

Policy Considerations for the Future of California's Local Control Funding Formula

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Introduction

California enacted a groundbreaking shift to its school funding system when it enacted the Local Control Funding Formula in 2013 (LCFF). The law overhauled California's K-12 funding, planning, and accountability system by distributing resources more equitably, giving local communities more control over the use of resources, and building mechanisms to promote continuous improvement. The LCFF was a significant departure from California's previous system of revenue limits and a multitude of prescriptive categorical funds.ⁱ With the adoption of the LCFF, California had implemented one of the most progressive funding formulas in the country.ⁱⁱ

This policy brief provides a short overview of the LCFF, then highlights key insights and improvement opportunities based on a decade of credible research and evidence on the LCFF's implementation thus far. In addition to drawing on research, the guidance in this brief draws on the experience of experts at WestEd who have been working with the state, local education agencies (LEAs), and others to support their understanding and implementation of the LCFF.

California's Funding System Prior to the LCFF

As in many other states, California's history of school funding has been shaped by tensions over how much money should be provided to public education, who should pay for that, and who has the authority to decide how to distribute and use those public taxpayer dollars. California, unlike many other states, is funded primarily through state revenue sources. This funding setup resulted from a series of events, including state legislation (Senate Bill 90) that enacted revenue limits, lawsuits in state court (*Serrano v. Priest*), and a voter proposition (Proposition 13), each detailed further below. Prior to the pandemic (and thus excluding short-term pandemic relief funding), the federal government contributed approximately 8 percent of California's annual K-12 funding. The remainder of funding comes from local sources.ⁱⁱⁱ

Reliance on property taxes. The state has not always had the leading role in funding California's schools. For much of California's history, schools relied primarily on local funding sources—particularly property taxes. This reliance on local funding created large disparities among districts based on local property values.^{iv} In 1971, in the class-action lawsuit *Serrano v. Priest*, California's Supreme Court found the school funding system

to be unconstitutional and ordered legislative action to correct its funding disparities.^v

The “revenue limit” system. California’s “revenue limit” system equalized the amount of total revenue (combining property taxes or local revenue raised by the jurisdiction plus other state revenue) that districts could receive, and districts with insufficient local revenue would receive additional state funding. This approach mostly equalized per student funding across districts.

Cutting short property taxes contributions. In 1978, schools’ proportion of funding from local property taxes dwindled further, as Proposition 13 imposed limits on property taxes. The role of state funding thus continued to grow, as did the proportion of state funding issued through “categorical” funds (i.e., funds earmarked for specific purposes). At its peak, categorical funding accounted for about 20 percent of the state funding that schools received.^{vi} These restrictive funds were widely viewed as impeding districts’ ability to make spending decisions based on student needs.^{vii} Practitioners often had to manage dozens of these specific funding streams at one time.

How Did the LCFF Change How the State Supports School Funding, Accountability, and Improvement?

The adoption of the LCFF in 2013 completely overhauled California’s funding, planning, and accountability system. One of the major shifts under the LCFF was a move toward local control in recognition of the fact that LEAs are generally best

positioned to understand the context and needs of their schools and students. Accordingly, through the LCFF, LEAs have flexibility to align funding to address local needs. This policy shift also signaled a desire by the state to step back as the arbiter of local spending decisions via categorical programs and other laws.

- **Local Control Funding Formula:**^{viii} Through the LCFF, LEAs^{ix} receive most of their funding based on average daily attendance. They receive a base per pupil rate as well as additional funding (supplemental and concentration grants) based on the number of *unduplicated pupils* in the following categories: students who are English Learners, socioeconomically disadvantaged, and/or in foster care.
- **Local Control and Accountability Plan (LCAP):**^x The LCAP is a 3-year plan that each LEA must develop, along with an LCAP annual update, using a template adopted by the State Board of Education. The plan describes the LEA’s goals, actions, services, and expenditures to support positive student outcomes. In this plan, LEAs also need to report how they will use their supplemental and concentration grants to increase or improve services for unduplicated students. Statute requires that LEAs engage many specific local stakeholder groups to collaboratively develop each LCAP and annual update.
- **California School Dashboard (Dashboard):**^{xi} The Dashboard is a public online tool that displays annual performance data for K-12 schools and LEAs across the state. Student performance data are disaggregated by student demographic

group (e.g., racial/ethnic groups, English Learners, students with disabilities).

