

CALIFORNIA BUDGET PROJECT

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# Moving Forward:

## Addressing Inequities in School Finance Through the Governor's Local Control Funding Formula

THE CALIFORNIA BUDGET PROJECT  
May 2013

# Acknowledgments

- Jonathan Kaplan prepared this chartbook with assistance from Phaelen Parker.

## California Budget Project

- The CBP was founded in 1994 to provide Californians with a source of timely, objective, and accessible expertise on state fiscal and economic policy issues. The CBP engages in independent fiscal and policy analysis and public education with the goal of improving the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, subscriptions, and individual contributions. Please visit the CBP's website at [www.cbp.org](http://www.cbp.org).

# Technical Notes

- This report includes CBP estimates of the percentage of students in various school districts who are eligible for free or reduced-price meals in 2012-13.
- This report also uses California Department of Education and Department of Finance data to calculate estimates of base grants, supplemental grants, and concentration grants that school districts could receive upon full implementation of the Local Control Funding Formula.
- Technical notes that explain the methodology used to develop these estimates can be found at [http://www.cbp.org/TechnicalNotes/MovingForward\\_TN.pdf](http://www.cbp.org/TechnicalNotes/MovingForward_TN.pdf).

# Overview

- A large share of California's K-12 students are English learners or come from low-income families, and therefore cost more to educate.
- Many of California's school districts receive less funding despite having more economically disadvantaged students.
- The Governor's Local Control Funding Formula (LCFF) would provide a **base grant** for all students and **supplemental and concentration grants** for English learners or students from low-income families.

# Overview (continued)

- The LCFF would:
  - Provide more resources to students with greater needs;
  - Make California’s education finance system more transparent, rational, and equitable; and
  - Boost funding for the vast majority of school districts.
- Key policy considerations:
  - Policymakers should preserve the additional dollars the LCFF would allocate for disadvantaged students, including concentration grants.
  - School districts should be required to use supplemental and concentration grants to directly benefit disadvantaged students.

# California's Public Schools Educate a Large and Diverse Student Population

- California's K-12 public schools enroll 6.2 million students in more than 1,000 school districts.
- A large share of these students come from low-income families and/or are English learners.
  - More than half of California's students (55.7 percent) are enrolled in free or reduced-price meal (FRPM) programs.
  - Nearly one-quarter of California's students (22.3 percent) are English learners.

# Students From Low-Income Families and English Learners Cost More to Educate

- Economically disadvantaged students and English learners generally require additional resources to achieve the state's academic standards.
- The landmark *Getting Down to Facts* studies found that:
  - Economically disadvantaged students cost at least 30 percent more to educate.
  - Concentrated poverty increases schools' per pupil costs.
  - English learners cost at least 24 percent more to educate.

# Californians Support Providing Additional Resources to Economically Disadvantaged Students

- A recent Public Policy Institute of California (PPIC) survey finds that:
  - Two-thirds of Californians think schools with more low-income students should receive more state funding, even if this means less funding for other schools.
  - Nearly two-thirds of Californians think schools with more low-income students should receive more of any *new* state funding than other schools.



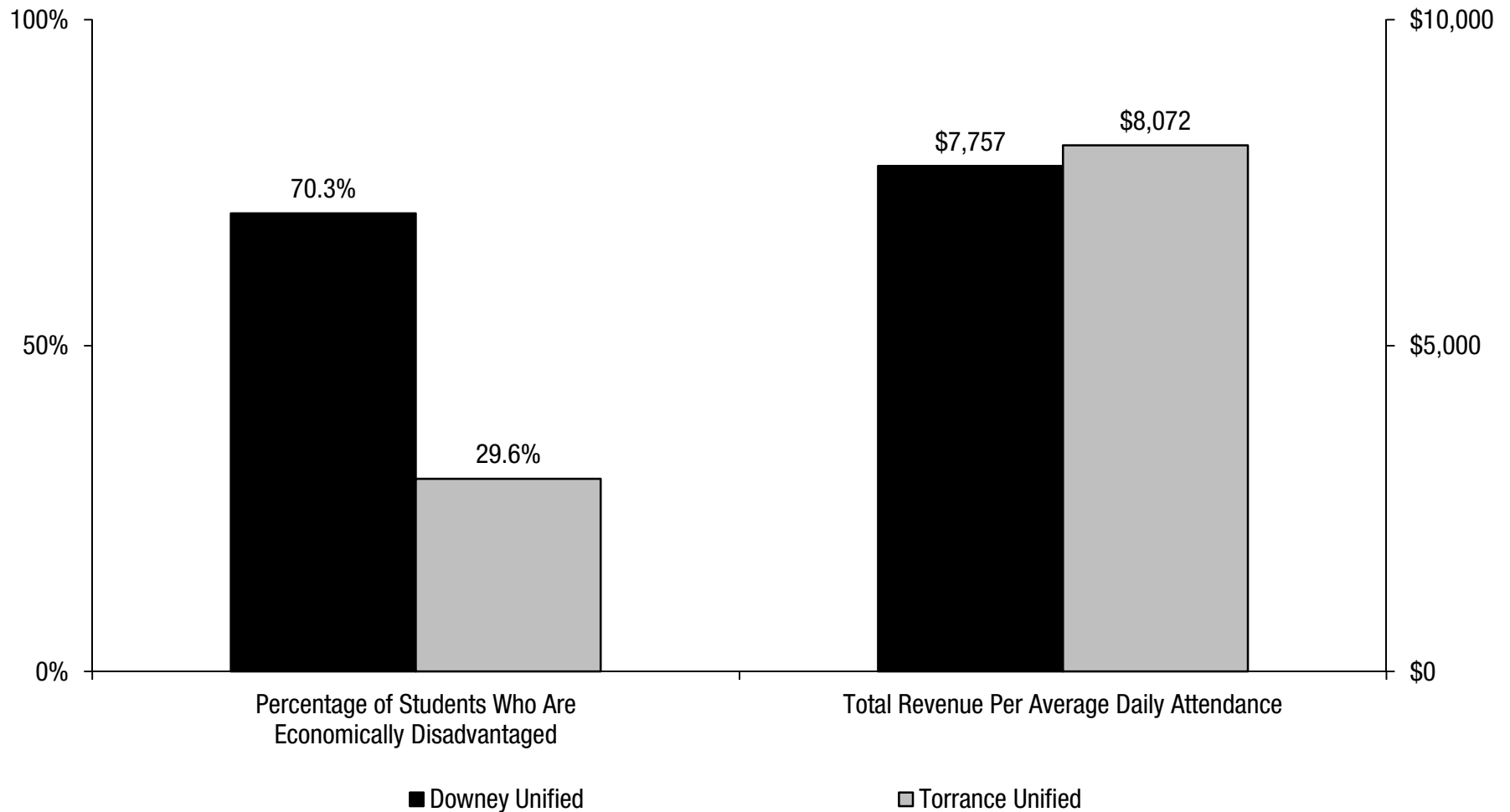
# California's Education Finance System Is Complex, Irrational, and Inequitable

