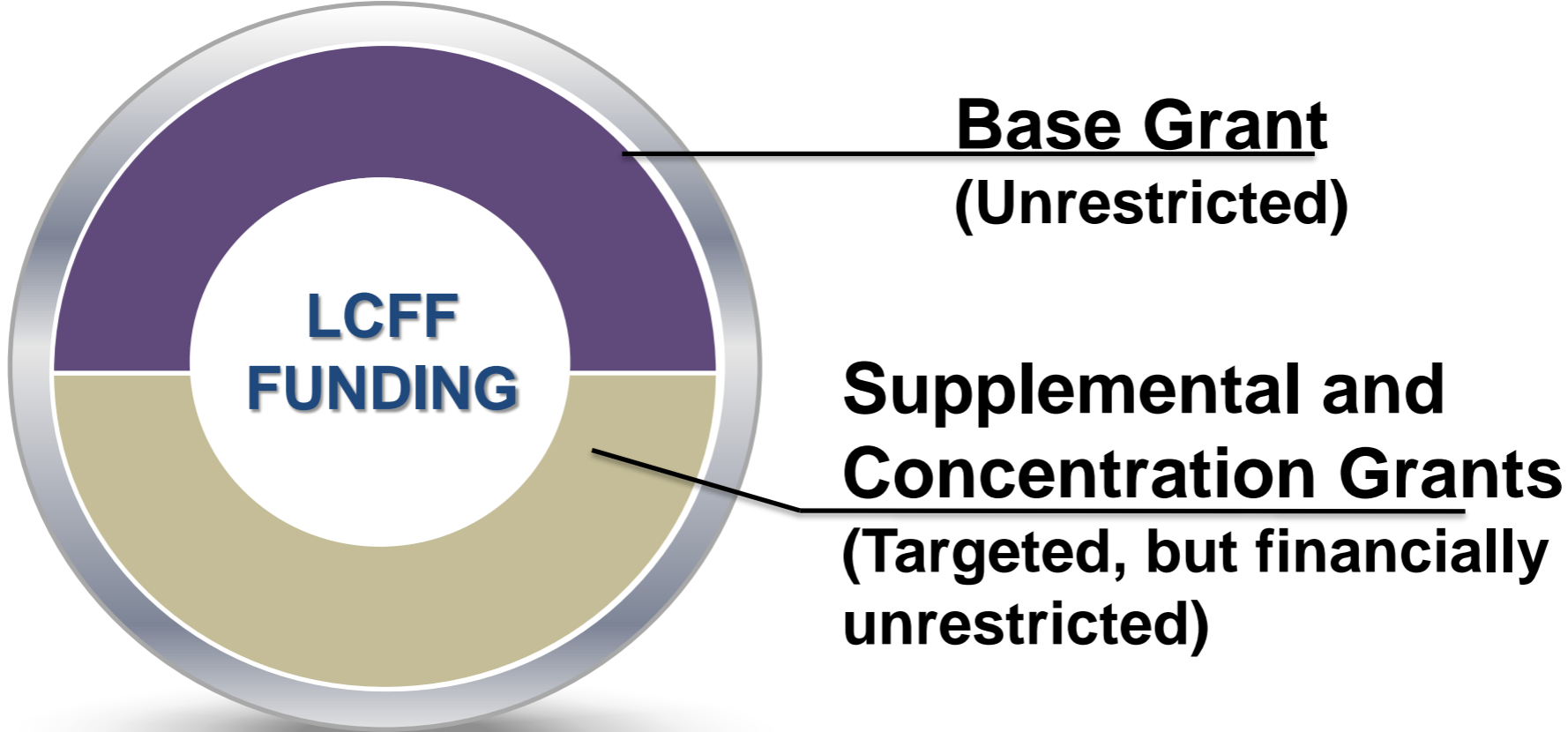
Proposition 98 Funding 2007-08 to 2016-17



