

LCFF, are carried forward into future years for these districts.

Discretionary Funding

The Governor's Budget proposes \$287 million 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 \$48 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.

School Facilities

PROPOSITION 51

The passage of Proposition 51 will provide \$9 billion in bond authority for K-12 and community college facilities.

The proposed State Budget indicates the Administration's desire to revise regulations and policies to improve fiscal accountability and proposes to include facilities bond fund expenditures in the annual K-12 Audit Guide noting "once these measures are in place to verify taxpayers' dollars are appropriately used, the Administration will support the expenditure of Proposition 51 funds."

Proposition 39 Grants

The Governor's 2017-18 Budget proposal includes \$422.9 million to support school district and charter school energy projects and \$52.3 million for community college energy projects.

Special Education

Along with proposing a 1.48% COLA, the Governor indicates his office will engage stakeholders throughout the spring budget process for feedback on the current special education funding system, noting discussions must be made on "principles that are consistent with the LCFF and apply to all students, including students with disabilities."

Preschool and Child Care

Last year, the Legislature and Governor negotiated a three-year plan to increase state preschool slots and fund increases to provider reimbursement rates.

To fully fund the 2016-17 obligations of the agreement, as well as workload adjustments to California Work Opportunity and Responsibility for Kids Stage 2 and 3, the Governor's 2017-18 Budget proposal includes \$87.9 million in non-Proposition 98 funds and \$23.5 million in Proposition 98 funds. However, the Governor proposes to pause the agreement for the 2017-18 Budget, essentially extending the implementation plan by an additional year.

The proposal fully funds increasing the Regional Market Rate to the 75th percentile of the 2014 Regional Market Rate survey—and maintains it at that level for 2017-18—and the planned increase of full day state preschool slots by 2,959 (beginning April 1, 2017). The standard reimbursement rate is proposed to be maintained at the level funded by the 2016-17 State Budget (an increase of 5% from 2015-16).

Career Technical Education

The Governor's 2017-18 Budget proposal includes \$200 million for CTE Incentive Grant funding, representing the final installment of the three-year grant program. Governor Brown notes, "Commencing with 2018-19, schools will support the full cost of these programs within their LCFF allocations."

Additional Program Funding

The Governor's Budget proposal provides \$10.1 million for programs to improve outcomes for K-12 pupils by reducing truancy and supporting pupils who are at risk of dropping out of school or are victims of a crime. This is the second year of funding generated by Proposition 47 (2014).

Proposition 56 (2016) increases the cigarette tax by \$2.00 per pack and requires a percentage of revenues to be used for school programs that prevent and

reduce the use of tobacco and nicotine products by young people. The 2017-18 Budget provides \$29.9 million to support tobacco and nicotine prevention and reduction programs at K-12 schools.

Federal Programs

Congress adopted a continuing resolution (CR) for funding all federal programs through April 28, 2017. The CR will maintain the same level of funding for K-14 education programs in 2017-18 as provided in 2016-17.

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	2016-17	2017-18	2018-19	2019-20	
LCFF Planning Factors	SSC Simulator	SSC Simulator	SSC Simulator	SSC Simulator	
Statutory COLA	0.00%	1.48%	2.40%	2.53%	
Ten-Year Treasuries	2.20%	2.50%	2.70%	2.90%	
California Consumer Price Index	2.37%	2.72%	2.92%	2.60%	
Lottery	Base	\$144	\$144	\$144	\$144
	Prop. 20	\$45	\$45	\$45	\$45

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POCKET BUDGET 2017-18

A Summary Analysis of the Governor's Proposed 2017-18 State Budget for California's Schools

Prepared by:

**School
Services
of California**
INC.™
An Employee-Owned Company

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*Public Education's Point of Reference
for Making Educated Decisions*

The 2017-18 State Budget Proposal

The Governor's 2017-18 proposed State Budget reflects the slowdown of California's fiscal recovery. Over the past four years, public education in California has enjoyed unprecedented growth in funding largely due to restoration of past reductions, growth in the economy, and passage of Proposition 30 in November of 2012. Within the first 30 seconds of his press conference on the 2017-18 State Budget, Governor Jerry Brown dashed hopes for any continuation of that trend.