- Current school funding:
  - Is determined by complicated formulas that date back to the 1970s;
  - Includes dozens of programs designated for specific purposes (so-called “categorical” programs); and
  - Does not reflect the cost of educating different student populations.

# Many School Districts With More Students From Low-Income Families Receive *Less* Funding

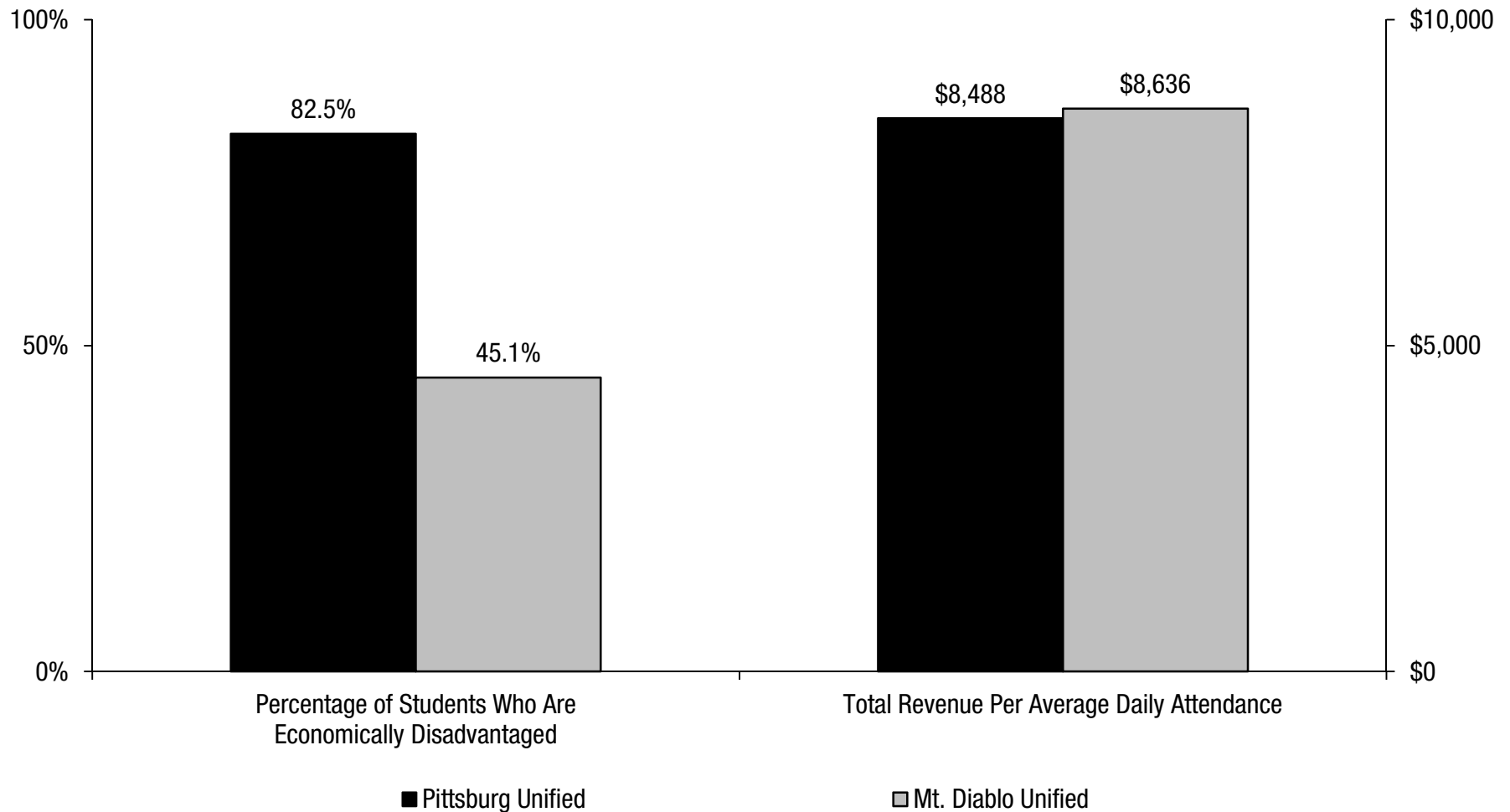
- School districts with larger shares of economically disadvantaged students – and the associated costs – often receive less revenue than districts with more affluent students.
- Comparing the revenues received by districts that are located within the same county – and thus have similar labor costs – helps illustrate the inequities in California’s current system of school finance.

