

Finding a Path Toward Equity

What States Can Learn from the Transformation
of California's School Funding Model

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"Equal treatment for children in unequal situations is not justice."

*— Governor Jerry Brown at the signing ceremony
for the Local Control Funding Formula (2013)*



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Introduction

With the passage of the Local Control Funding Formula (LCFF) in 2013, California began the process of revolutionizing its school funding system. The aim of the LCFF was to make the California school finance system more equitable, flexible, and transparent, as well as to give districts the opportunity to make smarter resource decisions that fit their particular needs. Under the previous system, the state primarily funded school districts through tightly controlled “categorical” grants. Under the LCFF, funds are distributed according to the level of student need, and district leaders have much more flexibility to make spending decisions. Education leaders and advocates built support for sweeping reforms to address the old inequitable, top-down school funding model. Eventually an unforeseeable series of events created the right conditions for reform. A massive recession followed by a steady economic recovery, a practical reform proposal, a champion in the Governor’s office, and a united advocacy coalition all contributed to the passage of the LCFF. (See page 14 for a timeline of developments in California that set the stage for passage of the LCFF.)

Reforming a state’s education funding system is never easy. As most states face a dwindling pool of resources to devote to education, any proposed change to the funding formula is likely to be met with resistance from those fearing a smaller slice of the pie. Comprehensive reform often requires difficult trade-offs, making it less attractive to legislators than ad hoc funding increases for pet causes or particular constituencies. But now, a policy window appears to be opening in many states as revenues continue to recover from the Great Recession.

Part I of this case study describes the chronological progression of how and why one of the most significant state education reforms in recent years came to be. Part II of this report offers valuable lessons for policymakers and advocates who want to increase flexibility, equity, and transparency in their state K–12 funding systems.

THE PRINCIPLES OF THE LOCAL CONTROL FUNDING FORMULA (LCFF)

A More Equitable Funding Formula

- » School districts receive a base funding amount based on average daily attendance, with additional incremental dollars for targeted student populations.
 - Targeted student population: Targeted students are those classified as English language learners, those who are eligible for a free or reduced-price meal, youth in foster care, and homeless youth. These are called “unduplicated” students because a student who fits multiple categories is only counted once.
 - Supplemental grants: Each unduplicated pupil within a district generates an additional 20 percent of the base rate.
 - Concentration grants: School districts in which over 55 percent of students are in the targeted student groups receive additional funding at 50 percent of the base rate for each targeted student above the 55 percent threshold.
- » After the severe cuts created by the recession, all school systems will see their funding levels restored to at least those in 2007–08 by 2021.

Shift to Local Control

- » LCFF eliminated dozens of prescriptive categorical grant programs.
- » Funds are provided as block grants to local districts, who largely control how to spend their dollars.

Transparency and Accountability

- » Districts must develop three-year Local Control and Accountability Plans (LCAPs) which describe annual goals, specific actions the district will undertake to meet state priorities, and how they will use supplemental and concentration grants to increase or improve services to the targeted student populations.
- » Districts must present plans to advisory committees of parents and to the community at large, and incorporate community input into the plans.
- » County offices of education review and approve LCAPs, and may provide technical assistance.

Part I: Passing the Local Control Funding Formula

A BROKEN SYSTEM

Before the LCFF, California's school finance system was burdensome, overly centralized, and detrimental to strategic resource use for school districts.

Over the five decades preceding the passage of the LCFF, a series of referenda, legislation, and legal decisions created a byzantine school finance system that was failing to meet the needs of California's students. Sparked by a 1971 ruling by the California Supreme Court in *Serrano v. Priest*, California became the first state in the country to pursue a school finance system in which local property tax wealth was not a primary driver of school district revenue.* The legislative response to *Serrano* sought to "equalize" school district revenues, which are typically a function of local wealth (Senate Bill 90, 1972; Assembly Bill 65, 1977).¹ The aspirations behind these efforts were never fully realized, however, as a result of Proposition 13 in 1978, which many argue undercut funding equity.**

Over the subsequent years, school finance in California became a centralized, state-driven affair, with local communities constrained in their ability to raise additional revenue, with very few exceptions. When districts became part of the state's annual budget, local planning for the future became volatile and uncertain. Nationally, California dropped from 14th in per-pupil spending the year before Proposition 13 to 46th in 2013–14.²

In addition to this centralization of funding allocations, the proliferation of categorical grants — dedicated funding streams that must be spent by districts on specific purposes — restricted the use of an increasingly large amount of districts' budgets and put immense pressures on school districts. By 2008, categorical grant programs comprised up to a third of total district revenue, funding as many as 80 programs in some districts and a great deal more for higher-poverty school districts.³ Pressures created by the restrictive categorical grants reached a boiling point when a new categorical grant program for school gardens was added after the governor met with a celebrity restaurateur — at a time when many district budgets were so tight that many would have preferred to spend the money on basic supplies such as toilet paper.

* Specifically, *Serrano v. Priest* found that the state education funding system that depended on local property taxes violated the equal protection clause by providing educational opportunities based on local wealth.

** Created as a measure to protect taxpayers, Proposition 13 had two effects on school finance in California. First, it eliminated over half of the local revenue for public schools by capping property taxes at 1 percent and limiting increases in taxes to 2 percent per year. Second, it effectively gave the state control over allocating property tax revenue among local governments.

