



K–12 Local Control Funding

The State's Approach Has Not Ensured That Significant Funding Is Benefiting Students as Intended to Close Achievement Gaps

November 2019

REPORT 2019-101





CALIFORNIA STATE AUDITOR

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November 5, 2019
2019-101

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As directed by the Joint Legislative Audit Committee, my office conducted an audit of the funding that the State provides to school districts under the Local Control Funding Formula (LCFF). Our assessment focused on state and district efforts to implement LCFF, and the following report details the audit's findings and conclusions. In general, we determined that the State's approach to LCFF has not ensured that funding is benefiting students as intended.

The State intended for LCFF to provide more local control over the spending of state K–12 funds and to improve educational outcomes among certain student groups. Specifically, in addition to base funding that districts can use for any local educational purpose, LCFF would also provide districts with *supplemental and concentration funds* based on the proportions of students they serve who are English learners, youth in foster care, and those from households with low incomes (intended student groups).

We are concerned that the State does not explicitly require districts to spend their supplemental and concentration funds on the intended student groups or to track how they spend those funds; therefore, neither state nor local stakeholders have adequate information to assess the impact of those funds on intended student groups. Further compounding the problem, the State adopted regulations that deferred full implementation of the supplemental and concentration funding formulas as part of the transition from the previous funding model to LCFF. Since fiscal year 2013–14, this deferral of full formula implementation has caused the three districts we reviewed to identify approximately \$320.6 million as being part of its base funds rather than supplemental and concentration funds. We also had difficulty determining the extent to which the districts used those funds to increase or improve services for intended student groups because of unclear descriptions in their local control and accountability plans.

The State has an opportunity to take steps toward learning more about the effectiveness of billions of dollars that it allocates for K–12 education. By collecting additional information about districts' uses of supplemental and concentration funds, the State could begin to determine how districts' spending of those funds affects educational outcomes of intended student groups and whether it needs to take further action to ensure that these students receive the services they need.

Respectfully submitted,

A handwritten signature in black ink that reads "Elaine M. Howle". The signature is written in a cursive, flowing style.

ELAINE M. HOWLE, CPA
California State Auditor

Selected Abbreviations Used in This Report

CCSESA	California County Superintendents Educational Services Association
CDE	California Department of Education
Clovis Unified	Clovis Unified School District
county offices	county offices of education
LCFF	Local Control Funding Formula
LCAP	Local Control and Accountability Plan
Oakland Unified	Oakland Unified School District
San Diego Unified	San Diego Unified School District
State Board	California State Board of Education

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Summary

Results in Brief

Since fiscal year 2013–14, California has funded K–12 education in part through an approach called the Local Control Funding Formula (LCFF). The State intended for LCFF to provide more local control over the spending of state funding and to improve educational outcomes among certain student groups. Through LCFF, the State envisioned providing billions of dollars each year to local educational agencies—with most of those funds going to school districts—in part based on their student populations of English learners, youth in foster care, and those from households with low incomes (intended student groups). Specifically, in addition to a base funding amount that they can use for any local educational purpose, districts would also receive supplemental and concentration funds based on the proportions of intended students they serve. The State established these supplemental and concentration funds in recognition of the fact that districts may require different levels of funding to provide adequate services for the students they educate. However, the State’s approach to LCFF places oversight responsibilities for supplemental and concentration funds almost entirely on local entities, such as county offices of education and local stakeholders. This approach has not always ensured that these funds benefit the intended student groups.

We are particularly concerned that 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. Without a means of tracking how districts use supplemental and concentration funds, state and local policymakers and other local stakeholders lack adequate information to assess the impact of those funds on the outcomes of intended student groups. Although regulations adopted to implement LCFF require districts to use these funds to increase or improve services for intended student groups, the regulations do not create an effective means of ensuring that districts do so. Districts must identify in their annual local control and accountability plans (LCAPs) the supplemental and concentration funds they expect to receive and spend. LCAPs provide a key opportunity for stakeholders to ensure that districts direct the funds toward the intended student groups. However, districts can treat any supplemental and concentration funds that they do not fully spend in a given year as base funds in the following year, meaning that the districts can use the funds for general purposes that do not directly serve intended student groups. Despite this lack of restriction, the State has not established

Audit Highlights . . .

Our audit of the funding that the State provides to school districts under the LCFF revealed the following:

- » *The State’s approach to LCFF has not ensured that funding is benefiting intended student groups and closing achievement gaps.*
- » *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.*
- » *Since fiscal year 2013–14, the deferral of full formula implementation to LCFF has caused the three districts we reviewed to identify \$320 million as being part of their base funds rather than supplemental and concentration funds.*
- » *Districts do not always include clear information in their LCAPs regarding their use of supplemental and concentration funds.*
- » *Policymakers and stakeholders lack adequate information to assess the impact of supplemental and concentration funds on the educational outcomes of the intended student groups.*

a process for districts to track supplemental and concentration funds that remain unspent at the end of the year and to ensure that they spend those funds appropriately.

Our review of three large districts suggests that the State's approach for determining supplemental and concentration funds has led districts to identify hundreds of millions of dollars of LCFF funding as base funds rather than supplemental and concentration funds since it implemented LCFF in fiscal year 2013–14. For the transition from its previous funding model to LCFF, the State adopted regulations that required districts to estimate their supplemental and concentration funds based on prior-year spending, rather than on the supplemental and concentration funding formulas described in state law, which are based on districts' percentages of intended student groups. This approach essentially deferred full implementation of these formulas. It also resulted in a difference of approximately \$320.6 million that the three districts identified as base funds, rather than supplemental and concentration funds for fiscal years 2013–14 through 2018–19. In other words, by directing districts to base their estimates on prior-year spending, they identified amounts of supplemental and concentration funds that were similar to amounts they had already been providing before LCFF. If all districts statewide estimated at similar rates, we believe that the regulations have likely led districts to identify billions of dollars of LCFF funding as base rather than supplemental and concentration funds since the inception of LCFF in fiscal year 2013–14. By deferring the full implementation, the State also likely deferred improved educational outcomes for the intended student groups.

Moreover, even when districts did report supplemental and concentration funds in their LCAPs, we had difficulty determining whether or how the districts' use of those funds increased or improved services for intended student groups—a difficulty that stakeholders likely share. One challenge is that the current requirement districts must meet for spending supplemental and concentration funds to benefit intended student groups is essentially meaningless. Specifically, a district must describe in its LCAP how it will increase or improve services for those students in proportion to the amount of supplemental and concentration funds it receives. However, it is unclear how a district would demonstrate that it increased or improved services by a proportion, and neither county offices of education nor the California Department of Education are responsible for verifying whether districts actually met the required proportional increases. Another problem is that the legal requirements for county offices of education to approve districts' LCAPs, such as ensuring that they adhere to the State's LCAP template, are insufficient to ensure that those LCAPs are clear and effective. When districts fail to clearly demonstrate

how they use supplemental and concentration funds to benefit intended student groups, it not only reduces transparency but also puts the districts at risk of stakeholders' submitting complaints or filing lawsuits.

Although the State intended LCFF to improve the educational outcomes of the intended student groups, measuring the effectiveness of LCFF with any precision remains difficult. The California School Dashboard (dashboard) displays on a website results for performance indicators across several student subgroups and is one of the State's accountability tools for LCFF. However, it includes only two years of results so far, 2017 and 2018. More significantly, the State has not required districts to track and report their expenditures of supplemental and concentration funds in a way that aligns with the dashboard indicators, so determining whether a particular district's use of those funds is effectively improving the performance of the intended student groups it serves is challenging. Further, although districts must report in their LCAPs information about the services on which they have spent their supplemental and concentration funds, they often do not effectively analyze whether those services have been successful. As a result, stakeholders may struggle to hold districts accountable for continuing to fund effective services and discontinuing ineffective services.

The State now has an opportunity to take an important step toward learning more about the effectiveness of billions of dollars that it allocates for K-12 education. We acknowledge that local control is a key principle of LCFF, and we do not advocate undermining that principle. However, implementation of a statewide tracking mechanism for supplemental and concentration funds could provide information to assess the impact of those funds on the educational outcomes of intended student groups. For instance, such a mechanism would provide assurance that districts spend all of their supplemental and concentration funds for their intended purpose. In addition, it would enable the State and other stakeholders to better evaluate the effectiveness of districts' spending strategies and the effectiveness of LCFF generally. By collecting and reporting additional information about districts' uses of supplemental and concentration funds, the State could begin to determine how districts' spending of those funds affects students and whether it needs to take further action to ensure that these students receive the services they need.

Selected Recommendations

To ensure that intended student groups receive the maximum benefit from supplemental and concentration funds, the Legislature should take the following actions:

- Amend state law to require districts and other local educational agencies to identify any unspent supplemental and concentration funds by annually reconciling the estimated amounts of these funds they include in their LCAPs with the actual amounts of funding the State reports apportioning to them.
- Amend state law to specify that unspent supplemental and concentration funds at year-end must retain their designation to increase and improve services for intended student groups and be spent in a following year, and it should require districts and other local educational agencies to identify in their LCAPs the total amounts of any unspent supplemental and concentration funds from the previous year.

To provide additional data for the State and other stakeholders and to align spending information with the dashboard indicators or other student outcomes, the Legislature should take the following actions:

- Require the State to direct districts and other local educational agencies to track and report to it the total amount of supplemental and concentration funds they receive and spend each year.
- Require the State to identify a common method that districts and other local educational agencies must use to report the types of services on which they spend their supplemental and concentration funds.

Agency Comment

The State Board agreed with three of the four recommendations we made to it.

Introduction

Background

The quality of California’s public education system directly affects the lives of many of the State’s residents. About 6 million students in the K–12 grade levels attend public school in California. Since fiscal year 2013–14, California has funded K–12 education in part through an approach called the Local Control Funding Formula (LCFF).¹ Through LCFF, the State provides billions of dollars each year to local educational agencies: county offices of education (county offices), school districts, and charter schools. School districts receive most of those funds. For instance, districts received nearly 90 percent of the more than \$62 billion that the California Department of Education (CDE) apportioned through LCFF in fiscal year 2018–19. About \$9 billion of this \$62 billion consisted of supplemental and concentration funds that CDE apportioned to districts based on their student populations of English learners, youth in foster care, and those from households with low incomes. (intended student groups).

The State’s policy—consistent with its constitutional obligation—is to afford all students in public schools equal access to educational opportunity. The State intended these supplemental and concentration funds—and LCFF generally—to establish more equitable funding by recognizing that districts may require different levels of funding to provide adequate services for the students they educate. Nonetheless, state data demonstrate that certain student groups have poorer educational outcomes, including academic and other performance outcomes, in comparison to students overall (achievement gaps). These achievement gaps have likely contributed to California’s consistently ranking below the national average on metrics such as National Assessment of Educational Progress reading and mathematics scores. One of the goals of LCFF is to address achievement gaps among intended student groups, and research indicates that intended student groups frequently need additional services and other support to be successful in school.

For this audit, we selected three large districts to review—Clovis Unified School District (Clovis Unified), Oakland Unified School District (Oakland Unified), and San Diego Unified School District (San Diego Unified). We examined whether these districts have used supplemental and concentration funds to provide services to the intended student groups and whether those services have improved the intended student groups’ educational outcomes.

¹ Local educational agencies may also receive other types of state and federal funding, including special education funding and Every Student Succeeds Act Title 1 funding.

California Funds K–12 Education Primarily Through LCFF

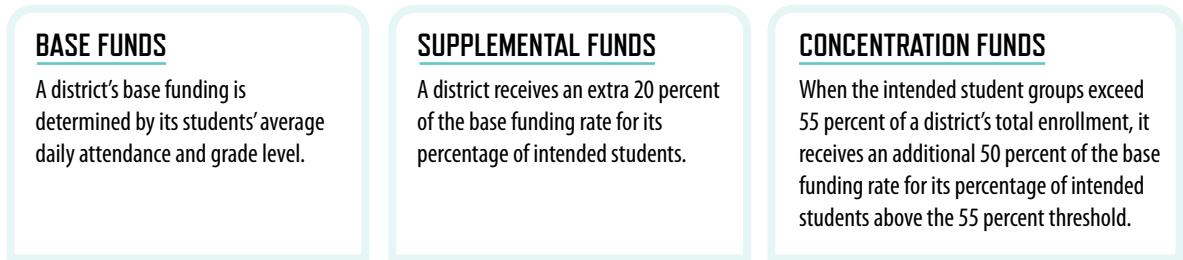
The State made an historic shift in the way it funds K–12 education when it implemented LCFF more than six years ago. LCFF was intended to simplify the State’s funding model and provide school districts with more local control over how they spend the state funding they receive. Before LCFF, districts received a certain amount of funding for each student, known as *general-purpose funding* or *revenue limit funding*. They also received additional funding—commonly called *categorical funds*—that the State designated for specific purposes, such as serving special education students or reducing class sizes. Districts considered the restrictions and administrative requirements associated with categorical funds to be burdensome. At one time, the State had more than 110 categorically funded programs, many of which had different spending and eligibility requirements.

In contrast, LCFF has three primary funding components: base funds, supplemental funds, and concentration funds. State law establishes base funding rates by grade span, such as kindergarten through third grade, and requires CDE to compute each district’s base fund amount by multiplying those rates by the district’s average daily student attendance. Depending on its percentage of students in the intended student groups, a district can receive an additional 20 percent of the set base rate as supplemental funds. When more than 55 percent of a district’s students are in the intended student groups, the district would also receive as concentration funds an additional 50 percent of the base rate for its percentage of students above this threshold. Figure 1 details LCFF’s funding components. Unlike categorical funds, LCFF funding is generally unrestricted, meaning that districts can use it for any local educational purpose not prohibited by law. However, districts must use supplemental and concentration funds to increase or improve services for intended student groups in proportion to the amount of supplemental and concentration funds they receive.

Although the Legislature implemented LCFF in fiscal year 2013–14, it did not fully fund it until fiscal year 2018–19 because LCFF represented a significant increase in the amount of educational funding the State was providing. Consequently, the funding formulas for base, supplemental, and concentration funds in state law represented a “target” funding amount, not the amounts that districts actually received. Instead, during this phase-in period, the State implemented a transition entitlement. This entitlement consisted of a funding floor amount and a transition adjustment amount known as *gap funding*. However, it did not separately identify the portions of the transition entitlements that were base, supplemental, and concentration funds. The funding floor consisted of a district’s fiscal year 2012–13 revenue limit funding, divided by its fiscal year 2012–13 average daily attendance, and then multiplied by its current-year

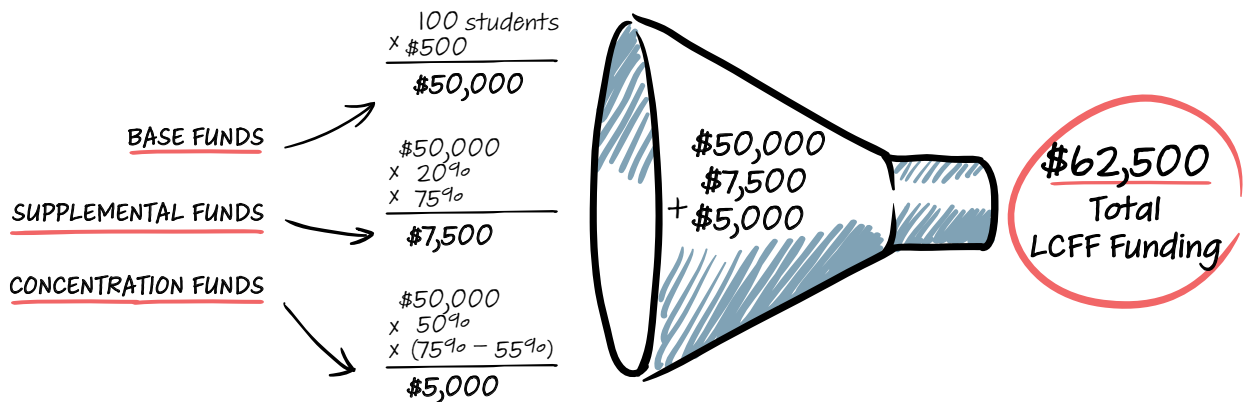
average daily attendance. The State based the amount of gap funding a district received each year from fiscal year 2013–14 through 2018–19 on the amount of funding provided in the annual Budget Act to incrementally reduce over time the gap between districts’ funding floors and the target amounts they would receive when the LCFF became fully funded.

