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Overview of Local Control Funding Formula

LEGISLATIVE ANALYST'S OFFICE

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On Education Finance

Hon. Anthony Portantino, Chair





Local Control Funding Formula (LCFF) Base Rates

Base Rates Vary by Grade Span

| Local Control Funding Formula Per-Student Rates | | | |
|--|---------|---------------------------|----------------------------|
| <i>Under 2018-19 Governor's Budget</i> | | | |
| Grade Span | Base | Supplemental ^a | Concentration ^b |
| K-3 | \$8,141 | \$1,628 | \$4,070 |
| 4-6 | 7,484 | 1,497 | 3,742 |
| 7-8 | 7,707 | 1,541 | 3,854 |
| 9-12 | 9,163 | 1,833 | 4,581 |

^a Equals 20 percent of the base rate. Generated for each student who is a foster youth, English learner, or low income (EL/LI).

^b Equals 50 percent of the base rate. When EL/LI students comprise more than 55 percent of total district enrollment, generated for each EL/LI student above that threshold.

Base Rates Higher Than Former Rates

- Prior to LCFF, per-student general purpose funding was called revenue limits.
- In setting LCFF base rates, the state:
 - Returned to 2007-08 per-student funding levels (undoing the cuts made during the Great Recession), adjusted for inflation.
 - Increased these inflation-adjusted rates by about \$500.
 - Increased K-3 funding by an additional 10.4 percent (to encourage smaller class sizes) and 9-12 funding by an additional 2.6 percent (to account for the cost of career technical education).



LCFF Supplemental and Concentration Grants



Supplemental and Concentration Grants Notably Larger Than All Prior Categorical Funding

- Pre-LCFF categorical programs allocated about \$6.9 billion in inflation-adjusted dollars, whereas supplemental and concentration grants total about \$9.4 billion in 2017-18.



Also More Targeted

- A large share of former categorical funding (roughly 80 percent) was not targeted for the benefit of English learners and low-income (EL/LI) students, whereas all supplemental and concentration grant funding is intended to benefit these students.
- Districts receive supplemental grants on behalf of each EL/LI student.
- Districts receive concentrations grants when more than 55 percent of their student population is EL/LI.

LCFF Add-Ons



LCFF Has Two Add-Ons Mostly Benefitting Districts Serving Relatively Few EL/LI Students

- LCFF provides roughly \$120 million in “minimum state aid” to ensure no district receives less state funding than it received in 2012-13. This add-on primarily benefits basic aid districts, which receive a large share of their funding through property tax revenue.
- LCFF provides about \$50 million in “economic recovery target” funding for districts that receive less under LCFF than they were projected to receive under the state’s previous funding system had it continued to be used moving forward. This add-on primarily benefits districts receiving relatively large amounts from previous categorical programs.



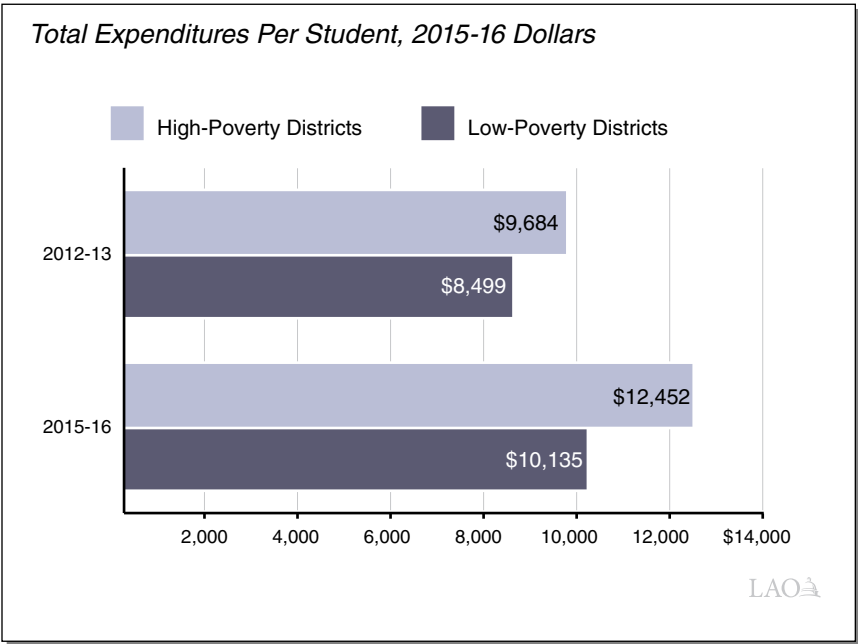
LCFF Funds Two Large Categorical Programs as Add-Ons

- Districts that historically received funding for the Home-to-School Transportation and Targeted Instructional Improvement Grant programs continue to receive a total of \$1.3 billion in such funding under LCFF.
- Each district’s allocations for these two programs are locked in at its 2012-13 levels.



