

**Orange County
Department of Education
2015-16 Proposed Budget
June 17, 2015**



The Big News – 2015-16 Provides the Highest Increase in Education Funding Ever!

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- **The May Revision provides an additional \$3.1 billion for education funding in 2014-15**
 - **This funding is for 2014-15, but treated as one-time dollars**
- **That is on top of \$4.75 billion already provided in the enacted Budget for the Local Control Funding Formula (LCFF)**
- **The combination of a rapidly recovering California economy and Proposition 30 temporary taxes drive the increased state revenues and growth in Proposition 98 for 2014-15**
- **The Governor proposes adding \$2.1 billion to the \$4 billion proposed in January for 2015-16 LCFF growth, for a total of \$6.1 billion**
 - **Gap closure rate goes from 32.19% to 53.08%**
 - **Average increase is 14.13%, or \$1,088 per average daily attendance (ADA)**
- **The state is making rapid progress toward full implementation of the LCFF**

- **Issues not addressed**
 - **California State Teachers' Retirement System (CalSTRS)/California Public Employees' Retirement System (CalPERS) cost relief**
 - **Repeal of the reserve cap**
- **No manipulation of Proposition 98 – we appreciate that**
- **Is the funding increase proposed by the Governor affordable for the state?**
YES
 - **Property tax growth alone is sufficient to cover the growth in Proposition 98**
 - **The “anti-spike” provisions increase non-Proposition 98 spending by about \$400 million**
- **Repayment of the cuts to education are affordable now**

“If not us, who? If not now, when?”

– Rabbi Hillel

Proposition 98 Funding Will Slow

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- Proposition 98 has provided major increases in funding for K-14 education as the state economy recovers and funding cuts imposed during the recession are restored
 - Compared to the 2011-12 Proposition 98 guarantee, funding in 2015-16 will have increased \$21.1 billion to \$68.4 billion under the May Revision, an average annual gain of 9.7%
- These gains are largely attributed to the repayment of the Proposition 98 maintenance factor, an amount equivalent to the loss of funds imposed on K-14 education during the recession (a restoration, not a repayment)
- According to the May Revision, \$772 million in maintenance factor payments will remain at the end of 2015-16
- **Conclusion:** Proposition 98 funding will slow considerably once the maintenance factor has been fully paid
 - Growth will likely be in the range of 2% to 4% annually

January Budget vs. May Revision

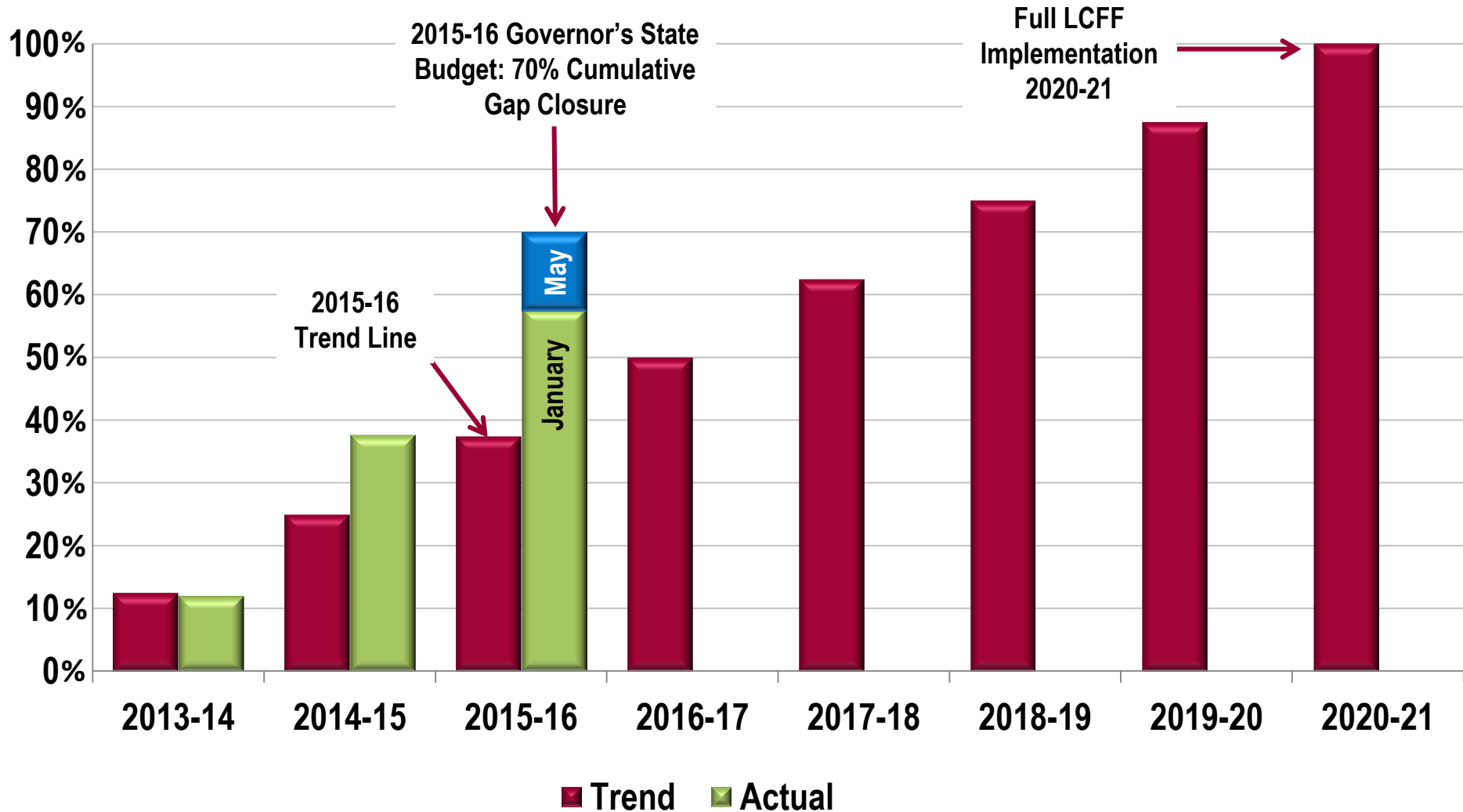
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Item	January Budget	May Revision
LCFF Gap Funding Percentage	32.19%	53.08%
Proposition 98 Minimum Funding Guarantee		
2014-15	\$63.2 billion	\$66.3 billion
2015-16	\$65.7 billion	\$68.4 billion
2015-16 COLA	1.58%	1.02%
One-time Discretionary Funds for 2015-16	\$1.1 billion \$180 per ADA	\$3.5 billion \$601 per ADA

