



Did Districts Concentrate New State Money on Highest-Needs Schools? Answer: Depends on the District.

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This is the second paper in a three-part series analyzing early impacts of California's 2013 adoption of the watershed Local Control Funding Formula (LCFF). At the heart of California's initiative is a weighted student funding model, designed to allocate funds on the basis of students and student needs and to let districts and schools drive decisions about how to use their funds.

PAPER ONE ASKS: "What did districts spend their new money on under a more flexible spending system?"

THIS PAPER ASKS: "How did districts distribute their state allocations across schools?"

PAPER THREE ASKS: "To what extent is California's initiative associated with an improved relationship between spending and student outcomes?"

In 2013, California implemented a weighted student funding formula (WSF) – one that deployed substantial new funds to districts based on their counts of student types, while also stripping long-standing spending constraints on districts. The law specifically boosted allocations for foster youth, students with limited English and those living in poverty.

The state allocates to *districts* the dollars these LCFF weights generate. But California's funding law does not require the weighted dollars to follow the weighted students to the *schools* they attend. The law leaves decisions about how to spend the district's money up to the district. ***This paper takes a first look at whether districts did, in fact, allocate a larger share of their new funds to their highest-needs schools.***

First, we find that districts generally aren't tracking or publicly reporting their allocations by school.¹ That means that district leaders, state leaders, and the public generally don't know whether the new funds are actually boosting spending on the highest-needs schools.

1. Districts are required to annually publish a School Accountability Report Card (SARC). However, we found the school level financial data contained in the SARC reports were sparsely populated and often used an average per pupil expenditure figure applied to all schools in the district inhibiting our ability to track year over year spending changes at the individual school level.

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Where we were able to access data, we find that **the answer to the question of whether districts concentrated more funding on their highest-needs schools is: It depends on the district.** Some districts did allocate a larger share of their new money and staffing to the highest needs schools while others did the opposite. Our findings create an urgency to a now widespread call for districts to publicly report spending by school.

LCFF did not require districts to deploy resources generated on behalf of high-needs students to their schools.

States commonly shift to weighted student funding models with the goal of driving more dollars to the highest-need students: California was no exception with LCFF. Specifically, California’s new weighted student funding formula increased allocations apportioned by numbers and concentrations of foster youth, students with limited English and those living in poverty, in addition to grade-specific weights. (See Table 1 below).

Table 1: Local Control Funding Formula (LCFF) weights calculated in 2015-16.

Student types	Base Allocation**
Grades K-3	\$7,820
Grades 4-6	\$7,189
Grades 7-8	\$7,403
Grades 9-12	\$8,800
English Learner*	+20%
Low Income*	+20%
Foster Youth*	+20%

*Concentration funding added at 50% of base weight for any district with a high proportion of EL/LI students and foster youth (unduplicated count exceeding 55% of total district enrollment). **LCFF Target Pates Calculated in 2015-16.

Thanks to a state economic boom, the state was able to more rapidly fund its new formula that originally planned. As such, during the years following the move to the new formula, most districts received substantial new dollars. Statewide district revenue grew 32% in LCFF’s first three years, even after districts made hefty obligatory pension payments. Since the economic boom coincided with implementation of the new formula, much of the new money went out via the new student weights.

During debate over LCFF, those concerned about the new model worried that in eliminating spending prescriptions, districts would wind up slighting their most vulnerable populations’ needs, caving to big demands from organized labor² or pressures from well-organized and/or more-affluent parents (as has been documented historically), or otherwise making ill-conceived spending choices³ in the absence of being told what to do by the state.⁴

2. E. Premack, “LCFF lemmings poised to leap?,” *EdSource*, accessed November 21, 2017, <https://edsources.org/2013/lcff-lemmings-poised-to-leap/33627>.
 3. “Adequate and Equitable Funding,” *The Education Trust-West*, accessed November 21, 2017, <https://west.edtrust.org/issue/adequate-and-equitable-funding>.
 4. J. S. Lee and L. J. Miller, “Policy Barriers to School Improvement: What’s Real and What’s Imagined?,” *Center on Reinventing Public Education*, accessed November 21, 2017, https://www.crpe.org/sites/default/files/CRPE_Policy-barriers-school-improvement_Report.pdf.

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Supporters of LCFF argued that with the new money and new flexibility, districts would be able to customize their spending in a way that, in fact, would better meet the needs of their low-income schools.

