

The Marin Common Message

2016-17 First Interim

November 28, 2016

MARIN COUNTY OFFICE OF EDUCATION

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Introduction

This edition of the Common Message is intended to provide information and guidance to assist LEAs in developing 2016-17 First Interim reports and their multiyear projections (MYPs). It contains information related to the final Adopted Budget for 2016-17, which was signed by Governor Brown on June 27.

Significant Changes

The adopted 2016-17 budget contained funding highlighted as follows:

- LCFF funding increase at \$2.942 billion.
- LCFF gap funding percentage at 54.18%.
- Mandate reimbursement allocates \$1.28 billion (\$214 per ADA) in unrestricted funds to offset the mandate backlog.
- College Readiness Block Grant: Allocates \$200 million in one-time Prop. 98 funds to support access and successful transition to higher education for high school students.
- Truancy and dropout prevention: Increase of \$18 million in funding consistent with Prop. 47, the Safe Neighborhoods and Schools Act.
- Classified School Employees Credentialing Program: \$20 million in one-time Prop. 98 funds to recruit noncertificated school employees to become certificated classroom teachers.
- California Center on Teaching Careers: Additional \$2.5 million (\$5 million total) to establish the California Center on Teaching Careers to recruit individuals to become certificated classroom teachers.
- Quality drinking water: Grants totaling \$9.5 million in one-time Prop. 98 funds to increase access to safe drinking water in schools.
- Breakfast Startup Grant: Additional \$2 million in one-time Prop. 98 funds to support additional needs through 2018-19.
- Child Care: Beginning January 2017, standard reimbursement rate to increase by 10% for direct-contracted providers, and the regional market reimbursement rate ceiling for voucher-based child care providers to adjust to recent estimates, and to increase license-exempt providers from 65% to 70% of the licensed family child care home rate.
- State Preschool: Increase access for an additional 2,959 children effective March 1, 2017.

Planning Factors for 2016-17 and MYPs

Key planning factors for LEAs to incorporate into the 2016-17 budget and multiyear projections are listed below and based on the latest information available.

Planning Factor	Fiscal Year		
	2016-17	2017-18	2018-19
COLA (Department of Finance - DOF)	0.00%	1.11%	2.42%
LCFF Gap Funding Percentage (DOF)	54.18%	72.99%	40.36%
LCFF Gap Funding (in millions)	\$2,942	\$2,210	\$835
STRS Employer Statutory Rates	12.58%	14.43%	16.28%
PERS Employer Projected Rates	13.888%	15.50%	17.10%
Lottery – unrestricted per ADA	\$144	\$144	\$144
Lottery – Prop. 20 per ADA	\$45	\$45	\$45
Mandated Cost per ADA or One-Time Allocations	\$214	\$0	\$0
Mandate Block Grant for Districts – K-8 per ADA	\$28.42	\$28.42	\$28.42
Mandate Block Grant for Districts – 9-12 per ADA	\$56	\$56	\$56
Mandate Block Grant for Charters – K-8 per ADA	\$14.21	\$14.21	\$14.21
Mandate Block Grant for Charters – 9-12 per ADA	\$42	\$42	\$42
State Preschool Part-Day Daily Reimbursement Rate	\$23.87 / 26.26*	\$26.26	\$26.26
State Preschool Full-Day Daily Reimbursement Rate	\$38.53 / 42.38*	\$42.38	\$42.38
General Child Care Daily Reimbursement Rate	\$38.29 / 42.12*	\$42.12	\$42.12
*Increase of 10% effective January 1, 2017			
Routine Restricted Maintenance Account	Lesser of: 3% or 14/15 amount	Greater of: Lesser of 3% or 14/15 amount or 2%	At Least: 3%
Note: The school facility bond proposition approved by voters in the November 2016 election includes a provision for the RRMA requirement to revert to 3%			

Local Control Funding Formula

Full implementation of the LCFF is anticipated to be complete by 2020-21. While the economy has improved quickly over the last years, both the Governor and the Department of Finance continue to remind educational entities that an economic downturn is inevitable and would negatively affect school funding.