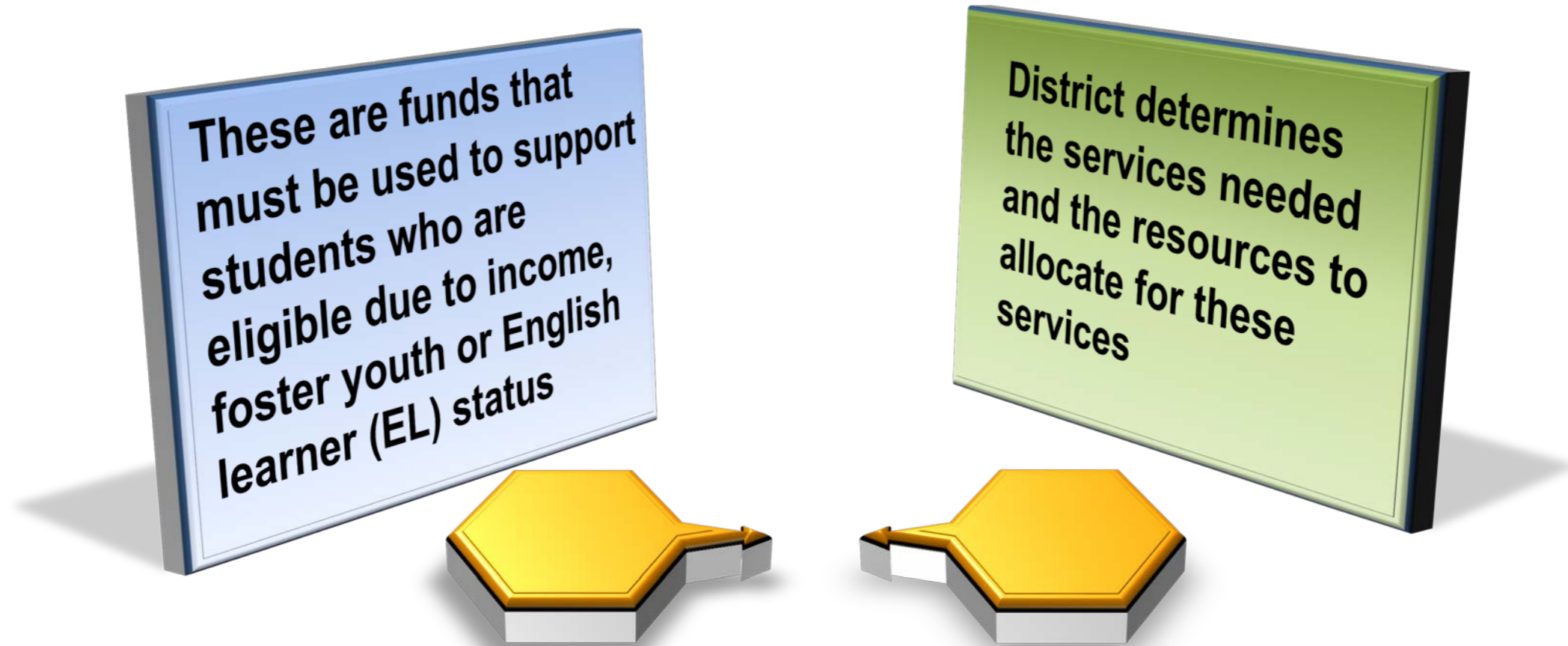


THE LOCAL CONTROL FUNDING FORMULA

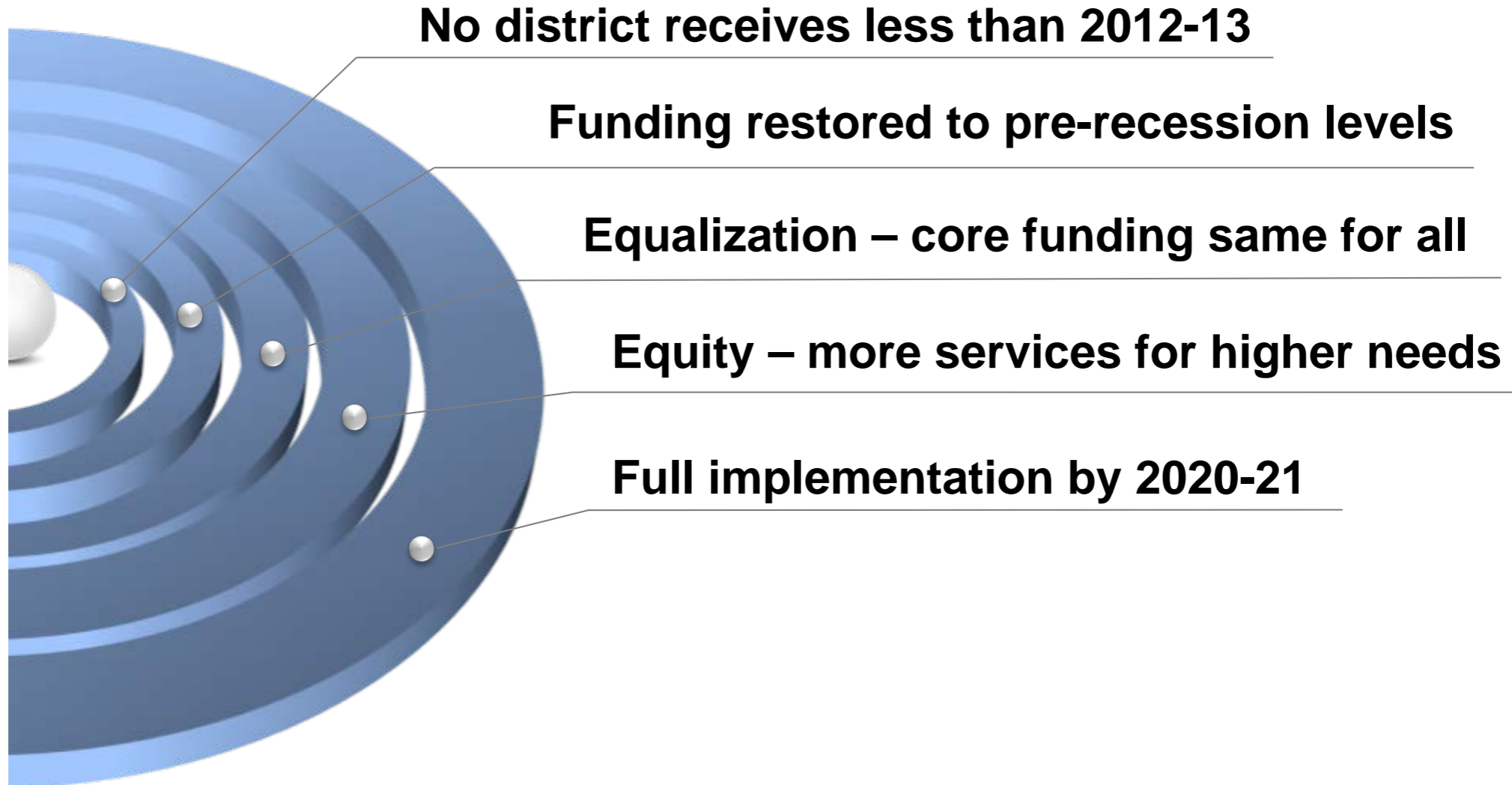
LCFF Funding Model – Two “Pots” of Money in One!



