Santa Clara County Office of Education

CHIEF BUSINESS OFFICERS MEETING
MAY 11, 2017
9:30 a.m. to 12:00 p.m.
Gilroy Room

AGENDA

9:30 - 10:00	Welcome and Announcements • Introductions • Content and Format of Future Meetings	Megan K. Reilly, Chief Business Officer Santa Clara County Office of Education
10:00 - 11:00	Governor's Press Conference to Announce the 2017-18 May Revision	
11:00 - 11:30	May Revision – First Impressions & Discussion	Robert D. Miyashiro, Vice President School Services of California, Inc.
11:30 - 11:45	Technology Services Update	David Wu, Chief Technology Officer Santa Clara County Office of Education
11:45 - 12:00	District Business and Advisory Services Update	Judy Kershaw, Director District Business and Advisory Services

Meeting Schedule 2016-2017

Date	Time	Room
November 3, 2016	9:30 a.m. - 12:00 p.m.	Gilroy Room
January 19, 2017	9:30 a.m. - 12:00 p.m.	Milpitas Room
March 9, 2017	9:30 a.m. - 12:00 p.m.	Gilroy Room
May 11, 2017	9:30 a.m. - 12:00 p.m.	Gilroy Room

2017-18 May Revision

Edmund G. Brown Jr. Governor
State of California

Introduction

As the state's economy has recovered from the Great Recession, the past four budgets have significantly expanded government spending. The Legislature and the Governor have focused the spending on counteracting the effects of poverty. The May Revision includes funding for:

- The rising state minimum wage, which is scheduled to increase to $11 per hour in 2018 and to $15 per hour over time.
- The expansion of health care coverage to undocumented children and the millions of Californians covered under the federal Affordable Care Act.
- The provision of preventative dental benefits to adults covered by Medi-Cal.
- The first cost-of-living adjustment for Supplemental Security Income/State Supplementary Payment (SSI/SSP) recipients since 2005.
- The repeal of the maximum family grant rule in CalWORKs, which denied aid to children who were born while their parents were receiving aid.
- California's first-ever Earned Income Tax Credit to help the state's poorest working families.

The state has also paid down its budgetary borrowing and addressed some long-standing problems—such as restoring fiscal health to its retirement benefit plans and making major improvements to the state's water system.

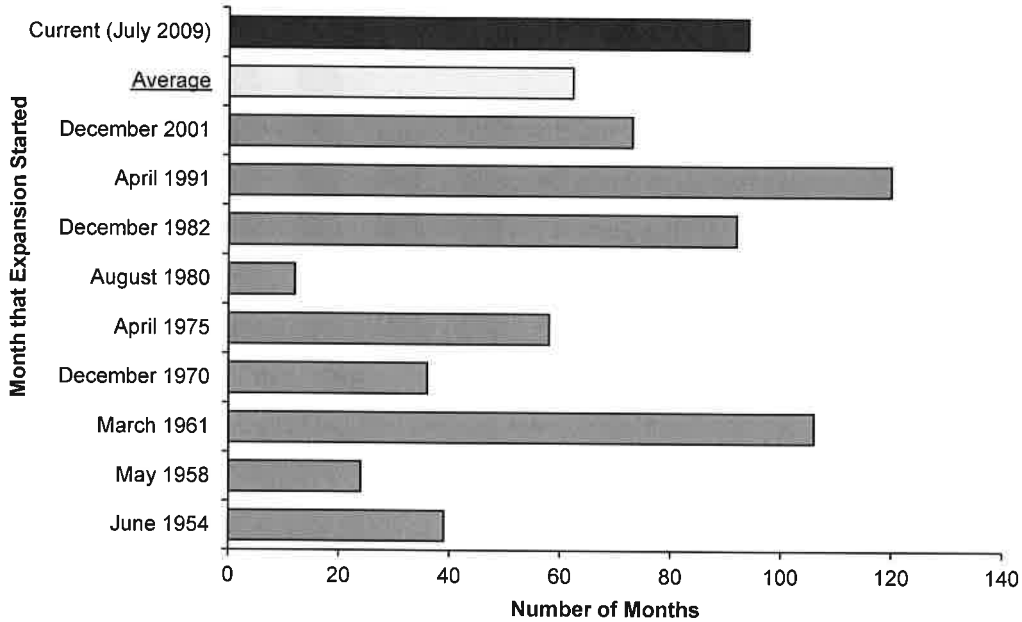
Over the past year, however, state revenues began to lag expectations. Compared to the 2016 Budget signed in June, the January Budget revenue forecast reflected a $5.8 billion reduction. Since January, the stock market has surged. As a result, the May Revision reflects higher revenues of $2.5 billion. Yet, this forecast remains $3.3 billion below the 2016 Budget forecast from one year ago. Consequently, the budget—which remained precariously balanced even in the strongest revenue years—is considerably more constrained than in any year since 2012.

The modestly improved fiscal outlook compared to January allows the May Revision to advance several key priorities:

- Increasing Money for Schools—With an increased Proposition 98 minimum guarantee, the May Revision increases funding for the Local Control Funding Formula for K-12 education, providing a total increase of $1.4 billion in 2017-18.
- Maintaining County Fiscal Health—Under current law, about $600 million in In-Home Supportive Services (IHSS) costs would be borne by county realignment funds next year. The May Revision substantially mitigates these increased costs and preserves counties' ability to provide key safety net programs.
- Restoring Child Care—The January Budget proposed pausing scheduled provider rate increases, but the May Revision restores the $500 million child care package from the 2016 Budget.
- Reducing Pension Liabilities—The May Revision proposes a $6 billion supplemental payment to CalPERS with a loan from the Surplus Money Investment Fund that will reduce unfunded liabilities, stabilize state contribution rates, and save $11 billion over the next two decades. The General Fund share of the repayment will come from Proposition 2's revenues dedicated to reducing debts and long-term liabilities.

