"My 2013 Budget Summary lays out the case for cutting categorical programs and putting maximum authority and discretion back at the local level – with school boards. I am asking you 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. This formula recognizes the fact that a child in a family making $20,000 a year or speaking a language different from English or living in a foster home requires more help.

Equal treatment for children in unequal situations is not justice.

With respect to higher education, cost pressures are relentless and many students cannot get the classes they need. A half million fewer students this year enrolled in the community colleges than in 2008. Graduation in four years is the exception and transition from one segment to the other is difficult. The University of California, the Cal State system and the community colleges are all working on this. The key here is thoughtful change, working with the faculty and the college presidents. But tuition increases are not the answer. I will not let the students become the default financiers of our colleges and universities." – Governor Jerry Brown

APRIL 2017

THE STEEP ROAD TO RESOURCE EQUITY IN CALIFORNIA EDUCATION

THE LOCAL CONTROL FUNDING FORMULA AFTER THREE YEARS

The Education Trust–West

INTRODUCTION

Four years ago, the teachers at Lincoln High School in San Jose Unified looked at their data and saw a problem. More than 40 percent of students reported feeling disconnected from school, more than half were failing Algebra II, and about half of all students were receiving D or F grades each marking period, slowing down students' progress towards graduation. Lincoln High staff wanted to tackle these problems, but they needed more resources and they needed to do things differently.

While district leaders had already considered changing the way they resourced schools, the Local Control Funding Formula afforded them the opportunity to do so. These administrators sent additional staff to the highest need school sites, and they also set aside funding to encourage new school designs and other innovations. They began to direct more assistant principals, teachers, and support personnel to schools like Lincoln that serve higher numbers of low-income students, English learners, and foster youth. Thanks to this policy change, Lincoln High gets seven more teaching positions and two more assistant principals than a similarly sized, but less needy, high school.

These positions, says principal Matt Hewitson, allowed the school to tackle its problems head on. The school now offers reading and math interventions, a bilingual program, a two-year Advanced Placement English class specifically designed for English learners, a "chemistry in the community" class, and a new project-based learning program. The PBL program allows students to participate in hands-on learning across multiple subjects. It has created an environment in which students work together, says Hewitson, and where they "attack content in a different way that has real-world applications." The results look positive so far. Since 2012, the school's graduation rate has risen from 91 to 96 percent, 90 percent of ninth graders report feeling connected to school, and the course failure rate has been cut in half.

These are the kinds of reforms envisioned by the Local Control Funding Formula, which California enacted in 2013. But how common are they? To what extent are the low-income students, English learners, and foster youth who were promised greater support now receiving a better education?

Unfortunately, it's nearly impossible to know how districts plan to spend, or actually spend, LCFF funds. While each district must communicate its plan and progress in a Local Control and Accountability Plan, those documents are dense and hard to decipher — thanks in part to a confounding state-required template.[1] Further, the California Department of Education, thus far, has not aggregated or analyzed those plans — preventing stakeholders from seeing statewide trends in actions and services. Districts don't usually link their LCAPs to their budgets in a coherent way, and the state does not require districts to clearly show how the supplemental and concentration grant funds generated by high-need students are spent.

It's also too early to know whether LCFF is leading to better outcomes. In 2015, the state's graduation rate reached its highest point ever. But the rate was already climbing before LCFF, and rates across the nation have also increased for five straight years. From the first-year administration of the Smarter Balanced exam in 2015 to the second year in 2016, test scores jumped by four points in English language arts and three points in math. However, the state's scores on the National Assessment of Educational Progress, remain flat and low — with

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California ranked 49th nationally in fourth-grade reading, and 48th in fourth-grade math. Achievement gaps on both assessments are wide and persistent. These mixed results unfortunately shed little light on whether LCFF is leading to improved achievement.

Here's what we do know: the full district budget must support equity — which means actively addressing disparities in opportunities and outcomes. This cannot be done with supplemental and concentration dollars alone. Nor can it be achieved by offering a principal of a school in a poor community a small pot of targeted dollars, or by offering teachers a single workshop on culturally relevant practices. It means offering *more* to those students who have historically received *less* — less individualized instruction, less college counseling, fewer rigorous course offerings, fewer arts and enrichment opportunities, less-effective instruction, and even fewer instructional days. It means offering *better* to those who have traditionally received *worse* — worse facilities, worse teacher turnover, harsher discipline, and lower expectations. And, in era of limited resources, it means spending differently and creatively.

After three years of LCFF, The Education Trust–West sought to examine some of the ways California's new education funding system is and isn't leading to the increased equity in resources for high-need students that it promised. What did we learn?

First, the good news. As intended, LCFF has improved funding equity among districts. Prior to LCFF, the highest poverty districts — those with the largest concentration of low-income students — usually received less per pupil than the lowest poverty districts. Under LCFF, the highest poverty districts receive more state and local funds than their more affluent peers. And in recent years, the state has lowered class sizes, boosted the numbers of some personnel like counselors, and expanded access to some rigorous courses like calculus and physics.

But troublingly, students in the highest poverty schools still have far less access to some of these services and opportunities than students in the lowest poverty schools. The highest poverty schools are less likely to have counselors and librarians. They are less likely to offer rigorous courses and less likely to offer music or computer science. In some cases, these gaps have widened.

So, where has the money gone? The fact is, districts are getting more money but they are still operating under most of the same policy constraints as before. For example, state laws and local contracts often limit the decisions districts can make about how to hire and compensate teachers or the number of students that can be placed in each class. Districts also face budgetary constraints. For example, they are required to dramatically increase their contributions to employee pensions in coming years.

But this steep road to resource equity is not without some smooth spots and views of what is possible. Some district and school leaders are taking steps to leverage LCFF to improve equity across schools. We dig deeper on one district in particular that is leveraging the "whole resource pie" to increase equity across its schools.

We conclude with recommendations for how state and district leaders can further improve resource equity, so that all students benefit from the promise of LCFF.

This steep road to resource equity is not without some smooth spots and views of what is possible.

THE LOCAL CONTROL FUNDING FORMULA ADDRESSES EQUITY BUT NOT ADEQUACY

The Local Control Funding Formula (LCFF) was signed into law by Governor Jerry Brown in 2013. LCFF:

- simplifies a decades-old funding formula;
- increases local spending flexibility;
- provides additional funding to districts for each low-income student, English learner, and foster youth;
- requires districts to use those funds to increase and improve services for high-need students;
- requires districts to create Local Control and Accountability Plans documenting their goals, actions, and expenditures; and
- requires the state to adopt a new accountability system.

