



An Overview of the Local Control Funding Formula

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Executive Summary

Chapter 47, Statutes of 2013 (AB 97, Committee on Budget)—enacted as part of the 2013-14 budget package—made major changes both to the way the state allocates funding to school districts and the way the state supports and intervenes in underperforming districts. The legislation was the culmination of more than a decade of research and policy work on California’s K-12 funding system. This report describes the major components of the legislation, with the first half of the report describing the state’s new funding formula and the second half describing the state’s new system of district support and intervention. Throughout the report, we focus primarily on how the legislation affects school districts, but we also mention some of the main effects on charter schools. (This report does not cover the new funding formula for county offices of education [COEs], which differs in significant ways from the new district formula.) The report answers many of the questions that have been raised in the aftermath of passage regarding the final decisions made by the Legislature and the Governor in crafting new K-12 funding and accountability systems for California.

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THE FORMULA

COMPONENTS

One of the main components of Chapter 47 is the creation of the local control funding formula (LCFF). The LCFF has several components, as described below. (Except where otherwise noted, the components that apply to school districts also apply to charter schools.)

Sets Uniform, Grade-Span Base Rates. Under the new formula, districts receive the bulk of their funding based on average daily attendance (ADA) in four grade spans. Figure 1 displays the four LCFF grade-span base rates as specified in Chapter 47. Each year, beginning in 2013-14, these target base rates are to be updated for cost-of-living adjustments (COLAs). The differences among the target grade-span rates reflect the differences among existing funding levels across the grade spans. Specifically, the new base-rate differentials are linked to the differentials in 2012-13 statewide average revenue limit rates by district type (the

same rates previously used to set charter school grade-span funding rates). These grade-span differences are intended to recognize the generally higher costs of education at higher grade levels.

Adjusts Early Elementary and High School Base Rates. The LCFF includes certain adjustments to the K-3 and high school base rates. These adjustments effectively increase the base rates for these two grade spans. The K-3 adjustment increases the K-3 base rate by 10.4 percent (or initially \$712 per ADA)—for an adjusted, initial K-3 base rate of \$7,557. This adjustment is intended to cover costs associated with class size reduction (CSR) in the early grades. (The \$712 per-pupil adjustment reflects the average K-3 CSR rate under the previous funding rules.) The high school adjustment increases the grades 9-12 base rate by 2.6 percent (or initially \$216 per ADA)—for an adjusted, initial high school base rate of \$8,505. This adjustment is not designated for any particular activity, but the genesis of the adjustment related

Figure 1
Overview of Local Control Funding Formula^a

Formula Component	Rates/Rules
Target base rates (per ADA) ^b	<ul style="list-style-type: none"> • K-3: \$6,845 • 4-6: \$6,947 • 7-8: \$7,154 • 9-12: \$8,289
Base rate adjustments	<ul style="list-style-type: none"> • K-3: 10.4 percent of base rate. • 9-12: 2.6 percent of base rate.
Supplemental funding for certain student subgroups (per EL/LI student and foster youth)	20 percent of adjusted base rate.
Concentration funding	Each EL/LI student above 55 percent of enrollment generates an additional 50 percent of adjusted base rate.
Add-ons	Targeted Instructional Improvement Block Grant, Home-to-School Transportation, Economic Recovery Target.

^a Applies to school districts and charter schools.

^b Reflects target rates as specified in statute. Does not include 1.57 percent cost-of-living adjustment provided in 2013-14. ADA = average daily attendance; EL = English learner; and LI = low-income (defined as a student receiving a free or reduced price meal).

to the costs of providing career technical education (CTE) in high school. (The \$216 adjustment reflects the average total amount spent per pupil on CTE categorical programs under the old system.)

Moving forward, the adjustment percentages will remain the same, though the dollar value of the adjustments will increase as the base rates rise due to COLAs.

Includes Supplemental Funding for English Learners and Low-Income (EL/LI) Students. The LCFF provides additional funds for particular student groups. Under the formula, each EL/LI student and foster youth in a district generates an additional 20 percent of the qualifying student's adjusted grade-span base rate. For instance, an LI

kindergartener generates an additional \$1,511 for the district, which is 20 percent of the adjusted K-3 base rate of \$7,557. (Because all foster youth also meet the state's LI definition, hereafter we do not refer to them as a separate subgroup.) For the purposes of generating this supplemental funding (as well as the concentration funding discussed below), a district's EL/LI count is based on a three-year rolling average of EL/LI enrollment. Students who are both EL and LI are counted only once (known as an unduplicated count). For more information regarding the classification of EL/LI student groups, see the nearby box.

Provides Concentration Funding for Districts With Higher EL/LI Populations. Districts

Classification of English Learner/Low-Income (EL/LI) Students

Classification of EL Students. For the purposes of the Local Control Funding Formula (LCFF), students are classified as EL based on a home language survey and the California English Language Development Test (CELDT). If a parent or guardian reports on the home language survey that a language other than English is the student's initial language learned or the primary language used at home, the student is required to take the CELDT. If the student is determined by the school district not to be English proficient based on CELDT results, then the student is classified as EL. Each year thereafter, an EL student is reassessed using the CELDT. Once a student is determined to be English proficient—based on CELDT results, performance on other state assessments, teacher input, and local criteria—the student is reclassified as Fluent English Proficient (FEP). Each school district can use its own criteria for reclassifying EL students as FEP. Under the LCFF, no time limit is placed on how long an EL student can generate supplemental and concentration funding for a district, but a student reclassified as FEP who is not also LI will no longer generate additional funding.

Classification of LI Students. For the purposes of the LCFF, LI students are those that qualify for free and reduced price meals (FRPM). Eligibility for FRPM is determined by school districts through a variety of means. In many cases, students are determined FRPM-eligible through an application process sent to students' households. If a household's income is below 185 percent of the federal poverty line (\$43,568 for a family of four), the student is eligible for FRPM. In other cases, students are directly certified as FRPM-eligible due to participation in other social service programs, such as the California Work Opportunity and Responsibility to Kids program. Foster youth automatically are eligible for FRPM, therefore the foster family's income has no bearing on the foster student's FRPM eligibility. An LI student will generate supplemental and concentration funding for a district until the student is no longer FRPM-eligible.

whose EL/LI populations exceed 55 percent of their enrollment receive concentration funding. Specifically, as shown in Figure 2, these districts receive an additional 50 percent of the adjusted base grant for each EL/LI student above the 55 percent threshold. (A charter school cannot receive concentration funding for a greater proportion of EL/LI students than the district in which it resides. For instance, if a charter school has 80 percent EL/LI enrollment but the district in which it resides has only 60 percent EL/LI enrollment, the charter school’s concentration funding is capped based on 60 percent EL/LI enrollment. If a charter school has multiple sites located in multiple districts, its concentration funding is capped based on the encompassing district with the highest EL/LI concentration, or its own EL/LI concentration if lower.)

Effect of Supplemental and Concentration Funding on a District’s Total Allocation.