The state must also continue to plan for and save for tougher budget times ahead. The federal government is contemplating actions—such as defunding health care for five million Californians, eliminating the deductibility of state taxes, and zeroing out funding for organizations like Planned Parenthood—that could send the state budget into turmoil. Moreover, by the time the budget is enacted in June, the economy will have finished its eighth year of expansion—only two years shorter than the longest recovery since World War II (see Figure INT-01). A recession at some point is inevitable.

Figure INT-01
Current Recovery Is Approaching Three Years Longer than Average



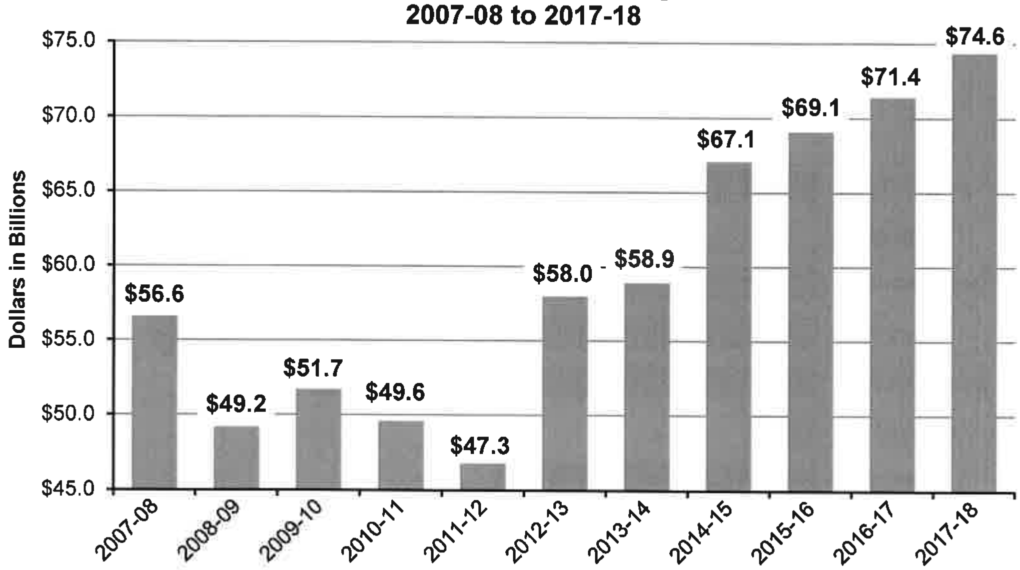
PRESERVING CORE ACHIEVEMENTS

The May Revision maintains a balanced budget while preserving the state's core achievements from the past four years.

K-12 EDUCATION

As shown in Figure INT-02, the minimum guarantee of funding for K-14 schools was $56.6 billion in 2007-08 and sank to $47.3 billion in 2011-12. From this recent low, funding has been at all-time highs since 2012-13. Funding is expected to grow to $74.6 billion in 2017-18—an increase of $1.1 billion since January and $27.3 billion over six years (58 percent).

Figure INT-02
Proposition 98 Funding
2007-08 to 2017-18



For K-12 schools, funding levels will increase by about $4,058 per student in 2017-18 over 2011-12 levels. This reinvestment provides the opportunity to correct historical inequities in school district funding with $1.4 billion in new funding to continue implementation of the Local Control Funding Formula. The formula focuses most new funding to districts with low-income students, English Learners, and students in foster care. The Budget increases the formula's implementation to 97 percent complete. The increased funding also eliminates the deferral of funding that was included in the January Budget.

HIGHER EDUCATION

The Administration's higher education efforts—keeping student costs low, promoting new technology and innovation, and improving graduation rates—will support students' success in achieving their educational goals. The May Revision continues to provide each university system and the community colleges with annual General Fund growth. The May Revision also prevents a scheduled reduction in financial aid awards to low-income students at private colleges and universities, while tying those extra expenditures to meeting state goals regarding serving low-income students, expanding online education, and easing the transfer process from community colleges. In response to the State Auditor's review of the UC Office of the President, the May Revision sequesters $50 million in UC funding until such time that the Auditor's recommendations and other UC commitments are implemented.

Counteracting the Effects of Poverty

California has an extensive safety net for the state's neediest residents who live in poverty. Since 2012, the General Fund has supported new poverty-focused obligations totaling almost $19 billion annually. Based on reduced revenues, the January Budget proposed pausing scheduled rate increases for child care providers and an expansion of slots for preschool. The May Revision reverses that proposal, resulting in over a $500 million increase for child care programs from 2016-17 through 2018-19.

In January, the Administration determined that the Coordinated Care Initiative, begun in 2012-13, was not cost-effective. Under existing law, this determination would result in about $600 million in state savings and a corresponding increase in annual county realignment IHSS costs (by returning to the historic cost-sharing ratio for the program). The May Revision prioritizes the mitigation of this increase to county costs by contributing $400 million from the General Fund and then smaller amounts in future years as realignment revenues grow. This funding will allow counties to continue providing key health, social, and mental health services to the state's residents.

