

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Susan Bonilla, Chair

TUESDAY, MARCH 12, 2013

9:00 AM - STATE CAPITOL ROOM 444

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
6110	DEPARTMENT OF EDUCATION	2
ISSUE 1	GOVERNOR'S 2013-14 PROPOSAL: LOCAL CONTROL FUNDING FORMULA I. OVERVIEW OF THE GOVERNOR'S PROPOSAL <ul style="list-style-type: none"> • DEPARTMENT OF FINANCE • LEGISLATIVE ANALYST'S OFFICE • DEPARTMENT OF EDUCATION II. LOCAL PERSPECTIVES PANEL <ul style="list-style-type: none"> • CHRISTINE FRAZIER, SUPERINTENDENT, KERN COUNTY OFFICE OF EDUCATION • CHRIS STEINHAUSER, SUPERINTENDENT, LONG BEACH UNIFIED SCHOOL DISTRICT • JOHN NICKERSON, SUPERINTENDENT, ACALANES UNION HIGH SCHOOL DISTRICT • MICHAEL FINE, DEPUTY SUPERINTENDENT, RIVERSIDE UNIFIED SCHOOL DISTRICT • DON STABLER, DEPUTY SUPERINTENDENT, TORRANCE UNIFIED SCHOOL DISTRICT • RICH FAGAN, ASSOCIATE SUPERINTENDENT, ELK GROVE UNIFIED SCHOOL DISTRICT III. PUBLIC COMMENT	2

ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION

ISSUE 1: GOVERNOR'S 2013-14 PROPOSAL: LOCAL CONTROL FUNDING FORMULA

The issue for the Subcommittee to consider is the Governor's proposal to replace the existing K-12 funding system with a new Local Control Funding Formula (LCFF) for school districts, charter schools and county offices of education.

This agenda provides a brief overview of the existing school finance system, an outline of the Governor's LCFF proposal, as well as issues for the Subcommittee to consider. The attached Legislative Analyst's Office (LAO) report: *Restructuring the K-12 Funding System* is also included as a resource. This LAO report provides an extensive review of the Governor's proposal as well as recommendations for the Legislature to consider.

BACKGROUND

According to the Governor's budget summary, "California's school finance system has become overly complex, administratively costly, and inequitably distributed." The Governor further contends that the system "is state-driven and interferes with local officials deciding how best to meet the needs of students." Based on the tenets of subsidiarity, the Governor proposes a new funding system that shifts education finance decision making from the state to the local level. Specifically, the Governor proposes to replace the current revenue limit and categorical funding formulas with a new set of formulas for school districts, charter schools and county offices of education.

Overview of current funding system. The California K-12 public school system is supported predominantly with state funds. Of the state funds that are provided to K-12 schools, there are two major types of funding: discretionary funds and categorical funds.

Discretionary funds. Discretionary funds, also known as unrestricted funds, are provided to school districts to support the general costs of operating schools. They are provided on a continuous appropriation basis, meaning that the funds are provided on an ongoing basis and are not subject to an annual budget act appropriation. Funds are provided to school districts and county offices of education based on a formula that takes their average daily attendance over the course of the year and multiplies it by their individual funding rate (also known as a "revenue limit"). Each district has its own unique revenue limit based on historical spending. Although this funding does not require an annual appropriation in the budget, the State can still affect the amount of total funding that is provided for this purpose by increasing or decreasing the rates (revenue limits) that are used to calculate apportionments. In addition, the Legislature's ability to provide or not provide a cost-of-living adjustment for revenue limits also affects the total amount of funding that districts receive in discretionary funds.

In 2012-13, \$37 billion or nearly three-quarters of the state's total Proposition 98 appropriation was provided to schools through revenue limits.

Categorical funds. Categorical programs have been created over the years to provide school districts funding for specific purposes, such as improving school safety or improving the academic achievement of struggling students. Unlike discretionary funds, which are continuously appropriated, categorical funds (also known as "categorical programs") are funded through annual budget act appropriations. They are usually accompanied by regulations that require they be spent in specific ways or for specific purposes. Some programs have very specific requirements, for example, the state provided schools with funding that could only be spent on intensive tutoring and services for 11th and 12th grade students who had failed the California High School Exit Examination. On the other hand some "restricted" funding is very flexible. For example, a portion of the funding associated with the School and Library Improvement Block Grant was available for any activities that would improve instruction and the school environment.