The result of centralized funding and the proliferation of categorical grants was a system in which the state determined allocation amounts and the activities they were spent on with very little input from local communities.

“The detailed specifications of how funds are to be used — consuming hundreds of pages in the Education Code — produce a compliance mentality focused on accounting for inputs rather than delivery of outcomes.”

— Michael Kirst, Alan Bersin, and Goodwin Liu in *Getting Beyond the Facts* (2008)

The funding system for California’s K–12 students was inequitable. In spite of the *Serrano* ruling and years of policies intended to reduce the influence of local wealth on school funding, no clear mechanism existed to adjust state funding based on the level of need locally. Many state categorical grant programs that purported to serve high-need students did not target those students and were more likely to target legislators’ constituents.⁴ Although average test scores rose across the state, the inequity in funding contributed to an achievement gap between students from low- and high-income families.⁵

A VISION FOR CHANGE

With the publication of an influential proposal in 2008, the seed for the LCFF was planted. It would be five years, however, before conditions were right for action.

By the mid-2000s, education leaders, foundations, the research community, and politicians were eager for change to the unpopular education funding system. Spearheaded by the William and Flora Hewlett Foundation, Governor Arnold Schwarzenegger’s Committee on Education Excellence and the state’s top elected officials supported a research project in April 2005 to better understand the resource and governance needs of California’s schools. This project was borne out of a growing sense that reform was critically needed and only a commonly shared fact base about the system would enable change. Based at Stanford’s Institute for Research on Educational Policy and Practice, the “[Getting Down to Facts](#)” research project produced 20 studies between 2005 and 2007 that found California’s schools to be insufficiently funded, with funding not well used.

The emphasis on funding adequacy and how well current funding was being spent earned support for the project from individuals across the political spectrum. The presence of both Democrat and Republican names on the list of individuals requesting and supporting the studies added to its credibility. The studies produced no explicit recommendations, but their bipartisan origins created bipartisan buy-in to the studies’ findings.

Inspired by *Getting Down to Facts*, three education leaders released the influential white paper [Getting Beyond the Facts: Reforming California School Finance](#) in 2008. In it, former (at the time) State Board of Education

President Michael Kirst, former California Secretary of Education Alan Bersin, and University of California, Berkeley, law professor (and long-time advocate for funding adequacy) Goodwin Liu proposed a feasible path forward for California school finance with a clear vision for increasing equity, flexibility, and local control.⁶ Building from the recommendations of the Governor’s Committee on Education Excellence, much of the structure of the LCFF can be found in *Getting Beyond the Facts*. For example, Kirst, Bersin, and Liu proposed freeing up categorical funds in favor of a block grant, with district allocations determined by a weighted student funding formula based on student need. They recommended a formula that included supplemental funding for low-income students and English language learners and additional dollars for districts with high concentrations of high-need students.

Concerned their proposal would simply sit on the shelf and gather dust, the authors of *Getting Beyond the Facts* carefully considered competing priorities among various stakeholders and school districts. To ensure “a measure of stability and [maximize] political feasibility,”⁷ they included the important principle that no school district should see its current allocation reduced. Relying on projections that state revenue would increase over the next five years, Kirst et al. proposed that the new formula only apply to new money, effectively avoiding a scenario of redistributing scarce resources by taking funding from some students and shifting it to others.

Getting Beyond the Facts was built upon the foundation and political will of the Getting Down to Facts research project, as well as a powerful new school finance model out of the Public Policy Institute of California that allowed the state to test how school districts would be impacted under the new system and make adjustments accordingly. The authors of *Getting Beyond the Facts* brought a tremendous amount of credibility to the issue of a more equitable approach to school finance, and nearly everyone we spoke with agreed that *Getting Beyond the Facts* served as the blueprint for the LCFF.

A Steep Road Ahead

Even with this politically feasible and research-based starting point for reform, the vision in *Getting Beyond the Facts* faced significant challenges from natural defenders of the old system, including a stubborn state legislature and lower-need school districts. The following were well-known challenges that would make it difficult to change school finance laws in California:

- 1) Legislators in Sacramento had a long history of supporting categorical grant programs. In fact, most programs had at least one lobbyist paid to see that the program would continue.
- 2) Opposition could be anticipated from suburban districts with small numbers of high-need students, who would fail to see an upside to a new formula that, over time, would leave their districts with less funding relative to their more urban peers.
- 3) Support from equity advocates and urban districts themselves could not be taken for granted. Education funding systems are complicated, and potential supporters would have their own questions about how funding flexibility would work in practice.

How supporters of reform responded to these challenges and other shifting conditions would determine whether change was possible. However, the most significant obstacle could not have been foreseen: despite the rosy expectations of 2007, a recession of historic magnitude was just around the corner and funding for California's schools would drop significantly for several years.

CHANGING WINDS: A RECESSION, AN ELECTION, AND A NEW POLICY LANDSCAPE

In the years between *Getting Beyond the Facts* and the signing ceremony for the LCFF, the education, fiscal, and political landscapes in California underwent major changes.

