

Overview of Governor Brown’s “Local Control Funding Formula” (LCFF) Reform Proposal

Governor Jerry Brown’s proposed 2013-14 budget includes school finance reform to fix the state's outdated and broken school finance system. The Local Control Funding Formula (LCFF) proposal was developed using six guiding principles:

- (1) Create a funding mechanism that is equitable, easy to understand and focused on the needs of students.
- (2) Implement the formula in concert with funding increases for K-12 education
- (3) Phase in the formula over several years.
- (4) Pay schools back for deferrals and forgone cost-of-living adjustments by restoring the deficit factor, and funding annual cost-of-living adjustments going forward.
- (5) Allow schools maximum flexibility in allocating resources to meet local needs.
- (6) Hold schools accountable for academic and fiscal outcomes.

The specifics of the Governor’s LCFF proposal include:

Formula component	Details
New Funding Methodology	<ul style="list-style-type: none"> ○ The model creates three funding mechanisms: a base target, supplemental funding and a concentration factor. <i>(More information on these mechanisms is outlined below.)</i> ○ For each district, the state will calculate the gap between their current funding and the target funding levels then over the next five to seven years, depending on state revenues, work to reach the new targets. ○ Each year the districts will receive the funding level that they received the prior year plus a proportion of that funding gap.
Base grant target	<ul style="list-style-type: none"> ○ Districts will receive \$6,816 per student once the formula is fully implemented. ○ The base target represents the average undeficitated revenue limit, which represents the general purpose funding districts would have received had they not been cut and received their full cost-of-living adjustments each year.
Grade span adjustment	<ul style="list-style-type: none"> ○ The base grant per student will be adjusted according to grade level to meet the unique needs of students. The grade spans are K-3, 4-6, 7-8 and 9-12. ○ For example, K-3 will receive additional funding to enable districts to reduce class size, and high schools will receive additional funding to provide Career Technical Education if they choose.
Supplemental funding	<ul style="list-style-type: none"> ○ Districts will receive an additional 35% of the base grant for students who are English Learners, low income or in foster care. The grants will not be duplicated if a student qualifies in more than one category. ○ These funds are available for any purpose that benefits the students who

Formula component	Details
	<p>generate the funding.</p> <ul style="list-style-type: none"> ○ Districts would be able to receive supplemental and concentration funding for an English learner for up to five years.
Concentration factor	<ul style="list-style-type: none"> ○ Districts with 50% or more students qualifying for supplemental funding will receive an additional concentration grant equal to 35% of the base grant for each student above that threshold.
Cost of Living Adjustment	<ul style="list-style-type: none"> ○ Each year, the state will increase the base, supplemental and concentration targets by the K-12 COLA rate.
New County Office of Education formula	<ul style="list-style-type: none"> ○ Provides county offices of education with two levels of funding (1) a higher base grant and the same supplemental/ concentration grant as districts for the instruction of students in county run schools and (2) unrestricted funding for county office operations.
Categorical programs	<ul style="list-style-type: none"> ○ Almost all existing categorical funding programs will be eliminated. Special education, after school programs and a few other programs will continue. ○ Also excludes Home-to-School Transportation and TIIG, but they are added to the base grants and the funding will be fully flexible. ○ Adult Education is realigned to the community colleges, and \$300 million in new Proposition 98 funds are provided. Districts currently receiving adult education will have that funding folded into their LCFF grant.. ○ Class size reduction is included in the formula but allocated as an increase to the K-3 grade span. As the formula is fully implemented maximum class sizes in K-3 will be adjusted to 24 to 1. ○ Career Technical Education is included in the formula but allocated as an increase to the 9-12 grade span so that schools can continue to offer these programs.
Accountability	<ul style="list-style-type: none"> ○ Districts must adopt a District Plan for student achievement that addresses how the district will use their LCFF funding to: (1) improve core services, e.g. having qualified teachers at each school site, sufficient instructional materials, and school facilities in good repair; (2) provide programs or instruction that benefit English learners and low income students and (3) implement Common Core standards and progress toward college and career readiness. ○ Maintains existing state fiscal and budgetary controls. ○ Federal accountability provisions still apply.
Priorities for future Prop. 98 growth	<ul style="list-style-type: none"> ○ Allocates half of the growth in Prop. 98 to move districts towards their base and supplemental/concentration funding targets. The bulk of the remaining funding will be used to buy down deferrals.
Charter schools	<ul style="list-style-type: none"> ○ Charter schools are included as other LEAs, except they cannot receive a higher concentration grant than the school district in which it resides.