Figure 1
CDE Calculates Target Supplemental and Concentration Funds for Districts Based on Their Populations of Intended Student Groups



HYPOTHETICAL EXAMPLE

- ★ A district has 100 students
- ★ Of those 100 students, 75 of them are in intended student groups (75%)
- ★ The base amount is \$500 per student



Source: Analysis of state law.

From fiscal years 2013–14 through 2018–19, CDE calculated the target amounts and transition entitlements for each district and reported the funding amounts on its website multiple times throughout each year—updating the amounts as it received additional attendance information.

Before Full Implementation of LCFF, Supplemental and Concentration Funds Were Not Based on Percentages of Intended Student Groups

	FISCAL YEARS	BASIS FOR DETERMINING SUPPLEMENTAL AND CONCENTRATION FUNDS
LCFF Transition Period	2013–14 through 2018–19	Primarily by prior year spending amounts
LCFF Full Implementation	2019–20 forward	Primarily by enrollment percentages of intended student groups

Source: Analysis of state law, CDE documents, and district documents.

However, although CDE reported base, supplemental, and concentration proportions of the target amount, the transition entitlement that districts actually received did not separately identify these proportions. Consequently, districts estimated the amounts of LCFF funding they expected to receive and the amounts of supplemental and concentration funds to establish the proportion by which they must increase or improve services for intended student groups. The State Board of Education (State Board) adopted regulations in 2014 instructing districts to estimate their supplemental and concentration funds based primarily on prior-year spending levels during the phase-in period. After the end of each year, CDE reported the total annual funding it had apportioned to each district. The text box summarizes the basis for determining supplemental and concentration funds since LCFF was implemented in fiscal year 2013–14.

The three districts we selected to review receive different amounts of LCFF funding. Figure 2 presents information about the districts’ student populations and identifies the fiscal year 2018–19 LCFF funding that the districts had received as of June 2019. Of the three, Oakland Unified has the highest proportion of students in the

intended student groups and received the highest proportion of supplemental and concentration funds. Clovis Unified has the lowest proportion of students in the intended student groups and received supplemental funds but no concentration funds.

Five Primary Sections of the LCAP

- **Summary:** provides a brief overview of important elements contained within the LCAP.
- **Annual Update:** captures the district’s progress toward the expected outcomes for each goal from the prior year and estimated actual expenditures.
- **Stakeholder Engagement:** describes the consultation process the district had with parents, students, school personnel, and the community, including how that engagement contributed to the development of the LCAP.
- **Goals, Actions, and Services:** focuses on the goals, actions, expenditures, and progress indicators that the district has identified.
- **Demonstration of Increased or Improved Services:** details the district’s use of supplemental and concentration funds to meet the requirement to increase or improve services proportionally to the increase in these funds. This is the single section of the LCAP focused solely on supplemental and concentration funds.

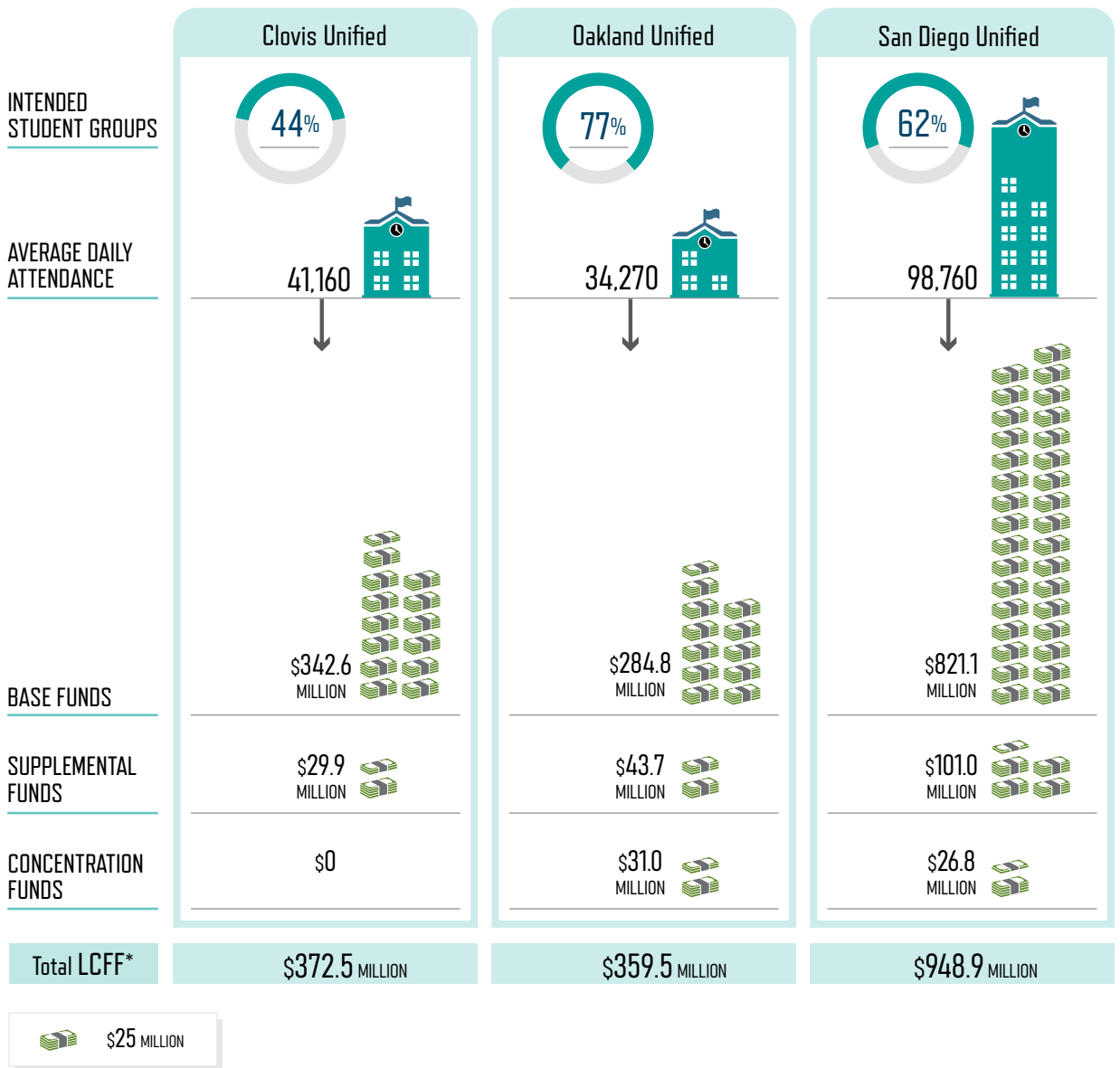
Source: LCAP template and CCSESA LCAP approval manual.

The State Established Local Control and Accountability Plans to Enhance Transparency and Accountability for LCFF Funding

To enhance transparency and accountability for LCFF funding, state law requires each school district to develop and update annually—by July 1—a local control and accountability plan (LCAP). The LCAP is a three-year spending plan that describes the district’s annual goals, services, and expenditures to support positive student outcomes and to address state and local priorities. In its LCAP, the district describes its goals and the particular services it plans to provide to meet those goals. When developing its LCAP, each district must adhere to a template that the State Board approves. As the text box describes, the LCAP template primarily

consists of five sections. In addition to these five sections, the State Board added to the 2018–19 LCAP an addendum related to federal education law and added to the 2019–20 LCAP a brief, accessible budget overview for parents that summarizes the LCAP’s important elements. The State Board is currently considering additional revisions to the 2020–21 template.

Figure 2
Because of Differences in Their Student Populations, Our Selected Districts Received Varying Amounts of LCFF Funding for Fiscal Year 2018–19



Source: CDE’s 2018–19 principal apportionment data.

* Total LCFF does not include add-on funding that districts received through the Targeted Instructional Improvement Block Grant program, the Home-to-School Transportation program, and the Small School District Transportation program.

In the last section of the LCAP, each district must identify and report the amount of supplemental and concentration funds it has estimated that it will receive for the year, and it must demonstrate how it plans to meet expenditure requirements for these funds. As we described previously, each district must use its supplemental and concentration funds to increase or improve services for intended students groups in proportion to the amount of supplemental and concentration funds they receive. These increases or improvements must be in proportion to the amount of supplemental and concentration funds that the district receives based on its population of intended student groups. For example, if a district's supplemental and concentration funds for fiscal year 2018–19 represent 10 percent of its total LCFF funding, that district must increase or improve services for its intended student groups by 10 percent compared to the services provided for the rest of its students in that year. In the final section of the LCAP, each district must explain how the services it is providing increase or improve services for intended student groups. Although the three districts we reviewed each allocated some portion of its supplemental and concentration funds directly to schools to spend, they also planned to use the funds for a significant number of districtwide services and programs, such as reducing class sizes or providing school nurses, as we discuss later.

As Figure 3 indicates, a number of different state and local entities are involved in overseeing and making decisions related to LCFF funding. For example, local stakeholders, such as parents, teachers, and other interested groups, provide input and oversight to ensure that districts develop clear and informative LCAPs. Stakeholders review and provide comments on a district's draft LCAP. In addition, they can submit complaints to the district or county office, and appeal to CDE, if they believe a district has violated state law in completing its LCAP.

LCAP Approval Requirements for County Offices

The county office must approve a district's LCAP on or before October 8 if it determines all of the following are true:

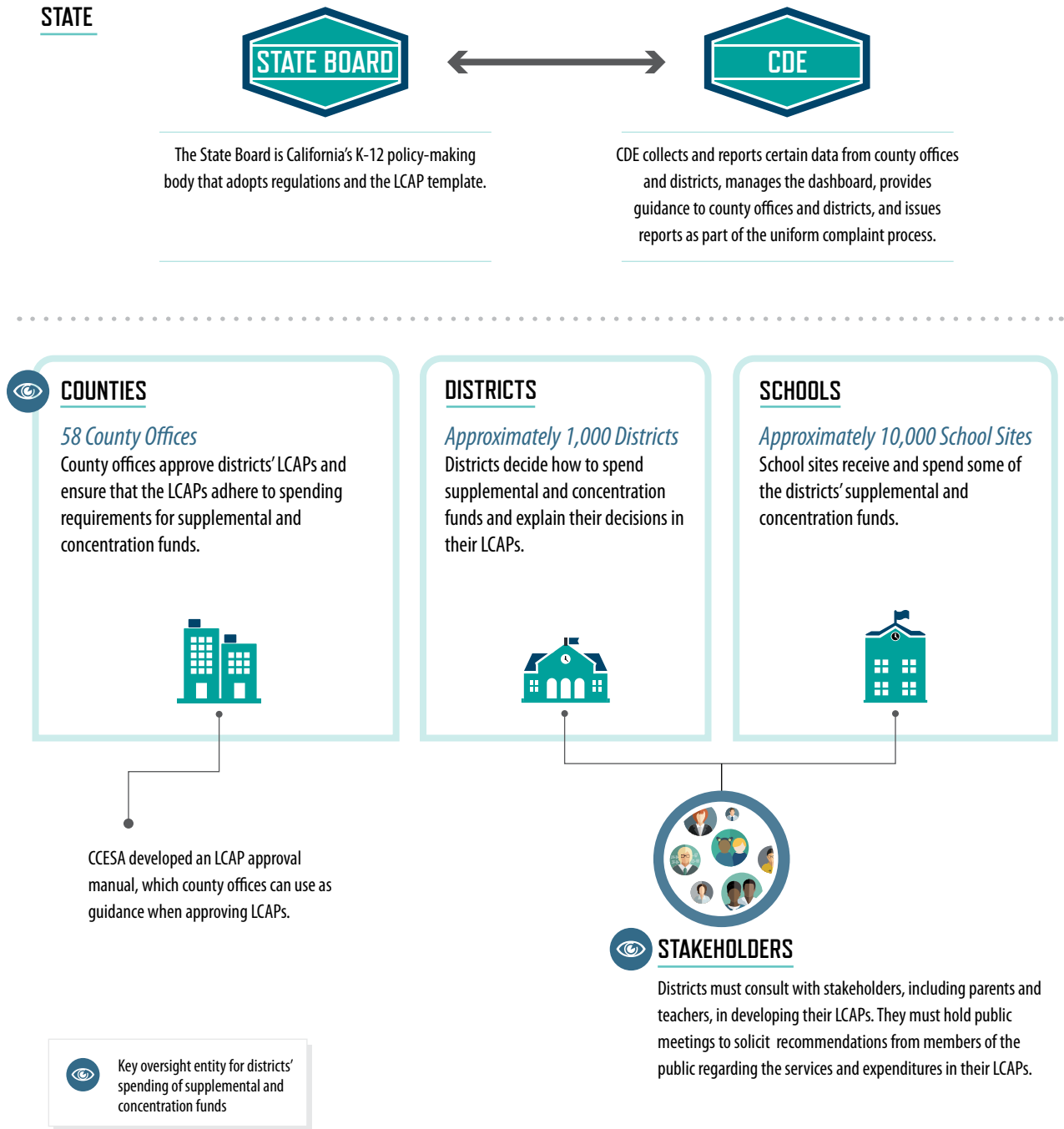
- The district's LCAP adheres to the LCAP template.
- The district's budget includes expenditures sufficient to implement the services included in the LCAP.
- The district's LCAP adheres to the expenditure requirements for supplemental and concentration funds.

Source: State law.

In most instances, county offices are responsible for approving LCAPs for the districts within their counties.² Figure 4 depicts the LCAP development and approval process. The California County Superintendents Educational Services Association (CCSESA) has developed an LCAP approval manual that county offices can use as a guide during their reviews. A county office must approve a district's LCAP if the LCAP meets the conditions listed in the text box. If a county office rejects a district's LCAP, it must provide assistance to that district that focuses on revising the LCAP so that the county office can approve it before October 8 of that year. This date is the deadline for county offices to approve LCAPs.