- **The January Budget proposed \$4 billion for continued implementation of the LCFF**
- **The May Revision provides another \$2.1 billion, for a total of \$6.1 billion of additional Proposition 98 revenues flowing to schools**
- **New funding is estimated to close the gap between 2014-15 funding levels and LCFF full implementation targets by 53.08% in 2015-16**
 - **The May Revision slightly revises the current-year gap closure estimate, up from 29.15% to 29.97% for 2014-15**
- **When combined with 2013-14 and 2014-15 LCFF funding, implementation progress would close almost 70% of the gap in just 3 years**



Progress Toward LCFF Implementation



- **The May Revision provides an increase of \$2.4 billion in discretionary one-time Proposition 98 funding**
 - **From \$1.1 billion to \$3.5 billion, equal to about \$601 per ADA**
 - **Of these funds, \$40 million is for county office of education (COEs) to assist in meeting new responsibilities associated with the Local Control and Accountability Plan (LCAP)**
- **The May Revision suggests that local educational agencies (LEAs) prioritize these funds for professional development, teacher induction, and instructional materials and technology**
 - **This is not a mandate and the funds can be used for “any one-time purpose” However, any funds received will offset state obligations for any LEA with outstanding mandate reimbursements, consistent with the approach used in the 2014 Budget Act**

Future Concerns

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- **County Office's of Education are at LCFF Funding Target in 2014-15.**
 - **Future Year funding will be dependent on a the State's Cost of Living increase and growth or decline of students**
- **State Revenue continues to increase: Remember Proposition 30 sales tax expires in 2016-17 and the income tax expires in 2018**
- **Local Control Accountability Plans**
 - **Still waiting on the rubric for how schools will be evaluated on meeting their plans in future years**
 - **Pressure from social justice groups for stricter control on funds**
 - **This would be revisiting categorical programs and not the Governor's intent**





