

A Primer on the LAUSD LCFF Spending Case

What is LCFF?

Enacted in July 2013, California’s new Local Control Funding Formula (LCFF) promises more resources for high-need students and greater transparency and local engagement on school districts’ spending and educational programs. Under the new law, school districts have much more flexibility on how they may spend their state funding than under the old school finance system, which was more restrictive. In exchange for increased funding flexibility, a district must explain how it is spending its money to improve student outcomes, especially for low-income, English learner and foster youth students and engage the local community much more in the process of designing its local educational program.

The new law is more equitable because it aims to provide more resources to serve high-need students. Under the new formula, each district receives the same *base* amount per student. But a district also receives additional funding (called *supplemental* funds) for each low-income student, English learner and/or foster youth it serves. Under the law, these three groups are defined as “unduplicated” or high-need students. Beyond supplemental funds, districts that serve more than 55% high need students receive increasingly greater amounts of funding (called *concentration* funds) as their concentration of high need students grows.

Every school district has a target amount of funding that it should receive based on its unique student population when LCFF is fully funded. The state is phasing in funding for LCFF over several years and expects to reach full funding in the fiscal year 2020-21. Each year between now and full implementation, districts need to close the gap between where they are currently in terms of their supplemental and concentration spending on high need students and their ultimate supplemental and concentration spending target at full implementation. The size of a district’s annual “step” toward its full supplemental and concentration spending target is determined by using the same percentage step the state as a whole takes that year toward closing the gap to full LCFF funding overall.

Key Definitions:

High-Need Students or Unduplicated Students: Refers to low-income students, English language learners and foster youth.

LCFF (Local Control Funding Formula): The new school funding law that promises increased resources for high-need students.

LCAP (Local Control & Accountability Plan): This is a three-year spending and academic plan that school districts must prepare and publicize to show how they are spending their money to improve outcomes for students, including high-need students.

Supplemental & Concentration Funds: State funding to school districts that are based on the number and percentage of high-need students a district serves. New supplemental and concentration funds should be spent on increasing or improving services for high-need students.

At full implementation, LAUSD should spend more than \$1 billion each year in supplemental and concentration funds based on the number and percentage of high-need students it currently serves.

What did LAUSD do wrong?

In a public document called the Local Control and Accountability Plan (LCAP), every school district must explain how it will *improve and/or increase services for high-need students* in proportion to the additional supplemental and concentration dollars those students generate under the new formula.

To determine its supplemental and concentration funding in 2014-15 and future years, LAUSD is required by state regulations to run a specific calculation. Under that calculation, the district determines how much it spent in 2013-14 on services for high-need students that it plans to continue providing in 2014-15. By regulation, the district may only count spending on prior year *services for high-need students that was in addition to spending on services provided to all students.*

LAUSD claims that it spent \$700 million to serve high-need students in 2013-14. But that amount includes \$450 million in special education services. The district is legally required to provide special education services to students regardless of whether they are low-income, English learner or foster youth.

In other words, students who do not qualify as high-need under LCFF also benefit from these services. These special education services are not specifically *for* high-need students as the law requires; they are part of the services the district makes generally available to both high-need and non-high need students.

As a result, LAUSD should not be counting this \$450 million in special education spending to

determine its total supplemental and concentration funding for 2014-15.

Why does LAUSD's error matter?

As a result of LAUSD's error, the district *severely underestimates* how much it must spend on increasing and improving services for high-need students in 2014-15—and this error will only get worse over the years.

By counting \$450 million in special education spending last year toward its supplemental and concentration funding target, LAUSD determined that it only needed to spend an additional \$138 million in supplemental and concentration funds in 2014-15 to increase or improve services for high-need students. Instead, LAUSD should have spent \$264 million in additional supplemental and concentration funds.

LAUSD's error deprived high-need students of \$126 million in funding for increased or improved services in 2014-15 and, in 2015-16, repeats that \$126 million shortfall and exacerbates it by another \$162 million. This is not only a huge difference over these two years, but will make an even bigger difference as LCFF is fully implemented. By the time LCFF is fully funded around 2020-21, LAUSD will have deprived high-need students of more than \$2 billion in funding to increase or improve services. This harm will continue on into the future because LAUSD will be underfunding its supplemental and concentration amounts by \$450 million every year after that. (*See graphic.*)