

LOCAL CONTROL FUNDING FORMULA

Up until fiscal year 2012-13, the Revenue Limit was the basic and the largest financial support for District activities. In fiscal year 2013-14, Governor Jerry Brown implemented the new State funding formula for local education agencies called Local Control Funding Formula (LCFF). AB 97 was enacted, amending California Education Code 42238.07 which relates to education finance. The goal of LCFF is to significantly simplify how state funding is provided to local education agencies (LEAs), to create transparency of funding, and to grant local control of funds.

The LCFF eliminated the Revenue Limit and most of the state categorical program funding streams. The categorical programs that were folded in the LCFF are not bound by the program compliance requirements that existed before the implementation of LCFF. Below is a list of categorical programs participated in by LAUSD that are now folded in the LCFF.

- Administrator Training Program
- Adult Education
- Advanced Placement (AP) Program - Exam Fee Assistance
- Arts and Music Block Grant
- Bilingual Teacher Training and Assistance Program
- California High School Exit Exam Intensive Instruction
- California School Age Families Education (Cal-SAFE)
- Certificated Staff Mentoring Program
- Charter School Categorical Block Grant
- Charter School In-lieu of EIA
- Class-Size Reduction, Grade 9
- Class-Size Reduction, Grades K-3
- Community-Based English Tutoring (CBET)
- Community Day School Additional Funding
- Community Day School Additional Funding For Mandatory Expelled Pupils
- Core Academic Program (Supplemental Instruction)
- Deferred Maintenance
- Economic Impact Aid (EIA)
- Education Technology - California Technology Assistance Project (CTAP)
- Education Technology – Statewide Education Technology Services (SETS)
- Gifted & Talented Education (GATE)
- Instructional Materials, IMFRP
- Low STAR Score and at Risk of Retention (Supplemental Instruction)
- Math & Reading Professional Development
- Math & Reading Professional Development - English Learners
- Middle & High School Counseling
- National Board Certification Teacher Incentive Grant New
- Charter School Supplemental Categorical Block Grant
- Oral Health Assessments
- Peer Assistance & Review Program

Physical Education Teacher Incentive Program
 Professional Development Block Grant
 Pupil Retention Block Grant Pupil
 Transportation Programs
 Reader Services For Blind Teachers
 Regional Occupational Centers / Programs
 Remedial Program (Supplemental Instruction)
 Retained & Recommended for Retention (Supplemental Instruction)
 School and Library Improvement Block Grant
 School Safety & Violence Prevention Block Grant, Grades 8-12 (Carl Washington)
 School Safety Consolidated Competitive Grant
 Standards for Preparation and Licensing of Teachers (CTC)
 Targeted Instructional Improvement Block Grant
 Teacher Credentialing Block Grant (BTSA)
 Teacher Dismissal Apportionments

Unlike the Revenue Limit which was largely based on COLA and average daily attendance (ADA), the LCFF includes several variables to calculate an LEA's entitlement. These are ADA, COLA, enrollment, unduplicated pupil count, and gap funding percentage.

To familiarize one's self with the LCFF calculation, it would help to know the definitions of the various terminologies used in LCFF. Below are the various terminologies and their brief definitions in the order as they are encountered in the formula.

Grade Span	LCFF funding uses grade span ADAs such as K-3, 4-6, 7-8, and 9-12. Transition Kindergarten (TK) is included in the Kindergarten enrollment.
Average Daily Attendance (ADA)	The change in the reporting of ADA was driven by the LCFF formula where ADAs are summed into grade spans of K-3, 4-6, 7-8, and 9-12. LCFF uses the ADA of students from the beginning of the school year to the school month ending on or before April 15th of a fiscal year. This period of attendance is called the Second Principal Apportionment (P-2) ADA. After adjusting LAUSD's prior year ADA for students who transferred to and from LAUSD and charter schools, Education Code 42238.5 allows school districts to use the larger of the current year or prior year's P-2 ADA; while charter schools use the current year's P-2 ADA. A small portion of the funded ADA comes from the Annual ADA, i.e., ADAs from the beginning to the end of the school year. The ADAs are sub-totaled by grade span which is multiplied by the corresponding funding rates per ADA.
Cost of Living Adjustment (COLA)	This is a percentage calculated by the State and is based on the Implicit Price Deflator as of the month of May prior to the beginning of each fiscal year. The LCFF rates per ADA are increased annually to

reflect the COLA.