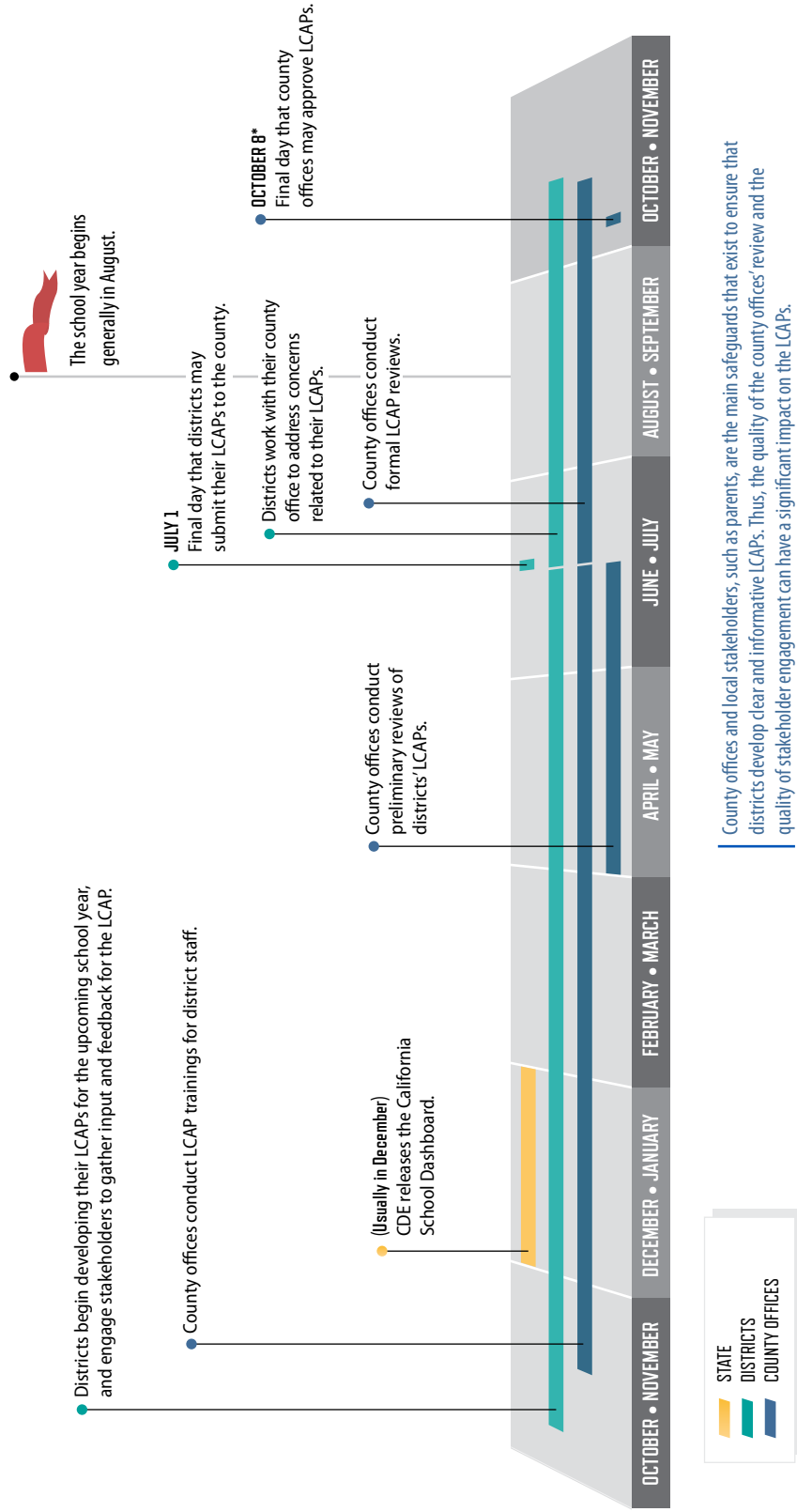
² The exception is when a county has jurisdiction over a single school district; in these circumstances, CDE approves the district's LCAP.

Figure 3
LCFF Relies on Local Decision Making and Oversight



Source: Analysis of state law, CDE documents, and the CCESA LCAP Approval Manual.

Figure 4
LCAP Development and Approval Is an Ongoing Process



Source: Analysis of state laws, CCSESA manual, and other documents.

* Though LCAP approval is required by October 8, the recommended approval date is September 15 to coincide with budget approval timelines. If a district's LCAP is not approved by September 15, a conditional budget approval may be an option, where appropriate.

The California School Dashboard and Statewide System of Support Are the Core of the State's Accountability System

The State measures how well schools and districts are meeting the needs of all students through the California School Dashboard (dashboard). In conjunction with LCFF, state law requires the State to develop and maintain an evaluation tool for publicly reporting performance data for specified student groups. To meet this requirement and to provide transparency and accountability, the State introduced the dashboard in March 2017. The dashboard presents student performance information at both the district level and the school-site level. As the text box shows, the dashboard displays the results for seven core performance indicators across a number of student subgroups, including the three intended student groups. The dashboard generally uses data that districts submit to CDE. CDE has released two years of results, for 2017 and 2018.

A primary function of the dashboard, in addition to publishing performance data, is to identify districts that are failing to close achievement gaps and need additional county or state assistance through the statewide system of support. The State Board adopted this system in 2016. As Figure 5 shows, the system provides three levels of support: voluntary technical assistance, differentiated assistance, and intensive intervention. Because districts choose to seek technical assistance and CDE's intensive intervention is for districts that demonstrate persistent performance issues over a number of years, the State currently uses differentiated assistance as its primary process for ensuring that districts receive individualized assistance to close achievement gaps.

A county office must offer differentiated assistance to a school district if any student group within that district does not meet performance standards for two or more performance indicators on the dashboard. According to data from the 2018 dashboard, more than 30 percent of school districts statewide were eligible for differentiated assistance for at least one student group, which indicates that significant achievement gaps persist throughout the State.

Dashboard Indicators and Student Groups

State Indicators*

English Language Arts: Based on state testing results for English language arts (Smarter Balanced Summative Assessment) for grades three through eight and grade 11.

Mathematics: Based on state testing results for mathematics (Smarter Balanced Summative Assessment) for grades three through eight and grade 11.

English Learner Progress: Based on results from the English Language Proficiency Assessments for California.

College/Career: Based on various measures that evaluate preparedness for college or career, such as career technical education pathway completion, A-G course completion, and Advanced Placement exams.

Graduation Rate: Based on the number of students who earn a high school diploma within four years of entering ninth grade.

Chronic Absenteeism: Based on the number of students in kindergarten through grade eight who were absent at least 10 percent or more of the instructional days that they were enrolled to attend a school.

Suspension Rate: Based on the number of students who were suspended at least once during the school year.

Student Groups

Intended student groups for supplemental and concentration funds:

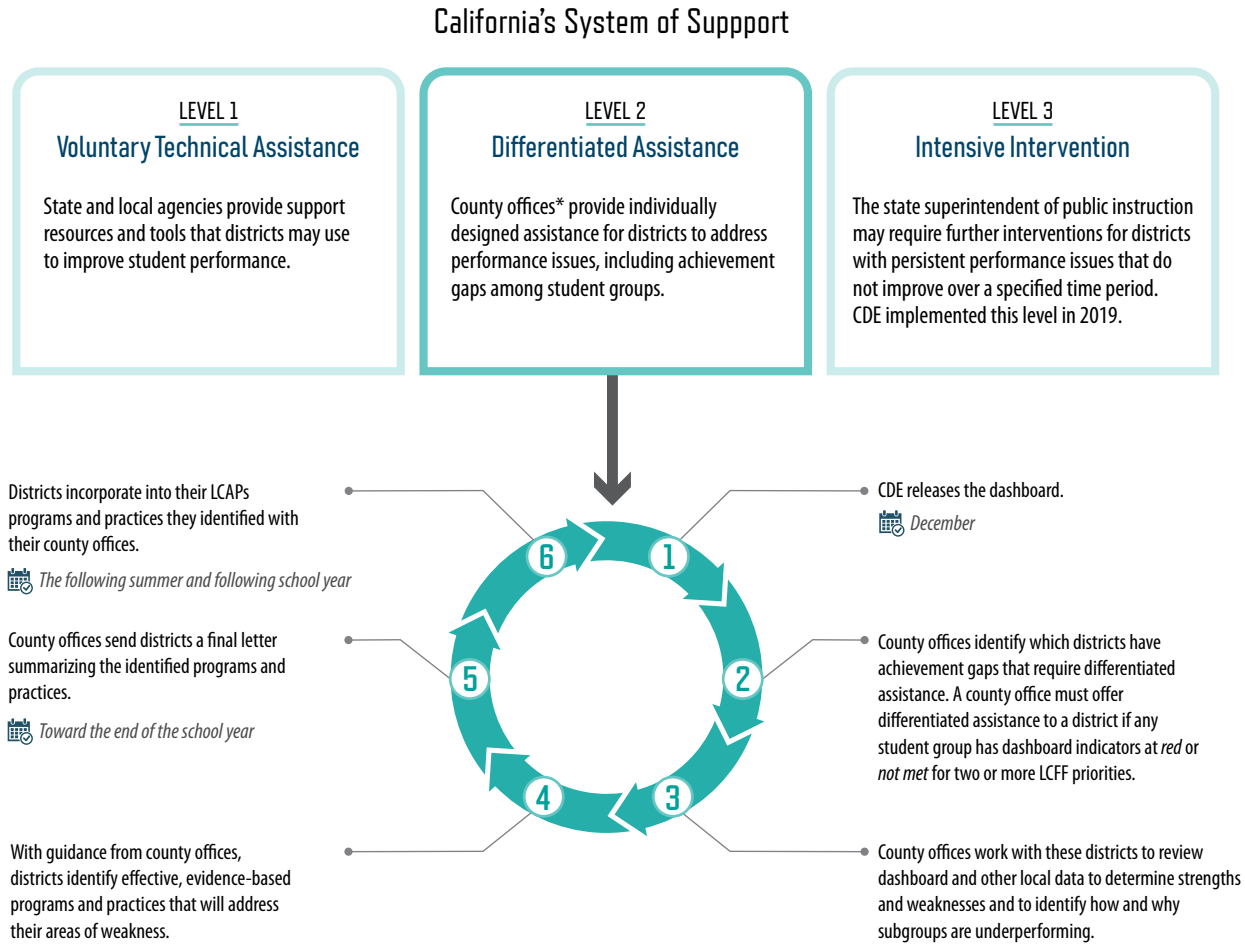
English Learners, Youth in Foster Care, Students from Households with Low Incomes.

Other student groups: Students Experiencing Homelessness, Students With Disabilities, African American, American Indian, Asian, Filipino, Hispanic, Pacific Islander, White, and Two or More Races.

Source: Analysis of the 2018 dashboard and the 2018 California School Dashboard Technical Guide.

* The dashboard also reports measures of progress on local indicators for individual local educational agencies based on information that they collect locally, such as appropriately assigned teachers, parent engagement, and school climate.

Figure 5
Differentiated Assistance Is the State’s Primary Process for Addressing Achievement Gaps



Source: Analysis of state law and CDE documents.

* CDE provides differentiated assistance for county-run schools such as juvenile court schools.

Audit Results

California's Approach to Overseeing Supplemental and Concentration Funds Has Not Always Ensured That Those Funds Benefit Intended Student Groups

The State's implementation of LCFF has not yet proven effective at increasing transparency and accountability for the supplemental and concentration funds that CDE allocates to districts. Specifically, state law does not explicitly require districts to use unspent supplemental and concentration funds in the following year to benefit intended student groups, nor does it require that they track their spending of these funds. Furthermore, existing state law has allowed the districts we reviewed to identify hundreds of millions of dollars in LCFF funding as base rather than supplemental and concentration funds during the phase-in period. If the Legislature intends for districts to use all of the supplemental and concentration funds it allocates to them to specifically increase or improve services for intended student groups, it should amend state law to establish this requirement. Additionally, districts do not always include clear information in their LCAPs regarding their use of supplemental and concentration funds, even though LCAPs are a key accountability tool for ensuring that they budget and spend these funds to increase and improve services for the intended student groups. The LCAPs' lack of clarity has reduced transparency and resulted in some stakeholders submitting formal complaints and filing lawsuits in court. Until the State ensures that districts spend all supplemental and concentration funds to benefit the intended student groups, and that they provide clear, accessible information regarding that spending in their LCAPs, the intended student groups may not receive the services necessary to close the State's persistent achievement gaps.

The State Has Not Ensured That Districts Spend Supplemental and Concentration Funds on Services for Intended Student Groups

As we discuss in the Introduction, the State instituted LCFF to provide districts with supplemental and concentration funds to improve the educational outcomes of the intended student groups and to increase transparency and accountability related to education funding. However, LCFF has not yet successfully accomplished these goals. As we discuss later, available data show improvements in some student outcome measures since the State implemented LCFF, although achievement gaps persist. In acknowledgment of the fact that educating the intended student groups is more costly, the State apportions the additional funds to districts based on their intended student group populations; as a result, we would have expected districts to track their spending of these funds. Instead, a series of impediments hinders stakeholders' ability to determine

State law does not explicitly require that districts spend all their supplemental and concentration funds for intended student groups.

with assurance the amount of supplemental and concentration funds that districts actually spend for the benefit of the intended student groups, even though these are the students for whom they receive the additional funding.

Most significantly, the current requirement districts must meet when spending supplemental and concentration funds is essentially meaningless. State law does not explicitly require that districts spend all their supplemental and concentration funds for intended student groups; instead, it states that they must use the funds to increase or improve services for those students in proportion to the amount of supplemental and concentration funds they receive. For example, in its fiscal year 2018–19 LCAP, Clovis Unified calculated that its supplemental funds represented an increase of 8.65 percent over its LCFF base funds. Consequently, state law requires Clovis Unified to increase or improve services for intended student groups by 8.65 percent as compared to all students. However, it is unclear how a district would demonstrate that it increased or improved services by a specific percentage. In fact, two of the three districts we visited stated that measuring objectively whether they have increased or improved services by a specific percentage for any one student group in comparison to all students is difficult. Furthermore, neither the county offices nor CDE is responsible for verifying that districts have achieved the required proportional increases.

In other words, state law created a mechanism to give additional funds to districts that have higher proportions of intended student groups, but it did not explicitly require or provide a means of ensuring that those districts actually spent their additional funds on the specific student groups for whom they were allocated. When we discussed this lack of an explicit requirement with the State Board's deputy policy director and assistant counsel, he stated that he believes state law reflects a recognition that investing to improve the overall education program at a school site or within a district can be an effective way to meet the needs of intended student groups. He added that tying a legal obligation to dollar-to-dollar increases in expenditures would discourage districts from implementing approaches that would improve core programs in ways that better meet the needs of intended students. Although we do not disagree with this premise, LCFF's intent and CDE's own regulations make clear that supplemental and concentration funds are fundamentally different from base funds—districts must use them to increase or improve services for intended student groups.

The second impediment to ensuring that districts use supplemental and concentration funds for the intended student groups is that the State does not require districts to track how they spend these funds. Of the three districts we reviewed, only Clovis Unified generally tracked its supplemental funds in its accounting system.

The other two districts' accounting systems tracked supplemental and concentration funds inconsistently. At these districts, we struggled to locate financial information to determine how much supplemental and concentration funds they had received and if they had spent that funding to benefit the intended student groups.

Furthermore, budget and expenditure information for supplemental and concentration funds that districts include in their LCAPs is not always transparent. Specifically, although the LCAP template requires districts to include budgeted expenditures and estimates of actual expenditures for each service they provide, it does not require them to present summary-level expenditure information in a manner that would allow stakeholders to compare districts' total budgeted expenditures to their total estimated actual expenditures without significant effort. Consequently, the LCAPs for the three districts we visited do not enable stakeholders to easily identify whether the districts spent all of their supplemental and concentration funds as planned. In fact, within their LCAPs, districts reported numerous individual expenditures. Although the LCAP template asks districts to explain "material differences" between the individual expenditure amounts they budgeted and the estimated actual amounts they spent, the template does not include a place for districts to report the overall total differences between their budgeted and estimated actual expenditures of supplemental and concentration funds.

State Law Deferred Full Implementation of Supplemental and Concentration Funds, Resulting in Significantly Lower Amounts Than the Funding Formulas Would Have Provided

Given the lack of clear information in the accounting systems and LCAPs of the three districts we reviewed, we used the numerous expenditures they reported in the LCAPs to manually sum the amounts of supplemental and concentration funds they had budgeted and spent. We had two key observations from our calculations of these expenditures. First, we found that although the formulas in state law for calculating supplemental and concentration funds are based on a district's proportions of intended student groups relative to its total enrollment, the regulations that the State Board adopted for local educational agencies to follow during the phase-in period do not consider these proportions. As we explain in the Introduction, before the State fully funded LCFF in fiscal year 2018–19, the State adopted regulations that required districts to annually estimate how much base, supplemental, and concentration funds they expected to receive. Districts then used these estimates to describe in their LCAPs the services they planned to provide to intended student groups. Under these regulations, districts were to base their estimates on prior-year spending. Specifically, they were to base their estimates for fiscal year 2014–15 on the amounts they spent in fiscal year 2013–14 on

Budget and expenditure information for supplemental and concentration funds that districts include in their LCAPs is not always transparent.

Since the State implemented LCFF in fiscal year 2013–14, the regulations have led the three districts to identify approximately \$320.6 million of LCFF funding as base rather than supplemental and concentration funds.

services for intended student groups, which must be greater than or equal to the amount of Economic Impact Aid they spent in fiscal year 2012–13.³ In subsequent years, the estimate was based on the prior-year spending.