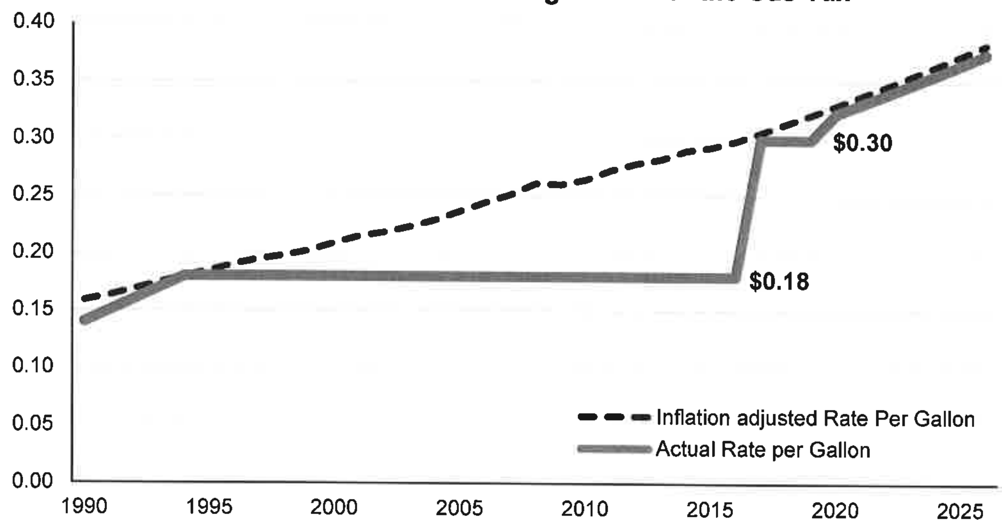
Strengthening Infrastructure

The repair, maintenance, and efficient operation of the state's transportation system are vital to California's economic growth. State and local funding has fallen dramatically below the levels needed to maintain the system, and a recent transportation study found that Californians spend on average $762 annually on vehicle repair costs due to poorly maintained roads. California continues to be in the top five states with the longest commutes.

In response, the Legislature and Governor agreed on a historic transportation funding package this spring, contained in The Road Repair and Accountability Act of 2017 (SB 1). The funding package returns the gas tax's purchasing power to 1994 levels (see Figure INT-03) and will provide $54 billion in new funding over the next decade, split evenly between state and local funding. The May Revision reflects the first $2.8 billion of new funding to:

- Focus on "fix-it-first" investments to repair neighborhood roads and state highways and bridges.
- Make key investments in trade and commute corridors to support continued economic growth and implement a sustainable freight strategy.

Figure INT-03
SB 1 Restores Lost Purchasing Power for the Gas Tax



- Match locally generated funds for high-priority transportation projects.
- Invest in passenger rail and public transit modernization and improvement.

Drivers deserve improved performance and efficiency at Caltrans in exchange for paying more (less than $10 per month for most drivers). The package enhances oversight by the California Transportation Commission and the new Inspector General. Moreover, new performance metrics will allow the state to hold Caltrans accountable for its improvement of state highways. State and local governments must implement the SB 1 plan in a cost-effective manner without delay.

Paying Down Debts and Liabilities

Over the past several years, the Governor and Legislature have taken significant steps to address the long-term costs of state retirement programs. In 2012, the California Public Employees' Pension Reform Act was enacted to save billions of taxpayer dollars by capping benefits, increasing the retirement age, stopping abusive practices, and requiring employees to pay at least half of their pension costs. In 2014, a funding plan was implemented to restore fiscal solvency to the state's teacher pension system over three decades. In 2016, the state and its employees began to share equally in the prefunding of retiree health benefits to eliminate the unfunded liability over three decades, now estimated at $76.5 billion.

As shown in Figure INT-04, the state now has $282 billion in long-term costs, debts, and liabilities. The vast majority of these liabilities—$279 billion—are related to retirement costs of state and University of California employees. These retirement liabilities have grown by $51 billion in the last year alone due to poor investment returns and the adoption of more realistic assumptions about future earnings.

Figure INT-04

Debts and Liabilities Eligible for Accelerated Payments Under Proposition 2

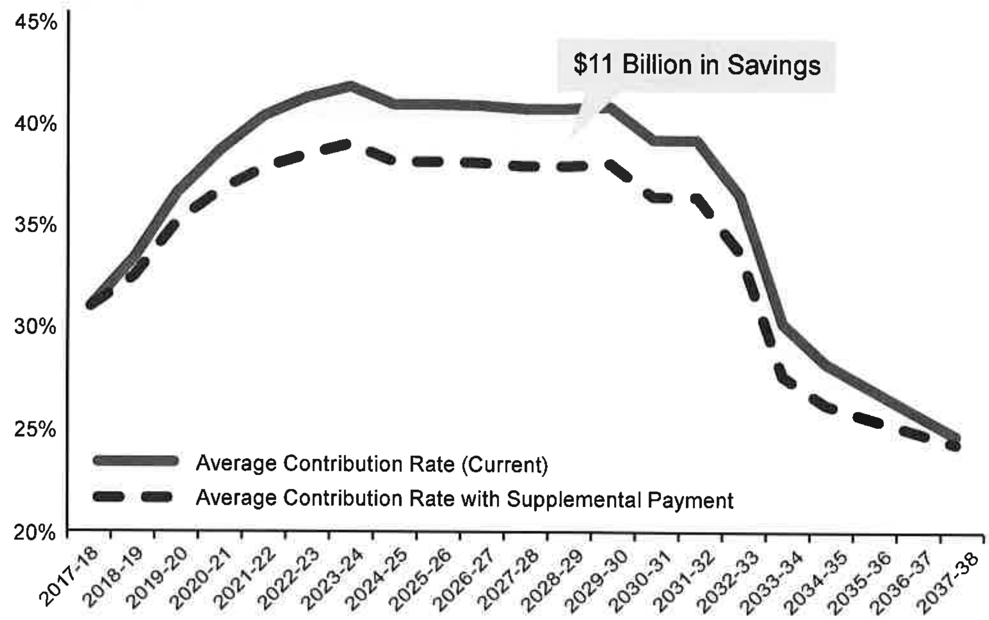
(Dollars in Millions)