To ensure some measure of accountability to the state and their communities, the state followed the LCFF law with a requirement that districts publish a report called an LCAP—Local Control Accountability Plan.⁵ With the LCAP, districts were to describe their strategies to meet the needs of its students, and articulate spending associated with those strategies. LCAPs tend to take the form of a narrative detailing district initiatives to boost reading or attendance. While most tend to include some financial references, LCAPs generally don't report dollar allocations by school.

California does not require districts to report allocations across schools

For many, the lack of financial reporting by school is a glaring omission. The new LCFF law does not require districts to track how they spend the state allocation in regard to the state's LCFF priorities—priorities expressed in increased distributions for foster youth, students with limited English and those living in poverty. This lack of financial transparency makes it difficult to assess the degree to which LCFF is delivering—or not delivering—on the state's pledge to drive resources to the highest-need students.

For our exploration, we rely on analyses of two different data sources, with neither of the data sources being ideal. For the first, we attempted to obtain actual expenditures by school location in a set of larger districts.⁶ While the districts don't report expenditures by school, many of them do include a school location tag in their expenditure files, which means that the data do exist in the districts' accounting files. We made requests for such expenditure data by school from over 40 districts across the state, and ultimately were able to obtain complete usable expenditure data from the relevant years for eight districts. Each of the eight was a larger district in that each has more than 12,000 students and over 20 schools.

Using these data, we explore how the eight districts distributed their state allocations across their elementary and middle schools pre- and post-LCFF. Within our small sample, we examine the change in average per-pupil funding between a district's high-poverty and low-poverty schools (based on eligibility for free- or reduced-price lunch meals program) before and after LCFF (using FY2012-13 as the snapshot year before LCFF, and FY2015-16 as the year after). While poverty is not the only student characteristic weighted in LCFF, we focus on poverty because it is the characteristic most widely found across districts and tends to overlap with other characteristics in the formula.

5. "LCFF Frequently Asked Questions," *California Department of Education*, accessed November 21, 2017, <https://www.cde.ca.gov/fg/aa/lc/lcfaq.asp#LCAP>.

6. Because the dataset includes only districts who were willing and able to provide the data, our analysis can't be used to draw conclusions about typical or average results across other districts.

Did Districts Concentrate New State Money on Highest-Needs Schools?

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We focused only on elementary and middle schools because for each district, there were enough schools (more than 12) such that we could divide them into meaningful quartiles.

We then compare per-pupil spending in a district's highest-poverty quartile schools with per-pupil spending in a district's lowest-poverty schools to examine the resource gap between the highest- and the lowest-poverty schools within a district before LCFF and after LCFF.⁷ We chose not to name the eight districts, in part because of the limited sample size and our inability to add proper context to each.

Then to augment that analysis, we run the same analyses on a second data source of staffing files in the state's largest 25 districts. Certificated staffing counts by FTE are available by district for each school through the California Department of Education for the years before and after LCFF (we examined FY2013 and FY2016).⁸ Classified staffing is available through the same source although the first year of FTE (opposed to actual head count) collection was FY2014, meaning that we had to use FY2014 as the comparison year.⁹ Nearly a third of classified staff aren't assigned to specific schools, and thus not considered in the site totals.¹⁰

Mixed results on districts funneling more resources to highest-poverty schools

So, did districts wind up disproportionately funneling state dollars to their highest-poverty schools after LCFF? Did they drive more resources to their high-poverty schools after LCFF than before LCFF? The answer from our small-scale, first-look analysis of eight districts is decidedly mixed. Some districts did, some didn't. Here's what we found:

- a] Before LCFF, four of the eight districts analyzed were spending more per pupil on their highest-poverty elementary and middle schools. That means, in real dollars, the other four of the eight had been spending more per pupil on the schools in their lowest-poverty quartile than on those in the highest-poverty quartile. For instance, in Figure 1, before LCFF, District #1 had been spending less per pupil on its highest-poverty schools (\$4,093 per pupil) vs its lower-poverty schools (who were receiving \$4,949 per pupil). In District #2, before LCFF the highest-poverty schools were receiving more per pupil (\$5681) as compared to the districts lower-poverty schools (\$5012).

7. In each district, we include federal dollars, but break them out separately. In no district did the federal dollars reverse the patterns we found.

8. "Staff Demographic Data," *California Department of Education*, accessed November 21, 2017, <https://www.cde.ca.gov/ds/df/filesstaffdemo.asp>.

9. "Classified Staff by Race/Ethnicity & Gender," *California Department of Education*, accessed November 21, 2017, <https://www.cde.ca.gov/ds/df/filescbdsoraa.asp>.

