

The 2016-17 May Revision

The buzz preceding the release of Governor Jerry Brown’s May Revision mainly focused on the fact that state revenue collections in April were well below the level projected in January. While many braced for funding reductions, the May “surprise” was that there were no budget reductions proposed for education. In fact, both ongoing and one-time dollars for education increase slightly from the planned January expenditure levels.

Looking to the future, the Governor is careful to point out that the state’s projections do not assume a recession, but do assume that Proposition 30 temporary taxes expire. Under these assumptions, the state forecasts large deficits, which grow even higher if a recession should develop.

Proposition 98

2014-15 ADJUSTMENT

The May Revision shows that the Proposition 98 guarantee had been underestimated for 2014-15 and that a \$463 million increase is due. This results in a revised guarantee for the prior year of \$67.2 million compared to \$66.7 million estimated in January.

CURRENT-YEAR MINIMUM GUARANTEE AND MAINTENANCE FACTOR

For the current year, the May Revision reflects a decrease in Proposition 98 of \$125 million to \$69.1 billion, from \$69.2 billion in January.

Proposition 98 also requires the state to account for state funding that falls below the long-term target established by Test 2 (i.e., adjustments required by annual changes in per capita personal income). This cumulative shortfall is termed the Maintenance Factor. As of June 30, 2014, the state owed K-14 education approximately \$6.4 billion in Maintenance Factor payments. While the Governor’s January Budget anticipated that the \$6.4 billion Maintenance Factor would be fully repaid by the end of the current fiscal year, the May Revision now projects that \$155 million will remain unpaid on June 30, 2016.

2016-17 MINIMUM GUARANTEE AND NEW MAINTENANCE FACTOR

For 2016-17, the May Revision proposes an increase of \$288 million in Proposition 98 funding from the level proposed in January, bringing the minimum funding level to \$71.9 billion. Because Proposition 98 would be funded based on Test 3 in 2016-17, the January Governor’s Budget projected that a new Maintenance Factor would be created totaling \$548 million in 2016-17. The May Revision revises that amount to \$908 million.

Cost-of-Living Adjustment

The statutory cost-of-living adjustment (COLA) is revised downward from 0.47% in January to 0% in May. This reduces funding for categorical programs including Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and American Indian Early Childhood Education.

Local Control Funding Formula

The Governor’s 2016-17 May Revision continues implementation of the Local Control Funding Formula (LCFF) and provides an additional \$154 million above the January State Budget proposal.

LCFF TARGET ENTITLEMENTS FOR SCHOOL DISTRICTS AND CHARTER SCHOOLS

The target base grants by grade span for 2016-17 are unchanged from 2015-16 because the statutory COLA is zero:

Grade Span	2016-17 Target Base Grant per Average Daily Attendance (ADA)	Grade Span Adjustment (GSA)	2016-17 Adjusted Base Grant per ADA
TK-3	\$7,083	\$737	\$7,820
4-6	\$7,189	-	\$7,189
7-8	\$7,403	-	\$7,403
9-12	\$8,578	\$223	\$8,801

School districts and charter schools are entitled to supplemental increases equal to 20% of the adjusted base grant (which includes class-size reduction and

career technical education funding) for the percentage of enrolled students who are English learners, eligible for the free and reduced-price meals program, or in foster care (the unduplicated pupil percentage). An additional 50% per-pupil increase is provided as a concentration grant for the percentage of eligible students enrolled beyond 55% of total enrollment.

Bear in mind that the LCFF target entitlement is the full funding level for each local educational agency (LEA), in today’s dollars, that the state intends to provide at some point in the future under the formula. It is not the amount an LEA will receive in 2016-17, which is based on the difference, or “gap,” between the current-year LCFF funding level, the LEA’s target entitlement, and the proportion of the gap that can be funded with the LCFF increase.

LCFF TRANSITION ENTITLEMENTS AND GAP FUNDING

The difference between a district’s or charter school’s current funding and its target entitlement is called the LCFF gap, and it is this gap that is funded with the additional dollars dedicated each year to implementation of the LCFF. For 2016-17, the May Revision proposal calls for \$2.979 billion to close more than half (54.84%) of the gap remaining to full implementation of the LCFF.

The lack of a COLA will affect the per-pupil grants used to calculate the LCFF target, but does not directly impact the level of the appropriation for the LCFF gap closure. Rather than the COLA, it is the appropriation, and its corresponding gap closure percentage, which determines revenue growth for most school districts and charter schools. The lack of a COLA will; however, affect the LCFF funding for LEAs that are at their LCFF target.

Pupil transportation and Targeted Instructional Improvement Grants continue as separate add-ons to the LCFF allocations and do not receive a COLA.

Community-Funded School Districts

School districts with property tax revenues that exceed the LCFF levels will continue to retain their

local tax growth, and will receive a lower minimum state aid allocation that is reduced by the ongoing cuts incurred by these districts during the recession. Under the LCFF, these cuts are carried forward into future years for these districts.

County Offices of Education

As of 2014-15, the LCFF for county offices of education (COEs) was fully implemented and, therefore, with no statutory COLA, the basic funding amounts that drive COE LCFF entitlements in 2016-17 will remain unchanged from 2015-16 levels. State funding for COEs in 2016-17 is adjusted in the May Revision to account for changes in ADA.