In 2009, the Legislature adopted SB 4 X3 (Ducheny), Chapter 12 as a response to the state’s budget problems. Among other provisions, the statute established “categorical flexibility” for approximately 40 programs that had previously been restricted. The statute allowed school districts to use this categorical funding (\$4.7 billion) for any educational purpose. This categorical flexibility is scheduled to expire at the end of 2014-15.

The figure below includes the state categorical programs that were excluded from flexibility:

Program	2012-13 Funding
Special education	\$3,314
Economic Impact Aid	944
K-3 Class Size Reduction	1,326
After School Education and Safety	547
Home-to-School Transportation*	491
Quality Education Investment Act	402
Child nutrition	157
Student assessments	73
Charter school facility grants	92
Partnership Academies	21
Apprentice programs*	16
Foster youth programs	15
Adults in correctional facilities	15
County office oversight	8
K-12 High-Speed Network	8
Agricultural vocational education	4
Total	\$7,433

Shaded program proposed to be consolidated into Governor’s new funding formula

**Indicates programs not in the LCFF but treated differently than other excluded programs*

Most funding for schools is currently discretionary. Prior to 2009, approximately 75 percent of state funding for school districts and county offices of education could be used for any educational purpose. This unrestricted funding consisted solely of revenue limit apportionments. After categorical flexibility was implemented in 2009, the share of unrestricted funding available to schools in 2012-13 increased to 85 percent. Under the Governor's proposal, it's estimated that discretionary funding would increase to roughly 90 percent.

Governor's Proposal – School District and Charter School Funding. Similar to his "Weighted Student Formula" proposal from last year, the Governor's 2013-14 Budget proposes major changes to the way funding is allocated to schools. The Governor changes the name to the "Local Control Funding Formula" (LCFF) and proposes to consolidate most of the state's categorical programs with the existing revenue limit structure to provide a new student formula phased in over seven years. The Governor's Budget provides \$1.6 billion General Fund (Proposition 98) in 2013-14 to begin increasing district rates to a target "base rate" and provides supplemental funding for specific student populations.

Base Grants. According to the LAO, the average existing deficated revenue limit is \$5,250. The Governor proposes to replace existing revenue limit formulas with a new base funding grant. Similar to existing revenue limit funding, this funding would be allocated per average daily attendance (ADA).

All school districts and charter schools would receive the same per-pupil rate for 4 grade spans once the formula is "fully implemented" in 2019-20. The Governor's budget proposes to provide \$1.6 billion in 2013-14 to begin to move districts towards their target base rate. The target rates are as follows:

- \$6,342 for grades K-3
- \$6,437 for grades 4-6
- \$6,628 for grades 7-8
- \$7,680 for grades 9-12

The grade span variation is based on the existing charter school base rates. According to the LAO, the target rates reflect what the average revenue limit rate would be in 2012-13 if the state restored all reductions from recent years (roughly \$630 per pupil) and increased rates for cost-of-living adjustments (COLAs) that districts did not receive between 2008-09 and 2012-13 (roughly \$940 per pupil). The Governor's plan would adjust these rates annually for COLA starting in 2013-14. According to the Administration, no school district or charter school will experience a loss in funding below their 2012-13 funding levels (both for revenue limits and categorical programs) as a result of the new formula.

Supplemental and Concentration Grants. Under current law, the state provides supplemental funding to students who are English learners (EL) and/or low-income (LI) through the Economic Impact Aid (EIA) program. The Governor proposes to replace EIA funding with a

supplemental grant equal to 35 percent in additional base grant funding. This funding would go to low-income students, English-learner students, and students residing in foster care. The grants would be based upon unduplicated district-wide pupil counts, meaning students are not counted more than once. In addition, English-learner students are counted for a maximum of five years, unless they are also counted as low-income or residing in foster care.

