



2013-2014 1st Interim Financial Report and LCFF Budget Update

December 2013

Local Control Funding Formula (LCFF)

- The most dramatic change the school finance system has seen since the creation of revenue limits and categorical programs in 1972
- Moves California to a weighted student funding methodology
- LCFF replaces revenue limits and most state categorical programs
- Begins in 2013-14, but provisions phase in over time
- Estimated eight years to full implementation

Local Control Accountability Plan (LCAP)

- ▣ Accountability for all LCFF dollars is linked to a locally developed plan designed to achieve identified goals – the LCAP
- ▣ Planning process is intended to be transparent and engage the school community
- ▣ The LEA budget is explicitly linked to LCAP goals and activities
- ▣ Annual review of progress and updating of the LCAP is required
- ▣ Funds are not restricted in the categorical program sense, but –
 - ▣ Funds generated by eligible students are intended to be used to improve and increase services for those students
 - ▣ Accountability for demonstrating how funds are used to support student needs is explicitly required as part of the LCAP

Revenue Limit vs. LCFF

- Revenue Limit (old system):
 - Unrestricted funds received through revenue limits with few, if any, spending restrictions
 - Restricted funds received through many categorical programs with varied spending requirements

- LCFF:
 - Equal base grants per pupil for 4 grade spans that are the same for all students at all school districts and charter schools
 - Targeted supplemental funding based on fixed percentages of the base grant amounts per pupil
 - Differentiated funding based on only 3 pupil characteristics
 - Low Income - Free and Reduced Meal Program (FRMP)
 - English Learners (EL)
 - Foster Youth