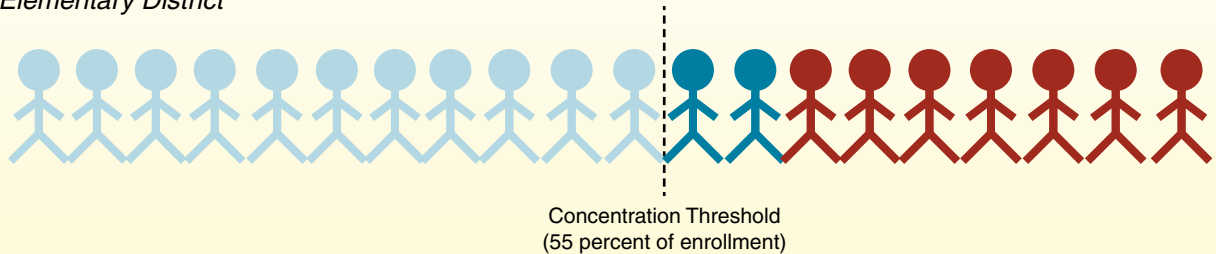
In the description above, the supplement




and concentration factors are described in per-student terms. Alternatively, the supplement and concentration factors can be viewed in per-district terms. Thinking of the supplement and concentration factor in this latter way allows total district funding allocations to be compared more easily. As seen in Figure 3, as a district’s proportion of EL/LI students increases, so does its total funding allocation. For instance, a district with 50 percent EL/LI students has a total allocation that is 10 percent higher than the same-sized district with no EL/LI students. In Figure 3, the first section of the line (colored blue) shows percent increases in a district’s funding allocation up to the 55 percent EL/LI threshold, whereas the second section of the line (colored red) shows funding increases once a district passes the 55 percent concentration threshold and begins receiving concentration funding in addition to supplemental funding. As shown in the figure, a district in which every student is EL/LI has a total funding allocation

Figure 2

Illustration of How LCFF Works

Elementary District



Funding Each Student Generates						
Student	Base K-3 Rate	K-3 Adjustment	EL/LI Supplement	EL/LI Concentration	Total	
 EL/LI	\$6,845	\$712	\$1,511	—	\$9,068	
 EL/LI	\$6,845	\$712	\$1,511	\$3,779	\$12,847	
 Non-EL/LI	\$6,845	\$712	—	—	\$7,557	

EL/LI = English learner/low-income.

42.5 percent greater than the same-sized district with no EL/LI students.

Treats Two Existing Categorical Funding Streams as Add-Ons. Funds from two existing programs—the Targeted Instructional Improvement Block Grant and Home-to-School (HTS) Transportation program—are treated as add-ons to the LCFF. Districts that received funding from these programs in 2012-13 will continue to receive that same amount of funding in addition to what the LCFF provides each year. Districts that did not receive funds from these programs in 2012-13 do not receive these add-ons moving forward.

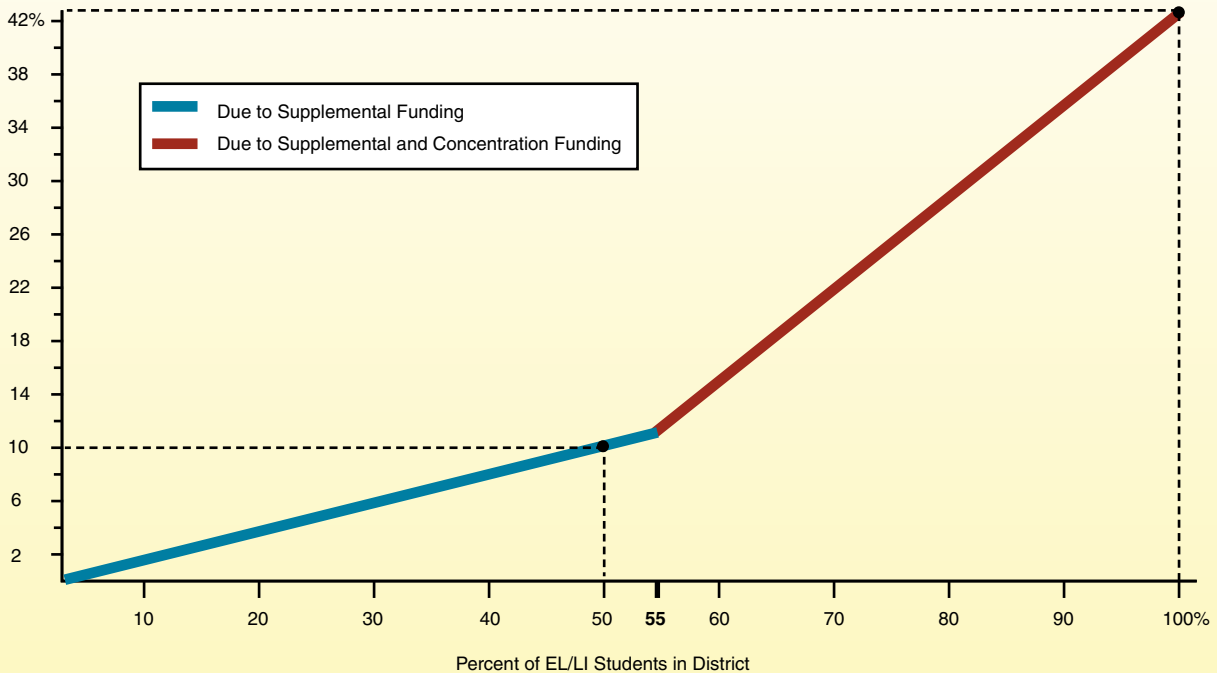
Also Provides New Economic Recovery Target (ERT) Add-On to Some Districts. Had the revenue limit deficit factor been retired and categorical

program funding been restored, the previous funding system would have generated greater levels of funding than the LCFF for approximately 230 districts (about 20 percent of districts). To address this issue, the new funding system provides the ERT add-on to a subset of these districts. As shown in Figure 4 (see next page), the ERT add-on amount equals the difference between the amount a district would have received under the old system and the amount a district would receive based on the LCFF in 2020-21. To derive the amount a district would have received under the old system in 2020-21, assumptions are made that the revenue limit deficit factor would have been retired, a 1.94 percent COLA would have been applied to revenue limits every year from 2013-14 through 2020-21, and categorical funding would be

Figure 3

How a District’s EL/LI Concentration Affects its LCFF Allocation

Percent Increase in District Funding Allocation



EL/LI = English learner/low-income.

increased to the district’s 2007-08 level (reflecting an increase of 24 percent over the 2012-13 level).

Approximately 130 districts are eligible to receive the ERT add-on. The 100 remaining districts are not eligible for the add-on because of their exceptionally high per-pupil funding rates. Specifically, a provision disallows a district from receiving an ERT add-on if its funding exceeds the 90th percentile of per-pupil funding rates under the old system (estimated to be approximately \$14,500 per pupil in 2020-21).

SPENDING RESTRICTIONS

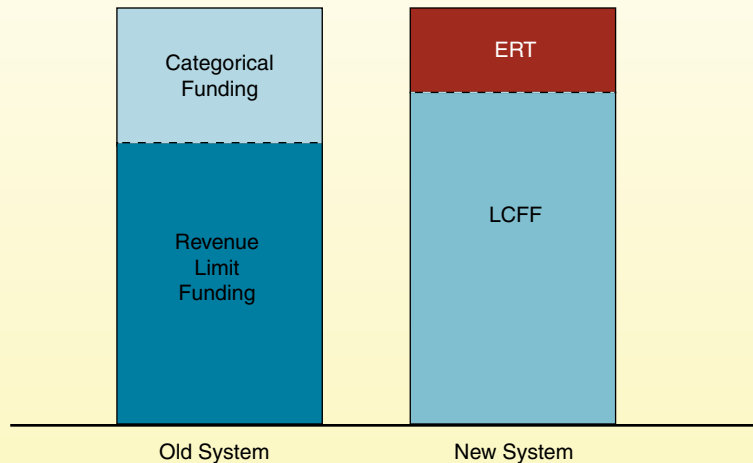
The LCFF eliminates the vast majority of categorical spending restrictions. In their place, the LCFF establishes a more limited set of spending restrictions, some of which apply over the long term and some of which are applicable only during the initial transition period.

Long-Term Spending Requirements

Many Existing Categorical Spending Requirements Removed. Approximately three-quarters of categorical programs were eliminated in tandem with the creation of the LCFF. As a result, the majority of categorical spending restrictions that districts faced under the old system were eliminated. Under the new system, 14 categorical programs remain. Figure 5 lists those categorical programs that were eliminated and those that are retained under the new system.