Supplemental and Concentration Grants – Targeted Funds



Goals of the LCFF and Its Implementation





TARGET ENTITLEMENTS

LCFF Target Funding Factors

- The LCFF establishes a base grant amount for each of four grade spans
- In addition, two grade span adjustments (GSAs) are added for specific purposes
 - Grade K-3 – 10.4% increase for smaller average class enrollments averaging 24 students per class at each school site; progress toward target is required
 - Grades 9-12 – 2.6% increase provided for Career Technical Education (CTE) coursework; in recognition of, but not required to be used for, the expense of CTE

Grade Span	2016-17 Base Grant Per ADA	GSA	2016-17 Adjusted Grants
K-3 (10.4%)	\$7,083	\$737	\$7,820
4-6	\$7,189	–	\$7,189
7-8	\$7,403	–	\$7,403
9-12 (2.6%)	\$8,578	\$223	\$8,801

LCFF Supplemental and Concentration Grant Factors

- Supplemental and concentration grants based on the unduplicated pupil percentage (UPP) are based off of the adjusted base grant, providing additional resources targeted for services to eligible students. The UPP is the percentage of students enrolled who are eligible for the Free and Reduced Price Meals program, English learners, or foster youth.

Grade Span	2016-17 Adjusted Grants Per ADA	20% Supplemental Grant – Total UPP	50% Concentration Grant – UPP Above 55%
K-3	\$7,820	\$1,564	\$3,910
4-6	\$7,189	\$1,438	\$3,595
7-8	\$7,403	\$1,481	\$3,702
9-12	\$8,801	\$1,760	\$4,401