Formula component	Details
Basic aid districts	<ul style="list-style-type: none"> ○ Similar to all districts, basic aid districts will be held harmless. They will receive their formula allocation under LCFF paid for by their property taxes. They will continue to receive excess taxes above their LCFF allocation, and held harmless with any state funding they received for categoricals in 2012-13.

For more information on the specifics of the Governor's proposal, see the [2012-2013 budget proposal](#).

The Governor’s proposal reflects stakeholder input

A similar proposal was introduced a year ago by the Governor. Since that time the Administration has worked to engage stakeholders to vet issues around this approach. The new 2013 “Local Control Funding Formula” (LCFF) plan demonstrates the Administration was listening and worked to address specific concerns. The most significant improvements in the LCFF include:

- **No district loses funding.** All districts will remain whole as the new system is gradually transitioned over time by using growth in Proposition 98- not redirection of funds - to reach equitable target funding.
- **Larger base grants.** The base grant target amount is \$1,500 per pupil more than last year’s proposal, an important step in moving towards better funded schools.
- **Provides COLA to protect funding value.** The base target and the supplemental/concentration funding targets will be increased annually by the COLA to ensure the targets maintain their value over time.
- **Transition approach provides stability and time to plan.** In addition to ensuring no district will lose funding, the multi-year transition allows districts to be able to plan future program expansions especially for the students that need them the most.
- **Tighter accountability.** This new approach includes assurances that supplemental funding will be directed towards the students, and the schools they attend, that need the additional support. New assessments will allow schools to more accurately measure the progress of students to ensure that those benefiting from these new resources are seeing the gains that are needed.

While the changes made to the proposal are significant, this continues to be a work in progress. It is important that all stakeholders come together and work collectively to reform the current system. The time is now to implement a system that achieves equity, transparency and accountability.

Change is overdue

We can no longer tolerate an outdated, irrational and overly complex school finance system that yields unacceptable inequities and poor student outcomes.

- No clear rationale explains the variations in how schools are funded. Funding levels are based on extraordinarily complicated calculations that often seem to defy all logic. (“School Finance Reform – A Weighted Pupil Formula for California, Policy Analysis for California Education (PACE), May 2012)
- Further, the system treats similarly situated districts differently and doesn’t recognize the different needs of students.

- Dozens of separate categorical funding streams have been created over time, each with different strings. All of these programs create a disjointed funding system that doesn't allow districts the flexibility to sufficiently fund the programs needed to keep pace with our high expectations for all students and to address persistent gaps in achievement.

Now is the time to modernize our school finance system so that it will reflect and support other important shifts in California's commitment to education.

- Common Core standards have been adopted that provide a clear focus and pathway toward improved student achievement and are being implemented by districts now. The finance system should mirror the Common Core motto of "fewer, higher, clearer."
- The passage of Prop 30 stops the cycle of cuts and allows us to move forward to build and grow a transparent, effective system that reflects student needs.

Why moving toward a new approach makes the most sense

It levels the playing field by correcting existing disparities in the current system and realistically addressing current student demographics and challenges.

- Differences in current base funding are not determined by student needs, but by historic factors such as type and size of district, even among districts serving similar student populations.
- Additional resources will be provided to meet the unique education challenges low-income and ESL students present.
- While we are aligning our investment in California schools with student needs, no district will lose any funding.
- According to EdSource, California students who are poor, African American, Latino and English learners score disproportionately lower on standardized tests than their peers. Other measures of student achievement—including dropout and graduation rates, completion of the a–g courses required for eligibility to the state's four-year universities, and college admissions—reveal similar achievement patterns.

It eliminates the current "command and control" system and transfers the power to set priorities and make funding decisions to the local level where it belongs.

- Greater flexibility and increased decision-making at the local level will allow districts to tailor their programs to meet the unique needs of their community.
- Gives districts the flexibility and power to determine how to improve educational outcomes among all groups of students in response to being held accountable for raising student achievement across the board.

It provides greater simplicity, clarity, and accountability to the school finance system

- Permanently eliminates piecemeal and often disjointed categorical requirements, which now consume about a third of school revenue, to make more money available to local districts to invest in their students' unique needs.
- Creates a system able to adapt, innovate and respond to changing circumstances – now and in the future.
- Streamlines the system to make it easier for all to understand and follow, and, coupled with increased local control, improves transparency. Moreover, district and school staff will spend far

less time navigating the cumbersome bureaucracy created over decades by layers of restrictions, requirements and new priorities handed down from the state.