Prior to LCFF, the state's school finance system was fundamentally unfair. Those funding inequities were well-documented by researchers and advocates alike, many of whom called for a weighted student formula.[2] LCFF was the state's answer to the equity problem. It establishes a per-pupil base funding amount for each grade span of students, and allocates an extra 20 percent in supplemental grants to districts according to their number of high-need students and an additional 50 percent in concentration grants to districts with a high concentration of these students. Some districts also receive additional funds because they have Necessary Small Schools, usually because they serve special populations or are in sparsely populated areas. Also, districts that received Home-to-School transportation funds or Targeted Instructional Improvement grants before LCFF continue to get those dollars.

However, the law was never intended to fund schools adequately. Indeed, California still ranks well below the national average in per-pupil expenditures, despite several years of economic growth and voter-approved Propositions 30 (2012) and 55 (2016), which generated more tax revenues for education.[3] Under a slowing economy, districts will feel the pinch of rising pension obligations and other costs, and the inadequate level of funding for California's schools will continue to hamper efforts at improving educational quality and equity.

SUPPLEMENTAL AND CONCENTRATION FUNDS: WHY WE DON'T KNOW HOW THEY'RE BEING SPENT AND WHAT WE CAN DO ABOUT IT

The state's mandated accounting structure, the Standardized Account Code Structure (SACS), tracks LCFF expenditures. It does not, however, require districts to report those expenditures by base versus supplemental and concentration grants. Nor does SACS's built-in structure allow a district to track how funds have been spent to support LCAP goals or actions. But this doesn't mean it can't be done. A full overhaul of SACS may be needed. But to start, the state could modify SACS to include a resource code for supplemental and concentration grants. Many — perhaps even most — districts have already added this to their local accounting systems. Some districts, like Santa Ana Unified and Hawthorne School District, have found ways to track how much they are spending to support each LCAP goal. Districts like Oakland Unified and Hacienda La Puente Unified have taken it one step further: they make all their accounting data available to the public through their websites.[4] In these districts, both district and community stakeholders have a better understanding of how dollars are being spent and how they support district goals.

LCFF SENDS MORE DOLLARS TO THE HIGHEST POVERTY DISTRICTS

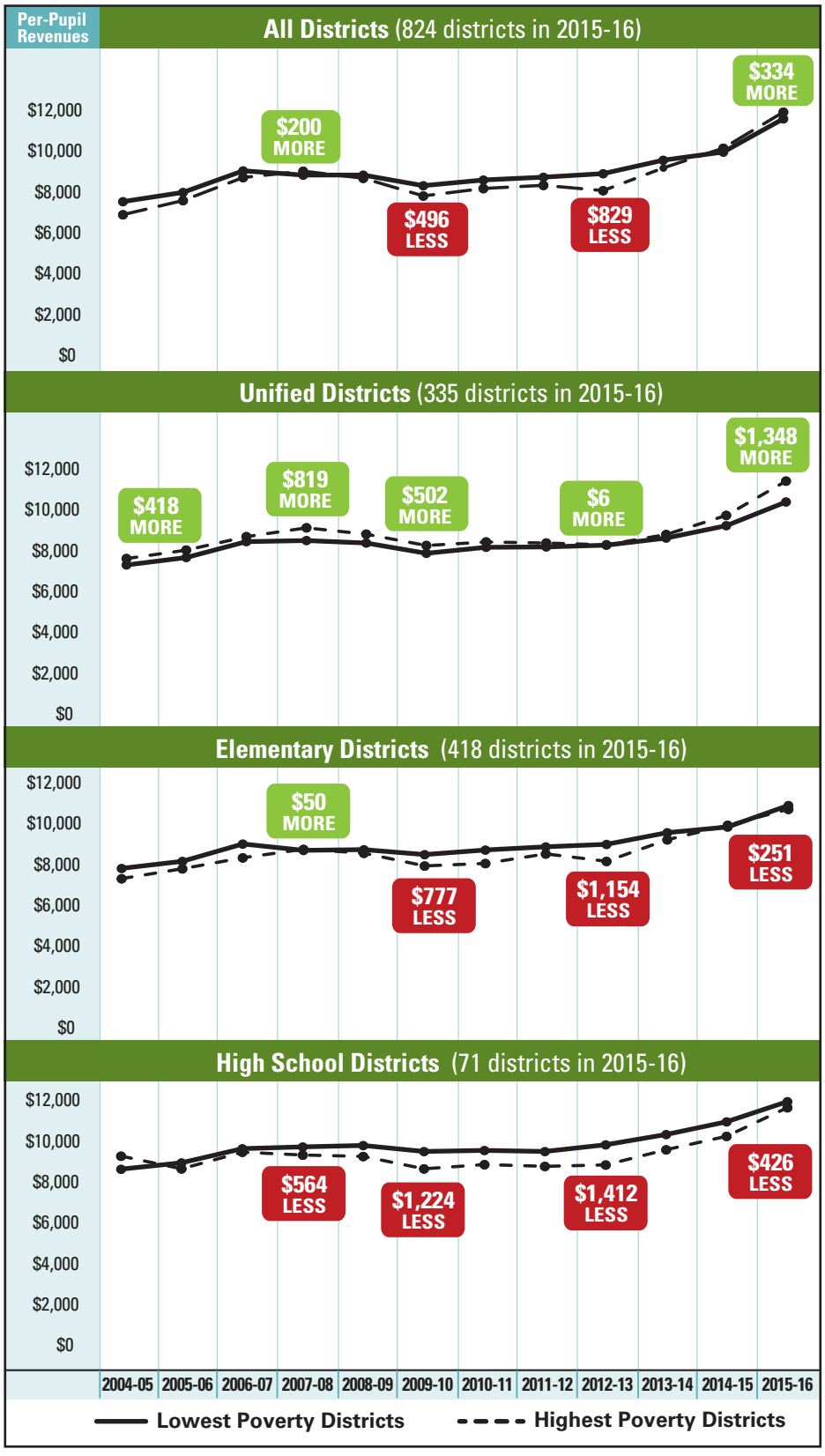
Thanks to a strong economy, California is spending more than ever on education. It is also spending more equitably than several years earlier.

Prior to LCFF, the highest poverty districts usually received hundreds of dollars less per pupil than the lowest poverty districts. For nine of the 12 years for which revenue data is publicly available, the funding gap ranged from $150 less in 2008-2009 to $829 less in 2012-13. **(See Figure 1.)**

The revenue gap varied by type of district. Funding for unified districts has historically been equitable, with the highest poverty districts receiving more funds than the lowest poverty districts across all years. The reverse is true for elementary and high school districts. Though funding is still inequitable for elementary and high school districts, the revenue gap has decreased significantly since LCFF's passage.

