August 7, 2013

Dear County Superintendents, District Superintendents, and Direct-Funded Charter School Administrators:

The passage of Local Control Funding Formula (LCFF) legislation (Assembly Bill 97 and Senate Bill 91) represents an historic reform to California’s educational funding system. As you may be aware, the State Board of Education (SBE) has been tasked with developing regulations and templates (e.g., planning and budget) to support local implementation of LCFF. We expect this process to be completed in time for the 2014-15 Local Educational Agency (LEA) planning and budget cycle. However, the new funding system does make many changes that you should be aware of and acting upon as you begin the 2013-14 school year. This letter provides LCFF implementation information not contingent on pending regulations in addition to the details that Superintendent of Public Instruction Tom Torlakson shared in his overview of the state 2013-14 Budget Act (http://www.cde.ca.gov/nr/el/le/yr13ltr0724.asp).

LCFF Background

The 2013-14 Budget Act included passage of landmark legislation that shifts California from a complex school finance system to one focused on equity, transparency and performance through the LCFF and related Local Control and Accountability Plan (LCAP). The changes represent a major shift in how California funds LEAs. For nearly 40 years, California has relied on a system that included general purpose funding (known as revenue limits) and more than 50 tightly defined categorical programs to provide state funding to LEAs. Attempts have been made in the past decade to simplify the categorical programs structure, but this effort was limited, first to consolidation with modest flexibility, then to making a wide range of programs flexible without reforming the funding system. Under the new funding system, most state categorical programs are eliminated. Instead LEAs will receive funding based on the demographic profile of the students they serve and will be expected to meet enhanced accountability requirements.

LCFF in 2013-14

While LCFF remains a work in progress, many provisions are now operational. In other words, LEAs are expected to begin rethinking their approach to planning, budgeting, and using funds aligned to the following eight state priorities included in Education Code (EC) 52060(d):
Compliance with Williams requirements – appropriate teacher assignment, sufficient instructional materials, and facilities in good repair.

Implementation of the academic content and performance standards adopted by SBE, including how the programs and services will enable English learners to access the common core academic content standards and the English language development standards.

Parental involvement, including efforts the school district makes to seek parent input in making decisions for the school district and each individual school site, and including how the school district will promote parental participation in programs for economically disadvantaged pupils, English learners, foster youth, and individuals with exceptional needs.

Pupil achievement as measured by multiple indicators including, but not limited to, assessment data, college readiness, and language proficiency.

Pupil engagement as measured by multiple indicators including, but not limited to, rates associated with attendance, chronic absenteeism, dropout (middle and high school), and high school graduation.

School climate as measured by multiple indicators including, but not limited to, pupil suspension and expulsion rates as well as other local measures assessing safety and school connectedness.

The extent to which pupils have access to, and are enrolled in, a broad course of study that includes core subject areas (i.e., English, mathematics, social science, science, visual and performing arts, health, physical education, career and technical education, etc.), including the programs and services developed and provided to economically disadvantaged pupils, English learners, foster youth, and individuals with exceptional needs.

Pupil outcomes, if available, in the subject areas comprising a broad course of study.

The following are specific actions that LEAs should take in 2013-14:

**Update budgets with LCFF revenues and potential revision of expenses.** Because LEAs adopted budgets for 2013-14 before the passage of LCFF, governing boards must revise their budgets to reflect both the funding and legislative changes directed by LCFF. Current law requires that LEAs following the single budget adoption process pursuant to EC 42127(i) must make available for public inspection any revisions to their budgeted revenues and expenditures by August 11, 2013, 45 days after the Budget Act was signed. LEAs following the dual budget adoption process pursuant to EC 42127(e) must adopt a revise budget to reflect changes by September 9, 2013. (EC 1622(e)(3), EC 42127(e) and EC 42127(i)(4))
Follow federal regulations. Program rules and financial management rules still apply. The changes made by LCFF do not change federal funding or related requirements. LEAs should continue to prepare federally-required improvement plans (e.g., Titles I and III Corrective Action plans and the Single Plan for Student Achievement) and meet federal maintenance of effort and supplement-not-supplant requirements. The LCAP may affect options for planning in subsequent years, but in no way will such changes diminish federal requirements.

Maintain local advisory groups. Parent and community engagement remain an important aspect of planning and accountability under LCFF. While the terminology and details for local advisory groups may be refined under LCFF, LEAs are expected to continue to engage parents and community members broadly in the preparation of LEA and site-level planning activities, as most of these groups are required for federal program purposes. For instance, LEAs should continue to engage district and site-level advisory groups, including those charged with providing input to planning for English learners’ needs.

 Maintain Regional Occupational Center and Program (ROC/P), Adult Education, and Home-to-School Transportation investments. LCFF requires that LEAs maintain 2012-13 state-funded expenditure levels for ROC/P and Adult Education for two years - 2013-14 and 2014-15, and Home-to-School Transportation on an ongoing basis. Recognizing that in many cases interagency partnerships existed to support such programs, LCFF also requires LEAs to continue passing through ROC/P and Home-to-School Transportation funds to joint powers agencies for two years. (EC 2575(i), (j), (k)(1), and (k)(2); EC 42238.03(a)(5) and (a)(6)(B))

Use 2013-14 to introduce procedures that will be required in 2014-15. While the regulations and templates for LCFF will not be in place until the 2014-15 planning and budget cycle, LEAs would be well served to begin thinking in 2013-14 about and implementing procedures that support transparency and public engagement related to planning and budgeting.

Use remaining Economic Impact Aid (EIA) funds following EIA rules. LEAs with carryover balances in EIA should continue to use such funding following the rules of the EIA program prior to LCFF’s passage. While EIA funds no longer exist within LCFF, funding that was issued as EIA must be used for its original purposes for English learners and economically-disadvantaged youth. (EC 52055.750(b))

For additional information, please review Superintendent of Public Instruction Tom Torlakson’s budget overview (http://www.cde.ca.gov/nr/el/le/yr13ltr0724.asp).

Expectations and Timeline for Further Guidance to Support LCFF Implementation

Assembly Bill 97 requires that the SBE adopt regulations by January 31, 2014, and templates by March 31, 2014. The SBE is interested in public input and transparency
throughout this process. Stakeholder input is being gathered through regional sessions in mid-August (for more information go to: http://www.cde.ca.gov/be/), meetings with representatives of statewide organizations involved with implementation, and opportunities for public comments at SBE meetings.

In addition, the SBE and CDE are working to provide supportive resources through posting of frequently asked questions, webinar broadcasts with updates on topics of interest, and other tools to aid in planning. This letter, along with additional information updates on LCFF implementation will continue to be posted on the CDE website (http://www.cde.ca.gov/fg/aa/lc/).

The changes made by LCFF represent a major overhaul in the manner in which the state funds and supports LEAs. We appreciate the thoughtful questions being asked about LCFF and the suggestions being provided. LCFF’s implementation requires patience as we work to make changes that lead to enduring improvements for students. Please expect that the SBE and CDE will work diligently to keep LEAs and stakeholders informed throughout this process.

Sincerely,

Tom Torlakson
State Superintendent of Public Instruction
California Department of Education

Michael W. Kirst
President
California State Board of Education