Figure 4
Calculating Economic Recovery Target (ERT)

Total District Funding Allotment



Districts Eventually Must Ensure “Proportionality” When Spending EL/LI Funds. Under the LCFF, districts will have to use supplemental and concentration funds to “increase or improve services for EL/LI pupils in proportion to the increase in funds apportioned on the basis of the number and concentration of unduplicated pupils.” The exact meaning and regulatory effect of this proportionality clause is currently unknown. On or before January 31, 2014, the State Board of Education (SBE) is required to promulgate regulations regarding how this clause will be operationalized. These regulations also will include the conditions under which districts can use supplemental and concentration funds on a school-wide basis.

Districts Encouraged to Have K-3 Class Sizes No More Than 24 Students. Under full implementation of the LCFF, as a condition of receiving the K-3 base-rate adjustment, districts must maintain a K-3 school-site average class size of 24 or fewer students, unless collectively bargained otherwise. If a district negotiates a different class

size for those grades, the district is not subject to this provision and will continue to receive the adjustment. Absent a related collective bargaining provision, were a particular school site in a district to exceed an average class size of 24, the district would lose the K-3 adjustment for all its K-3 school sites.

Restrictions on HTS Transportation Funding Maintained. Starting in 2013-14, districts receiving the HTS Transportation add-on must expend the same amount of those funds for HTS Transportation as they spent in 2012-13. Districts that did not receive HTS Transportation funds in 2012-13 and therefore are not eligible for the add-on moving forward, do not have similar transportation spending requirements.

Short-Term Requirements

Specific Maintenance-of-Effort (MOE) Requirements Imposed During First Two Years of Implementation. School districts are required to spend no less in 2013-14 and 2014-15 than they did in 2012-13 on Regional Occupational Centers and Programs (ROCPs) and Adult Education. If districts received funding for ROCPs and/or HTS Transportation through a joint powers authority (JPA), they must continue to pass through those funds to the JPA in 2013-14 and 2014-15. Funds used to satisfy these MOE requirements count towards a district’s LCFF allocation. Consequently, districts subject to these MOE requirements will have relatively less general purpose funding over this two-year period. (A district that already shifted all funds away from these programs as part of its

Figure 5

Treatment of Categorical Programs Under LCFF

Retained Programs

- | | |
|---|-----------------------------------|
| Adults in Correctional Facilities | Foster Youth Services |
| After School Education and Safety | Mandates Block Grant |
| Agricultural Vocational Education | Partnership Academies |
| American Indian Education Centers and Early Childhood Education Program | Quality Education Improvement Act |
| Assessments | Special Education |
| Child Nutrition | Specialized Secondary Programs |
| | State Preschool |

Eliminated Programs

- | | |
|---|---|
| Advanced Placement Fee Waiver | Instructional Materials Block Grant |
| Alternative Credentialing | International Baccalaureate Diploma Program |
| California High School Exit Exam Tutoring | National Board Certification Incentives |
| California School Age Families | Oral Health Assessments |
| Categorical Programs for New Schools | Physical Education Block Grant |
| Certificated Staff Mentoring | Principal Training |
| Charter School Block Grant | Professional Development Block Grant |
| Civic Education | Professional Development for Math and English |
| Community-Based English Tutoring | School and Library Improvement Block Grant |
| Community Day School (extra hours) | School Safety |
| Deferred Maintenance | School Safety Competitive Grant |
| Economic Impact Aid | Staff Development |
| Educational Technology | Student Councils |
| Gifted and Talented Education | Summer School Programs |
| Grade 7-12 Counseling | Teacher Credentialing Block Grant |
| High School Class Size Reduction | Teacher Dismissal |

response to categorical flexibility is not subject to these MOE requirements.)

Districts Must Make Progress Toward Meeting CSR Goal During Transition Period. As mentioned earlier, to receive the K-3 base-rate adjustment, districts by full LCFF implementation must reduce K-3 class size to no more than 24 students, unless collectively bargained otherwise. Over the phase-in period (discussed later in more detail), districts must make progress toward this goal in proportion to the growth in their funding. For example, if a district started with an average K-3 class size of 28 students, and it received new funding equivalent to 10 percent of its LCFF funding gap, that district would have to reduce average K-3 class size to 27.6 students (10 percent of the difference between 28 and 24). Similar to the CSR requirement under full implementation, this interim requirement does not apply to districts that collectively bargain K-3 class sizes.

COST OF FORMULA

As explained below, the LCFF costs significantly more than the previous funding system. As a result, it will take several years to fully transition to the new funding formula.

Fully Implementing LCFF and ERT Add-On Estimated to Cost an Additional \$18 Billion. Were the state to fully implement the LCFF in 2013-14, the costs would be \$18 billion more than the state spent on K-12 education in 2012-13. (This assumes current levels of ADA, EL/LI enrollment, and property tax revenue.) Given the cost, coupled with projected growth in Proposition 98 funding, fully implementing the new system is anticipated to take eight years. Each year the total General Fund cost of the new system will change somewhat due to providing COLAs, fluctuations in ADA and student demographics, and growth in property tax revenue.

Additional LCFF Funding to Be Allocated Based on Funding “Gap.” Over the course of

implementation, districts will receive new funding based on the difference (or gap) between their prior-year funding level and their target LCFF funding level. Every district will see the same proportion of their gap closed, but the dollar amount they receive will vary depending on the size of their gap. For example, in 2013-14, districts (in most cases) will have 12 percent of their gap filled. For a district whose gap is \$100 million, this corresponds to \$12 million in additional funding. For a district whose gap is \$10 million, this corresponds to \$1.2 million in additional funding. Figure 6 depicts transition funding for years one, four, and eight for a non-ERT district as well as an ERT district (discussed below).

Funding for ERT Add-On to Be Allocated in Equal Increments Over Eight-Year Period.

Districts eligible to receive the ERT add-on will receive incremental ERT funding over the course of implementation in addition to their gap funding discussed above. As depicted in Figure 6, an ERT district will receive the same proportion of gap funding towards its LCFF target as other non-ERT districts, as well as a portion of its ERT add-on. In 2013-14, an ERT district will receive one-eighth of its add-on, in year two two-eighths, in year three three-eighths, etcetera. In year eight (the estimated year of full implementation), ERT districts will receive their full ERT add-on (as calculated in 2013-14) and will continue to receive this add-on amount in perpetuity. Changes in the implementation timeline for LCFF will not affect the ERT funding schedule.

DISTRIBUTIONAL EFFECTS OF FORMULA

Vast Majority of Districts to Receive More State Aid, No District to Get Less State Aid.