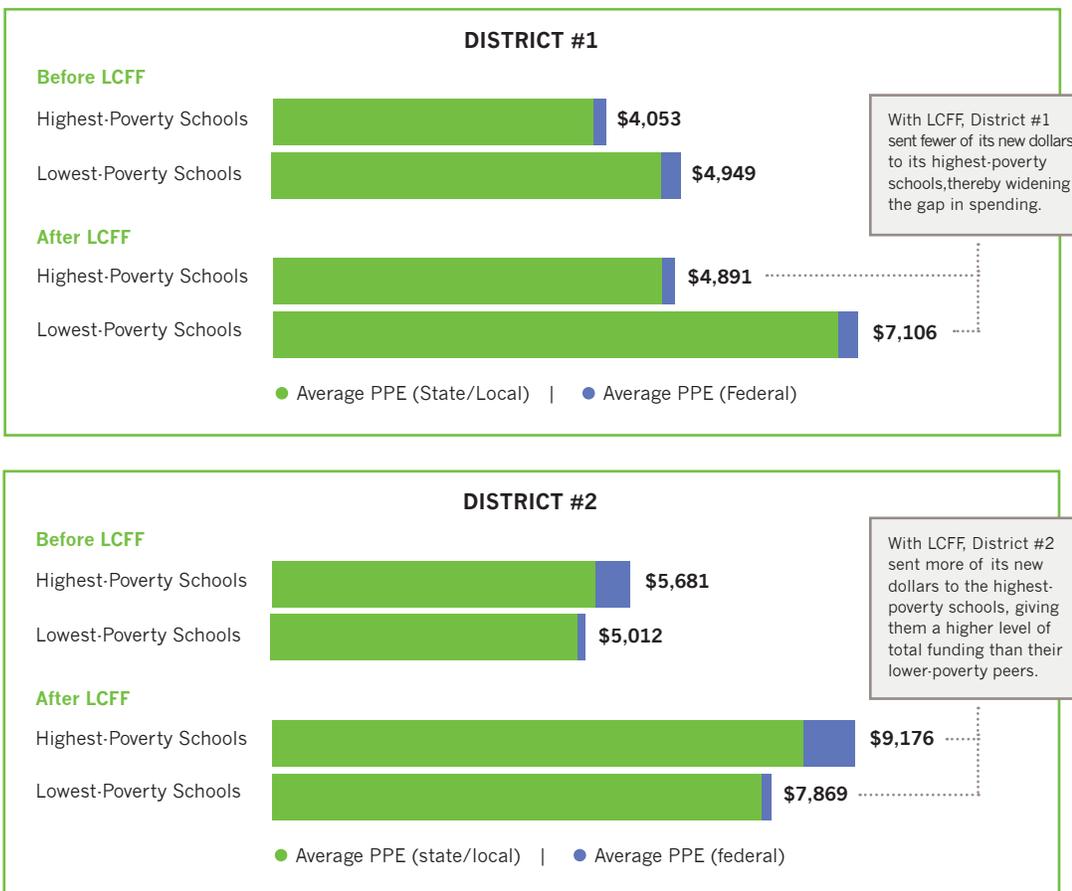
10. A portion of classified staff for functions like custodial, food services, transportation, and the like tend to be accounted for as part of their central departments and not always to school sites.

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- b] With LCFF, three of the eight study districts directed a larger share of the new dollars per pupil to their highest-poverty schools. District #2 for example, increased its spending on its highest-poverty schools by \$3495, as compared to only \$2857 for its lowest-poverty schools. District #1 did the opposite and spent more of its new funding on the lower-poverty schools giving them an additional \$2,157 per pupil while directing only \$838 in new money per pupil to the highest-poverty schools. Interestingly, the three districts that chose to concentrate more money on their highest-needs schools were all districts that had been doing the opposite before LCFF.
- c] All told, by 2016, four of the eight districts were spending more per pupil on the highest-poverty schools, while the other four were spending more per pupil on their schools with the fewest poverty students. District #1, as an example, continued to spend more on its least poor schools even after LCFF. District #2 in contrast, used its new money to further concentrate resources per pupil on its highest-poverty schools.

FIGURE 1: District spending per pupil in highest-poverty schools varies before and after LCFF.



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It is difficult to draw conclusions about district behavior from only eight districts, but even more difficult when they chose very different paths with regard to deploying their dollars across their high- and lower-poverty schools.

That said, some clearly did move to funnel disproportionately more dollars to their highest-poverty schools in the wake of LCFF, and some didn't. This finding is not surprising, given that each district operates in its own unique context and given the lack of state mandate to direct dollars to high-poverty schools. While there could be any number of reasonable explanations for why districts distributed their dollars in the way they did, this analysis does not examine the reasons behind, or the circumstances surrounding, that district-to-school allocation.