In interviews for this case study, California's education insiders repeatedly pointed to the recession, the election of Governor Brown, a growing backlash against top-down accountability, and a changing state legislature as key conditions that made funding reform more favorable and were ultimately leveraged by the LCFF's champions.

The Devastation of the 2008 Recession Creates an Opportunity

The most impactful external event that ultimately turned the tide for the LCFF was, at the time, a disaster for public education in California. When the Great Recession hit in 2008, California faced a significant loss of revenue and a deficit larger than the expenditures of all but 10 other states.⁸ Governor Arnold Schwarzenegger declared a fiscal emergency, and the legislature proceeded to cut billions of dollars from state spending. This included \$7.4 billion in cuts to K–12 education from 2007–08 to 2011–12, or a reduction in annual per-pupil spending of \$1,271. As a result of the 15 percent decrease in the main source of K–12 funding, districts across the state reduced days of instruction, eliminated programs, and cut teaching staff.⁹

The arrival of the economic crisis shortly after *Getting Beyond the Facts* was published led few in Sacramento to focus on the bold ideas put forward by Kirst, Bersin, and Liu. However, the recession also inadvertently set in motion a shift toward district funding flexibility that would ultimately help enable the LCFF's reforms. In 2009, the state legislature enacted a temporary reprieve from program spending requirements on \$4.7 billion of categorical funding, representing 40 different programs. Many district leaders took advantage of this flexibility and shifted funding to other purposes not previously permitted under the rules of the categorical programs.¹⁰ Somewhat suddenly, school districts had the freedom to make their own resource allocation choices, and they appreciated that freedom. In one survey, most district leaders supported the elimination of most of the state's categorical programs, and 70 percent supported the elimination of 12 specific programs.¹¹

Intended to help districts weather the economic crisis, this flexibility helped pave the way for the LCFF's shift to local control, according to many district leaders, state leaders, and advocates that we interviewed. The specific flexibility granted by the California legislature's 2009 reprieve ended in 2015, but the popularity of the temporary reprieve demonstrated that more permanent change was possible. It also spurred district innovation and increased collaboration and coordination between districts through organizations like the California Collaborative

for District Reform and Urban Education Dialogue, which bring together district leaders to share best practices and collaborate to solve challenges in the field. This type of collaboration established a foundation of relationships that would prove useful in enacting and implementing the LCFF. Previously thought of as an untouchable feature of the California school finance system, the future of categorical grant funding was now in doubt.

The steep education cuts from 2007–08 to 2011–12 also heightened Californians' sense of unease with the state of their public schools, which might have indirectly primed the population to support bolder reform. A 2013 [Public Policy Institute of California \(PPIC\) survey](#) found that the vast majority of Californians (85 percent) said that the state budget situation was at least somewhat of a problem for public schools, and that a majority of adults (63%) thought that the level of public school funding was not enough.

In 2010, California Elects a New Governor Who Supported Locally Controlled Education

In November 2010, in an election cycle known for the rise of the Tea Party and in which the Republican Party gained control of both the Senate and the House, Californians chose Democrat Jerry Brown as their governor. Brown, who had previously served as governor from 1975 to 1983, summed up his victory by declaring, "As you know, I've got the know-how and the experience."

Brown ran by pledging, among other things, to improve the state's schools, simplify the state's Education Code, and return more control to local school districts. He also had a seasoned advisor in Michael Kirst, who had co-authored the *Getting Beyond the Facts* proposal which called for a simpler education funding system. Kirst had been appointed by Brown as the President of the State Board of Education (SBE) during Brown's previous governorship and he helped draft the Governor's 2010 education platform. Brown appointed Kirst as President of the SBE again in 2011. The Kirst-Brown relationship proved to be a critically important component in advancing the LCFF from inside the government.

Brown's own interest in education reform stemmed from his time as the mayor of Oakland, where he opened two charter schools and resented what he saw as state interference in the city's schools. Brown also cites his Jesuit roots and his credence to the concept of subsidiarity, which translated for Brown into the belief that the people closest to students are best suited to make decisions about how those students are educated.¹²

In Jerry Brown, California elected an experienced leader unafraid to take on obstacles that might have slowed down a less seasoned politician. Nonetheless he had his work cut out for him, having not previously attempted education reform of the magnitude of the LCFF. A shifting education policy landscape would make it difficult to fully anticipate the willingness of policymakers and the public to fall in line with a fundamentally new approach to K–12 education funding.

The Public Pushes Back on Top-Down Education Accountability

The 2001 federal education law No Child Left Behind (NCLB) was a rare bipartisan achievement in Washington, but in many communities in California the law's prescriptive accountability provisions became unpopular among principals, teachers, and the public. Among its fiercest critics was the California Teachers Association, which was ready to "go to war" with Rep. George Miller, D-Calif., over his support for a 2007 bill seen as continuing the key elements of NCLB.¹³ The following year Rep. Miller reportedly joked that "the NCLB brand has become so toxic that simply changing the name would pick up 100 votes for the legislation."¹⁴ This negative view of NCLB's "top-down" education policy may have exacerbated dissatisfaction with categorical programs due to their similarly prescriptive nature. The public seemed poised for reforms that put greater control in the hands of local education leaders.

