

# Unraveling the District Budget

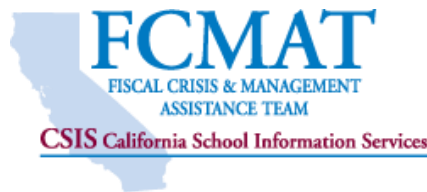
Twin Rivers Unified School District  
Presented to the Board of Trustees  
January 16, 2018

Presented By:

**Bill McGuire Deputy  
Superintendent  
Administrative Services**

**&**

**Kate Ingersoll  
Executive Director  
Fiscal Services**

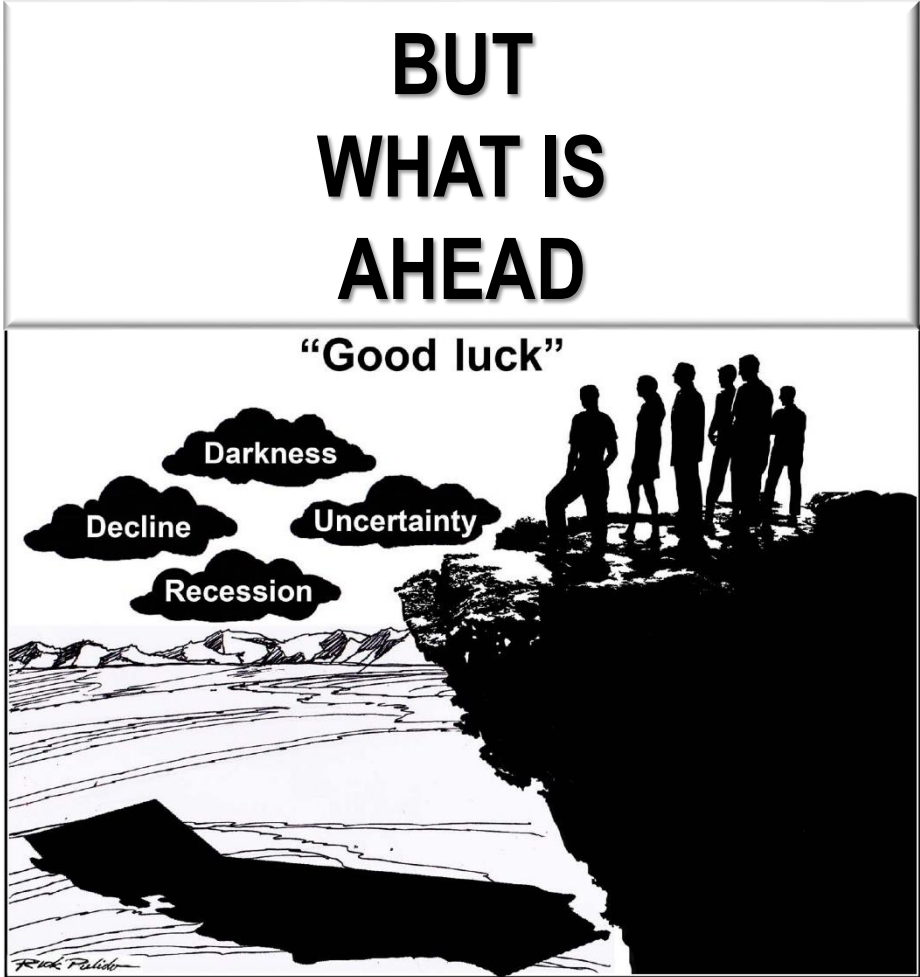


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# ADDITIONAL FUNDING TODAY



# Topics for the Workshop

- 🔍 **Planning, Goal Setting, and Financial Policies**
- 🔍 **Understanding California School Budgeting**
- 🔍 **Developing the Budget**
- 🔍 **Multiyear Projections (MYPs)**
- 🔍 **Monitoring the District's Budget**
- 🔍 **Our Evolving Accountability System**
- 🔍 **The Governor's 2018-19 Budget Proposal – January 16, 2018**



# PLANNING, GOAL SETTING, AND FINANCIAL POLICIES

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# Overview – Planning, Goal Setting, and Financial Policies

**Planning and Goal Setting**

**Financial Policies**

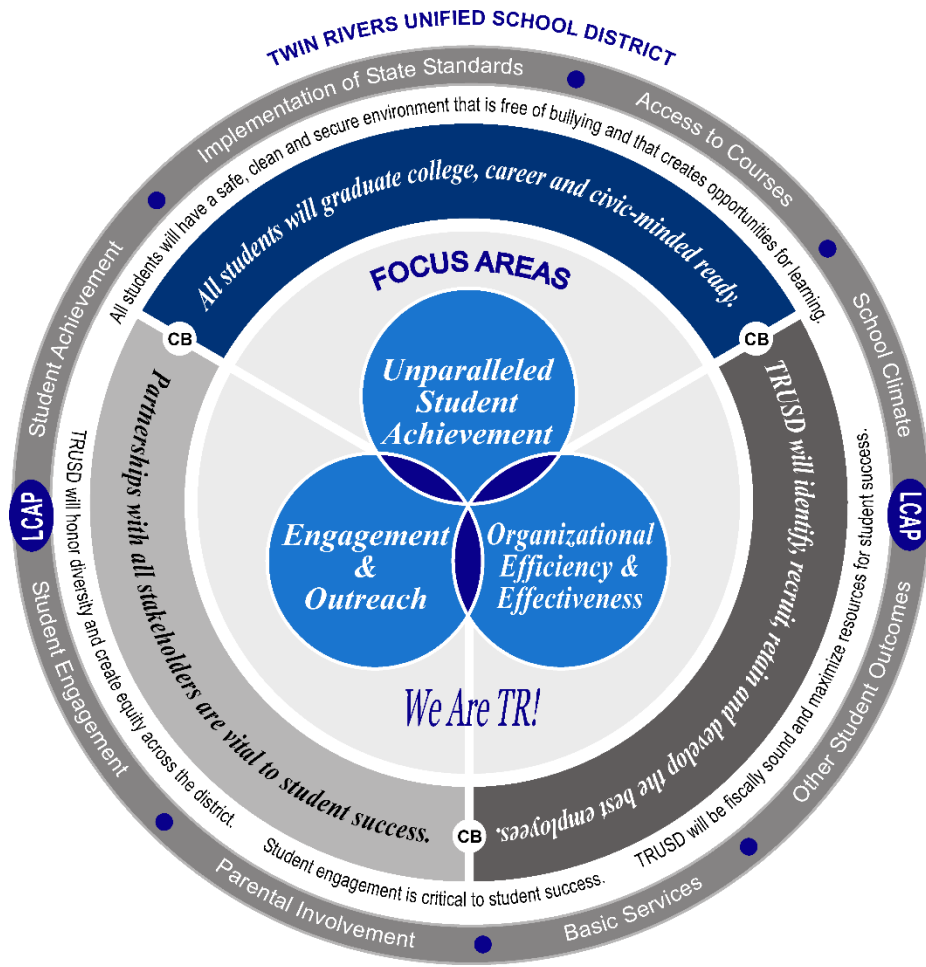
**Local Reserve Policy**



# Planning and Goal Setting

- 🔍 Starts with the district's vision
  - *An unwavering focus on powerful and engaging learning experiences that prepare students for college, career and life successes*
- 🔍 Long-term priorities based on vision
  - TRUSD Core Beliefs
- 🔍 Strategic goals developed from priorities
  - TRUSD Focus Areas ➡ 40/40/40
    - **There is enough money to do anything you need to do**
    - **But not everything you want to do**
    - **Wants and needs must be prioritized**





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# Planning and Goal Setting

- 🔍 **Short-term (one year) operational goals to implement strategic goals for next year**
  - Each management team member has an annual goal for each of the three Focus Areas
- 🔍 **Instructional priorities and goals embodied in the annual Local Control and Accountability Plan (LCAP)**
  - Needs assessment based upon data
  - Input from stakeholders
  - Actions and services year by year for three years
- 🔍 **Ensure actions, services, and goals for the year are included in the budget**





# Financial Policies

- 🔍 **Adopt sound financial policies**
  - **Balancing the operating budget (BP 3100 & 3460)**
  - **Issuing and managing debt (AR 3460 coming soon)**
  - **Using one-time revenues for one-time purposes (BP 3100)**
  - **General Fund reserves (BP 3100)**
    - **Prudent level**
  - **Contingency Planning (BP 3460)**
  - **Maintenance and replacement of capital assets (BP 3517 & 7214)**
  
- 🔍 **Budget review and approval should be through the lens of these policies**




# Local Reserves Policy

- 🔍 **Understanding the definition of reserves: key to budget credibility**
  - Assigned/unassigned General Fund (01) and Special Reserve for Other Than Capital Outlay Fund (17)
- 🔍 **The Reserve for Economic Uncertainties is the minimum established by the State Board of Education (SBE)**
  - Set aside from unassigned reserves
  - Based upon district size ( enrollment ) – TRUSD is 3% of expenditures
  - Remember this is a minimum
    - All districts need to have higher reserves than this SBE minimum



# Unrestricted Fund Balance – Statewide Averages

 **2015-16 was the first time in four years that the average unrestricted fund balance increased**

- Due in large part to significant one-time mandate funding (\$530 per ADA)

**2015-16 Average Unrestricted General Fund, Plus Fund 17;  
Ending Balances as a Percentage of Total General Fund  
Expenditures, Transfers, and Other Uses**

**Change From  
Prior Year\***


Elementary School Districts	21.54%	2.58%
High School Districts	17.19%	2.33%
Unified School Districts	16.45%	3.36%

Source: Statewide certified data

\*Increase relative to the reserve levels of 2014-15



# Local Reserves Policy

-  Reserves higher than the SBE minimum are needed to protect against:
- Economic downturns and state-level budget cuts
  - Volatility in the Local Control Funding Formula (LCFF) gap closure funding
  - Declining enrollment and loss of funding
  - Unplanned expenses (the “broken boiler” scenario)
  - Carryover balances for schools and departments
  - Cash shortages
  - Layoffs and program reductions by providing lead time to make budget adjustments



# Local Reserves Policy

## 🔍 TRUSD 2017-18 First Interim General Fund reserves:

Ending Balance, June 30	\$14,104,603
Nonspendable: Revolving Cash and Stores	\$878,672
Restricted	\$223
Committed	\$0
Assigned	\$0
Unassigned: Reserve for Economic Uncertainties	\$13,225,708
Unassigned: Reserve above SBE 3%	\$2,004,573
Unassigned	\$0

} 4.08%



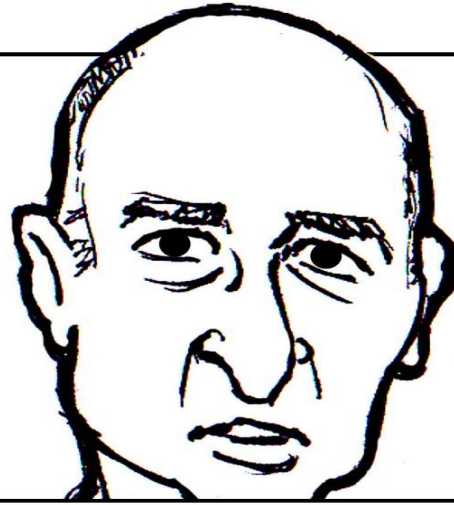
# Local Reserves Policy

## It's a delicate balance:

- Spend today's dollars on today's children
  - But not at the expense of tomorrow's children
    - *We are doing this; \$7.8 million on-going deficit spending*



Okay for  
the State



But not  
for us

**“To budget responsibly,  
you need large reserves.”**

*Rick Palido*



# UNDERSTANDING CALIFORNIA SCHOOL FINANCE

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# Overview – Understanding California School Finance

**State Standardized  
Account Code Structure  
(SACS) reports**

**Revenues**

**Expenditures**

**Other Funds**



**TwinRivers**  
UNIFIED SCHOOL DISTRICT

**2017-2018**  
**ADOPTED**  
**BUDGET**  
(STATE SACS  
FORMS)



**ADOPTED**  
**JUNE 27, 2017**



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

This Meritorious Budget Award is presented to

**TWIN RIVERS**  
**UNIFIED SCHOOL DISTRICT**

for excellence in the preparation and issuance of its budget  
for the Fiscal Year 2017–2018.

The budget adheres to the principles and standards  
of ASBO International's Meritorious Budget Award criteria.



**Anthony N. Dragona, Ed.D., RSBA**  
President

**John D. Musso, CAE, RSBA**  
Executive Director

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# State Standardized Account Code Structure (SACS) reports

- Financial reports in the SACS format must be adopted and submitted to the COE at least four times per year:

Report	Period Covered	Due Date
Adopted Budget	New fiscal year	July 1*
First Interim	July 1 – October 31	December 15
Second Interim	July 1 – January 31	March 15
Estimated Actuals	July 1 – June 30	July 1*
Unaudited Actuals	July 1 – June 30	September 15

\*Adopted budget for the next year includes Estimated Actuals for the current year



# Revenues



# LCFF Entitlement

- 🔍 **The LCFF was designed to close the achievement gap**
- 🔍 **LCFF components**
  - **Base grants per pupil by four grade spans – the per pupil amount is the same for all school districts and charter schools**
  - **Supplemental and concentration grants based on the Unduplicated Pupil Percentage (UPP)**
    - **UPP is based on three pupil characteristics (English Language (EL), low income and/or foster youth)**
- 🔍 **All funds received through the LCFF are unrestricted**



# LCFF Entitlement 2017-18

- 🔍 **This is the fifth year of implementation**
  - In an estimated eight-year plan to get all districts and charter schools to their individual target level of funding (2020-2021); anticipate will be fully funded in 2018-2019.
- 🔍 **Each year the adopted State Budget is to provide an amount for increasing the funding through the LCFF**
  - The funding target is calculated for the year for each district and charter school
  - The difference between the target funding level and the current funding level for all local agencies is referred to as the “gap”
  - Then the amount provided in the State Budget is applied to the gap
    - And the gap funding – or gap closure – is calculated for that year



# LCFF Entitlement 2017-18

- 🔍 The gap funding provided each year to move all local agencies toward their targets has been:

2013-14	2014-15	2015-16	2016-17	2017-18
12.0017%	30.16%	52.56%	56.08%	44.97%*

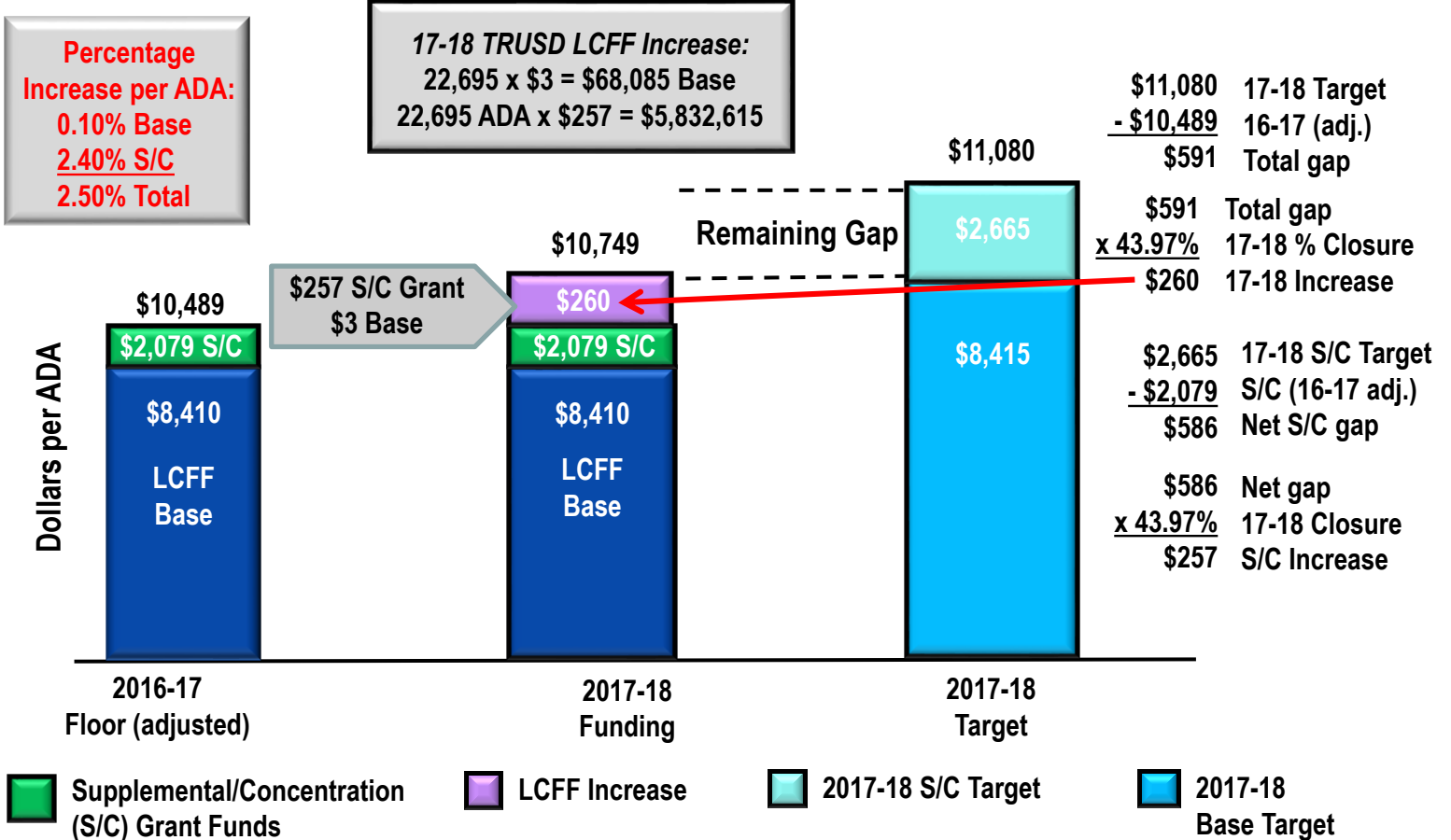
\*Can still be adjusted; 43.19% at 2017-18 First Interim

- 🔍 **LCFF is now almost 97% fully funded**
  - As always, keep in mind that the annual LCFF increases of individual districts can vary significantly



# TRUSD Gap Funding Per ADA (17/18 Adopted Budget)

87.02% Unduplicated Students





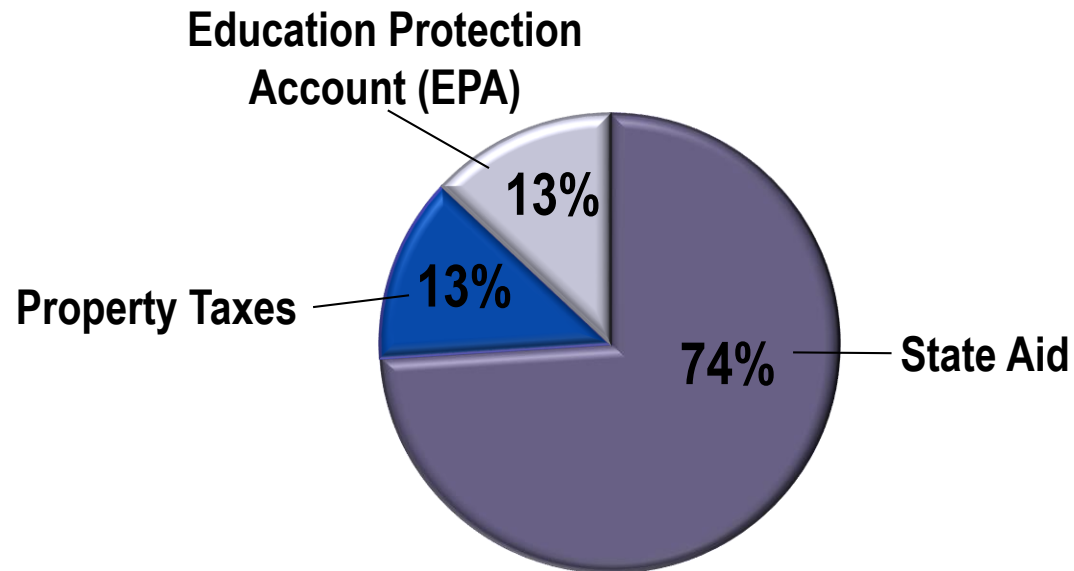
# LCFF Revenue 2017-18 First Interim

	Twin Rivers Estimated 2017-18	Creative Connections Estimated 2017-18	Smythe Academy Estimated 2017-18	Westside Prep Charter Estimated 2017-18	Total
LCFF Target Floor	\$253,366,361	\$6,135,704	\$10,742,249	\$3,436,404	\$273,680,718
Funding Gap	\$13,698,638	\$446,848	\$681,267	\$204,251	\$15,031,004
CY Gap Funding (43.19%)	\$5,916,442	\$192,994	\$294,239	\$88,216	\$6,491,891
17/18 Estimated LCFF Entitlement Base Funding	\$245,584,165	\$5,881,850	\$10,355,221	\$3,320,369	\$265,141,605
Supplemental/Concentration	\$190,357,792	\$5,039,682	\$7,869,845	\$2,735,874	\$206,003,193
Estimated Unduplicated pupil % (EL, low income and/or foster youth)	87.04%	67.33%	91.02%	74.84%	



# LCFF Entitlement 2017-18 First Interim

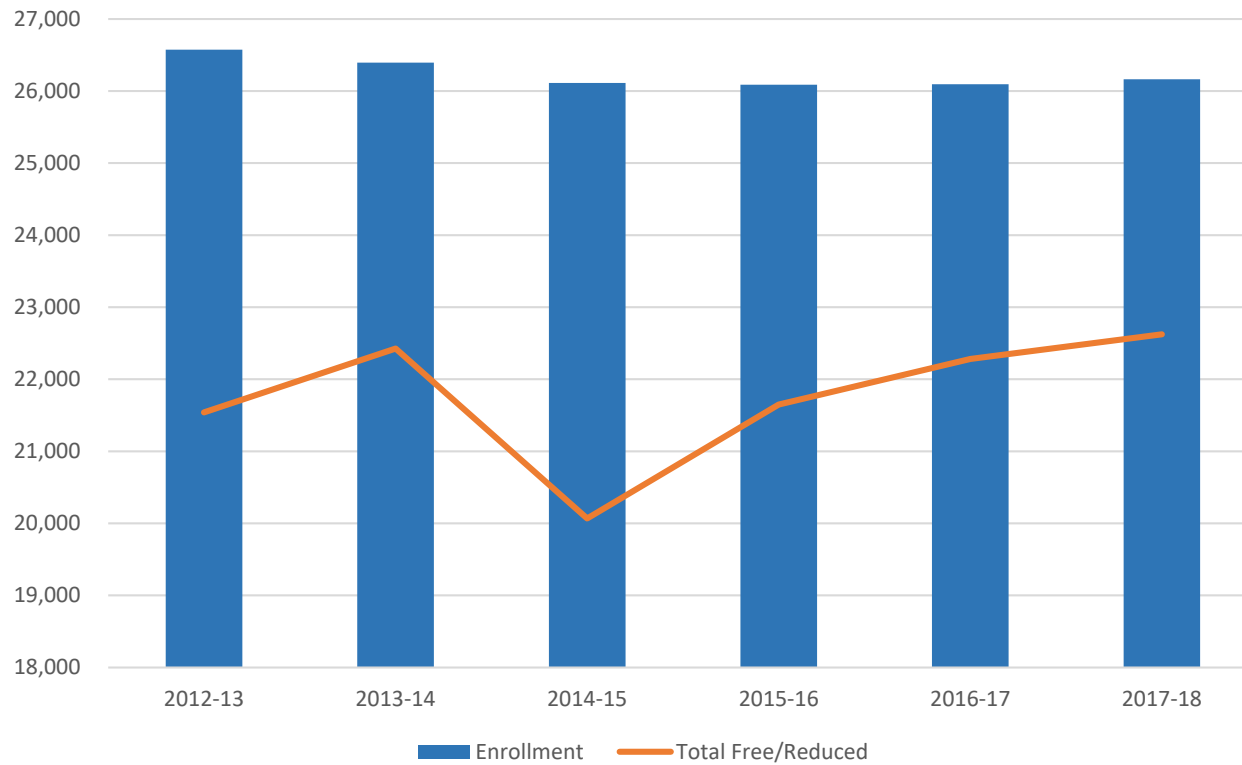
- 🔍 LCFF entitlement is made up of three components:



- 🔍 Exact proportions are unique to each LEA; above is TRUSD 2017-18 First Interim



# Enrollment History



**2017-18  
UPP est.  
87.04%**



# Know Your Revenue Sources

🔍 Is the source one time or ongoing?

🔍 Restricted or unrestricted?

	One Time	Ongoing
Restricted	Use <u>first</u>	Use next
Unrestricted	Use if restricted funds are not applicable	Use <u>last</u>

🔍 Supplemental/Concentration funds are for!

Demonstrate increased or improved actions/services, above the District's base/core programs, "principally directed toward and effective in meeting the District's goals for unduplicated pupils"



# Know Your Revenue Sources

## Just Remember Two Major Principles:

1

- Don't use one-time funds to pay for "things that eat"
  - Fund balance dollars are one time

2

- Budget restricted dollars first, if they apply

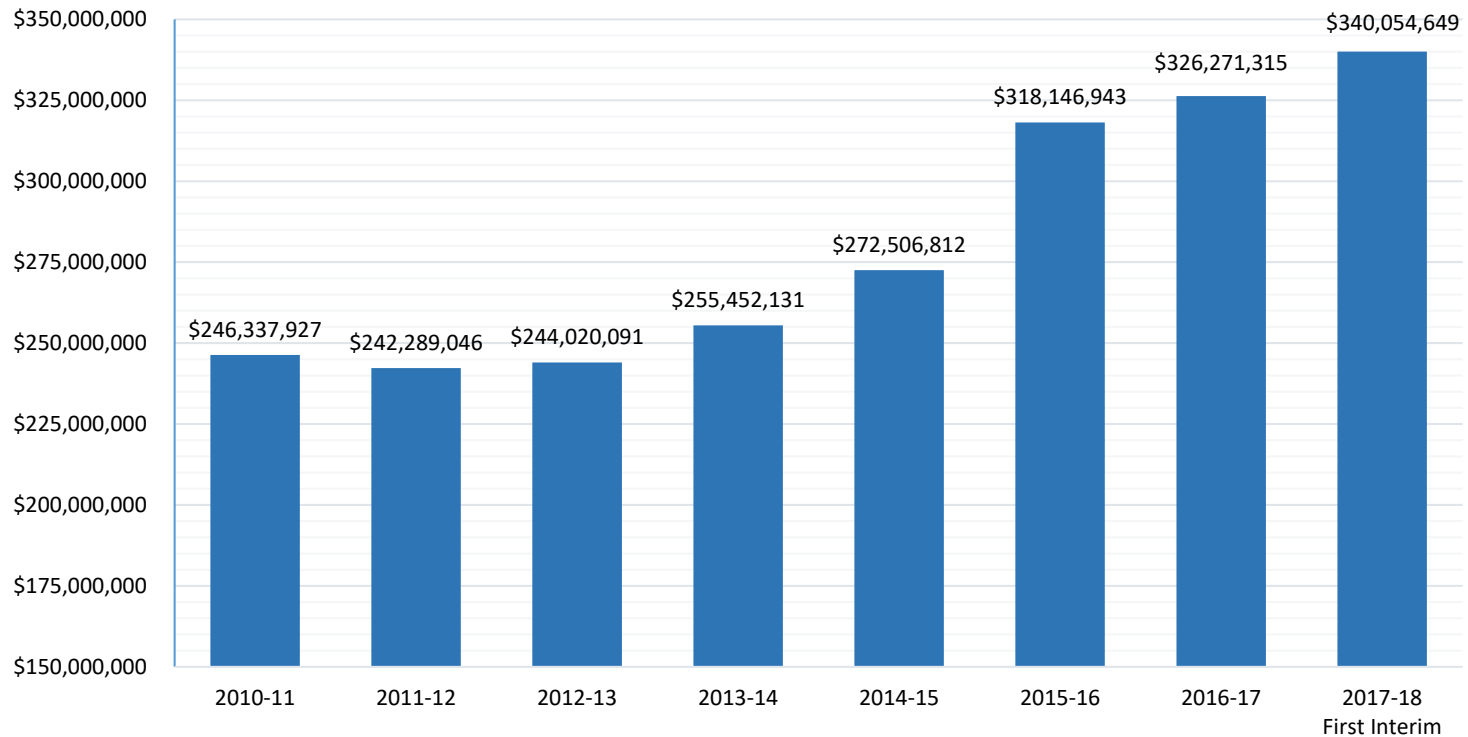


# One-time Funds from State

TRUSD 2017-18	
Discretionary Funds (Mandated Cost)	\$3,600,000
TRUSD 2016-17	
Discretionary Funds (Mandated Cost)	\$5,318,512
College Readiness	Twin Rivers \$764,967
	CCAA \$75,000
Classified Teacher Program	Consortium with SCOE
TRUSD 2015-16	
Discretionary Funds (Mandated Cost)	\$13,112,966
Educator Effectiveness	\$2,261,389