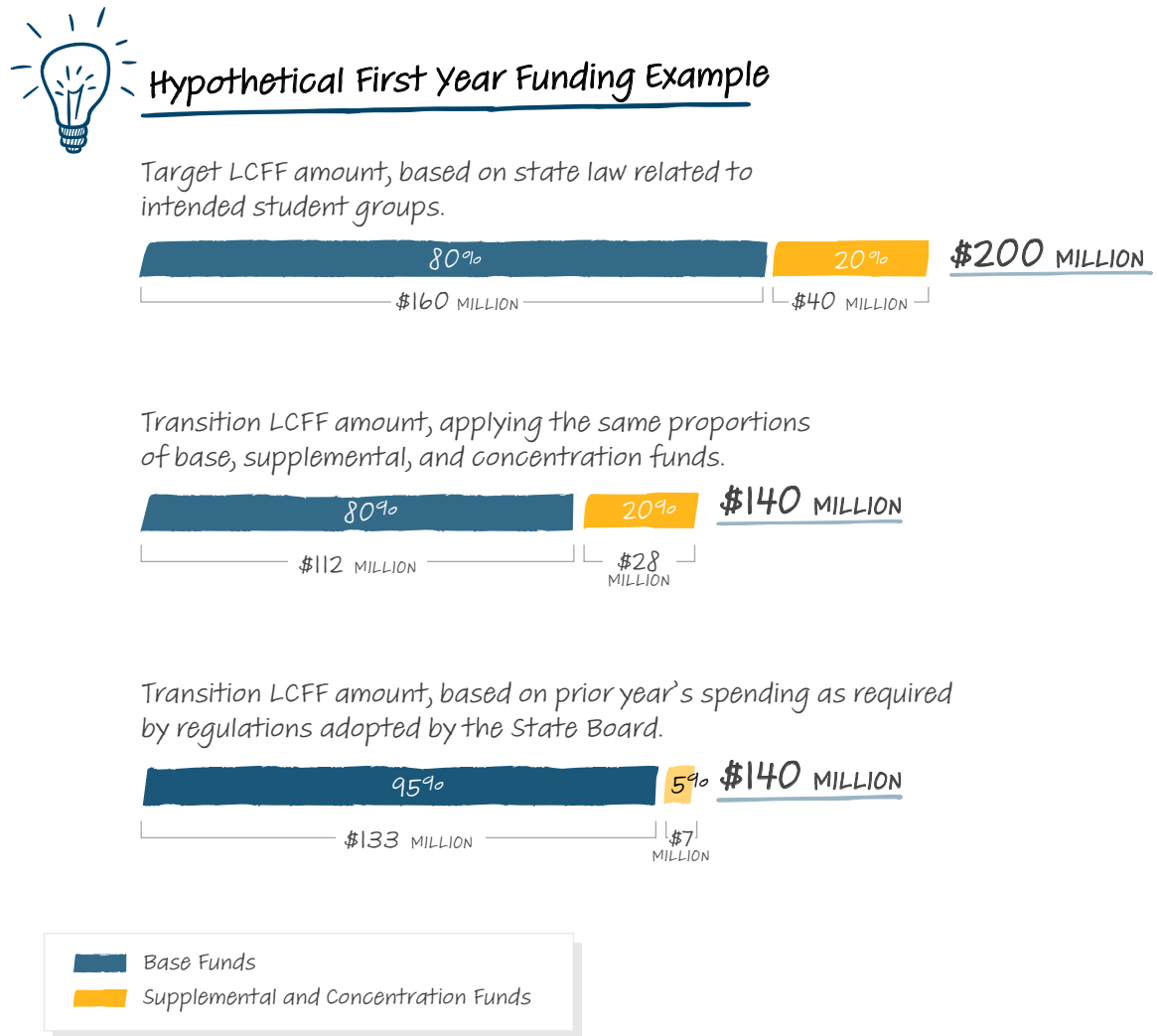
Because the regulations did not base the estimated amounts on districts' populations of intended student groups, the resulting amounts of funding districts identified as supplemental and concentration were significantly less than the amounts we calculated using the proportions of intended student groups. Figure 6 presents a hypothetical example to illustrate the different approaches for determining how much of the LCFF funding is supplemental and concentration funds. When we applied the same proportions of base, supplemental, and concentration funds that exist in state law to the total LCFF funds the three districts received, we identified significant amounts of supplemental and concentration funds that districts otherwise would have included in their LCAPs, as Figure 7 demonstrates. In fact, since the State implemented LCFF in fiscal year 2013–14, the regulations have led the three districts to identify approximately \$320.6 million of LCFF funding as base rather than supplemental and concentration funds. If all districts statewide estimated supplemental and concentration funds at rates similar to those of the three districts we reviewed, the difference between using the approach required by regulations and basing their estimates on the proportions of intended student groups would have amounted to billions of dollars since LCFF's implementation. According to State Board documents, because districts had been using various funding sources to provide services to intended student groups before the adoption of LCFF, the use of prior-year spending allows a local educational agency to estimate the actual services provided. In other words, by directing districts to base their estimates on prior-year spending, districts identified amounts of supplemental and concentration funds to increase or improve services for intended student groups that were similar to amounts they had already been providing before LCFF. Therefore, by deferring LCFF's full implementation, the State likely also deferred improvements in performance outcomes for intended student groups.

Furthermore, the State has not established adequate accountability controls over these funds. To ensure that districts estimated accurately all the supplemental and concentration funds they would receive, we expected that the State would have established a process to validate the amounts districts identified when following

³ The Economic Impact Aid program was a state categorical program for kindergarten through grade 12 that provided additional English language acquisition programs, support and services for students with limited English proficiency, and State Compensatory Education services for educationally disadvantaged youth.

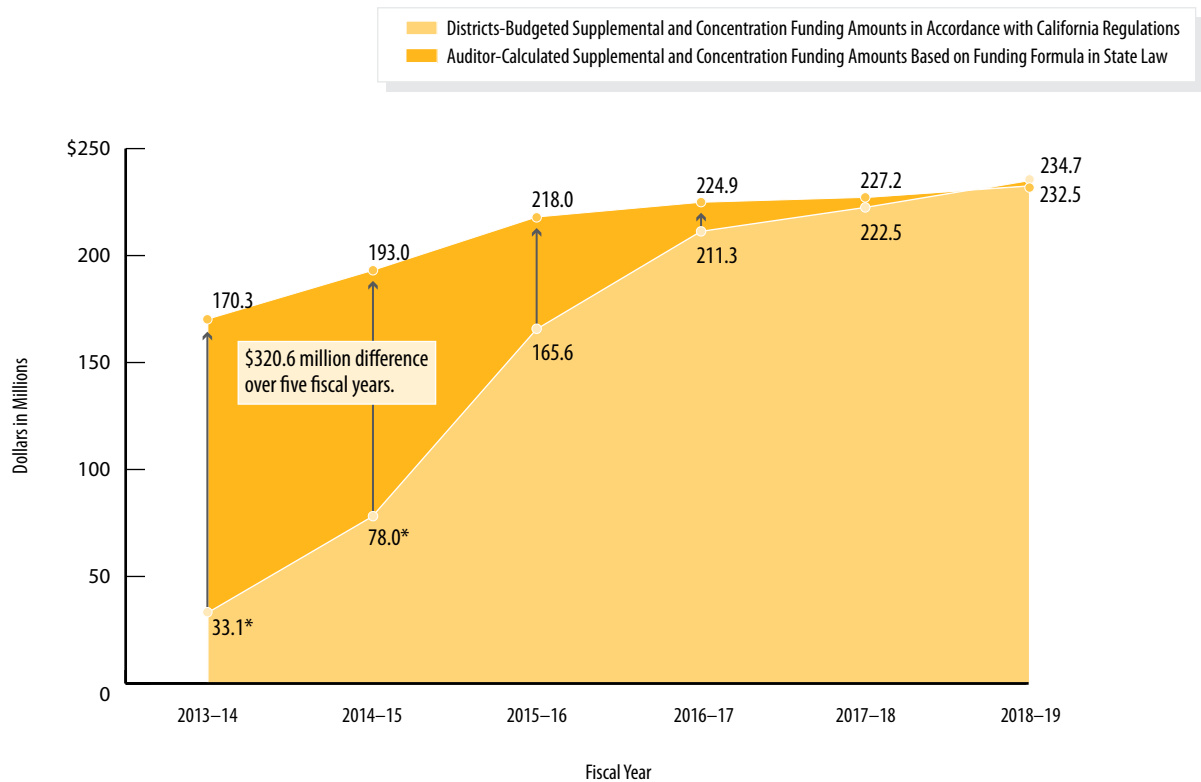
the regulations. However, the State has not established such a validation process. As a result, the districts' estimations are the only method for identifying the amount of supplemental and concentration funds, and the amounts they included in their LCAPs are the only source of information about how much of the LCFF funding the State provided was treated as supplemental and concentration. In Appendix B, we provide information about each of the three districts' LCFF funding for fiscal years 2013–14 through 2018–19.

Figure 6
Regulations Led to Different Proportions of Base, Supplemental, and Concentration Funds Than Full Implementation of State Law Would Have Provided



Source: Analysis of state law, CDE documents, and district documents.

Figure 7
State Regulations Resulted in Less Supplemental and Concentration Funds for the Three Selected Districts



Source: Analysis of state law, CDE's principal apportionment data, and district LCAPs.

* When a district did not report the amount of supplemental and concentration funds it budgeted in its LCAP, we used the amount of expenditures it reported, as we show in Appendix B.

The second key observation we identified in our analyses of the LCAPs of the three districts we reviewed is that even when two of these districts included supplemental and concentration funds in their LCAP budgets, they often did not fully spend those funds during the year in question. For example, in fiscal year 2017-18, San Diego Unified underspent by 3 percent, or \$3.5 million, and Oakland Unified underspent by 6 percent, or \$4 million. This is problematic because we could find no requirement under current law for districts to continue using unspent supplemental and concentration funds in the following year to increase or improve services for intended student groups—the unspent funds essentially can be used for any purpose in subsequent years. Although the amounts in question represent a small percentage of the two districts' total LCFF funding, they could have used the funding to provide additional resources for intended student groups, such as English language support staff or college counselors. Without direction from the State to do so, San Diego identified unspent supplemental and concentration funds from fiscal year 2017-18 and included that amount with the funding identified in its 2018-19 LCAP to provide services for intended student groups.

However, if districts statewide underspend their fiscal year 2018–19 supplemental and concentration funds by just 1 percent each year, they will not provide about \$87 million in services for the intended student groups.

Determining whether or how districts used their unspent supplemental and concentrations funds in the following year is difficult because of their inconsistent tracking; however, in the absence of a requirement to carry over unspent supplemental and concentration funds for the same purposes, districts can spend them for general purposes, not specifically for the direct support of intended student groups. Two of the three county offices we visited acknowledged that current law allows districts to potentially use unspent supplemental and concentration funds for more general purposes.

Although state law requires county offices to review whether districts’ budget expenditures are sufficient to implement their planned LCAP services, it does not require the county offices to examine whether districts budget and spend all of their supplemental and concentration funds and provides little guidance for their review. To approve the financial portions of districts’ LCAPs, the three county offices we reviewed use the CCSESA LCAP approval manual as a guide. The fiscal year 2018–19 manual includes guidelines for a compliance-based review of expenditures that would confirm, for example, that a district identified expenditure amounts, sources, and budget references for each service. The manual does not include steps that county offices should take to ensure that districts budget and spend all of their supplemental and concentration funds. Consequently, the Fresno and San Diego county offices did not compare districts’ budgeted expenditures with their estimated actual expenditures to identify potential underspending. Ultimately, the financial reviews county offices are required to perform appear to be a compliance exercise rather than a critical analysis of the expenditures.

Districts Do Not Always Clearly Describe in Their LCAPs How the Supplemental and Concentration Funds They Spend Districtwide Principally Benefit Intended Students

Districts may spend supplemental and concentration funds for districtwide purposes by upgrading the entire educational program, thereby benefiting more than just intended student groups. However, districts can spend districtwide only if they follow the requirements we list in the text box. Given these requirements, we would expect districts to sufficiently describe in their LCAPs

Requirements for Spending Supplemental and Concentration Funds Districtwide

Enrollment of intended student groups that is 55 percent or more of total enrollment

A district may spend supplemental and concentration funds districtwide if the following are true:

- It identifies in its LCAP those services that are funded and provided on a districtwide basis.
- It describes in its LCAP how such services are principally directed toward and are effective in meeting its goals for its intended student groups in state and local priority areas.

Enrollment of intended student groups that is less than 55 percent of its total enrollment

A district may spend supplemental and concentration funds districtwide if:

- It follows the two bulleted items above.
- It describes how those services are the most effective use of the funds to meet its goals for its intended student groups in state and local priority areas. The description must provide the basis for this determination including but not limited to, any alternatives the district considered and any supporting research, experience, or educational theory.

Source: State regulations.

how they had principally directed their districtwide spending of supplemental and concentration funds toward intended student groups. The LCAPs for the three districts we visited indicate that the districts intended to spend supplemental and concentration funds to pay for varying proportions of districtwide services, such as reducing class sizes and providing parent and community resource centers. The proportions of the districts' services that were districtwide ranged from 39 to 88 percent. However, the districts did not always clearly describe in their LCAPs how they principally directed those funds toward intended student groups. Specifically, for 37 of the 53 expenditures we reviewed from fiscal years 2017–18 and 2018–19, the information that the three districts provided in their LCAPs was not sufficient for us to determine whether the districtwide services on which they planned to spend supplemental and concentration funds would principally benefit intended students.

For example, for six of the 11 services we tested from its 2018–19 LCAP, Clovis Unified stated that services *will* be principally directed without explaining *how* the district will principally direct them. In one instance, Clovis Unified wrote in its LCAP that it would “provide professional development..., train highly qualified teachers, and develop new curriculum units and assessments... to ensure all students, principally directed toward [the intended student groups], achieve at a high level.” When we asked Clovis Unified for clarification, an assistant superintendent stated that the district focused these services—including professional development for teachers—on helping intended student groups. It attributed the lack of clarity in its LCAP to the vagueness in regulations about how districts can principally direct services toward intended student groups. However, when districts fail to clearly explain in their LCAPs how they plan to use supplemental and concentration funds on districtwide services to benefit intended student groups, they reduce transparency and accountability.

When districts fail to clearly explain in their LCAPs how they plan to use supplemental and concentration funds to benefit intended student groups, they reduce transparency and accountability.

In addition, a lack of clarity puts the districts at risk of stakeholders' submitting complaints or filing lawsuits alleging that they have inappropriately spent the funds. In fact, CDE's records indicate that since August 2016, it has issued reports for 10 complaints against districts—five from January through April 2019 alone—in which stakeholders raised concerns about districts' intended use of supplemental and concentration funds. One of those complaints resulted in a lawsuit, which the parties involved ultimately settled with the district agreeing to change how it uses supplemental and concentration funds in the future.

Districts have not always clearly demonstrated how they planned to spend supplemental and concentration funds districtwide, likely in part because the requirements for doing so are vague. The LCFF regulations, the CCSESA LCAP approval manual, and the LCAP

template all fail to explain or provide examples of ways a district can successfully demonstrate how its districtwide spending is “principally directed” toward intended student groups. Although the LCFF regulations regarding districtwide spending of supplemental and concentration funds have been in place since 2014, stakeholder complaints demonstrate that some districts struggle to successfully describe how they principally direct those funds toward intended student groups.

Despite the difficulties that some districts have faced in implementing the spending requirements, CDE has not fully incorporated into its key guidance documents the position that it has taken in its complaint reports regarding satisfying the spending regulations. On at least eight occasions since May 2017, CDE has presented a consistent position in its reports about how districts can comply with the regulations for districtwide spending. We summarize CDE’s position in the text box. Because CDE’s comments in its complaint reports provide more specific advice to the districts named in the reports regarding how they can demonstrate in their LCAPs their compliance with the spending regulations, we would have expected it to include this information in the LCAP template instructions to ensure consistent understanding among all districts.