Sacramento Changes its Legislative Processes

In the decade leading up to the LCFF, two significant developments in Sacramento changed the way the state government operated. Several individuals we interviewed believe these developments made it easier for the Governor to pass an agenda focused on shifting education control from the state to the local level.

One important change in state budget policy was [Proposition 25](#). This ballot proposition, passed by the voters in November 2010, required state legislators to forfeit their pay in years when they fail to pass a budget in a timely fashion. This new penalty put additional pressure on legislators to ensure a smooth budget process, and removed incentives for obstructionism. Since the LCFF was passed through the budget process, its passage may have been aided by the effects of Proposition 25 on the legislative process.

Another important contextual factor was the role that term limits played in shifting power between the California legislature and the governor. In the late 1990s, California introduced term limits — six years (three terms) for members of the State Assembly and eight years (two terms) for members of the State Senate. Reduced tenure and higher turnover among legislators meant that lawmakers had less time to build institutional knowledge and expertise across policy areas, and less time to develop legislative leaders. In 2012, term limits were changed so that new California legislators could serve for a total of 12 years, in either the Assembly or Senate, or a combination. As a result of these rule shifts, the political power at the state level may favor the Governor, particularly a governor such as Brown who came into office with years of experience and a deep understanding of the system that afforded him considerable credibility with the legislature and with the public.

FAILING IN ORDER TO SUCCEED

Governor Brown's 2012 weighted pupil funding formula proposal failed, revealing obstacles and opposition, but also paving the way for what would become the LCFF.

After entering office in 2011, Brown first worked to reform the state's criminal justice system before turning to education in early 2012. Benefiting from goodwill among fellow Democrats who controlled the Senate and the Assembly, Brown might have suspected education reform would be well received; however, California schools were experiencing their third year of funding cuts. One education leader referred to the idea of a new funding formula in 2012 as "rearranging the chairs on the Titanic."¹⁵

Nonetheless, in his 2012 budget proposal, Governor Brown included the general principles outlined in *Getting Beyond the Facts*: a new funding formula called the "Weighted Student Formula," with school districts receiving block grants that would replace dozens of categorical grant programs and supplemental funding for targeted student populations.

The decision to include major changes to the state's K–12 finance process in the budget proposal, and thus use the annual state budget process and its prioritized, streamlined procedures in the legislature was no accident. Our interviewees frequently cited this approach as greatly increasing the odds of success for the weighted pupil funding formula by sidestepping the need for the bill to go through the education policy committees. The state's budget is proposed by the Governor, shepherded through the legislature by the Governor's staff in conjunction with the Assembly and Senate leadership, and has fewer opportunities for bargaining and horse-trading. The Governor also has veto authority over the bill. Some we spoke to took issue with the choice to use the budget process, which they pointed out was not designed for substantive policy changes of the magnitude of the LCFF.

Ultimately, the 2012 effort to implement the weighted pupil funding formula was unsuccessful for several reasons. First, education stakeholders were in no position to rally around such transformational change when schools were suffering under heavily reduced funding. A May 2012 letter signed by the state's teachers' unions, PTA, school boards, administrators, and others expressed strong opposition to the Governor's plan to implement a new formula while cutting 2012–13 funding for education.¹⁶ Voters would need to approve a temporary tax increase to stop the bleeding and restore education funding lost as a result of the recession. Governor Brown put forward this temporary tax increase, which ultimately won at the ballot box in the fall of 2012.

The second reason Brown's 2012 Weighted Student Formula failed was its reliance on redistributing existing funds, which school districts and legislators saw as a zero-sum game that would hurt some students in order to help others. With a short phase-in period, the proposed formula would have taken hold in a year and it came with "substantial winners and losers."¹⁷

Others believed the 2012 effort was a trial balloon to test the waters and level of support for this sort of education finance reform, making it difficult for advocates to fully organize and rally around a proposal they were unsure would ever take off. After the effort failed and Brown decided he would try again the following

year, a public affairs firm also found that the branding itself had hampered the proposal's success. The term "weighted pupil funding formula" connoted disruptive redistribution and the monetizing of children to the public. "Local control," on the other hand, was a much more popular message among Californians.¹⁸

AMPLIFYING SUPPORT WHILE ACCOMMODATING CRITICISM

After tweaking their budget proposal and passing a tax increase to restore education funding, Brown and his team worked with allies to amplify support for their new proposed K–12 funding formula, identify potential problems before they could undermine the effort, and accommodate criticism by incorporating additions into the proposal.

In January 2013, Governor Brown introduced his 2013–14 budget and used it to signal that K–12 funding reform was a moral imperative and a priority he intended to fight for in Sacramento. In his annual State of the State address, Brown asked legislators to "approve a *brand new* Local Control Funding Formula which would distribute supplemental funds over an extended period of time — to school districts based on the real-world problems they face."¹⁹ Unlike in 2012, the proposal for a new funding formula was a central part of the Governor's budget, the State of the State address, and discussions with stakeholders that Brown's staff had begun months before the budget's release.

Restoring Funding and Faith in the System through a Voter Referendum

After the 2012 failure of the weighted pupil funding formula, Brown's team was prepared with the valuable lessons they had learned. Most notably, the new budget relied on increasing revenues made possible by the passage of Proposition 30 in November of 2012, which increased taxes and stopped the bleeding of education funding cuts. Many believed that, had this referendum not passed, the likelihood of the LCFF's approval would have been markedly lower.

