Overview of Governor’s 2016-17 Budget Proposal

US Outlook

* US economy continues to show steady growth
  + Forecasters don’t believe another recession is imminent
  + However, they didn’t predict the last recession either
* Factors contributing to growth
  + Stock market hitting new highs
  + Recovery of housing market
  + Increase in capital investments
  + Job growth
  + Low interest rates and inflation
  + Consumer and government spending continues to rise
    - Spurred heavily by the reduction in oil prices, which puts more money in the pockets of consumers

California Outlook

* California economy is following the same trend as the nation as a whole with moderate growth projected for 2016-17
  + Unemployment rates continue to fall
    - Unemployment rates are still uneven across the State
  + Personal income growth projected to continue to increase in the near future
  + Automobile sales have increased as a result of low oil prices
* California State Budget
  + General Fund expenditures projected to be $122.6 billion
  + General Fund revenues/carryover projected to be almost $125.8 billion
    - $122.6 billion in new revenues for 2016-17
    - $5.2 billion in carryover from prior years
  + Projected reserve is $10.2 billion for 2016-17
    - Includes $3.2 billion fund balance plus $8 billion for Budget Stabilization Account (Rainy Day Fund)
    - Less $966 million in encumbrances

K-12 Education Budget

* Major budget components
  + $2.8 billion for district and charter school implementation of the LCFF
    - Closes the gap between 2015-16 funding levels and full LCFF implementation by 49.08%
    - Within first 4 years of the 8 year implementation plan (full implementation by 2020-21), LCFF would be 95% funded
    - COEs are now fully funded
      * COEs above their target entitlement will receive no new money
      * COEs at their target entitlement will receive increases based on the statutory COLA
  + 1.6 billion for new Early Childhood Education Block Grant
    - Block grant would redistribute ECE funds to target more money towards disadvantaged students
      * Consolidates existing grants for:
        + State Preschool Program
        + Transitional Kindergarten
        + Preschool Quality Rating and Improvement Grant
      * Think of it as the ECE version of the LCFF
    - Current proposal doesn’t provide additional money for ECE although this could change once the May revision is released
  + $1.2 billion for discretionary one-time uses
  + $365 million for Prop 39 – California Clean Jobs Act
    - Money is used to support energy efficient projects
  + $250 million for one-time Career Technical Education Incentive Grants (2015-16 thru 2017-18)
    - Applications have already been processed for 2015-16
      * LEAs have to apply for the grant money
      * LEAs must provide a local match equal to the amount of grant revenue obtained
        + Benefits LEAs with Career Education programs/funding already in place
    - Funding for year 2 (2016-17) will be based on a 1:1.5 match
  + $61 million for charter school ADA
* Outstanding issues
  + No proposal for statewide school facilities bond
    - Although a new $9 billion school facilities bond will be placed on the ballot this November, Governor Brown does not support it
      * Too complex
      * Inequity that favors LEAs with dedicated facilities staff
      * Inflexible in terms of being able to design facilities that meet local needs
      * Governor Brown is looking to change or replace the bond proposal with one that is more flexible and smaller in terms of the total bond amount
  + Deferred Maintenance funds have been folded into the LCFF
    - No new dollars means limited resources available to keep facilities in good repair
  + No new money for Transportation outside of the LCFF add-on
  + CalSTRS and CalPERS continue to be underfunded
    - 8.25% contribution rate in 2013-14 to 19.1% in 2020-21 for CalSTRS
    - 11.442% contribution rate in 2013-14 to 20.4% in 2020-21 for CalPERS
    - 2015-16 Budget Proposal does not address these cost increases

County Office LCFF Recap

* Major components of county office LCFF calculation
  + County oversight funding (includes 0.47% COLA for 2016-17)
    - $671,383 base allocation per county
    - $111,897 for each district in the county
    - County-wide ADA paid on declining per ADA rate as total ADA goes up
      * $71.66/ADA for the first 30,000 ADA
      * $61.42/ADA for next 30,000 ADA
      * $51.18/ADA for the next 80,000 ADA
      * $40.94/ADA for all remaining ADA over 140,000
  + Court and Community School Funding
    - Community School
      * $11,482.26 per ADA base grant
        + Based on 2012-13 undeficited base revenue limit
        + Base grant includes statutory 0.47% COLA
      * Supplemental grant
        + Adds 35% to the base grant ($4,018.79) for each eligible student
        + Qualified students

English learners

Students who are eligible for free or reduced meals

Foster youth

* + - * Concentration grant
        + Adds another 35% to the base grant ($4,018.79) for the total number of students that qualify for the supplemental grant in excess of 50% of the school’s total enrollment

Ex: If a school of 100 students has 75 that qualify for the supplemental grant, then the school would receive the concentration grant for 25 of those students

* + - Court School – all students qualify for the supplemental grant
      * $11,482.26 per ADA base grant
        + Based on 2012-13 undeficited base revenue limit
        + Base grant includes statutory 0.47% COLA
      * Supplemental grant equal to 35% of base grant ($4,018.79) for each Court School student
      * Concentration grant equal to 17.5% of base grant ($2,009.40) per student
        + With all students qualifying for the supplemental grant, exactly half of them would qualify for the concentration grant as well
      * Total funding for Court School comes out to $17,510.45 per ADA x total Court School ADA
* Other LCFF considerations
  + Hold-harmless provision protects LEAs from receiving less than the combined revenue limit and State categorical funding received in 2012-13
    - Hold-harmless provision kicks in when total funding calculated by the LCFF is less than LEA’s 2012-13 total revenue limit/categorical funding level
    - LEAs continue to be flat-funded at the hold-harmless level until the total LCFF target funding rises above the hold-harmless amount
  + Special Education exists outside the LCFF funding model and continues to be funded under the old AB 602 model
  + Foster Youth program exists outside the LCFF funding model and continues to be funded under the traditional model
  + Home-to-School Transportation (including Special Education Transportation) is included as an add-on to the LCFF
    - Maintenance of effort provision protects Transportation from cuts but provides no additional funding
      * MOE equals the lesser of
        + Actual 2012-13 expenditures
        + Actual 2015-16 transportation revenue
  + Career Education
    - The $250 million incentive grant that started in 2015-16 and continues through 2017-18 is meant to help Career Education programs continue to adapt to changing environment
      * 2015-16 required a 1:1 match
      * 2016-17 will require a 1:1.5 match
      * 2017-18 will require a 1:2 match