# Revenue History



# Expenditures



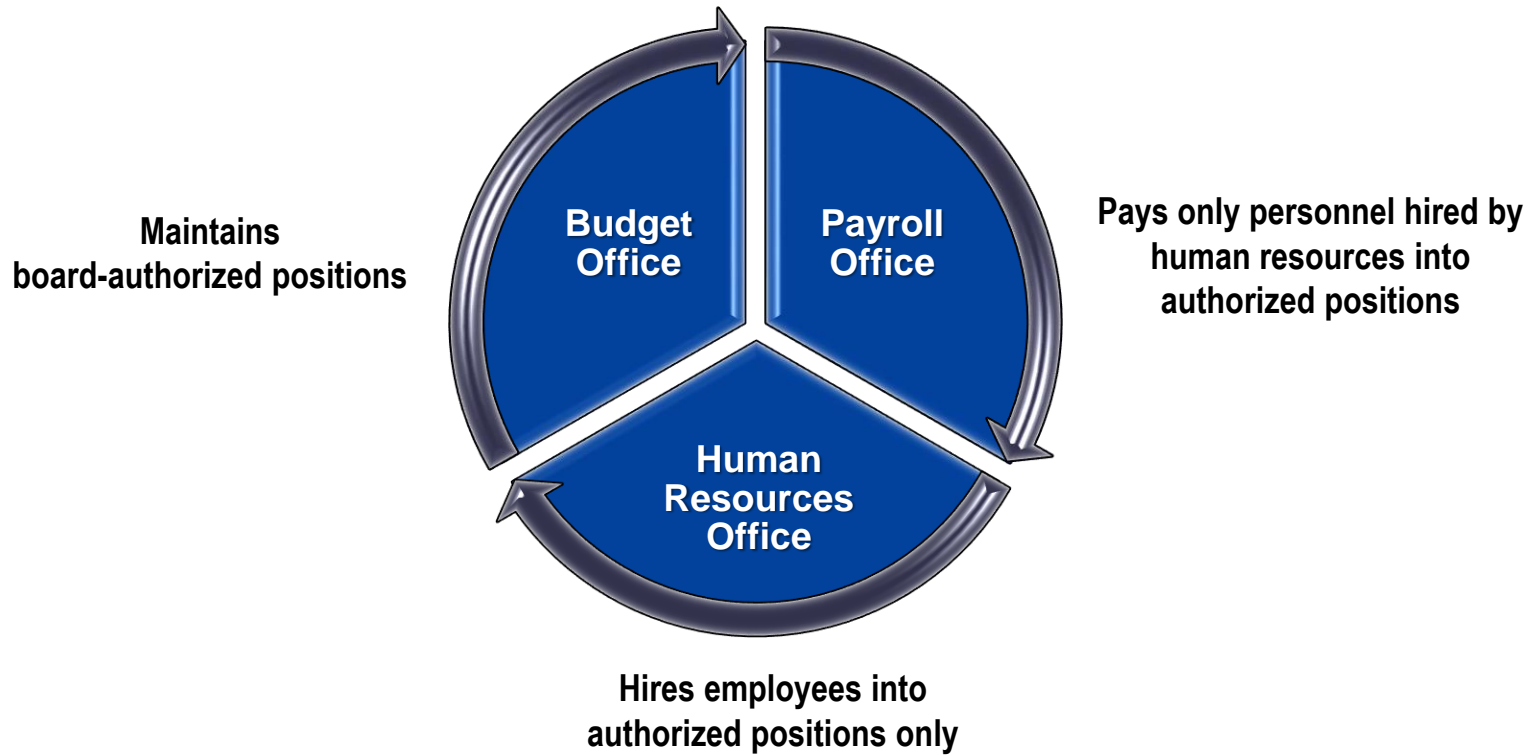


# Budget Control

- 🔍 **Revenues are largely controlled by the state and federal governments, and as such most of a local agency's budget control is on the expenditure side.**
  - The board decides how to spend the funds it receives
    - Organizational structure, employee compensation, instructional programs, support services, facilities, etc.
- 🔍 **Over 75% of TRUSD's budget is allocated for personnel**
  - Salaries, health benefits, statutory fringe benefits, retiree benefits
  - Mistakes in the staffing budget can cause a fiscal crisis
  - The best way to prevent mishaps is through a fully functioning position control system



# Position Control



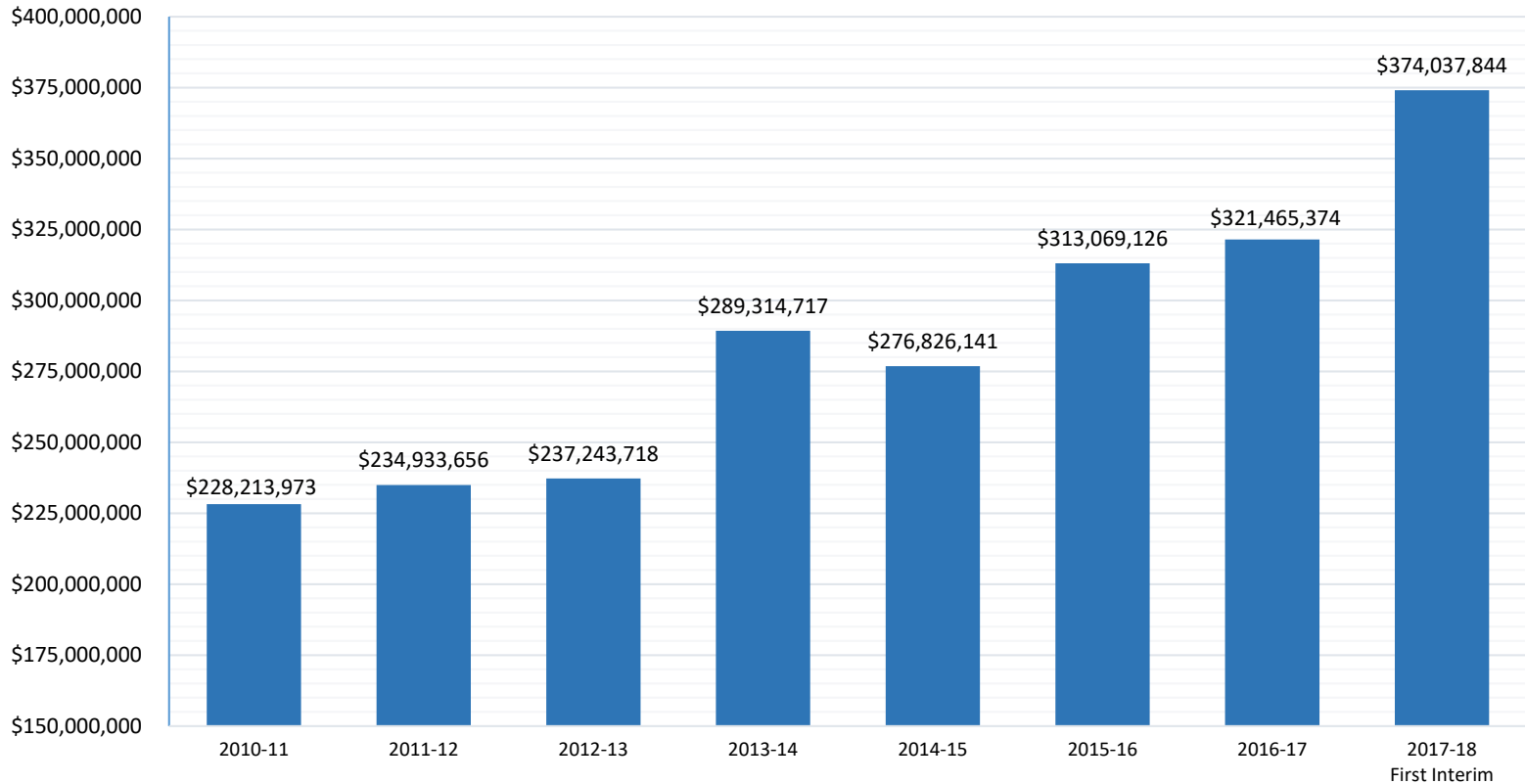
# Staffing Formulas

## Why have staffing formulas?

- Staffing formulas help to document “core” so that supplemental/concentration and categorical funds can be used to supplement, not supplant
- Staffing formulas form the standard building blocks for site and department budgets
- Staffing formulas provide equitable staffing standards across the district
  - And can be used to equitably ratchet back staffing in a fiscal crisis
- They also play an integral role in controlling personnel costs



# Expenditure History



# Other Funds



# Manage a Total Budget, Not Just a General Fund

## Funds Other Than the General Fund

- The General Fund is the primary operating fund of a district, but is not the only fund
- Effective management requires an analysis of all funds, all revenues, and all expenses

## TRUSD Other District Funds

- **Special Revenue Funds**
  - Adult Education
  - Cafeteria
  - Child Development
  - Deferred Maintenance
  - Special Reserve (for post employment benefits)
- **Capital Projects Funds**
  - Building
  - Capital Facilities (Developer Fees)
  - County School Facility
  - Special Reserve (for capital outlay projects)
- **Trust and Agency Funds**
  - Student Body



# DEVELOPING OUR BUDGET

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# What is a Budget?

## In optimum form:

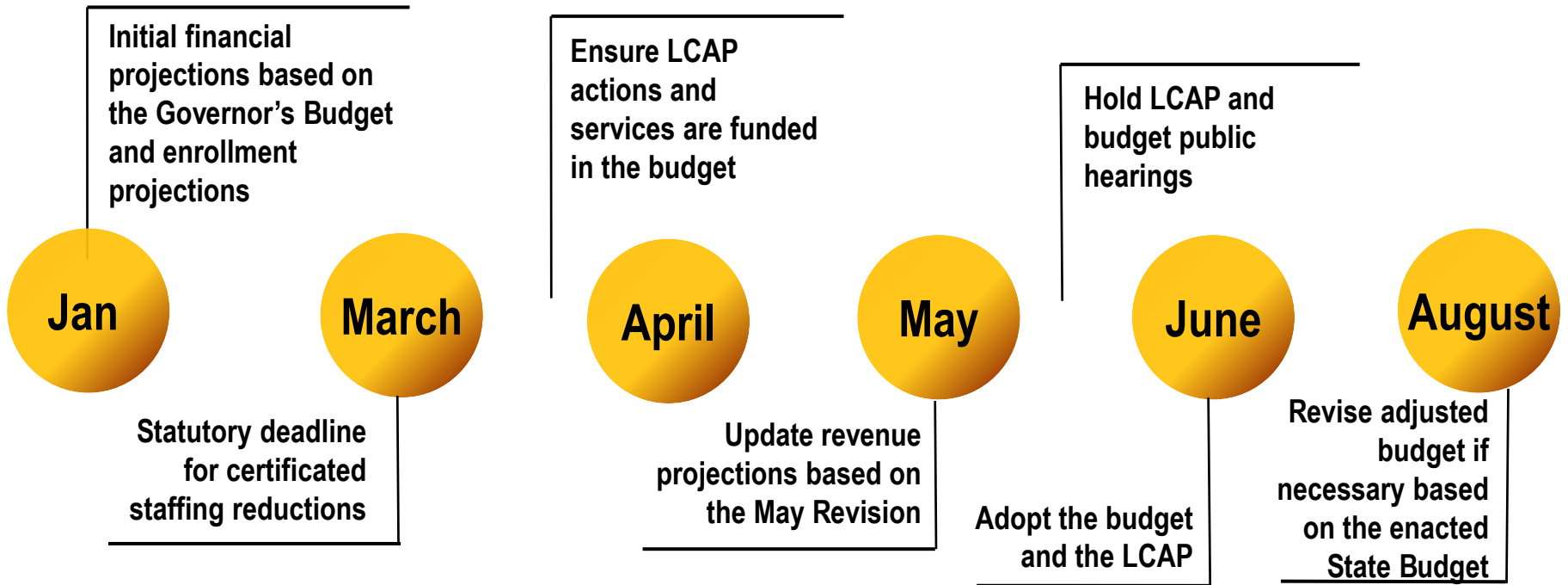
- A policy document – to reflect the philosophy of the board, the administration, the education community
- A financial plan – to show where you've been and where you're going
- An operations guide – to guide administrative decisions and actions throughout the year
- A communications device – to share with the community the strengths and challenges of the instructional program through integration with the LCAP





# Budget Development

 Budget development can vary significantly from district to district, but would include critical milestones such as:



# Budget Development

## TRUSD's Budget Development Calendar

Refer to handout in

**Appendix**

**A**



# Budget Development

- 🔍 **For each budget development and revision**
  - **Revenue assumptions**
    - **Initially based on the Governor's Budget**
      - **Then updated with each revision of the State Budget**
  - **Expenditure assumptions**
    - **Staffing levels reviewed and updated for current conditions**
    - **Inflationary increases for supplies and services**
    - **Additional actions and services from LCAP**
    - **Scheduled capital outlay or debt service obligations**
  - **The condition indicated will set the tone for future financial decisions**



# MULTIYEAR PROJECTIONS

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# Multiyear Projections

- 🔍 Since 1992, when Assembly Bill (AB) 1200 was enacted, MYPs have been required by law
  - To be approved, a district budget must demonstrate that it can meet its financial obligations both in the current fiscal year and the subsequent two years
  - Interim reports must meet the same multiyear standards
- 🔍 Decisions made today affect today and tomorrow
  - So MYPs show the impact of today's decisions on the finances of future years
  - **School Services of California and Fiscal Crisis Management Team Strongly recommends taking the MYP seriously given changes in State Funding**



# Multiyear Projections

🔍 The cause of most school district insolvencies can be traced to a bad financial decision made during prosperous times that came back to bite the district during lean financial times, so caution is key

