

Local Control Funding Formula

Revenue and Cash Flow
Implications for Your School



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Presentation Outline

State Revenues and the Local Control Funding Formula

Local Control Accountability Plan

The Deferrals

STATE REVENUES AND THE LOCAL CONTROL FORMULA

Understanding Local Control Funding

Local Control Funding Formula (“LCFF”)

- The Local Control Funding Formula, approved last June, is the new funding system that will determine all schools’ general purpose funding rates
- Rather than set funding rates solely based on grade spans, schools will have individually calculated rates that factor in grade levels served as well as school demographics
- Schools will move from their 2012-13 per ADA rate towards calculated target rate
 - New charters will use district’s rate as start point
 - Phase in of LCFF is expected to take eight years, although could be quicker if California economy continue to improve or slower if California’s economic growth slows
- LCFF is beneficial for charters, as it consolidated many categorical programs that charters didn’t have access to and allocates that funding in the LCFF rates
 - Good for newer charters as they can now access previously frozen programs like Class Size Reduction and Supplemental Hourly Instruction
 - Good for schools serving a high concentration of Free and Reduced Lunch and English Language Learners as more money will be directed to those schools
- Additional sources of information on the Local Control Funding Formula
 - CDE: <http://www.cde.ca.gov/fg/aa/lc/>
 - FCMAT: [http://www.fcmat.org/stories/storyReader\\$23157](http://www.fcmat.org/stories/storyReader$23157)

LCFF: How will this be calculated?

The LCFF will replace the state's traditional funding system comprised of several restricted funds with a streamlined calculation

The Old Version

Source	Detail
General Purpose Entitlement	ADA-based funding analogous to districts' Revenue Limit
Categorical Block Grant	Charter funding at ~\$400/ADA
Economic Impact Aid	Funding per ED (poverty line) or ELL
Class Size Reduction	Based on K-3 class size, locked at '08-09 funding
Supplemental Hourly Instruction & Categorical Consolidated	Smaller categoricals lumped together, and locked at '08-09 funding

This per ADA amount from the old system will serve as a school's start point for Local Control Funding

The New Version

Source	Detail
"Base Grant"	Similar in principle to the GBG
"Grade Level Add-ons"	For K-3 (CSR) and 9-12 (CTE) only
"Supplemental Grant"	Based on the unduplicated count of FRL / ELL / Foster students
"Concentration Grant"	Based on the unduplicated count of FRL / ELL / Foster students, capped at the district level

This total will serve as a schools target rate with full implementation executed over an 8-year period

LCFF: How will this be calculated?

Calculating the Target Rate

		2013-14	2014-15
“Base Grant”	K-3	\$6,952	\$7,021
	4-6	\$7,056	\$7,117
	7-8	\$7,276	\$7,328
	9-12	\$8,419	\$8,491
“Grade Level Add-ons”	K-3	\$723	\$729
	9-12	\$219	\$221
“Supplemental Grant”	20% of base grant for all unduplicated FRL/ELL/FY		
“Concentration Grant”	50% of base grant for all unduplicated FRL/ELL/FY above the 55% - capped at district unduplicated		

Move **11.78%** of the way from 2012-13 per ADA rate towards calculated target rate

Move **28.05%** of the way from 2013-14 per ADA rate towards calculated target rate

LCFF: How will this be calculated?

Calculating Target Rate for 2014-15 – Assuming School Unduplicated Count of 85% and District Unduplicated Count of 65%

	Driver	Rate	Students	Target
“Base Grant”	K-3	\$7,021	60	= \$421,260
	4-6	\$7,117	40	= \$284,680
	7-8	\$7,328	20	= \$146,560
	9-12	\$8,491	0	= \$0
	Total		120	= \$852,500
“Grade Level Add-ons”	K-3	\$723	60	= \$43,380
“Supplemental Grant”	Unduplicated Count	20% of Base Rate	85% of Students	= \$144,925
“Concentration Grant”	Unduplicated Count	55% of Base Rate -Capped at District	10% of Students	= \$46,887
Total	Divide Sum of Target Funding By ADA	\$1,087,692	120	= 9,064

LCFF: Implementation?