	Outstanding Amount at Start of 2017-18	Proposed Use of 2017-18 Pay Down at Governor's Budget	Changes from Governor's Budget	Proposed Use of 2017-18 Pay Down at May Revision
Budgetary Borrowing				
Loans from Special Funds	$1,365	$252	$0	$252
Underfunding of Proposition 98—Settle-Up	1,043	400	203	603
Repayment of pre-Proposition 42 Transportation Loans	706	235	0	235
State Retirement Liabilities				
State Retiree Health	76,533	100	-11	89
State Employee Pensions	59,578	0	427	427
Teachers' Pensions[1/]	101,586	0	0	0
Judges' Pensions	3,489	0	0	0
Deferred payments to CalPERS	627	0	0	0
University of California Retirement Liabilities				
University of California Employee Pensions	15,141	169	0	169
University of California Retiree Health	21,860	0	0	0
Total	**$281,928**	**$1,156**	**$619**	**$1,775**

[1/]The state portion of the unfunded liability for teachers' pensions is $29.332 billion.

Absent additional action to address these growing liabilities, paying off retirement liabilities will require an increasing percentage of the state budget. For example, the state's contributions to CalPERS are on track to nearly double from $5.8 billion ($3.4 billion General Fund) in 2017-18 to $9.2 billion ($5.3 billion General Fund) in 2023-24. In response, the May Revision proposes a $6 billion supplemental payment to CalPERS through a loan from the Surplus Money Investment Fund. This payment is expected to earn a 7 percent return from CalPERS, compared to the less than 1 percent currently earned from the fund. Over the next two decades, this supplemental payment will save an estimated $11 billion (after paying the costs of the loan). Figure INT-05 illustrates that the supplemental payment will lower the state's contribution rates by an average of 2.1 percent of payroll. The General Fund costs associated with the payment will be repaid with Proposition 2's dedicated revenues for long-term liabilities.

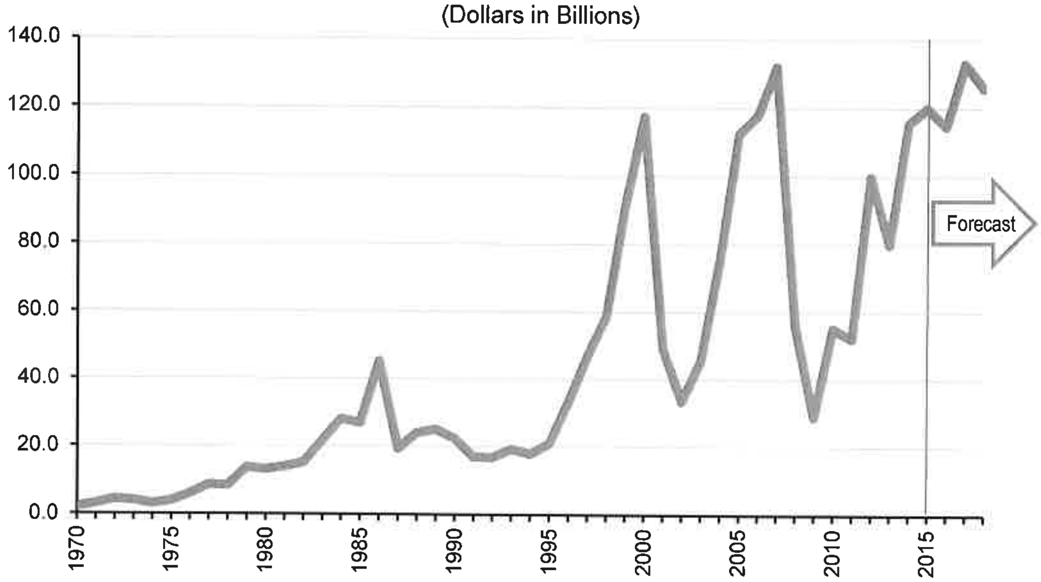
Figure INT-05
Supplemental Retirement Payment Would Save Billions



Maintaining a Balanced Budget in Uncertain Times

Over the next several years, California faces dramatically higher risks than normal, with major threats that could drive the budget significantly out of balance.
The May Revision reflects a modest improvement in the state's fiscal outlook—primarily from the recent rise in the stock market. As shown in Figure INT-06, the May Revision would be relying on an all-time high of capital gains in 2017—the state's most volatile and unpredictable revenue source.

Figure INT-06
Volatile Capital Gains on the Rise
(Dollars in Billions)



