

Date of Hearing: April 10, 2019

ASSEMBLY COMMITTEE ON EDUCATION
Patrick O'Donnell, Chair
AB 39 (Muratsuchi) – As Amended March 18, 2019

SUBJECT: Education finance: local control funding formula: grant add-on: reports

SUMMARY: Increases the school district and charter school Local Control Funding Formula (LCFF) base grant funding targets, and creates a new grant-add on. Specifically, **this bill:**

- 1) For the 2020-21 school year, establishes base grants per average daily attendance (ADA) as follows:
 - a) For kindergarten and grades 1 to 3, inclusive, \$13,462
 - b) For grades 4 to 6, inclusive, \$12,377
 - c) For grades 7 to 8, inclusive, \$12,745
 - d) For grades 9 to 12, inclusive, \$15,152
- 2) Requires the Superintendent of Public Instruction (SPI) to create a grant add-on to the total sum of a school district's or charter schools' LCFF rates based on the following:
 - a) First, compute the school district, charter school, or county office of education's (COE) LCFF base grant based on the proposed increased targets
 - b) Second, compute the total of all of the school district, charter school and COE base grants
 - c) Third, compute each school district, charter school and COE's percent share of the statewide total by dividing the school district, charter school or COE's LCFF base grant based on the proposed increased targets by the statewide total
- 3) Requires the grant add-on amounts created by this bill to be treated as funds apportioned under the existing LCFF statutes for the purposes of Local Control and Accountability Plans (LCAPs) and the Statewide System of Support.
- 4) Establishes that the funding for the grant add-on created by this bill is subject to a separate appropriation by the Legislature; and excludes the grant add-on created by this bill from the continuous appropriation.
- 5) Requires the SPI to annually compute an annual adjustment to the grade span adjusted base grants, as determined by the Department of Finance, equal to the amount of the grant add-on created by this bill.
- 6) Expands the requirements for LCFF funding information the SPI must post on the California Department of Education's (CDE) website.

EXISTING LAW: Establishes the LCFF, which, for school districts and charter schools, is comprised of the following components:

- 1) A base grant of the following amounts per ADA in 2018-19:
 - a) \$8,235 for grades K-3, which includes a 10.4% grade span adjustment for class size reduction
 - b) \$7,571 for grades 4-6
 - c) \$7,796 for grades 7-8
 - d) \$9,269 for grades 9-12, which includes a 2.6% grade span adjustment for college and career readiness
- 2) A supplemental grant equal to 20% of the base grant for each pupil identified as either low income, an English learner, or in foster care ("unduplicated pupils").
- 3) A concentration grant based on the number of unduplicated pupils in excess of 55% of the district or charter school total enrollment.
- 4) Requires, upon full implementation of the LCFF, as a condition of receiving funds, school districts to maintain an average class enrollment for each schoolsite for kindergarten and grades 1 to 3, inclusive, of not more than 24 pupils, unless a collectively bargained alternative ratio is agreed to by the district.

FISCAL EFFECT: Unknown

COMMENTS: The LCFF was established in the 2013-14 fiscal year to provide a more equitable distribution of funding among school districts, charter schools, and county offices of education. The three main components of the LCFF for school districts and charter schools are the base, supplemental, and concentration grants. The amount of the base grant is different for four different grade spans and receives a statutory annual cost-of-living adjustment (COLA). The following table shows the base grant amounts in 2013-14 and 2019-19 and the Governor's proposed amounts for 2019-20:

Table 1: LCFF Base Grant Targets by Grade Span and Fiscal Year (Existing Law)

Grade Span	2013-14	2018-19	2019-20 (Governor's Proposal**)
K-3	\$6,845	\$8,235*	\$8,520*
4-6	\$6,947	\$7,571	\$7,833
7-8	\$7,154	\$7,796	\$8,066
9-12	\$8,289	\$9,269*	\$9,590*

**Note: Includes the class size reduction and college and career readiness adjustments.*

***Note: Calculation based on the 2019-20 COLA estimate of 3.46%.*

These targets have been increased to the current levels through statutory cost-of-living adjustments. The K-3 grade span funding is increased by 10.4% for class size reduction, and the grade 9-12 grade span funding is increased by 2.6% for college and career readiness programs. The table above reflects these adjustments for the 2018-19 and 2019-20 fiscal years.

