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