

Overview of the Local Control Funding Formula Proposal

Current funding for schools is inequitably distributed, not tied to student demographics, largely state-controlled, and lacking appropriate accountability measures. These inequities are primarily the result of how the current general purpose “revenue limit” funding system was created in response to court rulings and Proposition 13, freezing in funding decisions made decades ago. In addition, over time, the state created more than 60 categorical programs, each with accounting and reporting requirements, many of which are not outcome-focused. These categorical program funding allocations have also been frozen due to recent fiscal constraints and no longer are reflective of current demographics.

Addressing Funding Inequities and Flexibility:

- To address California’s overly complex, administratively costly, and inequitably distributed school finance system, the Governor’s Budget proposes the Local Control Funding Formula (Formula).
- The Formula will increase flexibility and accountability at the local level so those closest to the students can make the decisions, reduce state bureaucracy, and ensure that student needs drive the allocation of resources.
- The Formula consists primarily of base, supplemental and concentration funding that focuses resources based on a school’s student demographics:
 - Each school district and charter school will receive a per pupil base grant, used to support the basic costs of instruction and operations. Base grant amounts will vary between the grade spans of K-3, 4-6, 7-8, and 9-12 to reflect the differential costs of educating pupils in different grade spans. Once the Formula is fully implemented, the significant reductions made to current general purpose “revenue limit” funding over the last five years (known as the deficit factor) will be restored, ensuring that the new base grant funding level is equivalent to the statewide average from 2007-08.
 - A supplemental grant equal to 35 percent of the base grant is provided for each English learner, economically disadvantaged or foster youth pupil. Pupils that fall into one or more of these categories can only be counted once for supplemental funding purposes. The supplemental grant is intended to provide additional resources to help address the unique needs, challenges and additional costs that these students bring to school.
 - For schools with English learner, economically disadvantaged and foster youth enrollment in excess of 50 percent of their total enrollment, a concentration grant equal to 35 percent of the base grant, is provided for each of these students above the 50-percent threshold (again, with no pupil counted more than once if they fall into more than one category). While the supplemental grant recognizes that these pupils have additional challenges and needs, the concentration grant attempts to provide even greater resources to schools with exceptionally high concentrations of these pupils.
- Funding assistance will be provided to schools to reduce class sizes in Kindergarten through grade three and to assist high schools with the ability to provide career technical education courses.
 - Once fully implemented, the Kindergarten through grade three funding assistance would require schools to maintain a per schoolsite classroom average of 24 students, unless an alternative average is collectively bargained at the local level.

- Schools would be transitioned to the Formula using Proposition 98 growth funding. No schools will receive less funding than their 2012-13 funding level as a result of the Formula. Over the first five years of formula implementation, per student funding on a statewide basis is projected to increase by more than \$2,700.
- Basic aid districts, whose local property tax revenues are more than sufficient to meet their Formula funding entitlement, would continue to retain all of their local property taxes, including all future growth in their local property tax revenues. In addition, they would continue to receive categorical funding that they received in 2012-13 as part of the Formula's hold harmless mechanism.

Focusing Accountability at the Local Level:

- The proposal builds on existing state and federal accountability, auditing, and reporting requirements and creates a stronger link between the budget process and the decisions local agencies make about their educational programs to improve student achievement.
- Each school district, charter school and county office of education will produce a local control and accountability plan that will set annual goals and describe how the local agency would use available resources.
- The proposal will provide greater transparency and allow a local agency to better craft solutions to address local needs; involve principals, teachers, parents, students, and other community members in the planning process; and require governing boards to approve the plan at a public meeting.
- The plans will include actions the local agency will take to provide basic conditions necessary for student achievement (such as credentialed teachers, adequate instructional materials, facilities in good repair); implement the common core standards; improve academic outcomes; and address the needs of English learners, foster children, and students from low-income backgrounds.
- A governing board will be required to adopt a budget that aligns with the agency's local control and accountability plan. A county office of education will review both a district's budget and its plan to ensure that they are aligned. The Superintendent of Public Instruction will perform this review function for local plans adopted by county offices.