

CALIFORNIA BUDGET PROJECT

Education Finance in California:

How Schools Get and Spend Their Money

1107 9th Street,
Suite 310
Sacramento,
California 95814
(916) 444-0500
www.cbp.org
cbp@cbp.org

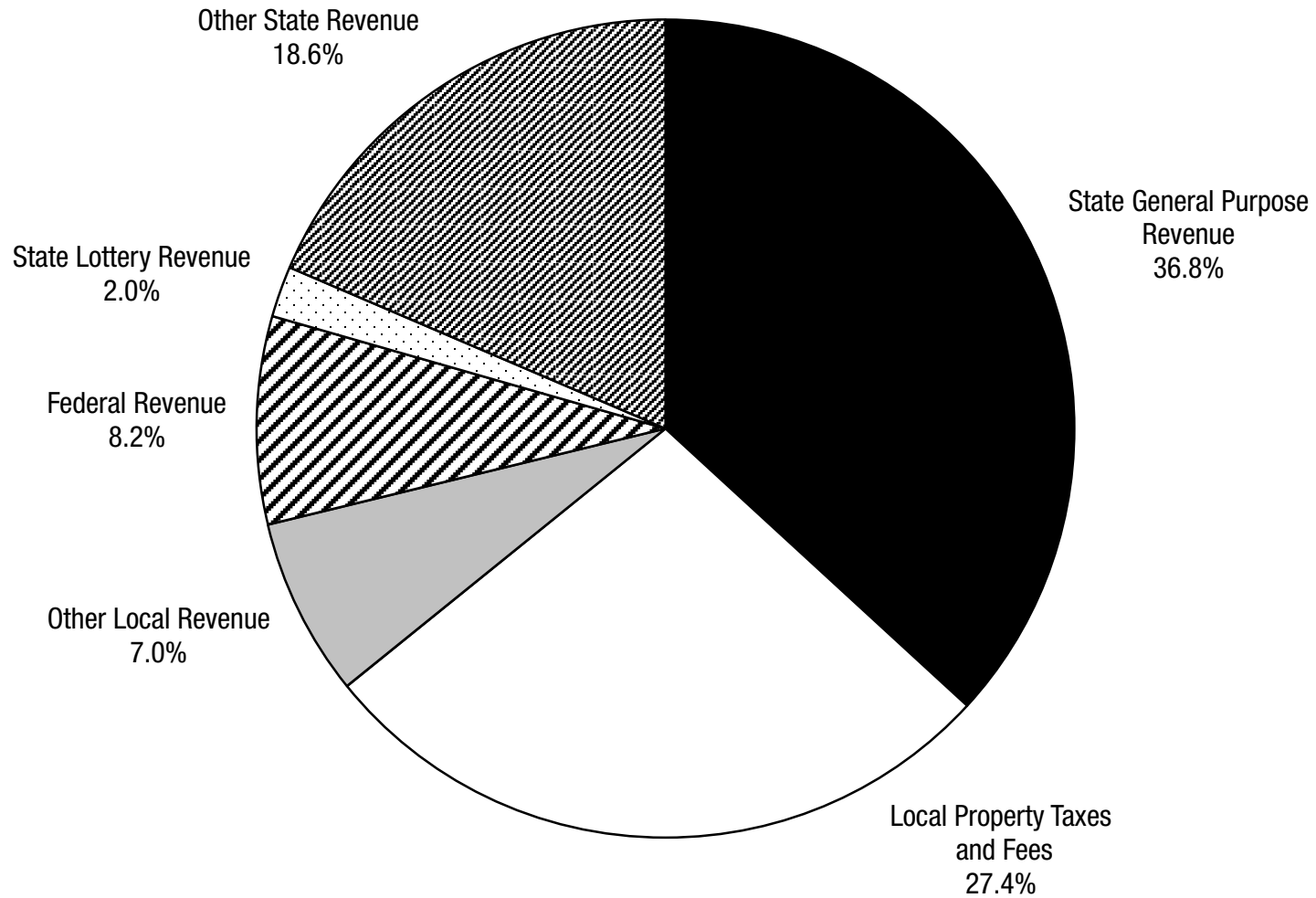
A PRESENTATION BY
JONATHAN KAPLAN, SENIOR POLICY ANALYST
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Outline

- How Do California Schools Get and Spend Their Money?
- What Determines the Level of State Funding for California Schools Each Year?
- California's New Education Funding Formula
 - Why the State Changed How It Funds Schools
 - How the Local Control Funding Formula (LCFF) Works
- Q&A/Discussion