Changes Made by LCFF

Categorical Funding
for specific purposes
with many rules

Revenue Limit, based
on historical amounts
per student with
many adjustments



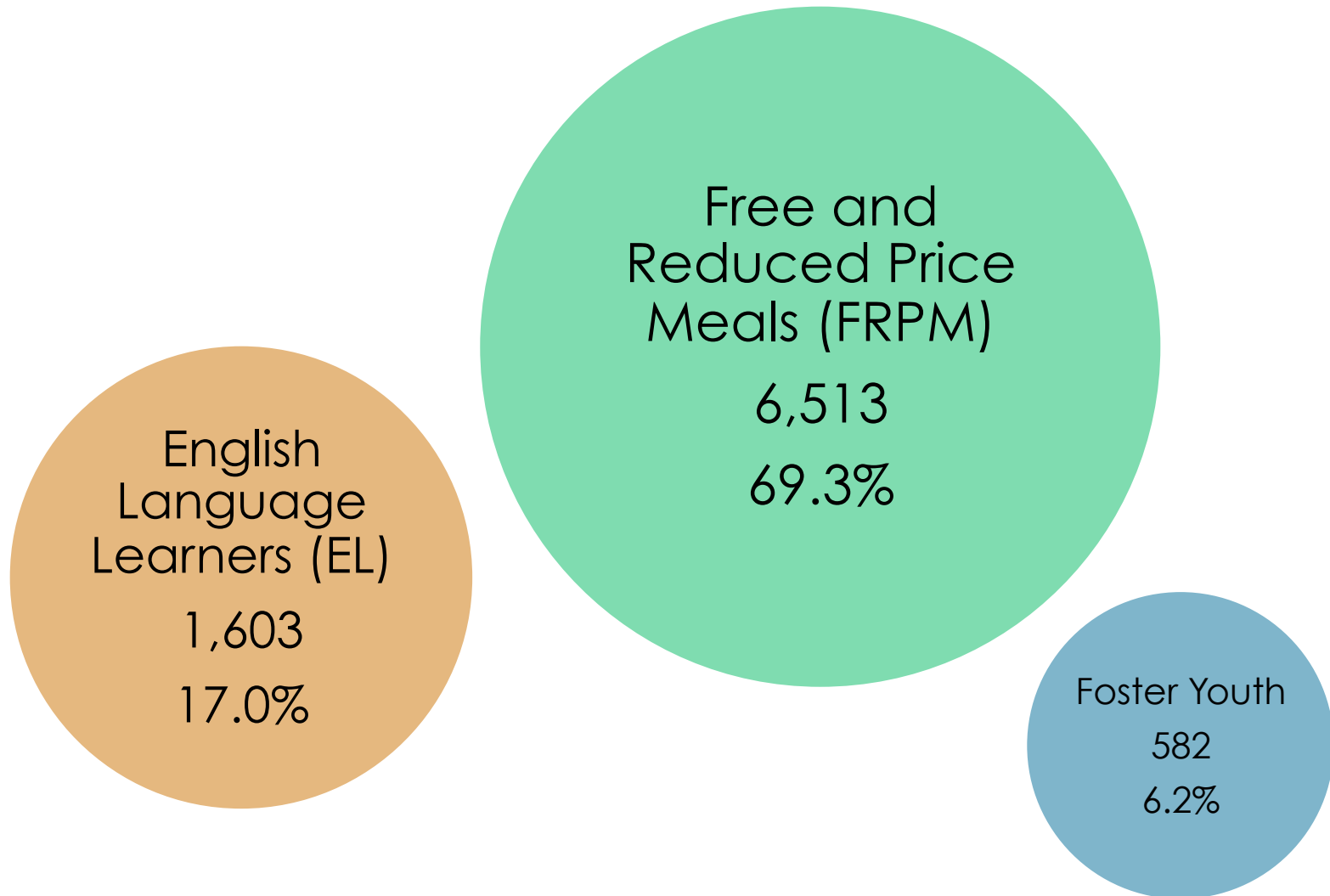
Pre-LCFF



LCFF Supplemental