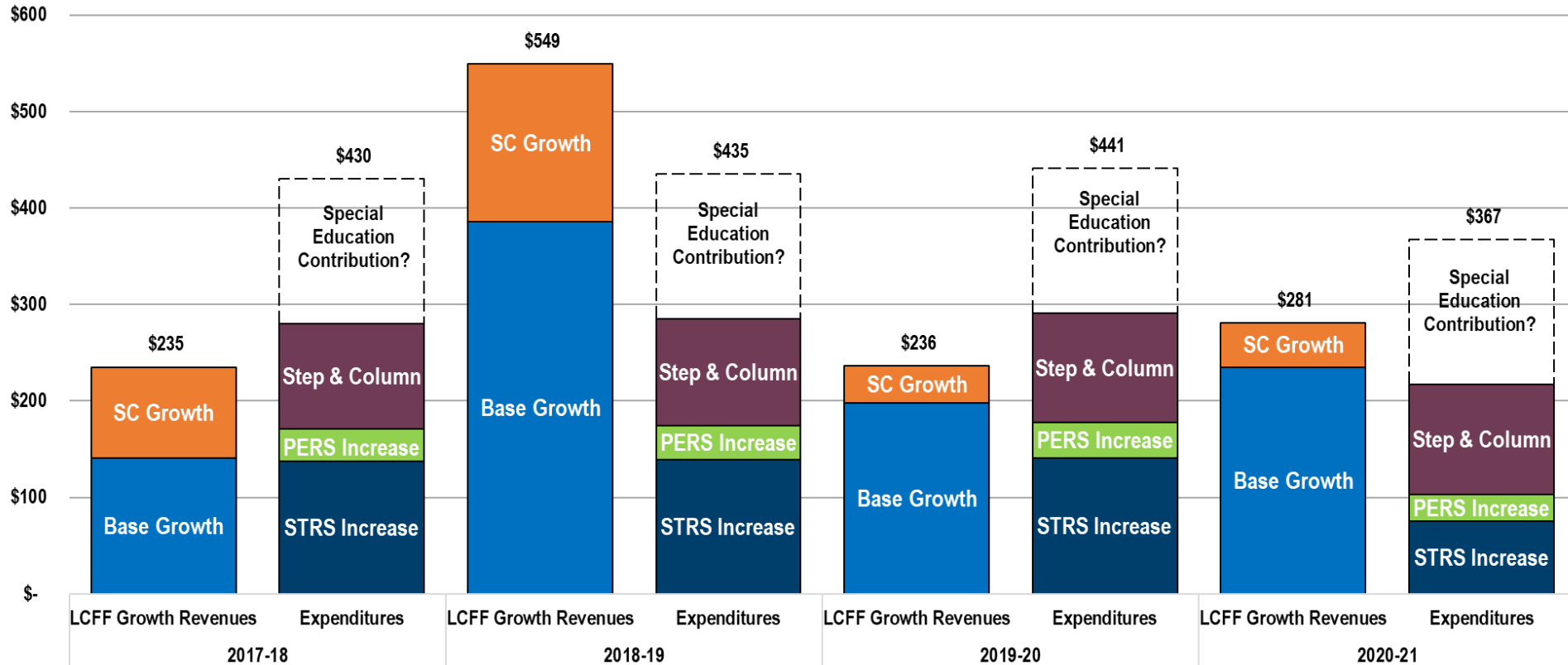


- One-time funds are just that – one time
- A future recession is predicted – the timing is unknown
- Low COLA environment on programs that require contributions
- Increasing retirement obligations

- STRS 2013-14 = 8.25%    2017-18 = 14.43%    6.18% increase = \$7.0 million
- PERS 2013-14 = 11.442%    2017-18 = 15.531%    4.089% increase = \$1.2 million



# Per-ADA Revenues Growth in Revenues and Expenditures



# Multiyear Projections

## LCFF DARTBOARD FACTORS

Factors	2017-18	2018-19	2019-20	2020-21	2021-22
SSC Gap Funding Percentage	44.97%	100.00%	–	–	–
Department of Finance Gap Funding Percentage	44.97%	100.00%	–	–	–
Gap Funding Percentage (as of May Revise)	43.97%	–	–	–	–
Statutory COLA <sup>1</sup>	1.56%	2.51%	2.41%	2.80%	3.17%


## PLANNING FACTORS

Factors	2017-18	2018-19	2019-20	2020-21	2021-22
COLA on state and local share <sup>2</sup>	1.56%	2.51%	2.41%	2.80%	3.17%
California CPI	3.18%	3.22%	3.04%	2.94%	2.99%
California Lottery					
Unrestricted per ADA	\$146	\$146	\$146	\$146	\$146
Restricted per ADA	\$48	\$48	\$48	\$48	\$48
Mandate Block Grant (District)					
Grades K-8 per ADA	\$30.34	\$31.10	\$31.10	\$31.10	\$31.10
Grades 9-12 per ADA	\$58.25	\$59.71	\$59.71	\$59.71	\$59.71
Mandate Block Grant (Charter)					
Grades K-8 per ADA	\$15.90	\$16.30	\$16.30	\$16.30	\$16.30
Grades 9-12 per ADA	\$44.04	\$45.15	\$45.15	\$45.15	\$45.15
One-Time Discretionary Funds per ADA	\$147	\$295	–	–	–
Interest Rate for Ten-Year Treasuries	2.52%	2.90%	3.05%	3.20%	3.10%
CalPERS Employer Rate (projected) <sup>3</sup>	15.531%	18.1%	20.8%	23.8%	25.2%
CalSTRS Employer Rate (statutory)	14.43%	16.28%	18.13%	19.10%	19.10%





# Multiyear Projections

-  **Develop expenditure projections to include:**
- **Serving changes in pupil enrollment and ADA**
  - **Changes in the LCAP for program service levels or delivery methods that would affect staffing or purchases**
  - **Major purchases or projects that would affect capital outlay expenditures**
  - **Consumer Price Index (CPI) increases on particular expenditure categories**
  - **Staffing costs: across-the-board pay increases, step and column movement, natural attrition, health benefit cost increases, pension contribution increases**



# Multiyear Projections

- 🔍 **Determining the components of the ending balance in each year is an important part of the projection process**
  - **Remember to set aside amounts for:**
    - **Stores, Revolving Cash, and Prepaid Expense**
    - **Restricted program ending balances**
  - **The unrestricted reserve balance at this point is important for solvency purposes**
    - **Set aside a Reserve for Economic Uncertainties**
    - **Set aside a reserve for revenue volatility**
    - **Set aside other board-assigned reserves or commitments**
  - **The balance left is the true “bottom line” for each year in the projection model**



# Multiyear Projections

- 🔍 **When the projection has been completed and refined, the district will have:**
  - A comprehensive picture of its likely financial future
  - The ability to explore alternate scenarios by assigning alternate values to key variables
- 🔍 **Financial projections can provide a basis for:**
  - Measuring the financial impact of major decisions made throughout the year
  - Analyzing the future-year impact of current-year decisions
  - Educating the community and district employees on critical issues
  - The district's long-range financial plan



# Multiyear Projections

## How to read Multiyear Projections

Refer to handout in

**Appendix**

**B**



# MONITORING OUR BUDGET

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# Budget Monitoring

## For Last Year: Close and Audit

### AUGUST AND NOVEMBER

Close, define actuals,  
determine the ending balance

### JULY – DECEMBER

Audit and review

### DECEMBER

Receive audit, evaluate  
management letters

### JANUARY – FEBRUARY

Follow-up on  
management letters

## Budget Calendar

### For This Year: Monitor

### JULY

Adopt and analyze

### AUGUST – SEPTEMBER

Amend and revise

### DECEMBER – JANUARY

Amend, measure, and report  
1st Interim Report

### FEBRUARY – APRIL

Amend, measure, and report  
2nd Interim Report

### JULY – SEPTEMBER

Amend, measure, and analyze

## For Next Year: Developing the Budget

### OCTOBER

Project enrollment, ADA, and revenues

### NOVEMBER– DECEMBER

Identify goals for next year  
and staffing projections

### DECEMBER - JANUARY

Staffing meetings and LCAP Review

### FEBRUARY – MARCH

Conclude staffing levels, incorporate  
LCAP initiatives, program, department,  
and school site budgets

### APRIL – JUNE

Study, update, balance,  
conclude, and adopt



# Budget Monitoring

- 🔍 **The budget has been developed and adopted by the board**
  - This is just the beginning – work on the budget is year-round
- 🔍 **The budget is a fluid document**
  - It can and should be revised on a regular basis
  - Conditions are constantly changing
    - Which can change facts and assumptions used for the budget and MYPs
- 🔍 **Budget revisions are technically accomplished in fiscal services**
  - But managing the budget is a districtwide responsibility involving, in one way or another, all staff



# Our Evolving Accountability System

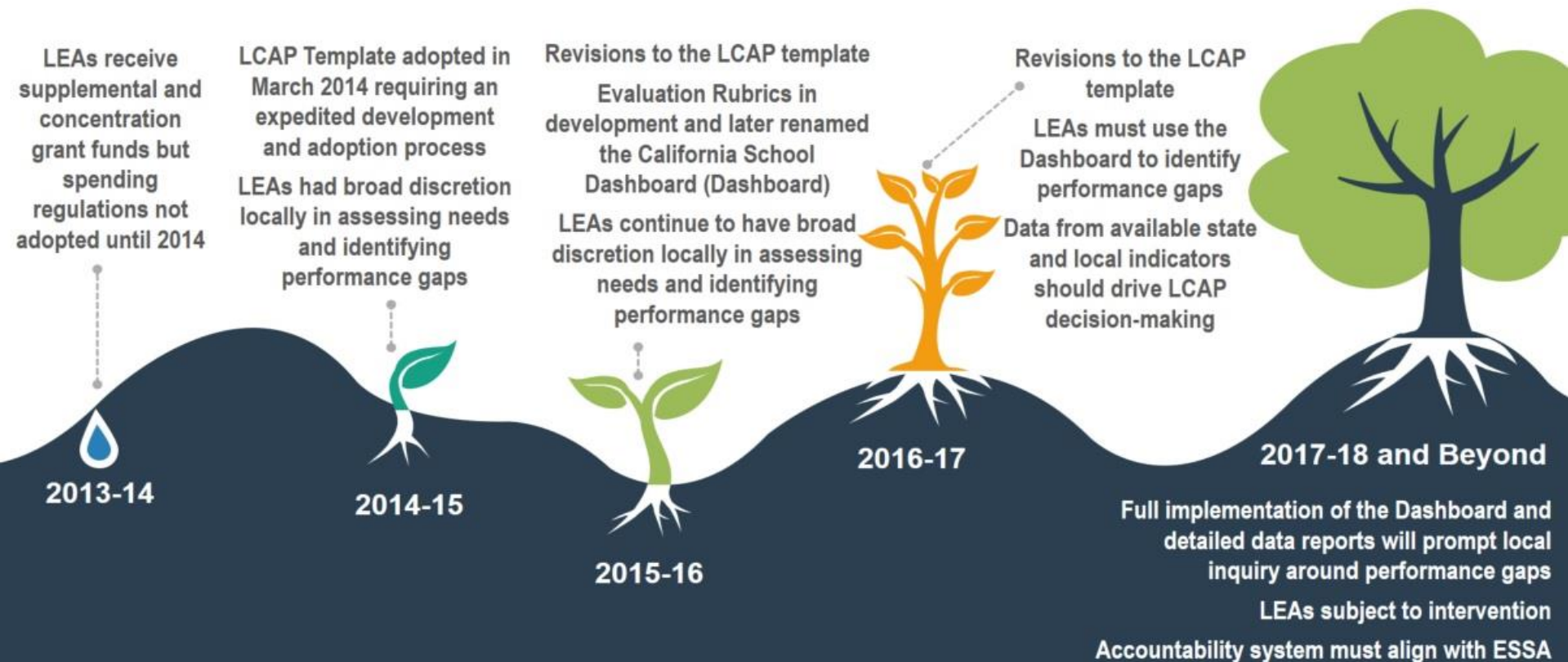
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# Accountability in 2018-19 and Beyond



# California School Dashboard



**Chronic Absenteeism Indicator is still a work in progress, but Dashboard links to newly available data**

**Academic Indicator reflected new cut scores for Status and Change**

**College/Career Indicator reported Status for the first time**

**Foster Youth and Homeless student groups included for the first time**

**Schools and LEAs with populations less than 150 were provided stability in the Graduation Rate and Suspension Rate Indicators**

**Used for the first time to determine school district eligibility for technical assistance**



# Technical Assistance

## Technical Assistance

When any student group fails to meet performance for two or more priorities

## Intervention

When three or more student groups, or all student groups if there are less than three student groups, fail to meet performance in two or more priorities for three of four consecutive years

## Charter Schools

Eligible for technical assistance and may be referred to the CCEE if three or more student groups, or all student groups if there are less than three student groups, fail to meet performance for one or more state or school priorities identified in the charter for three out of four consecutive years



# System of Support

- California's Statewide System of Support includes three levels of supports for LEAs to promote continuous improvement

Level 1

## Support for All LEAs and Schools

Voluntary assistance available to all LEAs. May use to improve student performance at the LEA and school level and narrow disparities among student groups across LCFF priorities, including recognition for success and the ability to share promising practices.

Level 2

## Differentiated Assistance

County superintendents, the California Department of Education (CDE), charter authorizers, and the CCEE provide differentiated assistance for LEAs and schools, in the form of individually designed assistance, to address identified performance issues, including significant disparities in performance among student groups.

Level 3

## Intensive Intervention

The Superintendent of Public Instruction or, for charter schools the charter authorizer, may require more intensive interventions for LEAs or schools with persistent performance issues over a specified time period.



# The Governor's 2018-19 Budget Proposal – January 16, 2018

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# 2018-19 Governor's Budget Proposal



## GOVERNOR'S BUDGET SUMMARY 2018-19

*Edmund G. Brown Jr. Governor*  
State of California

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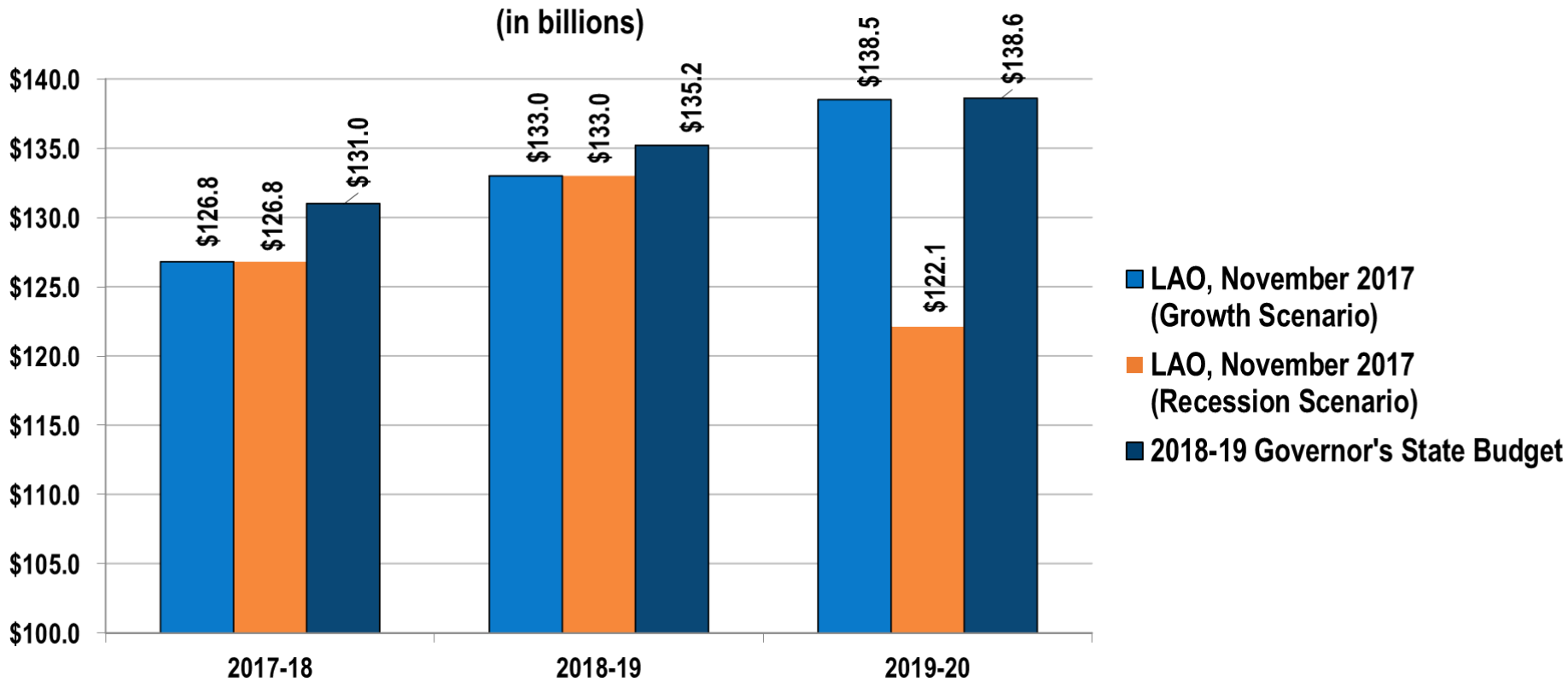