## Downey Unified Has More Than Twice as Large a Share of Economically Disadvantaged Students as Torrance Unified, Yet Received Less Revenue Per Student in 2011-12



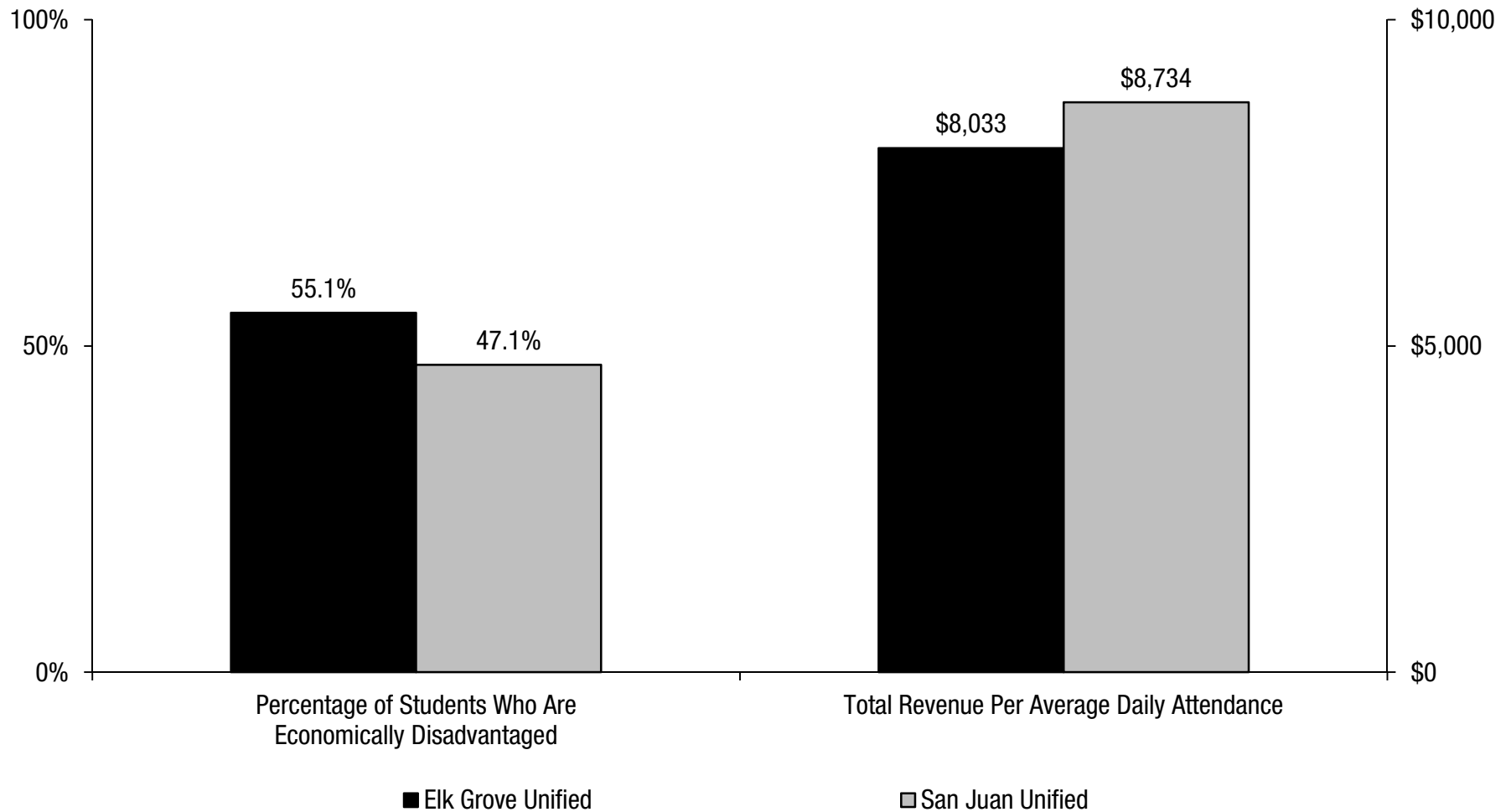
Note: Percentage of students who are economically disadvantaged reflects a CBP estimate of students eligible for free or reduced-price meals in 2012-13. Total revenue reflects all revenue accounted for in school districts' general funds in 2011-12, including federal dollars.  
Source: CBP analysis of California Department of Education data

## Pittsburg Unified Has a Much Larger Share of Economically Disadvantaged Students Than Mt. Diablo Unified, Yet Received Less Revenue Per Student in 2011-12