The unexpected success of Proposition 30, which Brown had campaigned on in 2010, helped solidify support among unions, administrators, and wealthier school districts, increasing his political will among groups that he would need on his side to ensure passage of the new formula. Several education leaders in California pointed out the importance of this sequence — employing a voter referendum to increase taxes prior to a legislative formula fix — as helping to build grassroots support for the Governor and his reforms, an approach which differed from other state K–12 funding reform efforts in recent years.

With increasing revenue, the new plan also built in a transition mechanism, varying annual funding increases so that relative district funding levels would slowly change over a seven-year period. Importantly, no district would be worse off under the new system, lessening natural political opposition from school districts that the reform was not designed to benefit. "We wanted to show that everyone would in some way benefit from the new formula," said a former Brown administration official.²⁰ Brown's approval ratings improved after the passage

of Proposition 30, and with the period of drastic education funding cuts coming to an end, the mood across the Golden State was more hopeful than it had been in some time.

Building an Alliance with Key Stakeholders

Brown's staff, including leaders from the Department of Finance and the State Board of Education, led the charge for the LCFF, coordinating closely with supporters of the LCFF such as large urban school districts, allies in the Senate and General Assembly, and the advocacy community.

Large Urban School Districts

When asked why the 2013 effort to pass the LCFF was successful, former members of Brown's team noted that it was crucial to involve large urban districts, who fared particularly well under the new formula. These large urban districts were able to provide input on the formula through the Governor's "kitchen cabinet," which included his advisors, and regularly consulted with superintendents from across the state on progress and obstacles.

Urban school district leaders also influenced the formula for supplemental and concentration grants. Since they have very large numbers and concentrations of disadvantaged students, these grants would have a large impact on their funding. For example, many cited the Los Angeles Unified School District (LAUSD) as a key consideration when determining the threshold for the LCFF's concentration grant, which provides additional dollars for districts with large concentrations of high-need students. Offering the state's largest school district substantial gains in funding, along with increased flexibility, ensured the proposal was taken seriously by southern California's sizable legislative contingent.*

Advocacy Community

Civil rights and equity-minded organizations such as Public Advocates, ACLU of California, Californians Together, EdTrust-West, and Children Now also played a key role in supporting the LCFF from outside the government. These groups were primarily focused on the equity goals of the LCFF, and played an important role in ensuring that local control was paired with local accountability for school districts. Equity advocates also shaped the LCFF by pushing for provisions to ensure that the additional funds districts receive based on their population of disadvantaged students would actually be spent on efforts to support these students. This resulted in what is commonly referred to as the "increase or improve" requirement, a point of contention following the LCFF's passage.**

* One notable consequence of providing more funding for school districts with high concentrations of poverty is that this boost fails to address concentrations of poverty within districts that don't meet the formula's threshold for concentration grants, a poverty rate above 55 percent.

** Specifically, the law requires local education agencies (LEAs) to increase or improve services to disadvantaged students in proportion to the increase in funds resulting from the number or concentration of these students within the LEA (see EDC Section 42238.07).

To support the LCFF's passage, many of these groups helped mobilize local community organizations to lobby state leaders and organized media campaigns to counter the LCFF opposition. This support included, for example, advertisements published shortly before the vote in the *Sacramento Bee* and *Los Angeles Times* and signed by the many organizations endorsing the reform. Staff at these organizations also expressed support at public meetings or as part of panel discussions. Behind the scenes, these organizations were lobbying for their priorities, but maintained support throughout the process for achieving reform as opposed to keeping the status quo.

Other Key Stakeholders

Other noteworthy groups engaged in negotiations over the specific elements of the LCFF included the Education Coalition, which included the California School Boards' Association, the Association of California School Administrators, and the state's two major teachers' unions. The LCFF's supporters worked to make sure each of these long-standing, influential groups had a voice in the process. School boards had fought for increased local control for some time and were eager to increase it, for example, yet simultaneously advocated for a larger base grant. The teachers' unions were an outreach target as well and were one reason the K–3 class size reduction program was maintained under the LCFF.

A New Focus on Accountability

In the months after the January 2013 unveiling of the LCFF, Governor Brown struck a balance between signaling unwavering support while his staff maintained an openness to adjusting the specifics of the proposed funding formula and the underlying bill, up to a point. A senior legislative aide noted, "We presumed [Brown] wouldn't sign a budget without it [the LCFF], or without some version of it."

In the first significant adjustment, the bill's definition of "hold harmless," a provision to ensure no districts received less state aid than in the previous year, was changed to be more favorable to districts with smaller targeted student populations. While no district would have lost funding under the initial funding formula included as part of the 2013 budget proposal, some districts would have received significantly less in future years than they would in the absence of the LCFF. To help ensure support from legislators representing these districts, including the two education committee chairmen, legislative staff suggested an adjustment, which Brown's team included in the May budget revision, promising that all school districts would see their funding restored to pre-recession levels. Known as the "economic recovery target," the change affected 130 school districts, subsequently decreasing the amount of funding available for supplemental and concentration grants.²¹

The most substantial set of changes made in the final weeks of the LCFF's path to becoming a law included a series of accountability provisions representing a compromise between the principles of local control and improved support for high-need students. With the civil rights community questioning how freeing districts from the assurances that came with categorical grants would improve educational opportunity for targeted students, Brown's staff made a series of last-minute additions. In doing so, the bill evolved in a way that helped

secure the necessary legislative support to cross the finish line while staying true to Brown's vision for keeping decision-making at the local level.