Key Spending Trends Under LCFF

- ☑ Before LCFF, High-Poverty Districts Spent 14 Percent More Than Low-Poverty Districts
- ☑ In 2015-16, High-Poverty Districts Spent 23 Percent More Than Low-Poverty Districts



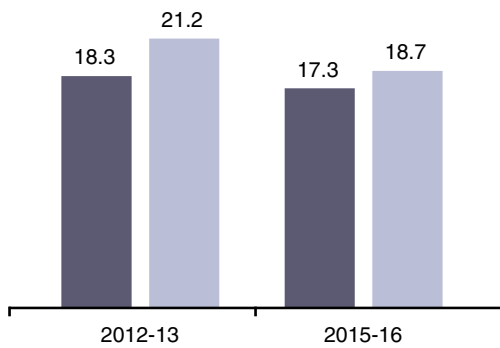


High-Poverty Districts Continue to Have Larger Class Sizes and Lower Teacher Salaries, but Gaps Are Shrinking

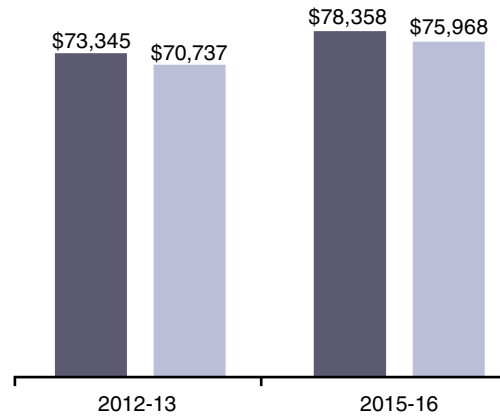
LAO Estimates, Salaries in 2015-16 Dollars

Low-Poverty Districts
High-Poverty Districts

Student-to-Teacher Ratio



Average Teacher Salary



LAO



Achievement Gap Under LCFF



Achievement Gaps Persist Under LCFF

- In eighth grade English language arts in 2017, 36 percent of low-income students met or exceeded state standards compared with 68 percent of non-low-income students.
- Similar gaps exist at other grade levels and in math.
- Gaps based on state test results have not notably closed since LCFF was enacted.
- California's achievement gap as measured by the National Assessment of Educational Progress also has not narrowed.



Options for Modifying LCFF



Higher Base Rates Would Help All Districts on Multiple Fronts

- We estimate a 1 percent increase in base rates would cost about \$600 million, of which about \$100 million would go towards increased supplemental and concentration grants.



Higher Supplemental and Concentration Rates Would Signal Greater Focus on EL/LI Students

- We estimate it would cost about \$200 million to increase supplemental funding from 20 percent to 21 percent of base rates, and about \$60 million to increase concentration funding from 50 percent to 51 percent of base rates.



Changing Rules for Generating EL/LI Funding Could Help Students With the Greatest Challenges

- Currently, students who are both EL and LI count only once for generating supplemental funding. We estimate it would cost about \$2 billion if students who were both EL and LI counted twice for supplemental funding.

**Raising Concentration Threshold Would Target Funding to Highest-Poverty Districts**

- Currently, 58 percent of districts receive concentration funding. Raising the threshold for generating this funding would better target funding to high-poverty districts.
- For the same amount of funding as currently spent on concentration grants, we estimate the state could provide \$750 more per student for the quarter of districts in the state that have the highest poverty rates.

**Changing Spending and Reporting Requirements Could Impact Student Outcomes**

- Current regulations generally require supplemental and concentration funding to support services targeted at EL/LI students, but some stakeholders claim current reporting practices do not allow them to check whether districts have complied with this requirement.
- Requiring additional reporting would better allow stakeholders to ensure supplemental and concentration grants are spent on targeted services.
- On the other hand, relaxing spending restrictions could allow high-poverty districts to improve their core educational programs rather than focus on targeted services.