# Themes for the 2018-19 Governor's Budget

- 🔍 **Student achievement rises to the highest priority and tests the Local Control Funding Formula (LCFF)/Local Control and Accountability Plan (LCAP) model**
- 🔍 **Federal policy and slow growth put pressure on programs for California**
- 🔍 **Major political and legislative challenges in an election year portend changes in the balance of power in Sacramento**
- 🔍 **Local agencies feel the pressure of local control and stagnant resource projections**
- 🔍 **The legacy of Governor Jerry Brown – the long and winding road**



# Big Three Revenues – Personal Income Tax, Sales and Use Tax, and Corporation Tax





# General Fund Budget Summary

## General Fund Budget Summary (in millions)

### Revenues & Expenses

Revenues and transfers increase 2.0% while expenditures increase 4.1%

### Reserves

In addition to a \$2.29 billion reserve for economic uncertainties, the 2018-19 Budget adds \$5.05 billion to the Budget Stabilization Account

### Percent of Expenditures

Total reserves are 12% of expenditures

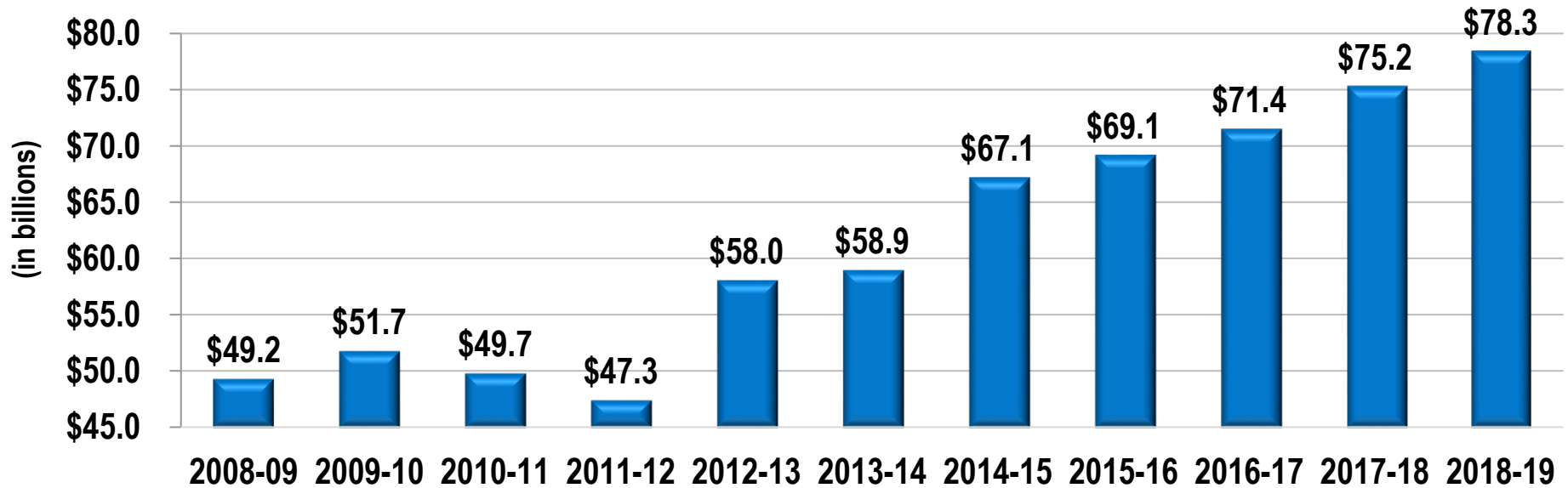
	2017-18	2018-19
Prior-Year Balance	\$4,611	\$5,351
Revenues and Transfers	\$127,252	\$129,792
<b>Total Resources</b>	<b>\$131,863</b>	<b>\$135,143</b>
Total Expenditures	\$126,512	\$131,690
<b>Fund Balance</b>	<b>\$5,351</b>	<b>\$3,453</b>
<b>Budget Reserve:</b>		
Reserve for Encumbrances	\$1,165	\$1,165
Reserve for Economic Uncertainties	\$4,186	\$2,288
<b>Budget Stabilization Account</b>	<b>\$8,411</b>	<b>\$13,461</b>
<b>Total Available Reserve*</b>	<b>\$12,597</b>	<b>\$15,749</b>

\*Excludes Reserve for Encumbrances



# Proposition 98

## Proposition 98 Funding Over Time 2008-09 to 2018-19



# What's Proposed for the Rest of the Budget?

But perhaps the most notable investment in the rest of the budget, is the Governor's proposed \$3.5 billion supplemental deposit into the state's Rainy Day fund – above the \$1.5 billion that is required by law – bringing the total Rainy Day Fund to \$13.5 billion in 2018-19 (the maximum allowed by the constitution)

Filling Up the Rainy Day Fund Before the Next Recession



Source: Governor's Budget Summary – 2018-19



# Proposition 98 and the Major K-12 Proposals

The Governor's Budget proposal includes:

\$2.9 billion



**Fully fund LCFF**

\$1.8 billion



**One-time discretionary funding**

\$212 million



**Strong Workforce Program to establish a K-12 specific component**

\$167.2 million



**Child Care and State Preschool to expand inclusive care and education settings for children up to 5 years old**

\$100 million



**Teacher Workforce to increase and retain special education teachers**



# 2018-19 Proposition 98 and the Major K-12 Proposals

\$59.2 million

County offices of education (COEs) to facilitate the improvement of school districts identified as being in need of differentiated assistance

\$10 million

Special Education Local Plan Areas (SELPA) to work with COEs to provide LEAs with technical assistance to improve student outcomes as part of the statewide system of support

\$6.5 million

California Collaborative for Educational Excellence

\$6.2 million

COEs for cost-of-living adjustment (COLA) and ADA changes



# 2018-19 Local Control Funding Formula

- 🔍 **The Budget proposes nearly \$3 billion for full implementation of the LCFF**
  - Two years ahead of the intended 2020-2021 implementation date
- 🔍 **New funding is estimated to completely close the gap between 2017-18 funding levels and LCFF full implementation**
- 🔍 **The LCFF base grant targets are adjusted for an estimated 2.51% COLA in 2018-19**
- 🔍 **2018-19 LCFF growth provides an average increase in per-pupil funding of an estimated \$550 per ADA, or 5.8%**
  - Individual results will vary



# 2018-19 Highlights Twin Rivers

- 🔍 **LCFF COLA Percentage – 2.51%**
- 🔍 **LCFF Gap Closure Percentage**
  - **2017-2018 at 97%**
- 🔍 **One-Time Funding – \$295 per ADA - \$7.3 million**
- 🔍 **Categorical COLA Percentage – 2.51%**
- 🔍 **State Preschool - \$2.8% per ADA increase**



# 2018-19 General Fund Budget (2017-18 First Interim) Key Assumptions

🔍 **LCFF Revenue increase \$16.6 million; Base \$8.1 million & S/C \$8.5 million**

- **100% Gap Funding**
- 2.15% COLA
- 175 ADA increase

\$8.1 million	New Base Revenue
- \$6.1 million	Salaries & Benefits
- \$7.7 million	PY Deficit Spending
<u>+ \$4.7 million</u>	Staffing Handbook
<\$1 million>	Deficit Spending

🔍 **Salary and benefits**

- Step/column increase; unrestricted \$2.4 million
- No salary schedule increase
- STRS + 1.85%; unrestricted \$2 million
- PERS + 2.569%; unrestricted \$980 thousand
- Seven teachers; \$735 thousand
- Shift in funding based on 2018/19 HR Staffing Handbook; \$4.7 million

**\$6,115,000**

🔍 **Prior year on-going deficit spending \$7,763,205; *paid with new LCFF base revenue***

All one-time revenue and expenditures removed





# Next Steps in Budget Development

- 🔍 **Finish staffing meetings with the sites and departments**
- 🔍 **Incorporate Governor's January Budget Proposal**
- 🔍 **Obtain sites' and departments' detailed budgets**
- 🔍 **Incorporation of the LCAP**
- 🔍 **Planning for difficult times ahead**

**Impressions from the Governor's  
2018-19 State Budget Proposal**

**Refer to handout in  
Appendix  
C**



# Board of Trustees

**Questions?**

**Suggestions?**

**Concerns?**



## Appendix A

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**Twin Rivers USD**

9-26-17 Board meeting

**2018-19 Budget Development Calendar**

	2018-19 Comprehensive Plan Development	Due Date	Responsible
October	▶ Aeries report on CBEDS data (by school, by grade) to Budget on	4-Oct	Terrie
	▶ Review with Executive Cabinet budget items that need their direction to move forward (i.e., school site, department, staffing handbook and LCAP budgets)	9-Oct	Kate/Barbara/ Executive Cabinet
	▶ Chris provide CBEDS demographics to Budget by	11-Oct	Chris
	▶ 2018-19 enrollment projections (by school, by grade) by	16-Oct	Kate
	▶ Budget to start on estimated budgets	23-Oct	Budget
	▶ Changes to Staffing Handbook for 2018-19 from Executive Cabinet by	23-Oct	Executive Cabinet
	▶ Changes to school site, department and program budgets from Executive Cabinet by	23-Oct	Executive Cabinet
November	▶ Budget provide summary teacher staffing projections to HR by	2-Nov	Kate/Budget
	▶ Budget calculate LCFF along with Supplemental/Concentration grants by	2-Nov	Kate
	▶ Unrestricted staffing projections to Principals from HR (teacher staffing spreadsheet and classified allocation changes)	15-Nov	HR
	▶ School site budget (est.) allocations to Principals (along with current position control with step/column increase & 2% cushion and the costs of annual routine expenditures (i.e., copiers))	20-Nov	Budget
December	▶ DELAC review projected Title III allocations	December	Anne/Barbara
	▶ Budget Advisory Committee (18-19 MYP; with 17-18 First Interim)	6-Dec	Kate
	▶ HR/Instructional Services/Budget/Site/Dept. Staffing Meetings (every day for 2 weeks) Elementary & Various Departments	4-15 Dec	HR/IS/Budget/ Principals
January	▶ Budget populate (est.) allocations into the school sites 18/19 SPSA	January	Budget
	▶ LCAP Annual Review - Various Stakeholders	January	Cyndi
	▶ HR/Instructional Services/Budget/Site/Dept. Staffing Meetings Secondary & Various Departments	22-31 Jan	HR/IS/Budget/ Principals
	▶ Budget Advisory Committee (Governor's 18-19 proposal)	24-Jan	Kate
Feb.	▶ Layoff Analysis complete	9-Feb	HR
March	▶ March 15 <sup>th</sup> Notices	27-Feb or 13-Mar	HR
	▶ Budget Analysts receive PCRFs from the December & January HR/Budget/Site staffing meetings	5-Mar	HR
	▶ Budget Advisory Committee (17-18 MYP; with 16-17 Second Interim)	7-Mar	Kate
	▶ HR provide to Budget list of positions and PC#'s that will end due to layoffs/lack of funds presented at March Board meeting	9-Mar	HR
	▶ SPSA (including budget) Approved by SSC and ELAC by (no later than March 15th to be a part of the Adopted Budget)	15-Mar	Principals
	▶ Budget roll position control into 2018-19	16-Mar	Bonnie/Jennifer
	▶ Instructional Services program budget meetings with Barbara	20-29 Mar	Instructional Services/Barbara
	▶ HR review report from Budget of positions that did NOT load into 2018-19 and communicate issues to Budget by	21-Mar	HR
	▶ HR to provide Budget the 2018/19 teacher staffing spreadsheet for each school site	23-Mar	HR
	▶ LCAP Focus Team - review LCAP input from all stakeholder sources	12-Mar	Cyndi

April	▶ Budget send out 2018-19 Site, Dept. and Program budget spreadsheets: - has no position control - school sites - has position control	31-Mar 13-Apr 17-Apr	Budget Budget Budget
	▶ Budget reconcile school site teacher staffing spreadsheets to summary teacher staffing projections by	7-Apr	Jennifer/Kate/ Barbara/HR
	▶ 2018-19 Site, Department and Program budgets returned to Budget by - has no position control - school sites (Charter S/C same as LCAP) - has position control	7-Apr 24-Apr 24-Apr	Departments Principals Departments
	▶ Budget roll 2018-19 position control into Adopted Budget	12-Apr	Bonnie/Jennifer
	▶ LCAP budget done (incorporate into 18-19 Budget)	13-Apr	Instructional Services/Budget
	▶ Budget review and reconcile SPSA budgets	April	Barbara
	▶ Lay-off Hearings	April	HR
	May	▶ Final Layoff Notices	1-May
▶ Facilities Funds due to Budget by		4-May	Victoria
▶ AE, Child Dev. & Café Funds due to Budget by		11-May	Vasseliki & Mike
▶ Assistant Superintendents of Elementary and Secondary Approve SPSAs		17-May	Anne & Lori
▶ All budgets entered and balanced by		18-May	Budget
▶ 17/18 Estimated Actuals and SACS TRCs cleared by		29-May	Barbara
June	▶ SACS 2018-19 Budget and Exec Summary complete for Board agenda	12-Jun	Kate
	▶ 2017-18 Budget available for public viewing	13-Jun	Kate
	▶ LCAP and Budget public hearing at Board meeting	19-Jun	Instructional Services/Budget
	▶ LCAP and Budget Adoption by the Board	26-Jun	Instructional Services/Budget
July/Aug	▶ 45 day 2018-19 Budget revision; if applicable	July/Aug	Budget
Dec.	▶ First Interim Budget Revision to the Board on	mid Dec.	Budget
March	▶ Second Interim Budget Revision to the Board on	mid/late March	Budget
June	▶ Third Interim Budget Revision to the Board on; if applicable	mid June	Budget
August	▶ 2018-19 Final Budget Revision to the Board	Aug./Sept.	Budget