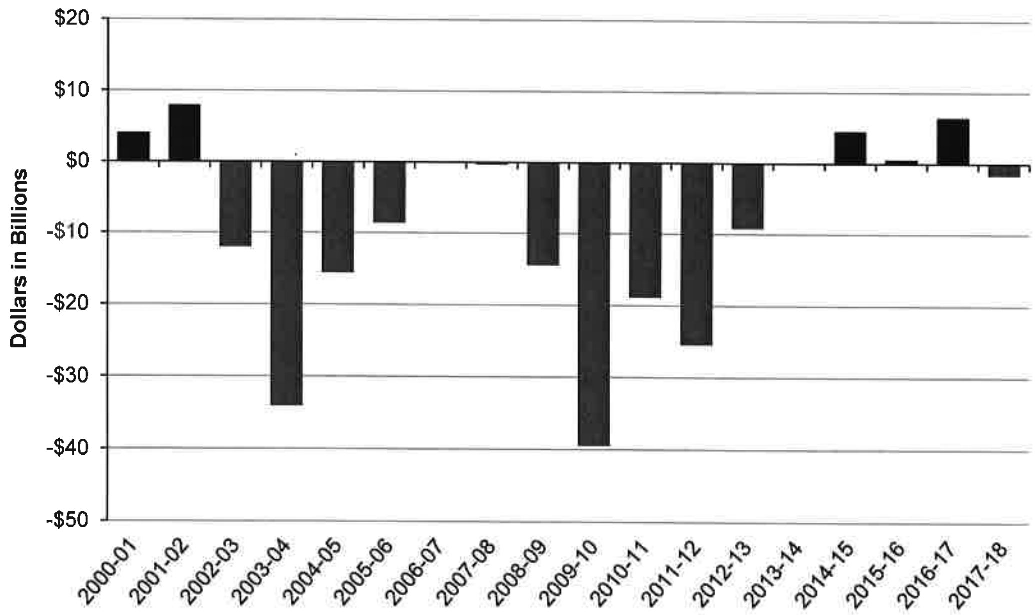
The May Revision assumes the continued expansion of the economy. Yet, economic expansions do not last forever. In the post-war period, the average expansion has been about five years, and the current expansion is approaching three years longer than that. A moderate recession will drop state revenues by about $20 billion annually for several years.

The May Revision also assumes the continuation of existing federal fiscal policy. Yet, Congress and the President have suggested major changes to Medicaid, trade and immigration policy, and the federal tax structure. Many of the proposed changes could have serious and detrimental effects on the state's economy and budget. For instance, the repeal of the Affordable Care Act passed by the House of Representatives in early May would cost the state an estimated $4.3 billion in lost federal funds in 2020, increasing to $18.6 billion by 2027 (with a General Fund impact of $3.3 billion in 2020, increasing to $13 billion in 2027). Such a massive cost shift to the state would necessitate major spending cuts and threaten the health care of the 5 million Californians who have gained coverage in recent years.

Proposition 2 establishes a constitutional goal of having 10 percent of tax revenues in the Rainy Day Fund. By the end of 2017-18, the state's Rainy Day Fund will have a total balance of $8.5 billion (66 percent of the constitutional target). While a full Rainy Day

Fund might not eliminate the need for further spending reductions in case of a recession or major federal policy changes that trigger a budget crisis, saving now will allow the state to spend from its Rainy Day Fund later to soften the magnitude and length of any necessary cuts. In contrast, the state was forced to address the huge budget shortfalls from 2002 through 2012 shown in Figure INT-07 without the benefit of a significant Rainy Day Fund.

Figure INT-07
Balanced Budgets Have Been Quickly Followed by Huge Deficits[1/]



[1/] Budget shortfalls or surplus, measured by the annual Governor's Budget.

SUMMARY CHARTS

This section provides various statewide budget charts and tables.

Figure SUM-01
2017-18 May Revision
General Fund Budget Summary
(Dollars in Millions)

	2016-17	2017-18
Prior Year Balance	$4,515	$723
Revenues and Transfers	$118,540	$125,912
Total Resources Available	**$123,055**	**$126,635**
Non-Proposition 98 Expenditures	$71,729	$71,166
Proposition 98 Expenditures	$50,603	$52,852
Total Expenditures	**$122,332**	**$124,018**
Fund Balance	**$723**	**$2,617**
Reserve for Liquidation of Encumbrances	$980	$980
Special Fund for Economic Uncertainties	-$257	$1,637
Budget Stabilization Account/Rainy Day Fund	**$6,713**	**$8,488**

Figure SUM-02
General Fund Expenditures by Agency
(Dollars in Millions)

	2016-17	2017-18	Change from 2016-17 Dollar Change	Percent Change
Legislative, Judicial, Executive	$3,507	$3,333	-$174	-5.0%
Business, Consumer Services & Housing	494	382	-112	-22.7%
Transportation	225	241	16	7.1%
Natural Resources	3,024	2,873	-151	-5.0%
Environmental Protection	90	85	-5	-5.6%
Health and Human Services	34,685	33,669	-1,016	-2.9%
Corrections and Rehabilitation	10,944	11,194	250	2.3%
K-12 Education	50,813	53,575	2,762	5.4%
Higher Education	14,606	14,743	137	0.9%
Labor and Workforce Development	179	127	-52	-29.1%
Government Operations	1,789	745	-1,044	-58.4%
General Government:				
Non-Agency Departments	805	692	-113	-14.0%
Tax Relief/Local Government	459	435	-24	-5.2%
Statewide Expenditures	712	1,924	1,212	170.2%
Total	**$122,332**	**$124,018**	**$1,686**	**1.4%**

Note: Numbers may not add due to rounding.

Figure SUM-03
2017-18 Total State Expenditure by Agency
(Dollars in Millions)

	General Fund	Special Funds	Bond Funds	Total
Legislative, Judicial, Executive	$3,333	$3,369	$175	$6,877
Business, Consumer Services & Housing	382	856	414	1,652
Transportation	241	11,639	863	12,743
Natural Resources	2,873	1,457	973	5,303
Environmental Protection	85	2,928	25	3,038
Health and Human Services	33,669	25,441	-	59,110
Corrections and Rehabilitation	11,194	2,664	-	13,858
K-12 Education	53,575	109	658	54,342
Higher Education	14,743	177	321	15,241
Labor and Workforce Development	127	718	-	845
Government Operations	745	231	6	982
General Government:				0
Non-Agency Departments	692	1,979	5	2,676
Tax Relief/Local Government	435	1,905	-	2,340
Statewide Expenditures	1,924	2,490	-	4,414
Total	**$124,018**	**$55,963**	**$3,440**	**$183,421**

