
SENATE COMMITTEE ON EDUCATION

Senator Connie Leyva, Chair

2019 - 2020 Regular

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| Bill No: | AB 1835 | Hearing Date: | July 29, 2020 |
| Author: | Weber | | |
| Version: | January 6, 2020 | | |
| Urgency: | No | Fiscal: | Yes |
| Consultant: | Ian Johnson | | |

Subject: Education finance: local control funding formula: supplemental and concentration grants

SUMMARY

This bill requires each local educational agency (LEA) to annually identify and report unspent Local Control Funding Formula (LCFF) supplemental and concentration grant funds and clarifies that the unspent funds must continue be used to increase or improve services for unduplicated pupils in future years.

BACKGROUND

Existing law:

- 1) Establishes the LCFF, which provides school districts, charter schools, and county offices of education with a base level of funding plus additional funding based on the enrollment of pupils who are either English learners, low income, or in foster care. Pupils who fall into more than one category are counted only once for LCFF purposes, hence the term "unduplicated pupil."
- 2) Establishes supplemental grants, which are equal to 20 percent of the adjusted LCFF base grant multiplied by average daily attendance (ADA) and the percentage of unduplicated pupils in a school district or charter school.
- 3) Establishes concentration grants, which are equal to 50 percent of the adjusted LCFF base grant multiplied by ADA and the percentage of unduplicated pupils exceeding 55 percent of a school district's or charter school's enrollment.
- 4) Charged the State Board of Education (SBE) with adopting regulations by January 31, 2014 governing the allowable use of supplemental and concentration grant funds by LEAs. The regulations require LEAs to increase or improve services for unduplicated pupils in proportion to the supplemental and concentration grant funds received and authorize LEAs to use the funds for schoolwide, districtwide, countywide, or charterwide purposes, as specified.

ANALYSIS

This bill:

- 1) Requires each LEA to identify unspent supplemental and concentration grant funds by annually reconciling and reporting to the California Department of Education (CDE) its estimated and actual spending of those moneys.
- 2) Specifies that unspent supplemental and concentration grant funds shall continue to be required to be expended to increase and improve services for unduplicated pupils, and each LEA shall report the amounts of unspent funds in its Local Control and Accountability Plan (LCAP).

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, “In the aftermath of COVID-19, California students will be facing a learning loss unlike anything we have ever seen in our State. During this critical time, it is more important than ever to ensure that funding meant to support our most vulnerable students will be used for that purpose. In a state where only 31.3% of black students and 37.3% percent of Latino students meet standards in English, we must make sure that the supplemental and concentration funds meant to assist these students retain their designation. AB 1835 will provide the safeguards necessary to protect the critical educational support that these funds provide.”
- 2) ***Local Control Funding Formula.*** The LCFF was established in 2013-14 to provide a higher level of funding to LEAs that serve larger numbers of unduplicated pupils. The LCFF provides a base grant equal to the following amounts in 2020-21:
 - a) \$8,503 for grades K-3, which includes a 10.4 percent increase for class size reduction;
 - b) \$7,818 for grades 4-6;
 - c) \$8,050 for grades 7 and 8;
 - d) \$9,572 for grades 9-12, which includes a 2.6 percent increase for college and career readiness.

In addition to the base grant, school districts and charter schools receive funding for each enrolled pupil who is either an English learner, low income, or in foster care. Pupils who fall into more than one category are counted only once, hence the term "unduplicated pupils". Districts and charter schools receive an additional 20 percent of the base grant amount for each unduplicated pupil they serve. When the enrollment of unduplicated pupils exceeds 55 percent of total enrollment, school districts and charter schools also receive a concentration grant equal to 50 percent of the base grant multiplied by ADA and the percentage of targeted pupils exceeding 55 percent of a school district's or charter school's enrollment.

Under current law, unspent supplemental and concentration funds carryover to a LEA's general fund in subsequent years. This bill proposes to require that carryover supplemental and concentration funds continue to be expended to

increase and improve services for unduplicated pupils in future years, rather than revert to the LEA's general fund.

- 3) ***Spending regulations adopted by the State Board of Education.*** Existing law charged the SBE with adopting regulations by January 31, 2014, governing the allowable use of supplemental and concentration grant funds by LEAs. Under the regulations, LEAs must provide evidence in the LCAP demonstrating how supplemental and concentration grant funds will be used to increase or improve services for unduplicated pupils as compared to the services provided to all pupils. The percentage of increased or improved services must equal at least the percentage of increased funding that the unduplicated pupils generate for the LEA, known as "minimum proportionality".