The vast majority of districts will see significant increases in funding under the LCFF. That notwithstanding, statute further includes a “hold harmless” provision that specifies no district is to

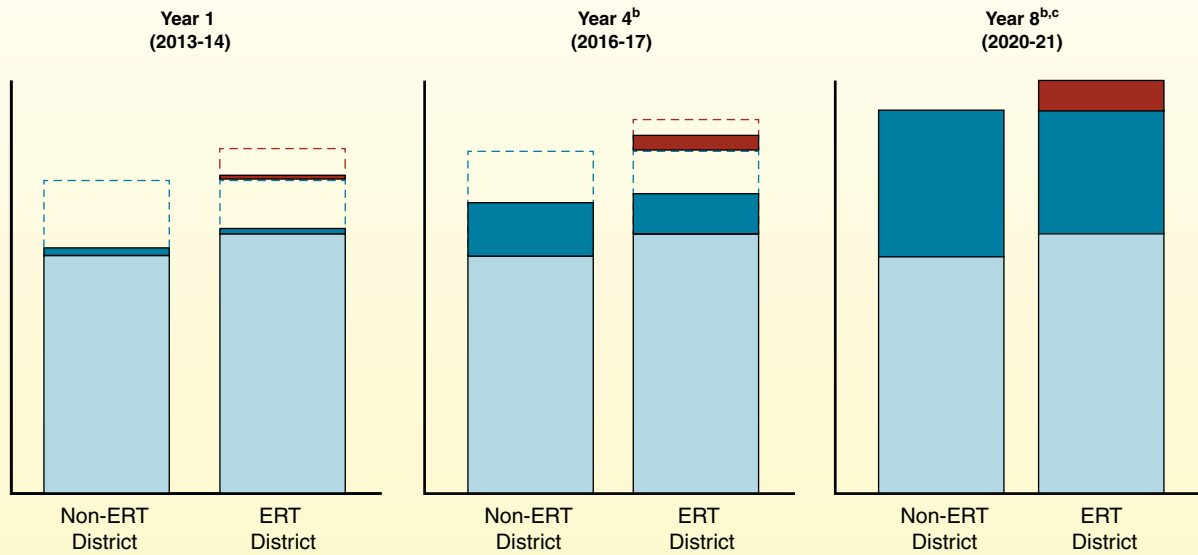
receive less state aid than it received in 2012-13. Specifically, no district is to receive less moving forward than it received last year for revenue limits (calculated on a per-ADA basis) and categorical programs (calculated based on the district’s total entitlement).

A Few Districts Will Not Receive Additional Funds. Though most districts will see funding increases under the new formula, approximately 15 percent of districts will not receive additional funding. (These districts, which have particularly high existing per-pupil funding rates, are the ones that benefit from the hold harmless provision described above.) Three types of districts are unlikely to receive additional funding.

- **Basic Aid Districts.** Most basic aid districts currently have more per-pupil funding than needed to meet their LCFF targets and their ERT. As a result, they will continue to receive the same amount of state aid they received in 2012-13 (though, as discussed below, a few districts will fall out of basic-aid status and begin receiving state aid as a result of the LCFF).
- **Non-Isolated, Single-School Districts.** Prior to 2012-13, these types of districts were eligible to receive additional funding if the school met the necessary small school (NSS) ADA requirements. Starting in 2013-14, schools that are not geographically

Figure 6

Illustration of How Transition Works for Two Types of Districts^a

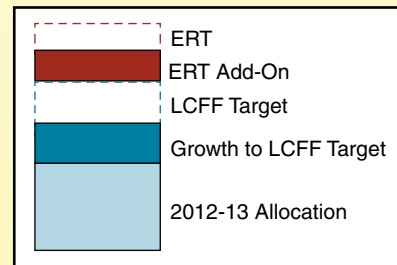


^a This illustration assumes that the two districts have the same average daily attendance and student demographics. As a result, both districts have the same LCFF target. The only difference between the districts is that one is eligible for an ERT add-on due to historical funding levels.

^b Each year, target base rates will be provided a cost-of-living adjustment. As a result, over the course of the phase in, districts’ LCFF targets will be increasing.

^c Based on current projections, LCFF will take eight years to fully implement.

ERT = Economic Recovery Target.



isolated are no longer eligible for NSS funding. As a result, these districts' 2012-13 funding levels exceed their LCFF targets and they will continue receiving their 2012-13 amounts until those amounts drop below their LCFF targets.

- **Anomalous Districts.** Some districts had funding levels under the old system that were abnormally high either because of peculiar categorical rules (such as receiving an extremely high meals-for-needy-pupils add-on) or peculiar charter-school conversion rules (used by a few districts to receive significant fiscal benefit from conversions). These districts also will continue to receive their 2012-13 funding amounts until those amounts drop below their LCFF targets.

A Few Districts Likely to Fall Out of Basic Aid Status and Begin Receiving State Aid.

Under the previous funding system, property tax revenue counted only against a district's revenue limits. Consequently, basic aid districts were those districts whose revenue limit entitlements were equal to or less than their local property tax revenue. Under the LCFF, local property tax revenue counts against a district's entire LCFF allocation (which has base rates higher than old revenue limit rates and greater funding for EL/LI students). As a result, the threshold for basic aid status is significantly higher under the LCFF. Moreover, some districts recently entered basic aid status as a result of state cuts in revenue limit rates. These districts are most likely to fall out of basic aid status under the new system, but a few other basic aid districts also might fall out of basic aid status due to increased funding levels under the LCFF.

TRANSPARENCY AND ACCOUNTABILITY UNDER NEW SYSTEM

In addition to adopting a new funding formula, Chapter 47 establishes a set of new rules relating to school district transparency and accountability. Specifically, under the new rules, districts are required to adopt Local Control and Accountability Plans (LCAPs) that disclose how funds will be spent to provide high-quality educational programs. Districts that do not meet the goals specified in their plans and fail to improve educational outcomes receive assistance through a new system of support and intervention. We describe this new system in more detail below.

DISTRICT DEVELOPMENT AND ADOPTION OF LCAPs

Districts Must Set Annual Goals in Eight Specified Areas. Each LCAP must include a school

district's annual goals in each of the eight areas shown in Figure 7. These eight areas of specified state priorities are intended to encompass the key ingredients of high-quality educational programs. Figure 8 (see page 12) identifies how districts are to measure success in each of the eight areas, with districts required to include associated data in their LCAPs. The plans must include both district-wide goals and goals for each numerically significant student subgroup in the district. (To be numerically significant, a district must have at least 30 students in a subgroup, with the exception of foster youth, for which districts must have at least 15 students.) The student subgroups that must be addressed in the LCAPs are listed in Figure 9 (see page 12). (In addition to specified state priorities, districts' LCAPs can

include annual goals in self-selected areas of local priority.)

Districts Must Specify Actions They Will Take to Achieve Goals. A district’s LCAP must specify the actions the district plans to take to achieve its annual goals. The specified actions must be aligned with the school district’s adopted budget. For example, a school district could specify that it intends to provide tutors to all EL students reading below grade level to improve its EL reclassification rate. To ensure the LCAP and adopted budget were aligned, the school district would be required to include sufficient funding for EL tutors in its adopted budget plan.

Districts Must Use SBE-Adopted LCAP Template. In preparing their LCAP, districts are required to use a template developed by SBE. The template is intended to create consistency in LCAPs across the state and assist school districts in

developing their plans. The SBE is required to adopt the LCAP template by March 31, 2014.

Districts Must Solicit Input From Various Stakeholders in Developing Plan. Figure 10 (see page 13) outlines the process a district must follow in adopting its LCAP. One of the main procedural requirements is that a district consults with its school employees, parents, and students. As part of this consultation process, districts must present their proposed plans to a parent advisory committee and, in some cases, a separate EL parent advisory committee. (EL parent advisory committees are required only if ELs comprise at least 15 percent of the district’s enrollment or the district has at least 50 EL students.) The advisory committees can review and comment on the proposed plan. Districts must respond in writing to the comments of the advisory committees. Districts also are required to notify members of the public