Across all types of districts, the size of this equity gap fluctuates with the state's economy: the highest poverty districts have the most to gain when the economy booms, but the most to lose when it busts. In 2004-05, the economy was still recovering from the burst of the previous economic bubble in 2001.[5] At that time, the highest

Figure 1: Gap in Average Per-Pupil Revenues between Highest and Lowest Poverty Districts, 2004-05 to 2015-16, by District Type



Sources: California Department of Education, Annual Financial Data, and Student Free and Reduced-Price Meal Dataset. General Fund State and Local revenues only.

poverty districts across all types received $653 less per pupil than their lowest poverty counterparts. But as the economy swiftly improved over the next few years, this gap rapidly decreased. In 2007-08, at the previous peak of the economy, the highest poverty districts actually received $200 more per pupil than the lowest poverty districts.

This equity gain was short-lived, however, as the Great Recession began in December 2007. The highest poverty districts bore a greater brunt of the state's decreased revenues, with a return to inequitable funding in 2008-09. The revenue gap between highest and lowest poverty districts reached its widest point in 2012-13, with the highest poverty districts receiving $829 less per pupil.

In 2013, the new LCFF legislation institutionalized a more equitable allocation of funds to districts. The swing from a funding gap to funding equity was dramatic. By 2015-16, three years after LCFF was enacted, district funding became the most equitable that it had ever been among years of available data. The highest poverty districts received, on average, $334 more per pupil in state and local funds than the lowest poverty districts. To put this in context, a district of 5,000 students where 90 percent were high-need received $1.7 million more per year than a similarly sized district where only 20 percent of students were high-need.

This tilt toward equity has meant that the highest poverty districts have seen the fastest increase in funding as the economy has improved. On average, state and local revenues increased 42 percent per district from 2010-11 to 2015-16. In high-need districts, the increase was even greater. Anaheim Elementary, for example — which has a student population that is 79 percent low-income and 60 percent English learner — received a 62 percent increase above its 2010-11 state and local revenues. **Figure 2** shows the increases in average per-pupil revenues for the 10 largest unified, high, and elementary school districts in California.

This tilt toward equity has meant that the highest poverty districts have seen the fastest increase in funding.

The funding formula is designed so that as California puts more into LCFF, it sends disproportionately more dollars to the highest poverty school districts. As of 2016-17, the state has funded 96 percent of its LCFF obligation.[6] In November 2016, voters approved Proposition 55, which extends some, but not all, of the tax increases introduced by 2012's Proposition 30 in support of education and other spending priorities. The continuance of this funding stream increases the likelihood of the state being able to fully fund LCFF and sustain its equity benefits.

During the next inevitable recession, the state may once again be forced to slash the education budget. Higher-poverty districts, which currently receive more dollars per student, will receive greater cuts in absolute dollars. Despite this risk, they will still receive proportionally more *per student* than the lowest poverty districts. And they will still be obligated to use those dollars to serve high-need students.

METHODOLOGY

We analyzed fiscal data to examine how district revenues from state and local sources changed from 2003-04 to 2015-16 for all districts serving at least 100 students. We compared average per-pupil revenues in the highest and lowest poverty quartile districts, using eligibility for free and reduced-price meals as a proxy for poverty. We then examined these differences across the state's three types of districts: elementary, high, and unified. For more information on methodology, please see the Appendix.

Figure 2: Average Per-Pupil Revenues for 10 Largest Unified, High School, and Elementary Districts

DISTRICT	Demographics				Average Per Pupil State and Local Revenues				
	ENROLLMENT (2015-16)	% LOW-INCOME (2015-16)	% ENGLISH LEARNER (2015-16)	% FOSTER YOUTH (2014-15)	2007-08	2010-11	2015-16	% CHANGE FROM 2007-08 TO 2015-16	% CHANGE FROM 2010-11 TO 2015-16
Unified Districts									
Los Angeles Unified	639,337	79%	26%	2%	$9,973	$9,317	$13,091	31%	41%
San Diego Unified	129,380	61%	25%	1%	$9,649	$8,600	$11,523	19%	34%
Long Beach Unified	77,812	66%	23%	2%	$8,344	$7,530	$11,326	36%	50%
Fresno Unified	73,460	86%	22%	2%	$8,837	$8,102	$11,793	33%	46%
Elk Grove Unified	62,767	54%	18%	1%	$8,014	$7,298	$10,318	29%	41%
San Francisco Unified	58,865	56%	27%	1%	$9,924	$9,931	$14,629	47%	47%
Santa Ana Unified	55,909	90%	42%	1%	$8,630	$7,734	$12,267	42%	59%
Capistrano Unified	53,878	22%	10%	0%	$7,708	$6,947	$9,865	28%	42%
Corona-Norco Unified	53,354	45%	14%	1%	$7,445	$6,812	$9,987	34%	47%
San Bernardino City Unified	53,303	89%	27%	2%	$9,148	$8,221	$12,310	35%	50%
High School Districts									
Sweetwater Union High	41,050	56%	23%	1%	$8,772	$8,511	$11,264	28%	32%
Kern High	38,070	66%	10%	1%	$9,590	$9,208	$11,836	23%	29%
Anaheim Union High	31,276	69%	21%	1%	$9,125	$8,412	$11,794	29%	40%
William S. Hart Union High	27,155	26%	9%	1%	$8,247	$7,649	$10,223	24%	34%
East Side Union High	26,684	51%	20%	1%	$8,931	$8,021	$11,622	30%	45%
Chaffey Joint Union High	24,361	62%	10%	1%	$8,575	$7,898	$11,144	30%	41%
Antelope Valley Union High	24,127	68%	11%	4%	$8,941	$8,010	$11,578	29%	45%
Grossmont Union High	21,860	58%	10%	1%	$9,650	$9,867	$13,005	35%	32%
Oxnard Union High	17,271	56%	17%	1%	$8,616	$8,067	$11,654	35%	44%
Huntington Beach Union High	16,048	32%	9%	0%	$10,125	$9,762	$11,798	17%	21%
Elementary Districts									
Chula Vista Elementary	30,230	51%	36%	1%	$8,318	$7,674	$10,548	27%	37%
Bakersfield City	30,222	87%	32%	1%	$8,643	$7,616	$11,298	31%	48%
Palmdale Elementary	22,006	86%	26%	6%	$9,268	$8,227	$10,922	18%	33%
Ontario-Montclair	21,952	86%	37%	1%	$8,379	$7,502	$11,499	37%	53%
Escondido Union	19,067	66%	42%	1%	$7,961	$7,249	$10,809	36%	49%
Cupertino Union	18,948	4%	11%	0%	$7,476	$7,281	$9,983	34%	37%
Anaheim Elementary	18,852	79%	60%	1%	$8,250	$7,198	$11,653	41%	62%
Panama-Buena Vista Union	17,545	65%	18%	1%	$8,164	$7,210	$10,093	24%	40%
Oxnard Elementary	16,918	85%	52%	1%	$8,373	$7,385	$11,131	33%	51%
Cajon Valley Union	16,645	70%	35%	1%	$8,400	$7,555	$10,610	26%	40%

Sources: California Department of Education, Dataquest, and Annual Financial Data. General Fund State and Local revenues only.

