1. **2018-2019 State Budget**

- $139 billion General Fund Budget signed by the Governor on June 27th. He also signed trailer bills including the education omnibus bill, AB 1808, the Proposition 98 certification trailer bill, AB 1825, and the employment trailer bill, SB 866. There were no line item vetoes by the Governor.

- Proposition 98 portion of the budget is $78.4 billion up by $2.8 billion from last year.

- LCFF is surpassing the fully funded amount ($3.67 billion) by getting a 3.7% COLA. There will also be an additional $1.1 billion in one-time discretionary funding for LEAs.

- Other elements include:
  - $300 million (one-time) for Low Performing Students.
  - $164 million for Career Technical Education within the community colleges for the Strong Workforce Program.
  - $150 million (ongoing) for the CTE Incentive Grant Program.
  - $100 million (one-time) for Full-Day Kindergarten Facilities Grant Program.
  - $53.8 million (ongoing) for County Offices to provide technical assistance to school districts identified as needing assistance as a result of the California Dashboard.
  - $200,000 (one-time) to redesign the LCAP template and $200,000 to develop a parent friendly LCAP budget summary.
  - The Budget fully funds the Rainy Day Fund to levels allowed in the State Constitution.

- **Special Education**
  - Unfortunately, there was no additional funding beyond COLA added to special education base funding. There were some items listed below in the special education portion of the budget, however, they are one-time grants for specific purposes.
    - 2.71% COLA ($14.24 per ADA)
    - $10 million ongoing for up to 10 SELPAs selected by the CCEE and CDE to provide technical assistance to local educational agencies. The RFP is not out yet.
    - The RS/PS funds will now be “pulled out” again as a separate line item. This is not new money it will just be pulled from the base. This causes the Statewide Target to drop from $540.99 to $525.44 to begin 2018-2019. After the 2.71% COLA is applied the new Statewide Target will be $539.68 for 2018-2019.
– $75 million (one-time) for Teacher Residency Grant Program. These grants will be administered through the Commission on Teacher Credentialing.
  * $50 million aimed at prospective Special Education Teachers
  * $25 million for STEM and bilingual teachers
– $50 million (one-time) for the Local Solutions Grant Program to attract and retain Special Education Teachers.
– $167.2 million for an Inclusive Education Expansion Grant. This is for competitive grants to increase availability of inclusive education and care for children 0-5. The funds can only be used for facilities, equipment or staff development.

2. **State News**

- California remains in very good fiscal standing. It is the fifth largest economy in the world.
- Even though State Revenues were above the May Revision forecast by $27 million, the year-to-date revenues fell $65 million below expectations thus far this fiscal year. Personal income tax revenues exceeded expectations however, sales, use and corporation taxes fell below expected amounts.
- California unemployment is at 4.2% in comparison to 3.8% nationwide. There was only minimal job growth in May, with sectors such as education and health services actually losing jobs.
- Statewide median home price is up to $584,460 and interest rates on 30 year fixed mortgages are rising.
- UCLA is predicting a slowing economy due to several factors:
  - Slowing labor market
  - Rising interest rates
  - Higher inflation
  - Huge increase in Federal deficit mostly as a result of the tax-cut legislation
  - Possible “trade wars”
- At the 2017-2018 Second Interim there are 4 LEAs with negative certifications and 25 LEAs with qualified certifications.

3. **Special Education 2017-2018 P-2 Funding Exhibits**

- Section A – 1.56% ($8.3098) was added to the 2016-2017 statewide target. Statewide target rate is $540.99.
- Section B – Deficit proration factor increased from 0.9684350330 at P-1 to 0.9756017071 at P-2. There is still a 2.44% deficit as a result of a $73.51 million shortfall in funding.
• Section C – 1.56% COLA

• Section E – NS SELPA RS/PS had COLA applied. $15,520,196.59 at P-2.

• Section F – Low Incidence $437,376.87 per LI pupil (Primary/Secondary Disability).

• Section G – Out of Home Bed – still funded on counts from December 2016 with addition of 1.56% COLA.

• Infant Program – 1.56% COLA added to rates.
  − SDC - $59,832
  − RSP - $63,082
  − DIS - $59,090
  − Aide - $24,296

• 2016-2017 RI Recertification
  − Section B – Very small change in proration factor. 2.63% deficit, as appropriation was short by $78,98 million.
  − Section G – Out of Home Bed. Only changes from December 2016 count were from SELPA’s indicating errors.

• 2015-2016 Annual R3 Recertification
  − Very small increase in base proration factor. 1.70% deficit.

• Mental Health Funds
  − Federal – Resource Code #3327 funds are paid only on a reimbursement basis through submitting expenditure reports. If you haven’t spent the funds by September 30, 2018, you will need to submit the required budget plan to CDE.
  − State – Resource Code #6512 is paid in 3 payments. 50% is paid in the fall and 25% in the spring based upon P-2 of the prior year. The remaining 25% should be paid in July and will include a “settle up” to allocate the entire year’s funding based upon P-2 2018.

4. Special Education Fiscal Reports

• We are heading into “special education fiscal report season.” Please advise your business colleagues of the following:
  − Be sure to use the updated forms provided by the SELPA. (See info below) Destroy all old electronic versions. CDE is going through a process of website accessibility…so do not us the forms on the website this year.
  − Districts should not close their books until the Maintenance of Effort Data (MOE) has been checked to ensure that the district has passed at least one test on SEMA and one test on SEMB.
− It is best if all forms (SEMA, SEMB, Subsequent Year Tracking Form and Excess Cost Calculation Worksheet) are done at the same time to avoid errors.

5. **Maintenance of Effort (MOE) Workgroup at CDE**

- **Confirm final Excess Cost Worksheet** – The Excess Cost Worksheet has been finalized and will be sent out next week. Please share with your business people and tell them to delete all old versions. The current one has a July 2018 date.

- **Confirm final SELPA Subsequent Year Tracking (SYT) Worksheet** – The Subsequent Year Tracking Sheet has been finalized and will be sent out late next week. Please tell staff to use the new form only. Information can be cut/copied from the old form.

- **Changes to Private School Proportional Share Worksheet for 2018-2019** – We discussed the changes in the Private School Proportional Share Worksheet going forward. CDE is considering doing the calculation for the SELPA as part of the Grant Award. A decision about what would need to be turned in would need to be made. There will be more discussion on this topic at the next meeting.

- **Requirements from Budget Trailer Bill Language** – We discussed the interpretation and intent of the special education fiscal language in AB 1808.

- **Proposed Annual Budget Plan** – Mark Curtis previewed the updated version of the proposed Annual Budget Plan template that we would like to use for the future. It appears to follow closely with the trailer bill language. It is longer than what we first envisioned, but is a wonderful, transparent document. We will preview this at State SELPA in September for feedback from the group.

- **Grant Expenditure Reports** – Jack reinforced that we need to have expenditure report forms that are fillable and that do the calculations automatically. This would eliminate many human errors. CDE indicated they are in the midst of Federal 508 compliance (website accessibility) and forms that use excel are very problematic.

- **Federal Mental Health (Resource Code #3327)** – Beginning next year, the additional forms which had been required with the Resource Code #3327 Expenditure Reports will not be required. The Expenditure Report and the indirect cost report will be the only forms that need to be submitted. However, if you do not expend the funds by September 30, 2019 you will still be required to submit a budget plan for the unspent funds.