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# SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

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**Bill No:** AB 1321 **Hearing Date:** July 12, 2017  
**Author:** Weber  
**Version:** May 3, 2017  
**Urgency:** No **Fiscal:** Yes  
**Consultant:** Ian Johnson

**Subject:** Education finance: fiscal transparency

## SUMMARY

This bill requires the Superintendent of Public Instruction (SPI), the State Controller, and the Director of Finance to: (1) ensure that per-pupil expenditures by fund source and type are included in the federal state report card for each local educational agency (LEA) and each school in the state, and (2) establish the methodology for requiring each LEA and each school to calculate their expenditures of local control funding formula base, supplemental, and concentration grants for state and local reporting purposes.

## BACKGROUND

Existing federal law:

- 1) Requires the annual state report card prepared for the Every Student Succeeds Act (ESSA) to include the per-pupil expenditures of federal, state, and local funds, including actual personnel expenditures and actual nonpersonnel expenditures of federal, state, and local funds, disaggregated by source of funds, for each LEA and each school in the state for the preceding fiscal year.
- 2) Requires the ESSA annual state report card to be concise.

Existing state law:

- 1) Requires the SPI, the Controller, and the Director of Finance to develop and the State Board of Education to approve standards and criteria to be used by LEAs in the development of annual budgets and the management of subsequent expenditures from the budget.
- 2) Requires the SPI, during the development of the standards and criteria, to convene a committee composed of representatives from LEAs, state agencies, the Legislature, and appropriate labor and professional associations, and requires that any future revisions to the standards and criteria follow this process.

## ANALYSIS

This bill:

- 1) Requires the SPI, the Controller, and the Director of Finance to do the following:

- a) Establish guidelines for the reporting of personnel and nonpersonnel expenditures that minimize the recordkeeping burden on local educational agencies (LEAs) and that result in a report card that can be quickly and easily understood by the public and enables transparent disclosure of the expenditure of local control funding formula (LCFF) funds.
  - b) Enable the disaggregation of LCFF base grants and supplemental and concentration grant actual personnel and nonpersonnel expenditures for each LEA and each school.
- 2) Requires the Superintendent of Public Instruction (SPI), in compliance with federal requirements, to ensure that each LEA collect appropriate data, and include it in the annual report on per-pupil expenditures.
  - 3) Requires these provisions to be considered, no later than March 1, 2018, by the SPI, the Controller, and the Director of Finance when developing and adopting new standards and criteria for LEA budgets.
  - 4) Requires LEAs to adhere to the standards and criteria adopted pursuant to this bill commencing with the 2018–19 fiscal year.

## STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, this bill aligns state law with the new federal requirement in Every Student Succeeds Act (ESSA) to report actual per-pupil expenditures by object of expenditure and funding source at both the LEA and individual school levels. ESSA requires this information to be included in state reports beginning with the 2017-18 school year.

However, while this bill is, in part, consistent with federal law, it also goes beyond federal law by requiring the disaggregated reporting of LEA-level and schoolsite expenditures by the three components of the local control funding formula: base, supplemental, and concentration grants. According to the author, "...we still do not know if the additional grants generated by English language learner, low-income, and foster youth enrollment are actually resulting in additional expenditures at the schools they attend...AB 1321 simply expands upon federal reporting requirements to ensure greater alignment and transparency with respect to California's LCFF expenditures. This ensures that administrators are given clear guidance on how to report this information at the local level, while at the same time allowing the public to know where expenditures are being made across California."

- 2) ***Recent guidance from the feds delays per-pupil expenditure reporting until 2018-19.*** According to a July 28, 2017 "Dear Colleague Letter" from the federal Department of Education, state and local educational agencies will be provided an additional year to implement the new requirement to include on annual state and LEA report cards per-pupil expenditures of federal, state, and local funds for each LEA and school for the preceding fiscal year, disaggregated by source. Therefore, state and local educational agencies may delay, until the 2018-19 school year, this requirement and instead include on report cards for the 2017-18

school year a brief description of the steps the state and locals are taking to ensure that information on per-pupil expenditures will be included for the 2018-19 school year.