Note: Numbers may not add due to rounding

Figure SUM-04

General Fund Revenue Sources

(Dollars in Millions)

	2016-17	2017-18	Change from 2016-17 Dollar Change	Change from 2016-17 Percent Change
Personal Income Tax	$83,161	$88,961	$5,800	7.0%
Sales and Use Tax	24,494	24,470	-24	-0.1%
Corporation Tax	10,210	10,894	684	6.7%
Insurance Tax	2,483	2,538	55	2.2%
Alcoholic Beverage Taxes and Fees	375	377	2	0.5%
Cigarette Tax	79	65	-14	-17.7%
Motor Vehicle Fees	24	24	0	0.0%
Other	727	358	-369	-50.8%
Subtotal	**$121,553**	**$127,687**	**$6,134**	**5.0%**
Transfer to the Budget Stabilization Account/Rainy Day Fund	-3,013	-1,775	1,238	-41.1%
Total	**$118,540**	**$125,912**	**$7,372**	**6.2%**

Note: Numbers may not add due to rounding.

Figure SUM-05

2017-18 Revenue Sources

(Dollars in Millions)

	General Fund	Special Funds	Total	Change From 2016-17
Personal Income Tax	$88,961	$1,888	$90,849	$5,825
Sales and Use Tax	24,470	11,032	35,502	816
Corporation Tax	10,894	-	10,894	684
Highway Users Taxes	-	6,864	6,864	1,959
Insurance Tax	2,538	-	2,538	55
Alcoholic Beverage Taxes and Fees	377	-	377	2
Cigarette Tax	65	2,026	2,091	906
Motor Vehicle Fees	24	8,599	8,623	1,580
Other Regulatory Fees	1	7,140	7,141	-2,155
Other	357	14,234	14,591	686
Subtotal	**$127,687**	**$51,783**	**$179,470**	**$10,358**
Transfer to the Budget Stabilization Account/Rainy Day Fund	-1,775	1,775	0	0
Total	**$125,912**	**$53,558**	**$179,470**	**$10,358**

Note: Numbers may not add due to rounding.

K-12 Education

California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 1,000 local school districts, and more than 1,000 charter schools provides instruction in English, mathematics, history, science, and other core competencies to provide students with the skills they will need upon graduation for either entry into the workforce or higher education.

The May Revision includes total funding of $92.3 billion ($54.2 billion General Fund and $38.1 billion other funds) for all K-12 education programs.

Proposition 98

Proposition 98 is a voter-approved constitutional amendment that guarantees minimum funding levels for K-12 schools and community colleges. The Guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline. The Local Control Funding Formula is the primary mechanism for distributing funding to support all students attending K-12 public schools in California.

Last June, the 2016 Budget Act set Proposition 98 funding for 2015-16 at the minimum level allowed under the Constitution. Since then, due to lower revenues, that funding level overappropriates the Guarantee by $432 million, which also creates a higher funding base for Proposition 98 going forward.

In January, the Governor's Budget proposed to eliminate this overappropriation based on actual revenues received in 2015-16, which also reduced the Guarantee in the 2016-17 and 2017-18 fiscal years. Additionally, the Governor's Budget proposed an $859 million expenditure shift from 2016-17 to 2017-18. The school community expressed concerns about reducing funding provided in a prior year and the expenditure shift.

Relative to the Governor's Budget, General Fund revenues that drive the calculation of the Guarantee are up by $326 million in 2015-16, down by $489 million in 2016-17, and are up by more than $2.5 billion in 2017-18. With this modest increase in revenues, the May Revision proposes an approach that does not reduce funding for 2015-16, while generating savings similar to the January proposal over the long term.

To achieve this balance, the Administration proposes to suspend the statutory Proposition 98 Test 3B supplemental appropriation in 2016-17, as well as the 2018-19 through 2020-21 fiscal years. Test 3B is a mechanism designed so that school funding grows at the same rate as the rest of the budget in years when economic growth is slower. Any funding reduced through this mechanism will be automatically added to the maintenance factor obligation, ensuring that school funding is restored in the long term.

The additional resources now available in both 2015-16 and 2016-17, combined with a proposed settle-up payment of $603 million, are sufficient to eliminate the $859 million expenditure shift from 2016-17 to 2017-18 proposed in the Governor's Budget.

The adjustments noted above, combined with the increase in 2017-18 revenues of more than $2.5 billion, result in increased Proposition 98 funding for the budget year of almost $1.1 billion, providing a significant boost to both the Local Control Funding Formula and one-time discretionary grants as discussed in greater detail below.

The Proposition 98 maintenance factor—an indicator of past reductions made to schools and community colleges—totaled nearly $11 billion as recently as 2011-12. At the Governor's Budget, the outstanding maintenance factor was over $1.6 billion. Primarily as a result of the increase in revenues attributable to 2017-18, Proposition 98 triggers a maintenance factor repayment of $614 million in 2017-18, reducing the outstanding maintenance factor balance to $823 million.

K-12 Funding Priorities

The May Revision proposes to use the combination of increased one-time and ongoing resources to further advance the core priorities of the Administration—paying down debts owed to schools and investing significantly in the Local Control Funding Formula. The formula provides local flexibility on spending decisions and additional funding for students most in need of these resources in an effort to narrow the achievement gap and improve outcomes for low-achieving students. The May Revision increases funding for the formula by an additional $661 million—building upon the almost $770 million provided in the Governor's Budget. In total, the more than $1.4 billion investment will bring the formula to 97 percent of full implementation. Added investments will continue to reverse the inequities that characterized the prior school finance system, while providing the resources necessary to support core programs and services, as well as other key local investments and priorities. Funding is also provided for various workload adjustments under the new formula, as detailed in the K-12 Budget Adjustments section.