It is recommended that LEAs use the LCFF Calculator located on the FCMAT website at <http://fcmat.org/local-control-funding-formula-resources/>. Additional information about LCFF can be found at <http://www.cde.ca.gov/fg/aa/lc/>.

Grade Level	2016-17 Target Base Grant	2016-17 Target GSA	2017-18 Target Base Grant	2017-18 Target GSA	2018-19 Target Base Grant	2018-19 Target GSA
Grades TK-3	\$7,083	\$737	\$7,162	\$745	\$7,335	\$763
Grades 4-6	\$7,189		\$7,269		\$7,445	
Grades 7-8	\$7,403		\$7,485		\$7,666	
Grades 9-12	\$8,578	\$223	\$8,673	\$225	\$8,883	\$231

FCMAT has updated annual COLA and gap funding figures based on the final state budget. These figures are found below and at: <http://fcmat.org/local-control-funding-formula-resources/>.

While the annual gap-closure percentage estimates may seem large, the remaining gap to fill has shrunk significantly. This means that gap-closure percentages will increase, yet result in a smaller actual funding increase for school districts.

	Estimate* 2016-17	Estimate 2017-18	Estimate 2018-19	Estimate 2019-20
LCFF Gap Funding Percentage	54.18%	72.99%	40.36%	73.98%
Annual COLA	0.00%	1.11%	2.42%	2.67%

*As of the 2016-17 Budget Act.

The passage of Proposition 55 by the voters in the recent election extends the income tax portion of this ‘temporary’ tax. The assumptions tab of the FCMAT calculator will be updated to reflect this extension with the next release and can be updated manually in the meantime to reflect an estimated 22% EPA funding factor.

K-12 One-Time Funding

Mandate Reimbursement

\$1.28 billion is allocated to offset the outstanding mandate backlog, \$194.2 million of which satisfies the 2009-10 Prop. 98 minimum guarantee. The CDE has calculated a per-student allocation rate of \$214 per ADA. The intent is for these one-time funds to be used for deferred maintenance, professional development, induction for beginning teachers, instructional materials, technology and other support for the state content standard implementation; however, these funds are not restricted.

College Readiness Block Grant

The College Readiness Block Grant is established to provide California's high school pupils, particularly unduplicated pupils as defined in Education Code (EC) sections 42238.01 and 42238.02, additional supports to increase the number who enroll at institutions of higher education and complete an undergraduate degree within four years. No school district, county office or charter school will receive less than \$75,000 if they served at least one unduplicated student in 2015-16. Preliminary funding is posted on the CDE website at: <http://www.cde.ca.gov/fg/fo/r14/collegereadiness16result.asp>

As a condition of receiving the grant, local educational agencies (LEAs) are required to report to the State Superintendent of Public Instruction, by January 1, 2017, on how LEAs will measure the impact of the funds received on their unduplicated pupils' access and successful matriculation to institutions of higher education, as identified within their plan (as required by *Education Code* (EC) Section 41580.

The survey is posted at: <http://surveys2.cde.ca.gov/s.asp?k=147147028192>

Truancy and Dropout Prevention

\$18 million additional in one-time Prop. 98 funds was authorized in the 2016-17 budget and is aimed at reducing truancy and supporting pupils who are at risk of dropping out of school. Grant funding will be provided to identify and implement evidence-based, non-punitive programs and practices to keep the most vulnerable pupils in school.

Pursuant to AB 1014 and SB 527, statutes of 2016, the application process is forthcoming. Applications will be required to include information about the pupil and school needs, proposed activities the LEA will undertake with grant funds, how the proposed activities will support the goals contained in the LEA's LCAP, and how the LEA will measure outcomes. Priority will be given to LEAs with high rates of chronic absenteeism, communities with high crime rate, and significant foster youth.

Grants are for three years of funding and will require a minimum match of 20% cash or in-kind.

Teacher Workforce Development: Classified School Employees Credentialing Program

One-time Prop. 98 funding of \$20 million is available to establish the California Classified School Employees Credentialing Program and provide grants to K-12 local educational agencies to recruit noncertificated school employees to participate in a teacher preparation program and become certificated classroom teachers in California public schools.