ACCESS HAS IMPROVED OVERALL, BUT DID NOT NARROW OPPORTUNITY GAPS FOR HIGH-NEED STUDENTS DURING ITS FIRST TWO YEARS

High-poverty districts are now receiving proportionately more dollars than their wealthier counterparts. But are those dollars translating into more opportunities and services at high-need schools or for high-need students? The findings are mixed: while access to opportunities and services has improved overall, there are still disparities in access.

To arrive at this finding, we looked at non-financial metrics, such as access to school personnel and rigorous coursework. We did so for two reasons. First, the state does not currently report school site expenditures in a standardized or centralized way, making it nearly impossible to know whether poorer schools are getting more money.[7] Second, dollars are only a proxy for actual services. The opportunities and services themselves come in the form of teachers, administrators, school staff such as counselors, and quality teaching and learning that prepares students for college, career, and beyond.

We used the most recent data available from the California Department of Education, from the 2014-15 school year. Admittedly, a major policy change like LCFF requires time to implement. With LCFF signed into law in July 2013 after district budgets had been set for the year, many districts may have waited until the 2014-15 school year to make substantive changes to their spending and instructional programs. As a result, the following data may not demonstrate changes that have happened since then.

MOST STUDENT-TO-STAFF RATIOS HAVE IMPROVED OVERALL

Since the recession years, California has improved student-to-staff ratios. **(See Figure 3.)** This is true for teachers, administrators, and pupil support personnel — non-teaching staff who provide direct services to students. However, the state still faces a dire shortage in many positions, with personnel-to-student ratios still lagging far behind national averages. For example, national data show that California has approximately one guidance counselor for every 760 students, while nationally there is one counselor for every 480 students.[8] California has just one nurse per 2,784 students and, shockingly, just 485 social workers, which works out to one social worker per 12,870 students.

Figure 3: Students per Staff Full-Time-Equivalent

Students per:	2007-08	2010-11	2014-15
K-3 Teacher, self-contained	20	24	22
Administrator	244	288	251
Counselor, *any type and grade level*	704	861	792
Social Worker	16,219	15,665	12,870
Psychologist	1,398	1,466	1,482
Speech, Language, and Hearing Specialist	1,316	1,468	1,264
Nurse	2,426	2,744	2,784
Librarian	5,357	9,182	7,896

Source: California Department of Education, Staff Assignment and Course Data.

In 2010-11, the average student-to-teacher ratio was just over 24:1, which meant that many students learned in classes with more than 24 students. In 2014-15, this ratio shrunk to 22:1, with little variance by school poverty level. This smaller ratio is probably attributable both to the improved economy and LCFF's class size reduction policy, which mandates kindergarten through third-grade class sizes cannot be greater than 24 students.[9] While small class sizes may have academic benefits in some cases,[10] mandatory class size reduction (CSR) is enormously costly and may work against the equity and flexibility principles of LCFF. CSR has been found to exacerbate inequities in teacher quality and experience in California.[11] As new K-3 teaching jobs open, veteran teachers have first dibs on those jobs and often choose

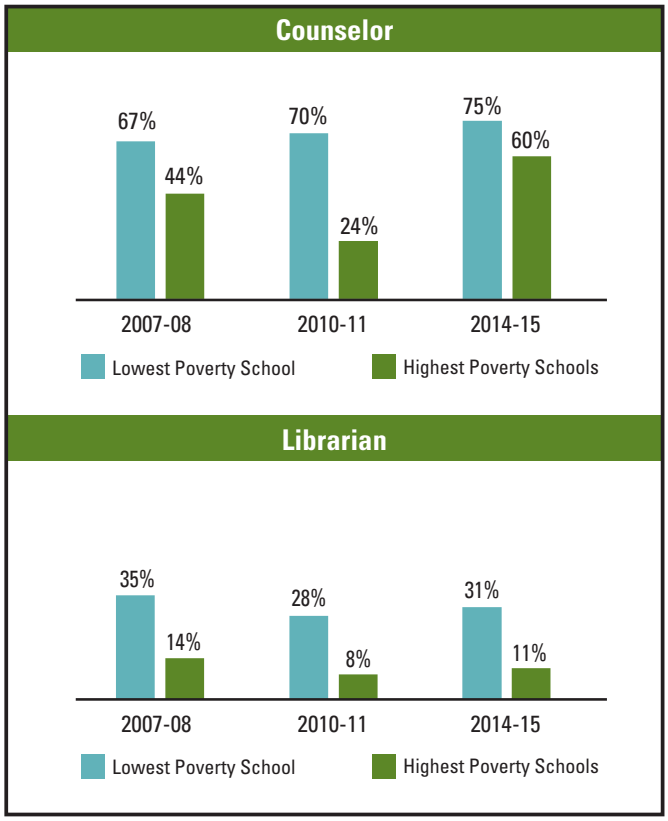
to move from highest poverty to less needy schools. The slots in poor schools are then back-filled with newer teachers. Further, mandated CSR restricts districts from using their funds for other purposes that they perceive may have a stronger impact on educational quality and equity.

HIGH-NEED STUDENTS STILL HAVE LIMITED AND LESS EQUITABLE ACCESS TO SUPPORT PERSONNEL

While overall access to pupil support personnel has improved, albeit slowly, equity issues are persistent. The access gap to counselors and librarians has narrowed somewhat, though students in the highest poverty schools still have significantly less access to counselors and librarians than students in more affluent schools. **(See Figure 4.)**

Disparities existed for other categories as well. Students at the lowest poverty schools have twice as much access to on-site speech, language, and hearing specialists, and they are also more likely to have psychologists on site. Admittedly, the data may be incomplete because some schools do not hire these positions directly and instead may contract out for the services through agreements with their county offices, local health departments, or community-based providers. And, these positions—which almost certainly support many students with special needs—should be sustained by other funds beyond LCFF, including special education dollars. Even so, these equity gaps are worrying.