The State Budget Provides the Majority of California School Funding

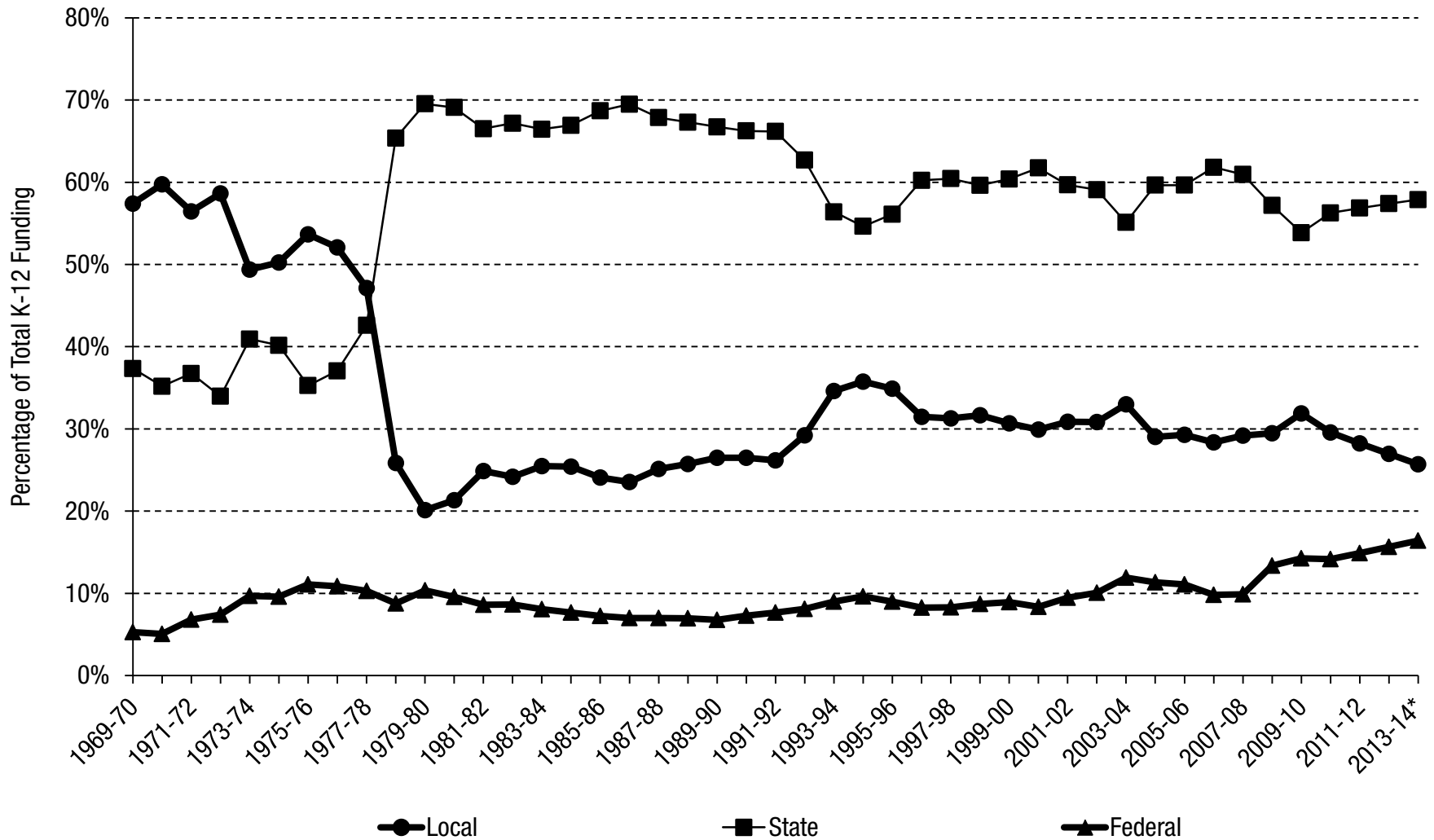
School Districts Received More Than Half of Their Revenues From the State in 2012-13



Note: Only includes revenue in school districts' general funds.
Source: Education Data Partnership

The State Has Provided the Majority of California School Funding for Several Decades