School districts with larger proportions of disadvantaged pupils receive additional concentration grants. Each EL or LI student above 50 percent of enrollment in a district generates an additional 35 percent of the base grant. Charter schools are also eligible for concentration grants, but a charter school's EL/LI concentration cannot exceed that of the district in which the charter is located.

The Governor's proposal only requires that the supplemental and concentration grants be used to "substantially benefit" the students who generate the dollars. This is broader than the existing EIA rules which require funds to provide supplemental services beyond what other students receive. The Administration only requires districts to spend at least as much on services for EL/LI students as they did in 2012-13 until the formula is fully implemented.

According to the LAO analysis, existing law provides much less in supplemental funding for EL and LI students than proposed under the Governor's plan. According to the LAO, EIA provides districts with an average of \$350 per EL or LI student, or an average of \$700 for students who meet both criteria. Additional existing categorical programs intended to serve these students provide an average of \$75 per EL/LI student. The new formula rates would range from \$2,220 to \$2,688 per EL/LI student, depending upon the grade level. The LAO provides further comparisons of how existing funding for EL and LI compare to the Governor's proposal on page 10 (figure 4) of their report (*see attached*).

K-3 and high school supplements. Currently the state provides funding through the K-3 Class Size Reduction program. This categorical program provides additional funding to districts who maintain specific class ratios in grades K-3.

The Governor's proposal would eliminate the K-3 Class Size Reduction categorical program but would instead provide an additional 11.2 percent of the K-3 base grant for students in grades K-3 (equal to \$710 per ADA based on the target K-3 rate). The proposal requires the district to "make progress" towards class sizes of 24 pupils. Once the Governor's LCFF is "fully implemented", districts can no longer receive this supplement if they do not maintain a school site class size ratio of 24:1 (unless collectively bargained to do otherwise).

The Governor's LCFF also provides additional funding at the high school level. This supplement for grades 9-12 would provide districts with an additional 2.8 percent of the high school base rate (or about \$215 per ADA based on the 9-12 target rate). According to the Administration, this funding is intended to replace categorical funding for career technical education (CTE), including Regional Occupation Centers and Programs (ROCPs). However, districts would have discretion to spend the funds for any purpose.

Maintains TIIG and Home-to-School Transportation as "Add-Ons". The Governor proposes to exclude two of the largest state categorical programs – Targeted Instructional Improvement Grants (TIIG) (\$855 million) and Home-to-School Transportation (\$491 million) – from the new formula. School districts and county offices of education that currently

receive funding for these programs would continue to receive funding as a permanent “add on” to the LCFF formula. The Governor’s plan “locks” funding in at existing allocations, but repeals existing program requirements, allowing these funds to be used for any educational purpose. The Governor does not propose to provide COLAs for the Targeted Instructional Improvement Grants and Home-to-School programs.

Continues Some Categorical Programs. The Governor proposes to maintain a few categorical programs separate from the LCFF formulas. The largest programs include Special Education (\$3.7 billion); After School Education and Safety (\$547 million); State Preschool (\$481 million); Mandates Block Grant (\$267 million); and Child Nutrition (\$157 million). The Governor also proposes to exclude a few smaller programs that are statewide projects in nature, including the Student Assessment program (\$75 million) and American Indian Education Centers and Early Childhood Education Program (\$5 million). In addition, the Governor excludes funding for the Quality Education Investment Act (\$313 million), which is scheduled to sunset in 2014-15.

Necessary Small Schools. The Governor proposes to continue minimum grant funding rather than base grants reflecting ADA -- for very small schools, but limits grants to schools in geographically isolated areas.