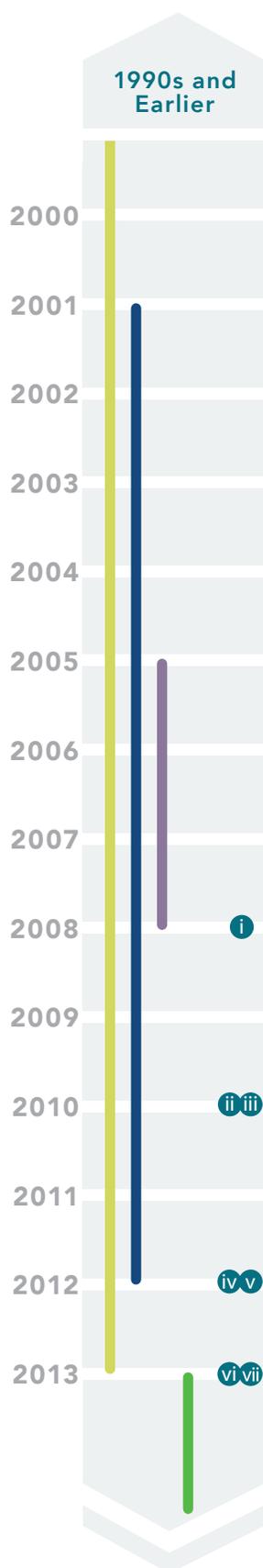
Based on the provisions added to the LCFF to increase accountability, local school districts are required to develop three-year Local Control and Accountability Plans, or LCAPs. These plans must describe annual goals and specific actions to achieve these goals that are aligned with [state priorities](#) but reflect the local context, requiring districts to consult with a variety of education stakeholders and the public at large. This includes, for example, presenting plans to advisory committees of parents and, in some cases, the parents of English language learners in particular. The input gathered from these engagement activities must be included in their LCAP. This presents an opportunity for stakeholders to help shape education spending decisions, or at least provides the general public with greater transparency into local stakeholder views.

District LCAPs must be approved by county offices of education, which serve as intermediaries between school districts and the state and, in some cases, provide support throughout the LCAP development process. The LCFF accountability was designed to be part of a cycle of continuous improvement. LCAPs must be updated annually based on new information, and an online dashboard of outcome measures was created to assist districts in evaluating their strengths and areas for improvement. Districts are encouraged to seek support from their county office of education to improve outcomes for their students and increase equity. The LCFF also established a new statewide agency to support districts on their path to continuous improvement, the California Collaborative for Educational Excellence.

When Governor Brown signed the LCFF on July 1, 2013, he said, "We are bringing government closer to the people, to the classroom where real decisions are made and directing the money where the need and the challenge is greatest. This is a good day for California, it's a good day for school kids, and it's a good day for our future."²² This significant achievement was just the beginning of the journey towards greater equity for California students.

The timeline on the next page presents an overview of the developments in California that set the stage for the passage of the Local Control Funding Formula.

Figure 1. Timeline of Developments in California Related to K–12 Finance Reform



1971–2013 | A broken system: Court cases, voter referenda, and the popularity of categorical grants led to a school finance system that was burdensome, overly centralized, and detrimental to strategic resource use in California school districts.

2001–2012 | A public backlash: The growing unpopularity of the federal education law No Child Left Behind contributes to Californians' distaste for restrictive, top-down education policies.

2005–2008 | A vision for change: A sweeping research project, *Getting Down to Facts*, shed light on the challenges facing the public education system in California and helped lead to an influential, detailed proposal for change, *Getting Beyond the Facts*, which laid the groundwork for the Local Control Funding Formula.

i 2008 | Recession: The Great Recession causes a “fiscal emergency” in California and \$7.4 billion in cuts to K–12 education, creating devastation for schools while opening the door to increased spending flexibility for cash-strapped school districts.

ii 2010 | A new leader: Jerry Brown, a former governor with a background in K–12 education and a devotion to subsidiarity — the principle of leaving authority to local leaders — is elected as governor. Brown shared the vision for change laid out in *Getting Beyond the Facts*; his top education advisor, Michael Kirst, was one of the paper's co-authors.

iii 2010 | Shifting power: A ballot proposition elevating the importance of the state budget gave the governor more power to pass his or her agenda.

iv 2012 | Failing in order to succeed: Brown's first attempted revamp of the state education funding formula, the “weighted pupil funding formula,” failed to pass the legislature but ultimately paved the way for reform.

v 2012 | Restoring funding: After a push from Governor Brown, Proposition 30 is approved by voters, restoring a large amount of education dollars to school districts and giving policymakers the opportunity to design a funding formula that would reshape district allocations, sending more money to high-need districts without sending less to others.

vi 2013 | Building an alliance and fine-tuning: Working alongside school districts, advocates, and stakeholders, Brown's staff fine-tuned the funding formula and its transition mechanism, while broadening the law's scope to include a new school accountability framework.

vii 2013 | Final passage: On July 1, 2013, Governor Brown signed into law the Local Control Funding Formula, ushering in a new era of education funding and accountability, while leaving key decisions about the new accountability structure to the State Board of Education.