Proposition 98

For the current year, the Governor's Budget acknowledges that revenues are lower than projected in the adopted 2016-17 Budget Act, resulting in the lowering of the current year minimum guarantee. For the current year, the Proposition 98 guarantee is now estimated at \$71.4 billion, down \$506 million from the enacted level. This decrease is based on lower than expected General Fund tax revenues on which the guarantee is funded, which have declined by \$5.8 billion over the three-year budget period.

For 2017-18, the Governor's Budget proposes a Proposition 98 guarantee of \$73.5 billion, a decrease of \$953 million, relative to the 2016-17 Budget Act. The guarantee is based on Test 3, the change in per capita General Fund revenues, plus 0.5%, and the change in K-12 average daily attendance (ADA), which is expected to decline in the budget year. The Governor's Budget notes that an additional \$264 million in Maintenance Factor will be created—due to it being a Test 3 year—totaling just more than \$1.6 billion at the end of 2017-18.

Local Control Funding Formula

The Governor's 2017-18 proposed Budget continues implementation of the Local Control Funding Formula (LCFF) with an infusion of \$744 million, the amount needed to fund the statutory cost-of-living adjustment (COLA). The LCFF provides funding to transition all local educational agencies (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 2017-18 are increased over 2016-17 by 1.48% to reflect the estimated statutory COLA:

Grade Span	2016-17 Target Base Grant per ADA	1.48% COLA	2017-18 Target Base Grant per ADA
TK-3	\$7,083	\$105	\$7,188
4-6	\$7,189	\$106	\$7,295
7-8	\$7,403	\$110	\$7,513
9-12	\$8,578	\$127	\$8,705

In addition, the 2017-18 Transitional Kindergarten (TK)-3 grant increase for the class-size reduction (CSR) grade span adjustment (GSA) is \$748 per ADA, and the grade 9-12 base grant per ADA is increased by \$226 in recognition of the need for Career Technical Education (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 Target 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 2017-18, the Governor's Budget proposes to spend \$744 million to further close the LCFF funding gap.

The table below shows the Department of Finance's (DOF's) LCFF gap percentages through 2020-21:

District and Charter School LCFF Funding and Gap Closure Estimates (Dollars in Millions)					
	2016-17	2017-18	2018-19	2019-20	2020-21
LCFF Funding	\$2,942	\$744	\$1,904	\$2,022	\$2,294
Gap Closure %	55.28%	23.67%	53.85%	68.94%	100.00%
COLA	0.00%	1.48%	2.40%	2.53%	2.66%

Up through the 2016-17 fiscal year, the Administration has made significant strides to reach the full-funding targets of the LCFF. With the gap closure funding for 2016-17, the LCFF is now roughly 96% of the way towards full implementation. Although the Governor's 2017-18 Budget proposal makes no additional progress toward LCFF full funding, the proposal prevents erosion in LCFF implementation by proposing funding equal to the cost of the COLA increase on LCFF target rates. However, the proposed funding is significantly less than the \$2.2 billion the Administration previously estimated would be provided for 2017-18.

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 2017-18 is 1.48%, 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 only slightly in 2017-18, by 645 ADA from 2016-17 levels to an estimated ADA of 5,958,288.

Mandates and Deferrals

The Mandate Block Grant (MBG) continues to be funded outside the LCFF and will be increased by \$8.5 million to reflect the addition of the Training for School Employee Mandated Reporters program. This translates to an estimated \$1.40 per ADA increase to the MBG.

The Governor proposes a "one-time LCFF cost shift." This is the result of a decrease in the 2016-17 Proposition 98 minimum funding guarantee caused by lower than projected state revenues. Rather than adjusting the current-year apportionment schedule, the Governor is shifting \$859.1 million in LCFF expenditures from June 2017 to July 2017, which will result in a decrease to June 2017 cash balances for LEAs across the state.

County Offices of Education

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 2017-18 are provided through the estimated COLA only, with COEs that are at their LCFF target receiving a 1.48% increase. COEs that are more than 1.48% above their LCFF target will receive no additional funding through the formula in the budget year.

COE funding for 2017-18 is increased under the Governor's Budget proposal by a net of \$2.4 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