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Local Control Funding Formula Implementation

LEGISLATIVE ANALYST'S OFFICE

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Senate Budget and Fiscal Review
Subcommittee No. 1 on Education
Hon. Marty Block, Chair





New Funding Formula for School Districts and Charter Schools



Local Control Funding Formula (LCFF) Enacted in June 2013

- Previously, more than 40 state categorical programs provided restricted state dollars that districts could use for only certain activities.
- LCFF removed spending restrictions and established grade-specific base rate targets, which are adjusted for cost of living annually.
- Districts receive supplemental and concentration funding for English learner, low-income and foster youth (EL/LI) students.
- Districts serving the same number of students in the same grade spans with the same characteristics receive the same amount of funding.

Per-Student Funding Under LCFF

Grade Spans	Base Rates ^a	Supplemental Funding ^b	Concentration Funding ^c
K-3	\$7,741	\$1,548	\$3,870
4-6	7,116	1,423	3,558
7-8	7,328	1,466	3,664
9-12	8,711	1,742	4,356

^a Reflects 2014-15 target rates.

^b Equals 20 percent of the associated grade-span base rate. Applies to all English learner, low-income and foster youth (EL/LI) students.

^c Equals 50 percent of the associated grade-span base rate. Applies to districts in which EL/LI enrollment is above 55 percent of total enrollment. Only generated by students above the threshold.

LCFF = Local Control Funding Formula.

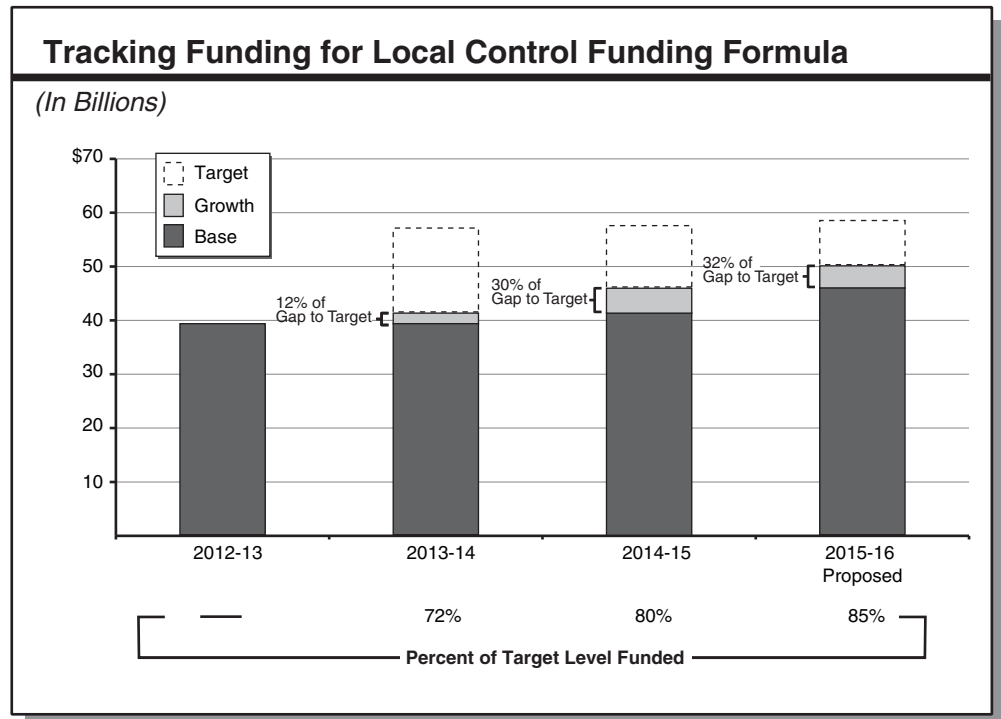


LCFF Implementation



Target LCFF Rates Higher Than Current Funding Rates

- At the time of enactment, funding the LCFF target rates was estimated to cost \$18 billion more than available funding. The state therefore is phasing in LCFF implementation over multiple years as additional funding becomes available. The administration believes full implementation will be reached in 2020-21.
- Over the past two years, the Legislature has provided \$6.8 billion in additional K-12 funds for LCFF implementation. The Governor’s budget for 2015-16 proposes an additional \$4 billion.