Grants will be allocated at up to \$4,000 per participant per year for up to 1,000 participants.

Participating employees must have an associate's degree or higher or have completed two years of postsecondary education. They must commit to completing a bachelor's degree and teaching credential, and complete one year of classroom instruction in the LEA providing the assistance.

California Center on Teaching Careers

Allocates a total of \$5 million in one-time Prop. 98 funds as a multiyear award to establish a California Center on Teaching Careers to recruit qualified individuals into the teaching profession. Recruitment priorities will be in the areas of math, science, and bilingual education, and for low-income schools.

Water

\$9.5 million is provided in one-time Prop 98 funding for the State Water Resources Control Board to award grants to LEAs to improve access to quality drinking water in schools. Recommended uses include water bottle filling stations and improved filtering and treatment for water fountains. Priority is given to schools in small disadvantaged communities and projects that are most effective in increasing access to safe drinking water in schools. For more information, please see the following webpage:

http://www.waterboards.ca.gov/drinking_water/services/funding/SRF.shtml

Breakfast Startup Grant

\$2 million is approved in one-time Prop. 98 funding to enhance the existing \$1 million School Breakfast Startup Grant program through 2018-19. Funds are to address additional need in the program and will be prioritized to school districts and county offices with over 60% unduplicated pupil count to start or expand breakfast served after the start of the school day.

Reserves

The Marin County Office of Education continues to reinforce the need for reserves over the minimum reserve requirements.

The experience of the most recent recession has clearly demonstrated that minimum levels are insufficient to protect educational programs from severe disruption in an economic downturn. The typical 3% reserve minimum represents less than two weeks of payroll for many districts. Some LEAs have established reserve policies higher than minimum reserves, recognizing their duty to maintain fiscal solvency. The adequacy of a given reserve level should be assessed based on the LEA's own specific circumstances, and numerous reasonable models are available for consideration. Examples include:

- The Government Finance Officers Association recommends reserves equal to two months of average general fund operating expenditures, or about 17%.
- Rating agencies like Fitch or Moody's typically assess the adequacy of a district's reserves by comparing them to statewide averages, which have hovered around 15% for California unified school districts in recent years.
- The Fiscal Crisis and Management Assistance Team emphasizes the need to assess not only fund balance but also actual cash on hand.

The potential reserve cap triggered by Education Code 42127.01 (enacted with SB 858, statutes of 2015) should certain conditions exist is still in place, and it is not expected to be in effect for fiscal years 2016-17 or 2017-18.

Negotiations

School districts considering multiyear collective bargaining contracts should maintain flexibility through contingency language or other means that protect them from cost increases and/or revenue losses beyond their control (e.g., pension reform, health care, economic downturns). The large increase in gap funding in the past two years will lead to smaller year-over-year gap funding in the future. Clearly communicating the intricacies of gap funding will be critical to avoiding misunderstandings at the bargaining table. For instance, an uninformed observer might assume that because the 2016-17 gap factor (54.18%) is very similar to the 2015-16 factor (52.56%), the amount of new funding districts are receiving is comparable, when in fact the 2016-17 LCFF gap funding is less than half of the prior year's increase. This is evident in a side-by-side comparison in the following table showing gap funding in both percentage and dollars:

	2015-16	2016-17	2017-18	2018-19
LCFF Gap Funding Percentage (DOF)	52.56%	54.18%	72.99%	40.36%
LCFF Gap Funding (in millions)	\$6,200	\$2,942	\$2,210	\$835

For some districts, 2016-17 gap funding is less than the amount needed to cover STRS and PERS contribution rate increases, and that likely will be true for most if not all districts beginning in 2017-18. STRS and PERS contribution costs are scheduled to continue to rise through the current projection period.

One-time revenues, such as mandate funds received in 2016-17, can obscure the collective bargaining environment. Many districts and their bargaining units may be tempted to address ongoing expenditure needs and priorities with one-time funds simply because more dollars appear and, therefore, are available for bargaining. Given current state revenue projections and the mechanisms of Prop. 98, it is likely that the large allocations of one-time Prop. 98 dollars seen in 2015-16 and 2016-17 will *not* repeat in 2017-18. As a result of the potential reserve cap provisions (SB 858, statutes of 2015), school districts may encounter requests to spend down reserves in bargaining table discussions. The existence of a potential reserve cap does not change the fact that spending one-time dollars (e.g., reserves) on ongoing expenses (e.g., salaries) is a certain recipe for fiscal trouble.