Note: Percentage of students who are economically disadvantaged reflects a CBP estimate of students eligible for free or reduced-price meals in 2012-13. Total revenue reflects all revenue accounted for in school districts' general funds in 2011-12, including federal dollars.  
 Source: CBP analysis of California Department of Education data

## Elk Grove Unified Has a Larger Share of Economically Disadvantaged Students Than San Juan Unified, Yet Received Less Revenue Per Student in 2011-12

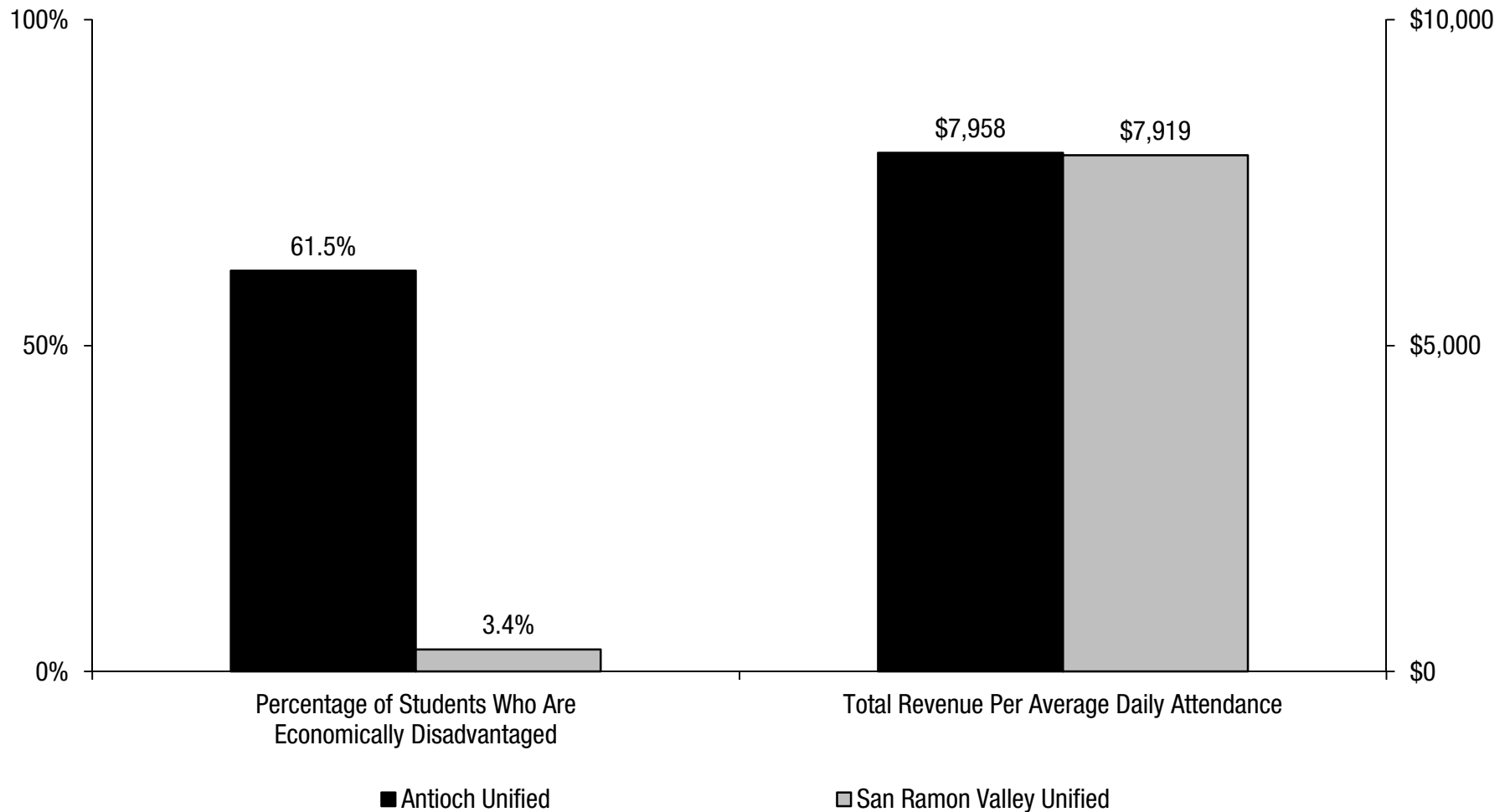


Note: Percentage of students who are economically disadvantaged reflects a CBP estimate of students eligible for free or reduced-price meals in 2012-13. Total revenue reflects all revenue accounted for in school districts' general funds in 2011-12, including federal dollars.  
Source: CBP analysis of California Department of Education data