New funding formula is projected to increase per student funding by \$3K over the next eight years

The Old Version

Base rate for school is based on funding per ADA from the prior year

FY13 “Base Rate”
per ADA: **\$5,848**

The New Version

Target rate is calculated based on Local Control Funding Formula

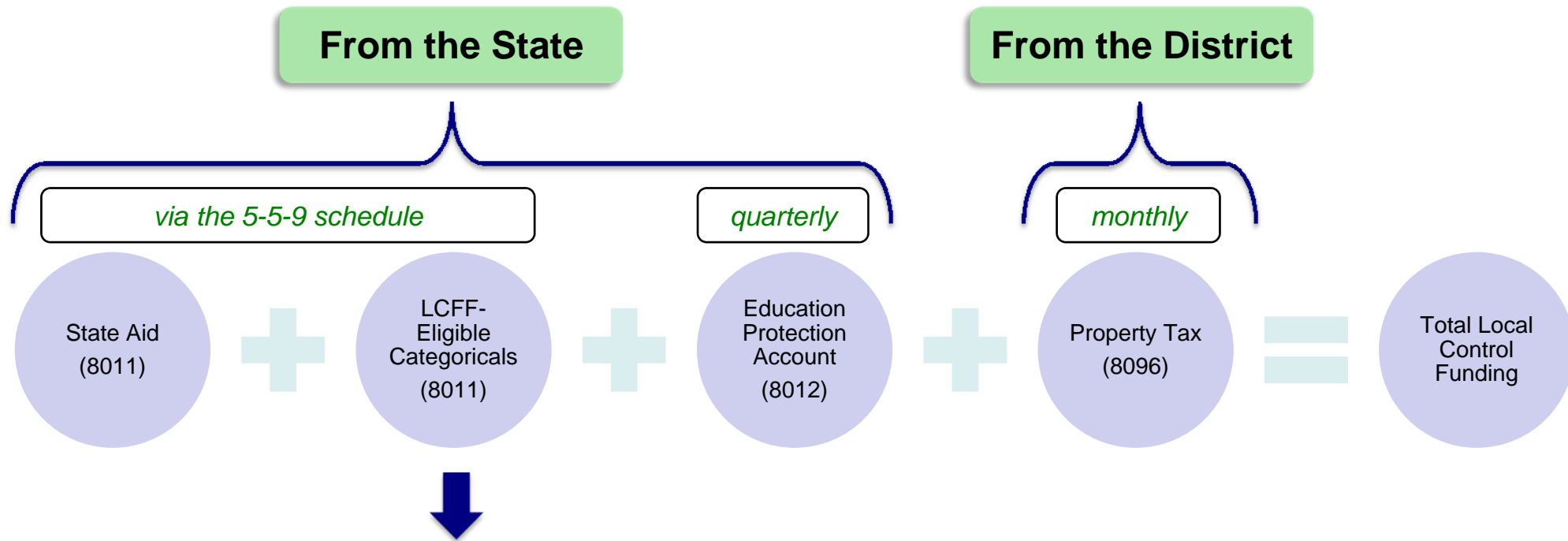
“Target Rate”
per ADA: **\$9,064**

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Implementation Percentage Towards Goal	11.8%	28.05%	33.95%	21.67%	25.0%	33%	50%	100%
Total Effective Implementation Percentage	11.8%	36.5%	58.1%	67.2%	75.4%	83.6%	91.8%	100.0%

- Over the next eight years funding will move from the “Base Rate” to the “Target Rate”
- Calculations over the next few years assume large influx of state revenues
 - Consider running **budget scenarios** with lower implementation percentage

LCFF: How will these funds arrive to schools?