Along with higher gap funding also comes the requirement to meet class size reduction in grades K-3. This may necessitate hiring additional staff, resulting in increased employment costs to meet the class size reduction targets and receive the grade span adjustment funds.

Numerous risk factors on the horizon affect the affordability of collective bargaining agreements. Examples include uncertainty over state revenues, the uncertain future structure and implementation of the Affordable Care Act, costs associated with AB 1522 (expanded sick leave), AB 2393 requirements for classified differential pay and ongoing increases in the state minimum wage. Districts are encouraged to exercise extreme caution when bargaining ongoing commitments for salaries or health care benefits, and, as always, it is critical to factor in the full cost of employment including all statutory costs.

Regardless of the economic environment, districts can always anticipate continued and ongoing requests for staff compensation and benefit increases. Nonetheless, district solvency is paramount in negotiations and can only be maintained through careful and thorough study of district revenue and expenditure projections and the making of difficult decisions necessary to maximize services to students.

Cash Management

LEAs should monitor cash flow to ensure sufficient cash is available to meet obligations.

The State Controller's Office has posted estimated payment dates for K-12 principal apportionments, lottery apportionments, and Education Protection Account Prop. 30 apportionments through December 2016. The table on the next page illustrates state apportionments for November and December 2016.

Months	Principal Apportionment	Proposition 30 EPA	Lottery
November 2016	11/28/2016		
December 2016	12/28/2016	12/23/2016	12/29/2016

CDE provides a monthly update of estimated cash flow for state and federal categorical programs that can be downloaded from the following webpage: <http://www.cde.ca.gov/fg/aa/ca/estcashflow.asp>. The schedule provides cash flow estimates for the following programs: Mandate Block Grant, Adult Education Block Grant, College Readiness Block Grant, and Mental Health.

Please note that federal apportionments are contingent upon timely reporting under CDE’s Federal Cash Management Data Collection System: <http://www2.cde.ca.gov/cashmanagement/default.aspx>. The 2016-17 reporting windows are as follows:

- Reporting Period 1: July 10 – July 31
- Reporting Period 2: October 10 – October 31
- Reporting Period 3: January 10 – January 31
- Reporting Period 4: April 10 – April 30

The Department of Finance estimates the total K-14 EPA funds available for 2016-17 are \$7.6 billion, of which the K-12 share is 89% - or approximately 25% of principal apportionment state aid. Details can be found posted on the CDE website: www.cde.ca.gov/fg/aa/pa/epa.asp.

Grade Span Adjustment (GSA)

The LCFF provides a 10.4% increase in funding for grades K-3 (including TK) base grant. To receive these funds districts must maintain enrollment at all school sites at an average of no more than 24 students per class at full implementation of LCFF.

School districts have the authority to collectively bargain an alternative, locally defined class size ratio.

School districts that do not have an alternative agreement must annually make progress to a school site average enrollment of 24 students per class. Progress is measured by the percentage used for gap funding. A school district can accelerate the progress but at minimum must meet the annually calculated progress.

For details see the LCFF calculation for your district. The next release of the FCMAT LCFF Calculator scheduled for January 2017 will include enhanced features related to K-3 GSA compliance and associated penalties for non-compliance. The penalty for noncompliance is severe as it includes the loss of all K-3 GSA funding districtwide.

Home to School Transportation

The maintenance of effort for all districts receiving transportation funds remains in effect as it does not expire. Nonetheless, there is no fiscal penalty associated with this requirement.

Special Education

The zero COLA means no increased funding for Special Education base or preschool programs for 2016-17. The Governor has called for another study regarding Special Education financing. The Public Policy Institute of California will release its findings this fall.

SB 884 added audit requirements for mental health services. See the Audit Requirements section for additional details.