Furthermore, based on the complaints and appeals it receives, CDE could identify common pitfalls for districts to avoid and best practices for them to follow and could include this information in key guidance documents, such as the LCAP template and its instructions. According to the administrator of CDE’s Local Agency Systems Support Office, CDE has provided information regarding principally directed from relevant complaints in recent presentations. Nevertheless, 21 of the 28 descriptions of the districtwide services we reviewed from our selected districts’ fiscal year 2018–19 LCAPs were not in accordance with the guidance in CDE’s complaint reports.

In addition, districts sometimes did not clearly demonstrate how districtwide expenditures of supplemental and concentration funds principally benefited intended student groups because they used these funds for base services that they provide to all students. Specifically, all three districts and all three county offices we reviewed indicated that LCFF base funding amounts do not cover all necessary base costs, which can

Key Information Regarding Complaints About Districtwide Spending That the LCAP Template Instructions Do Not Include

- “To provide the required justification for services provided on a ‘wide’ basis, a district must distinguish between services directed toward [intended student groups] based on that status, and services available to all students without regard to their status [in an intended student group].”
- “A district should explain in its LCAP how it considered factors such as the needs, conditions, or circumstances of its [intended student groups], and how the service takes these factors into consideration (such as, by the service’s design, content, methods, or location).”
- “A district must explain how the service will be effective in meeting the LCAP goals for its [intended student groups] by explaining how it believes the service will help achieve one or more of the expected outcomes for the goal.”
- “Conclusory statements that a service will help achieve an expected outcome for the goal, without an explicit connection or further explanation as to how, are not sufficient.”
- “Simply stating that a district has a high enrollment percentage of [intended student groups] does not meet this standard [increase or improve services] because serving students is not the same as enrolling students.”

Source: Analysis of a selection of CDE’s reports under its complaint process, including appeals, and the LCAP template instructions.

put pressure on districts to use supplemental and concentration funds to provide such services. Consequently, we observed that districts used supplemental and concentration funds to pay for what appear to be base services. For instance, San Diego Unified budgeted \$5.2 million in supplemental and concentration funds for library services at all schools within the district. It justified the expenditure by mentioning that such services create equitable access to learning tools, resources, materials, and technology. According to the district's LCAP, providing library services on campus allows intended student groups an equitable opportunity to succeed educationally through access to computers, laptops, books, reference materials, and educational software. Although we recognize the benefits of base services and the dilemma districts face when they lack the funding necessary to pay for them, this description fails to sufficiently explain how San Diego Unified principally directed these services toward intended student groups.

LCAPs Have Not Consistently Provided Transparency or Facilitated Accountability

The information districts include in their LCAPs is often overly complex and unclear, resulting in LCAPs that are not consistently transparent and that do not facilitate accountability. For example, the LCAP template and instructions prompt districts to connect their identified needs with goals based on those needs and then to identify services to meet those goals. However, we rarely found this logical connection in the LCAPs we reviewed. Likewise, districts often did not effectively analyze in their LCAPs whether services that they had already implemented had been successful. The lack of clear information within the LCAPs raises concerns about the ability of stakeholders to hold the districts accountable for the services they provide, even though enabling such accountability is one of the fundamental purposes that the LCAPs should serve. Weaknesses in the template and limited reviews required of the county offices have also contributed to the LCAPs' lack of transparency.

The LCAPs We Reviewed Did Not Clearly Communicate Whether the Districts Had Effectively Met Students' Needs

Guidance for developing quality LCAPs states that an LCAP should establish a clear understanding of the services that each district will provide to its students and should offer a simple and complete story of that district's needs, goals, services, and investments in positive outcomes for its students. We believe that to be clear and effective, an LCAP should logically connect a district's needs and goals, include sufficiently detailed descriptions of the related services, and present understandable content. However, the LCAPs we reviewed were unclear in a number of ways.

To be clear and effective, an LCAP should logically connect a district's needs and goals, include sufficiently detailed descriptions of the related services, and present understandable content.

First, the three districts did not always base the goals and services in their LCAPs on clearly articulated needs. This approach limits transparency because stakeholders cannot decipher which problems the districts intend the goals to address or how planned services will help the districts achieve those goals. The primary causes of this misalignment are broad goals and a lack of articulation about how certain services connect to the overarching need and goal. In particular, each of the 15 goals we reviewed from the three districts' 2018–19 LCAPs was broad. For example, Clovis Unified's first goal is "Maximize achievement for ALL students," which does not convey any information about which types of services would lead to achieving that goal. Clovis Unified based this goal on a specific need—its students do not currently all perform at or above grade level in mathematics and English language arts, and achievement gaps exist for intended student groups. However, it is not clear how certain services Clovis Unified includes under this need, such as reducing the charges for students to attend performing arts and athletic events, would directly contribute to achievement in mathematics and English language arts. Although Clovis Unified writes in its LCAP that reducing these attendance charges will encourage greater student participation, we believe a more specific need and goal would better align with services like this—for instance, a need to improve students' participation and a goal to achieve a certain increase in participation.

The two other districts we reviewed also included generally broad goals, although Oakland Unified created more specific "subgoals" underlying its main goals. Additionally, only Oakland Unified had a goal that was specific to an intended student group: English learners. We believe that districts should articulate a clear connection between needs, goals, and underlying services, and that county offices' reviews should ensure that such connections are in place.

Furthermore, the districts often did not effectively analyze in their LCAPs whether the services they provided had been successful, which makes it difficult for stakeholders to hold them accountable for continuing to fund effective services and eliminating ineffective services. State law requires the LCAP template to include an assessment of the effectiveness of the specific services described in the LCAP toward achieving the goals. Although the Analysis subsection of the LCAP template requires districts to explain the overall effectiveness of the services in achieving the related goal, the template does not require districts to provide analysis specific to each service but rather to each goal. Because a single goal can include more than 30 services, determining which particular services were effective in improving overall outcomes can be difficult.

The districts often did not effectively analyze in their LCAPs whether the services they provided had been successful.

The reviews that county offices are required to perform of the LCAPs are insufficient to ensure that districts include the information necessary to ensure their accountability to stakeholders.

In fact, the amount of detail in the Analysis subsections we reviewed varied widely and did not always provide information about any specific services, further limiting the usefulness of the information that stakeholders can obtain from the LCAP. In some instances, the districts addressed specific services. For example, in the Analysis subsection for one of its goals, Oakland Unified explained that students who participated in its Pathways Program, which included opportunities such as a skilled trades service, had graduation rates more than 25 percentage points higher than those who did not participate. In contrast, Clovis Unified's Analysis subsection for its first goal lacks specific details about the results of its services; it includes only a brief summary statement regarding the overall results of the implementation of all its services. Similarly, Clovis Unified described the overall effectiveness of its first goal's 38 services by reporting four metrics from the dashboard and simply stating that those results are "due to the effective implementation of Goal 1 actions and services." Perhaps of even greater concern, 60 percent of the goal-level outcomes we reviewed in districts' LCAPs either were pending or presented outdated data; two of the districts stated that this is because they must formulate their LCAPs in the spring, before end-of-year and statewide data are available.

In addition, the reviews that county offices are required to perform of the LCAPs are insufficient to ensure that districts include the information necessary to ensure their accountability to stakeholders. State law requires that county offices consider only three criteria when approving LCAPs: whether a district's LCAP adheres to the LCAP template and its instructions, whether that district's budgeted expenditures in its LCAP are feasible given the funds available in its budget, and whether the LCAP adheres to expenditure regulations related to supplemental and concentration funds. Each of the county offices we visited met the legal requirements for approving LCAPs. However, state law does not require county offices to ensure that districts write LCAPs that articulate a logical connection between the districts' needs and goals, provide sufficiently detailed descriptions of services within the LCAP's Analysis subsection, and are easily understandable.

The Alameda County Office of Education took steps beyond those required by state law. According to an executive director at the Alameda county office, it includes an exemplary category in its review to encourage its districts to prepare higher-quality LCAPs. This exemplary category includes checks for readability and understandability; a review of whether a district has thoughtfully described how its services address the needs of its students, student subgroups, and specific school sites; and an expectation that the district will provide insightful and easily understood descriptions of how its services address the needs of its intended student groups. We consider a county office's including such steps in its review of an LCAP to be a best practice.

The Lengthy and Complex LCAPs We Reviewed Reduced Transparency

We believe that, to be effective at providing transparency, an LCAP needs to—among other things—provide a simple, brief, and coherent story of the district’s goals and be understandable to an audience of parents and community members. However, all three districts we reviewed produced 2018–19 LCAPs that are hundreds of pages long: Clovis Unified’s LCAP is nearly 260 pages, San Diego Unified’s is 320 pages, and Oakland Unified’s is nearly 600 pages. LCAPs of these lengths cannot tell a simple, brief, and coherent story of each district’s goals; rather, their length and complexity reduces readability and transparency. In fact, without any requirement to do so, Clovis Unified and San Diego Unified have both created shortened versions of their LCAPs—such as infographics—that should be easier for their stakeholders to understand.

Because the LCAP template requires districts to present similar information in multiple places, it contributes to LCAPs’ excessive lengths. As Figure 8 illustrates, several subsections within the LCAP template appear multiple times. We determined that the LCAPs we reviewed could have been as much as 40 percent shorter had they not contained duplicative information. For example, the Annual Update section and the Goals, Actions, and Services section contain similar information and together accounted for 466 of the 592 pages in Oakland Unified’s LCAP. Combining those sections in the LCAP template could have reduced Oakland Unified’s total page count by around 40 percent. We believe that a revision to the LCAP template that the State Board and CDE are considering to merge the Annual Update section with the Goals, Actions, and Services section could resolve some of the duplication we noted, if the State Board adopts it.

As we previously discuss, districts have also added complexity to their LCAPs by including numerous services for each of their identified goals. Having numerous services related to a single goal obscures whether any particular service was effective in helping the district meet that goal. Each of the three districts we reviewed had at least one goal for which it identified 11 or more services. For example, in its fiscal year 2018–19 LCAP, Clovis Unified included 38 specific services for its goal of maximizing achievement for all students. These services include providing intervention summer school and reducing the charges for students to attend some performing arts and athletic events. Its description of these 38 services is 76 pages long, or about 30 percent of the length of its entire LCAP. With so many services for just one broad goal, determining which ones are the most critical to achieving the goal or even how some relate to the goal is difficult.

The LCAPs we reviewed could have been as much as 40 percent shorter had they not contained duplicative information.

Figure 8
LCAPs Consist of Five Main Sections, Two of Which Contain Duplicative Information

SECTIONS	SUBSECTIONS
Summary	The Story
	Highlights
	Review of Performance Greatest Progress Greatest Needs Performance Gaps
	Budget Summary*
Annual Update	Goals State and/or Local Priorities Expected Annual Measurable Outcomes Actual Annual Measurable Outcomes
	Planned Actions/Services Actual Actions/Services Budgeted Expenditures Estimated Actual Expenditures
	Analysis: overall implementation, overall effectiveness, material differences, changes made to the LCAP as a result of this analysis
Stakeholder Engagement	Involvement Process (How, when, and with whom did the district consult as a part of the planning process for this LCAP?)
	Affect on LCAP (How did these consultations affect the LCAP for the upcoming year?)
Goals, Actions, and Services	Goals State and/or Local Priorities Expected Annual Measurable Outcomes
	Identified Needs
	Planned Actions/Services Budgeted Expenditures
Demonstration of Improved or Increased Services for Intended Student Groups	Estimated Supplemental and Concentration Grant Funds Percentage by Which to Improve or Increase Services
	Describe how services provided for intended student groups are increased or improved by at least the percentage identified above, either quantitatively or qualitatively, as compared to services provided for all students in the LCAP year, and identify each service being funded and provided on a schoolwide or districtwide basis

GRAY
Subsections that appear once

COLORS
Identify LCAP components that are duplicated in another section

Source: Analysis of the LCAP template that CDE prepared in October 2016.

* The budget summary no longer exists in the version of the LCAP template that CDE prepared in January 2019.

We also found that the three districts sometimes included mistakes and discrepancies in their LCAPs that made the documents less transparent and useful. For instance, Oakland Unified indicated in its fiscal year 2017–18 LCAP that it would implement some services districtwide but at the same time stated it would provide those services at only certain school sites, making it unclear which was correct. Similarly, for certain expenditures in its fiscal year 2018–19 LCAP, Clovis Unified included line items for services that, when totaled, did not match the sum it reported; thus, we were unclear about which amounts were correct. According to an assistant superintendent at Clovis Unified, these discrepancies occurred because the electronic tool the State provided to assist districts in filling out the LCAP did not automatically sum the expenditures that Clovis Unified entered. She stated that often data previously saved in the e-template would disappear upon reopening the file and that inefficiencies of the e-template made it difficult to validate the data.

The three districts sometimes included mistakes, discrepancies, or jargon in their LCAPs that made the documents less transparent and useful.

Additionally, the districts sometimes used jargon that made it difficult to understand how they planned to spend their supplemental and concentration funds. San Diego Unified provided one particularly difficult description: “Integrated Multi-Tiered Systems of Support (I-MTSS) will be implemented in Grades TK–12 through the Academics and Agency (A²) model by ensuring the essential elements and solution seeking processes are in place at all schools.” We could not determine from that description whether and to what extent San Diego’s expenditure of supplemental and concentration funds would affect the intended student groups.

The State Currently Lacks Information That Would Better Enable It to Measure the Effectiveness of LCFF

The State has recently made a number of significant changes to its statewide assessment system and accountability system, including the implementation of the dashboard and new academic assessments. As a result of these changes, identifying clear trends in achievement gaps statewide will require additional time and data. Further, policymakers and other stakeholders still lack adequate information to assess the impact of supplemental and concentration funds on the educational outcomes of the intended student groups. However, by collecting and reporting additional information about districts’ uses of supplemental and concentration funds, the State could begin to determine how districts’ spending of those funds affects students and whether it should take further action to close persistent achievement gaps.

Because the Dashboard Data Are New and Not Tied to Local Spending, the State Has Limited Ability to Measure LCFF's Effectiveness in Closing Achievement Gaps

The State's current accountability system does not yet allow stakeholders to adequately assess LCFF's effectiveness in improving student educational outcomes and closing achievement gaps for intended student groups. The State implemented LCFF in part to improve the outcomes of the intended student groups and to close the achievement gaps that exist between certain student groups and students overall. As we discuss in the Introduction, the State measures student outcomes—including those of intended student groups—through the dashboard, which is a key accountability tool for LCFF. However, the State did not release the dashboard until 2017, four years after it implemented LCFF. The State also transitioned to new academic assessments, reported new dashboard indicators, and changed methodologies for calculating certain existing indicators, making identifying and assessing trends related to student outcomes even more difficult. In addition, CDE does not incorporate year-to-year growth for individual students into its calculations for certain dashboard indicators, and therefore may obscure LCFF's impact on students over time. However, CDE has been exploring a student growth model for the dashboard. Given these developments, we believe additional time and more dashboard data are necessary to identify clear trends in closing achievement gaps statewide.

The State is in the early stages of planning and developing a data system that could provide additional information regarding LCFF's effectiveness.

Further, the State is in the early stages of planning and developing a data system that could provide additional information regarding LCFF's effectiveness. Unlike some other states, California does not yet have a statewide system that connects K–12 data—such as the data that contribute to the dashboard—to postsecondary and workforce data. However, in 2019 the State authorized funding to plan for such a statewide data system, which could allow it to report additional outcomes related to students' participation in college and the workforce after leaving the K–12 system. For instance, such data could build upon the dashboard indicator for college/career preparedness, which reports the percentage of students who are prepared for college or the workforce but does not report whether students have actually participated or succeeded in those domains.