While the LCFF calculations should generate one total entitlement, it will arrive to the school via different paths



This includes the previously separate funding streams of:

- | | |
|---------------------------------|--------------------------|
| Categorical Block Grant | Economic Impact Aid |
| Supplemental Hourly Instruction | Categorical Consolidated |
| Class Size Reduction | New Charter Categorical |

**All of these streams combined
equal the
General Purpose funding**

Apportionments

Looking at the state certified apportionment

- At each apportionment the CDE publishes exhibits and excel files that are helpful in understanding funding and cash flow
 - **Funding Exhibits** – School specific exhibits that show the calculations for how General Purpose revenues are calculated and the breakdown between State Aid, Property Tax and Education Protection Account
 - **Funding Excel Files** – Excel files that show the summary of the apportionments and the cash flow schedule for all LEA's in the state
 - Additionally the state will make changes based on prior year information that will be incorporated into current year funding
- All can be found here <http://www.cde.ca.gov/fg/aa/pa/index.asp>

LOCAL CONTROL ACCOUNTABILITY PLAN

Local Control Accountability Plan (LCAP)

Overview

- In January, the State Board of Education adopted regulations to implement spending targets for high need pupils under LCFF and new templates for charter schools and districts to develop a Local Control Accountability Plan (LCAP) as required under the new LCFF law.
- The LCAP will share a school's story, explaining how LCFF resources contribute to goals and actions for significant subgroups, as decided by relevant stakeholders.
 - Goals and actions must align to the eight state priorities in Education Code section 52060(d).
- LCAP & 14-15 Budget
 - The school must show how supplemental/concentration grant funds will be spent to increase/improve services to high need pupils.
 - This calculation is based on the “Minimum Proportionality Percentage”.
 - The school must also attach dollar figures to all goals and actions articulated in the LCAP, regardless of source of funds (base, supplemental, or concentration).
- Must be completed by June 30th (submit to authorizer and post on website).

Local Control Accountability Plan (LCAP)

Charter-Specific Information

■ Public Hearing: Do Charters Need This?

- Per CDE: The statute is silent; however, charter schools are encouraged to follow a similar process that is required for a school district, which would be to present to the charter school governing board in a public meeting before submitting the adopted LCAP to the charter authorizer.

■ Does the authorizer approve the LCAP?

- Per CDE: No. However, as is the case with charter school budgets and audits, a charter school must prepare and submit the LCAP to the chartering authority and the county superintendent of schools by July 1 of each year; the chartering authority reviews the LCAP as part of its regular oversight duties; there is not an explicit requirement that the authorizer approve the LCAP.
 - Charters must submit the LCAP in the *adopted template* format.

■ Eight State Priorities

- Charters must address all eight state priorities.
- Charters can use locally defined metrics to assess the eight priorities, as long as at least one metric from the statute is also used.

Local Control Accountability Plan (LCAP)

Additional Resources

- The State Board of Education regulations and adopted template can be found here:

<http://www.cde.ca.gov/be/ag/ag/yr14/documents/jan14item20a3.doc>

- CDE FAQs, which include charter-specific LCAP questions:

<http://www.cde.ca.gov/fg/aa/lc/lcfffaq.asp>

- WestEd LCFF website, including LCAP-specific webinars:

lcff.wested.org

THE DEFERRALS AND CASH FLOW SCHEDULE

Understanding the Deferrals

The evolution of deferrals over the past 12 years

2001-02	State started deferring the June payment into July
2007-08	February apportionment started also being deferred into July
2009-10	State started partially deferring portions of the April and May apportionment into August
2010-11	State added multiple spring deferrals and started deferring fall payments for the first time
2011-12	Both spring and fall deferrals increased again with almost all of spring funding being pushed into the summer
2012-13	Many deferrals remained in place and funding was complicated by the state paying out the entire EPA payment in late June
2013-14	Schools finally get a little bit of relief as the fall deferral were eliminated, spring deferrals were reduced and the EPA payments are being made quarterly

The Deferrals: 2012-13

2012-13 the Education Protection Account added additional cash flow difficulties for charter schools

