



CALIFORNIA

Description of the Formula

California implemented a new school finance system beginning in 2013 called the Local Control Funding Formula (LCFF). In contrast to the decades old, state-driven school finance system that it replaced, the LCFF allows local school officials to decide how best to meet the needs of their students. The formula is responsive to research and practical experience indicating that students from low-income families and English language learners come to school with unique challenges that often require supplemental services and support to be successful in school.

Under the LCFF, school districts and charter schools are provided with a base grant amount per pupil in average daily attendance (ADA) based upon the grade span of the pupil. The base grant amounts are uniform across the state. School districts and charter schools are also provided with a supplemental grant equal to 20 percent of the total base grant multiplied by its percentage of pupils who are targeted in the formula. Targeted pupils are those classified as English learners, low income, foster youth, or any combination of these. In cases where the percentage of targeted pupils exceeds 55 percent, school districts and charter schools are provided a concentration grant equal to 50 percent of the total base grant amount multiplied by the percentage of targeted pupils above 55 percent.

The LCFF is in a transition phase, in which funding is based on a combination of the amount provided under the formula described above, and the amount that school districts and charter schools received in the past. Full transition of the LCFF is expected to be complete in 2021.

Once the LCFF entitlement is determined, local property taxes allocated to the entity are applied towards it. If an entity's local property taxes are less than the entitlement, the state adds additional funds to guarantee the entitlement. School districts and charter schools decide the best way to target the LCFF funds and must develop and adopt local control and accountability plans, which identify local goals in areas that are priorities for the state, including pupil achievement, parent engagement, and school climate.

Although California eliminated most "categorical" programs designed to target specific needs or state goals, a small number remain, including what the state provides for special education.

Additional information on California's school finance system is available on the internet at <http://edsources.org>, a site developed by the non-profit organization, EdSource.

District Based Components

Density/Sparsity of Small Schools

For small school districts, California provides an optional alternative funding entitlement for necessary small schools. For each qualifying necessary small elementary school with less than 97 ADA in a school district with less than 2,501 ADA, necessary small school amounts are computed on the basis of either the school's ADA or the number of full-time teachers, whichever provides the lesser amount. For each qualifying high school with less than 287 ADA, necessary small school amounts are computed on the basis of either the school's ADA or the number of full-time-equivalent (FTE) certificated employees providing services in grades 9–12, whichever provides the lesser amount. If the ADA is under 20 and the number of FTE certificated employees is less than four, however, the amount is computed on the number of FTE certificated employees.

Grade Level Differences

Under the LCFF, each school district and charter school receives the same amount of base grants for each grade span, as follows: K–3, including transitional kindergarten; 4–6; 7–8; and 9–12 with different amounts per ADA for each grade group.

Declining Enrollment or Growth

School district funding is computed using the greater of current or prior year ADA, thus providing a one year hold-harmless on declining enrollment for a district's general purpose funding.

Capital Outlay and/or Debt Service

California has a statewide school building program supported by statewide bond measures. Statewide bond measures require a simple majority (50% plus one) to pass. The last statewide general obligation bond, Proposition 1D was approved by voters in November 2006 and provided \$7.3 billion to K-12 education facilities with specified amounts designated for modernization, new construction, charter schools, career technical education facilities, joint use, projects for new construction on severely overcrowded school sites, and high performance incentive grants to promote energy efficient designs and materials. For most state-funded projects there is a requirement for a local contribution to match state funding.

Local school districts can issue school construction bonds and levy property taxes to pay for them, provided they get voter approval. In November 2000 California voters passed Proposition 39, which allows school bonds to be approved with a 55% "super-majority" (with restrictions on the amount of the bond and greater accountability requirements). Since the passage of Proposition 39, districts have had the choice of whether to seek two-thirds or 55% approval. Local elections that rely on 55% approval have been more successful, with more than 80% passing.

School districts also have the authority to levy developer fees on residential and commercial construction or reconstruction, but statewide these fees generate significantly less money than bonds. The money may be used only for school facilities, including portable classrooms. These fees are charged both to developers of new residential and commercial properties and to property owners who add square footage to existing homes. No fee is assessed if there is no change in square footage or for residential additions of less than 400 square feet.