The State's current data make clear, however, that achievement gaps still persist under LCFF. The available data show improvements in some student outcome measures since the State implemented LCFF, including modest reductions in certain statewide achievement gaps. Additionally, two recent case studies report that San Diego Unified has improved its outcomes; one report cited increases in graduation rates between 2014 and 2016 while the other cited greater rates of college and career readiness over the last six years. However, the

dashboard indicates that significant achievement gaps still exist statewide for the intended student groups. For example, the 2018 dashboard shows that the statewide graduation rate for all students was nearly 84 percent but that the statewide graduation rate for youth in foster care was only 59 percent. Similarly, according to the dashboard's college/career indicator, less than 15 percent of English learners in the graduating class of 2018 were prepared for college or the workforce, versus about 42 percent of all high school students in the class of 2018.

Given that the data show these persistent achievement gaps, we would expect the State to have a method to determine whether supplemental and concentration funds, and possibly other funding, is helping to improve the performance of the intended student groups. However, the State has not required districts to track and report their expenditures of supplemental and concentration funds in a way that aligns with dashboard indicators. It therefore lacks a means of determining directly whether or how well districts are spending those funds to reduce achievement gaps. For instance, the dashboard does not indicate whether the 7 percentage point increase from 2017 to 2018 in the graduation rate for students from households with low incomes at Oakland Unified was associated with any specific district effort, nor does it reveal whether declines in English and math assessment scores for English learners at Oakland Unified were the result of the amounts of supplemental and concentration funds the district directed toward those students. When we asked CDE for its perspective, the director of its Analysis, Measurement, and Accountability Reporting Division indicated that state law provided for the establishment of the dashboard to allow county offices and districts to evaluate strengths and weaknesses and identify areas that require improvement; it does not require CDE to determine whether LCFF is working. Nonetheless, we believe that as part of its responsibility to improve public education programs, it would be reasonable for CDE to have a method for doing so.

For each goal in their LCAPs, districts are to report both estimated actual expenditures and actual outcomes. However, districts often do not effectively analyze in their LCAPs whether specific services have been successful—as we previously discussed. At times, districts articulated in their LCAPs how their expenditures of supplemental and concentration funds affected student outcomes. For example, according to its 2018–19 LCAP, Oakland Unified reported that it spent an estimated \$250,000 in supplemental and concentration funds to provide a five-week summer literacy program and that participating students averaged three months of reading growth. However, districts do not consistently provide this type of information. Moreover, even if they and other local educational agencies consistently measured the effectiveness

The State lacks a means of determining directly whether or how well districts are spending supplemental and concentration funds to reduce achievement gaps.

of their spending of supplemental and concentration funds and reported those results in their LCAPs, it would be onerous for CDE to aggregate, summarize, and report that information on a statewide basis; the source information would exist in the more than two thousand LCAPs local educational agencies prepare each year, each of which could contain dozens of individual expenditures. As we describe in the next section, collecting and aggregating these data is critical for understanding how funding affects students and for determining whether the State should take additional actions to close achievement gaps

By Implementing Certain Tracking Mechanisms, the State Could Better Understand How LCFF Funding Affect Student Outcomes

Since implementing LCFF in fiscal year 2013–14, the State has allocated billions of dollars in supplemental and concentration funds each year, yet policymakers still lack adequate information to assess the impact of those funds on the educational outcomes of the intended student groups. We acknowledge that a key principle of LCFF is local control, and we do not advocate undermining that principle. However, because districts do not always clearly describe how the supplemental and concentration funds they spend principally benefit intended student groups and because achievement gaps still exist for those student groups, we believe the State should do more to obtain data that would help policymakers and other stakeholders better assess the impact of the funds the State distributes. By collecting and reporting additional information about districts' uses of supplemental and concentration funds, the State could ensure that it and other stakeholders better understand how the districts' spending of these funds affects intended student groups and whether further action is necessary to close persistent achievement gaps.

The State could collect and report data on the total amount of supplemental and concentration funds each district spends to assess whether they spend all of it.

As an initial step, the State could collect and report data on the total amount of supplemental and concentration funds each district spends to assess whether they spend all of it. As we discuss in the first section of this report, because regulations directed them to use prior-year spending amounts, the districts we visited did not include in their LCAPs all of the supplemental and concentration funds that they would have if they had based their estimations on the percentages in state law, nor did they spend all of the supplemental and concentration funds they did include in their LCAPs. As a result, it is unclear the extent to which hundreds of millions of dollars benefited those student groups. To provide assurance that districts spend all of their supplemental and concentration funds, the Legislature could require CDE to identify a common methodology—for instance, using resource codes in

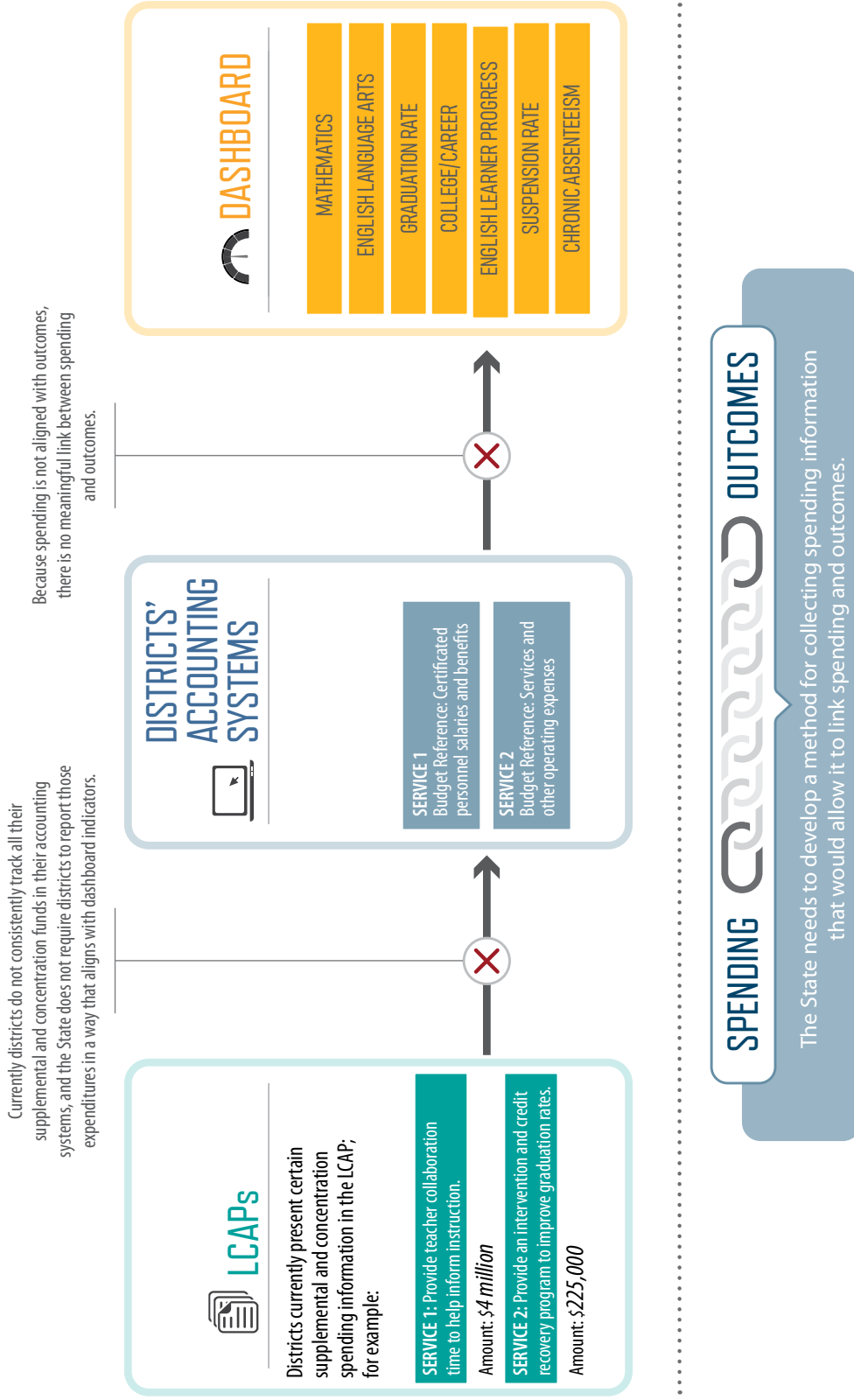
CDE's already existing account code structure—for districts to track and report the total amount of supplemental and concentration funds that they receive and spend each year.

A standardized methodology for tracking supplemental and concentration funds could also help districts more easily compile the information that they report in their LCAPs. Because the districts we reviewed did not consistently track all of their supplemental and concentration funds in their accounting systems, they sometimes had to use time-consuming processes to calculate the amounts of these funds they reported in their LCAPs. For example, Oakland Unified's former LCAP coordinator stated that she developed a process—which she said took about three months to complete—that involved using a spreadsheet to manually compile LCAP expenditure information. She said that when the State first transitioned to LCFF, it provided limited information about how districts should generate expenditure information for their LCAPs and that such guidance would have been helpful. According to Oakland Unified's chief academic officer, the district has a new accounting system that now tracks supplemental and concentration funds more accurately and can provide useful information for the district.

Beyond simply accounting for the total amount of districts' budgeted and spent supplemental and concentration funds, the State could begin to determine the impact of those funds by gathering information about the types of services the districts provided with the funds and then comparing that information to student outcomes. To know where to expect supplemental and concentration funds to contribute to improvements in the dashboard's indicators, the State and other stakeholders need to know the types of services districts have provided—such as math support or English learner tutors—using those funds. However, as we note previously, the State has not required districts to track and report their expenditures of supplemental and concentration funds in ways that correspond with dashboard indicators. To address this gap between funding and outcomes, the State needs to collect additional spending information from districts, as Figure 9 indicates. For example, if a district provided English learner tutors for its intended student groups, it could report expenditures for these tutors as supplemental and concentration funds and as targeted toward English learners. The State and other stakeholders could then compare this spending information with the appropriate dashboard indicators—in this case, the English Learner Progress indicator.

A standardized methodology for tracking supplemental and concentration funds could help districts more easily compile the information that they report in their LCAPs.

Figure 9
By Collecting and Reporting Districts' Spending Information, the State Could Strengthen the Links Between Spending and Outcomes



Source: Analysis of the 2018 California School Dashboard Technical Guide, the 2019 California School Accounting Manual, and LCAPs and financial information from the selected districts.

To standardize these tracking procedures, the Legislature could require CDE to identify categories for the types of services that districts provide with their supplemental and concentration funds. CDE could align certain categories with dashboard indicators and provide guidance to districts to ensure that they categorize expenditures consistently. When we asked about the best way to collect this spending information, the State Board's deputy policy director and assistant counsel and the administrator of CDE's Financial Accountability and Information Services Office stated that it may be more feasible to create a new computer-based reporting tool through which districts and other local educational agencies could enter information about expenditures that they may already report on paper in their LCAPs.

County offices and districts could also use the categorized spending information when they participate in the differentiated assistance process. As we indicate in the Introduction, a district is eligible for differentiated assistance—the State's primary process for ensuring that districts receive individualized support—if the dashboard shows that the district has any student groups that do not meet performance standards for two or more dashboard performance indicators. During the differentiated assistance process, the county office works with the district to identify possible causes of these achievement gaps. If a district tracked and reported its expenditures of supplemental and concentration funds as we have proposed, the district and county office could use those data to inform their analyses of achievement gaps. For instance, the data might suggest that a district's lack of spending for services to meet certain goals has contributed to poor outcomes or that the services on which the district has spent funds are ineffective.

Categorized spending data could also be useful for broader policy discussions about LCFF. In the course of our review, we observed that districts reported expenditures related to academic needs, as well as to other, more fundamental needs—such as physical safety and mental well-being. For example, according to their LCAPs, the three districts we visited used millions of dollars of supplemental and concentration funds to address students' basic needs such as food, health, and safety; the districts' LCAPs associated these funds with services such as a child nutrition program, nurses, mental health staff, and school security officers. The State could measure the amount of supplemental and concentration funds that districts direct toward these basic needs by including in its tracking mechanism appropriate categories that focus on issues like health and wellness. These data could be useful for policymakers if they wanted to consider increasing LCFF base funding or redirecting other funding sources to address these fundamental needs.

To standardize these tracking procedures, the Legislature could require CDE to identify categories for the types of services that districts provide with their supplemental and concentration funds.

The State and local entities would not sacrifice local control by collecting and reporting spending data related to districts' uses of supplemental and concentration funds. Districts would report spending information after they have decided how to spend their funds; because the tracking mechanism would be informational, not prescriptive, it would not represent a return to categorical funding. Moreover, a precedent exists for tracking funds that are generally free of state control: education funding provided under the California State Lottery Act of 1984 is not subject to state control, yet state law still requires each district to track the lottery funds it receives and spends. In fact, CDE has created a standardized accounting code for districts' unrestricted lottery funds. These requirements exist even though lottery funds are similar to supplemental and concentration funds in that both are unrestricted and have few spending requirements. Further, CDE's LCAP template already contains sections for districts to record the intended student groups and the state or local priorities that the districts intend to address through their expenditures of supplemental and concentration funds. A standardized tracking mechanism would merely be a way for the State to collect similar information electronically, thus allowing it to aggregate those data on a broader scale and then align them with dashboard outcomes at the school, district, and statewide level.

We recognize that drawing links between certain types of expenditures of supplemental and concentration funds and districts' dashboard outcomes may be challenging. For example, a single expenditure may support services related to social-emotional learning as well as to academic and career mentorship. Further, that same expenditure may affect more than one dashboard indicator. However, the complexities of education funding and of local control should not prevent the State from gathering, summarizing, and sharing information about how districts actually use supplemental and concentration funds meant to benefit intended student groups.

The State has an opportunity to take an important step toward learning more about the effectiveness of billions of dollars that it allocates for K-12 education.

The State has an opportunity to take an important step toward learning more about the effectiveness of billions of dollars that it allocates for K-12 education. Tracking and summarizing the districts' use of supplemental and concentration funds would provide useful data that would be a critical step toward establishing direct connections between the State's appropriations of these funds and LCFF's effectiveness in closing persistent achievement gaps related to the intended student groups. Without this information, we believe that the State will continue to struggle to determine whether it needs to do more to close those gaps. We provide several recommendations to help the State better ensure that intended student groups receive maximum benefit from the supplemental and concentration funds it allocates, which we summarize in Figure 10.

Figure 10
By Implementing Our Key Legislative Recommendations, the State Could Better Ensure That Supplemental and Concentration Funds Benefit Intended Student Groups



Recommendations

Legislature

To increase the transparency of LCAPs and ensure that stakeholders can provide an adequate level of oversight, the Legislature should amend state law to require districts and other local educational agencies to specify in their LCAPs the specific amounts of budgeted and estimated actual supplemental and concentration expenditures for each service that involves those funds.

To ensure that intended student groups receive the maximum benefit from supplemental and concentration funds, the Legislature should take the following actions:

- Amend state law to require districts and other local educational agencies 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 CDE reports having apportioned to them.
- 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 local educational agencies 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 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.

To provide additional data for the State and other stakeholders and to align spending information with the dashboard indicators or other student outcomes, the Legislature should take the following actions:

- Require CDE to update its accounting manual to direct districts and other local educational agencies to track and report to it the total amount of supplemental and concentration funds they receive and spend each year.
- Require CDE to develop and implement a tracking mechanism that districts and other local educational agencies must use to report to it the types of services on which they spend their supplemental and concentration funds.

State Board

To increase the transparency of LCAPs, by February 2020, the State Board should make the following changes to the LCAP template:

- Merge the Annual Update section with the Goals, Actions, and Services section.
- Require districts and other local educational agencies to include analyses of the effectiveness of individual services, in addition to analyses for overarching goals.

To ensure that districts and other local educational agencies produce clear and effective LCAPs and to reduce the likelihood of stakeholder complaints, by April 2020 the State Board should revise the instructions for the LCAP template as follows:

- Include, as best practices, key information from CDE's stakeholder complaint decisions about how districts and other local educational agencies can successfully demonstrate that they have principally directed districtwide spending for services toward intended student groups.
- Instruct districts to ensure that their LCAPs are sufficiently clear and effective, including but not necessarily limited to ensuring that they articulate a logical connection between their needs and goals, that districts provide sufficiently detailed descriptions of services within the LCAP's Analysis subsection, and that LCAPs are written in a manner that is easily understandable.

