

The 2016-17 State Budget Proposal

The Governor’s 2016-17 proposed State Budget continues to reflect his conservative attitude toward maintaining the fiscal progress that has been made since the end of the Great Recession. The State Budget proposal for 2016-17 continues to reflect both stability for and growth in education funding.

Proposition 98

For the current year, the Governor’s Budget acknowledges that the strengthening economy is boosting the minimum guarantee above the level adopted in the 2015-16 Budget Act. For the current year, the Proposition 98 guarantee is now estimated at \$69.2 billion, up \$766 million from the enacted level. This increase is based on rising state per-capita personal income (Test 2), which is consistent with a recovering state economy.

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. The Governor’s Budget indicates that the Maintenance Factor will be fully repaid by the end of the current fiscal year.

For 2016-17, the Governor’s Budget proposes a Proposition 98 guarantee of \$71.6 billion, an increase of \$2.4 billion, or 3.5%, from the revised current-year level. The guarantee is based on Test 3, the change in per-capita General Fund revenues, plus 0.5%, which is estimated at 2.88%, and the change in K-12 average daily attendance (ADA), which is expected to be flat in the budget year. The Budget also acknowledges that Maintenance Factor payments are again created in 2016-17, with \$548 million that will be owed to K-14 education.

According to the Governor’s Budget, K-12 Proposition 98 funding per pupil will rise from \$10,223 in the current year to \$10,591 in 2016-17, a 3.6% increase as compared to 11.85% growth in 2015-16.

Local Control Funding Formula

The Governor’s 2016-17 Budget continues implementation of the Local Control Funding Formula (LCFF) with an infusion of \$2.825 billion in additional Proposition 98 revenues, which equates to a gap funding rate of 49.08%. The LCFF provides funding to transition all school districts toward target funding levels and provides supplemental revenues through percentage weighting factors to increase or improve services for students who are not English language proficient, who are from low-income families, or who are in foster care.

The Governor is careful to point out that education funding has grown by 51% over the past five years. The increases have come through the growth in property taxes and not from the state’s General Fund. This is the case for 2015-16, the largest increase to education in history.

Coupled with the Governor’s proposal for 2016-17, this will continue to put the state years ahead of its planned implementation schedule for the LCFF and bring districts to within 95% of their full implementation targets.

Yet in the big picture, the Governor provides hefty amounts of both ongoing and one-time funding for schools. Education clearly marks another year of major funding recovery. And the discussion is turning, as it should, more toward education policy and student performance than district solvency.

LCFF Target Entitlements for School Districts and Charter Schools

The target base grants by grade span for 2016-17 are increased over 2015-16 by 0.47% to reflect the estimated statutory cost-of-living adjustment (COLA):

Grade Span	2015-16 Target Base Grant per ADA	0.47% COLA	2016-17 Target Base Grant per ADA
TK-3	\$7,083	\$33	\$7,116
4-6	\$7,189	\$34	\$7,223
7-8	\$7,403	\$35	\$7,438
9-12	\$8,578	\$40	\$8,618

In addition, the 2016-17 Transitional Kindergarten (TK)-3 grant increase for the class-size reduction (CSR) grade-span adjustment (GSA) is \$740 per ADA, and the grade 9-12 base grant per ADA is increased by \$224 in recognition of the need for career technical education (CTE) courses provided to students in the secondary grades.

LCFF Target Entitlements and Gap Funding

The difference between each local educational agency’s (LEA) 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.

The following table shows the estimated new funding for the LCFF and corresponding gap closure percentages as reported by the Department of Finance (DOF) with the introduction of the 2016-17 Governor’s Budget:

District and Charter School LCFF Funding and Gap Closure Estimates (Dollars in Millions)					
	2015-16	2016-17	2017-18	2018-19	2019-20
LCFF Funding	\$5,994	\$2,825	\$1,839	\$222	\$1,667
DOF Gap Closure %	51.97%	49.08%	45.34%	6.15%	34.21%
COLA	1.02%	0.47%	2.13%	2.65%	2.72%

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

Cost-of-Living Adjustments

The estimated statutory COLA for K-12 education programs in 2016-17 is 0.47%, and is applied to the LCFF base grant targets as well as to determine increases for other education programs that are funded outside of the LCFF. Those programs include Special Education, Child Nutrition, Foster Youth, Preschool, American Indian Education Centers, and the American Indian Early Childhood Education

program, all of which are proposed to receive the statutory COLA. For special education, the estimated COLA is \$2.50 per ADA.

Discretionary Funding

The Governor’s Budget includes more than \$1.2 billion in one-time Proposition 98 funding for school districts, charter schools and county offices of education (COEs). The funds are unrestricted and the use of the dollars is discretionary. Funding is estimated at \$214 per ADA. Consistent with prior-year proposals, the funds provided will offset outstanding mandate reimbursement claims.