Figure 7

Eight Areas of State Priority Must Be Addressed in LCAPs

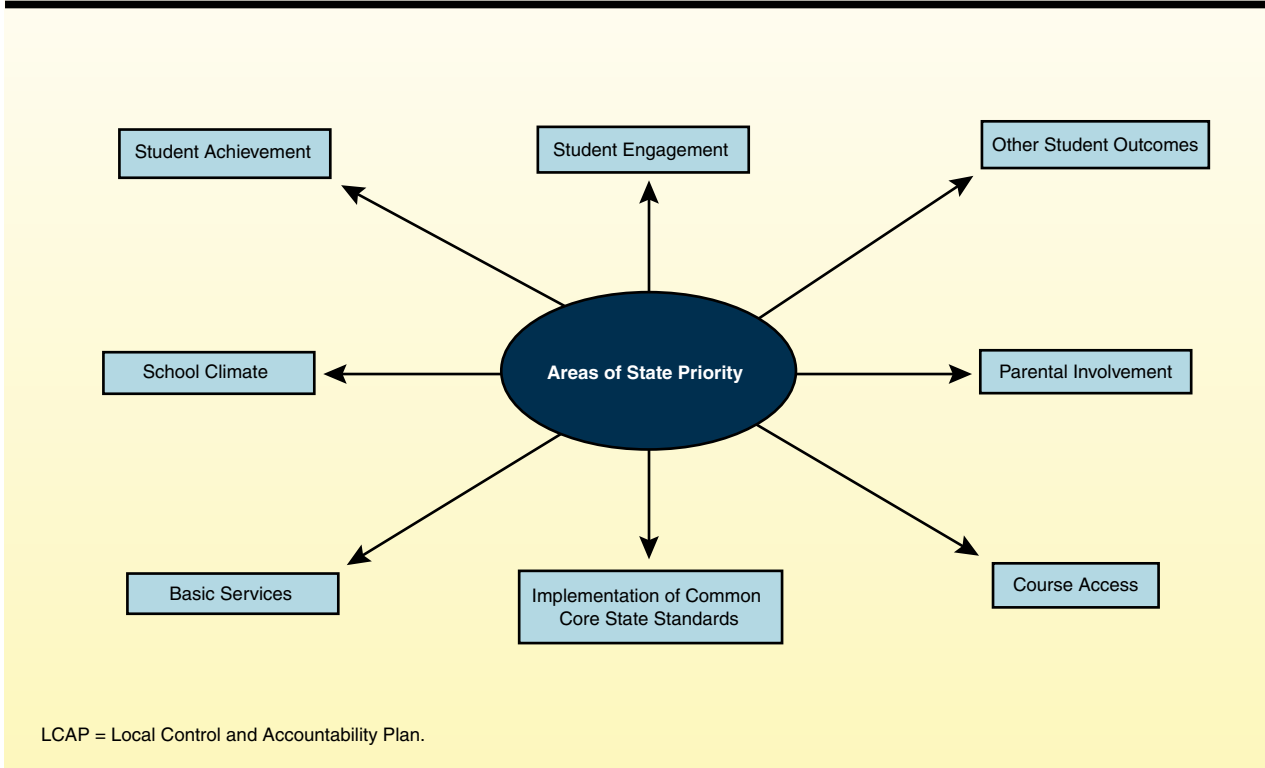


Figure 8

Required Data for Each of Eight State Priority Areas

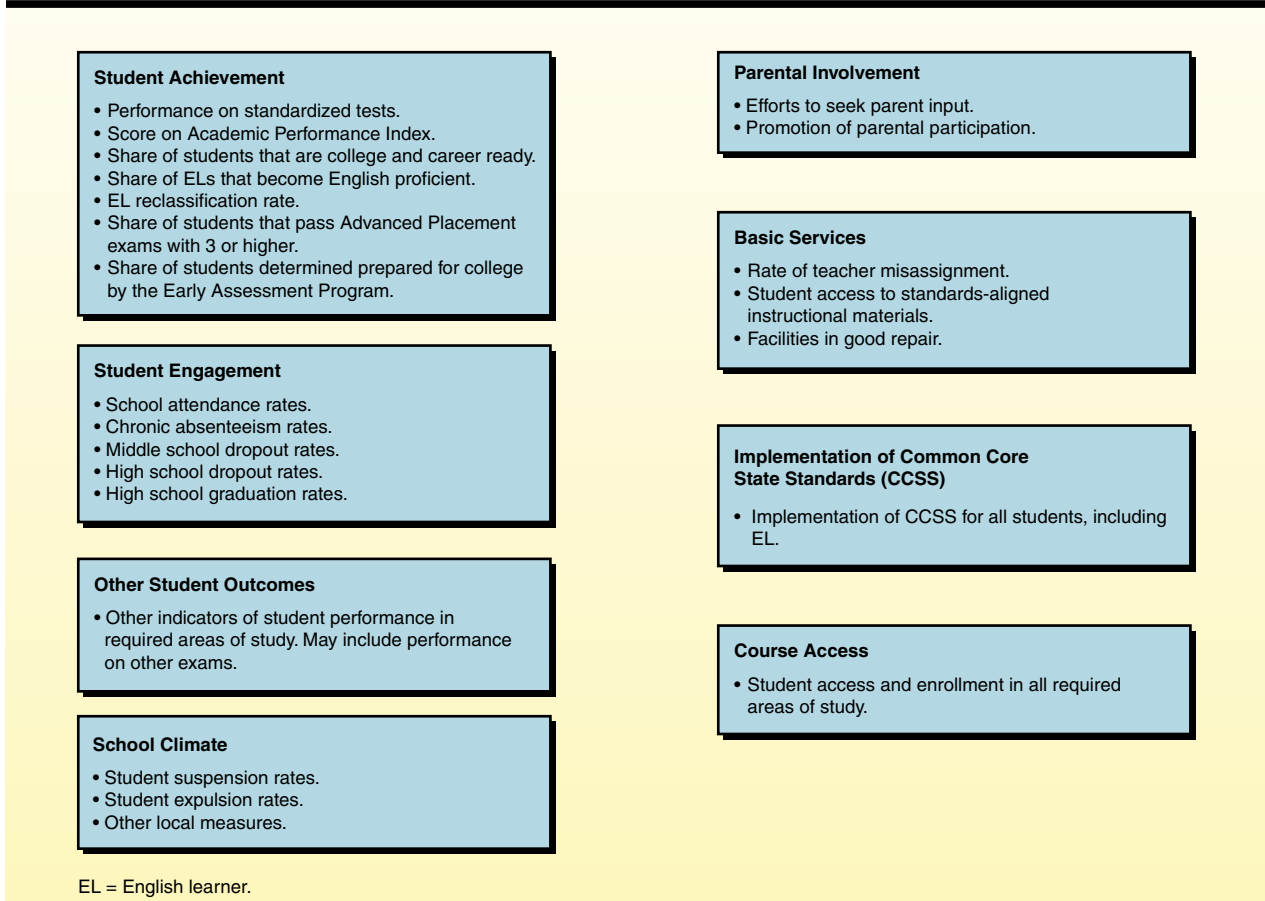


Figure 9

Student Subgroups to Be Included in Local Control and Accountability Plans

Racial/Ethnic Subgroups:

- Black or African American
- American Indian or Alaska Native
- Asian
- Filipino
- Hispanic or Latino
- Native Hawaiian or Pacific Islander
- White
- Two or more races

Other Subgroups:

- Socioeconomically disadvantaged students
- English learners
- Students with disabilities
- Foster youth

that they may submit written comments regarding the specific actions and expenditures proposed in the LCAP.

LCAP to Be Adopted Every Three Years And Updated Annually. Districts are required to adopt an LCAP by July 1, 2014 and every three years thereafter. In the interim years between adoptions, districts are required annually to update their LCAPs using the SBE template. Annual updates must review a school district’s progress towards meeting the goals set forth in its LCAP, assess the effectiveness of the specific actions taken toward achieving these goals, and describe any changes the district will make as a result of this review and assessment. The school district also must specify the expenditures for the next fiscal year that will be used to support EL/LI and foster youth students.

Districts also are required to hold at least two public hearings to discuss and adopt (or update) their LCAPs. The district must first hold at least one hearing to solicit recommendations and comments from the public regarding expenditures proposed in the plan. It then must adopt (or officially update) the LCAP at a subsequent hearing.

COE REVIEW OF DISTRICT LCAPs

COE Can Ask for Clarification, Make Recommendations Regarding District LCAPs.