We conducted this audit under the authority vested in the California State Auditor by Government Code 8543 et seq. and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the Scope and Methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA
California State Auditor

November 5, 2019

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Appendix A

Scope and Methodology

The Joint Legislative Audit Committee (Audit Committee) directed the California State Auditor to select three large school districts and review information related to these districts’ LCFF funding, LCAPs, and measurement of educational success. Table A lists the objectives that the Audit Committee approved and the methods we used to address them.

Table A
Audit Objectives and the Methods Used to Address Them

AUDIT OBJECTIVE	METHOD
<p>1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.</p>	<p>Reviewed relevant laws, rules, and regulations.</p>
<p>2 Regarding LCFF, perform the following steps to the extent possible:</p> <ul style="list-style-type: none"> a. Identify and evaluate each school district’s methodology for distributing and spending LCFF funding on its students or at its schools. b. For at least three fiscal years, examine each district’s total LCFF funding and expenditures and assess how they have changed over time under LCFF. c. Determine for each school district and a selection of schools within each district the LCFF funding and expenditures by LCFF category and for English learners, youth in foster care, and those from households with low incomes, and determine whether the expenditures are appropriate. 	<ul style="list-style-type: none"> • Interviewed key staff and reviewed relevant documents—such as district budget handbooks and school board policies—to evaluate each of the three selected district’s (Clovis Unified, Oakland Unified, San Diego Unified) methodology for distributing and spending LCFF funding, including how it directs LCFF funding to specific school sites. • Obtained and analyzed the districts’ financial data from fiscal years 2015–16 through 2017–18 and other related documents to determine the extent to which each district tracked its supplemental and concentration funds. • Identified trends in each district’s total LCFF revenues since fiscal year 2013–14 using CDE’s funding data referred to as <i>Funding Snapshots</i>. • Analyzed expenditure information that the districts reported in their LCAPs from fiscal years 2014–15 through 2018–19—and compared that information to CDE’s Funding Snapshots—to determine whether districts included all of their supplemental and concentration funds in their LCAPs and whether they spent all of these funds they did include. • Selected and reviewed expenditures of supplemental and concentration funds that the districts reported in their LCAPs, including expenditures that applied to two specific school sites within each district, and assessed the reasonableness of the districts’ justifications for these expenditures.
<p>3 Regarding LCAPs, perform the following steps:</p> <ul style="list-style-type: none"> a. Identify and assess the goals within each district’s accountability plan or elsewhere that are aimed at raising student achievement, especially those goals intended to benefit English learners, youth in foster care, and those from households with low incomes. b. Review and assess whether each district’s most recent LCAP complies with applicable legal requirements, especially those requirements associated with measuring achievement and with helping students who are members of groups associated with chronically low academic achievement. c. Make any necessary recommendations for improving accountability plans and student achievement levels, including, if warranted, additional goals that would be helpful to ensure improved achievement levels of these student groups. 	<ul style="list-style-type: none"> • Interviewed key staff at each selected district, at each county office, and at CDE about the LCAP development process and about CDE’s LCAP template. • Identified the goals within each selected district’s fiscal year 2018–19 LCAP and analyzed their alignment with the districts’ identified needs, planned services, and expected outcomes. • Assessed each district’s fiscal year 2018–19 LCAP to determine whether it complied with applicable legal requirements, and obtained additional documents to verify that districts followed key LCAP process requirements, such as holding public hearings to solicit comments. • Reviewed CDE’s fiscal years 2018–19 and 2019–20 LCAP templates to ensure that they met substantive legal requirements. • Reviewed documentation related to LCAP-related complaints and settlement agreements to identify common concerns of stakeholders with LCAPs and to understand CDE’s position on these concerns.

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AUDIT OBJECTIVE	METHOD
<p>4 Regarding the measurement of educational success, perform the following steps:</p> <p>a. Identify and evaluate the measurements and measurement tools that each school district uses to assess success in educating its students, including English learners, youth in foster care, and those from households with low incomes.</p> <p>b. Determine whether additional measurements would help the districts better ensure student success.</p>	<ul style="list-style-type: none"> • Interviewed key staff at each district to identify the district’s tools and practices for using measurements such as student outcomes, including how they use the dashboard. • Reviewed documents such as data guides and information on district webpages to analyze how each district uses measurements and measurement tools to assess success in educating its students. • Reviewed each district’s 2018–19 LCAP to document and assess the measurable outcomes each district reported. • Assessed CDE’s data guides, webpages, and other documents associated with the dashboard; interviewed relevant CDE staff about the process of developing and updating the dashboard; and documented revisions the State Board is considering for the 2019 dashboard. • Reviewed state data available on platforms such as the dashboard to assess how student outcomes have changed statewide and at our selected districts.
<p>5 Review and assess any other issues that are significant to the audit.</p>	<ul style="list-style-type: none"> • Interviewed relevant CDE staff to obtain their perspectives on LCFF, LCAPs, and reporting outcomes. • Documented relevant items from the 2019–20 state budget—such as funding to plan for a longitudinal data system—and asked CDE staff for their perspectives when appropriate.

Source: Analysis of the Audit Committee’s audit request number 2019-101, as well as information and documentation identified in the table column titled Method.

Assessment of Data Reliability

The U.S. Government Accountability Office, whose standards we are statutorily obligated to follow, requires us to assess the sufficiency and appropriateness of computer-processed information we use to support our findings, conclusions, or recommendations. In performing this audit, we relied on reports we obtained from CDE’s online LCFF Funding Snapshots, Dashboard, DataQuest, and California Assessment of Student Performance and Progress (CAASPP) systems. We used reports from the LCFF Funding Snapshots to identify the amounts of LCFF funding that districts received. Because the LCFF amounts in the Funding Snapshots for fiscal years 2015–16 through 2018–19 materially agreed with the LCFF revenue amounts included in the audited financial statements for the three districts we visited, we determined that the Funding Snapshots were sufficiently reliable for the purposes of this audit.

We used the reports from the other three systems—Dashboard, DataQuest, and CAASPP—to identify educational outcome information for certain student groups. We concluded that reports from these systems were of undetermined reliability. We did not perform an assessment of the reports from the Dashboard and DataQuest systems because the supporting documentation is maintained among California’s approximately 1,000 school districts, making accuracy and completeness testing impractical. To gain

some assurance for these systems, we reviewed other information related to the educational outcomes of California's students and found that it corroborated CDE's data. In addition, we did not perform an assessment of the CAASPP reports because the system is paperless. We also did not perform a review of the controls over the system that produced these reports because of the significant resources required to conduct such an analysis. Although we recognize that any limitations that we identified in the reports may affect the precision of the numbers we present, there is sufficient evidence in total to support our audit findings, conclusions, and recommendations.

Finally, we tried to use data from the accounting systems of the three districts we visited; however, the districts do not consistently track LCFF funding in their accounting systems, as we explain in the Audit Results, and thus we could not rely on them for our audit work. Instead, we relied on each district's LCAP for the expenditure information it reported. This information is of undetermined reliability.

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Appendix B

Trends of LCFF Funding

As the Introduction indicates, the State phased in full funding under LCFF over several years, increasing the amount of funds it apportioned to districts to close the gap between actual funding and the target funding level that state law establishes. CDE’s data show that when the State implemented LCFF in fiscal year 2013–14, it allocated local educational agencies about \$40 billion, or just over 70 percent of the total target apportionment. The State increased funding levels in each year that followed until it fully funded LCFF for school districts in fiscal year 2018–19. In that year, it allocated a total of more than \$62 billion in LCFF funding, of which districts received nearly \$55 billion. Table B presents LCFF funding information for the three selected districts (Clovis Unified, Oakland Unified, and San Diego Unified) from fiscal years 2013–14 through 2018–19.

Table B
Three Districts’ LCFF Funding From Fiscal Years 2013–14 Through 2018–19

Clovis Unified LCFF Funding Over Time

FISCAL YEAR	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Total LCFF Funded*	\$247,330,886	\$275,018,846	\$312,784,355	\$335,191,456	\$346,147,226	\$372,565,134
Total Supplemental Budgeted in LCAP	Unknown	8,833,000	17,864,615	23,139,241	25,532,165	29,585,921
Total Supplemental Expenditures in LCAP	2,700,000	8,252,783	18,118,972	23,267,119	25,713,144	29,272,423
Difference Between Budget and Expenditures in LCAP	Unknown	\$(580,217)	\$254,357	\$127,878	\$180,979	\$(313,498)

Oakland Unified LCFF Funding Over Time

FISCAL YEAR	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19
Total LCFF Funded*	\$250,522,241	\$281,576,262	\$320,304,135	\$337,219,507	\$343,123,790	\$359,487,786
Total Supplemental and Concentration Budgeted in LCAP	10,000,000	17,135,948	52,470,141	67,267,837	69,935,710	77,058,564
Total Supplemental and Concentration Expenditures in LCAP	Unknown	Unknown	60,811,151	66,543,225	65,912,750	75,089,930
Difference Between Budget and Expenditures in LCAP	Unknown	Unknown	\$8,341,010	\$(724,612)	\$(4,022,960)	\$(1,968,634)

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San Diego Unified LCFF Funding Over Time

FISCAL YEAR	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Total LCFF Funded*	\$698,200,252	\$779,743,332	\$867,204,734	\$893,104,625	\$909,605,442	\$948,944,564
Total Supplemental and Concentration Budgeted in LCAP	Unknown	52,000,000	95,300,000	120,879,000	127,030,626	128,089,241
Total Supplemental and Concentration Expenditures in LCAP	20,400,000	52,000,000	96,986,200	121,173,699	123,521,697	128,089,240
Difference Between Budget and Expenditures in LCAP	Unknown	-	\$1,686,200	\$294,699	\$(3,508,929)	\$(1)

Source: Analysis of CDE's LCFF principal apportionment data and districts' LCAPs for fiscal years 2014-15 through 2018-19.

* *Total LCFF* does not include add-on funding that districts received through the Targeted Instructional Improvement Block Grant program, the Home-to-School Transportation program, and the Small School District Transportation program.

STATE OF CALIFORNIA

GAVIN NEWSOM, Governor

CALIFORNIA STATE BOARD OF EDUCATION

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October 17, 2019

Elaine M. Howle*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Re: California State Board of Education Response to Audit Report 2019—101, “K-12 Local Control Funding”

Dear Ms. Howle,

On behalf of the State Board of Education, I appreciate the opportunity to respond to the California State Auditor’s report, entitled “K-12 Local Control Funding.”

Before addressing the substance of the report, I would first like to express appreciation for the professionalism and diligence of the audit team assigned to this audit. Implementation of the Local Control Funding Formula (LCFF) has been a complex undertaking that the State Board of Education (Board) takes very seriously. LCFF implementation involves practices that are complex in their own right, including local budget decisions and implementation of instructional programming. Moreover, throughout the implementation process, the Board has proactively solicited and balanced perspectives of the diverse education stakeholders across the state. That background and context is important to understanding the present policy circumstances, and we appreciate the audit team’s effort to situate their work within that background and context as well as their openness to considering issues that our team raised.

I also appreciate that the audit report acknowledges that Board staff and staff from the California Department of Education (CDE) are working on a revised template for the Local Control and Accountability Plan (LCAP) to implement changes to the statutes governing the LCAP template made by AB 1840, Chapter 426, Statutes of 2018. That legislation was enacted to improve the LCAP template based on lessons learned over the first few years of LCAP implementation.

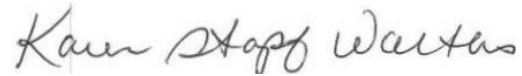
We expect that the Board will adopt a new LCAP template at its January 2020 meeting. It is our hope that the revised template will enhance transparency around how funds are used within the LCAP. The anticipated template revisions will ensure the LCAP development process supports more meaningful evaluation of underlying performance in consultation with local stakeholders, prioritization of actions and

* California State Auditor’s comments begin on page 57.

budgetary resources in response to needs identified, and ongoing monitoring of effectiveness of those actions in improving opportunities and outcomes for students.

The enclosed attachment includes detailed responses to the audit report recommendations.

Sincerely,

A handwritten signature in cursive script that reads "Karen Stapf Walters".

Karen Stapf Walters
Executive Director
California State Board of Education

RESPONSE BY THE STATE BOARD OF EDUCATION

The Legislature delegated to the State Board of Education (Board) key policymaking decisions related to Local Control Funding Formula (LCFF) implementation, and the Board has dedicated substantial time and attention to that important work. The perspective gained from that work over the last six years provides important context and insight as the Legislature and the public evaluate the findings from the audit and recommendations contained in the audit report.

Additionally, AB 1840, Chapter 426, Statutes of 2018, requires the Board to make significant changes to the Local Control and Accountability Plan (LCAP) template by January 2020. Local educational agencies (LEAs) (school districts, county offices of education, and charter schools) have not developed LCAPs using the new template that reflect the statutory changes enacted last year, and the audit therefore could not include review of LCAPs adopted under the new LCAP template. As a result, details on the work to update the LCAP template provide further context for the findings and recommendations included in the audit report.

Background

One of LCFF's key innovations was to shift the focus of state accountability from "inputs" to "output." Instead of focusing on whether districts are simply spending money within a categorical program, LCFF holds districts accountable for improving opportunities and outcomes for students. This innovation has also led to significant changes in local planning and budgeting practices by bringing a more explicit focus through the LCAP on whether the decisions LEAs make about how to use their limited resources are improving student outcomes. ①

This shift in state policy responded to decades of experience with the former categorical approach, under which local accountability was driven by year-to-year accounting procedures and compliance monitoring rather than a focus on whether spending decisions lead to improved outcomes. A few concrete examples illustrate some of the limitations of the former categorical approach and the potential challenges of using such an approach within the context of the LCAP. ①

- An LEA's LCAP sets a goal of improving student attendance and proposes an action to hire a new counselor. Because the identity of that person is unknown, the LCAP lists a planned expenditure of \$100,000, which is in the middle of the pay scale. If the counselor is hired at the bottom of the pay scale, the actual expenditure is \$70,000. Although the position is staffed and the services provided as planned under a "categorical type approach," the LEA would be required to "make up" \$30,000 in additional expenditures the following year. On the other hand, if the LEA hired a counselor at the top of the pay scale who

earned \$130,000, then that over-expenditure would need to be funded out of a non-restricted source, impacting its ability to fund other services.

- Another hypothetical illustrates a different challenge. An LEA's LCAP proposes to hire three new counselors, but the LEA is unable to fill one of those positions in the first year. Under a "categorical type approach," the full cost of that unfilled position would carry over on a one-time basis to the following year. Hiring a fourth position would not be responsible since the funding for that position is one-time.

① In isolation of a single action on a LCAP, these scenarios may not seem significant, but across an entire LCAP this return to a categorical-era focus on actual spending rather than improving could pose serious challenges and substantially impact the LEA's budgeting process. Experience from past categorical programs underscores that LEAs and schools sometimes struggle to come up with meaningful and useful ways to expend time-limited, one-time dollars. LEAs generally spend 80 to 85 percent of their budgets on personnel, which are mostly ongoing costs. Much research about improvement in education settings has underscored the importance of sustainability and continuity.

① The possibility that LEAs might be under-delivering for the student groups that generate additional funding is a concern to the Board. Although a categorical-type approach focused only on expenditures may have the advantage of being easy to tabulate, there is risk both that such an approach oversimplifies the relevant question (are dollars being spent versus are students receiving better services, either in quantity or quality) and that this oversimplification would turn the LCAP into an accounting exercise instead of a planning document focused on improving opportunities and outcomes for students.

②

As the audit report acknowledges, the Board is required to update the LCAP template by January 2020 in response to amendments made by AB 1840, Chapter 426, Statutes of 2018. That legislation, which reflected a compromise negotiated through the budget process, required significant changes to the LCAP template intended to enhance transparency around the use of funds within LCAPs, including the requirement to increase or improve services for low-income students, English learners, and foster youth.