Transportation

California provides about \$500 million in funding to partially reimburse school districts for home-to-school and special education transportation expenditures. Annual funding is limited to amounts received by each school district for the Home-to-School Transportation program in 2012-13 fiscal year.

Charter Schools

A charter school may elect to receive its funding directly, in lieu of having it disbursed to the local educational agency that granted its charter. For purposes of the LCFF, all charter schools are treated as school districts and are eligible for the LCFF grade span base grants and supplemental and concentration grants.

Student-Based Components

Special Education

California provides \$3.2 billion in state funding for special education programs for individuals with exceptional needs. The special education funding model apportions state aid to local educational agencies (LEAs) based on their ADA; the per-ADA funding rates are recomputed annually. The funding model is based on the assumption that, over reasonably large geographic areas, the incidence of disabilities is relatively uniformly distributed. Funding for special education may be apportioned directly to an LEA or to the administrative unit of the special education local plan area (SELPA) with which it is affiliated. Entitlements are calculated by multiplying the SELPA's base funding rate by the prior-year funded K-12 ADA for each school district, county office of education, and charter school in the SELPA. Funding is adjusted for changes in ADA. There is also a small amount of funding for exceptionally high cost students.

Low Income / Comp Ed / At-Risk

The LCFF provides supplemental and concentration grants for school districts and charter schools based on the percentage of targeted disadvantaged students, which include those classified as English learners, low income, foster youth, or any combination of these factors. During the LCFF transition, funding from previous categorical programs for low-income and at-risk students is a component of the LCFF transition entitlement.

English Language Learner/Bilingual Education

California does not provide funding specifically for bilingual education, but provides supplemental and concentration grants for school districts and charter schools based on the percentage of targeted disadvantaged students, which include those classified as English learners.

Gifted and Talented Education

With implementation of the LCFF, there is no specific funding for the Gifted and Talented Education program. During the LCFF transition, funding from previous categorical programs for Gifted and Talented Education is included in LCFF transition entitlement.

Career and Technical Education

The LCFF includes a 2.6 percent increase to the grades 9–12 base grant to reflect the cost of operating career technical education programs in high schools. In addition, California provides performance-based grants to districts operating partnership academies and in recent years has provided competitive grants to create innovative programs and partnerships linking rigorous academic standards to career pathways in high-need and high-growth sectors of the economy.

Preschool Education

California administers a variety of State-administered programs in the form of service contracts with child care providers and funding assistance for low-income families for qualifying child care services. In addition, recently enacted legislation requires each elementary or unified school district to offer transitional kindergarten classes for all children eligible to attend.

Other

n/a

Revenue and Expenditure Information

State Mandates Restricting Revenue or Expenditure Increases

The California Constitution limits ad valorem property tax rates to no more than 1% of full cash value at the time of purchase. Increases in assessed value per year are capped at 2% or the percentage growth in the Consumer Price Index (CPI), whichever is less. The California Constitution does allow school districts to collect special taxes (non ad valorem if two-thirds of the electorate in the district approves). The Constitution also limits annual expenditure increases for both the state and local agencies; however, public school districts may exceed their limit by shifting limit capacity from the state to the district.

Property Assessment Ratios Used/Legal Standards For Property Assessment

The constitution limits the maximum amount of an ad valorem tax on real property to 1% of full cash value in 1975, or at the time of purchase if purchased after 1975. Assessed values may be annually increased by the lesser of 2% or the change in the CPI, adjusted for decline in actual value. Only when property changes ownership or there is new construction, is the assessment brought up to current market values.

Measure of Local Ability To Support Schools

Statutorily prescribed share of 1% countywide property tax.

School District Budget and Tax Rate Procedures/Sources of Local Revenue

All school districts are fiscally independent in that they have taxing authority, within constitutional limits, and the ability to develop budgets. The total property tax levy is limited constitutionally and its allocation prescribed statutorily. Districts can levy special taxes for

specific purposes with a two-thirds majority vote. Such taxes may not preempt state taxes (e.g., sales, personal income, etc.). Voter approval is not required for the general operating budget. Local revenues are derived almost exclusively from the countywide property tax.

State Support for Nonpublic Schools

The California constitution prohibits state funding of sectarian or denominational schools or schools not under the exclusive control of officers of the public schools. Limited funding is provided for special education students placed in non-public, non-sectarian schools.