In addition to the base grant, school districts and charter schools also receive funding for each enrolled pupil who is either an English learner, low income (as determined by eligibility for free- or reduced-price meals), or in foster care. These are referred to as "unduplicated" pupils, because pupils who fall into more than one of these categories are counted only once for LCFF purposes. Districts and charter schools receive an additional 20% of the base grant amount for each unduplicated pupil.

The concentration grant is provided to districts and charter schools that have a significant concentration of unduplicated pupils. The concentration grant takes effect whenever the enrollment of unduplicated pupils exceeds 55% of total enrollment. The amount received is one-half of the district or charter school's total base grant multiplied by the amount by which the district's enrollment of unduplicated pupils exceeds 55%. For example, if a district's total base grant is \$1 million and its unduplicated pupils enrollment is 70% of total enrollment, then its concentration grant would be \$500,000 (one-half of its base grant of \$1 million) times 15% (70% minus 55%), or \$75,000.

Funding targets for the LCFF were established that, when fully funded, would restore school district purchasing power to pre-recession levels. The targets were fully funded in 2018-19. Prior to the targets being fully funded, available funding in excess of the amount needed for the COLA were added to the formula to gradually reduce the gap between the target and actual funding.

The statutory COLA is final as of the May Revision, the May before the budget is enacted. In addition, the 2018–19 Budget Act authorized a higher COLA, known as "Super COLA", and was used when calculating school district and charter school LCFF entitlements. The 2018-19 COLA was 2.71% and the Super COLA was 3.70%.

This bill increases the base grant targets from the current levels as follows:

Table 2: Impact AB 39 on LCFF Base Grant Targets

Grade Span	2019-20 (Governor's Proposal**)	AB 39	Change
K-3	\$8,520*	\$14,862*	\$6,342
4-6	\$7,833	\$12,377	\$4,544
7-8	\$8,066	\$12,745	\$4,679
9-12	\$9,590*	\$15,248*	\$5,659

**Note: Includes the class size reduction and college and career readiness adjustments.*

***Note: Calculation based on the 2019-20 COLA estimate of 3.46%.*

According to the author's office, this bill increases base targets at each grade level by a total of approximately \$35 billion over the Governor's proposed funding for 2019-20. Because supplemental and concentration grants are calculated as a percentage of base grant funding, they are automatically increased whenever the base grant funding is increased. The Legislative Analyst estimates that a statewide increase of \$600 million for base grant funding increases supplemental and concentration grant funding by \$100 million.

Where California ranks in per pupil funding. According to the United States Census Bureau, state and local per-pupil spending in California was \$10,467 in 2017, which ranked 29th among the 50 states and the District of Columbia (DC) and was \$925 below the national average of \$11,392. (Note that this number is higher than reflected in Table 2, because it includes spending of state and local revenue outside of the LCFF, such as spending for special education and home-to-school transportation.) However, this does not mean that California ranked 29th in the purchasing power of school spending, because a dollar in California does not buy as much as a dollar in most other states.

To account for this, the publication, *EdWeek*, issues an annual ranking of per-pupil spending that adjusts for regional differences in cost of living. In 2018, California's regionally adjusted per pupil ranked 44th of all states and DC. Only Arizona, Idaho, Nevada, Oklahoma, North Carolina, Texas, and Utah ranked lower. In that year, California's regionally-adjusted per pupil spending was \$9,417, which was \$3,109 below the national average of \$12,526.

Another measure of the effort that states put forth to support K-12 education is to look at total K-12 spending per \$1,000 of personal income. This is a measure of how much of a state's wealth is devoted to education. Data compiled by the National Education Association show that, in 2014, California spent \$40 per \$1,000 of personal income on K-12 schools. This compares to a national average of \$41, and ranks California 31st among all states and DC.

