SELPA ADMINISTRATORS OF CALIFORNIA

FINANCE COMMITTEE
April 2018

1. State News

- The Governor’s office is preparing for the May Revise and are paying close attention to state revenues. The state’s February revenue totals were actually down from the Governor's January estimates. This was primarily due to a $505 million dollar shortfall in personal income tax revenues. Sales taxes and corporation taxes were up slightly. However, even with February being a “below projections” month, year-to-date revenues are still above projections.

- The US Department of Education has not approved California’s ESSA State Plan due to outstanding concerns. CDE staff is proposing several changes to California’s plan to satisfy their concerns. The proposed changes include but are not limited to:
  - Counting 11th grade Smarter Balanced assessments twice, once for the College/Career Indicator and once for the Academic Indicator.
  - Using only current year EL students for the English Learner Progress Indicator, removing reclassified ELs from the formula.
  - Using Dashboard outcomes to identify the lowest performing 5% of Title I schools statewide.

The State Board is concerned about the requirement that districts provide targeted assistance to any school where one of the twelve student groups performed poorly. This could include up to 3,000 schools.

The State Board had planned to vote on the proposals at its March meeting. However, they decided to hold an additional meeting in April in order to provide more time to study the proposals.

2. Federal News

- Congress recently passed an Omnibus Budget Bill for 2018. It includes some small increases in special education funding to states.
  - Grants to states increased nationally by $275 million
  - Preschool 619 Grants increased nationally by $12,882,000
  - Infant (Part C) Grants increased nationally by $11,444,000

California generally receives about 10% of the total grants to states.

- Interesting in ESSA – Transparent School-by-School Spending

There is a small provision on financial transparency in the ESSA that is just coming to light. Starting in 2018-2019 school year the provision calls for school-level financial data.
The provision is hoping to reveal patterns of fiscal inequities among schools and students in the same district.

3. Special Education Finance

- Grant Awards – Fiscal Reporting
  - Reporting Dates – Report #1 not applicable as we didn’t have grant awards. However, it is ok if you choose to complete Report #1.
  - Indirect Cost Reporting – This is a different amount for each district. This must be turned in with the final expenditure report.
  - Budget Plan – This must be turned in if you do not spend all of your grant before September 30, 2018.
  - Proportionate Share Worksheet (see attached)
    * Dates for collection – use December 2016 for Plan Type 20 and June 2017 for Plan Type 70
    * Item A – only Plan Type 10
    * Item B – Plan Types 20 + 70 – see above
    * No private schools or no parentally placed children with disabilities. (See attached form)

- Impact of Deficits in Special Education Funding
  * See attached informational sheet – It is important that we continue to share this information with our Superintendents, CBOs, etc.
  * Spreadsheet available to calculate the loss for your SELPA
    (Attached)

- Support Letters for AB 3136
  Almost 100 letters received to date. This bill will be heard on April 11th along with about 40 other bills.

- Annual Budget Plan
  - Due by June 30th
  - Public Hearing – posted at all schools 15 days prior to hearing
  - Directions for Annual Budget Plan Draft Template (Does not take the place of the required AB Plan form this year). However, you can use the template in addition to the required form. Russell is working on template directions along with making the template more user friendly to populate.
• Important facts
  
  – Last year we received approximately $133 million in preschool funding (approximately $30 million came from the change when 5 year olds were moved from the Resource #3310 grant to the Resource #3320 grant. Therefore, this was not actually an increase in funding. However, last year our special education preschool expenditures were $658 million.

  – Total Special Education expenditures went up by a total of approximately $864 million during the 6 year period from 2007 to 2013. However, the total expenditures have gone up by almost $3 billion dollars in the past 4 years from 2013-2017.

  – While the total student population in California has stayed flat or reduced during the past few years, the special education pupil count is increasing dramatically.

    * From 2007 through 2013 the special education pupil count went up by only 16,816. However, from 2013 through 2017 the special education pupil count has increased by 66,921.
The Impact of Yearly Deficits in Special Education Funding

Beginning in 2013-14 the State began implementing the Local Control Funding Formula (LCFF), which has significantly increased general education funding for many school districts. In 2018-19 it is estimated that the LCFF formula will be fully funded. Unfortunately, the State has not been as generous with funding for special education programs. In 2013-14 there was a loss of approximately 5% in Federal Local Assistance grant funds due to the application of the sequestration cuts to the Individuals with Disabilities Education Act (IDEA) state grants. In addition, the AB 602 special education funding calculation was changed to remove the Federal Local Assistance grant funds from the Base calculation. The combination of these two actions resulted in a deficit of approximately $80 million that the State has refused to acknowledge or permanently backfill.

In 2013-14 and 2014-15 the deficits were funded after the close of each school year by allocating one-time property tax funding that had been recouped from cities. Beginning in 2015-16 that property tax funding source was no longer available to offset the deficits for each school year. In 2015-16 there was a 1.02% COLA; however, the deficit was greater than the COLA allocation. In 2016-17 there was no COLA to partially offset the deficit in funding. In 2017-18 the 1.56% COLA is not nearly enough to off-set the special education deficit.

Over the three-year period, the statewide losses in special education funding due to deficits are as follows:

- 2015 – 16 = $50.736 million
- 2016 – 17 = $78.976 million
- 2017 – 18 P1 = $95.123 million
- Total = $224.834 million

The significant increases in LCFF funding have resulted in both salary and benefit increases for school district staff. Lack of increased State and Federal special education funding has led to yearly increases in the general fund contribution to cover the additional special education costs. From 2013 – 14 through 2016 – 17 the general fund contribution increased from $6.28 billion or 55.85% of the total special education cost to $9.15 billion or 64.45% of the total special education cost.
<table>
<thead>
<tr>
<th></th>
<th>2017-18 P1</th>
<th>2016-17 Annual</th>
<th>2015-16 Annual R2</th>
<th>Total Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>D-6 Growth/Declining ADA Adjustment</td>
<td>$21,791</td>
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<td>B-6 Base Entitlement (A-5 * B-5)</td>
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<td>C-3 COLA Apportionment</td>
<td>$44,424</td>
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State Level Deficit

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