- **System of Support:**^{xiii} California's System of Support provides three tiers of technical assistance to build LEAs' capacity to improve student outcomes. Thus far, LEAs have only been eligible for two of the tiers: *general assistance* (Level 1 support available to all) and *differentiated assistance* (Level 2 support based on underperformance, as recorded on the Dashboard). Most of this technical assistance is provided by county offices of education (COEs), and it emphasizes the use of continuous improvement processes. The System of Support also includes various *lead agencies* that build the capacity of COEs.

Key Findings and Improvement Opportunities

Based on research and evidence, as well as insights from WestEd staff working with LEAs to support LCFF implementation, this section summarizes insights and opportunities for improvement on some of the key issues related to the LCFF and its implementation. This list of issues is not exhaustive.

LCFF's Impact on Equitable Distribution of Resources

The LCFF has advanced resource equity by distributing larger proportions of funding to higher need LEAs,^{xiii} which has led to greater performance gains within higher need LEAs,^{xiv} particularly among disadvantaged student groups.^{xv} However, equity gaps in student

opportunities and outcomes persist.^{xvi} Factors impacting these performance equity gaps may include that LEAs vary in the extent to which they distribute additional funding to their highest need schools,^{xvii} and higher need schools tend to have less experienced teachers.^{xviii} Furthermore, only LEAs with more than 55 percent unduplicated students—an arbitrary threshold^{xix}—receive concentration grants, meaning that higher needs students in lower need LEAs receive much less additional funding.^{xx} Mounting fiscal pressure from declining student enrollment, as well as the rising costs of staff pension obligations, special education, and other required expenses, have also limited how far LEAs' dollars can stretch.^{xxi}

Key opportunities to improve upon the LCFF's advancement of resource equity include the following:

- **Combine the LCFF's supplemental and concentration grants, then distribute the funds based on each LEA's proportion of unduplicated students.** This would resolve the issue of the arbitrary 55 percent threshold for concentration grants and recognize the additional needs of unduplicated students in all LEAs.
- **Provide funding specifically to support LEAs' highest need schools.** The 2023–24 Governor's Budget Education Omnibus Trailer Bill includes an ongoing Equity Multiplier Allocation to address this. Funds would be provided based on the average daily attendance of LEAs' schools with at least 90 percent (for grades PK–8) or 85 percent (for grades 9–12) of students qualifying for free meals, and funds must be used for services that “directly benefit” those schools.

- **Focus attention on staffing qualifications at LEAs' highest need schools.** The Omnibus Trailer Bill includes steps for LEAs to examine educator qualification data at their highest need and underperforming schools, including through the LCAP and differentiated assistance processes.

Effectiveness of the LCAP on Accountability and Collaborative Local Decision-Making

The LCFF's implementation of local control, which gives LEAs the necessary flexibility to align funding with local needs, enjoys widespread support from local education leaders.^{xxii} Within the LCFF, LEAs' accountability comes not only from the state but also from local communities. By statute, the LCAP development process requires that LEAs carry out an extensive series of steps to collaborate with stakeholders in deciding how the LEA will spend its funds each year.