Need for the bill. The author's office states that, "California was, at one time, among the top ten states in K-12 per pupil funding, but we now rank among the lowest. Providing a high quality K-12 public education to our children should be one of our top priorities as a state. The implementation of the LCFF made significant progress by returning California's K-12 system to pre-recession funding levels, but there is more to be accomplished.

AB 39 will establish new funding targets within the existing formula to provide the Legislature and the state with a road map to continue our investment in our children's K-12 education. The new funding targets will set California on a path to first reach the national average in per pupil spending with the ultimate goal of returning our state to among the top ten in funding."

Another objective is to increase per-pupil funding to at least the national average. However, the funding increase proposed in this bill would put California spending among the top ten of the *EdWeek* and Census Bureau rankings, well above the current national average. Of course, by the time it would take to fully fund the new target, the national average will have increased as well.

What is the funding goal for public education? Although most advocates for public education believe additional funding is needed to support schools, there is little consensus regarding the ultimate goal. Is the goal for California to be one of the top 10 states in K-12 education funding? Is the goal for California to provide funding for K-12 at the national average? Is the funding goal related to adequacy? According to the technical report, "Getting Down to Facts II: Adequacy and State Funding Formulas: What Can California Learn From the Research and

National Context?” “The cost of an adequate education is...the minimum cost to achieve a targeted outcome that has been deemed “adequate” by analysts, policymakers or, in some cases, a state constitution.” *The Committee may wish to consider* these policy questions.

Total school funding is determined by Proposition 98, not by the LCFF. Increasing the LCFF funding targets does not increase school funding. Rather, school funding is determined by Proposition 98, which requires a minimum level of funding, but has also, in practice, served as a funding ceiling. Accordingly, the increased targets established by this bill are aspirational, just as the original targets were.

Competing demands for ongoing funding. One objective of increasing the LCFF targets is to help ensure that funding increases generated by Proposition 98 that are in excess of what is needed to fully fund the statutory cost-of-living adjustments will be applied to the formula. However, there are other demands for increased funding, such as for special education equalization and career-technical education programs. Most likely, competing demands for ongoing K-12 funding will continue to be determined through the annual budget process.

LCFF audit. In 2019, the California State Auditor began an audit of the LCFF. The CSA’s audit scope and objectives include:

“The audit by the California State Auditor will provide independently developed and verified information related to a selection of three large, geographically dispersed school districts with a significant number of students who are considered low income, English learners, or foster youth. The audit’s scope will include, but not be limited to, the following activities:

- 1) Review and evaluate the laws, rules, and regulations significant to the audit objectives.
- 2) Regarding the local control funding formula (LCFF), perform the following steps to the extent possible:
 - a) Identify and evaluate each school district’s methodology for distributing and spending LCFF funds on its students or at its schools.
 - b) For at least three fiscal years, examine each district’s total LCFF funding and expenditures and assess how they have changed over time under the LCFF.
 - c) Determine for each school district and a selection of schools within each district the LCFF funding and expenditures by LCFF category and for low-income, English learner, and foster youth students, and determine whether the expenditures are appropriate.
- 3) Regarding Local Control and Accountability Plans (accountability plans), perform the following steps:
 - a) Identify and assess the goals within each local educational agency’s (LEA) accountability plan or elsewhere that are aimed at raising student achievement, especially those goals intended to benefit low-income, English learner, and foster youth students.

- b) Review and assess whether each LEA's most recent accountability plan complies with applicable legal requirements, especially those requirements associated with measuring achievement and with helping students who are members of groups associated with chronically low academic achievement.
 - c) Make any necessary recommendations for improving accountability plans and student achievement levels, including, if warranted, additional goals that would be helpful to ensure improved achievement levels of these student groups.
- 4) Regarding the measurement of educational success, perform the following steps:
- a) Identify and evaluate the measurements and measurement tools that each school district uses to assess success in educating its students, including low-income, English learner, and foster youth students.
 - b) Determine whether additional measurements would help the districts better ensure student success.
- 5) Review and assess any other issues that are significant to the audit.”