# District Revenues May Not Cover the Additional Cost of Educating Students From Low-Income Families

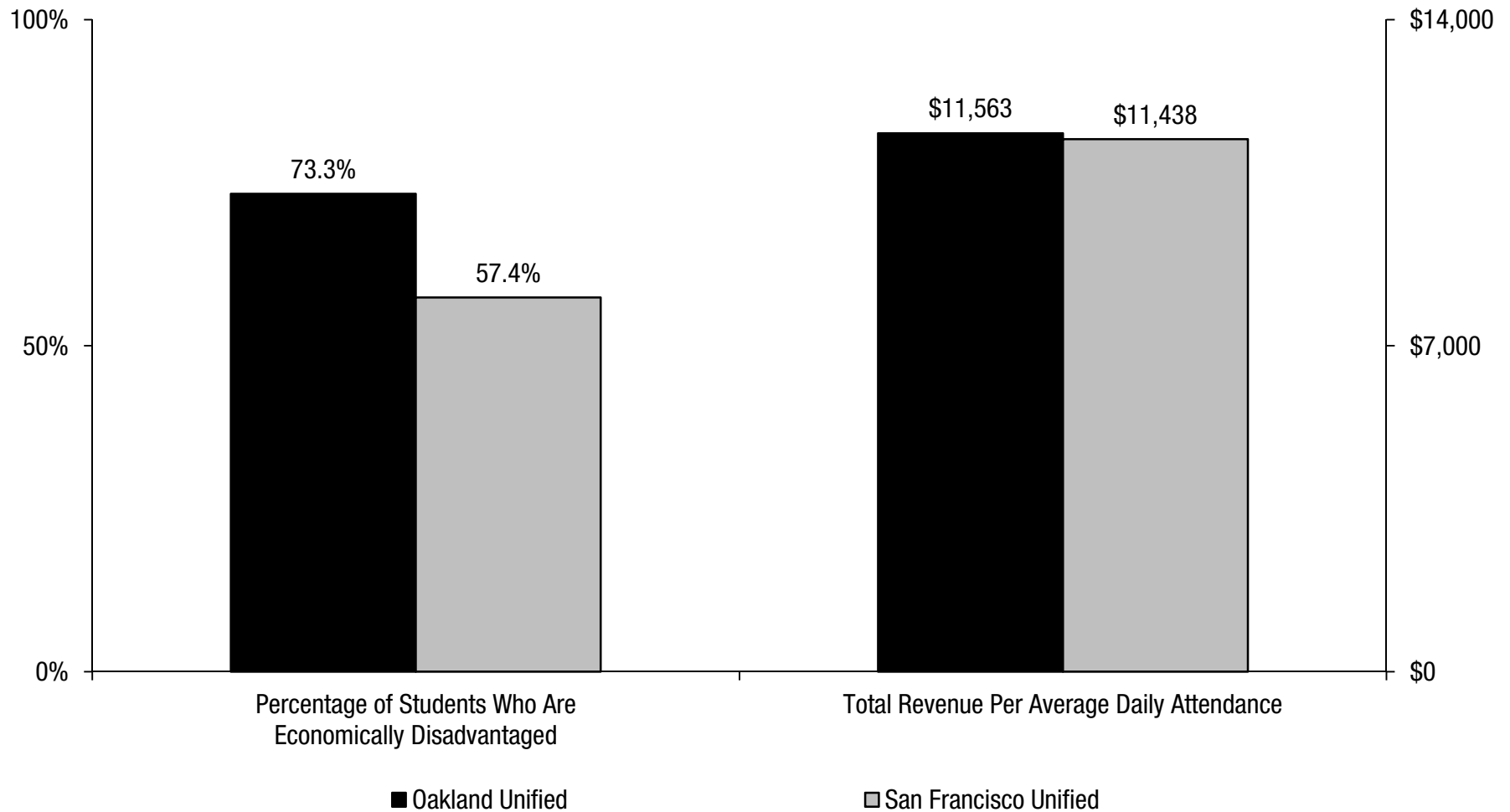
- School districts with larger shares of economically disadvantaged students do in some cases receive more revenue than other districts.
- However, this revenue may still fall short of the additional cost of services for educating these students.

## Antioch Unified Has More Than 18 Times as Large a Share of Economically Disadvantaged Students as San Ramon Valley Unified, Yet Received Only Slightly More Revenue Per Student in 2011-12



Note: Percentage of students who are economically disadvantaged reflects a CBP estimate of students eligible for free or reduced-price meals in 2012-13. Total revenue reflects all revenue accounted for in school districts' general funds in 2011-12, including federal dollars.  
Source: CBP analysis of California Department of Education data

## Oakland Unified Has a Much Larger Share of Economically Disadvantaged Students Than San Francisco Unified, Yet Received Only Slightly More Revenue Per Student in 2011-12



Note: Percentage of students who are economically disadvantaged reflects a CBP estimate of students eligible for free or reduced-price meals in 2012-13. Total revenue reflects all revenue accounted for in school districts' general funds in 2011-12, including federal dollars.  
 Source: CBP analysis of California Department of Education data



# The Governor Proposes to Fundamentally Restructure California's Education Finance System

- The Governor proposes to eliminate nearly all categorical programs, consolidate funding with state general purpose revenues, and create a new “Local Control Funding Formula” (LCFF).
- The LCFF would allocate resources to school districts, charter schools, and county offices of education based on student needs.
- The LCFF would provide school districts with greater authority over the use of resources and require each district to adopt a local accountability plan and approve spending sufficient to implement the plan.

