



## **ISSUE**

There is a lower deficit for 2013-14 state special education funding (February 2015 certification). The 2.79% deficit has been reduced to 1.83%, leading to an unbudgeted increase in funding. There is a deficit applied to the state special education funding for 2014-15 in the amount of 2.93%. Our recommended budget rate included a 2.29% deficit, which is a slight increase of .61%. It is possible this deficit will be reduced in June 2015.

## **BACKGROUND**

The funding news is generally good and consistent with projections overall.

### **2013-14 FINAL CHARTER STATE FUNDING RATE PART 1**

Good News!

- \$7.50 reduction of rate to cover ERMHS shortfall in 2013-14 is only \$2.20.
- \$5.30 returned to 2013-14 Charter SELPA Partners (distribution March 2015).
- \$5.30 in funding is distributed to 2013-14 Charter SELPA members, including any charters who may have had a charter leave or close, and the charter partner is still a member in 2014-15.
- No set-aside adjustment is applied and a flat administrative fee of 4% is applied.
- Charters with unspent funds in 2013-14 greater than 25%, would not receive the \$5.30.

In 2013-14, to cover the ERMHS (Educationally Related Mental Health Services) funding shortfall, CEO Council (May 2014) approved a one-time rate reduction of \$7.50. CEO Council (September 2014) approved any unused portion (\$5.30 is the final rate) of the \$7.50 be returned to 2013-14 member districts on a per ADA basis, and the final calculation would be done in February 2015, concurrent with CDE recertification of the 2013-14 deficit.

### **2013-14 FINAL CHARTER STATE FUNDING RATE PART 2**

Good News!

- Deficit is lower (recertified from June 2014 to February 2015).
- \$4.85 increase – not totally unexpected, but not budgeted because of unpredictability of deficits.
- \$4.85 in funding would be distributed to 2013-14 Charter SELPA members, including any charters who may have had a charter leave or close, and the charter partner is still a member in 2014-15.
- No set-aside adjustment applied and a flat administrative fee of 4% would be applied.
- Charters with unspent funds in 2013-14 greater than 25%, would not receive funding.

In 2013-14, the State of CA did not budget sufficient dollars to fully fund the increased special education target rate, resulting in an unexpected deficit at the close of 2013-14. In February 2015, all 2013-14 data is certified and the deficit is lower, primarily as a result of final taxes reported. The total amount of increased funding is \$425K.

*However, we would propose that a final decision on distribution of 2013-14 funding of \$4.85 be delayed until June 2015. See 2014-15 deficit rate discussion below.*



**ALLOCATION PLAN REVISION - 2013-14, 2014-15, 2015-16 STATE FUNDING RATE**

**2014-15 CHARTER STATE FUNDING RATE**

No so great news.	Budget advice	\$500 rate per ADA (assumed potential deficit of \$11.71).
	February update	\$496.72 (\$14.99 deficit that will probably decline).
	Funding 2014-15	\$340K decrease in 2014-15, subject to change June 2015.
	Funding 2013-14	\$425K increase from 2013-14, received in 2014-15.

Good news!	Federal budget advice	\$130
	Actual	\$130.82

In July 2014, our best budget advice was a state rate (prior to administrative fee and set-aside) of \$500. CEO Council (September 2014) approved this rate with the understanding it provided a cushion for a potential deficit of \$11.71 per ADA. Should the deficit be less, the amount would be placed in a “rate-smoothing pool” for future CEO Council action.

Based on the February CDE certification, the preliminary deficit for 2014-15 results in a rate of \$496.72. The deficit will be revised by CDE in June 2015 and again in February 2016. Statewide P-2 ADA and statewide property tax collections are the major variable that impacts the estimate of special education funding and a determination if the state budget appropriation is sufficient.

2014-15 Charter SELPA State Funding*	Budget Estimate July 2014	Budget Estimate February 2015**	Change
	2014-15	2014-15	
State	\$ 511.71	\$ 511.71	\$ -
Potential deficit	\$ (11.71)	\$ (14.99)	\$ (3.28)
Rate Smoothing Pool			\$ -
Budget	\$ 500.00	\$ 496.72	\$ (3.28)
<i>*Rates shown are prior to administrative fee/set-aside</i>			
<i>** Deficit based on February 28, 2015 CDE Estimate</i>			

**2015-16 BUDGET UPDATE**

Good News!

- COLA \$5.00 increase for state funding, but the deficit remains a big uncertainty.
- Estimated state rate (prior to admin fee and set aside) \$500 per current year P-2 ADA
- Estimated federal rate (prior to admin fee and set aside) \$125 per prior year CBEDS

The Governor’s May Revise proposal includes a COLA of 1.02%, which equates to \$5.00 per ADA. This will bring the statewide target rate to \$517 (prior to admin fee and set aside). However, in order to be conservative, we will recommend budgeting \$500 until more information about the deficit can be determined.



\$125 is our best estimate for federal funding at this time, with final grant amounts not known until January 2016.

The statewide Special Education Task Force report was issued in 2015, and the May Revise contains some funding augmentation for special education; however, it does not appear to impact our base funding but instead will augment specific areas, such as early intervention services.

**Recommendation for May CEO Council Action:**

Delay distribution of the 2013-14 \$4.85 per ADA increase to prior year Charter SELPA members, until June 2015. In June 2015, if the Charter SELPA funded rate for 2014-15 is \$500 or more (after deficit), the 2013-14 \$4.85 per ADA will be distributed. If the Charter SELPA funded rate after deficit for 2014-15 is determined in June 2015 to be less than \$500, all or a portion of the \$4.85 will first be used to make the \$500 rate "whole".

Distribution of prior year dollars will be made to charters, including any charters who may have had a charter leave or close, and the charter partner is still a member, in the current year. Charters with unspent funds in the prior year (greater than 25%) would not receive prior year adjustments.