provided to
address needs
of English
Learners, low
income, and
foster youth

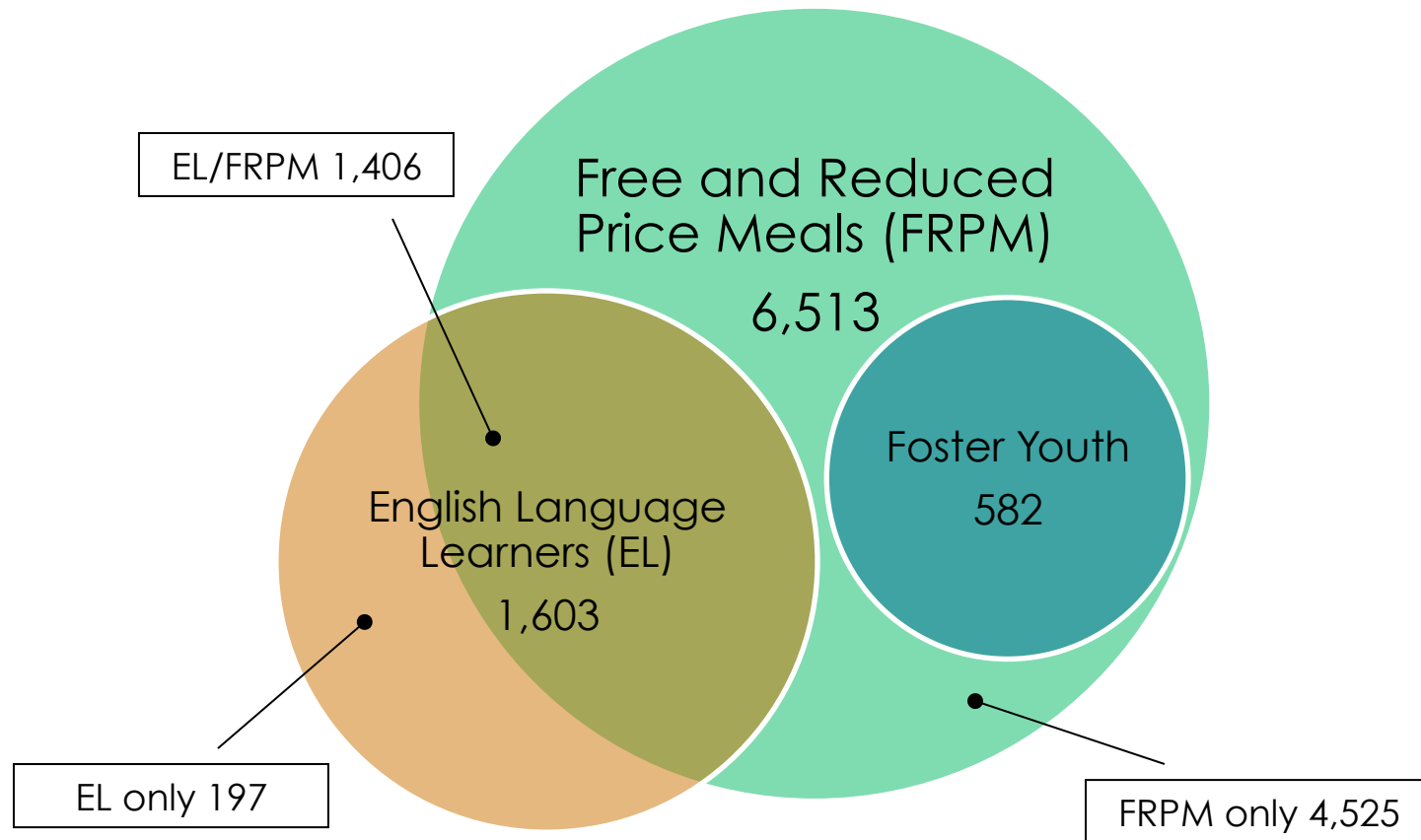
LCFF Base Grant is the
same for every
local
educational
agency with
adjustments
based on
grade level