Given that additional time has been provided at the federal level to comply with per-pupil expenditure reporting, the Committee may wish to consider whether it is premature to codify these federal reporting requirements in state law at this time.

- 3) ***Proportionality within the Local Control Funding Formula (LCFF).*** Central to the LCFF is the principle of proportionality, discerning the appropriate balance of funding received and services provided. Local educational agencies (LEAs) receive additional funding under the LCFF—supplemental and concentration grants—to the extent that they serve students that are English-learners, low-income, or foster youth, often referred to as “unduplicated pupils”. Existing law charged the State Board of Education (SBE) with adopting regulations governing the expenditure of supplemental and concentration grants that: (1) require LEAs to increase or improve services for unduplicated pupils in proportion to the increased funds the pupils generate, and (2) allow supplemental and concentration grants to be used for schoolwide and districtwide purposes.

The LCFF spending regulations adopted by the SBE provide a calculation that LEAs use to determine their minimum proportionality percentage. LEAs must describe within their Local Control and Accountability Plan (LCAP) how they will meet this percentage of increased or improved services for unduplicated pupils over what is provided for all other students using qualitative and/or quantitative measures. This is a snapshot of services that an LEA is providing in a given year.

The spending regulations also cover the conditions under which supplemental and concentration grants can be used for districtwide and schoolwide purposes and still count towards meeting the minimum proportionality requirement. An LEA planning to use supplemental or concentration funds in this way must identify these expenditures in their LCAP and describe how the services are directed towards meeting the LEA’s goals for its unduplicated pupils. If the school district’s enrollment or a school’s enrollment is made up of less than 55 percent or 40 percent unduplicated pupils, respectively, the district must additionally describe how the services provided are the most effective use of funds to meet the district’s goals for its unduplicated pupils.

- 4) ***County offices review and approve district LCAPs.*** Existing law tasks county offices of education with both fiscal and academic oversight of districts within their jurisdiction. The academic oversight responsibilities consist primarily of reviewing and approving district LCAPs. As part of this process, state law requires county offices of education to verify that district LCAP documents use the state-approved format, align with districts’ adopted budgets, and appropriately direct funds to unduplicated pupils. If district LCAPs meet these requirements, county offices of education must approve them. If an LCAP is rejected, the county office of education must provide technical assistance in refining the plan.

- 5) **Concerns with the state collecting Local Control Funding Formula (LCFF) expenditure data.** When the state adopted the LCFF in 2013 and changed the way in which funding is provided to schools, it also changed the associated school accountability structure. Rather than controlling local educational agency (LEA) expenditures through various categorical programs, the state now requires LEAs to improve student outcomes, with a required strategic planning document, the LCAP, and a rubric to assist LEAs in evaluating their strength and weaknesses and establishing their goals, the School System Dashboard. The Local Control and Accountability Plan (LCAP) and the Dashboard are the primary accountability instruments for LEAs and their communities, with the Dashboard also being used to identify struggling districts that need assistance from a county office of education or the California Collaborative for Educational Excellence.

Opponents of this bill argue that, while still a work in progress, the accountability system under the LCFF was never envisioned to be an input-based compliance system, but rather one that offers technical assistance and support to the LEAs that fall short of achieving their goals for student outcomes. As envisioned, the LCAP was meant to be a strategic and long-term planning tool, not an accounting document. By requiring disaggregated reporting of the expenditure of state funds at the LEA and school levels, this bill represents a return to an input-based accountability model, while still holding LEAs accountable for outputs.

This bill requires the disaggregation of LCFF base, supplemental, and concentration grant expenditures for each LEA and each school for state and local reporting purposes. This level of expenditure tracking will create significant costs and complication for LEAs and school sites. Moreover, requiring this level of expenditure reporting at the state and local levels implies that LEAs and school sites will be required to demonstrate their LCFF minimum proportionality solely through expenditure totals. This would be inconsistent with the current requirement that LEAs demonstrate how they will increase or improve services for unduplicated pupils over what is provided for all other students using qualitative or quantitative measures.