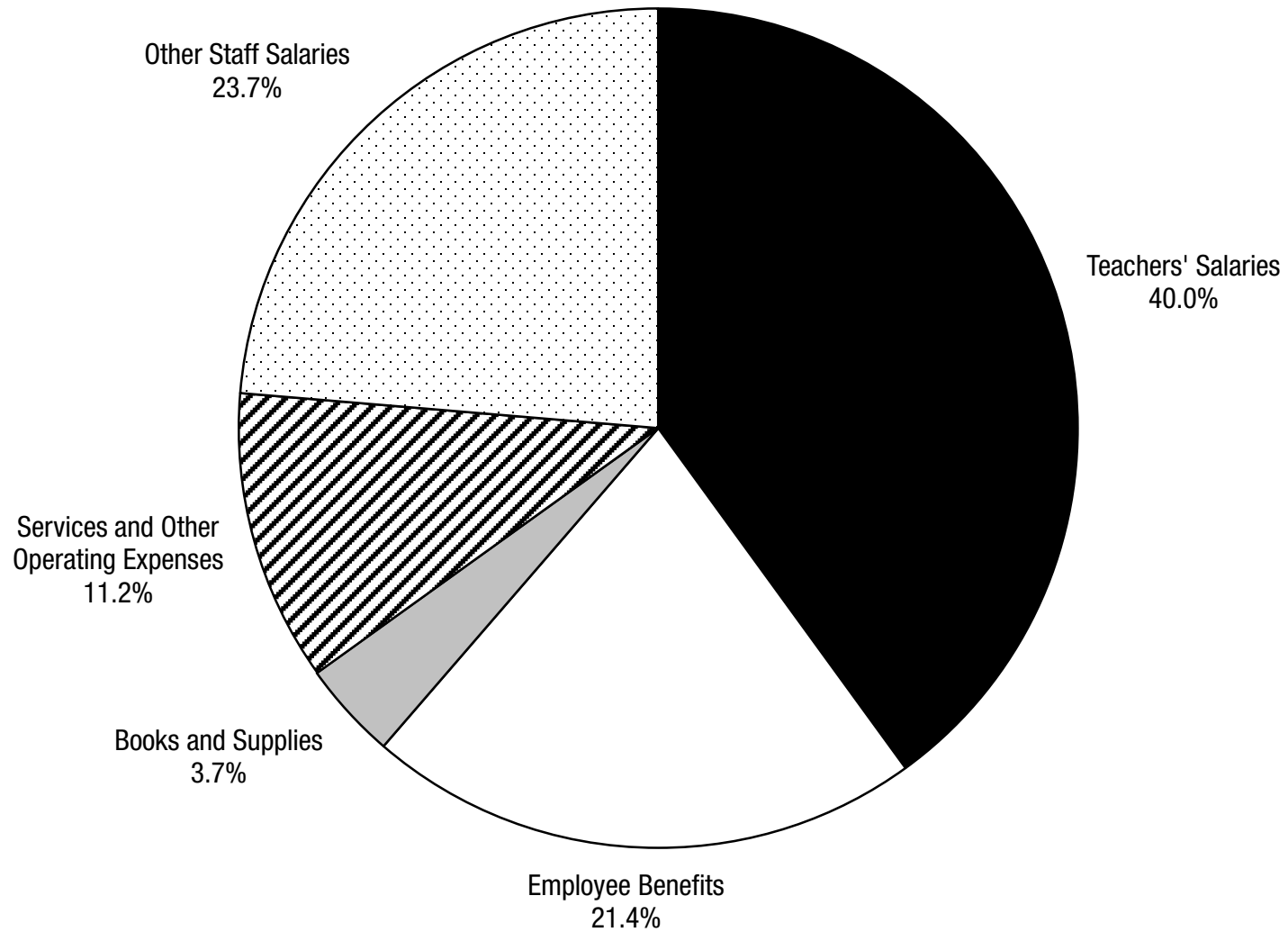
Since 1978-79, California's K-12 Schools Have Received a Larger Share of Their Funds From the State and a Smaller Share From Local Property Tax Revenues



* 2012-13 and 2013-14 estimated.
Source: National Education Association

How Do Schools Spend Their Funds?

85 Percent of Statewide Spending for Schools Supported Salaries and Benefits in 2012-13



Note: Expenditures from school districts' general funds. Excludes spending for capital projects, other outgo, and transfers of indirect costs.
Source: Education Data Partnership

What Determines the Level of State Funding for California Schools Each Year?

Proposition 98 Guarantees a Minimum Level of State Funding for California Schools Each Year

- Proposition 98, approved by California voters in 1988, establishes a minimum funding level for K-12 schools and community colleges each fiscal year.
- In many years, Proposition 98 has acted as a ceiling rather than a floor for school funding.
- Proposition 98 does not reflect what an “adequate” education costs.
- The Legislature decides how Proposition 98 funding is spent and can suspend the minimum funding level for a year by a two-thirds vote of each house.