The Governor's Budget proposed almost $290 million in discretionary one-time Proposition 98 funding for school districts, charter schools, and county offices of education. The May Revision proposes almost $750 million in additional funds, providing more than $1 billion in one-time discretionary funding to schools in 2017-18. This funding will be available to further the implementation of the state-adopted academic standards, make necessary investments in professional development, provide teacher induction to beginning teachers, address infrastructure and deferred maintenance needs, and purchase instructional materials and technology to prepare both students and teachers for success. All of the funds provided will offset any applicable mandate reimbursement claims for these entities. These resources, coupled with more than $4.8 billion in one-time Proposition 98 funding provided to schools over the last three budgets for the same purposes, will reduce the outstanding mandate debt owed to local educational agencies to $1.3 billion, consistent with the Administration's goal to pay down debt.

Educator Workforce

The 2016 Budget provided funding for several programs at the Commission on Teacher Credentialing to increase teacher recruitment. To date, the Commission has accomplished the following:

- Forty-one grants have been awarded to 33 public and private postsecondary institutions to create or improve four-year programs that integrate a baccalaureate degree and a teacher preparation program. These grants will save new teachers approximately $20,000 by eliminating an additional year of school.
- A total of 24 grants have been awarded under the Classified School Employee Teacher Training Program to school districts and county offices of education, enabling 960 classified employees to work toward earning a teaching credential. The first report of program and participant progress is due on January 1, 2018.
- The Tulare County Office of Education has been awarded a five-year grant to create the California Center on Teaching Careers. The Center will recruit individuals into the teaching profession by providing outreach and referral services, both online and at regional centers. The Center will be online in July and open regional centers at County Offices of Education in Los Angeles, Riverside, Shasta, San Diego, and Sonoma, Ventura, and Sacramento counties before the start of the 2017-18 school year.

To further teacher recruitment, the May Revision proposes to leverage federal funds to attract and support the preparation and continued learning of committed teachers, principals, and other school leaders. Using the flexibility provided under the federal Every Student Succeeds Act, the May Revision directs additional federal resources to enhance the state's efforts to address recruitment and retention issues throughout the state, with particular focus on critical shortage areas and high need fields.

Special Education

As outlined in the 2017-18 Governor's Budget summary, the Department of Finance held four special education stakeholder discussions during the spring to solicit feedback on the current special education program and reactions to recent reports on special education finance in California. The discussions were open to all interested parties and included parents, as well as representatives from school districts, Special Education Local Plan

Areas, charter schools, community-based organizations and county offices of education. The meetings were held in Sacramento, Los Angeles, San Mateo and Fresno.

Much of the input received centered on the core elements outlined in the Governor's Budget. Given the scope of the feedback and the complexity of this program area, the Administration will spend additional time in the coming months examining these issues to chart a path forward that will maximize resources to serve students while increasing transparency and accountability.

K-12 School Facilities

A 2016 audit of Proposition 1D School Facilities Program expenditures issued by the Office of State Audits and Evaluations determined that 1,533 projects, representing over $3 billion in Proposition 1D funds, have been completed without ensuring the bond funds were appropriately expended. The audit found instances in which school districts inappropriately used school facilities bond funding to purchase vehicles, tractors, tablets, golf carts, mascot uniforms, and custodial/cleaning supplies. To ensure the appropriate use of all School Facilities Program bond funds and effective program accountability and oversight, the Administration proposed the following two-fold approach in the Governor's Budget:

- Design grant agreements that define basic terms, conditions, and accountability measures for participants that request funding through the School Facilities Program.
- Enact legislation requiring facility bond expenditures to be included in the annual K-12 Audit Guide, where independent auditors verify that local educational agencies participating in the School Facilities Program have appropriately expended state resources.

The Office of Public School Construction has presented a comprehensive grant agreement to the State Allocation Board for approval, and the Administration has proposed legislation to require independent audits of school facilities expenditures. It is anticipated that the State Allocation Board will take action on a final grant agreement at its next meeting. As stated in the Governor's Budget, the Administration will support the expenditure of Proposition 51 funds when both the grant agreement and audit requirement are in place to ensure that taxpayers' dollars are spent appropriately.

K-12 Budget Adjustments

Significant Adjustments:

- Local Property Tax Adjustments—An increase of $188.7 million Proposition 98 General Fund in 2016-17 and $327.9 million in 2017-18 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues in both years.
- Average Daily Attendance (ADA)—An increase of $26.2 million in 2016-17 and $74.1 million in 2017-18 for school districts, charter schools, and county offices of education under the Local Control Funding Formula as a result of a smaller drop in ADA growth overall between those two years.
- Proposition 39—The California Clean Energy Jobs Act was approved by voters in 2012, and increases state corporate tax revenues. For 2013-14 through 2017-18, the measure requires half of the increased revenues, up to $550 million per year, be used to support energy efficiency projects. The May Revision decreases the amount of energy efficiency funds available to K-12 schools in 2017-18 by $46.7 million to $376.2 million to reflect reduced revenue estimates.
- Categorical Program Growth—An increase of $2.4 million Proposition 98 General Fund for selected categorical programs, based on updated estimates of ADA.
- Cost-of-Living Adjustments—An increase of $3.2 million Proposition 98 General Fund to selected categorical programs for 2017-18 to reflect a change in the cost-of-living factor from 1.48 percent at the Governor's Budget to 1.56 percent at the May Revision.