Staff recommend the bill be amended to retain the aspirational base grant targets, but modify the method to ultimately reach those targets. The nuanced method for creating add-on grants should be replaced with the straightforward “Super COLA” methodology utilized to provide additional funding to LCFF entitlements in the 2018-19 Budget Act. One of the benefits of the Super COLA is that all school districts, charter schools and county offices of education each receive the same percentage of funds.

Similar and prior legislation. AB 575 (Weber) of this Session would, starting with the 2019–20 fiscal year, adjust the definition of “unduplicated pupils” in the LCFF to include pupils who are included in the lowest performing subgroup or subgroups, based on the most recently available mathematics or language arts results on the California Assessment of Student Performance and Progress. The bill would require the Superintendent of Public Instruction to annually identify the lowest performing pupil subgroup or subgroups. This bill is pending before this Committee.

AB 1015 (Gipson) of this Session would, upon appropriation by the Legislature, require the Superintendent of Public Instruction (SPI) to make an apportionment to LEAs that would equal the amounts apportioned in the supplemental grant provisions of the LCFF that are attributable to the number of enrolled reengaged opportunity youth, and require that the funds be used in a program established for this student population. The bill would provide that an eligible youth include a high school pupil formerly identified as a dropout, an expelled pupil, or a pupil who has not been enrolled for at least 90 days irrespective of designation, including a pupil identified as a transfer pupil who has not reenrolled in a public elementary or secondary school for at least 90 days and a pupil who has been involved with the justice system. This bill is pending before this Committee.

AB 1225 (Carrillo) of this Session would add pupils experiencing homelessness to the categories of unduplicated pupils for the LCFF. The bill would require that pupils experiencing homelessness who are also classified as foster youth be double counted for purposes of the LCFF, including the supplemental and concentration grants.

AB 2808 (Muratsuchi) of the 2017-18 Session. Expressed the intent of the Legislature to enact legislation providing that, beginning in the 2019–20 fiscal year, the state shall begin to provide increases to the LCFF to address the existing inequities in per-pupil funding and fund California K–12 public schools at a level that is equal to, or above, the average of the top 10 states nationally by 2025 and, at a minimum, to maintain this level of funding indefinitely. This bill was placed on the Assembly inactive file.

REGISTERED SUPPORT / OPPOSITION:

Support

Alameda County Office Of Education
Alameda Unified School District
Albany Unified School District
Arcadia Unified School District
Association Of California School Administrators
Atascadero Unified School District
Avid Center
Brentwood Union School District
Cabrillo Unified School District
California Association Of School Business Officials (Casbo)
California Association Of Suburban School Districts
California Charter Schools Association Advocates (Ccsaa)
California Federation Of Teachers
California Retired Teachers Association
California School Boards Association
California School Employees Association
California School Funding Coalition
California State Pta
California Teachers Association
Central Valley Education Coalition
Clovis Unified School District
Compton Unified School District
Contra Costa County Superintendents Coalition
Cypress School District
Dinuba Unified School District
El Dorado Union High School District
El Segundo Unified School District
Etiwanda School District
Folsom Cordova Unified School District
Fresno Unified School District
Fruitvale School District
Glendora Unified School District
Golden Valley Unified School District
Grossmont Union High School District
Igo Ono Platina Union School District
Jurupa Unified School District
Laguna Beach Unified School District
Los Angeles Unified School District

Monrovia Unified School District
Murrieta Valley Unified School District
Oakland Unified School District
Office Of The Riverside County Superintendent Of Schools
Palos Verdes Peninsula Unified School District
Paramount Unified School District
Placentia-Yorba Linda Unified School District
Pleasant Valley School District
Redding School District
Redondo Beach Unified School District
Riverside County Public K-12 School District Superintendents
Sacramento City Unified School District
San Benito High School District
San Bernardino County District Advocates For Better Schools (Sandabs)
San Diego County Office Of Education
San Francisco Unified School District
San Ysidro School District
Santa Barbara Unified School District
Savanna School District
Schools For Sound Finance
Scotts Valley Unified School District
Shasta Union Elementary District
Small School Districts Association
South Bay Union School District
Torrance Unified School District
Tulare Joint Union High School District
West Covina Unified School District
Westminster School District

Opposition

Public Advocates Inc.

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