LCFF Supplemental Grant Calculation

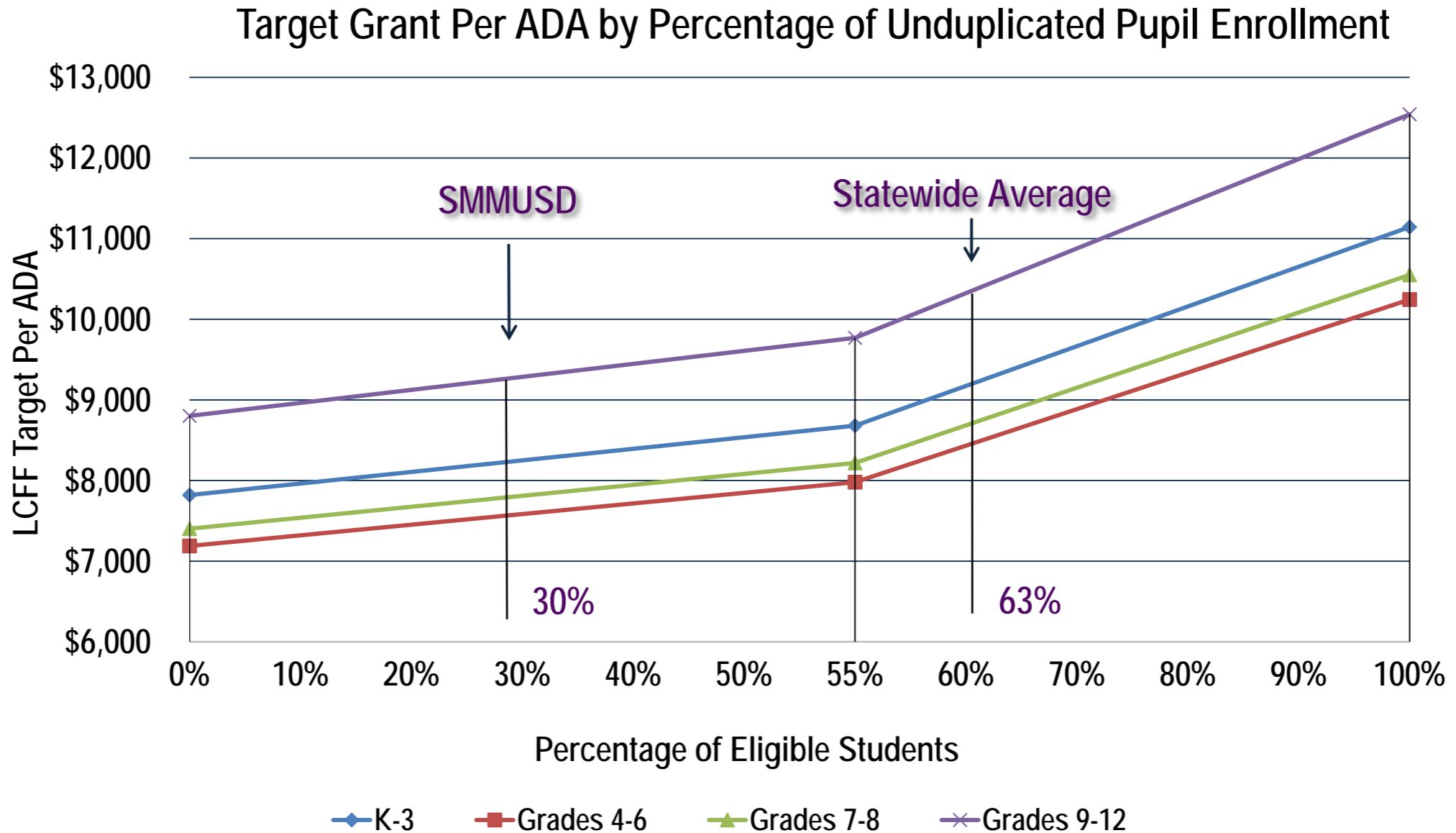
- A school district receives an additional 20% of the base grant on behalf of each eligible pupil enrolled
- With a UPP of 30%, the SMMUSD supplemental grant augmentation per ADA would look like this:

Grade Span	2016-17 Adjusted Grants per ADA	30% x 20% = 6.0%	Supplemental Grant per ADA
K-3	\$7,820	0.06	\$469
4-6	\$7,189	0.06	\$431
7-8	\$7,403	0.06	\$444
9-12	\$8,801	0.06	\$528

LCFF Concentration Grant Calculation

- A school district receives an additional 50% of the base grant for each 1% of unduplicated pupil enrollment that exceeds 55%
- With a UPP of 30%, the SMMUSD does not receive a concentration grant augmentation

2016-17 Grade Span Target Grants Per ADA



2016-17 Example LCFF Target Funding Calculation

- The basic LCFF target calculation for SMMUSD would look like this:

Grade Span	Adjusted Grants per ADA	Supplemental Grant per ADA	SMMUSD Grants per ADA	SMMUSD ADA	Target Funding*
K-3	\$7,820	\$469	\$8,289	3,123	\$25,886,547
4-6	\$7,189	\$431	\$7,620	2,457	\$18,722,340
7-8	\$7,403	\$444	\$7,847	1,684	\$13,214,348
9-12	\$8,801	\$528	\$9,329	3,564	\$33,248,556
Total				10,828	\$91,071,791

*Excludes add-ons



AVERAGE DAILY ATTENDANCE AND UNDUPLICATED COUNTS FOR LCFF

Average Daily Attendance

- ADA drives a district's primary source of general purpose funding – its LCFF funding
- ADA is equal to the average number of pupils actually attending classes
- Attendance is counted every day of the school year
 - LCFF funding, however, is based on attendance through the Second Principal Apportionment
- Ungraded ADA is distributed proportionately among the four grade spans

ADA Calculation Periods for Apportionment of State Funds

Advance

Apportionment: Use prior-year to establish initial monthly payments

Annual

Apportionment: July 1 through June 30 (for some programs)