Base Grant Per ADA	Each Base Grant Per ADA is composed of a base rate per ADA plus COLA. The Base Grant Per ADA is unique for each of the grade span and is applied to the respective grade span ADA to calculate the initial Base Grant Funding. For grades K-3, the Base Grant Per ADA includes the K-3 Grade Span Adjustment. The State provides an additional 10.4% of the initial K-3 Base Grant as funding for K-3 Class Size Reduction. For grades 9-12, the Base Grant Per ADA includes the 9-12 Career Technical Education (CTE) Adjustment. The State provides an additional 2.6% of the initial 9-12 Base Grant as funding for CTE.
Base Grant Funding	The Base Grant Funding is the result of multiplying the Base Grant Per ADA of each grade span by the funded ADAs of each respective grade span.
Enrollment	This refers to the total count of K-12 students enrolled as of the fall Census Day (first Wednesday in October).
Targeted Disadvantaged Students/Unduplicated Pupils	The unduplicated student count refers to pupils who are identified as either English Learner, met the requirements for free or reduced-priced meals, or in foster care. A student falling into one or more of the criteria mentioned is counted once even if the student meets more than one of the criteria; hence, the term unduplicated pupil count. All pupil counts are based on Fall 1 certified enrollment reported in the California Longitudinal Pupil Achievement Data System (CALPADS) as of fall Census Day (first Wednesday in October).
Unduplicated Pupil Percentage	This is calculated by dividing the total unduplicated pupil count by the total enrollment, and is used in the calculation of the Supplemental and Concentration Grant Funding. With the assumption of LCFF beginning in fiscal year 2013-14, this is expressed as an "average" percentage, i.e., for fiscal year 2014-15, 2-year average; for fiscal year 2015-16, a 3-year average; and for fiscal years 2016-17 and on, a 3-year average of the last three fiscal years including the current fiscal year.
Supplemental Grant Funding	Every Targeted Disadvantaged Student generates additional funding above the Base Grant Funding through the Supplemental Grant Funding. For each grade span, this is calculated by multiplying the Base Grant Funding by the Unduplicated Pupil Percentage times 20%.

Concentration Grant Funding	In addition to the Supplemental Grant Funding, school districts that have unduplicated pupil percentage greater than 55% are entitled to the Concentration Grant Funding. For each grade span, this is calculated by multiplying the Base Grant Funding by the Unduplicated Pupil Percentage in excess of 55% times 50%.
Allowance and Add-On Funding	For LAUSD, this includes the Targeted Instructional Improvement Block Grant (TIIBG) and the Home-To-School Transportation in the amounts received in fiscal year 2012-13.
LCFF Target Entitlement	The LCFF Target Entitlement is the sum of the Base Grant Funding, Supplemental Grant Funding, Concentration Grant Funding, and Allowance and Add-on Funding. This represents the LCFF entitlement at the end of the implementation period, fiscal year 2020-21 and is not a static number. It is recalculated for each of the implementation year based on the current fiscal year's funded ADA and COLA. It is possible for an LEA to reach the LCFF Target Entitlement before the target year 2020-21.
Floor Entitlement	This represents the minimum amount an LEA may receive for a LCFF fiscal year. This is composed of the following: 1) the 2012-13 Revenue Limit per ADA times the current year funded ADA, 2) total amount of the 2012-13 Categorical Programs that were folded into LCFF, and 3) the prior year cumulative gap rates per ADA times the current year funded ADA.
Current Year Gap	This is the difference between the Target Entitlement and the Floor Entitlement. If the Target Entitlement is greater than the Floor Entitlement, the LEA has not reached its full LCFF implementation entitlement. Hence, there is still a gap or a need to reach full implementation. Otherwise, the LEA will be funded based on the Target Entitlement and is deemed to have reached the full implementation amount of LCFF.
Statewide Gap Funding Rate	Based on the State's available resources, the Gap Funding Rate is set at the State level and is used to calculate the Current Year Gap Funding.
Current Year Gap Funding	This represents the "funded" portion of the gap between the Target Entitlement and the Floor Entitlement, and is funded incrementally each fiscal year until full funding of the Target Entitlement is realized.
Economic Recovery Target	It is the difference between the amount a school district or charter school would have received under the old funding system (Revenue