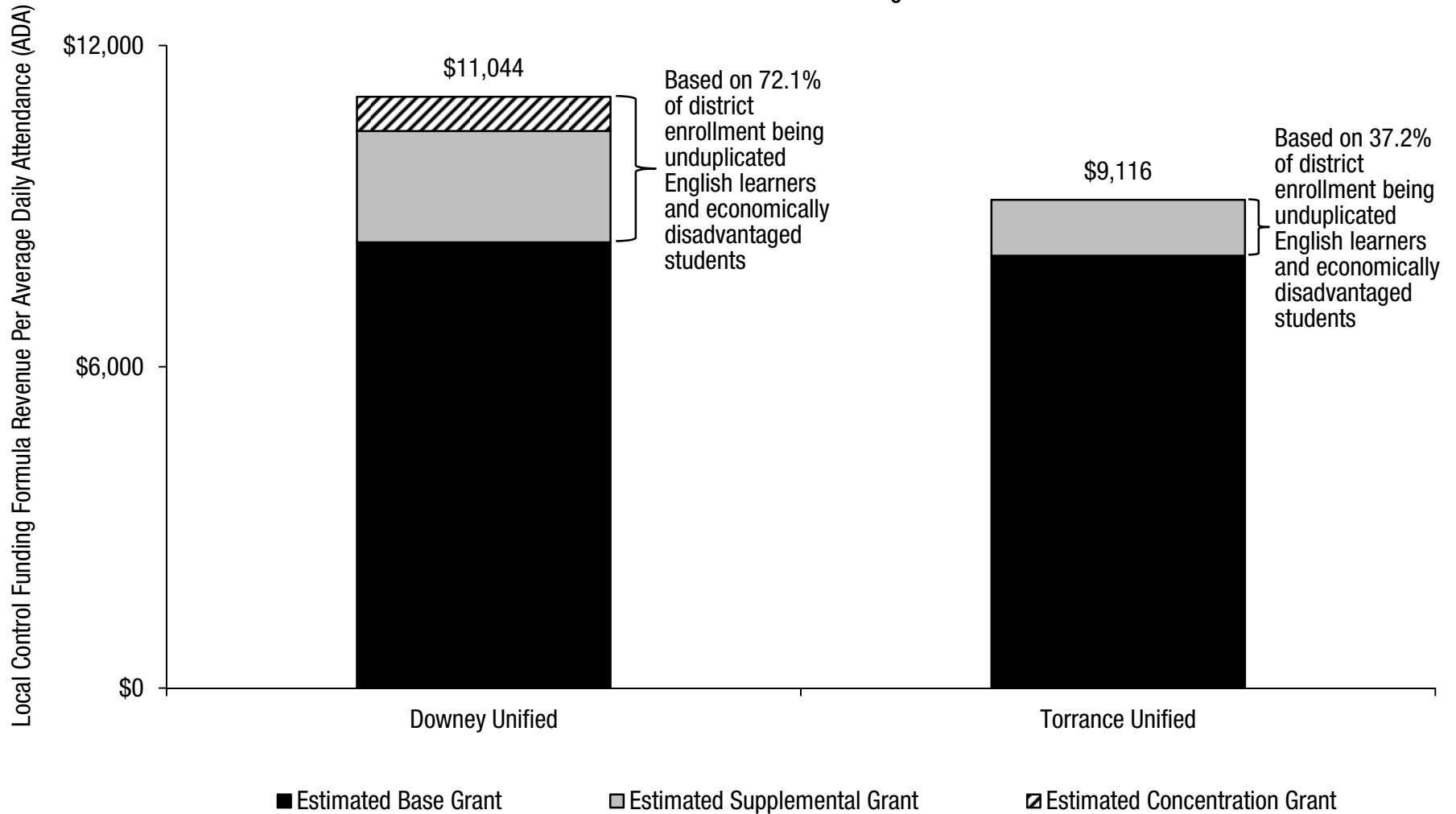
# The LCFF Would Make State Education Spending More Transparent and Rational

- The state would provide school districts with:
  - **A base grant** per student that would be adjusted to reflect the number of students at various grade levels.
  - **A supplemental grant** per student, equal to 35 percent of the base grant, for the *unduplicated* number of English learners and economically disadvantaged students in each school district.
  - **A concentration grant** per student, equal to 35 percent of the base grant, for the *unduplicated* number of English learners and economically disadvantaged students above 50 percent of school district enrollment.