More districts concentrated new staff in the highest-poverty schools, but not all.

The second part of our analysis focuses not on the allocation of dollars, but on the allocation of staffing positions. This analysis examines certificated and classified staff counts by school for our eight district sample rounded out with the state's largest districts for a total of 25. For each district, we compare staffing rates per 100 students in the highest-poverty and lowest-poverty elementary and middle schools both pre- and post-LCFF. Thanks to the infusion of new state dollars, all 25 districts analyzed increased their staffing ratios during the time period.

In comparison to the spending analysis, the findings for staffing patterns show more emphasis on concentrating staff in the highest-poverty schools, both before LCFF and with the new LCFF resources. But here again, the patterns aren't universal (see Figure 2 for examples):

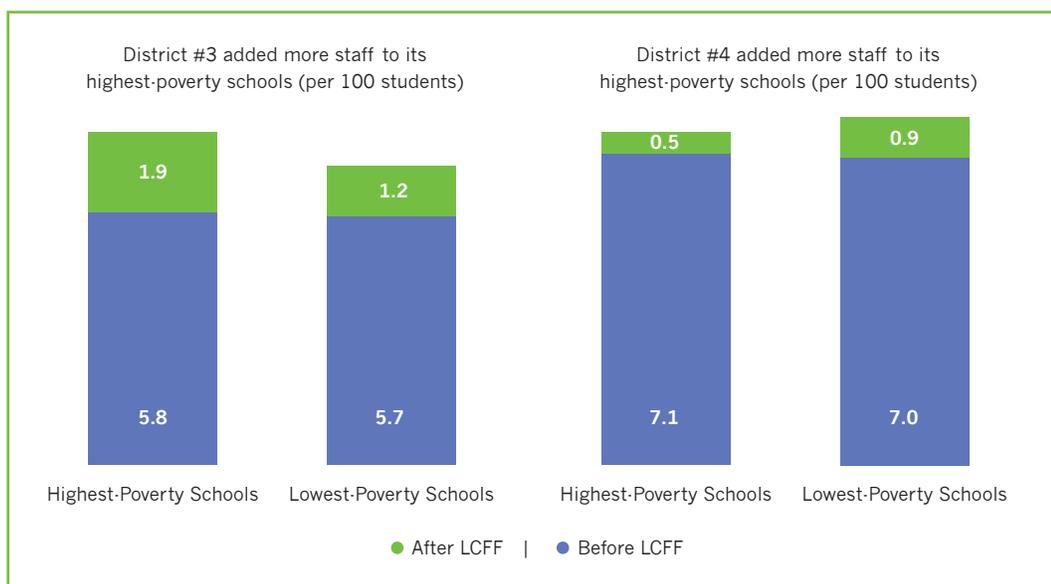
- a] Before LCFF, 21 of the 25 districts had more staff per 100 students in their highest-poverty schools than they did in their lowest poverty schools. Three districts had more staff per 100 students in schools in their lowest-poverty quartile, and in one, the staffing ratios were equal across the highest- and lowest-poverty quartiles. District #3, for example, averaged 5.8 staff per 100 students in its highest-poverty schools, as compared with 5.7 for the schools in the lowest poverty quartile.
- b] As staffing ratios increased with LCFF, 13 districts allocated a disproportionate share of the new staff to their highest-poverty schools. Nine districts allocated a disproportionate share of the new staff to their lowest-poverty schools; and two districts allocated roughly equal shares to both school types. District #3 added 1.9 new positions per 100 students in its highest-poverty quartile schools, while adding only 1.2 new positions per 100 students in its lowest-poverty schools. District #4 did the opposite and raised staffing by 0.5 in its higher-poverty schools, as compare with 0.8 in its lower-poverty schools.

Did Districts Concentrate New State Money on Highest-Needs Schools?

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- c] By 2016 and with all available resources, 19 of the 25 districts were concentrating staff in their highest poverty schools. District #3, as an example, continued to more heavily staff its highest-poverty schools even after LCFF. District #4 too still showed more concentrated staffing in the higher-poverty schools, but less so after LCFF.

FIGURE 2: Staff allocations to highest-poverty schools vary even after LCFF.



Again, the analysis does not examine the reasons why, or the circumstances surrounding why, these big-city districts distributed staff the way they did. In both the funding and the staffing analyses, the averages mask wide variation among individual schools within districts.

That said, while the staffing trends show that many districts (13 of the 25), did concentrate new staff in the highest-needs schools, it is still somewhat surprising that so many districts (9) did the opposite. It's possible that new staff such as social workers have been added to high-needs schools however are accounted for at the central level not by site.