LCFF Subgroups



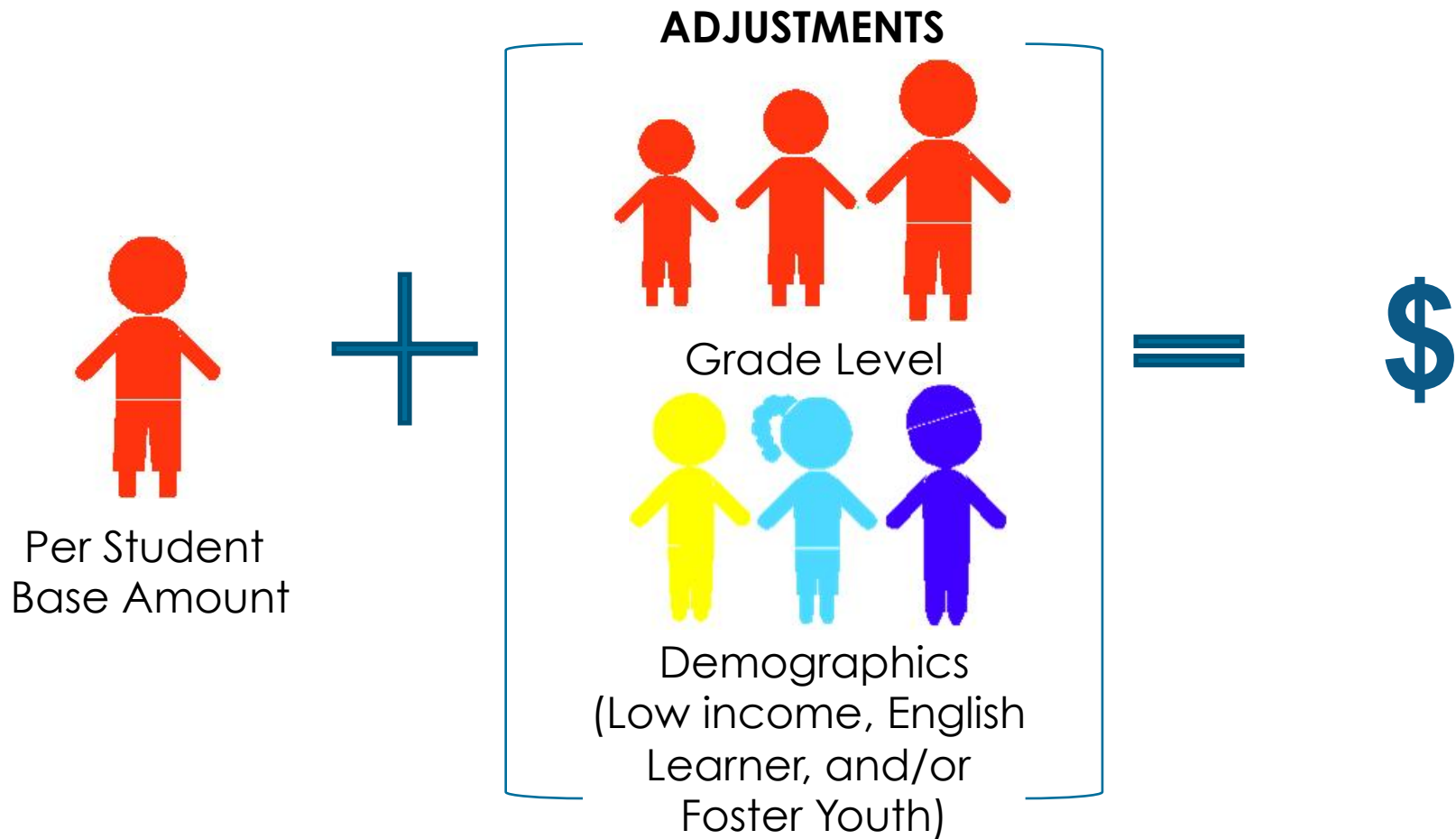
2013-2014 CALPADS Enrollment = 9,402

Unduplicated Pupil Count



Unduplicated FRPM/EL/Foster Youth Pupil Count = 6,710, or 71.3%

LCFF Simplifies State Funding



The LCFF Transition

- The starting point (floor) for LCFF in 2013-14 is funding received in 2012-13 for:
 - Revenue limits (deficited)
 - More than 40 different categorical programs (deficited)
- The amount of revenue received in 2012-13 is the basis for the 1st year of implementation, but:
 - It loses its character – it is no longer restricted and unrestricted, revenue limit and categorical
 - It is simply the reference point for determining LCFF funding and progress toward the LCFF target entitlement in 2013-14

LCFF Base Grant Entitlement Calculation

- ▣ 2013-14 target entitlement calculation
 - ▣ Grade span per-pupil grants are increased annually by COLA

Factors	K-3	4-6	7-8	9-12
Base Grant per ADA	\$6,845	\$6,947	\$7,154	\$8,289
COLA @ 1.565%	\$107	\$109	\$112	\$130
Base grants – 2013-14	\$6,952	\$7,056	\$7,266	\$8,419

LCFF Adjustments

- ▣ 2013-14 target entitlement calculation
 - ▣ K-3 CSR and 9-12 Career-Technical Education (CTE) adjustments are additions to the base grant

Factors	K-3	4-6	7-8	9-12
Base grants – 2013-14	\$6,952	\$7,056	\$7,266	\$8,419
Adjustment percentage	10.4% CSR	-	-	2.6% CTE
Adjustment amount	\$723	-	-	\$219
Adjusted grant per ADA	\$7,675	\$7,056	\$7,266	\$8,638

LCFF Supplemental and Concentration

- 2013-14 target entitlement calculation
 - Supplemental and concentration grant increases are calculated based on the percentage of total enrollment accounted for by English learners (EL), free and reduced-price meal (FRPM) program eligible students, and foster youth