Indeed, to balance the LCFF's flexibility with accountability, the LCAP has several implicit purposes, including to serve as (a) a strategic planning tool; (b) a vehicle for community engagement via the required steps for LCAP development; (c) a way to communicate with the public about the LEA's priorities, goals, plans, and spending; (d) a budgeting tool to align local spending with state priorities; and (e) state accountability documentation for both inputs and outcomes.^{xxiii}

However, having so many simultaneous purposes and audiences has undermined the LCAP's actual utility. In particular, the continually growing numbers of accountability and reporting requirements have caused the LCAP to expand

into a lengthy, compliance-oriented document. This has impeded its ability to serve as a transparent, accessible way to engage interested parties in the LEA's strategic planning efforts, as LCAPs are often too long, detailed, and technical for interested parties to digest and navigate.^{xxiv} Engaging families and communities, including in school and district decision-making, plays a critical role in launching effective improvement efforts, sustaining those efforts, and creating a supportive school culture that strengthens student achievement.^{xxv}

Key opportunities to improve the LCAP's effectiveness for collaborative local decision-making include the following:

- **Streamline the LCAP template.** The state can improve the accessibility and utility of the LCAP by streamlining the LCAP template, giving it a focused purpose, making it more concise, and potentially giving LEAs more flexibility in how to write their plans.^{xxvi} This approach could revive the LCAP's intended ability to serve as a clear, concise, and transparent way to communicate with the public (both during and after the LCAP development process) about the LEA's priorities, goals, plans, and spending.
- **Build LEAs' capacity for community engagement.** The Community Engagement Initiative was established in 2018 under Assembly Bill 1808, section 140, as a component of the System of Support, and the 2022-23 Education Omnibus Budget Trailer Bill substantially expanded this investment. Implementing and sustaining this support can help districts participate in authentic community engagement and trust-building both within and outside of the LCAP development process.

A Support System Focused on Building LEAs' Capacity for Improvement

For years, LEAs and COEs have expressed very positive views of California's System of Support and its emphasis on building local capacity for continuous improvement.^{xxvii} A recent evaluation indicates that differentiated assistance, a key feature of the System of Support, positively impacts student outcomes, including for student groups experiencing the lowest outcomes.^{xxviii} In that evaluation, most LEA leaders identified their COEs' assistance as high quality. COEs also often report that the Level 1 support they offer to all LEAs includes the same, in-depth types of support that they offer to those eligible for differentiated assistance. Evaluations of the System of Support's lead agencies also indicate progress in building COEs' capacity to support LEAs.^{xxix} However, LEAs reported variation in the quality of support from COEs across the state, with roughly 1 in 10 LEAs describing their COE's support as low quality.^{xxx} LEAs and COEs also reported that it is difficult to complete meaningful improvement work within differentiated assistance's current 1-year timeline.^{xxxi}

Some duplication and tension exists between the state and federal school improvement processes. On one hand, California has made an effort to align some of the state and federal processes. For example, California aligned the content and review processes for the LCAP and the School Plan for Student Achievement, which meets federal requirements for school-level planning.^{xxxii} On the other hand, because the federal funding and accountability system directs funding, planning requirements, reporting requirements, and support to the school level, while the state's system focuses on the district level, most of

these processes still operate separately on parallel tracks.

Key opportunities to improve the System of Support (based on the recent evaluation of differentiated assistance)^{xxxiii} include the following:

- **Expand differentiated assistance into a 2-year (or longer) process.** The 2023–24 Governor's Budget Education Omnibus Trailer Bill includes this change.
- **Improve COEs' effectiveness through targeted capacity-building.** By evaluating local COE capacity, then targeting support (e.g., through the lead agencies) to those COEs that need it most, the state can help standardize the quality of support provided to LEAs across California.
- **Allow LEAs to use differentiated assistance funds to choose their own support provider.** Currently, differentiated assistance funds are provided directly to COEs even if LEAs opt not to work with them. If a COE cannot meet an LEA's needs, then allowing the LEA to access a portion of the funds to use another support provider can help ensure LEAs receive the support they need.
- **Examine whether to use eligibility for school improvement under the Every Student Succeeds Act to determine district-level eligibility for differentiated assistance.** This may help strengthen the alignment between the state and federal improvement processes. However, further study would be needed, and the extended timeline for differentiated assistance (mentioned above) may also facilitate greater alignment between these two types of support.

Endnotes

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Policy Considerations for the Future of California's Local Control Funding Formula

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