



August 2013

# Governance Brief

## Local Control Funding Formula 2013

### Background

Today more than one in five children in California live in poverty and one quarter of California's K-12 students are English learners. Poor students, African-Americans and Latinos, and English learners are over-represented among students scoring at the lowest levels and under-represented among the highest scoring. These achievement gaps between poor and non-poor and among various ethnic groups have over several decades been the catalyst for many laws and education reforms.<sup>1</sup>

While there have been some gains in the 60 years since *Brown v. Board of Education*, the gaps remain. For example, on last year's California High School Exit Exam, 26 percent of all test-takers passed the English portion of the test, but broken out by ethnicity passing rates were: American Indian, 33 percent; Asian, 23 percent; Hispanic/Latino, 24 percent; Black/African-American, 28 percent; and white, 42 percent.<sup>2</sup>

School board members have long been urging the state to let them use resources in a way that best fits local needs to help improve student outcomes. In recent years, California has slowly moved away from the often complex rules and regulations that came with appropriations for specific programs and, in 2008-09, greater flexibility was approved on a short term basis to most categorical programs. Over the same period, discussion was increasing among policymakers and educators about the concept of a weighted student formula (WSF) approach to funding that would provide districts more money to fund the needs of students who enter schools with greater challenges and who are more costly to educate, as well as more flexibility for how to spend these funds.

### LCFF

In January 2012, Gov. Jerry Brown's budget proposed replacing most of California's complex formulas with a weighted student formula. That proposal raised more questions than it answered, but pushed the conversation into high gear. Stakeholders met to hammer out issues of weights, program requirements, timing and accountability and moved the dialogue much closer to a WSF solution. Ultimately, that solution was proposed in the 2013 budget as the Local Control Funding Formula or LCFF, where when fully implemented the allocation of most education funds would be based on specific student needs and would allow maximum flexibility at the local level.

As finally approved as part of the 2013-14 budget and Assembly Bill 97, LCFF was established and is being rolled out immediately for school districts, charter schools and county offices of education. LCFF provides supplemental funding and concentration grants for each pupil classified as at least one of the following categories: English learner, foster youth or eligible for free or reduced-price meals.

### Questions for Governance Teams

What budget adjustments do we need to make now to comply with maintenance of effort requirements?

What is the status of our district parent advisory committee(s)?

How can we best educate ourselves and our community about our student data?

What is our confidence level in our data?

# Major Shifts Made by the Local Control Funding Formula (LCFF)

| Before LCFF  | After LCFF  |
|--|---|
| Revenue Limits   | LCFF base funding differentiated by grade span              |
| State categorical programs with temporary tiered flexibility   | Unduplicated pupil weights, including concentration funding |
| K-3 class size reduction limited funding with unlimited class sizes  | K-3 class size reduction, target 24:1                       |
| Accountability and performance process separate from funding   | Local Control Accountability Plans required                 |
| <b>Unchanged</b> <ul style="list-style-type: none"> <li>• Financial audits</li> <li>• Federal funding, planning, and accountability requirements</li> <li>• Compliance with Williams</li> <li>• Local educational agency as subgrantee of the state</li> <li>• School Accountability Report Cards</li> </ul> |   |

## Accountability

The details of funding accountability were not fleshed out when the budget went to the governor. Instead, the State Board of Education (SBE) was charged with developing a template and guidelines by March 2014 for the parameters of a three-year accountability plan for LEAs. The plan, called the Local Control and Accountability Plan (LCAP), must be adopted by each LEA at a regular public meeting of the governing board after consultation with teachers, principals, administrators, school personnel, parents and pupils and with the advice of district-level parent advisory committees. The LCAP must include a description of:

1. The LEA’s annual goals, for all students and for each subgroup, for each of the state priority areas and any additional local priorities areas; and
2. The specific actions and strategies the district will use to achieve those goals.

Examples of factors included in these plans are academic and school climate priorities that are either already in or have been proposed to be included in the Academic Performance Index (API), such as: graduation rates, drop-out rates, performance on state and local assessments, parent involvement, college-going rates and career readiness. (See our Fact Sheet “State Priorities for Funding: The Need for Local Control and Accountability Plans” for more details).

LEAs will be required to increase or improve services for students in proportion to the number of high-needs pupils who generate the increased funds. During the initial year, before the template is developed in March 2014, districts are expected to identify the goals for their actions, seek parent input and begin spending resources to address the needs of those high-need students.