CALPADS

Because CALPADS data is used in a variety of revenue calculations for LEAs, it is imperative that financial and student data personnel review any submission both for accuracy and completeness.

Key Upcoming Deadlines

- The Fall 1 submission period opened October 5 with a certification deadline of December 2, 2016 and an amendment window from December 3, 2016 to January 27, 2017. *Note: There are a number of known issues affecting the ability to certify Fall 1 Data and as a result the certification deadline will be adjusted to a date not yet determined.*
- The Fall 2 submission period opens December 28 with a certification deadline of March 3, 2017 and an amendment window that closes on March 31, 2017.

A certification and amendment calendar is posted on the CDE website at <http://www.cde.ca.gov/ds/dc/es/subcal.asp>

Review CALPADS Access

Now is a good time to review staff access to CALPADS or to the district's student data management system that supplies data to CALPADS. LEA administrators should review access to ensure that all users are authorized and have the appropriate access levels to the student data management system and to CALPADS. Remove access credentials for staff who are no longer with the LEA.

Chronic Absenteeism and ADA

The Every Student Succeeds Act requires states to report chronic absenteeism rates for schools. These data also are becoming increasingly important as an indicator for state accountability purposes. Please note that data collected via CALPADS will not replace the average daily attendance (ADA) data submitted to the CDE for purposes of funding the Local Control Funding Formula (LCFF) or other ADA-funded programs.

ODS Reports

CDE is modifying the reporting structure in CALPADS to focus on snapshot reports as a single reporting structure. Resources will not be allocated to keep Operational Data Store (ODS) reports for each submission current with any changes made to the report logic used in snapshot reports. This means that the ODS reports may not match the snapshot reports. LEAs are advised to rely on the snapshot reports to reconcile their local data.

Reconfirm Homeless Status

While there is no requirement to close homeless records at the end of each school year, LEAs should reconfirm homelessness at the beginning of the school year and close homeless program records for students who are no longer homeless. Optionally, LEAs may close out all homeless program records every year and then open a new program record for the new year.

Monitor the CALPADS communications webpage for frequent updates at <http://www.cde.ca.gov/ds/sp/cl/communications.asp>

Federal Funding

For budgeting purposes, the following multiyear assumptions are recommended for LEAs with respect to federal education funding:

- **2016-17:** Small increases in funding for the Individuals with Disabilities Education Act (approximately \$40 million statewide) and Title I (approximately \$50 million statewide); level funding for Career and Technical Education. No Budget Control Act sequestration cuts.
- **2017-18:** Congress will determine actual funding when it returns for the post-election session in November and December.
- **Secure Rural Schools and Communities Act Funding (Forest Reserve):** The National Forest Counties and Schools Coalition has been working with Congress on a regular basis to secure ongoing funding for the Secure Schools and Communities Act, which sunset with the payment received in April 2016. They have good momentum with the committees and individuals they have been working with over the last year. However, there is currently no legislation to ensure future funding. They expect good support for an extension of the Secure Rural Schools funding after the

November election. If it is not reauthorized, the funding reverts to the 1908 formula. School districts should contact their county offices for guidance regarding multiyear projections.

Basic Aid

As part of the enacted 2015-16 state budget, Education Code 42238.03(e) was amended to clarify that the minimum state aid (MSA) guarantee is intended to remain in effect indefinitely for basic aid districts.

Basic aid districts are eligible for the additional one-time mandate discretionary funds, as well as to participate in competitive grant proposals, in the Governor's 2016-17 budget.

Those districts receiving funding under the Basic Aid District of Choice program should be aware that the funding will flow through 2017-18 (pursuant to EC 48315) unless the Legislature takes action to extend it. Districts need to consider the reduction in funding in their MYP.

A number of Marin County districts have been transitioning in and out of basic aid status. We will continue to work closely with all districts to track the budgetary and cash flow implications of the transition. The guarantee of a minimum of \$200 per ADA from Education Protection Account (EPA) is dependent on basic aid status, and districts that transition out of basic aid will lose additional EPA revenue for every state dollar above the MSA guarantee that they receive as a state-funded LCFF district. In addition, under current law, districts that were basic aid in 2012-13, and lost their basic aid status during transition to full implementation, will continue to have their MSA amount reduced by their 2012-13 fair share reduction amount.

