Statutory COLA Could Be Lower Than the January Estimate

The statutory cost-of-living adjustment (COLA) for 2015-16 for Local Control Funding Formula (LCFF) base grants is likely to be lower than the 1.58% contained in Governor Jerry Brown’s January Budget.

Preliminary data compiled by the U.S. Department of Commerce suggests that the COLA—the Implicit Price Deflator for State and Local Government Purchases of Goods and Services—will be lower than the Department of Finance’s estimate, as a result of a drop in the index in the fourth quarter of 2014. Up until that point, the index had been rising at a modest annual rate of about 1.6%.

The index is not unique to California, but rather is a compilation of the costs of goods and services purchased by state and local governments nationwide. It does not include federal purchases, which are particularly influenced by defense spending. In addition, because it is a national index, it is influenced by factors that are not necessarily prominent in California, such as weather-related expenditures.

The statutory COLA for the current year is 0.85%, which is very low by historical standards. The adjustment for 2015-16, though not likely to be that low, could follow a similar pattern.

We will address the implications of the lower COLA on LCFF funding at our May Revision workshop next month. We hope to see you there.

—Robert Miyashiro, Dave Heckler, and Patti Herrera

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