Over the course of this year, the SBE will seek input and develop a series of standards and criteria for LEA accountability and for assigning interventions in both the state and federal accountability systems.

## How does the LCFF appropriation formula roll out?

The budget established an **eight-year phase-in timeline** to incrementally close the gap between actual funding and new target levels of funding.

The plan calls for the state to allocate an estimated additional \$25 billion over the next eight years to restore the significant funding reductions experienced in recent years. Transition to the new LCFF model will be based on Proposition 98 growth and stipulates that no LEA would receive less funding in 2013-14 and into the future than it did in 2012-13.

A hold harmless provision in the bill allows districts and charter schools to maintain their total revenue limit and categorical program funding at their 2012-13 level, unadjusted for ADA or COLA. Basic aid districts would continue to receive the same level of state aid allocated in 2012-13. Necessary Small Schools also receive a hold harmless guarantee.

The state will calculate an Economic Recovery Target (ERT) for each school district with the intent that LEAs are restored to their 2007-08 funding levels by the end of the eight-year rollout. The ERT will be a per-pupil rate consisting of:

- The district's revenue limit in 2007-08—regardless of the mix of state aid and local property tax (LPT) revenue that funded the revenue limit. (The ERT does not count a basic aid district's "excess" local property tax revenue in the per-pupil rate.)
- Revenue limit cost-of-living adjustments for 2008-09 through 2020-21.
- The district's categorical funding in 2007-08 (before "fair share" reductions to categorical programs were implemented).

## The phase-In

LEAs begin by identifying their students who are English learners, foster youth or low-income.

Students are counted only once, even if they meet two or three of the criteria. This is known as an unduplicated count. The numbers are reported annually to CDE by the

LEA and verified by the county office of education. Foster youth numbers will be provided by the Department of Social Services.

Research reveals a negative effect on student achievement of attending schools with high concentrations of poverty that is independent from the effect of achievement of individual poverty.<sup>3</sup>

In recognition of this, concentration grants are provided when an LEA has more than 55 percent of its students with at least one of the target criteria.

To identify the percentage of target pupils (EL, Foster youth and low-income) for concentration grants:

- For 2013-14 the state will use the unduplicated pupil count to apportion LCFF funds.
- For 2014-15 they will add both years' counts of EL, low-income and foster youth students and divide by the sum of total pupils for both years.
- For 2015-16 and thereafter, they will use three-year averages.

## At full rollout...

Most school districts will receive the greater of the LCFF target or ERT. For the majority of schools the LCFF target for 2020-21 will be higher than the ERT for 2020-21.

For about 230 districts, the ERT is likely to remain higher. Over the next eight years, 130 of those districts will receive additional payments in excess of their LCFF to restore them to their ERT by 2020-21. Approximately 96 districts with an ERT above the 90th ERT percentile (approximately \$14,500 per pupil) will receive no additional funding in excess of the 90th percentile.

The new LCFF formula will require the pupil-to-teacher ratio in grades K-3 to be no more than 24 to 1 when the formula is fully implemented, unless an alternative ratio is locally negotiated through collective bargaining. This reduction to the 24:1 level can be gradual over the eight-year phase-in period.

The LCFF continues to provide the 2012-13 level of funding for Home-to-School Transportation (HTS) and Targeted Instructional Improvement (TIIG) to districts as an addition to the base grant. HTS funds must be spent for transportation.

# Timeline of Relevant State and Local Actions

|                     |  |
|---------------------|--|
| <b>By 1/1/2014</b>  | SSPI, Director of Finance and State Controller must update standards for use in the adoption of local budgets  |
| <b>By 1/30/2014</b> | Public School Accountability Act (PSAA) Advisory Committee must recommend changes to the API   |
| <b>By 1/31/2014</b> | SBE must adopt regulations for districts to demonstrate compliance. LEAs must increase or improve services for students in proportion to the number of high-needs students who generated the supplemental funding.   |
| <b>By 3/31/2014</b> | The SBE must approve a template and LEAs must adopt a three-year LCAP that contains specific goals and actions the LEAS will take to achieve the goals around state and local priority areas.  |
| <b>By 6/30/2014</b> | LEAs must adopt budgets and LCAPs. Budgets must be tied to a plan for the success of their pupils, including LCFF subgroups, in alignment with the SBE template. Districts and county superintendents must also establish local policies to implement LCAP by June 30, 2014.   |
| <b>By 10/1/2015</b> | The SBE must adopt evaluation rubrics that reflect “holistic multidimensional assessment” of district and schoolsite performance. The rubrics are to assist districts and counties in evaluating their own strengths and weaknesses and will be used by county superintendents and the state superintendent to assist in providing technical assistance and identifying the need for possible interventions. |