# The LCFF Would Make State Education Spending More Equitable

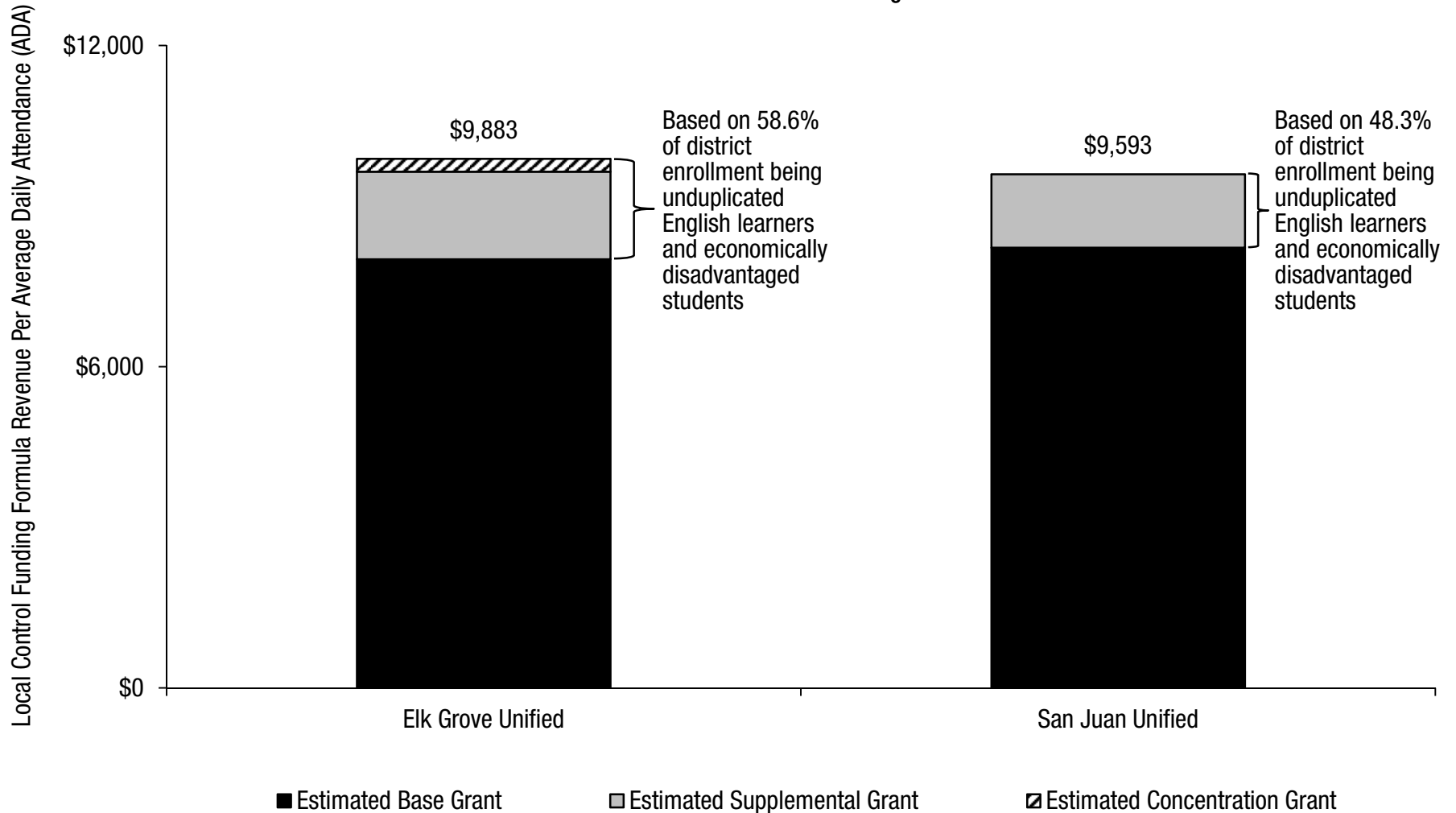
- The LCFF would provide more resources to students with greater needs.
  - The LCFF would provide all school districts with supplemental funding for English learners and students from low-income families.
  - The LCFF would provide school districts with resources to help pay for the additional cost associated with concentrated poverty and/or a large share of English learners.
- Based on the Governor’s projections, school districts with larger shares of disadvantaged students would receive additional LCFF dollars per student.

## With Full Implementation of the LCFF, Downey and Torrance Unified Are Projected to Receive Additional Revenues Based on the Disadvantaged Students in Each District



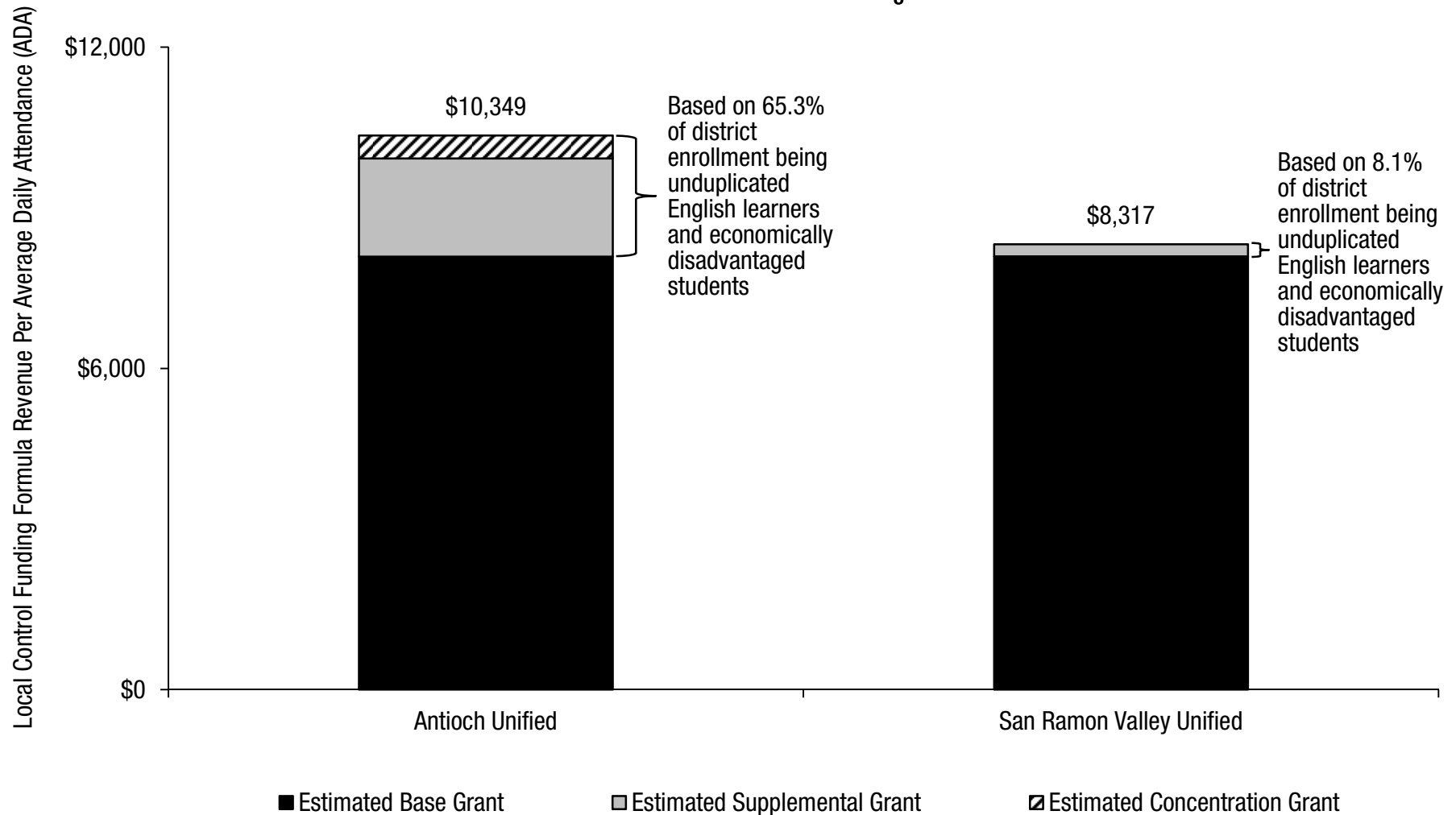
Note: Total Local Control Funding Formula (LCFF) revenue per ADA reflects Department of Finance estimates upon full implementation of the LCFF. Individual grants reflect CBP estimates.  
 Source: CBP analysis of California Department of Education and Department of Finance data

