

Local Control Funding Formula Spending Regulations

Welcome to the California State Board of Education's LCFF Channel. The video and audio downloads available on the LCFF Channel are designed to help the education community learn about how the Local Control Funding Formula works to support local implementation activities. The focus of this brief segment is to explain what the Local Control Funding Formula is.

January 16 the State Board of Education approved emergency spending regulations and initiated the permanent regulation process. These regulations are important because they provide guidance to local educational agencies on how to demonstrate that they are using LCFF funds generated to support students in need – low income, English Learners, and Foster Youth – to increase and/or improve services sufficiently based on increases in LCFF funding.

The proportionality calculation involves seven steps that result in a percentage, or proportion, that shows the minimum level of increased or improved services for students in need that must be demonstrated by an LEA each year. It is important to note that this calculation provides a floor and not a ceiling for what LEAs target as investments in students in need.

Let's walk through the calculation. While there are seven steps there are really only three pieces of information that an LEA needs to make this calculation. We encourage LEAs to share this data with their stakeholders to support transparency.

- a. The first data point is the estimated target for students in need. The target reflects what LEAs are expected to receive at full implementation in the LCAP year. The best source for this number is the calculator maintained by the Fiscal Crisis Management and Assistance Team.
- b. LEAs also need to know how much they have spent in the prior year on students in need.
- c. Finally, each LEA will also need to know the progress the state has made to fund the LCFF targets. Each year the Governor's budget materials will include a percentage indicating the percentage of implementation progress. For example, in 2013-14 this percentage is 11.8% and in 2014-15 it's estimated to grow to 28%.

Let's use a sample district to help us walk through the calculation. For illustration purposes our sample district has approximately 17,000 students with 69% of its students

in need. Using the FCMAT calculator we find that the district is estimated to receive \$114 million in 2013-14 and this will grow to approximately \$120 million in 2014-15. Because this is an estimate there are several assumptions an LEA must make regarding its growth and student characteristics and the FCMAT calculator allows for LEAs to enter and adjust these assumptions.

- d. Step 1 of the calculation is to determine the target for students in need based on the formula included in the Education Code. For this sample district the calculator estimates that at full LCFF implementation in the LCAP year this district will receive over \$167 million with approximately \$28 million of this generated by and expected to be used to support students in need. So from Step 1 we know that at full implementation in the LCAP year our sample district should be generating at least \$28 million for students in need.
- e. Step 2, we want to know how much our sample district spent on students in need in the prior year. For 2013-14, this should be no less than the amount of Economic Impact Aid funding spent by the LEA in 2012-13. In the case of our sample district they spent approximately \$5 million in the prior year.
- f. Next for Step 3 we need to know the gap between our target and prior year spending. This is approximately \$23 million.
- g. Step 4 take the number from Step 3 and determines an estimated amount of increase that should take place that is proportional to the state's progress in funding LCFF. In other words, if in 2013-14 the state funded 11.8% of the gap it projects to fully fund LCFF, it's expected that LEAs will increase funding for students in need by at least this percentage. For this portion of the calculation we take the number for Step 3 and multiple it by the level of statewide implementation progress. For illustration purposes in this sample, 11.8% of the remaining state-wide funding GAP between current and full implementation of LCFF is eliminated in 2014-15.
- h. Step 5 involves adding the district's prior investments, from Step 2, for students in need to the calculated amount from Step 4.
- i. Step 6 and 7 translate the amount calculated in Step 5 into a percentage for the purposes of measuring proportionality. For Step 6, the district calculates its estimated base grant funding by subtracting the amount from step 5 from the total estimated funding level for the current year. For the sample district this would be approximately \$112 million.



- j. Step 7 divides the amount from Step 5 by the base amount to arrive at the percentage that at a minimum must be met to demonstrate proportionality.

The regulations also clarify how districts, charters and county offices of education can use funds on a districtwide, charterwide, countywide, and schoolwide basis. Each LEA is expected to provide details within their Local Control and Accountability Plan regarding how proportionality is demonstrated and when districtwide, charterwide, countywide services are provided, LEAs need to describe how the services or actions are directed towards meeting the LEAs goals for students in need in the eight state priority areas.

The State Board's action to approve spending regulations is an important step towards implementing LCFF. The approved regulations reinforce LCFF's intent to improve equity, performance, transparency, and simplicity while allowing LEAs to make targeted investments that are responsive to local and state priorities.

Thank you for viewing this edition of the LCFF Channel's Implementation Insight. More information can be found at lcff.wested.org and www.cde.ca.gov.