This early look suggests that LCFF, by itself, appears insufficient to ensure resources get concentrated on the highest-needs schools.

While this analysis constitutes an early and incomplete look at how resources are being deployed across schools, many will find this information alone to be enough to raise concern about how well LCFF is functioning toward its goals of bringing more resources

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to the highest-needs schools. Some will suggest that with more flexibility, many districts will cave to pressures to send more resources to the more advantaged schools or otherwise slight the very students the law was intended to help.

While those concerns are important, some cautions are in order. As noted earlier, this analysis does not explore why districts made their allocations the way they did. Various explanations for adding more staff to a lower-poverty school do exist, and could include a finding that the high-poverty students in those lower-poverty schools were performing particularly low. Or that a district's lower-poverty schools are also the ones with programs for students with disabilities or other needs. Similarly, to date, a district may have added more positions in lower-poverty schools, and yet more hiring is in the works for the highest-poverty schools (but positions haven't yet been filled). Perhaps compounding the issue is that school spending can be driven by teacher seniority, or other factors that the district might consider as unrelated to student outcomes.

It is important to recognize that this analysis also shows that districts can make progress to drive proportionally more dollars to schools serving high concentrations of students in poverty—students the LCFF specifically intended to benefit /students the new funding law targets as a priority. With half of the districts studied showing greater investment in the highest-poverty schools, and more than half showing increased concentration of staffing in the highest-poverty schools, it is clear that it is possible for districts to use their flexibility to concentrate resources in high-needs schools.

In any case, it is difficult to know how intentional a district's allocations are, given the opacity of district distributions to the school level and the lack of connection between these figures and any public process.

Going forward: More financial transparency is needed (and per ESSA, it's coming).

The takeaway? Given such variable spending patterns and practices from district to district, the need for more financial transparency is a clearly missing piece. Lack of fiscal transparency—the ability to document how money is spent for student groups triggering extra dollars under the formula—recently was cited as the most common criticism of LCFF among two dozen education experts, advocates and legislators.¹¹

Communities, school leaders and district leaders alike should have easy access to the numbers to discern any emerging trends and be able to course correct spending if needed/to be able to make spending more intentional and/or strategic. It should not take forensic fiscal work on the part of researchers to tease out vital financial information.

11. J. Fensterwald, "24 ideas for improving the Local Control Funding Formula," *EdSource*, accessed December 3, 2017, <https://edsources.org/2017/24-ideas-for-improving-the-local-control-funding-formula/590709>.

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As noted earlier, districts are not required (or even encouraged) to track how, or whether, they spend their state dollars on the intended beneficiaries of the weighted state funding law. The ways districts typically budget and track spending mean that some (or many) districts may not even be aware of the way their allocations are affecting gaps between their higher- and lower-poverty schools. And, unexamined, longstanding district staffing and allocation practices may generate and perpetuate unintended effects.

For many, this is the heart of the tension: if districts are granted local flexibility, will they remain true to state priorities to concentrate resources on high-needs students? Visibility into spending by school, it seems, could go a long way on equipping policymakers, stakeholders, and the public with the tools needed to take stock of the effects of local flexibility on the allocation of resources (and do so without interfering with local flexibility).

But even more so, the transparency alone could create a pressure to ensure that districts allocate resources more intentionally across schools. For some districts, the spending data will confirm the district's stated strategies. In others, it will surface spending patterns that may be less defensible. That's when school boards will have no choice but to do the hard work of rethinking longstanding policies that contributed to the indefensible spending.

Regardless of whether California state lawmakers move to revise LCFF, greater financial transparency is likely under a provision under the federal Every Student Succeeds Act, which requires states to report spending to the school level. The financial transparency provision is slated to take effect in 2018-2019. Once such data become more widely available, researchers, communities, advocates, and school leaders should have a more complete picture of how California districts have allocated their state LCFF dollars among their schools. Such information on how public dollars are being deployed will then belong to the public. Toward that end, the ESSA requirement for school-level spending transparency may indeed be a game changer for California's LCFF.

THIS SERIES OF RAPID RESPONSE BRIEFS IS DESIGNED TO BRING RELEVANT FISCAL ANALYSES TO POLICYMAKERS AND EDUCATION LEADERS AMIDST THE CURRENT ECONOMIC ENVIRONMENT.

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Edunomics Lab is a university-based research center dedicated to exploring and modeling complex education fiscal decisions and growing the capacity of education leaders on the topic of education finance. The Edunomics Lab is affiliated with the McCourt School of Public Policy at Georgetown University.