



# BUDGET BRIEF

## 2015-16 May Revision to the Governor's Budget: May 15, 2015

### **\$6.1 Billion more for Schools in Revised Budget Plan for 2015-16**

#### **Overview**

On May 14, 2015, Governor Jerry Brown released the May Revision to his budget proposal for the 2015-16 fiscal year. The May Revision is the final update to economic assumptions and revenue estimates before the 2015-16 budget is approved in June. The proposal includes an increase to the Proposition 98 school funding guarantee of \$6.1 billion for ongoing (\$2.7 billion) and one-time (\$3.4 billion) funding for California's K-14 schools above the January estimates.

#### **State Fiscal Outlook**

Overall, the May Revision projects \$115 billion General Fund revenues for 2015-16. This is \$1.7 billion more than was projected in January. Most of these new revenues are earmarked for K-14 education through the Proposition 98 school funding guarantee, but an additional \$1.27 billion will be used for further debt reduction and the "rainy day saving fund" established by Proposition 2. The Governor has also proposed an income tax credit for low wage earners for approximately \$380 million. For the current fiscal year, 2014-15, General Fund revenues are \$3.3 billion higher than anticipated in January.

#### **Key Elements for Education**

The May Revision contains a Proposition 98 school funding guarantee of \$68.4 billion for the 2015-16 fiscal year. This is an increase of \$2.7 billion from the January budget projection. The current year Proposition 98 guarantee has increased to \$66.3 billion, a \$3.2 billion increase from the January projection. **Key education expenditure proposals include:**

- **Local Control Funding Formula (LCFF):** Increases ongoing funding available for implementation of the LCFF by \$2.1 billion over the \$4 billion increase proposed in January. This will close the remaining gap between a school's actual LCFF funding and its target rate at full LCFF implementation by 53 percent.
- **Common Core Grants:** Proposes an additional \$2.4 billion increase over the \$1.1 billion proposed in January, for a total of \$3.5 billion for one-time common core implementation grants based on average daily average daily attendance (ADA) reported at the second principal apportionment for 2014-15. This will provide over \$550 per ADA in flexible one-time spending.
- **SB 740 Charter School Facility Grants:** Retains January proposals to provide \$50 million more for charter school facilities rent and lease reimbursement and reduce the eligibility threshold to 55% free and reduced priced meal eligibility at the school site or in the traditional elementary school attendance where the charter school is located. The

May Revision would further allow eligible schools to receive more funding, up to 100% of actual costs, to the extent funds remain in the program at the end of the year.

- **Special Education:** Provides \$60 million to implement a package of specified special education reforms based on task force recommendations, including expanded early intervention and state preschool access.
- **Adult Education:** Maintains the January proposal of \$500 million for Adult Education consortia, but makes several programmatic changes to the consortia. The proposal does not specifically address charter schools that serve pupils over 18 years of age.
- **Career Technical Education (CTE):** Increases the January CTE proposal from \$250 million to \$400 million and makes some programmatic changes to the plan.
- **Proposition 39 Energy Efficiency Grants:** Provides \$313.4 million to K-12 schools for eligible energy efficiency projects funded by Proposition 39 of 2012, the California Clean Energy Jobs Act. This is a decrease of \$6.7 million from January estimates for this program.
- **Deferrals:** Retains the January proposal to eliminate all apportionment payment deferrals.
- **Technical Adjustments:** Makes conforming revisions to several programs to reflect a reduction in the Cost of Living Adjustment from January of 1.58% to 1.02%, and a slight increase in projected ADA.

### Proposition 98

The provisions of Proposition 98 establish a minimum funding guarantee for K-14 education based on complex calculations and interactions of a number of economic and demographic variables. For the budget year 2015-16, the May Revision contains full funding of the constitutional guarantee. The Proposition 98 formula requires numerous interacting calculations that result in adjustments to the guarantee over three years. The following table illustrates the adjustments to Proposition 98 since the budget was enacted last year:

Proposition 98 Revenue Comparison (2014-15 Budget Act to 2015-16 May Revision) (Dollars in Millions)								
	2013-14			2014-15			2015-16	
	2014-15 Budget Act	2015-16 Governor's Budget	2015-16 May Revision	2014-15 Budget Act	2015-16 Governor's Budget	2015-16 May Revision	2015-16 Governor's Budget	2015-16 May Revision
<b>Total Prop 98</b>	<b>58,302</b>	<b>58,673</b>	<b>58,914</b>	<b>60,859</b>	<b>63,153</b>	<b>66,303</b>	<b>65,716</b>	<b>68,409</b>

Source: CA Department of Finance, May 2015

### Local Control Funding Formula

The enactment of the LCFF in 2013 was a significant step toward a more equitable funding system for California's schools, including charter schools. The LCFF includes charter schools within the broader system for funding all public schools, eliminating the prior charter block grant funding model. For details on the mechanics of LCFF, please see the LCFF resources on CCSA's Budget Webpage at: [www.calcharters.org/2011/04/state-budget-update.html](http://www.calcharters.org/2011/04/state-budget-update.html).

The May Revision increases ongoing funding available for implementation of the LCFF by \$2.1 billion over the \$4 billion increase proposed in January. A total of \$6.1 billion more for LCFF implementation in 2015-16 over 2014-15 funding will close the remaining gap between a school's actual LCFF funding and its target rate at full LCFF implementation by 53 percent. (In January, the 2015-16 gap closing rate was projected at 28 percent.) This funding will provide approximately 90 percent of full funding of LCFF target rates.

Below are the targets, supplements and multipliers under the LCFF for 2015-16. Grade level target rates are adjusted annually for Cost of Living Adjustment (COLA). The May Revision provide a COLA on target rates of 1.02% over 2014-15 rates. Actual funding to be received by each school will vary depending on progress towards the target compared to 2014-15 LCFF funding received.

<b>Funding Element</b>	<b>Revised Target Amounts for 2015-16</b>
Grade K-3 Base Target	\$7,083
Grade K-3 Grade Span Adjustment	\$ 737 (10.4% of K-3 target)
Grade 4-6 Base Target	\$7,189
Grade 7-8 Base Target	\$7,403
Grade 9-12 Base Target	\$8,577
Grade 9-12 Grade Span Adjustment	\$ 223 (2.6% of 9-12 target)
Supplement per unduplicated Free or Reduced Priced Meal Eligible Pupil, English Learner or Foster Youth	20% of average base and add-on funding per eligible ADA
Concentration Supplement per pupil above 55% of the lesser of total district or charter percent high need	50% of average base and add-on funding per eligible ADA above 55%
Percent of gap between current funding and target funded in 2014-15	53.08%

### **LCFF Tools**

CCSA has developed a number of tools to assist schools in implementing the LCFF. Please review the LCCF tab on our budget web page at: <http://www.calcharters.org/2011/04/state-budget-update.html#tab-lcff> for these resources. One key tool at that link is CCSA's *LCFF Simulator* for 2015-16. The simulator is an interactive spreadsheet that you may download to assist you in estimating LCFF revenues for your budget planning.

In building annual budgets, charter schools should also include non-LCFF funding sources in their budget planning such as federal funds, special education, mandates, one-time common core grants and energy efficiency grants as well as other funding the school may receive outside of the LCFF.

### **Next Steps**

The May Revision is the final update to economic assumptions and revenue estimates before the 2015-16 budget is approved in June. The California State Legislature will discuss budget priorities over the next few weeks before a final plan is adopted by June 15, and signed by the Governor before the start of the new fiscal year. CCSA will continue to work on your behalf to ensure positive budget outcomes for charter schools. We will update all of our budget materials once the final 2015-16 budget is signed by the Governor.