Date of Hearing: April 11, 2018

ASSEMBLY COMMITTEE ON EDUCATION
Patrick O'Donnell, Chair
AB 2808 (Muratsuchi) – As Amended April 2, 2018

SUBJECT: Education finance: local control funding formula: funding increase

SUMMARY: Increases the school district and charter school Local Control Funding Formula (LCFF) base grant funding targets. Specifically, **this bill**: For the 2018-19 fiscal year, establishes base grants per average daily attendance (ADA) as follows:

1) For kindergarten and grades 1 to 3, inclusive, $11,799.

2) For grades 4 to 6, inclusive, $11,975.

3) For grades 9 to 12, inclusive, $14,289

4) Provides that the kindergarten and grades 1 through 3, inclusive, maximum average class size of 24 shall take effect beginning in the year in which the LCFF targets are fully funded or the 2019-20 fiscal year, whichever comes earlier.

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 2017-18:

    a) $7,942 for grades K-3, which includes a 10.4% grade span adjustment for class size reduction;

    b) $7,301 for grades 4-6;

    c) $7,518 for grades 7-8; and

    d) $8,938 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 2017-18 and the Governor's proposed amounts for 2018-19:

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

Grade Span	2013-14	2017-18	2018-19 (Proposed)
K-3	$6,845	$7,492	$8,141
4-6	$6,947	$7,301	$7,484
7-8	$7,154	$7,518	$7,707
9-12	$8,289	$8,938	$9,163

These targets have been increased to the current levels through statutory cost-of-living adjustments. The K-3 grade span funding is increased by 10.5% 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 2017-78 and 2018-19 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 addition 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. Until now the targets have never been fully funded. Instead, available funding in excess of the amount needed for the COLA have been added to the formula to gradually reduce the gap between the targets and actual funding. The Governor proposes to fully fund the targets for the first time in 2018-19.

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

Table 2: Impact AB 2808 on LCFF Base Grant Targets

Grade Span	Governor's Proposal	AB 2808	Change	% Change
K-3	$8,141*	$13,026*	$4,885	60%
4-6	$7,484	$11,975	$4,491	60%
7-8	$7,707	$12,332	$4,625	60%
9-12	$9,163*	$14,661*	$5,498	60%

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

As Table 2 shows, this bill increases base targets at each grade level by 60% over the Governor's proposed funding for 2018-19. 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 $9,220 in 2013, which ranked 36th among the 50 states and the District of Columbia (DC) and was $1,480 below the national average of $10,700. (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 36th 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 2014, California's regionally adjusted per pupil ranked 45th of all states and DC. Only Arizona, Idaho, Nevada, Oklahoma, Texas, and Utah ranked lower. In that year, California's regionally-adjusted per pupil spending was $8,694, which was $3,462 below the national average of $12,156. Put another way, per pupil spending in California would need to be increased by 40% to get to the *EdWeek* national average, and by 16% to get to the Census Bureau national average.

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 2015, California spent $33 per $1,000 of personal income on K-12 schools. This compares to a national average of $37, and ranked 37th among all states and DC.

Reason for the bill. The author's office states that, despite significant funding gains in recent years, those gains have not kept pace with an even steeper increase in fixed costs that school districts face. This has resulted in a growing number of districts feeling financial distress, with about 20% of all districts deficit spending in 2016-17, according to the Fiscal Crisis and

Management Assistance Team (FCMAT). Therefore, one objective of this bill is to provide districts with the resources to keep up with growing needs.

Another objective is to increase per-pupil funding to at least the national average. However, a 60% increase 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.

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 on-going K-12 funding will continue to be determined through the annual budget process.

Interaction with K-3 class size reduction. As a condition of receiving the K-3 class size reduction (CSR) adjustment, districts must make progress toward a class size of no more than 24 pupils in grades K-13 during the period of time that the targets are not fully funded. Once the targets are fully funded, then, as a condition of receiving the CSR funding, districts must maintain K-3 class sizes of no more than 24. CSR requirements do not apply if the district negotiates an alternative class size with its teachers through collective bargaining.

Under the Governor's budget proposal, the LCFF targets will be fully funded in 2018-19, which means that districts can no longer make progress toward a maximum class size of 24, but must maintain that maximum to retain the CSR adjustment. If **this bill** is enacted, then the LCFF targets would not be fully funded. To prevent this bill from causing an indefinite delay in the effective date of the CSR requirement, this bill provides that they take effect when the targets are fully funded or beginning in the 2019-20 fiscal year, whichever comes first.

Arguments in support. Supporters argue that, "the new funding targets established in AB 2808 will help ensure that all school districts can meet existing cost pressures and allow for future growth and enrichment of instructional programs for all students. Current LCFF targets look backwards to 2007-08 funding levels and do not keep pace with the massive growth in fixed costs such as employer pension contributions, health care, and special education services. It is imperative that California look ahead and specify new, higher LCFF targets."

REGISTERED SUPPORT / OPPOSITION:

Support

Alameda County Office of Education
Alameda Unified School District
Albany Unified School District
Alta Loma School District

Association of California School Administrators
AVID
Big Sur Unified School District
Brentwood Union School District
Cabrillo Unified School District
California Association of School Business Officials
California Association of Suburban School Districts
California Federation of Teachers
California Retired Teachers Association
California School Boards Association
California School Funding Coalition
California State PTA
Central Union School District
Central Valley Education Coalition
Chula Vista Elementary School District
Clovis Unified School District
Colton Joint Unified School District
Cupertino Union School District
Cyprus School District
Elk Grove Unified School District
El Segundo Unified School District
Etiwanda School District
Fresno Unified School District
Golden Valley Unified School District
Hanford Joint Union High School District
Hawthorne School District
Kerman Unified School District
Kern County Superintendent of Schools
Kingsburg Joint Union School District
La Canada Unified School District
Los Angeles Unified School District
Manteca Unified School District
Merced Union High School District
Moreno Valley Unified School District
Mountain Empire Unified School District
New Haven Unified School District
Oakland Unified School District
Paramount Unified School District
Pierce Joint Unified School District
Pixley Union School District
Placentia Yorba Linda Unified School District
Placer Union High School District
Redondo Beach Unified School District
Riverside County Office of Education
San Benito High School District
San Bernardino City Unified School District
San Marcos Unified School District
Sanger Unified School District
Savannah School District

Scotts Valley Unified School District
South Bay Union School District
South Pasadena Unified School District
State Superintendent of Public Instruction, Tom Torlakson
Sundale Union Elementary School District
Temecula Valley Unified School District
Tipton Elementary School District
Torrance Unified School District
Tulare Joint Union High School District
Tustin Unified School District
One individual

Opposition

None received

Analysis Prepared by: Rick Pratt / ED. / (916) 319-2087