## With Full Implementation of the LCFF, Elk Grove and San Juan Unified Are Projected to Receive Additional Revenues Based on the Disadvantaged Students in Each District



Note: Total Local Control Funding Formula (LCFF) revenue per ADA reflects Department of Finance estimates upon full implementation of the LCFF. Individual grants reflect CBP estimates.  
 Source: CBP analysis of California Department of Education and Department of Finance data

## With Full Implementation of the LCFF, Antioch and San Ramon Valley Unified Are Projected to Receive Additional Revenues Based on the Disadvantaged Students in Each District



Note: Total Local Control Funding Formula (LCFF) revenue per ADA reflects Department of Finance estimates upon full implementation of the LCFF. Individual grants reflect CBP estimates. Source: CBP analysis of California Department of Education and Department of Finance data

# The LCFF Does Not Reflect All School Dollars

- The LCFF excludes several sources of school district revenue, including:
  - Certain local dollars, such as parcel taxes;
  - State dollars for programs such as special education, the After School Education and Safety program, and child nutrition programs; and
  - All federal dollars.

# The LCFF Would Increase Funding for the Vast Majority of School Districts

- No school district would receive less than its 2012-13 revenue under the LCFF.
- The LCFF would restore cuts made over the last five years to school district general purpose funding – also known as “revenue limits.”
- The LCFF would establish a target base grant per student equal to the 2007-08 statewide average for general purpose funding.
- Substantial additional funding would be provided to school districts with economically disadvantaged students and English learners to help meet these students’ educational needs.



# The Governor's Proposal Would Boost California Spending Per Student

- The Governor proposes to raise the annual school funding level by \$15.5 billion over approximately seven years, as well as provide annual cost-of-living adjustments.
- The Governor projects that the average funding per student would increase by approximately \$2,700 statewide over five years.

# The LCFF Would Be an Important Step Toward Equity, Though Adequate School Funding Remains a Concern

- California's school spending per student has substantially lagged the rest of the US for at least the past 20 years.
- California would need to spend an additional \$15.3 billion in 2012-13 to reach the same level of spending per student as the rest of the US. It would take \$41.1 billion in additional 2012-13 spending for California to rank in the top 10 states.
- The LCFF in itself may not provide sufficient funding for schools to achieve the state's academic standards. However, this should not be a reason to oppose providing additional resources to disadvantaged students, especially given that the proposal would *significantly increase* overall state spending for schools.

# School Districts Should Be Held Accountable for Spending of LCFF Dollars

- The LCFF would require school districts to use their supplemental and concentration grants to “substantially benefit” the students for whom the grants are intended.
- To ensure that students from low-income families and English learners receive additional services, state policymakers should specifically require that supplemental and concentration grants are spent to:
  - “Directly benefit” disadvantaged students.
  - Provide additional services and not just substitute for dollars that schools already receive.

# Additional Dollars for Disadvantaged Students Should Be Preserved

- Policymakers are considering the elimination of LCFF's concentration grants.
- Policymakers should preserve the additional dollars that the LCFF would allocate for disadvantaged students, including concentration grants.
- To the extent that policymakers reduce or eliminate concentration grants, they should use the freed-up dollars to provide larger supplemental grants for disadvantaged students.

# Conclusion

- The LCFF is a major step toward making California school funding more equitable.
- The LCFF would increase funding for the vast majority of school districts and boost California spending per student.
- Policymakers should preserve additional dollars the LCFF proposes for economically disadvantaged students and English learners.
- Policymakers also should ensure that dollars intended for disadvantaged students are used to provide additional services for these students.