California Changed the State's Education Funding Formula in 2013

Why Did California Change How It Funds Schools?

California's Old Education Finance System Was Complex, Irrational, and Inequitable

- Under the prior system, school funding in California:
 - Was determined by complicated formulas that dated back to the 1970s.
 - Included dozens of programs designated for specific purposes (so-called “categorical” programs).
 - Did not reflect the cost of educating different student populations.

What Does the Local Control Funding Formula (LCFF) Do?

The LCFF Fundamentally Restructures California's Education Finance System

- The LCFF:
 - Eliminates “revenue limits” and nearly all state categorical programs.
 - Streamlines state K-12 funding and allocates resources based on student needs.
 - Shifts responsibility for allocation of K-12 funding from the state to school districts.

The LCFF Makes State Education Spending More Rational

- Under the LCFF, the state provides school districts with:
 - **Uniform base grants** per student for four grade spans.
 - **A supplemental grant** per student, equal to 20 percent of the base grant, for the *unduplicated* number of English learners, foster youth, and economically disadvantaged students in each school district.
 - **A concentration grant** per student, equal to 50 percent of the base grant, for the *unduplicated* number of English learners, foster youth, and economically disadvantaged students above 55 percent of school district enrollment.

What Is *Not* Included in the LCFF?

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.
 - All federal dollars.

LCFF Implementation Began in 2013-14, but Reaching Funding Targets Will Take Several Years

- The LCFF creates a target funding level for each school district.
- Full implementation of the LCFF – that is, all school districts meeting their funding targets – depends on the state increasing spending for schools.
- The Department of Finance estimates that reaching funding targets for all school districts will take eight years.

The LCFF Requires Local Accountability Plans

- The LCFF provides school districts with greater authority over the use of funds, but requires each district to adopt a “Local Control and Accountability Plan” (LCAP).
- LCAPs must set district goals in each of eight state priorities, which include implementation of Common Core State Standards, student achievement, parental involvement, and school climate, among others.
- LCAPs must specify actions to meet district goals.
- Specific actions in a school district’s LCAP must be aligned with the district’s adopted budget, and expenditures must be sufficient to implement actions included in the LCAP.

The LCFF Requires Local Accountability Plans (continued)

- Each school board must:
 - Have adopted an LCAP by July 1, 2014, which will be effective for three years.
 - Update its LCAP annually prior to adoption of its budget.
 - Solicit input from various stakeholders, including parents, students, and school employees.
 - Submit its LCAP for approval to the County Office of Education.

The State Board of Education Is Adopting Funding Accountability Requirements

- The LCFF requires school districts to “increase or improve services for unduplicated pupils in proportion to the increase in funds” attributable to these students.
- The State Board of Education (SBE) has adopted emergency regulations to determine how school districts will be held accountable for using LCFF grants to provide additional services for English learners, foster youth, and economically disadvantaged students.
- The SBE is expected to adopt permanent regulations soon.

The LCFF Requires Evaluation Rubrics

- The LCFF requires the SBE to adopt evaluation rubrics by October 1, 2015.
- These evaluation rubrics will be used to assess school district and individual schoolsite performance.
- As the SBE develops evaluation rubrics, it must adopt performance standards for each of the eight state priorities described in a district's LCAP.

Stakeholder Engagement Is Key to Accountability

- School districts must provide opportunities for consultation and comment when developing and updating their LCAPs.
- School districts must form parent advisory committees to provide input on LCAPs. These committees must include parents and/or legal guardians of English learners, foster youth, and economically disadvantaged students.
- School district superintendents must respond in writing to comments made by parent advisory committees.

The LCFF Is 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 have needed to spend an additional \$13.4 billion in 2013-14 to reach the same level of spending per student as the rest of the US.

Conclusion

- The majority of California schools' dollars come from the state budget .
- A large share of school dollars support their workforce.
- The LCFF fundamentally restructures how California funds schools and aligns funding with student needs.
- The SBE is in the process of adopting regulations to hold school districts accountable for increasing or improving services for disadvantaged students
- The LCFF addresses equity issues, but does not in itself provide adequate school funding.

For More Information

Jonathan Kaplan
Senior Policy Analyst

jkaplan@cbp.org

916-444-0500

www.cbp.org

Blog: www.CaliforniaBudgetBites.org

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