Figure 4: Percentage of High Schools with Counselors and Librarians on Site, by School Poverty Quartile



Source: California Department of Education, Annual Staffing Data.

HIGH-NEED STUDENTS STILL HAVE LESS ACCESS TO RIGOROUS COURSEWORK AND A BROAD CURRICULUM

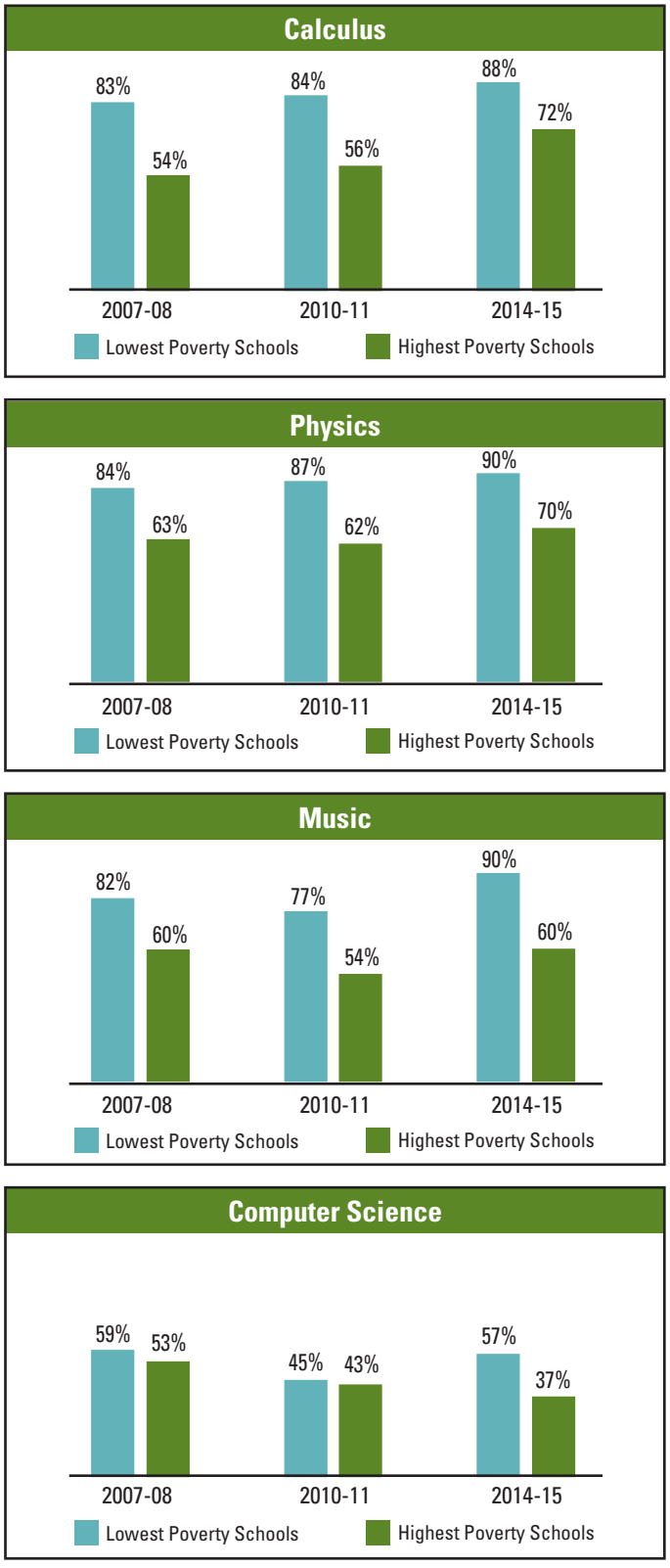
Course access has improved over recent years. However, there are still substantial gaps in access to rigorous, college preparatory coursework. To measure this, we looked at the percentage of schools offering calculus and physics. We also wanted to determine whether students in highest poverty schools have access to a broad curriculum, so we looked at music and computer science offerings — recognizing that these are just two indicators of many we could have chosen.

Over the past seven years, more schools had begun to offer calculus. While the access gap has narrowed, it is still large: in 2014-15, 72 percent of students in the poorest schools had access to calculus, as compared with 88 percent in the wealthiest schools. In physics, even as rates of access have increased overall, the access gap has not closed.

Only the wealthier schools have increased their music and computer science offerings over the past seven years, while access in the highest poverty schools remains lower. Music access in the highest poverty schools has been flat, and computer science access has actually declined. Like some pupil support personnel, music and computer science may be seen as a "luxury goods" that only some schools can afford to offer. **(See Figure 5.)**

There are still substantial gaps in access to rigorous, college preparatory coursework.

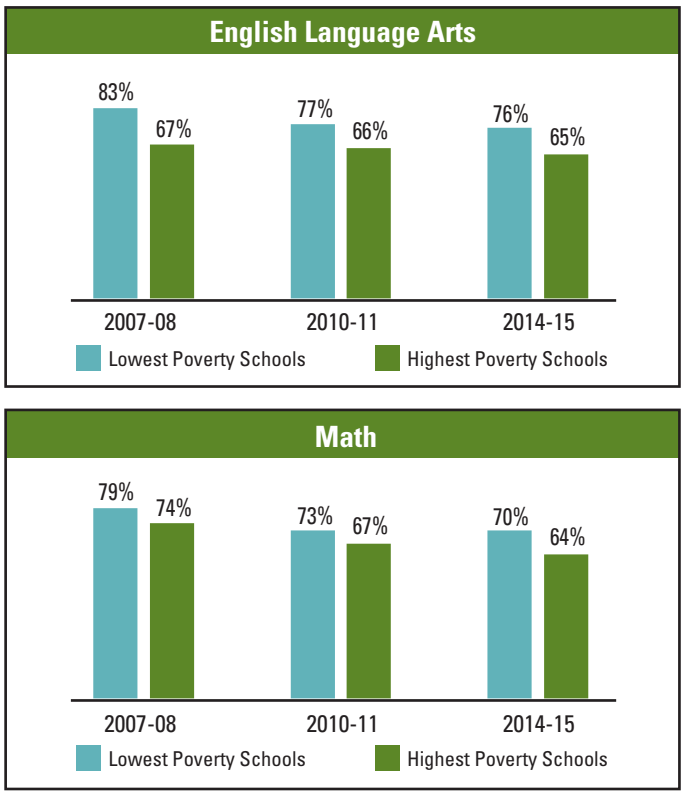
Figure 5: Percentage of Traditional High Schools Offering Calculus, Physics, and Music Classes, by School Poverty Quartile



Source: California Department of Education, Staff Assignment and Course Data.