K-3 Grade Span Adjustment

The K-3 GSA program requirements are unchanged in the May Revision; however, the revised gap funding of 54.84% should be used to measure progress toward the 24:1 target for 2016-17.

One-Time Discretionary Funds

The Governor’s May Revision includes more than \$1.4 billion in one-time Proposition 98 funding for school districts, charter schools, and COEs. The funds are unrestricted and the use of the dollars is discretionary. Funding is estimated at \$237 per ADA. Consistent with prior-year proposals, the funds provided will offset outstanding mandate reimbursement claims.

Special Education

There is no proposed increase in funding in the Governor’s May Revision for special education base programs or special education preschool. The Governor has called for another study regarding special education financing. The Public Policy Institute of California will release its findings in the fall of 2016.

Child Care

The May Revision proposes administrative adjustments from the Governor’s Budget to the

California Work Opportunity and Responsibility to Kids (CalWORKs) child care system.

Capped child care programs (non-CalWORKs) are proposed to see a net decrease of \$3.5 million due to the 0% COLA. Child care and development funds are proposed to receive a net increase in the May Revision of \$55.6 million in federal funds, of which \$9.2 million will be allocated to child care activities in compliance with the federal Child Care and Development Block Grant Act of 2014.

Preschool/Early Childhood Education

The Administration updated its Early Education Block Grant proposal. As revised, the proposal would include a “funding model that maintains current levels of funding for school districts and regions for a period of time as the transition to the new Block Grant model occurs. Future state spending investments will be targeted to those areas of the state that have traditionally lacked an equitable share of total funding.”

The May Revision includes \$20 million (\$10 million ongoing and \$10 million one time) for COEs to begin work in the budget year to ensure a successful transition to the new early education program beginning in 2017-18.

Adult Education

The Governor’s May Revision maintains \$500 million in ongoing funding for the Adult Education Block Grant. In the community college budget, an additional \$5 million in one-time funds is proposed to provide consortia with technical assistance, coordination, and capacity building assistance through 2018-19.

Charter Schools

The Governor’s January Budget included an increase of \$61 million in Proposition 98 funding to support projected charter school ADA growth and an additional \$20 million in one-time funds for charter school start-up grants. The May Revision makes no changes to these proposals.

School Facilities and Proposed “Emergency Repair Revolving Loan Program”

The May Revision includes no statement on the statewide school bond that qualified for the November 2016 ballot. However, it appropriates \$100 million in one-time funding to create a revolving loan program to expedite funds to districts with emergency facilities needs that pose health and safety risks that could cause the displacement of students from educational settings. The new bridge loan program is intended to assist districts with insufficient resources to address their health and safety issues. The Governor proposes that the program be administered by the California Department of Education under an expedited review and approval process.

Districts receiving loans would have the option of repaying the loan in full within one year without interest or by structuring long-term, low-interest repayment plans over a 20-year period.

Proposition 39—The California Clean Energy Jobs Act

The May Revision includes an increase of \$33.3 million for K-12 education and \$4.1 million for community colleges for Proposition 39 energy efficiency projects from the January Budget. For 2016-17, total funding would be \$398.8 million for K-12 education and \$49.3 million for community colleges.

Teacher Workforce Actions

In response to statewide teacher shortages, the May Revision proposes \$10 million in one-time funds for investment grants to be awarded to private and public postsecondary institutions to improve upon or develop four-year integrated teacher credential programs, reducing the time to a preliminary teaching credential by up to three years. Competitive grants of up to \$250,000 would be administered by the Commission on Teacher Credentialing and will be

awarded with preference to proposals that include partnerships with local community colleges and K-12 LEAs.

Federal Programs

There was a small uptick in funding for some of the major federal education programs. Title I, which supports services to assist low-achieving students enrolled in the highest poverty schools, will receive a \$139 million increase, of which \$29.1 million is one time. Special education base grants will increase by only \$41.4 million, of which \$5 million is one time. Migrant education programs, which support services to meet the needs of highly mobile children, receive a \$14 million increase, of which half is one-time funding.

Dartboard Factors

The School Services of California, Inc., (SSC) Financial Projection Dartboard factors presented below are developed by SSC with input from independent state agencies and private economic consulting firms based on the latest information available. These factors are provided to assist school agencies in preparing their upcoming budgets and multiyear projections.

Factor	2015-16	2016-17	2017-18	2018-19	
LCFF Planning Factors	SSC Simulator	SSC Simulator	SSC Simulator	SSC Simulator	
Statutory COLA	1.02%	0.00%	1.11%	2.42%	
Ten-Year Treasuries	1.98%	2.05%	2.43%	2.58%	
California Consumer Price Index	2.02%	2.15%	2.26%	2.49%	
Lottery	Base	\$140	\$140	\$140	\$140
	Prop. 20	\$41	\$41	\$41	\$41

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1121 L Street, Suite 1060 | Sacramento, CA 95814
(916) 446-7517 | Fax (916) 446-2011 | Email: ssc@sscal.com

POCKET BUDGET 2016-17

A Summary Analysis of the May Revision Proposal for the 2016-17 State Budget for California’s Schools

Prepared by



May 2016

Public Education’s Point of Reference for Making Educated Decisions

SCHOOL SERVICES OF CALIFORNIA, INC.