First Principal

Apportionment: July 1 through December 31

Second Principal

Apportionment: July 1 through April 15

ADA – Declining Enrollment

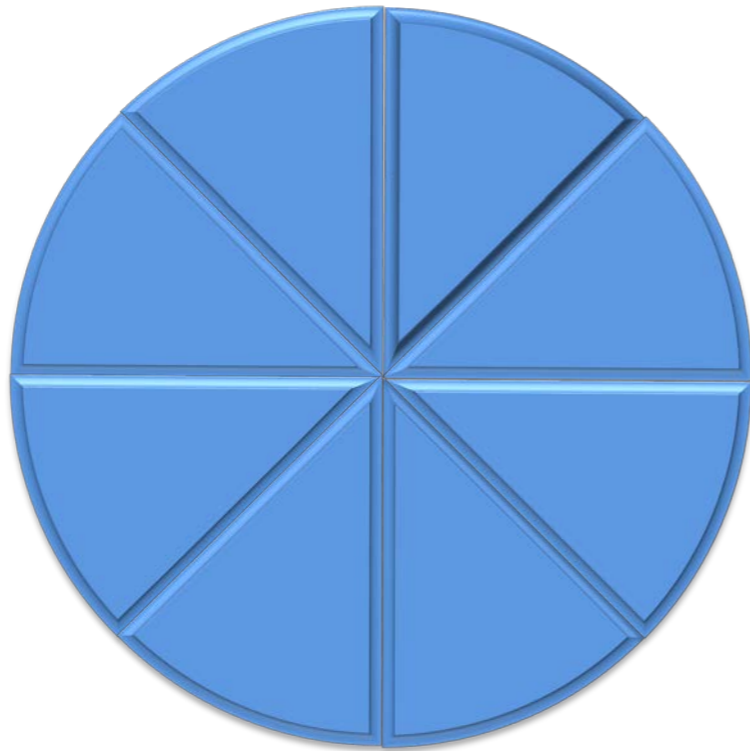
- A drop in ADA will result in a drop in district LCFF funding, similar to funding under revenue limits
- However, the state provides limited protection from revenue losses related to declining enrollment – a district is funded on the greater of current-year or prior-year ADA
 - The protection provides a revenue floor in the current year for declining enrollment districts
 - For declining enrollment districts, the current-year ADA will determine next year's revenues
- Current law provides an additional adjustment to current-year ADA and prior-year ADA for districts with charter schools

Eligibility Determination – Supplemental and Concentration Grants

- Pupil counts used to determine supplemental/concentration grants are:
 - Eligible for FRPM – families that meet federal income eligibility criteria or pupils deemed to be categorically eligible
 - Foster youth – a foster child is a child removed from his or her home pursuant to the Welfare and Institutions Code Section 450
 - English Learner – as defined in Education Code Section (E.C.) 306, a child who does not speak English or whose native language is not English and who is not currently able to perform ordinary classroom work in English
 - Also a pupil of limited English proficiency – a pupil without clearly developed language skills necessary to receive instruction only in English at a level substantially equivalent to English-speaking peers
- The percentage of pupils eligible for supplemental and concentration grants is based on a three-year rolling average

TRANSITION TO FULL FUNDING

Factors: LCFF Transition Calculation



Funding Factors

- Target Entitlement**
- 2012-13 Base Revenue**
- Current-Year ADA**
- 2012-13 Categoricals**
- Prior Years Gap Funding**
- Current Gap and Gap %**
- Gap Funding Amount**
- Minimum State Aid**