Basic Aid Districts. In most school districts, revenue limit funding is supported by a combination of both local property tax (LPT) revenue and state aid. For some districts, however, the amount of LPT revenue received is high enough to exceed their calculated revenue limit entitlements. These districts are referred to as basic aid or “excess tax” districts. According to the LAO, generally, basic aid districts are found in communities that have (1) historically directed a higher proportion of property taxes to school districts, (2) relatively higher property values, and/or (3) comparatively fewer school-age children. In 2011-12, 126 of the state’s 961 school districts were basic aid. The amount of excess tax revenue each basic aid district received in 2011-12 varied substantially, but was typically about \$3,000 per pupil. Under current law, basic aid districts do not receive any state aid for their revenue limits, but they do receive state categorical aid similar to other school districts.

According to the LAO, the Governor proposes to change how LPT revenue factors into K-12 funding allocations, which could change whether districts fall into basic aid status. Currently, a district’s LPT allotment serves as an offsetting revenue only for determining how much state aid it will receive for revenue limits, not for categorical aid. The Governor proposes to count LPT revenues as an offsetting fund source for the *whole* LCFF allocation—base grant *and* supplements. However, as noted earlier, all districts (including basic aid districts) would be given the same level of per-pupil state categorical aid they received in 2012-13 into perpetuity. Thus, in the future a basic aid district with LPT revenue that exceeded its total LCFF grant would get to keep the additional LPT and *also* keep funding based on categorical amounts provided in 2012-13.

Repeals facility maintenance requirements. The Governor's budget seeks to permanently extend a few of the temporary program and funding flexibility options, which have been provided to local schools since 2008-09 and are set to expire over the next two fiscal years. These include: Elimination of the minimum contribution requirement for routine maintenance; elimination of the required local district set-aside for deferred maintenance contributions; and,

allowing districts to use the proceeds from the sale of any real and personal surplus property for any one-time general fund purposes.

Local Control and Accountability Plans (LCAP). Concurrent with developing and adopting an annual budget, districts are required to annually develop and adopt a Local Control and Accountability Plan (LCAP) under the LCFF proposal.

Required Components of Proposed Local Control and Accountability Plans
Goals and Strategies for: <ul style="list-style-type: none"> • Implementing the Common Core State Standards. • Improving student achievement, graduation rates, and school performance. • Providing services for EL students, LI students, and children in foster care. • Increasing student participation in college preparation, advanced placement, and CTE courses. • Employing qualified teachers, providing sufficient instructional materials, and maintaining facilities. • Providing opportunities for parent involvement.
Analysis of: <ul style="list-style-type: none"> • Student achievement. • Progress made in implementing goals since the prior year.
Cost Projections for: <ul style="list-style-type: none"> • Implementing the plan. • Meeting the needs of EL, LI, and foster students (projected costs must equal amount of supplemental funds received for those groups).
<i>Source: LAO</i>

The Governor would require the State Board of Education to adopt a specific template for these district plans that also incorporates existing federal plan requirements. District accountability plans would be approved by local school boards, made publicly available for community members, and submitted to county offices of education (COEs) for review. While the COE would not have the power to approve or disapprove a district’s accountability plan, approval of the district’s budget now would be additionally contingent on the COE confirming that (1) the plan contains the required components and (2) the budget contains sufficient expenditures to implement the strategies articulated in the plan.

Governor's Proposal – County Office Funding. The State Constitution establishes the County Superintendent of Schools position in each of the state’s 58 counties. Each county superintendent oversees a County Office of Education (COE) which provides services for

school districts in the county but also provides direct program services to certain student populations.

In 2012–13, COEs received roughly \$1 billion in state funds and local property tax revenue to support various activities. County offices can also charge fee-for-service in some instances but the state does not keep an accounting of those funds. County Office activities generally fall into four major areas: (1) regional services, (2) alternative education, (3) additional student instruction and support, and (4) academic intervention. The following figure provides a description of how state funding is distributed.