As LCFF rollout continues, all districts need to have systems to implement LCAP actions, track data for the Annual Update and conduct ongoing stakeholder engagement to ensure successful implementation.

Charter Schools

Both charter schools and their authorizers need to remember that charter schools are exempt from a large portion of the statutory requirements imposed on traditional California school districts, but they must adhere to important provisions of the California Education Code centered around employment, facilities, safety, and LCFF funding (along with accountability through the LCAP).

For 2016 and 2017, \$20 million in one-time Prop. 98 support is available for startup costs for new charter schools to help offset the loss of federal funding. Funds will be available after the current federal funds designated for startups have been exhausted.

Proposition 39 – California Clean Energy Jobs Act

All LEA facilities, including leased facilities, are eligible. In addition to classrooms, other school building areas such as auditoriums, multipurpose rooms, gymnasiums, cafeterias, kitchens, pools, and special purpose areas (school/district office, library, media center, and computer and science labs) can be considered for energy efficiency measures and clean energy installations.

Guidelines can be accessed at the website listed below.

Schedule

Program Fiscal Years	through 2017-18
Two fiscal year combined funding award requests	September 1 (annually)
Award calculation completed by CDE	October 30 (annually)
SSPI begins allocating awards for approved multiple-year energy expenditure plans	January (annually)
LEAs project completion reporting	Ongoing
LEAs expenditure reports to Citizens Oversight Board and Energy Commission	October 1 (annually beginning 2015)
Final Plan Approval	August 1, 2017
LEAs final encumbrance date	June 30, 2018
Final date all projects must be complete	June 30, 2020
LEAs final project reporting date	June 30, 2021

For additional information and a listing of LEA funding please visit the California Energy Commission's webpage at: <http://energy.ca.gov/efficiency/proposition39/> and the CDE's webpage at <http://www.cde.ca.gov/fg/aa/ca/prop39cceja.asp>.

Necessary Small Schools

EC Section 42238.03(e) was amended by AB104 to authorize minimum state aid after full transition to LCFF. The minimum state aid guarantee calculation will continue to include the deficiated 2012-13 Necessary Small School (NSS) allowances, regardless of the current year NSS status, which may provide additional state aid to some districts until their LCFF net state aid amount surpasses the minimum state aid guarantee calculation.

EC Section 42285(4)(b)(3), which establishes eligibility for Necessary Small School (NSS) funding for a high school that is less than 287 students, is the only comprehensive high school in a unified district and with 50 or fewer pupils per square mile of the school district territory, sunsets July 1, 2017. As currently written, EC Section 42280 allows funding based on prior year eligibility, so schools impacted by the sunset provision can plan on receiving NSS funding in 2017-18 if they met the requirements for NSS funding in 2016-17.

Career Technical Education

Updated Grant Award Notifications (GAN) were distributed to LEAs in October 2016. The new award letter that must be signed and returned to CDE to accept the additional funds also extends the use of year one funding to June 30, 2019. Organizations that did not receive an updated GAN should contact their assigned CDE education programs consultant.

If their final award amount has changed, LEAs are required to provide matching funds based on this new amount. It is critical to remember that the LEA's funding contribution increases over the course of the grant. An illustration of these incremental matching fund increases is below:

CTEIG Match Requirements		
July 1, 2015 to June 30, 2019	\$400,000,000	1-to-1
July 1, 2017 to June 30, 2018	\$300,000,000	1-to-1.5
July 1, 2018 to June 30, 2019	\$200,000,000	1-to-2.0

Additionally, the Annual Progress Report is due on December 1, 2016. As stated in a memo to CTEIG awardees dated September 27, 2016, failure to return either report will affect future and previous funding.

For specific information on the requirements for the Annual Progress Report, please see the CDE/CTE website.

Educator Effectiveness

If the district expends funds for this program, the plan shall be explained in a public meeting of the governing board before it is adopted in a subsequent public meeting prior to the end of the fiscal year in which the expenditures occurred.