## **Appendix B**

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Description	Object Codes	Projected Year Totals (Form 011) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
(Enter projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted)						
<b>A. REVENUES AND OTHER FINANCING SOURCES</b>						
1. LCFF/Revenue Limit Sources	8010-8099	263,245,226.00	6.31%	279,857,379.00	2.22%	286,074,988.00
2. Federal Revenues	8100-8299	30,551,808.00	-24.87%	22,953,495.00	0.00%	22,953,495.00
3. Other State Revenues	8300-8599	26,349,628.00	-16.18%	22,086,727.00	0.00%	22,086,727.00
4. Other Local Revenues	8600-8799	17,207,987.00	-7.06%	15,993,344.00	-0.94%	15,842,344.00
5. Other Financing Sources						
a. Transfers In	8900-8929	2,700,000.00	-100.00%	0.00	0.00%	0.00
b. Other Sources	8930-8979	0.00	0.00%	0.00	0.00%	0.00
c. Contributions	8980-8999	0.00	0.00%	0.00	0.00%	0.00
6. Total (Sum lines A1 thru A5c)		340,054,649.00	0.25%	340,890,945.00	1.78%	346,957,554.00
<b>B. EXPENDITURES AND OTHER FINANCING USES</b>						
1. Certificated Salaries						
a. Base Salaries				152,016,760.00		146,088,334.00
b. Step & Column Adjustment				1,553,833.00		1,593,285.51
c. Cost-of-Living Adjustment				0.00		0.00
d. Other Adjustments				(7,482,259.00)		0.00
e. Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	152,016,760.00	-3.90%	146,088,334.00	1.09%	147,681,619.51
2. Classified Salaries						
a. Base Salaries				50,896,697.00		51,732,735.00
b. Step & Column Adjustment				1,090,094.00		1,113,877.00
c. Cost-of-Living Adjustment				0.00		0.00
d. Other Adjustments				(254,056.00)		0.00
e. Total Classified Salaries (Sum lines B2a thru B2d)	2000-2999	50,896,697.00	1.64%	51,732,735.00	2.15%	52,846,612.00
3. Employee Benefits	3000-3999	69,180,715.00	4.11%	72,022,536.00	6.24%	76,517,128.00
4. Books and Supplies	4000-4999	32,300,036.00	-44.44%	17,945,368.00	-0.84%	17,794,368.00
5. Services and Other Operating Expenditures	5000-5999	48,234,954.00	-25.04%	36,157,838.00	-4.55%	34,512,586.00
6. Capital Outlay	6000-6999	9,217,451.00	-52.77%	4,353,808.00	0.00%	4,353,808.00
7. Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	3,688,001.00	0.00%	3,688,001.00	0.00%	3,688,001.00
8. Other Outgo - Transfers of Indirect Costs	7300-7399	(1,496,770.00)	53.45%	(2,296,770.02)	0.00%	(2,296,770.00)
9. Other Financing Uses						
a. Transfers Out	7600-7629	10,000,000.00	0.00%	10,000,000.00	0.00%	10,000,000.00
b. Other Uses	7630-7699	0.00	0.00%	0.00	0.00%	0.00
10. Other Adjustments				2,428,033.00		3,940,896.00
11. Total (Sum lines B1 thru B10)		374,037,844.00	-8.53%	342,119,882.98	2.02%	349,038,248.51
<b>C. NET INCREASE (DECREASE) IN FUND BALANCE</b>						
(Line A6 minus line B11)						
		(33,983,195.00)		(1,228,937.98)		(2,080,694.51)
<b>D. FUND BALANCE</b>						
1. Net Beginning Fund Balance (Form 011, line F1e)		48,087,797.72		14,104,602.72		12,875,664.74
2. Ending Fund Balance (Sum lines C and D1)		14,104,602.72		12,875,664.74		10,794,970.23
3. Components of Ending Fund Balance (Form 011)						
a. Nonspendable	9710-9719	878,672.00		878,672.00		878,672.00
b. Restricted	9740	223.00		0.00		0.00
c. Committed						
1. Stabilization Arrangements	9750	0.00		0.00		0.00
2. Other Commitments	9760	0.00		0.00		0.00
d. Assigned	9780	0.00		0.00		0.00
e. Unassigned/Unappropriated						
1. Reserve for Economic Uncertainties	9789	13,225,707.74		11,996,992.74		9,916,298.23
2. Unassigned/Unappropriated	9790	(0.02)		0.00		0.00
f. Total Components of Ending Fund Balance (Line D3f must agree with line D2)		14,104,602.72		12,875,664.74		10,794,970.23

Description	Object Codes	Projected Year Totals (Form 011) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
<b>E. AVAILABLE RESERVES (Unrestricted except as noted)</b>						
1. General Fund						
a. Stabilization Arrangements	9750	0.00		0.00		0.00
b. Reserve for Economic Uncertainties	9789	13,225,707.74		11,996,992.74		9,916,298.23
c. Unassigned/Unappropriated	9790	0.00		0.00		0.00
d. Negative Restricted Ending Balances (Negative resources 2000-9999)	979Z	(0.02)		0.00		0.00
2. Special Reserve Fund - Noncapital Outlay (Fund 17)						
a. Stabilization Arrangements	9750	0.00		0.00		0.00
b. Reserve for Economic Uncertainties	9789	0.00		0.00		0.00
c. Unassigned/Unappropriated	9790	0.00		0.00		0.00
3. Total Available Reserves - by Amount (Sum lines E1 thru E2c)		13,225,707.72		11,996,992.74		9,916,298.23
4. Total Available Reserves - by Percent (Line E3 divided by Line F3c)		3.54%		3.51%		2.84%
<b>F. RECOMMENDED RESERVES</b>						
1. Special Education Pass-through Exclusions						
For districts that serve as the administrative unit (AU) of a special education local plan area (SELPA):						
a. Do you choose to exclude from the reserve calculation the pass-through funds distributed to SELPA members?	Yes					
b. If you are the SELPA AU and are excluding special education pass-through funds:						
1. Enter the name(s) of the SELPA(s):						
2. Special education pass-through funds (Column A: Fund 10, resources 3300-3499 and 6500-6540, objects 7211-7213 and 7221-7223; enter projections for subsequent years 1 and 2 in Columns C and E)						
		0.00				
2. District ADA						
Used to determine the reserve standard percentage level on line F3d (Col. A: Form AI, Estimated P-2 ADA column, Lines A4 and C4; enter projections)						
		24,813.00		24,926.00		24,926.00
3. Calculating the Reserves						
a. Expenditures and Other Financing Uses (Line B11)		374,037,844.00		342,119,882.98		349,038,248.51
b. Plus: Special Education Pass-through Funds (Line F1b2, if Line F1a is No)		0.00		0.00		0.00
c. Total Expenditures and Other Financing Uses (Line F3a plus line F3b)		374,037,844.00		342,119,882.98		349,038,248.51
d. Reserve Standard Percentage Level (Refer to Form 01CSI, Criterion 10 for calculation details)		3%		3%		3%
e. Reserve Standard - By Percent (Line F3c times F3d)		11,221,135.32		10,263,596.49		10,471,147.46
f. Reserve Standard - By Amount (Refer to Form 01CSI, Criterion 10 for calculation details)		0.00		0.00		0.00
g. Reserve Standard (Greater of Line F3e or F3f)		11,221,135.32		10,263,596.49		10,471,147.46
h. Available Reserves (Line E3) Meet Reserve Standard (Line F3g)		YES		YES		NO



Description	Object Codes	Projected Year Totals (Form 011) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
(Enter projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted)						
<b>A. REVENUES AND OTHER FINANCING SOURCES</b>						
1. LCFF/Revenue Limit Sources	8010-8099	263,245,226.00	6.31%	279,857,379.00	2.22%	286,074,988.00
2. Federal Revenues	8100-8299	11,771.00	0.00%	11,771.00	0.00%	11,771.00
3. Other State Revenues	8300-8599	8,257,076.00	-43.60%	4,657,076.00	0.00%	4,657,076.00
4. Other Local Revenues	8600-8799	4,809,538.00	-25.25%	3,594,895.00	-4.20%	3,443,895.00
5. Other Financing Sources						
a. Transfers In	8900-8929	2,700,000.00	-100.00%	0.00	0.00%	0.00
b. Other Sources	8930-8979	0.00	0.00%		0.00%	
c. Contributions	8980-8999	(35,870,806.00)	0.00%	(35,870,806.00)	0.00%	(35,870,806.00)
6. Total (Sum lines A1 thru A5c)		243,152,805.00	3.74%	252,250,315.00	2.40%	258,316,924.00
<b>B. EXPENDITURES AND OTHER FINANCING USES</b>						
1. Certificated Salaries						
a. Base Salaries				122,062,828.00		115,774,955.00
b. Step & Column Adjustment				1,194,386.00		1,229,524.51
c. Cost-of-Living Adjustment						
d. Other Adjustments				(7,482,259.00)		
e. Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	122,062,828.00	-5.15%	115,774,955.00	1.06%	117,004,479.51
2. Classified Salaries						
a. Base Salaries				38,530,361.00		39,069,607.00
b. Step & Column Adjustment				793,302.00		809,962.00
c. Cost-of-Living Adjustment						
d. Other Adjustments				(254,056.00)		
e. Total Classified Salaries (Sum lines B2a thru B2d)	2000-2999	38,530,361.00	1.40%	39,069,607.00	2.07%	39,879,569.00
3. Employee Benefits	3000-3999	48,736,320.00	3.89%	50,633,311.00	6.95%	54,150,550.00
4. Books and Supplies	4000-4999	16,513,562.00	-33.64%	10,958,894.00	-1.38%	10,807,894.00
5. Services and Other Operating Expenditures	5000-5999	28,029,184.00	-17.84%	23,029,184.00	0.00%	23,029,184.00
6. Capital Outlay	6000-6999	6,193,966.00	-38.16%	3,830,323.00	0.00%	3,830,323.00
7. Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	1,957,498.00	0.00%	1,957,498.00	0.00%	1,957,498.00
8. Other Outgo - Transfers of Indirect Costs	7300-7399	(4,202,775.00)	0.00%	(4,202,775.00)	0.00%	(4,202,775.00)
9. Other Financing Uses						
a. Transfers Out	7600-7629	10,000,000.00	0.00%	10,000,000.00	0.00%	10,000,000.00
b. Other Uses	7630-7699	0.00	0.00%	0.00	0.00%	0.00
10. Other Adjustments (Explain in Section F below)				2,428,033.00		3,940,896.00
11. Total (Sum lines B1 thru B10)		267,820,944.00	-5.36%	253,479,030.00	2.73%	260,397,618.51
<b>C. NET INCREASE (DECREASE) IN FUND BALANCE</b>						
(Line A6 minus line B11)						
		(24,668,139.00)		(1,228,715.00)		(2,080,694.51)
<b>D. FUND BALANCE</b>						
1. Net Beginning Fund Balance (Form 011, line F1e)		38,772,518.74		14,104,379.74		12,875,664.74
2. Ending Fund Balance (Sum lines C and D1)		14,104,379.74		12,875,664.74		10,794,970.23
3. Components of Ending Fund Balance (Form 011)						
a. Nonspendable	9710-9719	878,672.00		878,672.00		878,672.00
b. Restricted	9740					
c. Committed						
1. Stabilization Arrangements	9750	0.00				
2. Other Commitments	9760	0.00				
d. Assigned	9780	0.00				
e. Unassigned/Unappropriated						
1. Reserve for Economic Uncertainties	9789	13,225,707.74		11,996,992.74		9,916,298.23
2. Unassigned/Unappropriated	9790	0.00		0.00		0.00
f. Total Components of Ending Fund Balance		14,104,379.74		12,875,664.74		10,794,970.23
(Line D3f must agree with line D2)						

Description	Object Codes	Projected Year Totals (Form 011) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
<b>E. AVAILABLE RESERVES</b>						
1. General Fund						
a. Stabilization Arrangements	9750	0.00		0.00		0.00
b. Reserve for Economic Uncertainties	9789	13,225,707.74		11,996,992.74		9,916,298.23
c. Unassigned/Unappropriated	9790	0.00		0.00		0.00
(Enter other reserve projections in Columns C and E for subsequent years 1 and 2; current year - Column A - is extracted)						
2. Special Reserve Fund - Noncapital Outlay (Fund 17)						
a. Stabilization Arrangements	9750	0.00				
b. Reserve for Economic Uncertainties	9789	0.00				
c. Unassigned/Unappropriated	9790	0.00				
<b>3. Total Available Reserves (Sum lines E1a thru E2c)</b>						
		13,225,707.74		11,996,992.74		9,916,298.23
<b>F. ASSUMPTIONS</b>						
Please provide below or on a separate attachment, the assumptions used to determine the projections for the first and second subsequent fiscal years. Further, please include an explanation for any significant expenditure adjustments projected in lines B1d, B2d, and B10. For additional information, please refer to the Budget Assumptions section of the SACS Financial Reporting Software User Guide.						
Please see Assumptions attached.						