Regional Services (\$380 million)	
Administrative Services for School Districts. Administrative and business services provided to school districts within the county.	\$300 million
Additional Services for Small Districts. Additional administrative services for small school districts within the county.	\$10 million
Programmatic Services for Districts. Certain types of support provided for school districts within the county, such as professional development, services for beginning teachers, and technology support.	\$60 million
District Oversight. Oversight of district budgets and monitoring district compliance with two education lawsuits.	\$10 million
Alternative Education (\$300 million)	
Juvenile Court Schools. Instruction and support for incarcerated youth.	\$100 million
County Community and County Community Day Schools. Instruction and support for students who cannot or opt not to attend district-run schools, including those who have been expelled or referred by a probation officer or truancy board.	\$160 million
Categorical Funding for Alternative Education. Additional funding for services in COE alternative settings. Examples of specific funding grants include the Instructional Materials Block Grant, Economic Impact Aid, and the Arts and Music Block Grant	\$40 million
Additional Student Instruction and Support (funding varies)	
Regional Occupational Centers and Programs. Career technical education and training for high school students.	\$150 million
Other Student Services. Includes instruction and services for specific student populations, including foster youth, pregnant and parenting students, adults in correctional facilities, migrant students, and young children needing child care and preschool.	Funding varies
Academic Intervention (funding varies)	
Support and Intervention. Various services for schools and districts identified as needing intervention under the state or federal accountability systems. Specific initiatives include the State System of School Support, District Assistance and Intervention Teams, and Title III assistance.	Funding varies
<i>Source: LAO</i>	

The Governor's plan includes a new two-part funding formula for county offices of education. A "regional services formula" would provide funding for general operations and support for school districts and would be allocated based upon the number of students and number of districts in the county. The "Alternative Education Formula" would provide a per-student allocation for students educated in county-operated alternative schools. While the amounts associated with these two responsibilities would be calculated through two separate formulas, the funds would be combined into one allocation that COEs could use for either purpose.

Similar to the Governor's approach for school districts, funding targets would be established for each COE and build toward those targets over a number of years. The Governor's 2013-14 budget includes \$28 million to begin the process of reaching the target funding level for COEs. Each COE that currently is funded below its target level would get a share of the new funding sufficient to close about half of its individual funding gap. Similar to districts, COEs with current funding bases that meet or exceed their new LCFF targets would not receive additional funds in 2013-14, but they would be held harmless against funding losses. Once fully implemented, the new formula would provide a total of about \$59 million in additional funding for county offices.

The Administration estimates that about 25, or fewer than half of COEs, currently receive less than their target levels. This is notably lower than the proportion of school districts (about 90 percent) that are below their targets. This is because many COEs currently receive a substantial amount of categorical funds to provide regional and student services that would be freed up and become part of their general purpose funding base.

The following chart provides more detail on both the Regional Services Formula and the Alternative Education Formula:

Regional Services Formula
<p>Provides funding for general operations and support for school districts, allocated based upon the number of students and the number of districts in the county.</p> <ul style="list-style-type: none"> • <u>Base Grant</u>. Each county office would receive \$655,920. • <u>District-Based Grants</u>. Each county office would receive an additional grant of \$109,320 for each school district in its county. • <u>ADA-Based Grants</u>. Each county office would receive additional funding based upon countywide ADA: \$70 for the first 30,000 in ADA; \$60 for ADA between 30,000 and 60,000; \$50 for ADA between 60,000 and 140,000; and \$40 for any ADA above 140,000.
Alternative Education Formula
<p>Provides a per-student allocation for students educated in county-operated alternative schools. Specifically, the Governor’s plan provides funding for students who are: (1) incarcerated, (2) on probation, (3) probation-referred, and (4) mandatorily expelled, as follows:</p> <ul style="list-style-type: none"> • <u>Base Grant</u>. Provides \$11,045 per ADA. • <u>Supplemental Grants</u>. Provides an additional 35 percent of county office base grant for unduplicated counts of low-income students, English-learner students, and students residing in foster care. Assumes 100 percent of court school ADA is eligible for supplemental grants. • <u>Concentration Grants</u>. Provides an additional 35 percent of county office base grant for unduplicated counts of low-income students, English-learner students, and students residing in foster care that exceed 50 percent of the county office ADA. Assumes 100 percent of court school ADA is eligible for concentration grants.

Most requirements stripped but some remain. County offices would be required to retain some of their fiscal and programmatic oversight responsibilities and would have some new responsibilities for overseeing local district accountability plans under the Governor’s new LCFF proposal. However, consistent with the Governor’s plan for districts and charter schools, county offices could use most of their formula funding for any educational purpose.