COE Formula Fully Implemented



COEs Received \$1 Billion in Total Funding in 2014-15

- Over the past two years, the Legislature has provided \$58 million in additional funds for COE LCFF implementation. This was sufficient to bring any COE formerly below its target rate to the target.
- COEs are funded at the greater of (1) their calculated LCFF target rate or (2) the amount of funding they received in 2012-13. In 2014-15, 20 COEs are funded at their LCFF target rates and 38 COEs are funded above their target rates.



Governor's 2015-16 Budget Proposals

- No Concerns With the Governor's Major LCFF District Proposals, but Two Recommended Modifications to Formula Implementation**
- Recommend Recognizing That Many Basic Aid Districts Already Are Funded at Their LCFF Targets**
 - Count all local property tax revenue toward basic aid districts' LCFF allotments (and the Proposition 98 minimum guarantee) beginning in 2015-16.
 - Would not affect the amount of total funding basic aid districts receive.
 - Would increase transparency and free up around \$400 million non-Proposition 98 General Fund. (Absent this change, we believe the Governor underestimates basic aid districts' LCFF costs by \$70 million in 2014-15 and \$110 million in 2015-16.)
- Recommend Amending Statute to Avoid Creating New Funding Disparities Among COEs**
 - Revise statutory provision to stop providing additional state aid to certain COEs on top of their LCFF funding allotments.
 - Would maintain long standing state practice that COEs are not allowed to benefit disproportionately from differences in their underlying property tax revenues.
 - Would free up an estimated \$40 million in 2014-15 and \$60 million in 2015-16 for other Proposition 98 purposes. (Absent this change, we believe the Governor underestimates COE's LCFF costs by \$16 million in 2014-15 and \$36 million in 2015-16.)



Review of First Year of LCAPs

Summary of Major Findings and Assessment

	Findings	Assessment
LCAP Design	<ul style="list-style-type: none"> Statute establishes ambitious set of requirements, including requiring districts to set goals for 12 student subgroups and each of their schools. 	<ul style="list-style-type: none"> LCAP has potential as a strategic plan if refined to be more focused on districts' key performance issues.
Goals and Priority Areas	<ul style="list-style-type: none"> Some districts lack overarching goals. Statute appears to emphasize eight state priority areas equally. Districts are prioritizing among them. 	<ul style="list-style-type: none"> Districts' goals not targeted to areas in greatest need of improvement. In some cases, districts do not appear to be carefully considering which priority areas to align with their goals.
Actions	<ul style="list-style-type: none"> Districts pursuing relatively similar actions. Detail of districts' actions varies widely. Some provide step-by-step information, while others only provide general information. Districts vary in extent to which they link funding with actions. 	<ul style="list-style-type: none"> Districts rarely differentiate between new and ongoing actions, making understanding new strategies difficult. Districts vary in which funding sources they include, thereby omitting some actions supported with non-LCFF funding.
Metrics and Targets	<ul style="list-style-type: none"> Districts include some, but not all metrics and targets in their LCAPs. Most districts set single target for all students. Many metrics do not apply to elementary school districts. 	<ul style="list-style-type: none"> Districts rarely include baseline data for metrics, making targets less meaningful.
EL/LI Services	<ul style="list-style-type: none"> Districts' information on EL/LI services varies. 	<ul style="list-style-type: none"> Difficult to determine if and how districts are improving services. Districts often fail to justify rationale for providing districtwide or schoolwide services.
<p>LCAP = Local Control and Accountability Plan; SBE = State Board of Education; LCFF = Local Control Funding Formula; COEs = county offices of education; and EL/LI = English learner, low-income and foster youth.</p>		



Recommendations

- Overall, LCAPs Show Promise as Strategic Plans but Would Be More Useful if Districts Were Allowed to Focus on Their Key Performance Challenges**

- Recommend Legislature Refine LCAP Requirements to:**
 - Emphasize clear strategic plans over detailed, comprehensive plans.
 - Allow districts to focus on key metrics.
 - Clarify metrics in some areas to help monitor performance.
 - Require districts to indicate whether actions are new or ongoing.

- Recommend Legislature Direct the California Department of Education to Disseminate Examples of Model LCAPs**

- Recommend Legislature Monitor Quality of Information Regarding EL/LI Students**