LCFF Implementation

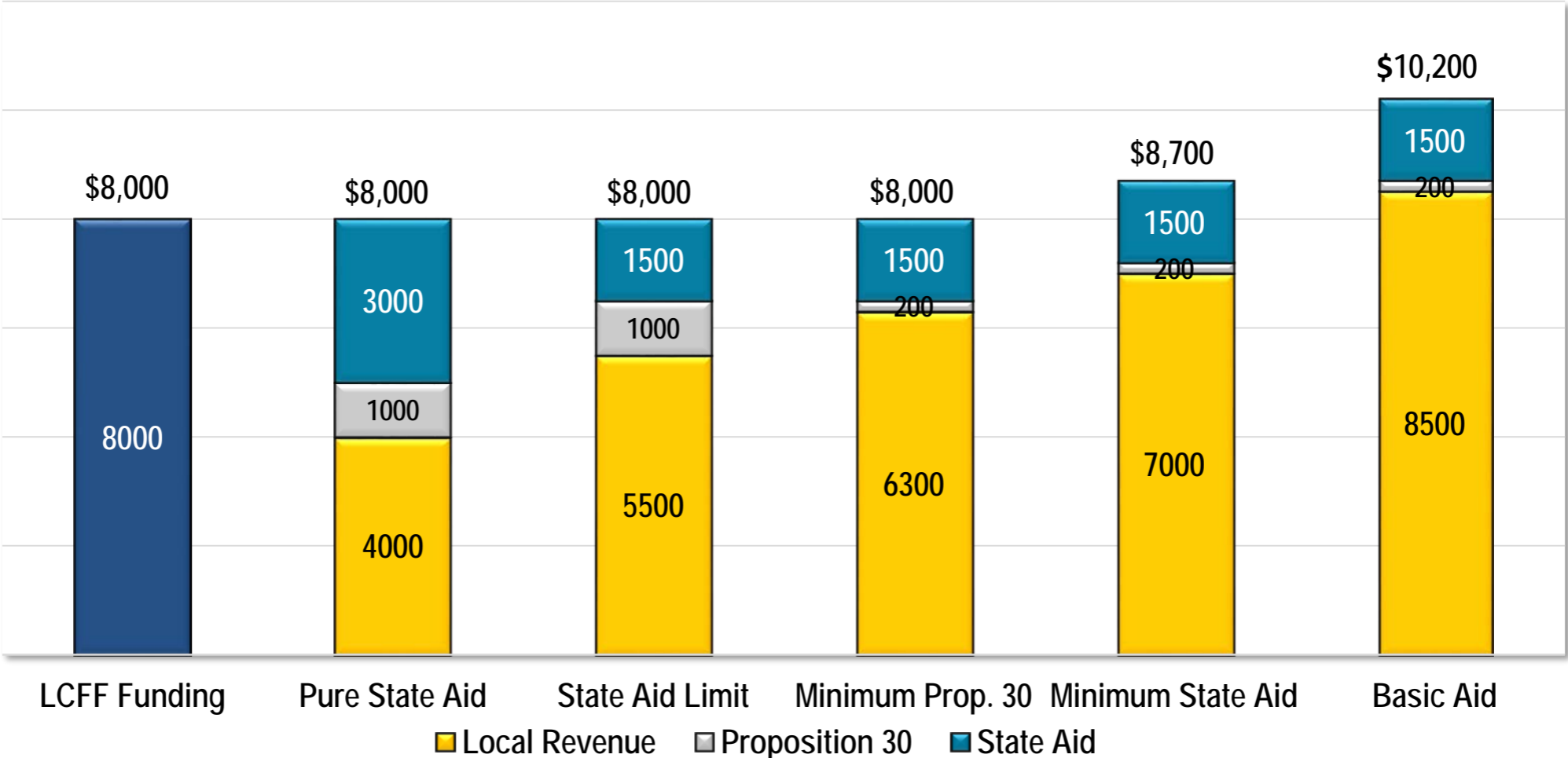
- 2015-16 is the third year of implementation
 - In an estimated eight-year plan to get all districts and charter schools to their individual target level of funding
- Each year, the adopted State Budget provides an amount to increase funding through the LCFF until full implementation
 - The entitlement target is calculated each year for every district
 - The difference between the target funding level and the current funding level for each school district is referred to as the “gap”
 - The amount appropriated in the State Budget is applied to the gap
 - And the gap funding – or gap closure – is calculated for each LEA for that year

Minimum State Aid Calculation

- The LCFF provides a “hold harmless” protection for districts and charter schools based on state aid received in 2012-13
 - Funding for revenue limits (adjusted for ADA change) and state categorical programs that are included in the LCFF
 - This includes Targeted Instructional Improvement Grant and transportation
 - For charter schools, this includes the general purpose block grant and the categorical block grant (both adjusted for ADA change)
 - The Minimum State Aid protection does not apply to non-LCFF programs such as Special Education, Quality Education Investment Act, Child Nutrition, and Proposition 49 after school programs

Funding Impact of LCFF Minimum State Aid

Local Revenue, Education Protection Account (Proposition 30) and State Aid Interaction



Locally Funded School Districts

- Locally funded school districts are primarily supported by property taxes and do not receive LCFF incremental funding increases from the state – they are state “basic aid” school districts
 - Basic aid is the minimum state funding required by the Constitution to be allocated to each school district – \$120 per ADA
- During the Great Recession, the number of basic aid school districts increased because state funding did not keep pace with growth in local property taxes
 - This trend was accelerated by state cuts to revenue limits and categorical programs
- About 11% of school districts are basic aid today, but the number is declining
 - Increased funding under the LCFF will move some districts from basic aid to state aid status as implementation continues over the coming years

Locally Funded School Districts

- “Fair Share” reduction in state funding equal to 8.92% of revenue limit continues
 - Cuts in state aid to basic aid school districts not restored
- Minimum state aid provision applies – basic aid school districts will receive no less in state aid than received in 2012-13
- EPA minimum allocation of \$200 per ADA applies
- Districts retain property tax revenues and growth
- K-3 class-size reduction requirements apply as a condition of the receipt of funds – but if no funds are received, then it may have no impact
- The Local Control and Accountability Plan (LCAP) is required for all school districts – the same provisions apply to basic aid school districts