## Maintenance of effort requirements start now

LCFF requires districts in transportation and/or ROC/P Joint Powers Authorities (JPAs) to maintain the 2012-13 level of funding for those programs for two years allowing for transition. Similarly, LEAs are required to maintain the 2012-13 levels of funding for Adult Ed and ROC/P programs for two years.

## Who looks at the LCAP plan?

It is clear in the statute that the plan should not be solely the work of the local governance team.

“A governing board of a school district shall consult with teachers, principals, administrators, other school personnel, parents, and pupils in developing a local control and accountability plan.”

All of the above should be included in the goal setting, plan development, adoption and regular review. It is the clear intent of the governor and the Legislature that

the plan and the money behind it be transparent and accessible to the public.

## Community input

A parent advisory committee and an English-learner parent advisory committee (if 15 percent or more of students are English learners) are required to review and comment on the LCAP before adoption and revision. The superintendent is required to respond, in writing, to the comments received from the parent advisory committees.

In addition to at least one public hearing by the governing board, the superintendent must also notify members of the public of the opportunity to submit written comments about the specific actions and expenditures proposed in the plan prior to adoption at a subsequent board meeting.

The plan and any updates or revisions must be posted on the district website for community access and review. This is also an appropriate place to link data showing progress toward those goals.

## County office oversight

County offices must not only post their own LCAP, but links to those of all districts that submit plans to them for review. County office plans are submitted to the state Department of Education for review.

The county superintendent shall approve districts' plans by October 8 of each year after determining that the plan adheres to the SBE template and the budget includes expenditures sufficient to implement the actions proposed in the district's LCAP.

Where satisfactory agreement cannot be reached, the plan shall be forwarded to the California Department of Education (CDE) for intervention.

The governing board should use the plan to make budget and policy decisions.

The district administration should be providing data that is accessible to the board and the community regarding outcomes of the efforts to achieve the goals.

### What boards can do to start implementing or getting ready for LCFF

- Hold public study sessions to review LCFF and LCAP statutes
- Establish districtwide committees as needed
- Look at and understand your district data
  - » Pupil data
  - » Financial data
  - » Current use of resources data
- Set district goals and strategies for subgroup improvement
- Be patient, many of the rules will follow—don't lock your budget into long-term commitments that might not let you comply when the LCAP is done
- Start your budget planning process for the next school year now

## Coming Up

|                      |  |
|----------------------|--|
| <b>Fall 2013</b>     | CSBA Webinar on LCFF<br><br>Additional fact sheets and information on LCFF from CSBA<br><br>CSBA Back-to-School Webcast<br><br>State Board of Education LCFF guidance expected |
| <b>December 2013</b> | CSBA AEC workshops on LCFF   |

## Resources

### CSBA LCFF information hub

[www.csba.org/LCFF](http://www.csba.org/LCFF)

- CSBA Webinar: "Local Control Funding Formula: What Governing Board Members Need to Know Now" (8/2/13)
- Governance Brief: "Fighting for Fair Funding—Weighted Student Formula, Issue 1" (6/12)

### California Department of Education LCFF site

[www.cde.ca.gov/fg/aa/lc/](http://www.cde.ca.gov/fg/aa/lc/)

### California Department of Finance LCFF site

[www.dof.ca.gov/reports\\_and\\_periodicals/district\\_estimate/view.php](http://www.dof.ca.gov/reports_and_periodicals/district_estimate/view.php)

### Legislative Analyst's Office

[www.lao.ca.gov](http://www.lao.ca.gov)

- "An Overview of the Local Control Funding Formula (7/13)

## Sources

1. EdSource | [www.edsource.org/stu\\_archivegap.html](http://www.edsource.org/stu_archivegap.html)
2. CDE DataQuest: | [dq.cde.ca.gov/dataquest/](http://dq.cde.ca.gov/dataquest/)
3. "The Flat World and Education," *Linda Darling-Hammond, 2010.*