Future Concerns

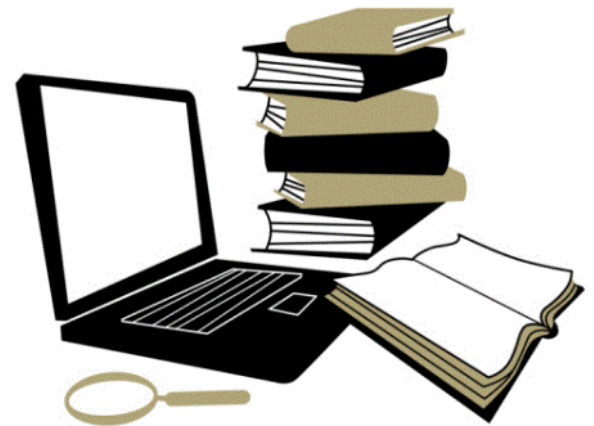
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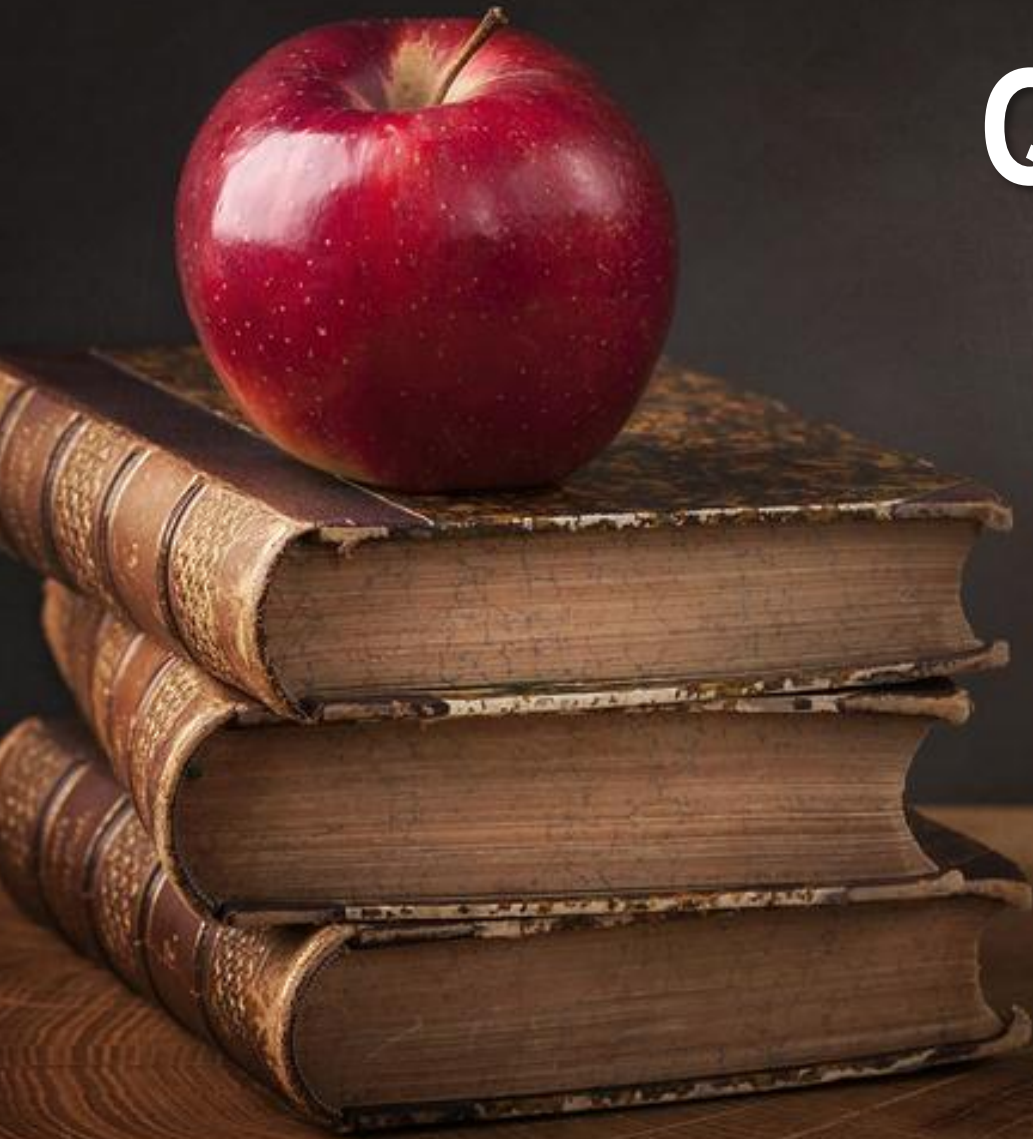
- **Affordable Health Care Act**
 - **October 1, 2015 OCDE will need to start offering Health Benefits to employees who work an average of 30 hours a week**
 - **Increases by Insurance Carriers due to increased fees for the AHCA**
- **STRS/PERS costs will increase employer costs through 2020-21.**
 - **Our expense for these benefits will more than double by 2020-21.**
 - **This is approximately an additional \$10 million dollars per year.**
- **Legislation that is adding administrative costs**
 - **Reporting to Department of Industrial Relations for any facility or maintenance work over \$1,000. We are anticipating smaller pools of bidders and higher costs**
 - **Tracking of Sick leave benefits and health care for hourly workers**

Local Control Accountability Plans

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- Expenditures outlined in our LCAP are incorporated in the Proposed Budget
 - Most notably the proposed budget shows an increase of \$1.4 million for books and supplies.
 - New positions added to LCAP
- Requirement to improve or increase services for students that are disadvantaged by 15.39% pursuant to CDE guidelines achieved in the LCAP





Questions?