The most notable eliminations for COEs include requirements related to Regional Occupation Centers and Programs (ROCPs), Beginning Teacher Support and Assessment (BTSA), California Technology Assistance Program (CTAP), foster youth services, and services for pregnant and parenting students.

Some of the programmatic requirements that would continue to apply to COEs (that also apply to school districts) include: after school programs, child nutrition, and special education. In addition, the Governor would maintain existing requirements for three grants that are allocated to individual COEs to perform statewide functions—the K–12 High–Speed Network, California School Information Services, and the Fiscal Crisis and Management Assistance Team. The Governor also would maintain child care, migrant education, and academic intervention as separately funded activities.

Accountability Plan. The Governor's proposal requires COEs to develop a Local Control and Accountability Plan (LCAP), similar to the requirement for school districts and charter schools. The plan would require COEs to describe which services they plan to provide for districts and counties. With regard to alternative education, the LCAP would have to contain similar elements as described earlier for the district plans (including how supplemental EL/LI and concentration funds would support EL/LI students). The COE governing boards would adopt these plans annually and make them available for public review. The State Superintendent of Public Instruction (SPI) would play the same role in reviewing these COE plans as COEs would for district plans.

LAO Recommendations. The attached LAO report includes several detailed recommendations but overall the LAO recommends the Legislature adopt most of the components of the Governor's plan.

LAO Concerns with the district/charter school LCFF:

- Perpetuates irrational funding differences by preserving two add-on programs (Home to school trans and TIIG).
- Does not ensure supplemental funding translates to supplemental services for EL/LI students.
- Does not target concentration funding to those districts with highest concentrations of EL/LI students.
- Supplement calculation could more accurately reflect student need.
- Adds unnecessary complexity by including separate K-3 and high school supplement.
- Maintains historical advantages for basic aid districts.
- Does not adequately protect investments in facilities.

LAO Alternative. The LAO offers an alternative base rate that would provide approximately \$6,200 per ADA upon full implementation (\$600 less than the Governor's plan). The main difference between the LAO and the Administration's plan is that the LAO does not provide funding for foregone COLA.

LAO comments on County Office of Education formula. As with the Governor's district proposal, the LAO believes the Governor's proposed approach to restructuring the way the state funds COEs has positive elements. The LAO does raise some concerns however.

- The Governor proposes to increase funding for COEs while requiring them to do less. According to the LAO, the Governor essentially would be increasing general purpose funding for COEs by about \$130 million, or almost 35 percent, while only adding one new responsibility (reviewing local district accountability plans).
- The Governor's proposal compounds the existing lack of accountability over how COEs spend their regional funding allotments. According to the LAO, guaranteeing each COE a sizeable regional service funding allotment without a clear mission or well-defined expectations provides few fiscal incentives for COEs to provide the most cost-effective and beneficial services for districts. Moreover, few benchmarks exist by which the public can assess whether COEs are fulfilling their mission and providing valuable services.
- Substantially Increases Alternative Education Funding Without Clear Justification. Once target rates are achieved, juvenile court schools would receive a total of \$16,844 per ADA (the state currently provides roughly \$10,050 for students in court schools and county community schools. Because county community schools and county CDS also tend to serve high concentrations of EL/LI students, they also would receive high per-pupil rates. The Governor does not provide a clear rationale for proposing a funding rate that so notably exceeds existing levels. Furthermore, even at these high funding rates, COEs' alternative schools would be required to offer only a four-hour instructional day.

LAO Alternative. The LAO offers some alternative suggestions for COE funding. The attached LAO report provides greater detail on the following options:

- Define which services the state should require COEs to provide.
- Align regional service funding rates with regional services required.
- Establish alternative education rate that aligns with differential cost of providing instruction.

STAFF COMMENTS/QUESTIONS

The Governor's proposal is based in large part on the principle of subsidiarity – an organizing principle of decentralization emphasizing that a matter (in this case education) ought to be handled by the smallest, lowest, or least centralized authority capable of addressing that matter effectively.