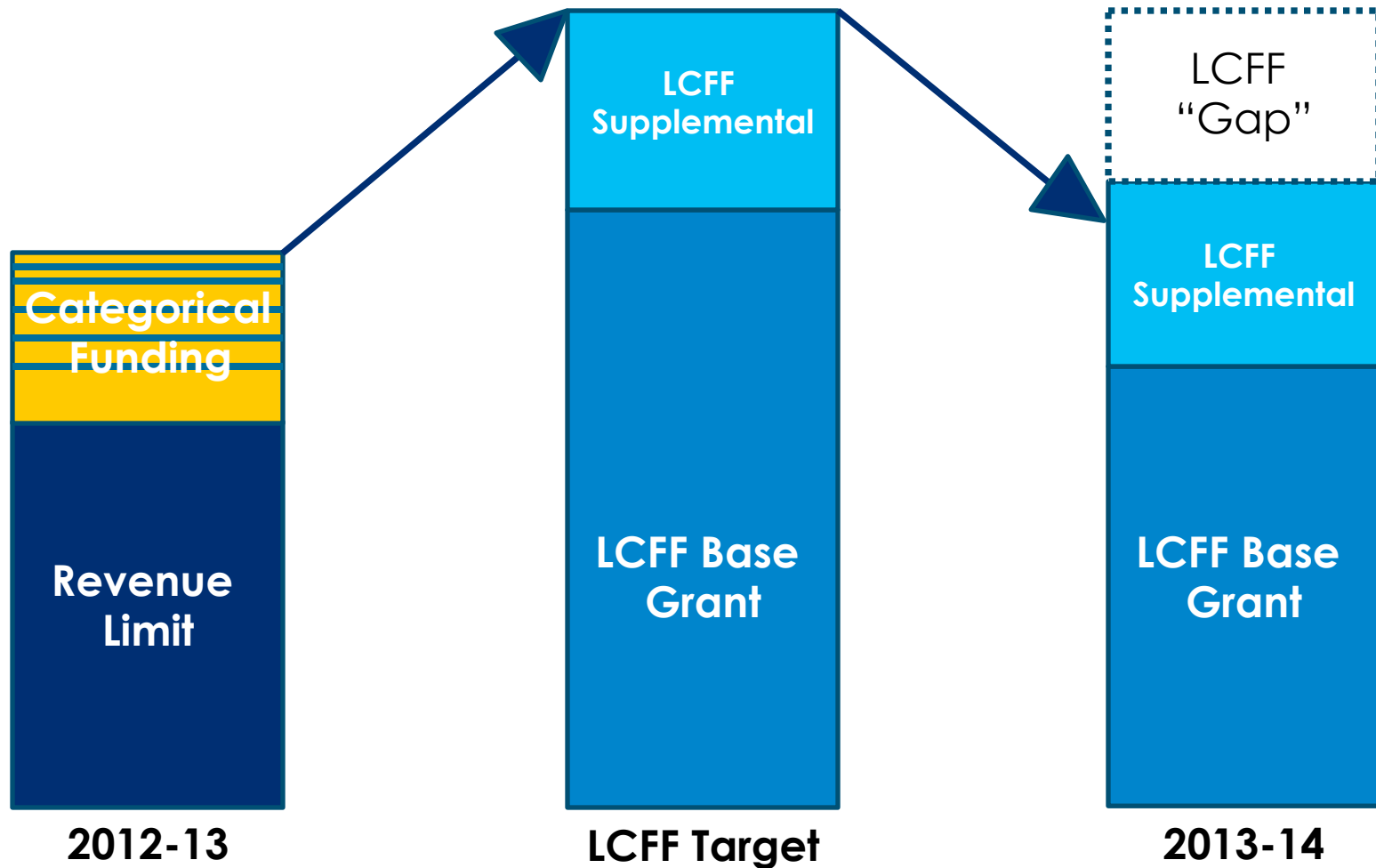
Factors	K-3	4-6	7-8	9-12
Adjusted grant per ADA	\$7,675	\$7,056	\$7,266	\$8,638
Supplemental*	\$1,095	\$1,006	\$1,036	\$1,232
Concentration*	\$626	\$576	\$593	\$705
Total LCFF Target per ADA	\$9,396	\$8,638	\$8,895	\$10,575