To address concerns that this bill is inconsistent with the state's approach to the LCFF and its associated accountability structure, and that it places costly and complex reporting requirements on LEAs beyond what is required under the federal Every Student Succeeds Act, **staff recommends** that the bill be amended to remove the requirement that the Superintendent of Public Instruction, the State Controller, and the Director of Finance require each LEA and each school to calculate their expenditures of LCFF base, supplemental, and concentration grants for state and local reporting purposes.

## SUPPORT

Children Now (co-sponsor)  
 Education Trust-West (co-sponsor)  
 Abriendo Puertas/Opening Doors  
 Act 4 Entertainment  
 Alliance for a Better Community  
 Alliance for Boys and Men of Color

Alliance for Education Solutions  
Amah Mutsun Tribal Band  
Arriba Juntos  
Arts Bridging the Gap  
Autism Deserves Equal Coverage Foundation  
Black Parallel School Board  
Brighter Beginnings  
California Alliance of African American Educators  
California Association for Bilingual Educators  
California Charter Schools Association  
California Competes  
California Latino School Boards Association  
California Partnership  
Californians Together  
Catholic Charities  
Caulder Lamm Alliance for Children  
Center for Ecoliteracy  
Center for Leadership Equity and Research  
Cesar Chavez Foundation  
Child's Pace Foundation, Inc.  
Children's Defense Fund  
Citizen Schools in California  
Congregation Beth Am  
Congregations Organized for Prophetic Engagement  
Coleman Advocates for Children and Youth  
Cope Family Center  
Court Appointed Special Education Advocates of Santa Cruz County  
Crescent City/Del Norte County Chamber of Commerce  
Cultiva La Salud  
Dolores Huerta Foundation  
Echo Parenting & Education  
Educate78  
Educators for Excellence  
EdVoice  
Equal Justice Society  
Escuela de la Raza Unida  
Families in Schools  
Families Now  
Family Paths, Inc.  
Fathers & Families of San Joaquin  
Fight Crime: Invest in Kids  
Focus on Family Foundation  
Fresno Metro Ministry  
Friends of the Family  
Future is Now  
Girls, Inc.  
GO Public Schools  
The GreenHouse  
Half Moon Bay Brewing Co.  
Harbour Consulting

Heart of Los Angeles  
Hispanic Foundation of Silicon Valley  
Inner-City Arts  
InnerCity Struggle  
Innovate Public Schools  
Innovation Bridge, Inc.  
Kids First  
Kids' Own Wisdom  
LA Voice  
Latino and Latina Roundtable of the San Gabriel and Pomona Valley  
Legal Services for Children  
Lincoln  
Little Manila Foundation  
Los Angeles Urban League  
Mexican American Opportunity Foundation  
Mission Readiness  
Morgan Family Foundation  
Motivating Individual Leadership for Public Advancement  
National Center for Youth Law  
National Council of La Raza  
North Bay Leadership Council  
Orange County Business Council  
Our Family Coalition  
Parent Organization Network  
Parent Institute for Quality Education  
Parent Revolution  
Partners in Impact  
Partnership for Children and Youth  
Partnership for Los Angeles Schools  
Peninsula Bridge  
Peninsula Family Service  
PICO California  
Pro-Kid  
Professional Association of Childhood Educators  
Public Counsel  
Public Profit  
Puente de la Costa Sur  
Reading and Beyond  
Ready Nation  
Restorative Schools Vision Project  
Riverside County Alliance for Boys and Men of Color  
San Bernardino School District African American Advisory Committee  
San Carlos Chamber of Commerce  
San Francisco Organizing Network for Education  
Solano Community Foundation  
South Stockton Schools Initiative  
Speak UP  
Students for Education Reform  
Students Matter  
Teach for America – California

Teach Plus  
TeenForce  
The Inn at Mavericks  
The Krause Center for Innovation  
The LA Trust for Children's Health  
United Advocates for Children and Families  
United Nations of Consciousness  
United Ways of California  
United Way of Greater Los Angeles  
Watts/Century Latino Organization  
Women's Empowerment  
Youth Alliance  
Youth Policy Institute

**OPPOSITION**

Association of California School Administrators  
California Association of Suburban School Districts  
California County Superintendents Educational Services Association  
California Association of School Business Officials  
California Teachers Association  
Small School Districts' Association

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