Limit, Charter School Block Grants, and Categorical Programs) and the estimated amount it would receive for LCFF funding in 2020–21, based on certain criteria. This is not applicable to LAUSD because only school districts and charter schools that were at, or below, the 90th percentile of per-pupil funding rates of school districts under the old funding system as determined at the 2013-14 P-2 certification, are eligible for ERT payments.

Transition Funding

This represents the amount of LCFF entitlement a LEA receives for the fiscal year. If the Target Entitlement has not been realized, each current year's LCFF funding is composed of the Floor Entitlement and the Current Year Gap Funding. If the Target Entitlement has been realized, the Transition Funding is the Target Entitlement. The Transition Funding is funded through: 1) local property taxes, 2) the Education Protection Act (EPA) which was enacted by Proposition 30 in November 2012, and 3) state aid. The portion of the Transition Funding that is not funded by local property taxes and EPA is funded by state aid.

As a condition of receiving the K-3 Grade Span Adjustment, LAUSD is required to maintain an average K-3 class size enrollment of not more than 24 pupils or a collectively-bargained alternative class size at each school site. Failure of one school site to maintain the maximum average K-3 class size of 24:1, will jeopardize the whole K-3 Grade Span Adjustment funding. On the other hand, charter schools do not have to maintain or make progress toward the required average class size of 24 pupils.

The Supplemental and Concentration Grant Funding are dependent on an LEA's number of unduplicated student count, specifically, the percentage of the unduplicated count to total enrollment. And although LCFF funding is considered unrestricted, the Supplemental and Concentration Grant Funding are earmarked to be spent on the Targeted disadvantaged student population. LEAs are required to specify on the Local Control Accountability Plan (LCAP), the amount of expenditures for the Targeted Disadvantaged Student population.

The Department of Finance estimates that full LCFF funding will be realized by fiscal year 2020-21. Below are the statewide rates used as the basis for estimating LAUSD's LCFF entitlement for fiscal years 2017-18 through 2019-20 based on the 2017-18 Governor's May Revision Budget.

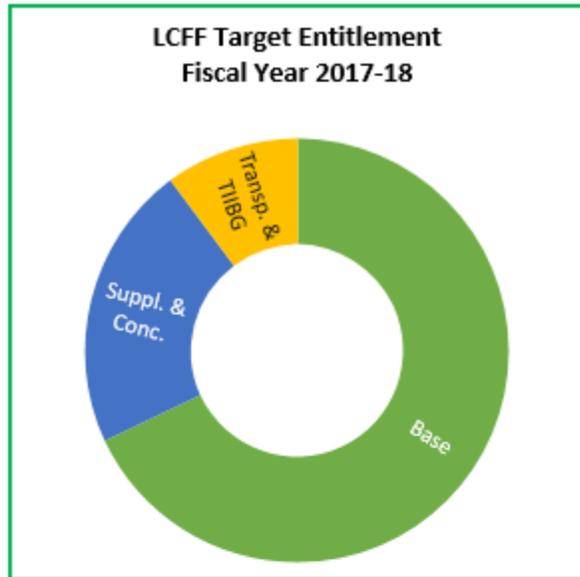
	2017-18	2018-19	2019-20
COLA	1.56%	2.15%	2.35%
Gap Funding Percentage	43.97%	71.53%	73.51%

It is important to note that funding for LCFF must be approved by the legislature each fiscal year. Because there is no continuing appropriation of the LCFF gap funding in the legislation, there is uncertainty regarding increases in LCFF funding in the future years. Also, the level of LCFF funding will depend on the state's economic climate each fiscal year.