*District specific calculation based on 71.3% unduplicated pupil count

LCFF Target

	7-8	9-12	Total
ADA	1,106.60	7,734.96	8,841.56
Target per ADA	\$8,895	\$10,575	
Net Base	\$9,843,207	\$81,797,202	\$91,640,409
Targeted Instructional Improvement Block Grant (TIIG)			\$203,227
Transportation			\$711,623
Total LCFF Target			\$92,555,259

LCFF Target and Gap Funding



LCFF Phase-In

	2013-14	2014-15	2015-16
LCFF Target	\$92,555,259	\$93,168,442	\$95,001,151
- Funding Floor	\$61,264,864	\$64,232,234	\$69,003,852
= Difference (Gap)	\$31,290,395	\$28,936,208	\$25,997,299
x Gap Funding Rate	11.78%	16.49%	18.69%
= Gap Funding	\$3,686,009	\$4,771,581	\$4,858,895
LCFF Entitlement (Floor + Gap Funding)	\$64,950,873	\$69,003,815	\$73,862,747
Per ADA Amount (funded)	\$7,346	\$7,903	\$8,459

A Look Back to Adopted Budget

- ▣ Adopted by the Board in June 2013
- ▣ Built Upon May Revise
- ▣ Based on Revenue Limit funding formula
 - ▣ Included 1.565% COLA
 - ▣ Equating to \$841,985 in additional funding over 2012-13
 - ▣ Included a reduced deficit factor from 22.272% in 2012-13 to 18.997% in 2013-14
 - ▣ Equating to \$2,260,220 in additional funding over 2012-13
- ▣ Of the \$3,686,009 LCFF Gap Funding, \$3,137,682 was already anticipated in the Adopted Budget
 - ▣ Leaving \$548,327 in additional revenue for 2013-14

Unrestricted General Fund Summary

	2012-2013 Unaudited Actuals	2013-2014 Adopted Budget	2013-2014 1 st Interim Budget	2014-2015 Projected Budget	2015-2016 Projected Budget
Beginning Balance	6,686,367	6,489,070	9,124,605	6,437,137	6,207,732
Revenue Limit/LCFF		56,050,379	64,200,007	68,239,434	73,080,785
Other Revenue		7,084,270	2,452,385	2,452,385	2,452,385
Contributions	55,341,131	<u>-7,717,076</u>	<u>-7,396,728</u>	<u>-8,477,532</u>	<u>-8,652,054</u>
Total Revenues		55,417,573	59,255,664	62,214,287	66,881,116
Expenditures	52,902,893	56,985,529	61,943,132	62,443,692	63,955,141
Net Increase/ (Decrease) to Ending Balance	2,438,238	(1,567,956)	(2,687,468)	(229,405)	2,925,975
Ending Balance	9,124,605	4,921,114	6,437,137	6,207,732	9,133,707
3% Reserve/Assigned/ Non Spendable Balances	2,201,914	2,956,195	2,569,933	2,514,816	2,539,281
LCFF Reserve				2,704,227	6,095,364
Undesignated/ Unappropriated					\$449,062

LCFF Reserves

School Services Dart Board

SSC School District, Charter School, and County Office Financial Projection Dartboard 2013-14 Adopted Budget

This version of SSC's Financial Projection Dartboard is based on the adopted 2013-14 State Budget. We have updated the cost-of-living adjustment (COLA), Consumer Price Index (CPI), and ten-year T-bill planning factors per the latest economic forecasts. We have also inserted Local Control Funding Formula (LCFF) factors. We rely on various state agencies and outside sources in developing these factors, but we assume responsibility for them with the understanding that they are general guidelines.