Within five days of adopting (or updating) its LCAP, a district must submit its plan to its COE for review. Figure 11 (see next page) displays the process of COE review. Before August 15 of each year, the COE can seek clarification in writing from the district about the contents of its LCAP. The district must respond to these requests within 15 days. Then, within 15 days of receiving the district’s response, the COE can submit

recommendations for amendments to the LCAP back to the district. The district must consider the COE recommendations at a public hearing within 15 days, but the district is not required to make changes to its plan.

COE Must Approve LCAP if Required Process Followed and Plan Aligned With Budget. The COE must approve a district’s LCAP by October 8 if it determines that (1) the plan adheres to the SBE template and (2) the district’s budgeted expenditures are sufficient to implement the strategies outlined in its LCAP. As we discuss in the next section, districts whose LCAPs are not approved by the COE are required to receive additional support.

SUPPORT AND INTERVENTION

Chapter 47 also establishes a system of support and intervention for school districts that do not meet performance expectations for the eight state

Figure 10

School District LCAP Adoption Process

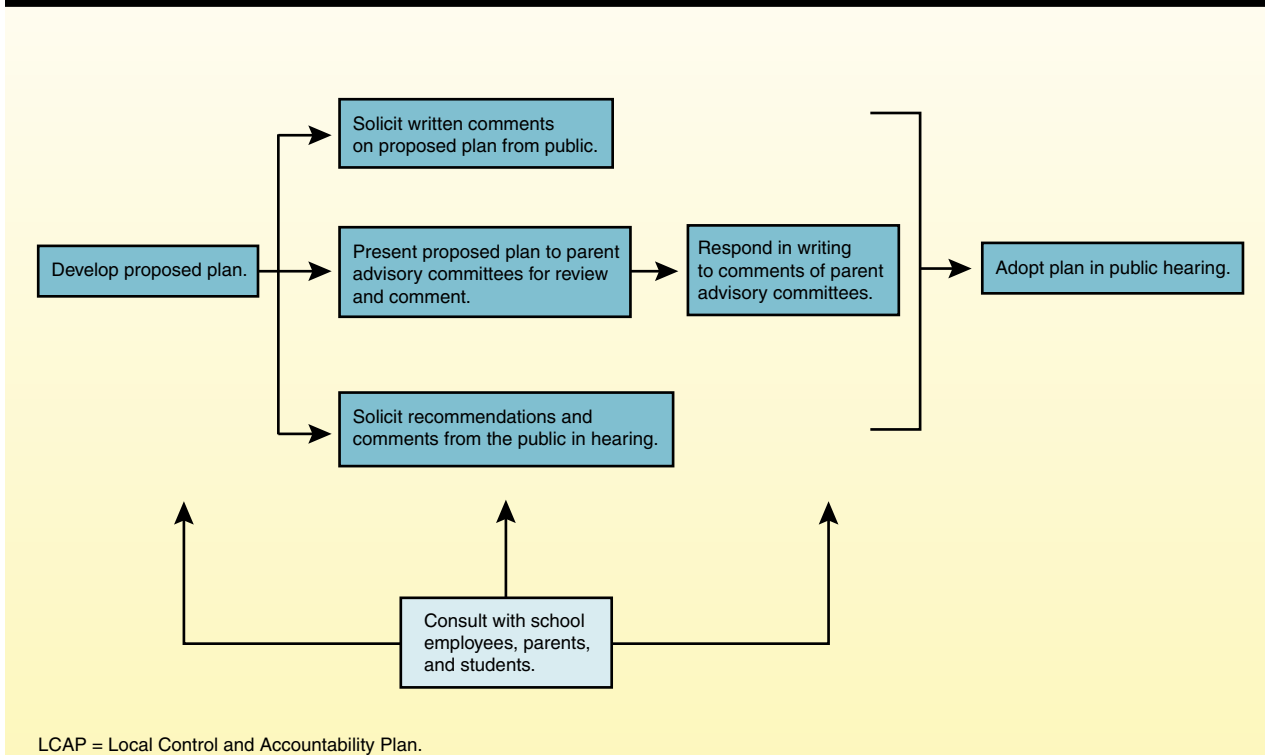
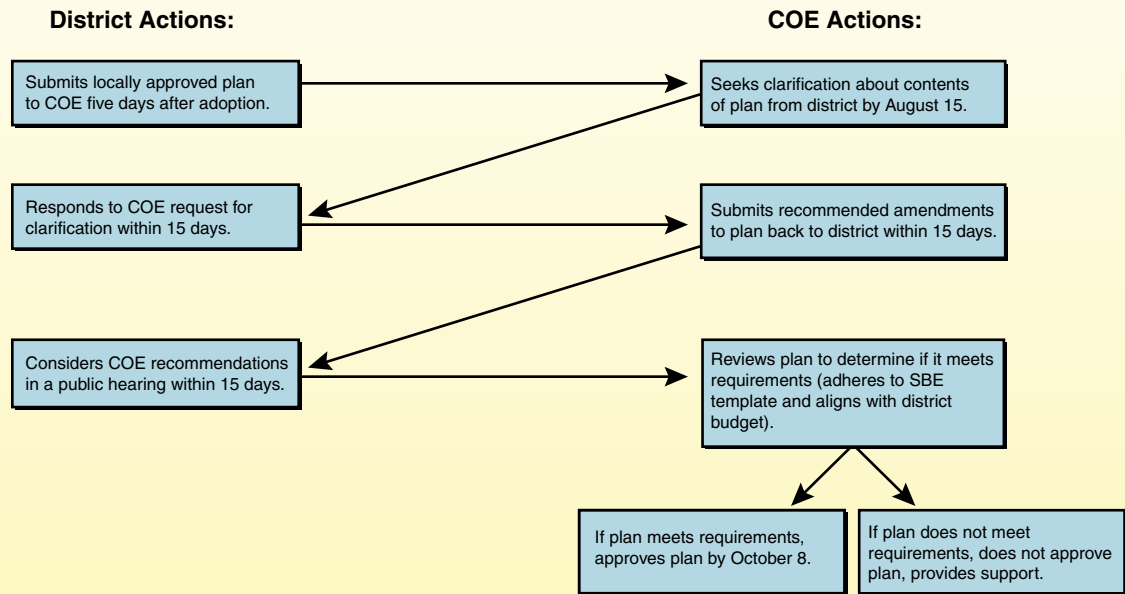


Figure 11

COE Review of Local Control and Accountability Plans



COE = County Office of Education and SBE = State Board of Education.

priority areas identified in the LCAP. Below, we discuss this new system in greater detail. (This system works somewhat differently for charter schools. We discuss the major differences in the box on page 16.)

New Rubrics to Determine if Districts Need Support or Intervention

COE Must Assess School District Performance Based on SBE-Adopted Rubrics. As shown in Figure 12, SBE must develop three new rubrics for assessing a school district’s performance. The SBE is to adopt all three rubrics by October 1, 2015. The rubrics are to be holistic and consider multiple measures of district and school performance as well as set expectations for improvement for each numerically significant subgroup in each of the eight state priority areas.

Support for Struggling School Districts

Three Reasons Districts Can Be Flagged for Additional Support. School districts are required to receive additional support in the following three instances.

- **LCAP Not Approved by COE.** A district is required to receive support if its LCAP is not approved by the COE because it does not follow the SBE template or is not aligned with the district’s budget plan.
- **District Requests Assistance.** A district may specifically request additional support.
- **District Not Improving Student Outcomes.** A district must receive support if, based on the support rubric, it does not improve outcomes in more than one state priority area for at least one subgroup.

Figure 12

State Board of Education (SBE) Required to Adopt Three New Rubrics

Chapter 47, Statutes of 2013 (AB 97, Committee on Budget) requires SBE to develop and adopt the following three evaluation rubrics by October 1, 2015.