We also looked at access to "A-G" coursework — the courses approved to meet the eligibility requirements for admission into the University of California or California State University systems. Since an A-G course costs a district the same amount as one that is not A-G approved, increasing the number of A-G classes is a way that a district can improve equity for students at no additional cost. We find that the trend is not good. First, across all poverty quartiles, a lower proportion of math and English language arts classes are A-G approved. Second, students in the highest poverty high schools had, and still have, less access to A-G classes in these two core subjects. For example, in those poorer schools, just two in three English classes are "A-G approved." In comparison, three out of four English classes at the wealthiest schools meet these requirements. **(See Figure 6.)**

Figure 6: Percentage of English Language Arts and Math Classes Which Were A-G Approved, by School Poverty Quartile



Source: California Department of Education, Staff Assignment and Course Data.

WHY AREN'T DISTRICTS DOING MORE WITH THEIR MONEY?

If LCFF has increased funding without closing opportunity gaps, where has the money gone? Why aren't districts spending differently?

The fact is, districts are getting more money but operating under most of the same policy constraints as before. For example, most are bound by state laws and locally negotiated agreements that limit the decisions they can make about how to hire, place, compensate, and retain teachers. Another recent state law designed to fix the state's massive $74 billion teacher pension shortfall requires districts to incrementally, but dramatically, increase their contributions to CalSTRS and CalPERS — the pension systems for certificated and classified personnel.[12] The Legislative Analyst's Office estimates that, over the next four years, the ballooning retirement costs will consume 30 to 40 percent of the increases in state funding.[13] This means that in the coming years, a significant portion of any new money for education will be immediately spoken for by pension obligations, even before districts pay for the constantly rising cost of basics, like energy, employee health benefits, minimum wage increases, and teacher step-and-column increases.

With these cost pressures, districts will have very few new, incremental dollars available to increase and improve services for low-income students, English learners, foster youth, and other high-need groups. Districts with declining enrollment may veer into the red. For example, Oakland Unified has projected a more than $20 million shortfall for 2017-18, as enrollment has dropped, while the district has already committed to expand investments in areas such as preschool and educator effectiveness.[14] With less money available, districts must find other ways to ensure equitable, high-quality learning opportunities for students.

DISTRICTS CAN LEVERAGE LCFF TO ACHIEVE EQUITY ACROSS SCHOOLS

Despite persistent policy and budget constraints, districts still have the power and responsibility to do things differently to close opportunity and achievement gaps. Even if they have the funds to create new programs, simply adding new programs on top of weak base services will do little to improve equity. The true power of California's new funding model and flexibility is that LCFF can be used as a lever for change. To drive this change, districts must think about resources differently. This means thinking beyond targeted or incremental dollars, and instead considering the "whole resource pie"— that is, the full budget and broader range of resources available to districts, including personnel, time, and the quality of instruction offered. There are several ways districts can do this:

1 SHIFT DOLLARS TO THE HIGHEST NEED SCHOOL SITES

One of the most direct ways to equitably resource high-poverty schools is to send extra dollars directly to them. Similar to LCFF, many districts throughout California use some form of a weighted-student formula, which allocates additional dollars to the highest need schools according to their numbers of high-need students. Some districts also offer principals significant flexibility over these weighted funds. Oakland Unified, San Francisco Unified, Los Angeles Unified, Sacramento Unified, and San Lorenzo Unified are just some of the large districts that implement some version of a weighted formula. One of the challenges with these formulas is that they can send principals small pots of marginal dollars that do little to counteract structural inequities, like how teachers are assigned or paid. On the other hand, stakeholders may be more likely to engage in decision making if they can offer input on how dollars will be used at their own school sites.

2 ASSIGN MORE PERSONNEL TO THE HIGHEST NEED SCHOOL SITES

One way districts can think differently about equity is to change the way they assign staff, so that more people are providing leadership, instruction, and services in schools serving more low-income students, English learners, and other vulnerable student groups. The fiscal effect of this decision, of course, is that the district spends more on its highest need schools. But the thing that makes this approach particularly powerful is that it pairs equitable resources with local flexibility. By offering leaders both appropriate resources and significant say in how to use those resources to meet the unique needs of their students, district leaders can pave the way for innovation and impact. San Jose Unified is one example of a school district that has done this. (See page 13 for San Jose Unified's story.)

3 ENSURE HIGH-NEED STUDENTS HAVE ACCESS TO RIGOROUS COURSEWORK AND INSTRUCTION

There are myriad other ways to ensure that the highest need students have greater and more equitable access to quality instruction and services. This inevitably begins with identifying inequities present in the district and tackling them head on. For example, Oakland Unified has built its African American Male Achievement program to address the troublingly low graduation rates of its African American male students.

Furthermore, many districts have identified striking gaps in access to A-G coursework between Black and Latino students and their White and Asian American peers. San Diego Unified, Napa Unified, Riverside Unified, and Santa Ana Unified are just a few districts that have identified these gaps and made commitments to closing them by removing institutional barriers present in scheduling, counseling, and teaching practices. For example, The SDUSD school board voted in 2009 to make completion of the A-G course sequence a requirement for high school graduation.[15] To help students meet that higher standard, the district phased out classes that were not A-G aligned, fixed problems with master schedules, and began to provide counselors with professional development focused on supporting students academically, whereas they had previously been trained to provide mostly socio-emotional services.

SAN JOSE UNIFIED SCHOOL DISTRICT'S WEIGHTED STAFFING FORMULA

SJUSD has great variance in need across its 40 schools. One elementary school is only 2 percent low-income and 84 percent Asian American or White; another is 84 percent low-income and 88 percent Latino. SJUSD addresses this wide diversity by using its LCFF supplemental grants to allocate additional personnel to the highest need schools.

After ensuring that every school has a qualified principal and every classroom has a qualified teacher, SJUSD allocates additional support personnel according to each school's populations of English learners, low-income students, and foster youth. The additional staff includes support personnel, such as counselors, nurses, and speech and language pathologists, but also assistant principals and supplemental instructional slots. SJUSD allows school principals to fill these instructional slots with staff they feel will most effectively meet the needs of their students. Some schools choose to hire additional classroom teachers, while others opt to hire intervention specialists — and the impact on some schools is significant. Some get up to eight teachers more than the regular staffing ratio, allowing the schools to offer smaller class sizes, reading intervention, language supports, and more. Lincoln High, profiled at the beginning of this report, receives seven additional teachers and two additional administrators compared to a school with similar enrollment but with students with far less need.