Conversely, a report released a few weeks ago by the federal Equity and Excellence Commission posed the question: "*Would a globally competitive country leave the quality of education to a diffuse system of 100,000 public schools of varying types operated by countless state and local boards in 15,000 school districts... when the best performing*

systems are organized to do whatever it takes to deliver and sustain quality and excellence across the entire nation?"

- What balance should there be between state and local level decisions over education spending?
- Should the State have a defined role in oversight and accountability of how state dollars are spent?
- Should the State set minimum performance expectations if more flexibility is provided?

Funding Formula Questions:

- How do current revenue limit and categorical program allocations compare to proposed base grant levels? Can the Administration provide a district-by-district example of how this proposal compares to projected funding allocations under existing law?
- What was the rationale for excluding two large categorical programs from the new formula: Targeted Instructional Improvement Grants (TIIG) and Home-to-School Transportation?
- Why did the Administration to create target rates for grade spans based on charter school rates?
- How will the permanent extension of flexibility around school facility maintenance requirements affect the state's investment in these facilities?
- Can the Administration address claims that the formula does not fully fund enrollment growth?

Adequacy. Prior to the 2008 recession, California was 28th in the nation. Recent reports have placed the state as low as 49th in the nation. All school districts have suffered from a disinvestment in public education over the last five years that has yet to be restored.

- Why does the Governor believe this is the right time to move ahead with a new funding formula, given that school districts, charter schools, and county offices of education are still living with base reductions to their revenue limits and categorical programs?
- Does the Governor's formula provide an adequate base grant funding level?
- How realistic is it to implement a new funding formula for 2013-14? Would it be better to wait until such a time when all funding is restored?

Transparency and Accountability. The Administration claims that the new formulas "will greatly increase transparency in school funding, empowering parents and local communities to access information in a more user friendly manner and enhance their ability to engage in local school financial matters."

- How will public access and transparency in budgeting be implemented and enforced?
- What assurances will be made that supplemental funding generated by disadvantaged students will be used to their benefit?
- How do we ensure our most vulnerable student populations are served?
- Is the state's current accountability system sufficient for measuring success among all student populations?
- What levers will be used to hold school districts and county offices of education accountable for student outcomes?
- What are the consequences if school districts, charter schools, and county offices of education do not develop and approve local accountability plan aligned to their budgets?

English Learners and Economically Disadvantaged Students. The Governor's proposal only requires that the supplemental and concentration grants be used to "substantially benefit" the students who generate the dollars. The Governor's proposal does not ensure that supplemental or concentration grant funding would be provided as a "supplement" to basic educational services for English learners or disadvantaged students.

- The Governor's proposal uses district-wide averages of EL/LI students to calculate supplements across grade spans, rather than using the counts of how many EL/LI students actually are enrolled in each grade level. What was the Administration's rationale for this approach?
- Should supplemental and concentration grant funding be required to provide supplemental services for the students that generate this funding?
- What was the rationale behind limiting supplemental funding for English learners to only five years? How might this impact the classification and reclassification of English learners?
- The Governor's proposal would count each student who meets more than one of the EL/LI characteristics only once for the purposes of calculating supplemental funding. In contrast, the existing EIA formula provides double funding for EL students who also are from LI families. Why did the Governor take this approach?
- With the demise of categorical programs, such as CALSAFE and Foster Youth Services, what incentives are in place for districts and county offices to serve these unique student populations?

Early Childhood Education.

- Research indicates that an investment in high quality early childhood education can yield greater gains in the later years, particularly in terms of closing the achievement gap. Why did the Governor choose not to include preschool or an expansion of transitional kindergarten in this new funding formula?

Counties

- The Governor proposes to provide \$28 million towards meeting target funding levels for County Offices of Education, roughly half the amount needed to reach the full target implementation level (estimated to cost \$59 million). Why does the Governor grow counties at this much faster rate than school districts?
- The Governor's plan appears to increase funding for district services at county offices, while reducing the requirements? What is the rationale for this?