Description	Object Codes	Projected Year Totals (Form 011) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
(Enter projections for subsequent years 1 and 2 in Columns C and E; current year - Column A - is extracted)						
<b>A. REVENUES AND OTHER FINANCING SOURCES</b>						
1. LCFF/Revenue Limit Sources	8010-8099	0.00	0.00%	0.00	0.00%	0.00
2. Federal Revenues	8100-8299	30,540,037.00	-24.88%	22,941,724.00	0.00%	22,941,724.00
3. Other State Revenues	8300-8599	18,092,552.00	-3.66%	17,429,651.00	0.00%	17,429,651.00
4. Other Local Revenues	8600-8799	12,398,449.00	0.00%	12,398,449.00	0.00%	12,398,449.00
5. Other Financing Sources						
a. Transfers In	8900-8929	0.00	0.00%	0.00	0.00%	0.00
b. Other Sources	8930-8979	0.00	0.00%	0.00	0.00%	0.00
c. Contributions	8980-8999	35,870,806.00	0.00%	35,870,806.00	0.00%	35,870,806.00
6. Total (Sum lines A1 thru A5c)		96,901,844.00	-8.53%	88,640,630.00	0.00%	88,640,630.00
<b>B. EXPENDITURES AND OTHER FINANCING USES</b>						
1. Certificated Salaries						
a. Base Salaries				29,953,932.00		30,313,379.00
b. Step & Column Adjustment				359,447.00		363,761.00
c. Cost-of-Living Adjustment						
d. Other Adjustments						
e. Total Certificated Salaries (Sum lines B1a thru B1d)	1000-1999	29,953,932.00	1.20%	30,313,379.00	1.20%	30,677,140.00
2. Classified Salaries						
a. Base Salaries				12,366,336.00		12,663,128.00
b. Step & Column Adjustment				296,792.00		303,915.00
c. Cost-of-Living Adjustment						
d. Other Adjustments						
e. Total Classified Salaries (Sum lines B2a thru B2d)	2000-2999	12,366,336.00	2.40%	12,663,128.00	2.40%	12,967,043.00
3. Employee Benefits	3000-3999	20,444,395.00	4.62%	21,389,225.00	4.57%	22,366,578.00
4. Books and Supplies	4000-4999	15,786,474.00	-55.74%	6,986,474.00	0.00%	6,986,474.00
5. Services and Other Operating Expenditures	5000-5999	20,205,770.00	-35.03%	13,128,654.00	-12.53%	11,483,402.00
6. Capital Outlay	6000-6999	3,023,485.00	-82.69%	523,485.00	0.00%	523,485.00
7. Other Outgo (excluding Transfers of Indirect Costs)	7100-7299, 7400-7499	1,730,503.00	0.00%	1,730,503.00	0.00%	1,730,503.00
8. Other Outgo - Transfers of Indirect Costs	7300-7399	2,706,005.00	-29.56%	1,906,004.98	0.00%	1,906,005.00
9. Other Financing Uses						
a. Transfers Out	7600-7629	0.00	0.00%		0.00%	
b. Other Uses	7630-7699	0.00	0.00%		0.00%	
10. Other Adjustments (Explain in Section F below)						
11. Total (Sum lines B1 thru B10)		106,216,900.00	-16.55%	88,640,852.98	0.00%	88,640,630.00
<b>C. NET INCREASE (DECREASE) IN FUND BALANCE</b>						
(Line A6 minus line B11)						
		(9,315,056.00)		(222.98)		0.00
<b>D. FUND BALANCE</b>						
1. Net Beginning Fund Balance (Form 011, line F1e)		9,315,278.98		222.98		0.00
2. Ending Fund Balance (Sum lines C and D1)		222.98		0.00		0.00
3. Components of Ending Fund Balance (Form 011)						
a. Nonspendable	9710-9719	0.00				
b. Restricted	9740	223.00				
c. Committed						
1. Stabilization Arrangements	9750					
2. Other Commitments	9760					
d. Assigned	9780					
e. Unassigned/Unappropriated						
1. Reserve for Economic Uncertainties	9789					
2. Unassigned/Unappropriated	9790	(0.02)		0.00		0.00
f. Total Components of Ending Fund Balance (Line D3f must agree with line D2)		222.98		0.00		0.00

Description	Object Codes	Projected Year Totals (Form 011) (A)	% Change (Cols. C-A/A) (B)	2018-19 Projection (C)	% Change (Cols. E-C/C) (D)	2019-20 Projection (E)
<b>E. AVAILABLE RESERVES</b>						
1. General Fund						
a. Stabilization Arrangements	9750					
b. Reserve for Economic Uncertainties	9789					
c. Unassigned/Unappropriated Amount	9790					
(Enter current year reserve projections in Column A, and other reserve projections in Columns C and E for subsequent years 1 and 2)						
2. Special Reserve Fund - Noncapital Outlay (Fund 17)						
a. Stabilization Arrangements	9750					
b. Reserve for Economic Uncertainties	9789					
c. Unassigned/Unappropriated	9790					
<b>3. Total Available Reserves (Sum lines E1a thru E2c)</b>						
<b>F. ASSUMPTIONS</b>						
Please provide below or on a separate attachment, the assumptions used to determine the projections for the first and second subsequent fiscal years. Further, please include an explanation for any significant expenditure adjustments projected in lines B1d, B2d, and B10. For additional information, please refer to the Budget Assumptions section of the SACS Financial Reporting Software User Guide.						
Please see Assumptions attached.						

## Appendix C

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## Preface

What if life gave each of us a “mulligan” which in golf allows us to replay a shot to see if we can do better? How would we use that “mulligan” to our best advantage?

Well, Governor Jerry Brown got that “mulligan” and used it fully. The opportunity to be Governor at a young age, leaving office in 1974, then holding a variety of elected positions over nearly three decades, then becoming Governor again in 2010 gave Governor Brown the replay he wanted. Equipped with the experience and knowledge gained over a long political life, Governor Brown was clearly ready to put his mark on the state a second time as Governor. However, this was going to be the toughest course he had ever played!

### The Challenge

Most of us remember what California looked like when Governor Brown was elected in the middle of the Great Recession: Unemployment rates of 14%, among the highest in the nation; cuts to school funding totaling an ongoing 22%; the worst credit rating of any state in the U.S.; companies moving out of California for greener pastures elsewhere; state revenues that consistently came in lower than projected and left the state so cash-poor that it could not even pay annual apportionments to schools without substantial deferrals; reductions in school staffing of more than 20%, in addition to layoffs, furlough days, increased class sizes, reductions in the school year, and a 20% cut to categorical programs.

And the dysfunction extended far beyond public education. The rancorous environment and partisan bickering in the Legislature led to State Budgets that were consistently months late and filled with gimmicks to try to survive another year. The state General Fund carried a negative reserve that was getting worse, not better. Federal judges were ordering the state to release prisoners to reduce overcrowding. The housing market had collapsed to the extent that the median price of homes was half what it had been four years before. Anyone longing for the bad old days?

### The Path to Recovery

Crisis leadership is about defining the key controllable elements of a critical situation and massing resources at those points to bring about positive change. To accomplish that in a situation like Governor Brown inherited, he used his extensive experience in governance, built legislative support often by supermajority, and put his own personal charisma and reputation on the line.

Later on, when the national economic recovery started, the Governor’s plan received a needed and expected boost, but for the first three years of his term we remained mired in the Great Recession and there was no external help to be had. California needed to create jobs, opportunities for employers, and a stronger more sustainable tax base, all while supporting the needs of former tax payers who had suddenly become tax receivers. Aided by temporary taxes, spending reductions and difficult policy choices, Governor Brown tackled the problems facing the state.

We are advocates for public education and do not like the fact that during the Great Recession the bulk of the State Budget cuts were taken by education. We felt the same about the classified, certificated, and management staff members in school districts shouldering the sacrifice of lower

budgets and fewer jobs. But we also recognize that in order to save the ship you may have to offload the heaviest cargo, so sometimes the gold (in this case, our children's education) must be jettisoned. Moving the needle on California's recovery required bold, immediate actions; and Governor Brown took those actions. There was no guarantee that the Governor's plan would save our state, but the absence of action would guarantee defeat.

## The Recovery

Aided by improving national and state economic conditions, California's recovery allowed the Governor to reshape major state institutions. No more property tax diversions to Redevelopment Agencies, a long-term solvency plan for the state's defunct pension plans, greater reliance on the top one-percent of taxpayers, and of course, restructuring of the entire educational delivery model.

Beginning in 2013, and continuing today, we have enjoyed revenues that are higher than those projected by the state in every year. Conservative budgeting has allowed the Administration to avoid the temptation to restore spending too quickly and risk falling back into the downward spiral. The constitutionally required "true-up mechanism" for Proposition 98 is intended to ensure that education will eventually receive at least the minimum guarantee. By paying significant amounts in arrears, each year the Administration created a safety net in case future revenues did not come in as planned.

For public education, reform has come in the form of the Local Control Funding Formula/Local Control and Accountability Plan (LCFF/LCAP). Now in its fifth year, an accumulation of longitudinal data from multiple measures and new testing processes are beginning to paint a pastiche of the effectiveness of the new system compared to the known deficiencies of the old Revenue Limit/Categorical model. While no new system is expected to be perfect or produce measurable results instantly, five years is, in our opinion, long enough to see evidence either confirming or denying that closure of the achievement gap is occurring. It will take longer to evaluate the full effect of all of the reforms, but after five years we believe there should be at least preliminary indications of success. With each year that passes the evaluation model should become a stronger indicator of progress—or lack thereof.

## The Capstone

Apologizing for the lengthy history and foundation, we can now turn our attention to 2018-19 and the Governor's final State Budget. According to all of our most reliable sources, revenues for 2018-19 are again projected to be higher than the state has previously estimated. The Governor's proposals for 2018-19 include the Administration's revenue and expenditure estimates and planned program decisions based upon those estimates. We detail major program and budgetary effects later in this *Special Fiscal Report*.

Specifically, the Governor proposes significant actions in the following areas:

- **Proposition 98 Funding:** The proposed 2018-19 Governor's Budget includes Proposition 98 funding of \$78.3 billion for 2018-19. The current-year Proposition 98 level increases by \$700 million to \$75.2 billion and when combined with more than \$100 million in settle-up



payments for prior years, the Budget proposes an increase of \$4.6 billion in K-14 education over 2017-18.

- **Local Control Funding Formula:** The Governor's Budget proposes nearly \$3 billion to fully fund the LCFF, including a 2.51% cost-of-living adjustment (COLA), two years ahead of the initial implementation timeline.
- **Discretionary Funds:** The Budget proposes \$1.8 billion in one-time Proposition 98 General Fund money for school districts, charter schools, and county offices of education (COEs) to use at local discretion, which would be counted by the state as offsetting mandate reimbursement claims for these entities.
- **Career-Technical Education (CTE):** The Budget proposes an ongoing increase of \$200 million to establish a K-12 specific component of the California Community College's Strong Workforce Program to encourage the establishment and support of K-12 CTE programs that are aligned with needed industry skills. The Administration also proposes an ongoing increase of \$12 million to fund local industry experts who will provide technical support to LEAs operating, or proposing to operate, CTE programs.

All of these issues and more are detailed below and will be further expanded in our presentation of our Governor's Budget Workshop on January 16 and 17, 2018.

## The Legacy

Stepping back to the big picture for a moment, it would be inappropriate and misleading to judge this Governor, or any leader, on short-term results. The body of work accumulated by Governor Brown over these past two terms have had a profound effect on the state's prospects for the future. Who had ever heard of the word "subsidiarity" before the Governor's Budget Proposals for 2009-10? Now we see that on the basis of that single word a new philosophy of distribution of governmental functions was born.

Cities, counties, prisons, jails, school districts and community colleges have all been affected by subsidiarity. Under the Governor's direction, governmental functions have purposefully been pushed downward to make local control much more local. Time will tell if subsidiarity really produces the expected results, but it was the genesis for major reform.

Clearly the centerpiece of the Governor's reform effort is public education. The Governor placed his confidence in Dr. Michael Kirst, in our opinion one of the most talented educators in the history of our country, as Chair of the State Board of Education (SBE). Given the opportunity to paint his life's work across the landscape of California, Dr. Kirst led the way. How many times have we held on to a failing system because we had nothing else to replace it? Dr. Kirst, backed by a very strong SBE, provided the leadership to cut loose the old and embrace the new.

As we mentioned earlier, the LCFF/LCAP model is still evolving. There are never any guarantees that a new system will realize its full potential. But failure to try guarantees failure. Measured against that standard, the LCFF/LCAP model provided a reasonable risk/reward ratio. But a distribution model can only do so much. At full implementation of the LCFF, California will retain

among the lowest per-pupil funding rates in the nation. Distribution and equity can help, but quantity of dollars brings a quality all its own. It isn't only about dollars, but resources do count and even with the recovery, California still spends much less than other states—that too will be part of every Governor's legacy until it is corrected.

## Overview of the Governor's Budget Proposals

On Wednesday, January 10, 2018, shortly after 10:00 a.m., Governor Jerry Brown unveiled his final proposed State Budget for the upcoming 2018-19 fiscal year. He completed his "prepared" remarks on his State Budget proposal in about five minutes and then turned to questions from the press.

The Governor led off with a statement that he was presenting a solid State Budget that prepares California for the future. Repeating the theme that has remained consistent throughout his second stint as Governor, Brown warned of the dire consequences of a recession, especially given the state's volatile tax system. He noted that there have been ten recessions since World War II and that we must prepare for the eleventh. As a result, he is again highlighting the need to build up the state's Rainy Day Fund and referenced last year's Department of Finance (DOF) analysis of the devastating impacts of even a normal recession—a loss of \$20 billion in revenues a year for three years.

He also highlighted his crowning achievement in K-12 education, implementation of the LCFF and his proposal to reach full funding of the targets in 2018-19. He indicated that with regard to subsidiarity (which was a central theme for the LCFF), from his point of view, "The age of micromanagement from Washington and Sacramento is over."

During the Q&A period, the Governor was asked by former Sacramento Bee columnist Dan Walters about his proposal to aggressively fund the Rainy Day Fund. The Governor responded with, "I thought you retired," which got a big laugh. He then went on to say, "This is about steady as you go or exuberance followed by regret and pain," noting the effects of the dot-com bubble under the Davis Administration and the fiscal aftermath inherited by former Governor Arnold Schwarzenegger.

In addition to significant proposals in Proposition 98, some of the major initiatives of the Governor's State Budget include:

**Full Funding of the Rainy Day Fund:** Proposition 2, approved by California voters in 2014, established a constitutional goal of reserving 10% of tax revenues in a Rainy Day Fund. The Governor's Budget proposes a \$3.5 billion supplemental payment in addition to the constitutionally required transfer to the Rainy Day Fund for 2018-19. The two payments would bring the total Rainy Day Fund to \$13.5 billion, which hits the 10% goal.

**Higher Education:** The Budget proposes an LCFF-style funding formula for the California Community Colleges and the establishment of a wholly online community college in California. The online college would provide access to higher education for those who do not currently access the California community college system. Additionally, the Budget increases state support for the

University of California and the California State University by \$92.1 million, to avoid a tuition increase in 2018-19.

**Health Care Expansion:** Amidst growing uncertainty at the federal level, the Governor's Budget provides funding to increase health care coverage to low-income Californians under the federal Affordable Care Act (ACA).

**Transportation Infrastructure:** The Budget reflects the first full year of funding under the Road Repair and Accountability Act of 2017 (Senate Bill 1), which provides stable, long-term funding for both state and local transportation infrastructure. This act provides \$55 billion in new funding over the next decade, split evenly between state and local projects. For 2018-19, the Budget includes \$4.6 billion in new transportation funding.

In closing his press conference, the Governor responded to a question about the changes he has seen in California since first becoming Governor in 1974. He noted the influence of Proposition 13, which inserted Sacramento decision making into the affairs of local government. He also said that there was more bipartisanship in the Legislature four decades ago, noting that both Republicans and Democrats elected the leadership of their houses. With regard to the State Budget, the Governor pointed out that prisons now account for 9% of the Budget compared to 3% during his first term as Governor in the late 1970s. He did acknowledge, however, that a Governor has a greater impact now than 40 years ago.

## The Economy and Revenues

### Economic Outlook

While acknowledging the continued strength of both the state and national economies, and the subsequent increased revenues they produce, the Governor still has his eyes on ensuring California is prepared for the next inevitable downturn. In both his State Budget proposal and press conference, the Governor calls our attention to the fact that by the end of 2018-19 this recovery will match the longest recovery in post-war history. The previous periods of balanced State Budgets were all followed by large State Budget shortfalls, and the effects on California of the passage of the new federal tax bill, among other federal policies, are still largely unknown.

