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Local Control Funding Formula for County Offices of Education

LEGISLATIVE ANALYST'S OFFICE

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Assembly Budget Subcommittee No. 2 on Education Finance
Hon. Kevin McCarty, Chair



The Formula



State Implemented the Local Control Funding Formula (LCFF) for County Offices of Education (COEs) in 2013-14

- LCFF for COEs differs significantly from school district LCFF.
- In 2013-14, state provided \$35 million in additional ongoing COE funding as part of phasing in the new formula. In 2014-15, state provided additional \$13 million and reached the established LCFF targets for all COEs.
- State has funded a cost-of-living adjustment (COLA) for the formula each year since 2014-15 (though the statutory COLA in 2016-17 was 0 percent).



LCFF for COEs Consists of a Two-Part Formula

- Alternative education part of formula tied to the number of students enrolled in juvenile court schools and county community schools.
- District services part of formula tied to the number of districts and students in the county.
- COEs may spend LCFF funding for any purpose.



The Formula

(Continued)

Two-Part Local Control Funding Formula for COEs	
<i>2016-17 Rates</i>	
Alternative Education	
Eligible student population	Students who are (1) under the authority of the juvenile justice system, (2) probation referred, (3) on probation, or (4) mandatorily expelled
Base funding	\$11,429 per student ^a
Supplemental funding for EL/LI and foster youth students	35 percent of base rate ^b
Concentration funding	Additional 35 percent of base rate for EL/LI and foster youth students above 50 percent of enrollment ^b
District Services	
Base funding of \$668,242 per COE Plus \$111,374 per school district in the county Plus \$41 to \$71 per student in county (less populous counties receive higher per-student rates) ^a	
^a As measured by average daily attendance. ^b Assumes 100 percent of students at juvenile court schools are English learner and low income (EL/LI).	



COE Hold Harmless Provisions



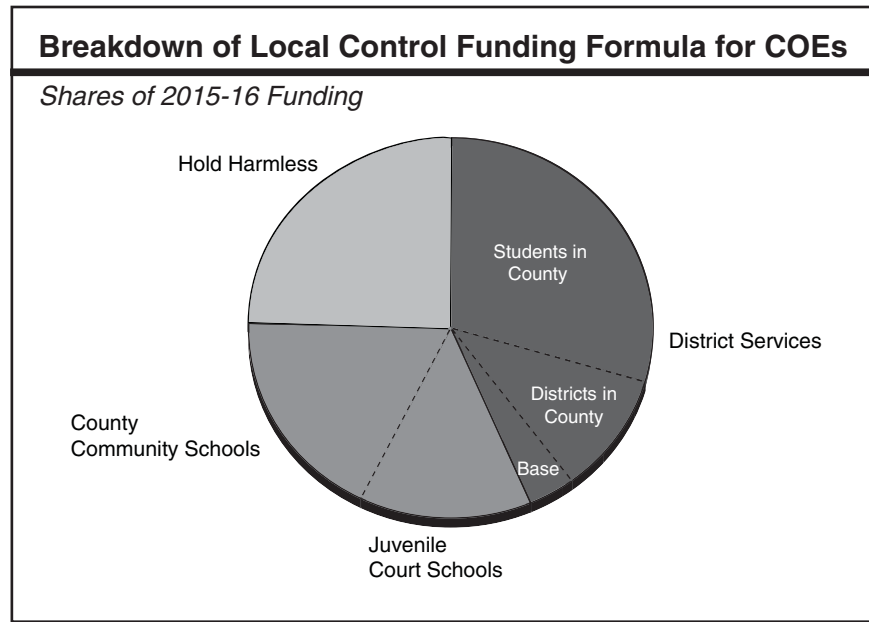
COE Formula Included Two “Hold Harmless” Provisions

- COEs that formerly received funding above their new formula-derived LCFF levels retained their higher funding levels.
- COEs continue to receive as much state categorical funding as they received before LCFF, even if this pushes their total funding beyond their LCFF targets.
- COEs are not required to perform activities formerly tied to hold harmless funding.



Hold Harmless Funding Makes Up One-Quarter of LCFF

- In 2013-14, 36 COEs benefited from the first hold harmless rule. In 2015-16, 34 COEs benefited. This number will continue to decline over time as these COEs’ funding levels remain flat while annual COLAs are provided to other COEs’ LCFF levels.
- In 2013-14, 14 COEs benefited from the second rule. In 2015-16, 18 COEs benefited. This number will continue to increase over time as COEs with high property tax growth begin to receive more state aid on top of their LCFF levels.
- The cost of the second rule has grown from \$30 million in 2013-14 to \$73 million in 2015-16, and to an estimated \$85 million in 2016-17. The cost is projected to grow to \$140 million by 2020-21.





COE Hold Harmless Provisions *(Continued)*

More Than Half of COEs Receive More Than Their LCFF Target Levels		
<i>2015-16</i>		
Funding Level	County Office of Education (COE)	
At LCFF Target (21 COEs)	Alameda Alpine Colusa El Dorado Humboldt Imperial Kern Kings Madera Modoc Nevada	San Benito San Francisco Shasta Sierra Siskiyou Trinity Tulare Tuolumne Yolo Yuba
101 Percent to 125 Percent Above LCFF Target (12 COEs)	Butte Calaveras Lassen Merced Monterey Orange	San Bernardino San Joaquin San Luis Obispo Santa Cruz Solano Tehama
126 Percent to 150 Percent Above LCFF Target (10 COEs)	Amador Contra Costa Fresno Lake Los Angeles	Mariposa Placer Sacramento Sonoma Ventura
151 Percent to 200 Percent Above LCFF Target (11 COEs)	Del Norte Glenn Marin Mendocino Napa Plumas	San Diego Santa Barbara Santa Clara Stanislaus Sutter
201 Percent to 265 Percent Above LCFF Target (4 COEs)	Inyo Mono	Riverside San Mateo
LCFF = Local Control Funding Formula.		

COE Activities



State Law Requires COEs to Perform Some Activities

- For each of the school districts in their counties, COEs must oversee district budgets and academic plans.
- COEs also required to undertake various other compliance-oriented activities, such as reviewing district staff assignments and the condition of district facilities.
- COEs must offer alternative education if they accept funding.



The State Allows COEs to Perform Other Activities

- COEs can provide any other service at their discretion using their LCFF funding.
- Common optional activities include business services (like payroll or accounting), professional development, and technical assistance.



COEs' Role in Turning Around Low-Performing Schools and Districts

- Historically, some COEs have provided some support to low-performing schools and districts. State has not required all COEs to provide intensive turnaround assistance.
- Details of COEs' future role in supporting low-performing schools and districts are still being determined.
- State also in midst of considering how to align state and federal accountability systems and associated state and federal funding.



LAO Findings and Recommendations

- Required Activities Cost Much Less Than LCFF Provides**

 - After paying for alternative education and required district budget and academic oversight activities, COEs spend the rest of their LCFF allocations (roughly \$650 million) on optional services.

- Recommend Funding Districts for All Alternative Education but Retaining COEs as Default Provider of Court Schools**

 - Districts are better positioned to place students into alternative education programs, and, in some cases, are better positioned to run those programs. (Many districts, however, likely will want to continue using their COEs to run their court schools.)

- Recommend Funding COEs Directly for Fiscal and Academic Oversight**

 - COEs are better positioned than state to provide oversight.

- Recommend Shifting LCFF Funding COEs Use to Provide Optional Services to School Districts**

 - Would allow districts to purchase services that best serve their students, whether from COEs or other providers.
 - Districts already purchase some services from COEs—about \$350 million in 2015-16.