PROPORTIONALITY

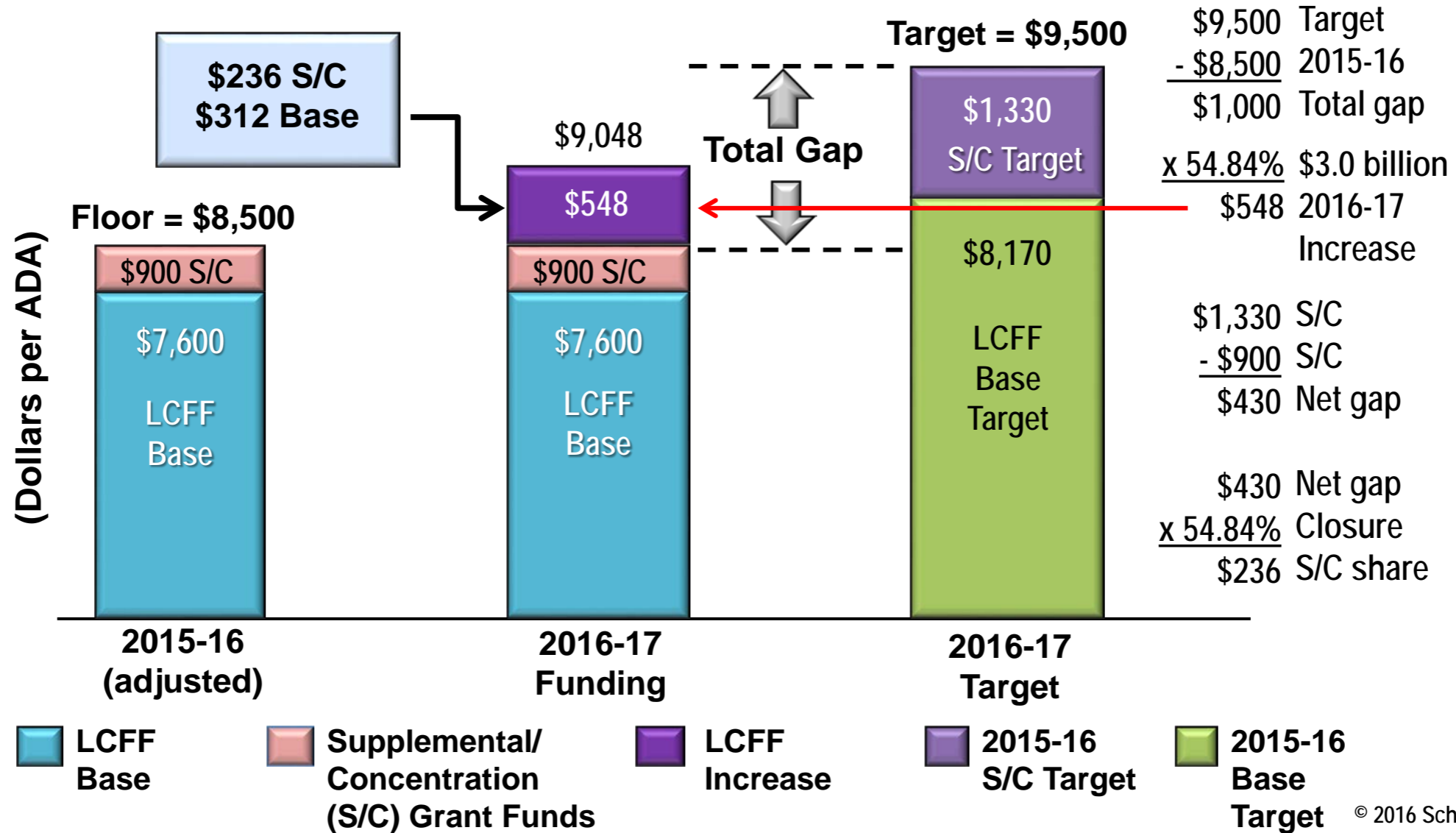
Proportionality and Targeted Funds

- Each school district is required to increase or improve services for eligible pupils in proportion to the increase in funds generated by those pupils for the district through the LCFF
 - The proportion of the increase in funds attributable to the number of eligible pupils enrolled is a calculation
- Districts must include in their LCAP a description of expenditures for services that support district goals, consistent with eight state priorities, for those pupils generating supplemental and concentration grants
 - Goals, activities, and services that increase or improve support for eligible students are a local decision