2013–Present | Making equity real: Districts with large populations of high-need students have seen significant increases in funding; meanwhile, advocacy groups, education leaders, and communities are still grappling with what it means to “increase and improve services” to such students and hold districts accountable for it.

Part II: The Road Forward

THE COMPLEXITIES OF MAKING EQUITY REAL

The LCFF had an almost immediate impact on funding levels for local districts throughout the state, and funding levels continued to shift over the subsequent few years as the state moved towards full implementation of the law. The law set a funding target of \$18 billion over seven years, and that target has largely been met, with school districts and charter schools receiving an average of 97 percent of their LCFF targets in 2017–18.²³ This has meant large increases in funding in districts with large populations of high-need students. Early evidence on the impacts of this additional spending has been limited, though at least one study found that additional dollars from the LCFF could be tied to higher graduation rates and improved student performance, especially among students from low-income families.²⁴

The education community turned quickly to developing regulations to fill in areas of the LCFF that were left vague or undefined, in some cases purposefully to aid the LCFF's passage. Most of these significant decisions were left to the State Board of Education, which was required to take into consideration input from the public. Following the release of draft regulations, the State Board partnered with WestEd to hold three regional input sessions. The opportunity for public testimony led to substantial revisions to the rules, which were approved approximately six months after the LCFF became law. In our interviews, advocates emphasized that it was important for “unduplicated students” — that is, those with high needs that the law sought to support — to have the opportunity to stand with their families before the State Board to push to make the law more equitable.

The LCFF's accountability measures are still evolving. The LCAP template has been through three revisions, as the state seeks to satisfy multiple goals, including using the LCAP as an accountability tool that ensures districts meet their long- and short-term goals to support high-need students; as a communications document that can be understood by the community; and as a local strategic planning document. The first version of the LCAP template resembled a compliance document; in response to feedback, it has been further streamlined. Advocacy groups have pressed for LCAPs to be *more* detailed as to how funding will serve high-need students. Districts have struggled to sufficiently engage local communities, leverage their input, and communicate their plans in clear and succinct ways. The state has offered support from the California Collaborative for Educational Excellence, in the form of professional development around completing the LCAP.

Additionally, advocacy groups, districts, county offices of education and the state are still grappling with what it means to ensure that targeted student populations benefit from the LCFF. Districts have made a variety of

arguments around what it means to “increase or improve” services for high-need students. LAUSD, for instance, asserted that special education funding is an appropriate use of supplemental and concentration funds because many of its targeted students are also special education students.²⁵ This assertion was challenged by Public Advocates in a lawsuit, and ultimately LAUSD agreed to reprogram over \$150 million in funding to schools in the district that serve large populations of targeted student groups. More recently, Public Advocates filed a complaint against the Long Beach Unified School District (LBUSD) for failing to account for or misusing funding for targeted groups and a complaint against the Los Angeles County Office of Education (LACOE) for approving LBUSD’s spending plan in fall 2016. In a recent ruling LACOE acknowledged that LBUSD’s plan should not have been approved, and agreed to order the district to recalculate its funding for these students going forward.²⁶

Finally, districts faced substantial competing demands on their time and attention while transitioning to the new world of the LCFF. These competing demands included nearly simultaneous implementation of new instructional standards, a new federal education law, a severe teacher shortage, and ongoing funding challenges for school districts, exacerbated by increasing pension costs.

LESSONS FOR OTHER STATES

Many states face deep challenges in their education funding systems. Research has highlighted that education funding is often inadequate to meet all students’ needs, inequitable in how it is allocated, and insufficiently transparent with respect to how the funds are used.²⁷ The recent reduction of education funding in over 40 states, and the decline of teacher compensation both in real (inflation-adjusted) terms and with respect to other professions have put state funding reform in the spotlight in states across the nation.

The Every Student Succeeds Act (ESSA), passed in late 2015, also contributes to the attention on K–12 finance reform. It pushes authority back toward states and tries to draw attention to within-district inequity by requiring, for the first time, states to report expenditure data down to the *school-level*.²⁸ As states work to restore or increase education funding, some may have a rare opportunity to enact transformative reform to their school funding system. The story of the LCFF in California is the story of one state seizing just such an opportunity to restore funding in a way that increased equity and local control.

Some aspects of the LCFF story are certainly unique to the California context, but when distilled down to its core elements, there are valuable lessons applicable to all states. We have compiled a list of “Dos and Don’ts” for education policymakers, administrators, and practitioners to consider as they ponder enacting funding system reforms. The recent history of California’s funding system transformation should yield insight for any states pursuing a more equitable and transparent K–12 funding system.

Dos and Don'ts of Statewide K–12 Finance Reform

Do: Protect all communities from funding cuts resulting from the reform.