On or before July 1, 2018, an LEA will submit a detailed expenditure report. The final expenditure report template can be found on CDE's website:

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

Preschool and Child Care

The 2016-17 Budget Act provides \$3.7 billion for child care and preschool programs: \$1.8 billion for preschool programs, \$1.8 billion for child care programs, and \$89 million for support programs. These are the key budget changes from the 2016-17 Budget Act:

- **Reimbursement Rates:** The 2016-17 budget provides \$68 million for a 10% increase to the standard reimbursement rate starting January 1, 2017. The new rate for a full-day, center-based State Preschool slot is \$10,596 per year, whereas the new rate for a full-day, center-based General Child Care slot for a preschool-age child is \$10,530 per year.
- **Regional Market Rate (RMR) Increases:** The 2016-17 budget provides \$56 million to increase the RMR to the 75th percentile of the 2014 survey starting January 1, 2017. The budget package includes a two-year hold harmless provision such that providers receive the higher of the old or new rates. Trailer legislation specifies that after July 1, 2018, all rates are set at the 75th percentile of the 2014 survey.
- **License Exempt Rates:** The budget provides \$14 million to increase license-exempt rates from 65% to 70% of the family child care home rates starting January 1, 2017.
- **State Preschool Slots:** The budget provides \$34 million for the State Preschool program to annualize the cost of preschool slots added January 1, 2015. The budget also provides \$8 million for 2,959 new full-day State Preschool slots at LEAs starting April 1, 2017.
- **CalWORKs Child Care:** The budget adjusts the CalWORKs child care budget down by \$25 million compared to the 2015-16 Budget Act due to changes in caseload and underlying cost of care.
- **Additional Funding for Quality Improvement Activities:** Recent changes in federal law and additional federal funds the state is receiving require the state to spend \$12 million more on quality improvement activities than last year, bringing total quality improvement spending in 2016-17 to \$89 million. The budget also provides \$1.4 million one-time Prop. 98 general funds for the Los Angeles Trade-Tech Community College to provide job training, mentoring, and college courses to child care workers. These funds are available for expenditure through June 30, 2019.

Audit Requirements

The K-12 Audit Guide Committee convened by the State Controller's Office develops proposed audit procedures to implement legislative requirements. The Education Audit Appeals Panel (EAAP) ultimately must approve the committee's recommendations.

At its June 2016 meeting, the EAAP adopted the permanent regulations for the 2016-17 Audit Guide, which is available at www.eaap.ca.gov. These changes will be effective July 1, 2016 for the annual 2016-17 fiscal year audit. The changes to the 2016-17 Audit Guide are as follows:

- Section R, Educator Effectiveness, is amended to add specific years, 2015-16 and 2016-17, to the directive that auditors confirm whether the LEA developed a plan for Educator Effectiveness expenditures. Previously, the step was merely to determine whether the LEA had adopted a plan.
- Section W, Unduplicated Local Control Funding Formula Pupil Counts, is amended to authorize auditors to select another student for a representative sample to replace selected students who have transferred to another LEA, in lieu of obtaining the needed information from the new LEA.
- Section Z, Immunizations, is amended to refer to current medical exemptions and personal beliefs exemptions filed before January 1, 2016, from measles testing; and to delete the personal beliefs exemption as to the T-dap vaccination, in accordance with SB 277.

SB 884, Special Education: Mental Health Services will be discussed at the next Audit Guide Committee meeting. This bill calls for audit procedures to be included in the audit guide to review whether funding for educationally related mental health services, pursuant to this item, were used by local educational agencies for the intended purposes in the 2016-17 fiscal year. More details on these procedures will roll out after the committee meets on this matter.

Summary

As stated in the Introduction, this edition of the Common Message is intended to provide information and guidance to assist LEAs in developing 2016-17 First Interim reports and their multiyear projections (MYPs). In the projection years, funding growth is expected to be limited as target funding approaches; employer contributions to retirement benefits are scheduled to rise; and requirements to improve academic performance increase. Special attention must be paid to out-year projections and the contributing factors both within and outside the control of district decision makers.

As always, thank you for all you do to help create and sustain stable budgets that support the education of Marin students.