Preschool/Early Childhood Education

The Governor’s Budget proposal would establish a \$1.6 billion Early Education Block Grant by consolidating current Proposition 98 funding available for Preschool and TK Programs, and the Preschool Quality Rating and Improvement Grant.

The Governor cites the need to reduce the administrative and programmatic challenges inherent in these programs so his intent is to give LEAs greater financial and program flexibility to allow them to establish more targeted programs to address the needs of individual communities and the lowest-income and most at-risk children. The Governor notes that no LEA would receive less funding than was received under prior funding models and indicates he will convene a stakeholder group to work out the details, with a proposal unveiled in May 2016.

Systems of Learning and Behavioral Supports

The Governor proposes \$30 million in one-time funding to expand last year’s \$10 million Systems of Learning and Behavioral Supports initiative. These funds are intended to be used by school districts to provide academic and behavioral supports in a coordinated and systematic way with an emphasis on (1) improving student outcomes by more

effectively recognizing the various ways students can learn, engage with, and demonstrate mastery of academic content; (2) promoting behavioral interventions that reduce student referrals to special education or other isolated settings; and, (3) improving school climate by focusing on social and emotional learning.

Career Technical Education

The Governor’s Budget continues the planned \$300 million 2016-17 investment in the CTE Incentive Grant Program, established as part of the 2015-16 State Budget. In the community college budget, he proposes a \$48 million increase for the California Community College CTE Pathways Program and \$200 million in support of the Strong Workforce Program, which are designed to expand access to additional CTE courses and programs.

County Offices of Education

COEs receive funding under a similar LCFF, with funding provided in recognition of direct instructional services for pupils in juvenile court schools and community schools and an allocation for countywide services based on the number of school districts and total ADA within the county.

As of 2014-15, the LCFF for COEs is fully implemented and, therefore, LCFF increases for COEs in 2016-17 are provided through the estimated COLA only, with COEs that are at their LCFF target receiving a 0.47% increase. COEs that are more than 0.47% above their LCFF target will receive no additional funding through the formula in the budget year.

COE funding for 2016-17 is increased under the Governor’s Budget proposal by a net of \$1.7 million to account for a COLA on LCFF entitlements and changes in ADA.

Community-Funded School Districts

School districts with property tax revenues that exceed the formula funding levels will continue to

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

Charter Schools

The Governor’s Budget includes an increase of \$61 million in Proposition 98 funding to support the projected charter school ADA growth. In addition, the Budget includes an additional \$20 million in one-time Proposition 98 funds for charter school start up grants that will support operation startup for new charter schools in 2016 and 2017. The intent is to offset the loss of federal funding that was previously available.

School Facilities and Proposition 39 Energy Grants

Building on the two design tenets of local flexibility and targeting resources to areas of need that he discussed in his 2015-16 Budget proposal, Governor Brown commits to continuing a dialogue with the Legislature and education stakeholders to shape a future state school facilities program.

The Governor proposes \$365.4 million toward school district and charter school energy efficiency projects under the California Clean Energy Jobs Act program (Proposition 39), and \$73.9 million for community colleges.

Federal Programs

Congress and the President reached agreement on a 2016 Federal Budget that includes funding increases for both Title I and special education programs. California will receive an estimated \$50 million increase in Title I funding and an estimated \$42 million for special education programs. Several other federal programs will receive negligible funding increases, except for the School Improvement Grant. This program was eliminated in the recently enacted Every Student Succeeds Act; however, it is funded one

last time in 2016, but faces an 11% funding reduction from the 2015 level.

Another last minute agreement reached by Congress in 2015 was the reauthorization of the Elementary and Secondary Education Act, which overhauls many of the provisions contained in the No Child Left Behind Act. Now called the Every Student Succeeds Act, there are significant policy shifts encapsulated in the compromise. Chiefly, the act will provide states greater flexibility to design and implement a multiple measures accountability system that promotes continuous improvement in instructional practices and delivery to improve student learning and achievement.

Dartboard Factors

The 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%	0.47%	2.13%	2.65%	
Ten-Year Treasuries	2.21%	2.40%	2.75%	2.80%	
California Consumer Price Index	1.90%	2.22%	2.52%	2.62%	
Lottery	Base	\$140	\$140	\$140	\$140
	Prop. 20	\$41	\$41	\$41	\$41

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POCKET BUDGET 2016-17

A Summary Analysis of the Governor’s Proposed 2016-17 State Budget for California’s Schools

Prepared by



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Public Education’s Point of Reference for Making Educated Decisions