Board staff and California Department of Education (CDE) staff are in the process of developing a recommendation for the revised template for consideration by the Board at its January meeting. As part of this revision process, staff have convened several stakeholder sessions in order to receive feedback and suggestions on proposed changes. Proposed changes include:

- A new requirement that LEAs aggregate planned expenditures, and estimated actual expenditures, for all actions included for each goal within an LCAP, including source of funding for those expenditures.
- A new requirement to aggregate the expenditures associated with actions that increase or improve services for low-income students, English learners, and foster youth, and to show that aggregated total in conjunction with the estimated additional revenue the LEA receives under LCFF based on those students.

Recent legislation also requires LEAs to include, with their adopted LCAP, an LCFF Budget Summary for Parents using a template developed by the Superintendent of Public Instruction. This requirement requires LEAs to detail the total planned expenditures on actions that increase or improve services for low-income students, English learners, and foster youth; the estimated additional revenue the LEA receives under LCFF based on serving those students; and how services for those student groups are improved if the total planned expenditures are less than the estimated additional revenue. The LCFF budget summary document also compares the total planned expenditures on actions to increase or improve services with the total estimated actual expenditures on those actions, and requires LEAs to explain how any decline in actual expenditures impacted the LEA's ability to deliver increased or improved services.

The audit report notes concerns that stakeholders cannot easily and systematically see how funds generated by low-income students, English learners, and foster youth are being spent within the LCAP and whether the actions planned to benefit those students were implemented as planned. We believe the revised LCAP template will address these concerns. The new template will consolidate, in one place, expenditures associated with all actions within the LCAP, broken down by source of fund. The actions that contribute to increased or improved services will be clearly marked, and the template requires the expenditures for those actions to be totaled and compared to additional funding generated by low-income students, English learners, and foster youth. To the extent stakeholders or policymakers desire to understand how LCFF funds support those actions, the total expenditures can be disaggregated into fund source based on the LCAP expenditure table.

In response to feedback from stakeholders, the new template that the Board will consider in January 2020 will also require LEAs to identify within the Annual Update all significant differences between planned actions and implemented actions, in addition to material differences between planned expenditures and actual expenditures. This new requirement will enhance transparency as to whether an LEA implemented the actions it said that it would and, if not, require an explanation for the departure. This requirement will also bring transparency as to whether LEAs implement the actions as planned, which is absent from the current LCAP template.

As intended by AB 1840, the new LCAP template will provide enhanced transparency as to whether expenditures on actions to benefit low-income students, English learners, and foster youth are on par with the additional funding the LEA receives. The new template will provide this information without requiring a profound shift in the underlying policy behind LCFF and will therefore maintain as a primary focus whether the additional funds provided under LCFF are used to increase or improve services provided to high-need students.

It is also important to note that early evidence suggests that LCFF is, in fact, leading to improved outcomes for the students who generate the additional funds. Over the last 18 months, several researchers have evaluated whether “LCFF is working” using data-driven methodologies, with two showing positive evidence that the academic performance of the student groups that generate additional funds under LCFF has improved at a greater rate in school districts that have higher concentrations of those students (and therefore receive additional funds under LCFF) and a third showing strong academic gains for California relative to other states.

- Learning Policy Institute, 2018 (<https://learningpolicyinstitute.org/product/ca-school-finance-reform-brief>): Increased LCFF funding and the greater share of unrestricted funding that LCFF provided are correlated with greater gains in graduation rates and student performance on CAASPP, with particularly strong improvement on graduation rates and math for low-income students in those districts that receive additional funds for those students under LCFF.
- America’s Promise Alliance, 2019 (<https://www.americaspromise.org/2019-building-grad-nation-report>): California is one of three states for which improvement in graduation rates correlates with gains in three other measures of academic proficiency. The authors suggest this correlation shows that the graduation rate gains are accompanied by real gains in student knowledge and preparation, rather than lower standards.
- Learning Policy Institute, 2019 (<https://learningpolicyinstitute.org/product/positive-outliers-districts-beating-odds-report>); Learning Policy Institute, 2019 (https://learningpolicyinstitute.org/sites/default/files/product-files/Positive_Outliers_Qualitative_REPORT.pdf): A number of LEAs are beating the odds compared to their peers, showing gains for African-American and Latino students under LCFF and the new state academic standards. One factor leading to this improvement is the flexibility around use of funds that LCFF ushered in, and these LEAs consistently used that flexibility to recruit, support, and retain a strong teacher workforce.

A 2019 Public Policy Institute of California study of inputs under LCFF also shows that LEAs are using their LCFF funds consistent with the intent to increase or improve services for high-need students: <https://www.ppic.org/publication/school-resources-and-the-local-control-funding-formula-is-increased-spending-reaching-high-need-students/>. Although that study highlights continued challenges in equal access to

qualified and experienced teachers, it shows that schools with more high-need students are receiving greater staffing resources under LCFF, on average, even if overall expenditures may not be substantially higher due to lower salaries paid to less experienced teachers who are often assigned to these schools.

Recommendations to the Board

The audit report includes four recommendations to the Board.

Recommendation #1: Annual Update: Merge with Goals Section within the LCAP. The audit report recommends that the Board merge the Annual Update section with the Goals, Actions, and Services section.

Board staff anticipate recommending that the Board adopt a revised template at its January 2020 meeting that integrates the annual update and the LCAP consistent with this recommendation.

AB 1840, Chapter 426, Statutes of 2018, substantially restructured the LCAP template statutes and consolidated the LCAP and Annual Update into a single section of statute. Under prior law, the annual update had been addressed in a separate code section from the LCAP itself, which limited the Board's ability to integrate the annual update within the LCAP. The updated statute specifies that the LCAP and annual update can be part of the same template, which will allow the template to embed the progress monitoring features of the annual update within the planning sections.

We believe that this change will make it easier for stakeholders to understand whether the actions are being implemented as planned and how those actions are impacting opportunities and outcomes for students. It will also reinforce the expectation that the LCAP process support strategic planning, which will help LEAs monitor progress and evaluate whether the planned actions are improving student outcomes. Finally, this revision will substantially reduce the length of LCAPs, which should help improve transparency and accessibility for stakeholders.

Recommendation #2: LCAP Annual Update: Evaluating Implementation of Individual Actions. The audit report recommends that the Board amend the LCAP template to require LEAs to include analysis of the effectiveness of each individual action included in the LCAP, in addition to analyses for overarching goals.

Board staff do not anticipate recommending that the Board adopt a revised template that requires LEAs to evaluate the effectiveness of each individual action included in the LCAP, for several reasons.

First, such an approach assumes a linear causal chain between each individual action and a particular student outcome. Consistent with research and practical experience in education policy, several studies analyzing LCAPs have found that

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multiple, individual actions work together to support a broader goal to improve performance on a set of interrelated metrics.

For example, a school district might set a goal of improving literacy in third grade and identify several actions and services to achieve that goal, such as adopting a new instructional program; providing professional learning to teachers, administrators, and other personnel to implement that program effectively; and providing new instructional materials. Additionally, the district may adopt related actions such as hiring new counselors to support struggling students, hiring attendance counselors to help improve student attendance, or purchasing new data systems to provide teachers with analytics on individual student performance. This recommendation would artificially force LEAs to view each action in isolation, which is as likely to undermine meaningful evaluation of programmatic effectiveness as to enhance it.

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Additionally, the audit report correctly notes the challenge presented for stakeholders when LCAPs are hundreds of pages long. A number of the changes to the LCAP template that staff expect to present to the Board in January 2020—such as integrating the annual update with the LCAP, incorporating summary tables for expenditures within the LCAP, and providing the required justification for LEA-wide and schoolwide actions that contribute to increased or improved services in a single section—will reduce the overall length of LCAPs and make it easier for stakeholders to see, in one place, key information about the relevant portion of the LCAP.

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This recommendation is at odds with that goal. For a hypothetical LCAP with 120 actions, this recommendation would entail 120 fields of new text, which likely would be repetitive. Moreover, the audit report notes that some LCAPs include formulaic responses to narrative prompts that do not provide meaningful analysis or information for stakeholders. Mandating action-by-action analysis seems to invite precisely this type of an approach.

Responsive to the underlying concern, the recommended LCAP template instructions will include language specifying that LEAs may group actions under a goal with a set of metrics and encouraging LEAs to do so if there are multiple, unrelated actions included under a single goal. This grouping would allow for more robust analysis of whether the strategy the LEA is using to impact a specified set of metrics is working.

Recommendation #3: Increased or Improved Services: Schoolwide and Districtwide Actions. The audit report recommends that the Board update the LCAP instructions to include key information from CDE's Uniform Complaint Procedure (UCP) appeal decisions related to LCAPs. Specifically, the audit report references UCP decisions related to the requirement that LEAs explain how districtwide and schoolwide actions are principally directed toward serving low-income students, English learners and/or foster youth if those actions are used to demonstrate increased or improved services for those student groups.

The revised LCAP template presented to the Board in January 2020 will include instructions that reflect these appeal decisions.

Additionally, Board staff will work with the CDE to include this information on the "Frequently Asked Questions" section of CDE's website related to LCFF and the LCAP, and to include relevant information from any future UCP appeal determinations.

Recommendation #4: Accessibility of Language. The audit report recommends that the Board "instruct districts to ensure that their LCAPs are sufficiently clear and effective, including but not necessarily limited to ensuring that districts articulate a logical connection between their needs and goals, provide sufficiently detailed descriptions of services within the LCAP's analysis section, and are written in a manner that is easily understandable."

The revised LCAP template presented to the Board in January 2020 will include instructions emphasizing the LCAP's purposes, which include ensuring that stakeholders can clearly see and understand how the LEA is aligning its budgetary resources in response to performance across the statutorily defined priorities and whether those strategies are working to improve opportunities and outcomes for students. The recommended instructions will also detail the purpose of each LCAP section to reinforce both the importance of conveying the information in each section understandably to stakeholders and how that particular information reinforces the planning process that is ultimately supposed to be memorialized in the adopted LCAP. Finally, the recommended instructions will also include language in the instructions encouraging LEAs to avoid jargon and review language in draft LCAPs for accessibility to non-educators and the broader public.

Additional Comments

Although not addressed in the recommendations, the audit report includes a discussion of the transition from the state's prior revenue limits and categorical funding system to LCFF. The report included a calculation of LCFF funding that LEAs received prior to 2018 as the state transitioned toward fully funding LCFF, specifically the breakdown of base, supplemental, and concentration funds within the LCFF formula, that differed from the method that LEAs applied pursuant to expenditure regulations adopted by the Board. The alternate calculation in the audit report assumed that the share of LCFF funds attributable to the supplemental and concentration factors would immediately transition to fully funded levels, but prorated to the LEA's then-total level of funding.

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When LCFF funding began in 2013-14, the state was just recovering from the Great Recession and LEAs had gone through years of significant budget cuts. LCFF was a significant restructuring of the method under which LEAs received state funding, and the statutory formula included a gradual transition that would phase-in full funding over a period of several years. The Board's regulations reflected this gradual

approach adopted by the Legislature: each LEA was required to calculate its obligation to increase or improve services annually relative to a baseline tied to actions that it provided to one of the three student groups that generate additional LCFF funds in the year immediately preceding LCFF's enactment.

- ⑥ Notably, stakeholders did not submit comments in the regulatory process recommending that the Board adopt an approach similar to the alternative presented in the audit report, likely due to the recognition of how disruptive such an approach would have been. Using just one example from Figure 7 of the report, without a gradual phase-in period, the three school districts audited would have had to redirect \$140 million, overnight, to actions that “increase or improve services.” However, a significant portion of that funding would have been budgeted in the prior year for core programs or other activities that would not meet the regulatory standard for increasing or improving services. The audit report's alternative method of calculation would likely have resulted in substantial cuts to LEAs' core programs, including layoffs of personnel, and implementation of a host of new programs all at once, which would likely have undermined the effectiveness of those programs.

Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CALIFORNIA STATE BOARD OF EDUCATION

To provide clarity and perspective, we are commenting on the State Board's response to our audit. The numbers below correspond to the numbers we have placed in the margin of the State Board's response.

An underlying theme within the first two pages of the State Board's response is that implementation of some of our recommendations may lead the State down a path toward a return to categorical funding. During our work on this audit, representatives from the State Board and CDE made similar statements on various occasions; namely, that monitoring of district spending equates to categorical funding. We fundamentally disagree with that notion; in fact, we state on page 36 that tracking information about districts' spending of their LCFF allocations does not represent a return to categorical funding.

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A critical point of our recommendations from this audit is that the State needs to better establish the linkages among three key components of the LCFF process: funding from the State (or inputs) to districts, the services that districts purchase with that funding, and improvements in student educational performance (outcomes). We depict this point in Figure 9 on page 34 of our report. Ignoring the linkages between these LCFF components or ignoring the inputs to the LCFF process significantly reduces stakeholder assurance that the billions the State invests annually in LCFF—\$62 billion for fiscal year 2018–19 alone—have the desired effect of improving student achievement.

As we mention on page 32, by collecting and reporting additional information about the districts' use of supplemental and concentration funding, the State could better ensure that it and other stakeholders understand how the districts' spending of these funds affects intended student groups and whether further action is necessary to close persistent achievement gaps.

Contrary to the State Board's assertion, tracking the districts' spending of LCFF funding is not merely "an accounting exercise." As we indicate in Comment #1, the State needs to better establish the linkages between funding, services, and student achievements. Furthermore, we explain on page 16 that the current requirement that a district must spend supplemental and concentration funding to increase or improve services by a specific percentage is essentially meaningless because it is unclear how a district would

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demonstrate such improvement and neither the county offices nor CDE is responsible for verifying that the district actually achieved the specific percentage increase in services. This approach reduces transparency and accountability by leaving stakeholders without a legitimate, tangible measurement against which to hold districts accountable for using the funding they receive to provide services to improve student achievement.

- ③ The State Board takes a narrow view of our recommendation. We recommend on page 39 that it require districts to include analyses of effectiveness of individual services, in addition to analyses for overarching goals, so a broader perspective would not be lost. Our recommendation is consistent with state law, which as we state on page 25, requires the LCAP template to include an assessment of the effectiveness of specific services described in the LCAP toward achieving the goals. The analyses of individual services would allow districts to highlight the effectiveness of particular services. In fact, Oakland Unified provided precisely this kind of analysis in its LCAP, as we state on page 26. Without this kind of information, it can be difficult to determine, from among dozens of services provided, which particular services were effective in improving outcomes.
- ④ We disagree. Rather than being repetitive like the current template, the analysis we recommend would provide unique, critical information that would enable stakeholders to hold districts accountable to use their limited resources to continue funding effective services and discontinue ineffective services. As we indicate on page 27, the excessive length of LCAPs results from districts including descriptions of numerous services, which obscures whether any particular service was effective. We believe having 120 services/actions for a single goal would reduce clarity for stakeholders, as we had difficulty with the 38 services that Clovis Unified included for one of its goals.
- ⑤ We appreciate the State Board's perspective on the State's transition period for LCFF. Because a key part of our audit included examining how districts spent their LCFF funding, we estimated the difference in the results between the funding method used during transition and the method the State will use upon full implementation. Additionally, as we state on page 18, the State's decisions to base supplemental and concentration funding amounts on prior year spending rather than proportions of intended student groups likely deferred improvements in performance outcomes for intended student groups.

We believe the State Board overstates the disruption of the approach we outlined that applies the funding formulas described in State law. Our analysis of the three districts' funding revealed that by basing supplemental and concentration funds on the proportions of intended student groups, districts would not have lost funding for their core programs. Rather, at that time, districts would have faced the decisions of selecting which categorical programs to retain to increase and improve services for intended student groups and how to use their new flexibility to address local needs. In fact, the three districts continue to provide services similar to those provided under some of the former categorical programs and fund them with supplemental and concentration funding by principally directing them toward intended student groups. As we state on page 18, the approach the State chose likely delayed improvements in performance outcomes for intended student groups.

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