Minimum Proportionality Percentage

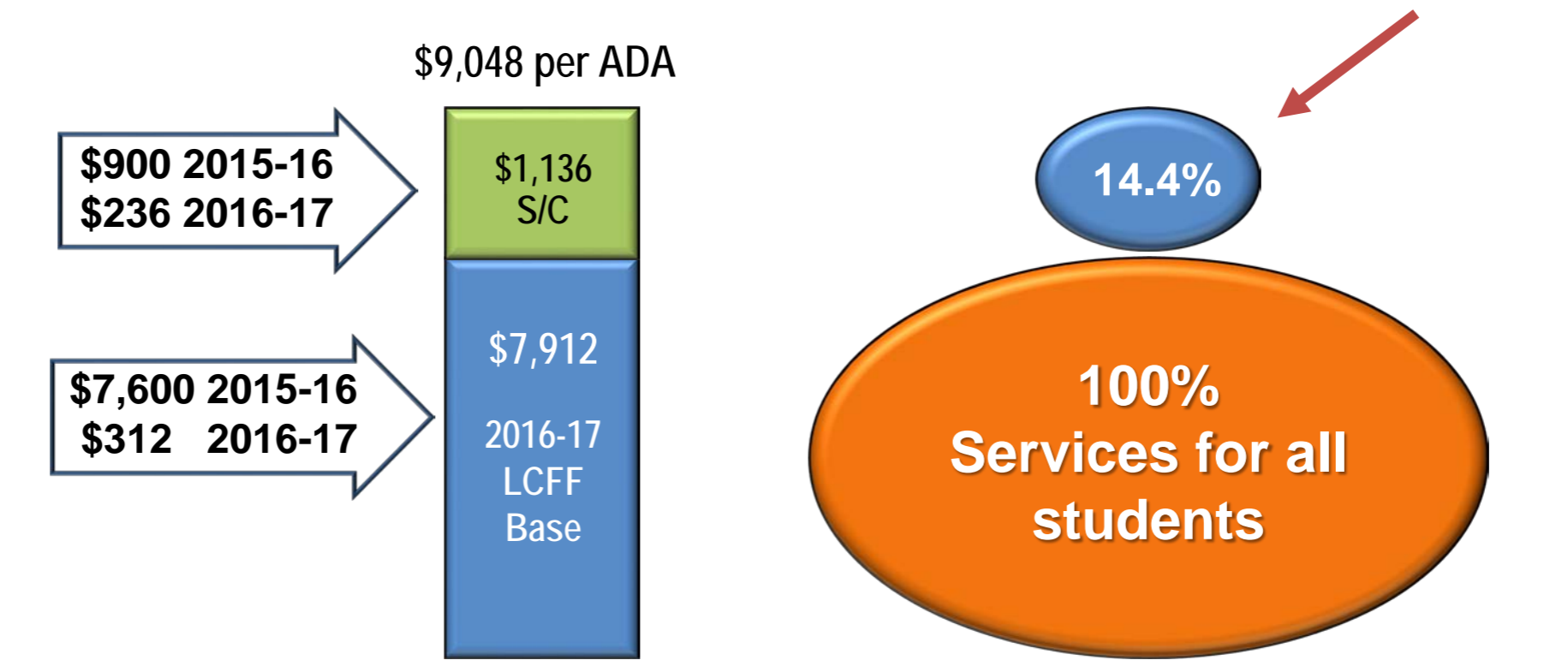
- The Minimum Proportionality Percentage is the percentage increase in the quantity or quality of services
 - A guide to the expenditure of resources – a percentage of services, measured in time, intensity, or quantity of effort
 - Supplemental/concentration grants expended are a proxy for services provided

Example Gap Closure and Proportionality Calculation



Minimum Proportionality Percentage

Increased or improved services
for English learners, low-income
students, and foster youth



2016-17 LCFF Funding

Proposition 30 Extension and Redevelopment Agency Dissolution

CONSIDERATIONS FOR FUTURE FUNDING

Expiration of Proposition 30 Taxes

- Proposition 30, approved by state voters in 2012, established higher temporary tax rates for the sales tax and the personal income tax
 - The sales tax rate increase generates about \$1.5 billion annually and is set to expire at the end of 2016
 - The high-bracket income tax hike generates about \$6 billion to \$8 billion annually and is set to expire at the end of 2018
- A coalition of labor, education, and health organizations is leading the effort to extend the high-bracket income tax rates
 - On May 11, 2016, the coalition announced that they were submitting more than one million signatures to local elections officials to qualify their initiative for the November 2016 ballot

Tax Extension Proposal

- If approved by state voters, the coalition's proposal would:
 - Extend the Proposition 30 income tax rates through 2030
 - Generate between \$5 billion and \$11 billion to the General Fund annually
 - Require up to \$2 billion to be provided to support the Medi-Cal program, after costs to fund Proposition 98 and other state programs are funded
- How will this affect funding for schools and community colleges under Proposition 98?
 - According to the LAO, Proposition 98 funding could increase by “a few billion dollars”
 - If we are under the right test for Proposition 98
 - Even so according to the current projections, the Governor insists there will be no extra money to spend

Local Revenues

- Property tax revenues are an offset to state aid provided through the LCFF
- Property taxes are generally a stable source of funding, and on average have historically increased annually at a faster pace than state funding formula entitlements
- Dissolution of redevelopment agencies (RDA) has made property tax receipts more volatile and harder to predict
 - One-time “residual distributions” and asset liquidation
 - Ongoing revenue increases from retirement of outstanding RDA obligations and absorption of the former RDA tax increment into the tax base

SMMUSD Local Revenues

SMMUSD 2014-15 Annual Report

Local Revenue	Amount*
Property Taxes	\$57,372,000
Community redevelopment	1,909,000
RDA – residual distribution	5,889,000
RDA – asset liquidation	7,403,000
Total	\$72,560,000

SMMUSD 2015-16 Annual Estimate

Local Revenue	Amount*
Property Taxes (P-2)	\$59,447,000
Community redevelopment (P-2)	1,767,000
RDA – residual distribution (est.)	5,875,000
RDA – asset liquidation	0
Total	\$67,089,000

* Amounts are rounded to nearest one thousand.

Thank you

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