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug
State Aid-Standard	5.00%	5.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%		
Deferral	-5.00%	-2.98%	3.73%	-4.14%		1.27%		-2.81%	0.00%	-3.14%	-9.00%	-9.00%	2.81%	5.44%
Deferral						2.98%			-5.44%	-4.04%			3.14%	4.04%
Deferral						4.14%				0.00%			9.00%	
Deferral													9.00%	
State Aid-Adjusted	0.00%	2.02%	12.73%	4.86%	9.00%	17.38%	9.00%	6.19%	3.56%	1.82%	0.00%	0.00%	23.95%	9.48%
EPA	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%		
Property Tax	0.00%	6.00%	12.00%	8.00%	8.00%	8.00%	8.00%	8.00%	14.00%	7.00%	7.00%	7.00%	7.00%	

- The 2012-13 school year was the **most difficult cash flow year** for schools because of the large state aid deferrals throughout the year and the payment of the Education Protection Account in late June

The Deferrals: 2013-14

Deferral buy backs and quarterly payments of Education Protection Account have greatly improved cash flow this year

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	August
State Aid - Standard	5.00%	5.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%		
Deferral										-3.80%	-9.00%	-9.00%	3.80%	
Deferral													9.00%	
Deferral													9.00%	
State Aid - Adjusted	5.00%	5.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	5.20%	0.00%	0.00%	21.80%	0.00%
EPA	0%	0%	25%	0%	0%	25%	0%	0%	25%	0%	0%	25%		
Property Tax	0.00%	6.00%	12.00%	8.00%	8.00%	8.00%	8.00%	8.00%	14.00%	7.00%	7.00%	7.00%	7.00%	

■ Huge improvements for 2013-14 cash flow:

- Elimination of fall deferrals
- Reduction of spring deferrals
- Deferrals all repaid by the end of July, rather than being pushed into August and September
- Quarterly payment of the Education Protection Account

Understanding the Deferrals: 2013-14

Example School - \$1M in state revenues

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July
State Aid - Standard	20,453	20,453	36,815	36,815	36,815	36,815	36,815	36,815	36,815	36,815	36,815	36,815	
Deferral										(15,539)	(36,815)	(36,815)	15,539
Deferral													36,815
Deferral													36,815
State Aid - Adjusted	20,453	20,453	36,815	36,815	36,815	36,815	36,815	36,815	36,815	21,275	-	-	89,168
EPA	-	-	45,475	-	-	45,475	-	-	45,475	-	-	45,475	
Property Tax	-	24,543	49,086	32,724	32,724	32,724	32,724	32,724	57,267	28,634	28,634	28,634	28,634
Total	20,453	44,996	131,376	69,539	69,539	115,014	69,539	69,539	139,557	49,909	28,634	74,109	117,802

- Much more consistent funding in 2013-14 than in previous years
- Important to note that due to county processing time State Aid and EPA will likely be received in the month after they are apportioned by the state
- This schedule shows the apportionment month, not necessarily the month that funds will arrive

Understanding the Deferrals: 2014-15

If Governor's proposal goes through, California will be deferral free for the first time in over a decade

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
State Aid - Standard	5.00%	5.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Deferral												
Deferral												
Deferral												
Deferral												
State Aid - Adjusted	5.00%	5.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
EPA	0%	0%	25%	0%	0%	25%	0%	0%	25%	0%	0%	25%
Property Tax	0.00%	6.00%	12.00%	8.00%	8.00%	8.00%	8.00%	8.00%	14.00%	7.00%	7.00%	7.00%

No Deferrals Planned

Cash flow schedule is preliminary and is dependent on the Governor's budget proposal being approved

- More information will be available when the Governor releases his May revise and budget will likely be approved in June
- Even if budget state budget is approved with no deferrals, economic conditions in California could change quickly and necessitate the need for deferrals at some point in the year

Thank you!

Additional questions? Contact us:

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