Child Care and State Preschool

The state funds nine child care and early education programs and dozens of other programs that support services including quality of care, family resource and referral agencies, and local child care planning councils. These programs are administered by the Department of Education and the Department of Social Services. Families can access child care and early education subsidies through centers that contract directly with the Department of Education, local educational agencies, or through vouchers from county welfare departments or alternative payment program providers.

The 2016 Budget Act increased provider reimbursement rates and added an additional 2,959 full-day State Preschool slots. The Governor's Budget proposed pausing these additional augmentations until 2018-19, due to lower-than-expected General Fund revenue growth projected at that time. However, with modest General Fund revenue improvement, the May Revision proposes fully restoring this funding.

Significant Adjustments:

- Standard Reimbursement Rate—An increase of $67.6 million General Fund ($43.7 million Proposition 98, $23.9 million non-Proposition 98) to increase the reimbursement rate to reflect the full 10 percent increase made at the 2016 Budget Act. An additional increase of $92.7 million General Fund ($60.7 million Proposition 98, $32 million non-Proposition 98) to provide a six-percent increase to the reimbursement rate for State Preschool and other direct-contracted child care and development providers, beginning July 1, 2017.

- Regional Market Reimbursement Rate—An increase of $42.2 million General Fund to increase the maximum reimbursement ceiling for voucher-based child care providers to the 75th percentile of the 2016 survey, beginning January 1, 2018.

- Full-Day State Preschool—An increase of $7.9 million Proposition 98 for an additional 2,959 slots.

- Cal WORKs Stage 2—A decrease of $18.1 million non-Proposition 98 General Fund in 2017-18 to reflect revised estimates for CalWORKs Stage 2 caseload and the cost per case.

- CalWORKs Stage 3—A decrease of $12.8 million non-Proposition 98 General Fund in 2017-18 to reflect revised estimates for CalWORKs Stage 3 caseload and cost per case.

Santa Clara County Office of Education

2017-18 LCAP Review (DRAFT as of May 2017)

District:

Recommend Approval?

BSB Reviewer: **Date:** ______________

ESB Reviewer: **Date:** ______________

Comments:

Criteria #1 - Adherence to SBE Template
Criteria #2 - Budget includes sufficient expenditures to support LCAP
Criteria #3 - Adherence to Supplemental & Concentration Expenditure Regulations (Section 5) Demonstration of Increased or Improved Services for Unduplicated Pupils

ESB		
CRITERIA 1 - Adherence to the SBE Template		
LCAP Summary	**YES/NO**	**Need Clarification**
Did the LEA use the CDE template or an alternate template (Summary section only)?		
Did the LEA correctly identify Greatest Needs based on California School Dashboard?		
Did the LEA correctly identify Performance Gaps California School Dashboard?		
Did the LEA highlight some of the increased and improved services for unduplicated youth?		
DBAS - Did the LEA Correctly complete the budget summary?		
Were General Fund Expenditures correctly identified?		
Did the total the funds that are included in the LCAP?		
Did the LEA sufficiently account for expenditures not included in the LCAP?		
Did the LEA accurrately identify LCFF Revenues?		
Annual Update	**YES/NO**	**Need Clarification**
1 Are all goals, priorities, & other information carried forward from the		
2 Are changes to goals, actions and services and expenditures described?		
3 Did the LEA provide an analysis of the overall implementation of the goal?		
Notes:		
Stakeholder Engagement (If answer is NO, seek clarification)	**YES/NO**	**Need Clarification**
1 Did the district describe the engagement process?		
Did the district describe the engagement process for the Annual Update?		
2 Did the district describe how engagement impacted the LCAP?		
Did the district describe how engagement impacted the Annual Update?		
Goals and Progress Indicators (If answer is NO, seek clarification)		
Are needs and associated metrics identified?		
Have all required metrics been identified?		
Are they reflected in the Expected Annual Measrable Outcomes?		
Does the LCAP identify the schoolsites or gradespans to which a goal applies or indicate "all" for all sites?		

NOTES:		
Are actions and services in Section 3 described for all pupils and subgroups?		
For low income pupils?		
For foster youth?		
For English Learners?		
For Redesignated Fluent English Proficient pupils?		
NOTES:		
Do the goals address all state & any local priorities?		
For each year of the LCAP?		
State Priorities: (Indicate goals that address State priorities)	**District Goal(s)**	
1 Basic: Teachers Assigned, Adequate Text, Facilities good		
2 Implementation of State Standards		
3 Parent Involvement		
4 Pupil Achievement		
5 Pupil Engagement		
6 School Climate		
7 Course Access		
8 Other Pupil outcomes		
DBAS		
CRITERIA 2 - Budget includes sufficient expenditures to support LCAP		
1 Are the expenditures listed in the LCAP able to be supported by the Budget? NOTES:		
2 Do budgeted expenditures for each of the 3 years of the LCAP state the Amount, Source, Budget Reference for each action/service? NOTES:		
Annual Update: Section 2		
3 Does the district identify the Estimated Actual Annual Expenditures?		
CRITERIA 3 - Adherence to Expenditure Regulations		
4 Does the district identify the amount of LCFF funds generated by unduplicated pupils in Section 5 (Demonstration of Increased or Improved Services for Uncuplicated Pupils)?		
Is there a narrative or description of how these funds are spent?		
If No, seek clarification		
5 Does the district identify the Minimum Proportionality % in Section 5 (Dem-onstration of Increased or Improved Services for Unduplicatd Pupils)?		
Is there a narrative or description of how the district meets the MPP?		
If No, seek clarification		
6 Is the district using funds for school-wide or district-wide services?		
Is the district's percentage of unduplicated pupils MORE than 55%?		
If No, has the district justified using these funds district-wide?		

LCAP Template Crosswalk