- ✓ **Self-Assessment Rubric.** This rubric is to assist districts in evaluating their strengths and weaknesses.
- ✓ **Support Rubric.** This rubric is to be used by COEs to determine if a school district does not improve outcomes in more than one state priority for at least one subgroup, and thus is required to receive some form of support.
- ✓ **Intervention Rubric.** This rubric is to be used by the SPI to determine if a district does not improve outcomes in three out of four consecutive school years for three or more subgroups in more than one state or local priority, and thus is considered to be persistently failing.

COE = County Office of Education and SPI = Superintendent of Public Instruction.

Three Forms of Support. Under the new system, COEs are responsible for providing school districts with certain types of support. As Figure 13 shows, COEs can provide three types of support.

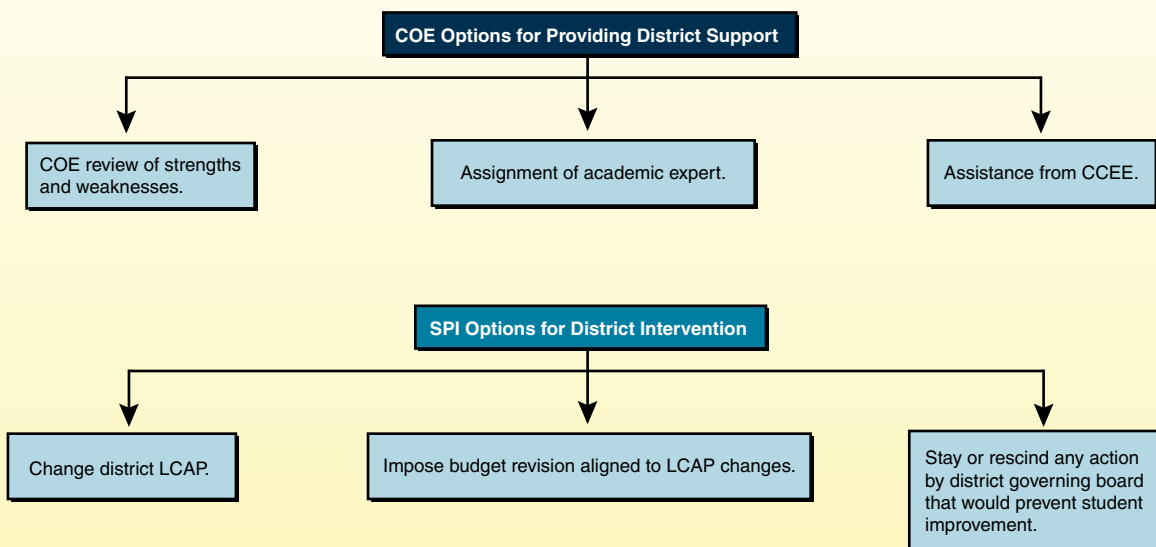
- **COE Review of Strengths and Weaknesses.** The COE can deliver assistance by providing a written review of

the district’s strengths and weaknesses in the eight state priority areas. The COE review also must identify evidence-based programs that could be used by the school district to meet its annual goals.

- **Assign an Academic Expert.** The COE can assign an academic expert or

Figure 13

New System of School District Support and Intervention



COE = County Office of Education; CCEE = California Collaborative for Educational Excellence; SPI = Superintendent of Public Instruction; and LCAP = Local Control and Accountability Plan.

team of experts to assist the district in implementing effective programs that are likely to improve outcomes in the eight areas of state priority. The COE also can assign another school district within the county to serve as a partner for the school district in need of assistance.

- ***Request Assistance From Newly Established Agency.*** The COE can request that the SPI assign the California Collaborative for Educational Excellence (CCEE), a newly established agency, to provide assistance to the school district. (We discuss the role of the CCEE in more detail in the box on page 18.)

Intervention in Persistently Failing School Districts

SPI Can Intervene in Select Cases. For a persistently underperforming school district, the SPI can intervene to assist the district in improving its education outcomes. The SPI can intervene, however, only if all three of the following conditions are met.

- ***Persistent Failure for Several Years.*** The SPI can intervene if, based on the intervention rubric, the district does not improve outcomes in three out of four consecutive school years for three or more subgroups in more than one state or local priority area.

New System Works Somewhat Differently for Charter Schools

Chapter 47, Statutes of 2013 (AB 97, Committee on Budget) requires charter schools to adopt Local Control and Accountability Plans (LCAPs), have their performance assessed using rubrics adopted by the State Board of Education (SBE), and receive support from its authorizer or the California Collaborative for Education Excellence (CCEE). The charter school process, however, works somewhat differently from the school district process. We describe the major differences below.

Charter School LCAP Adoption Process Different in Two Ways. Chapter 47 requires the petition for a charter school to include an LCAP that establishes goals for each of the eight state priorities (and any identified local priorities) and specifies the actions the charter school will take to meet these goals. The LCAP must be updated annually by the charter school's governing board. Like school districts, charter schools are required to consult with school employees, parents, and students when developing their annual updates. The LCAP adoption process is different, however, in that charter schools are exempt from the specific requirements to solicit public comment and hold public hearings that apply to school districts. Charter schools also are not required to have their plans approved by the County Office of Education (COE).

Support Required for Persistently Failing Charter Schools. Like school districts, charter schools must have their performance assessed based on the new SBE rubrics. For charter schools, however, this assessment is to be conducted by the charter authorizer rather than the COE. A charter school is required to receive support from its authorizer if, based on the intervention rubric, it does not improve outcomes in three out of four consecutive school years for three or more

- ***CCEE Determines Intervention Is Necessary.*** The SPI can intervene if the CCEE has provided assistance and determines both that (1) the district has not been able or will not be able to implement CCEE recommendations and (2) the district's performance is so persistently or severely poor that SPI intervention is necessary.
- ***SBE Approves Intervention.*** The SPI can intervene only with approval of SBE.
- ***Change District LCAP.*** The SPI can change the district's LCAP to modify the district's annual goals or the specific actions the district will take to achieve its goals.
- ***Impose Budget Revision in Conjunction With LCAP Changes.*** The SPI can impose a revision to the district's budget to align the district's spending plan with the changes made to the LCAP. These changes only can be made if the SPI determines they will allow the district to improve outcomes for all student subgroups in one or more of the eight state priorities.
- ***Stay or Rescind an Action of the Local Governing Board.*** The SPI also can stay or rescind an action of the district governing

Provides Three New Powers to SPI. If the above conditions are met, the SPI can intervene directly or assign an academic trustee to work on his or her behalf. The SPI can intervene in the following three ways.

subgroups in more than one state or local priority area—the same standard applied for determining whether the Superintendent of Public Instruction (SPI) intervention is necessary in a school district. (Unlike school districts, a charter school that is determined to be struggling based on the support rubric is not required to receive support.) In addition to the support from the charter authorizer, the SPI may assign the CCEE to provide the charter school with support if the authorizer requests and SBE approves the assistance. (If a charter school requests support but is not underperforming based on the intervention rubric, the charter authorizer and CCEE are not required to provide support.)

Instead of SPI Intervention, Charter Can Be Revoked by Authorizer. The charter authorizer can consider revoking a charter if the CCEE provides a charter school with support and determines that (1) the charter school has not been able or will not be able to implement CCEE recommendations and (2) the charter school's performance is so persistently or severely poor that revocation is necessary. If the authorizer revokes a charter for one of these reasons, the decision is not subject to appeal. Consistent with current law, the authorizer must consider student academic achievement as the most important factor in determining whether to revoke the charter.