In light of these realities, Governor Brown proposes another State Budget based on the implementation of prudent fiscal practices that provide a balanced State Budget while continuing to plan and save for the future. While the economy continues to expand, even a moderate recession could significantly impact state revenues for several years to come. To ensure the state is ready for a potential slow down, the Governor's State Budget proposes fully funding the Rainy Day Fund and allocating the majority of the revenue surplus to one-time expenses. The State Budget is clear that fully funding the Rainy Day Fund may not eliminate the need for spending reductions should a recession or federal policy changes come to pass, but it should allow for the softening of potential cuts and/or shortening of the length of time any potential cuts would be effective.

At the national level, the stock market has reached an all-time high with no signs of slowing down. All three major indices reached new levels the first week in January, with the Dow Jones surpassing 25,000 for the first time. In spite of the Federal Reserve's continued interest rate hikes,

housing prices continue to rise and mortgage rates remain historically low. Wages are increasing and the unemployment rate for both the nation and California dropped to 4.6% and 4.1%, respectively, further narrowing the gap between the two. In addition, the country added 228,000 jobs in November 2017 and, as previously noted, the Governor's State Budget anticipates modest growth for the California economy.

## **State Revenues**

The Governor's State Budget presents a rosy picture, with revenues higher than projections. Total state revenues are higher year over year, and the economy continues to grow, though modestly. The higher revenues, as expected, are due largely to an increase in personal income tax collections with sales and use tax also seeing an increase over those estimated by the DOF in the adopted 2017-18 Budget Act.

The Legislative Analyst's Office (LAO) forecast released in November 2017 also estimated a significant increase in General Fund revenues. The LAO continued to provide two long-term estimates—one based on an economic growth scenario and another based on a mild recession scenario. Under the economic growth scenario, the State Budget will retain a surplus, with increases in revenues from the personal income tax driving the majority of the growth, while the recession scenario reflects a roughly \$80 billion revenue loss, compared to the growth scenario, over the three fiscal years between 2019-20 and 2021-22.

## **Proposition 98**

Adopted by state voters in 1988, Proposition 98 sets in the State Constitution a series of complex formulas that establish the minimum funding level for K-12 education and community colleges from one year to the next. This target level is determined by prior-year appropriations that count toward the guarantee and (1) workload changes as measured by the change in average daily attendance (ADA), and (2) inflation adjustments as measured by the change in either per capita personal income or per capita state General Fund revenues, whichever is less. Over the last several years, Proposition 98 has provided significant gains to schools as funding cuts endured through the Great Recession have been restored.

### **Current-Year Minimum Guarantee**

For the current year, the Governor's State Budget acknowledges that revenues are higher than projected in the adopted 2017-18 Budget Act, resulting in the increase of the current-year minimum guarantee. For the current year, the Proposition 98 guarantee is now estimated at \$75.2 billion, up approximately \$700 million from the enacted level.

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 Maintenance Factor. The Governor's State Budget notes that as of the end of 2017-18, the Maintenance Factor will be down to \$228 million, as the Budget proposes a payment of \$1.12 billion in the current year.

**2017-18 Minimum Guarantee**

For 2018-19, the Governor’s State Budget proposes a Proposition 98 guarantee of \$78.3 billion, an increase of \$3.1 billion year over year. The guarantee is based on Test 3, the change in per-capita General Fund revenues, plus 0.5%, and the change in K-12 ADA, which is expected to decline in the budget year. The Governor’s State Budget notes that an additional \$92 million in Maintenance Factor will be created—due to it being a Test 3 year—totaling just over \$320 million at the end of 2018-19.

**Cost-of-Living Adjustment and Average Daily Attendance**

The estimated statutory COLA for K-12 education programs in 2018-19 is 2.51%, and is applied to the LCFF base grant targets, as well as 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.

Statewide, ADA is expected to decrease in 2018-19 by 17,163 ADA from 2017-18 levels to an estimated ADA of 5,944,090.

**Local Control Funding Formula**

The Governor’s 2018-19 Budget proposal fully implements the LCFF two years earlier than originally projected with an infusion of nearly \$3 billion. The LCFF provides funding to transition all LEAs 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.

**LCFF Target Entitlements for School Districts and Charter Schools**

The target base grants by grade span for 2018-19 are increased over 2017-18 by 2.51% to reflect the estimated statutory COLA:

<b>Grade Span</b>	<b>2017-18 Target Base Grant Per ADA</b>	<b>2.51% COLA</b>	<b>2018-19 Target Base Grant Per ADA</b>
TK-3	\$7,193	\$180	\$7,374
4-6	\$7,301	\$183	\$7,484
7-8	\$7,518	\$189	\$7,707
9-12	\$8,712	\$219	\$8,931

In addition, the 2018-19 Transitional Kindergarten (TK)-3 grant increase for the class-size reduction (CSR) grade span adjustment is \$767 per ADA, and the grade 9-12 base grant per ADA is increased by \$232 in recognition of the need for CTE courses provided to students in the secondary grades.

School districts and charter schools are entitled to supplemental increases equal to 20% of the adjusted base grant (includes CSR and CTE funding) for the percentage of enrolled students who

are English learners, eligible for the free and reduced-price meals program, or in foster care. An additional 50% per-pupil increase is provided as a concentration grant for each eligible student enrolled beyond 55% of total enrollment.

### LCFF Transition Entitlements and Gap Funding

The difference between an LEA’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 2018-19, the Governor’s Budget proposes to spend almost \$3 billion to move from 97% implemented to fully close the LCFF funding gap—two years ahead of the intended 2020-21 implementation date.

The table below shows the DOF’s LCFF gap percentages through 2018-19:

<b>District and Charter School LCFF Funding and Gap Closure Estimates (Dollars in Millions)</b>					
	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
LCFF Funding	\$4,722	\$5,994	\$2,942	\$1,362	\$2,883
Gap Closure %	30.16%	52.56%	56.08%	44.97%	100.00%
COLA	0.85%	1.02%	0.00%	1.56%	2.51%

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

### Fiscal Transparency

Citing expressed concerns about the direct services being provided to the students that generate LCFF dollars, the Governor’s Budget proposes requiring LEAs to show how their budget expenditures align with the strategies detailed in their LCAPs for serving students that generate supplemental grants. Additionally, the Governor proposes calculating and reporting on a single website the total amount of supplemental and concentration funding provided to each LEA under the LCFF.

### County Offices of Education

COEs receive funding under a similar formula, 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 2018-19 are provided through the estimated COLA only, with COEs that are at their LCFF target receiving a 2.51% increase. COEs that are more than 2.51% above their LCFF target will receive no additional funding through the formula in the budget year.

COE funding for 2018-19 is increased under the Governor’s Budget proposal by a net of \$6.2 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.

## System of Support

Full funding of the LCFF is coupled with additional investments in the final phase of implementation of the LCFF, namely the accountability provisions. With the development and official launch of the California School Dashboard, the focus is now on making sure that LEAs are using their dollars to demonstrate improvements in student performance.

The state's new accountability system includes a statewide system of support tasked with providing varying levels of assistance for LEAs. The Dashboard has been used to identify school districts—for the first time under LCFF—that require differentiated assistance because one or more of their student groups have low performance across multiple state priorities.

The Governor's proposed Budget invests \$55.2 million in ongoing funding for COEs to work with districts identified for differentiated assistance. COEs are required to work with identified school districts to determine the causes of poor student performance and to connect school districts with resources as needed. Recognizing that certain COEs are better poised to work with their districts as required under the system of support, the 2018-19 State Budget includes \$4 million ongoing for a competitive grant for eight COEs to serve as leads to provide training, resources, and support for other COEs to do the work to support their districts.

Finally, the Budget has invested an additional \$6.5 million of ongoing funding for the California Collaborative for Education Excellence to work with COEs to provide assistance to school districts as part of the state system of support.

## Special Education

The Governor proposes modest one-time and ongoing funding for special education programs. In addition to applying a 2.51% COLA increase, the Governor proposes \$100 million in one-time funding for programs to increase and retain special education teachers (see Teacher Workforce Development section below).

The 2018-19 State Budget proposal also contains \$10 million in ongoing funding for SELPAs to work with COEs to provide technical assistance to LEAs to improve student outcomes as part of the statewide system of support.

The Governor proposes \$167 million, of which \$125 million is ongoing, to establish an "Inclusive Education Expansion Program" aimed at increasing availability of programs for children ages 0 to 5, aimed at improving school readiness and long-term academic outcomes for low-income children and children with exceptional needs.

The State Budget also contains proposals that revise special education budget transparency and accountability by requiring SELPAs to complete a SELPA local plan template that aligns the services and resources noted in the local plan with the goals identified in their member district's LCAP and to summarize how a SELPA's planned expenditures and services align with the improved student outcome strategies noted in the SELPA's plan.

## **Teacher Workforce Development**

The Governor's Budget proposes \$100 million in one-time funding for Teacher Workforce Development targeted to special education educators. The Administration notes that two-thirds of school districts have been identified as having poor special education performance.

Specifically, the Administration proposes:

- \$50 million one-time funding to support locally sponsored, one-year intensive, mentored, clinical teacher preparation programs aimed at preparing and retaining special education teachers
- \$50 million one-time funding to provide competitive grants to local educational agencies to develop and implement new, or expand existing, locally identified solutions that address a local need

This infusion is focused on special education and comes on the heels of successive years of funding to address the teacher shortage in California in the areas of professional development, classified employee credentialing grants, and four-year credentialing programs.

## **Career-Technical Education**

The Governor's 2018-19 State Budget proposal includes \$200 million in ongoing funding to establish a K-12 specific component of the community college-administered Strong Workforce Program. The Governor notes the new funding is aimed at encouraging "the establishment and support of K-12 CTE programs that are aligned with needed industry skills." The Governor proposes an ongoing increase of \$12 million to fund local industry experts who will provide technical support to LEAs operating, or proposing to operate, CTE programs. The Governor notes, "This proposal creates a predictable, targeted, and sustained funding stream to support an industry and student-focused infrastructure for workforce development collaboration at the state, regional, and local levels."

## **Discretionary Funds**

The Governor's Budget proposes \$1.8 billion in one-time Proposition 98 funds for school districts, charter schools, and COEs to use at the discretion of local governing boards. This equates to approximately \$295 per ADA. These funds, like prior years, would be counted by the state as offsetting prior-year mandate reimbursement claims on a dollar-for-dollar basis. The 2018-19 State Budget Summary notes that this infusion, coupled with past years' payments, reduces the amount owed to LEAs for mandates from a recent high of \$6 billion to less than \$1 billion.



## Child Care and Preschool

Maintaining a three-year agreement with the Legislature to increase investments in child care and preschool, the Governor's Budget proposes to increase reimbursement rates and fund the final tranche of state preschool slots. Specifically, the 2018-19 State Budget proposes to:

- Increase the Standard Reimbursement Rate by 2.8%, for a total General Fund and Proposition 98 investment of \$47.7 million—\$16.1 million and \$31.6 million, respectively
- Provide an ongoing \$34.2 million to convert the temporary Regional Market Rate (RMR) “hold harmless” provision to a permanent provision, beginning in 2019-20
- Fund an additional 2,959 full-day State Preschool slots, beginning in April 2018
- Fulfill the fiscal year 2017-18 increase to the RMR to the 75<sup>th</sup> percentile of the 2016 regional market rate survey, beginning January 1, 2018
- Make a modest adjustment to California Work Opportunity and Responsibility to Kids Stage 2 and Stage 3 to reflect caseload and estimated costs of care
- Provide \$125 million in one-time Proposition 98 funding and \$42.2 million in federal Temporary Assistance for Needy Families funds to create the Inclusive Early Education Expansion Program to increase the availability of early education and care for children ages 0 to 5, targeting children in low-income areas

The Governor also acknowledges the operation of state-approved pilot programs in 13 counties that authorizes providers in those counties to earn their full contracts through greater program flexibility. His proposal commits to working with providers in those counties to help streamline requirements.

## School Facilities

In light of last summer's action by the SAB to approve a Grant Agreement required by all applicants of the School Facility Program, alongside impending changes to facility project expenditure audits as part of the K-12 annual audit, the 2018-19 State Budget proposes to authorize a total of \$640 million in Proposition 51 bond authority.

Additionally, the Budget proposes an ongoing appropriation of \$28.3 million to the Charter School Facility Grant Program (CSFGP), which assists charters with the payment of rent and lease obligations, to reflect anticipated program participation.

The 2018-19 Governor's State Budget includes no additional investments in the Clean Energy Jobs Creation Fund (Proposition 39) as fiscal year 2017-18 was the final year of the five-year program approved by the voters in 2012.

## Federal Programs

At the federal level, there remains continued uncertainty regarding federal appropriations for public education programs. In December 2017, Congress passed a Continuing Resolution (CR) that funds all discretionary funding at current levels until January 19, 2018. There are rumors that the CR will be extended through mid-February to allow Congress to work out deals on immigration and health care issues.

In his 2018-19 State Budget proposal, Governor Brown notes that, “California’s relationship with the federal government has never been more uncertain.” The Budget proposal does not factor in the ramifications of the recently enacted federal tax bill, nor any additional proposed federal cost shifts resulting from the repeal of the ACA or other federal entitlements. The Governor indicates the May Revision will include a preliminary analysis of the proposed impact of the tax cuts and any enacted cost shifts on the state’s economy and revenues.

## In Closing

In closing, remember that the Governor’s Budget proposals mark the beginning of the process, not the end. We expect the Legislature to push back on the Governor’s priorities and especially his revenue estimates. As the various proposals are considered by legislative committees, we can expect both confrontation and compromise; in our opinion, the Governor continues to win on the issues most important to him.

There was a time, not so long ago (certainly during Governor Brown’s political lifetime), when California was the envy of the world. We had the best public education system in the world. The best jobs, the best homes, the best weather, the best beaches, and we even had Disneyland! Employers came here for our educated work force and created high-paying jobs in aerospace, medicine, manufacturing, agriculture and construction. We were leaders in all those areas.

Then came Proposition 13 and the erosion of our infrastructure began. Our education system suffered immediate damage and we dropped from the top 5 to the bottom 10 states by any measure. The roads lasted, but not forever. The jobs first stopped coming to California, then started leaving. High-paying technical and professional jobs left and were replaced by lower-paying service industry jobs. More of California’s governmental and education expenditures were funded by volatile sales and income taxes as opposed to the more stable property tax. By the 1980s, for the first time in our history, the population of tax receivers was growing faster than the economy itself.

We, and all of our readers, care about public education because we know it is the great equalizer. Not just economics, or safety, or social justice, or human dignity—but all of them are dependent upon an education system that builds our country one student at a time. No one Governor or one State Budget can be expected to address all of our needs, but every State Budget should be expected to make progress on the ones we hold most dear. We think this State Budget continues to advance those choices and priorities.

We also think Governor Brown is going out on top. He didn’t address every issue, perhaps not even to his own satisfaction, but he was our Winston Churchill and he “never gave up” on California, even in our “darkest hour.” Perhaps that is his greatest legacy.

—SSC Staff