Below are graphs that show LAUSD’s LCFF “Target Entitlement” for the non-charter schools only and how it is funded for the current fiscal year. If LCFF is fully-funded, the Target Entitlement of \$5.3 billion (Graph No. 1) is what we expect to receive in fiscal year 2017-18. But instead, we are estimating to receive \$5.1 billion (Graph No. 2).

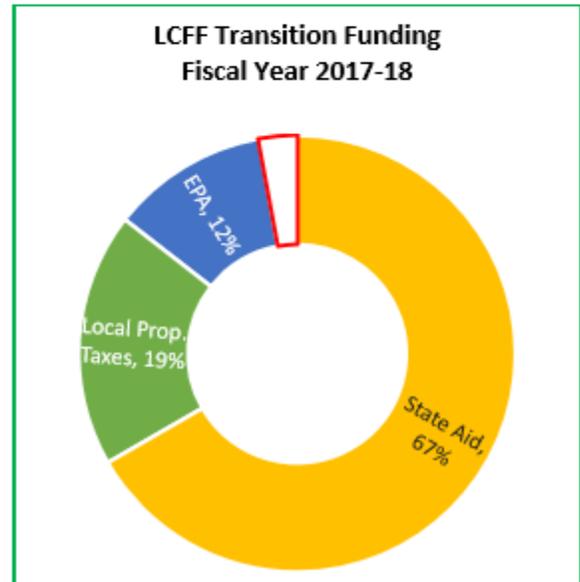
<u>LCFF Target Entitlement</u>	<u>(in millions)</u>
Base	\$ 3,586.6
Suppl. & Conc.	1,146.5
Transp. & TIIBG	538.0
Total	\$ 5,271.1

Graph No. 1



<u>LCFF Transition Funding</u>	<u>(in millions)</u>
Local Prop. Taxes	19% \$ 993.5
EPA	12% 614.6
State Aid	67% 3,515.1
Transition Funding	97% \$ 5,123.2
Remaining Gap*	3% \$ 147.9
Target Funding	100% \$ 5,271.1

Graph No. 2



LCFF PROPORTIONALITY REQUIREMENT

The proportionality calculation is the minimum level of increased or improved services for Targeted Disadvantaged Students that must be demonstrated by an LEA each fiscal year.

How to calculate the increase in LCFF funds apportioned for Supplemental and Concentration Grant Funding

1. Estimate the current fiscal year's amount of the LCFF Target entitlement attributable to the supplemental and concentration grants. **\$1.15 billion**
2. What did we spend on programs and services which serve the targeted student population in the prior fiscal year? **\$1.04 billion**
3. What is the difference between the supplemental and concentration grants at full implementation and the amount spent in the prior fiscal year? *(Step 1 minus Step 2)* \$1.15 billion – \$1.04 billion = **\$110.32 million**
4. How much funding is the state providing in the current fiscal year to help close the gap in step 3 above? *(State rate times Step 3)* **43.97% x \$110.32 million = \$48.51 million.**
5. What is the current fiscal year's total spending for supplemental and concentration grants? *(Step 2 plus Step 4)* \$1.04 billion + \$48.51 million = **\$1.08 billion. The District added \$49.76 million to this amount to total \$1.13 billion.**
6. What portion of the current fiscal year's total LCFF funding is attributable to base funding? *(Total LCFF entitlement minus Supplemental and Concentration grants, Targeted Instructional Improvement Grant, and Home to School Transportation)* \$5.12 billion – \$1.67 billion = **\$3.45 billion**
7. What is the proportion of the current fiscal year's total funding for the targeted student population to total base funding? *(Step 5 divided by Step 6)* \$1.13 billion / \$3.45 billion = **32.87%**