The district didn't need LCFF to implement this new staffing formula, but the new state law certainly helped, by allowing the district to build upon a strong foundation. SJUSD already had an equity-oriented strategic plan and deliberate strategies for engaging stakeholders. The equity provisions of LCFF, says deputy superintendent Stephen McMahon, made it easier to justify to parents in affluent communities why additional resources must flow to the needier schools.

An unusually strong union-district partnership was also critical. In order to find the resources needed to make these staffing shifts, SJUSD and its teachers' union jointly asked the State Board of Education for a waiver

from the mandated 24-to-1 class size ratios required by LCFF in kindergarten through third grade. By keeping average class sizes at a higher level, the district was able to direct more resources to its highest need schools.

District leaders hope these shifts will help all third-graders read on grade level, boost middle school math achievement, and improve access to, and success in, rigorous high school coursework. To increase focus on results, district leaders hold principals accountable by asking them to report student progress to their colleagues each year. So far, results are inching up slowly, but too slowly for the district's liking — although, district leaders say internal student growth data shows an upward trajectory not yet reflected by the state's Smarter Balanced scores.

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RECOMMENDATIONS

LCFF is a promising, positive change in California school finance. The new funding system put our state on a path towards greater resource equity, but we still have a long way to go. To further improve resource equity in California, we make the following recommendations:

TO STATE LEADERS AND POLICYMAKERS

1 **Maintain commitment to the equity proposition of LCFF.** When we look at overall district funding patterns, we see that LCFF has demonstrated some progress on its promise to more fairly distribute dollars. We, therefore, must preserve the weighted student formula, which means resisting efforts to return to the era of categorical programs. At the same time, advocates and policymakers should improve the components that are not yet working. To accomplish this, we need strong champions in the Legislature, the Governor's office, and the Department of Education who will loudly communicate that the core intent of LCFF is to close opportunity and achievement gaps.

2 **Improve budget transparency.** We need more clarity on where money is going. Without transparency, community stakeholders, policymakers, and the broader public are left to wonder whether this massive public experiment and investment is paying off. The state can do the following:

a. Modify the School Accounting Code Structure (SACS) Manual so that publicly available accounting information better describes what is happening in our schools. To start, include a revenue source code for supplemental and concentration funding. Many or most districts already track this in their own accounting systems for planning, transparency, and auditing purposes. Tracking the information at the state level, as a first step, would help heighten transparency and increase uniformity across districts without constituting a requirement for spending those monies in any particular way.

b. Report expenditures by school site. This is required by the Every Student Succeeds Act of 2015, and SACS already includes school site codes that make this possible.

3 **Insist that districts think about equity in terms of all resources, not just dollars.** The California Collaborative for Educational Excellence, the California Department of Education, and the county offices of education play important roles in providing guidance and support around how districts should implement LCFF. In providing this support, these entities should push districts to think about equity in holistic terms. They should share examples of what it means to not only increase but also *improve* services for high-need students. Finally, they should support district leaders in rethinking the way they allocate people, time, and services to vulnerable students and high-need schools, and ensure that they describe these changes in the LCAP.

TO DISTRICT LEADERS

1 **Leverage all available dollars to achieve equity.** Districts should consider how people, time, services, and money all work together to achieve equity. This means leveraging the entire budget, not just supplemental and concentration grants — and not just incremental dollars — to ensure equitable opportunities and outcomes. The LCAP should account for most district revenues and expenditures, not just LCFF dollars and not just supplemental and concentration grants.

2 **Focus on increasing and improving services to high-need students.** To improve experiences for high-need students, districts should:

a. Pay particular attention to recruiting, developing, assigning, and retaining personnel in ways that support equity. Districts might choose to develop staffing formulas that take into account school-level needs, incentivize effective teachers to teach at high-need schools, or provide teachers with planning and training time focused on the needs of diverse learners.

b. Consider weighted student formulas and school-based budgeting processes that direct greater resources to higher need school sites.

c. Provide equitable access to pupil support personnel, such as counselors and psychologists, so that the students who need them the most can get the help they need.

d. Provide equitable access to college and career-ready course offerings — which includes ensuring that high-poverty schools have high levels of access to A-G, rigorous math and science, and Advanced Placement courses.

e. Provide equitable access to a broad curriculum, so that all students have access to art, music, science, physical education, and enrichment programs.

3 **Track LCFF expenditures by type of grant and LCAP goal.** In local accounting systems, track and report expenditures by LCFF grant type (base or supplemental and concentration) and LCAP goal. This would not require a significant overhaul of the existing accounting system. Some districts have done this by creating additional fields in their accounting systems, but other districts have maintained their existing accounting structure and simply changed their business rules for coding expenditures.

4 **Communicate spending decisions to the community in accessible language and methods.** In order to meaningfully engage in district planning, stakeholders must understand how their districts are spending their money. Boil down lengthy, formal budget documents into the key pieces of information that communities need. Tell stakeholders about the district's primary pots of funding, its major initiatives, its priorities for the future, and how spending affects student outcomes. Tell stakeholders about major policy changes or shifts in the state budget that may affect district programs and funding. Additionally, report expenditures by school site so that parents and communities understand how funds funnel down to their individual schools. Communicate this information broadly and regularly through easy-to-understand language and visualizations.[16]

CONCLUSION

California is funding its school districts more equitably than it did before. And in recent years, the state has improved student-to-staff ratios and expanded access to some rigorous courses. However, there are multiple threats to the equity promise of LCFF. In recent years, access to A-G has not improved in high-poverty schools, students in those schools still have less access to rigorous coursework and broad curriculum, and disparities remain in access to key support personnel.

Shifting dollars at the fringes and layering on a new program here and there won't fundamentally improve learning opportunities and outcomes for our state's highest need students. To improve equity and excellence in California schools, districts must use LCFF's flexibility and funding as a lever for more dramatic, wholesale change. This means thinking beyond the supplemental and concentration grants. Though they are crucial to increasing equity, they are not sufficient to achieve equity. We will not achieve equitable outcomes in our schools until we rethink the way we're serving high-need students, regardless of how much is available or from which funding source. Thus, the next frontier for LCFF involves dramatically rethinking how resources are allocated at the district level. While some districts stand out as exceptions, for the most part, we are not there yet.

The next frontier for LCFF involves dramatically rethinking how resources are allocated at the district level.

As districts experiment with shifting dollars, people, and instructional practices, policymakers and advocates should watch closely to see if those resource shifts translate into better outcomes for high-need students. After all, LCFF's end goal has always been academic success for all students — in particular, for the state's most vulnerable. This means that California's leaders cannot consider their work with LCFF done until opportunities and achievement dramatically improve. The road ahead remains steep. We urge California's state and district leaders to continue the climb.