More than any other single factor, the “hold harmless” provision was cited in our interviews as critical to getting buy-in from a wide swath of districts. By setting the minimum funding for all districts at pre-recession levels, this provision avoids “substantial winners and losers.”²⁹ It paved the way for the compellingly simple message: the LCFF gives more to the neediest without taking from others. However, without increasing revenues and the new funding source brought by Proposition 30, the “hold harmless” provision would not have been feasible.

Don't: Forget to develop a winning message.

With a good idea in hand, it can be easy to forget the importance of crafting a strategic message to communicate it. The term “weighted student formula” in California brought with it negative connotations that undercut the initial proposal. Replacing it with “local control” increased public support for the reform without making fundamental changes to its structure.

Do: Involve a diverse coalition of stakeholders in all stages of the process, from inception to implementation.

A key strength that came up time and time again in our interviews was the broad and diverse coalition of LCFF stakeholders engaged by state leaders early in the process. Individuals we interviewed from different stakeholder groups felt they had a seat at the table. As a result, these same groups invested time and energy in lobbying legislators, mobilizing the public, and organizing media campaigns, which was crucial to the LCFF's passage.

Do: Allow for enough flexibility in the policy development process to address concerns raised by stakeholders.

Involving stakeholders would not have been as effective if state leaders had been unable or unwilling to incorporate their views into the final bill. Allowing stakeholder input to impact the final legislation allowed for substantive debates and resulted in significant revisions. Each revision strengthened support with key groups, and expanded overall support.

Don't: Leave too many unanswered questions or key decisions for the post-passage period.

This is a challenge for any significant piece of legislation — if representatives try to iron out every issue, the bill will never pass; but if they leave too many open questions, the ongoing debate can disrupt implementation and imperil the sustainability of the measure. Between August 2015 and May 2017, the California Department of Education responded to formal complaints alleging that the Los Angeles Unified School District, the Manteca Unified School District, and the Fresno Unified School District failed to comply with the LCFF's requirement to use supplemental and concentration funds to increase or improve services for unduplicated students. These formal

complaints illustrate the unresolved debate over the “increase or improve” provision of the law, and the enduring tension between providing local control and ensuring that school districts deliver on the intended promises under the LCFF. This lack of resolution has arguably been one of the biggest stumbling blocks in LCFF implementation. There may be no easy way to overcome substantive conflicts among powerful stakeholders, but California’s experience illustrates the risks when ambiguity remains about how funding can or should be used.

Don’t: Treat all districts the same or expect them to take on new flexibility without support.

Giving authority to local education agencies can help improve the effectiveness of resource allocation and can lead communities to become more involved in education decisions. But granting flexibility does not automatically lead to better resource decisions. States must consider what role they can play in supporting improved local resource decisions and practices. In California, many districts have struggled with flexibility. Some local school boards felt ill-prepared to defend strategic but politically unpopular programs. Others allocated only new money strategically without rethinking the entirety of services provided, minimizing the overall effectiveness of these investments.³⁰ The recent practitioner networks organized by the California Collaborative for Educational Excellence are an example of how a state can organize to support districts in improving local resource practices.

Do: Focus on continuous improvement, tied to meeting long-term goals – not compliance.

The accountability system under the LCFF was meant to be a cyclical process of local improvement, but has increasingly been viewed as an exercise in compliance. The central product of the system, the Local Control and Accountability Plan (LCAP), despite recent improvements, is still seen by some as burdensome, inaccessible to stakeholders, and ineffective in ensuring that funds support high-need students. Moreover, high-profile complaints about district spending has left districts increasingly concerned about being found noncompliant. While the accountability process is still unfolding, it is clear from California’s experience that an improvement process can easily become an exercise in compliance and a barrier to progress.

Do: Use multiple channels of communication to share information vital to the reform effort.

The LCAP is meant to communicate to the public how their dollars are being used to support targeted student groups. The LCAP template has been revised to better accomplish this goal including, for instance, reflecting that some actions require multiple years to implement. Unfortunately, it is still trying to be too many things to too many people, resulting in a lengthy document that many find inaccessible. If the purpose of reporting is to ensure public participation, then channels of communication should be diverse enough that the information is accessible to all stakeholders. Omnibus reporting and compliance requirements that attempt to accomplish multiple purposes in one format often end up creating a great deal of effort while accomplishing very little.

Looking Ahead

Through the LCFF, California took a big step in redistributing funding to better support the education of its students. It replaced an inequitable, opaque formula with one that transparently takes into account the needs of its most underserved students.

However, reforming a funding formula to improve resource equity may be necessary but is not sufficient on its own. The reform must lead to improvements in the *local use* of these resources if it hopes to achieve its goals regarding equity and excellence in education. Now California begins the long-term process of implementing the law to *support* all school systems to use their funds effectively. The LCAP process and the recently completed state dashboard reflect this support in principle, but the verdict is still out on whether the state will operationalize this support in practice. Using the new funding formula to improve equity and ensure a high-quality education for all students remains a work in progress, and the work will continue for some time.

As other states consider reforms with similar goals, the most important lesson may be this: achieving a landmark legislative victory is only the first step toward truly transforming education funding.

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Finding a Path Toward Equity

What States Can Learn from the
Transformation of California's School
Funding Model

