California’s School Finance Reforms Target More Funding to Poor Students

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In July 2013, California Governor Jerry Brown overhauled the state’s school finance system, which has long been criticized for its complexity and failure to meet student needs. The prior system generally did provide more revenues to districts serving many disadvantaged students, but the new Local Control Funding Formula (LCFF) dramatically increases the state’s investment in those districts, and creates a more transparent and equitable school finance system.

This policy brief, based on ongoing research by Faculty Affiliate Heather Rose and Graduate Student Researcher Margaret Weston, compares future funding under the LCFF to funding under the old finance system.

Key Findings

- The LCFF consolidates most state funding programs, increases investment particularly in disadvantaged students and reduces funding variation between similar districts.
- The prior system provided $7,000 per pupil in districts with all disadvantaged students, which is about 14% higher than the average of $6,100 in districts with no disadvantaged students.
- Under the new system, funding per student in districts with all disadvantaged students will average 43% higher than in those with no disadvantaged students.

Under the old system, school districts received funds from four main sources: a “revenue limit” for general purposes financed by property taxes and state aid; local revenues such as parcel taxes; state categorical aid from about 80 programs for special purposes like special education or gifted and talented education (GATE); and federal aid supporting programs like the National School Lunch Program and Title I.

Revenue limit funds flowed equally between affluent and low-income school districts. Local revenues were more likely to be raised by more affluent districts. State categorical and federal aid overwhelmingly flowed to largely disadvantaged districts. Districts with all low-income students received 34 percent more total revenue per pupil on average than districts with no disadvantaged students.

Despite these additional funds, proficiency rates and Academic Performance Index ratings in low-income districts remained much lower than in more affluent districts. This achievement gap, as well as the lack of clear reasons for the funding differences, prompted Governor Brown to propose the Local Control Funding Formula (LCFF).

The Local Control Funding Formula

The LCFF consolidates revenue limits and the majority of state categorical programs into a new statewide formula that provides base funding for students statewide, with additional funding for disadvantaged students. Districts in which more than 55 percent of the students are disadvantaged would receive even more funding through a concentration grant. The LCFF defines disadvantaged students as low-income based on eligibility for free or reduced-price lunch, English learners and foster youth.

The LCFF’s base rates average $7,650 per pupil. Disadvantaged students generate an additional 20 percent of the base (about $1,530 per pupil). In districts with more than 55 percent disadvantaged students, each additional student generates an extra 50 percent of the base (about $3,820 per pupil). Two large categorical programs for pupil transportation and desegregation remain as a general purpose add-on, meaning those funds are considered part of the LCFF but can now be spent for any educational purpose.

Comparing the Two Systems

Figure 1 shows the distribution of revenue by disadvantaged students under the old school funding system and under full implementation of the LCFF. The steepness of the line shows the change in funding as the fraction of disadvantaged students in a district increases. The distance between the bubbles and the line shows funding variation between districts.

The prior funding system provided an additional 14 percent of funds per disadvantaged student on average, but with substantial variation around that average. This variation meant that districts with similar levels of disadvantaged students often received different levels of funding. As the graph shows, upon full implementation of the LCFF, districts of all sizes align more closely to the average funds per pupil. Also, average funds for districts with more disadvantaged students increases sharply, as indicated by the steeper portion of the line representing funding under LCFF.

Under the LCFF, base funding will be higher for all students, and districts composed entirely of disadvantaged students will receive 43 percent more revenue per pupil from the LCFF than those with no disadvantaged students. Furthermore, there will be minimal variation in funding for districts with the same share of disadvantaged students.

Considering the additional state, federal, and local funds that are not part of the LCFF, the average difference in total funding per pupil between a district with all disadvantaged students and a district with none will be about 56 percent.

Conclusion

California is among a growing number of states adopting formulas that direct more revenue to disadvantaged students.