The SBE Also Can Revoke Charter or Take Other Actions Based on Poor Academic Performance. The SBE—based upon a recommendation from the SPI—also can revoke a charter or take other appropriate actions if the charter school fails to improve student outcomes across multiple state and local priority areas. (Prior to the adoption of Chapter 47, SBE could take similar action for charter schools only if the schools were (1) engaging in gross financial mismanagement, (2) illegally or improperly using funds, or (3) implementing instructional practices that substantially departed from measurably successful practices and jeopardized the educational development of students.)

board if he or she determines the action would make improving student outcomes in the eight state priority areas, or in any

of the district's local priority areas, more difficult. The SPI, however, cannot stay or rescind an action that is required by a local collective bargaining agreement.

MAJOR DECISIONS LAY AHEAD

Many important state and district decisions relating to the new formula and the new system of support and intervention will be made over the next several years. Figure 14 identifies the major milestones that lay ahead. Below, we discuss some of these major decisions in more detail.

Many Major Regulations to Be Determined by SBE. Over the next several years, SBE must adopt numerous regulations relating to the LCFF and the new system of transparency and accountability. As the timeline shows, by January 31, 2014, SBE must adopt regulations to implement the proportionality clause relating to LCFF supplemental and concentration funds. Two months later, by

March 31, 2014, it must adopt LCAP templates for districts to use in developing their 2014-15 LCAPs. By October 1, 2015, SBE must adopt the three rubrics that will be used to assess a school district's performance. The details of these regulations will significantly affect the manner in which these new provisions are ultimately implemented.

Organization of CCEE to Be Clarified. The governance structure of the CCEE, as well as its larger role within the state's accountability system, remains unclear. Chapter 47 authorizes the SPI, with SBE approval, to contract with individuals, local education agencies and other organizations with expertise and a record of success in the CCEE's

New Agency to Support Struggling Districts

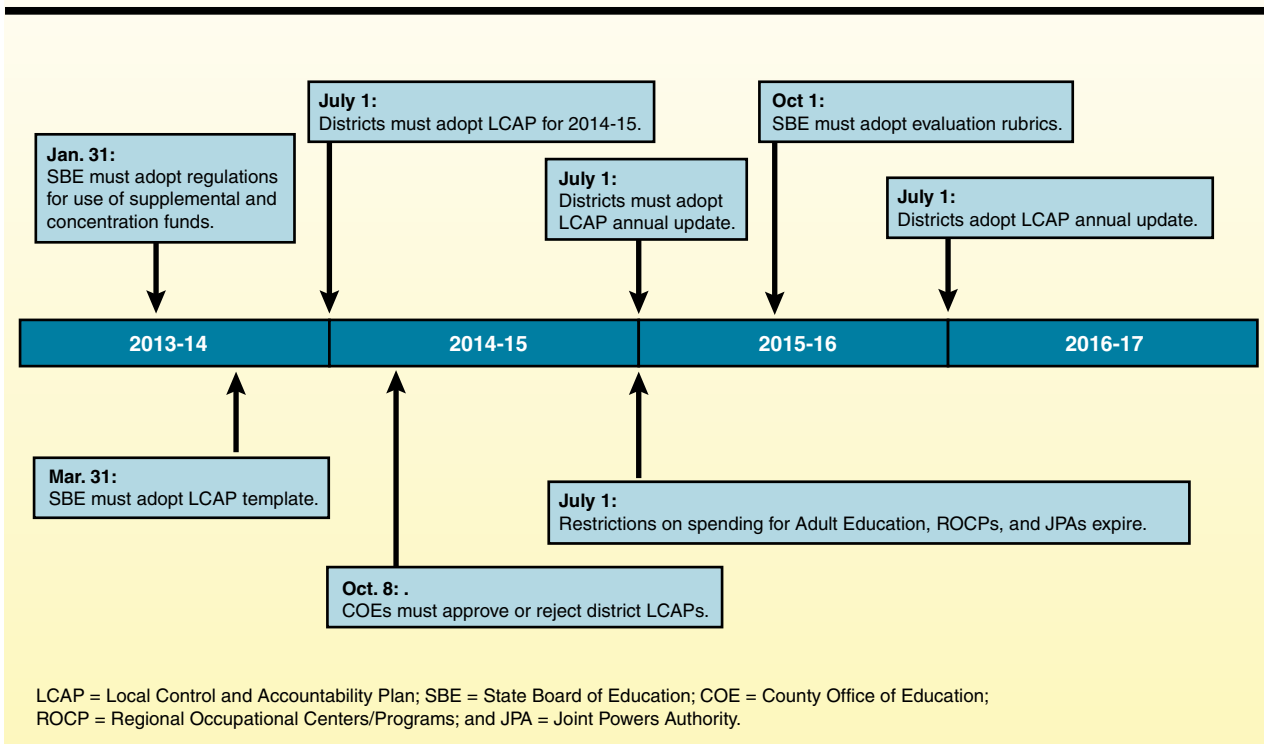
New Agency to Serve as Statewide Expert in Improving School District Performance.

Chapter 47, Statutes of 2013 (AB 97, Committee on Budget) creates a new agency, the California Collaborative for Educational Excellence (CCEE), to advise and assist school districts in improving performance. To this end, statute requires the CCEE to serve as a statewide expert to help districts: (1) improve their achievement in the eight state priority areas, (2) enhance the quality of teaching, (3) improve district/school-site leadership, and (4) address the needs of special student populations (such as English learner, low-income, foster youth, and special education students). In particular, the CCEE is intended to help districts achieve the goals set forth in their Local Control and Accountability Plan (LCAPs).

Three Main Roles for CCEE. A County Office of Education (COE) can assign the CCEE to provide assistance to some school districts—specifically those that have an LCAP rejected, request assistance, or are determined in need of assistance based on the COE's assessment using the support rubric. The Superintendent of Public Instruction (SPI) also can assign the CCEE to provide assistance to any school district that the SPI determines needs help in order to accomplish the goals set forth in its LCAP. The third main role of the CCEE is to determine if SPI intervention is necessary to improve the performance of a persistently failing school district.

Figure 14

Major Milestones for Implementation of LCFF and LCAPs



assigned areas of responsibility. The legislation, however, does not specify the process the SPI should take to identify agencies with expertise and how the role of these agencies would differ from the role of the SPI. In signing the *2013-14 Budget Act*, the Governor expressed his interest in adopting legislation by the end of 2013 to clarify the composition and ongoing role of the CCEE.

Cost of New Academic Accountability System Also to Be Clarified. Because of the significant uncertainty regarding the level of workload

associated with the new system of district support and intervention, the associated costs are unknown at this time. The 2013-14 budget provides \$10 million for CCEE but includes little detail on how and when the funds are to be spent. Moreover, the total costs of the system will depend in part on the number of school districts determined to need support or intervention based on the new SBE rubrics, the number of school districts that will specifically request assistance, and the amount of assistance that will be performed by the CCEE in the coming years.

CONCLUSION

Chapter 47, particularly with the creation of the LCFF, addresses many of the flaws of the state’s prior K-12 funding system, which was widely believed to be overly complex, inefficient, and outdated. The LCFF, for instance, is much simpler

when compared with the dozens of categorical funding formulas that were part of the state’s previous funding system. The new system of funding and accountability created by Chapter 47, including the provisions dealing with the

A N L A O B R I E F

LCAPs, also is intended to reduce some spending requirements while giving districts more guidance in developing fiscal and academic plans designed to improve performance in their local context. As evident throughout this report, both the LCFE and the new system of support and intervention represent major state policy changes and time will

be needed to determine the effectiveness of the new policies. Moreover, in the coming months and years, the Legislature, state, and school districts will face many decisions that ultimately will shape how the formula and new accountability system are implemented, which, in turn, will determine the effectiveness of the legislation.

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This brief was prepared by Edgar Cabral and Carolyn Chu, and reviewed by Jennifer Kuhn. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

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