APPENDIX: **METHODOLOGY**

To observe how allocation of funds changed after LCFF, we used the SACS Unaudited Actual Datasets, which provide revenue data from every school district, county office of education, and joint powers agency in the state of California since 2003-04. The SACS dataset also provided financial data for some, but not all, charter schools. We referenced the California School Accounting Manual to interpret revenue codes. We defined "state and local revenues" as those recorded under the "Revenue Limit Sources," "LCFF Sources," "Other State Revenue," and "Other Local Revenue" categories.

We removed districts with fewer than 100 students, as well as spending from county offices of education, joint powers agencies, and charter schools which did not report their revenues and expenditures through their local school districts. We only included data beginning with 2004-05, when the state began collecting free and reduced-price meals (FRPM) data.

We then categorized all districts into poverty quartiles, using eligibility for free and reduced-price meals from the Student FRPM Dataset as a proxy for poverty. **See Figure 7** for this categorization across all districts for select years.

Figure 7: Categorization of District Poverty Quartiles

	2007-08		2010-11		2015-16	
	FRPM CUT POINT	# OF DISTRICTS	FRPM CUT POINT	# OF DISTRICTS	FRPM CUT POINT	# OF DISTRICTS
Quartile 1 *(lowest poverty districts)*	28%	210	34%	210	37%	207
Quartile 2	48%	209	54%	209	58%	205
Quartile 3	70%	209	74%	209	79%	206
Quartile 4 *(highest poverty districts)*	100%	210	100%	209	100%	206

To understand how access to key staff resources has changed, we used the Staff Demographics and Staff Assignment and Course Data datasets from the California Department of Education. We defined "counselor" and "librarian" according to the assignment codes that CDE uses in its Dataquest reporting tool.

To understand how course access has changed, we used the Staff Assignment and Course Data dataset from the California Department of Education. We identified courses by looking at the course titles in the assignment code field. We identified A-G coursework by using the "UC_CSU_REQ" flag. We categorized all schools into poverty quartiles, using eligibility for free and reduced-price meals from the Student FRPM Dataset as a proxy for poverty. **See Figure 8.**

Figure 8: Categorization of School Poverty Quartiles

	2007-08		2010-11		2014-15	
	FRPM CUT POINT	# OF SCHOOLS	FRPM CUT POINT	# OF SCHOOLS	FRPM CUT POINT	# OF SCHOOLS
Quartile 1 *(lowest poverty schools)*	28%	2,432	36%	2,431	36%	2,431
Quartile 2	56%	2,431	65%	2,431	65%	2,431
Quartile 3	79%	2,431	85%	2,430	85%	2,430
Quartile 4 *(highest poverty schools)*	100%	2,432	100%	2,431	100%	2,431

To understand how districts are addressing equity across their school sites, we reviewed publicly available materials, such as district budgets and Local Control and Accountability Plans, and conducted interviews with district administrators.

ENDNOTES

1 The Education Trust—West, "Puzzling Plans and Budgets: Making Sense of California's Second Year Local Control and Accountability Plans," (2016).

2 See, for example, The Education Trust—West, "The Cruel Divide: How California's Education Finance System Shortchanges Its Poorest School Districts," (2012), and William Duncombe and John Yinger, "Understanding the Incentives in California's Education Finance System," *Getting Down to Facts,* 47, (2007). Bersin et al. wrote the paper that served as the foundation for the LCFF formula: Alan Bersin, Michael W. Kirst, and Goodwin Liu, "Getting Beyond the Facts: Reforming California School Finance," (2008).

3 Jonathan Kaplan, "California's Spending Per Student Has Increased Due to Proposition 30, but Still Trails the Rest of the US," (2016).

4 See "Oakland Unified School District – Fiscal Transparency" and "Hacienda La Puente Unified District's Financial Reporting Platform."

5 National Bureau of Economic Research, "US Business Cycle Expansions and Contractions," (2016).

6 California Department of Education, "Local Control Funding Formula Overview," (2016).

7 However, the Every Student Succeeds Act of 2015 requires reporting of per-pupil expenditures across all school sites and districts. 20 U.S.C. 6301 § 1111 (2015).

8 Based on The Education Trust–West analysis of U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "State Nonfiscal Public Elementary/ Secondary Education Survey Directory Data", 2014-15.

9 LCFF gives districts 10.4 percent more base funding for each K-3 student. In order to keep this adjustment—which is automatically doled out — districts must demonstrate progress towards reducing K-3 class sizes to no more than 24 students in each class. They can get around this requirement if they strike an alternative agreement with their unions.

10 Alan B. Krueger and Diane M. Whitmore, "The Effect of Attending a Small Class in the Early Grades on College-Test Taking and Middle School Test Results: Evidence from Project STAR," *The Economic Journal,* 111:1-28, (2001).

11 Christopher Jepsen and Steven Rivkin, "Class Size Reduction and Student Achievement: The Potential Tradeoff between Teacher Quality and Class Size," *Journal of Human Resources,* 44:223-250, (2009); Robert E. Reichardt, "The Cost of Class Size Reduction: Advice for Policymakers," RAND Corporation, 2000.

12 Assem. Bill 1469, 2013-14 Reg. Sess., ch. 47, 2014 Cal. Stat..

13 State of California Legislative Analyst's Office, "The 2017-18 Budget: Proposition 98 Education Analysis," (2017). CalSTRS contributions are expected to rise from the pre-increase rate of 8.25 percent to 19.1 percent of payroll in 2020-21.

14 Oakland Unified School District, "Superintendent Budget Recommendations for Fiscal Year 2017-2018," presentation to the OUSD Board of Education, January 11, 2017.

15 We should note that while the UC and CSU systems require students to complete these courses with a C or better to be eligible for admission to the state's four-year public colleges, SDUSD allows D grades to count toward graduation.

16 For more information, see the Making Sense of Dollars and Sense toolkit developed by The Education Trust–West, the California Association of School Business Officials, and Children Now.

"Nothing is more determinative of our future than how we teach our children. If we fail at this, we will sow growing social chaos and inequality that no law can rectify."

– Governor Jerry Brown

ACKNOWLEDGEMENTS

This report was made possible by generous support from the Haas Jr. Foundation and California Education Policy Fund.

The Education Trust–West

OUR MISSION

The Education Trust–West works for the high academic achievement of all students at all levels, pre-k through college. We expose opportunity and achievement gaps that separate students of color and low-income students from other youth, and we identify and advocate for the strategies that will forever close those gaps.

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