The regulations also establish the conditions under which an LEA may use supplemental and concentration grant funds for schoolwide, districtwide, countywide, or charterwide purposes. Generally, LEAs are authorized to use the funds for these purposes if they identify the services being funded and describe in the LCAP how such services are principally directed towards, and are effective in, meeting the LEA's goals for its unduplicated pupils.

- 4) ***Recent audit of the LCFF.*** In November 2019, the California State Auditor completed an audit of the LCFF at the request of the Joint Committee on Legislative Audit. Three large districts were reviewed—Clovis Unified School District, Oakland Unified School District, and San Diego Unified School District. The State Auditor examined whether these districts used supplemental and concentration funds to provide services to the intended student groups and whether those services improved the intended student groups' educational outcomes.

The audit revealed the following:

- a) The State's approach to LCFF has not ensured that funding is benefiting intended student groups and closing achievement gaps.
- b) The State does not explicitly require districts to spend their supplemental and concentration funds on the intended student groups or to track their spending of those funds. Districts can treat any unspent supplemental and concentration funds in a given year as base funds in the following year and can use those funds for general purposes.
- c) Since fiscal year 2013–14, the deferral of full formula implementation to LCFF has caused the three districts reviewed to identify \$320 million as being part of their base funds rather than supplemental and concentration funds.
- d) Districts do not always include clear information in their LCAPs regarding their use of supplemental and concentration funds.

- e) Policymakers and stakeholders lack adequate information to assess the impact of supplemental and concentration funds on the educational outcomes of the intended student groups.

The audit report included the following recommendations for the Legislature:

- a) Amend state law to require districts and other LEAs to identify any unspent supplemental and concentration funds by annually reconciling the estimated amounts of these funds included in their LCAPs with the actual amounts of these funds the CDE reports having apportioned to them.
 - b) Amend state law to specify that unspent supplemental and concentration funds at year-end must retain its designation to increase and improve services for intended student groups and be spent in a following year. The Legislature should also require districts and other LEAs to identify in their LCAPs for the following year the total amounts of any unspent supplemental and concentration funds. In addition, it should direct the State Board of Education to update the LCAP template to require districts and other local educational agencies to report in their LCAPs how they intend to use any previously unspent supplemental and concentration funds to provide services that benefit intended student groups.
 - c) Require the CDE to update its accounting manual to direct districts and other LEAs to track and report to it the total amount of supplemental and concentration funds they receive and spend each year.
 - d) Require the CDE to develop and implement a tracking mechanism that districts and other LEAs must use to report to it the types of services on which they spend their supplemental and concentration funds.
- 5) ***Arguments in support.*** Supporters of this bill state that “Now more than ever, California needs to close the supplemental and concentration carryover loophole. The immediate and long-term consequences of shuttered schools, uneven distance learning opportunities and a severe economic crisis is falling disproportionately on California’s most vulnerable student populations. High need students are likely to have more barriers to engage in remote learning, including less access to technology, home support and resources that will exacerbate existing achievement gaps. In addition, funding reductions hit high need students the hardest as districts cut supplemental programs and lay off staff, just as these same students will need more services and support to catch up.”
- 6) ***Arguments in opposition.*** The California Association of School Business Officials states “We would not have opposed AB 1835 prior to the onset of the COVID-19 public health crisis. Our current position does not signify our lack of commitment to serving economically disadvantaged students, English learners, and Foster Youth as intended by the Local Control Funding Formula (LCFF). Last year, CASBO recognized Assembly member Weber as an equity champion and voice for our students and schools.

However, in light of the ongoing health crisis and the long-term impact the crisis will have on the level of Proposition 98 funding and school districts' budgets across the state, we must now oppose the measure. While the 2020 Budget Act does not make reductions to the level of LCFF funding, neither does it provide a Cost of Living Adjustment that would allow school districts simply to keep pace with rising costs of operating in this unique environment. Further, the budget presents significant challenges to LEAs in the form of major cash deferrals that will take place during the 2020-21 fiscal year."

SUPPORT

Advancement Project
Alliance for Children's Rights
California Association for Health, Physical Education, Recreation & Dance
California Charter Schools Association
Community Clinic Association of Los Angeles County
County of Los Angeles Board of Supervisors
Los Angeles Community College District
Public Advocates Inc.
Silicon Valley Leadership Group

OPPOSITION

California Association of School Business Officials
San Bernardino County District Advocates for Better Schools

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