LCFF ENTITLEMENT FACTORS				
Entitlement Factors per ADA	K-3	4-6	7-8	9-12
2013-14 Initial Grants	\$6,845	\$6,947	\$7,154	\$8,289
COLA at 1.565%	\$107	\$109	\$112	\$130
2013-14 Base Grants	\$6,952	\$7,056	\$7,266	\$8,419
Entitlement Factors per ADA				
	K-3	4-6	7-8	9-12
2013-14 Base Grants	\$6,952	\$7,056	\$7,266	\$8,419
Adjustment Factors	10.40% CSR	-	-	2.6% CTE
CSR and CTE amounts	\$723	-	-	\$219
2013-14 Adjusted Base Grants	\$7,675	\$7,056	\$7,266	\$8,638
Supplemental Grants (% Adj. Base)	20%	20%	20%	20%
Concentration Grants	50%	50%	50%	50%
Concentration Grant Threshold	55%	55%	55%	55%

LCFF DARTBOARD FACTORS						
Factor	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
LCFF Planning Factors	SSC Simulator ¹	SSC Simulator ¹	SSC Simulator ¹	SSC Simulator ¹	SSC Simulator ¹	SSC Simulator ¹
PLANNING FACTORS						
Factor	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Statutory COLA	3.24%	1.565%	1.80%	2.30%	2.50%	2.70%
COLA on state and local share only of Special Education, Child Nutrition, American Indian Education Centers/American Indian Early Childhood Education	0.00%	1.565%	1.80%	2.30%	2.50%	2.70%
California CPI	2.15%	2.00%	2.30%	2.50%	2.70%	2.80%
California Lottery ²	Base \$124 Proposition 20 \$30	\$124 \$30	\$126 \$30	\$126 \$30	\$126 \$30	\$126 \$30
Interest Rate for Ten-Year Treasuries	1.89%	2.50%	2.70%	2.90%	3.10%	3.30%

RESERVES		
State Reserve Requirement	District ADA Range	LCFF Reserve Plan ³
The greater of 5% or \$50,000	0 to 300	SSC recommends one year's increment of planned revenue growth
The greater of 4% or \$50,000	301 to 1,000	
3%	1,001 to 30,000	
2%	30,001 to 400,000	
1%	400,001 and higher	

¹ Go to the SSC LCFF Simulator at www.sscal.com. Your LCFF amounts for multiyear planning purposes will be provided based on your district-specific data.

² For the forecast years, the total dollar amount needed to fund the statutory COLA is applied to the LCFF Simulator.

³ The forecast for Lottery funding per ADA includes both base (unrestricted) funding and the amount restricted by Proposition 20 (2000) for instructional materials. Lottery funding is initially based on prior-year annual ADA—and is ultimately based on current-year annual ADA—times the historical statewide average excused absence factor of 1.04446.

⁴ District reserve requirements as stated in the State Board of Education (SBE) adopted criteria and standards based solely on district size is not as relevant when financial volatility and exposure is disparate under the LCFF. We recommend that every district first observe the current SBE-required reserve for the traditional economic uncertainties. We also recommend the establishment of a separate LCFF reserve based on the annual LCFF revenue increase projected for the district in Year 2 and Year 3 of the multiyear projection. We recommend that the district develop a plan to, over time, set aside one year's growth in LCFF funding as a reserve due to the potential volatility inherent in the LCFF.

Excerpt from RCOE Guidance Letter:

If the percentages that are projected by the DOF are used, please assign as part of the ending fund balance the additional revenues generated until after the SBE adopts regulations governing the expenditure of supplemental and concentration grant funds. It is recommended that in the 2014-15 and 2015-16 projections that the additional funding is assigned as part of the ending fund balance until the district is in budget development for these years.



LCFF Reserve Plan⁴

SSC recommends one year's increment of planned revenue growth