



PUZZLING PLANS AND BUDGETS: MAKING SENSE OF CALIFORNIA'S SECOND YEAR LOCAL CONTROL AND ACCOUNTABILITY PLANS



INTRODUCTION

On July 1, 2013, Gov. Jerry Brown signed California's landmark Local Control Funding Formula (LCFF) into law. In addition to providing districts with greater control over how to spend funds, LCFF marked a tremendous opportunity for educational equity. The new funding law gave districts additional resources, called supplemental and concentration grants, to provide more services for English learners, foster youth, and low-income students.

In 2014, we issued the report "Building a More Equitable and Participatory School System in California: The Local Control Funding Formula's First Year."¹ In that report, we identified two key concerns about the transparency of the Local Control and Accountability Plan (LCAP), the planning and budgeting tool that LCFF mandated for school districts to communicate their strategies for improving student outcomes and performance. First, LCAPs did not present a comprehensive, transparent view of how LCFF grants would be spent. Second, LCAPs did not clearly show how supplemental/concentration grants would reach the high-need groups who generated them.

In this brief, we follow up on the transparency issues raised in our 2014 report. We find that, in their second year, LCAPs continue to lack budget transparency. As a result, the concerns we raised in our 2014 report remain the same: without a comprehensive understanding of a district's spending, communities are unable to make a clear and full assessment of whether supplemental/concentration dollars are indeed reaching high-need students.

We recommend that state leaders and policymakers improve the LCAP by revising the template, sharing best practices, and clarifying unallowable uses of supplemental/concentration grants. A balance of local control and fiscal transparency can safeguard the transformational promise of LCFF of increased equity for children in our state.

ABOUT THIS BRIEF

We reviewed 2015-16 LCAPs across the same 40 school districts that we studied in our 2014 report. These districts ranged from Trinity Alps Unified, a small district with 660 students, to the state's largest district, Los Angeles Unified, with almost 650,000 students. Most districts had high percentages of the students targeted for additional funding. For a list of the reviewed districts, please see Appendix 1.

Our review focused on two key questions:

- 1. To what extent are the 2015-16 LCAPs transparent?**
- 2. To what extent do the 2015-16 LCAPs demonstrate that supplemental/concentration grants are being targeted to high-need students?**

Though this review focused primarily on questions of transparency, we also analyzed trends in the types of programs and services districts proposed in their LCAPs. For a summary, see Appendix 2.

1. The Education Trust–West, "Building a More Equitable and Participatory School System in California: The Local Control Funding Formula's First Year" (Oakland, CA: The Education Trust–West, 2014.)

FINDINGS

FINDING #1: LCAPs Continue to Lack Transparency

As in 2014-15, the 2015-16 LCAPs present an unclear, difficult-to-read view of how districts plan to spend their resources.

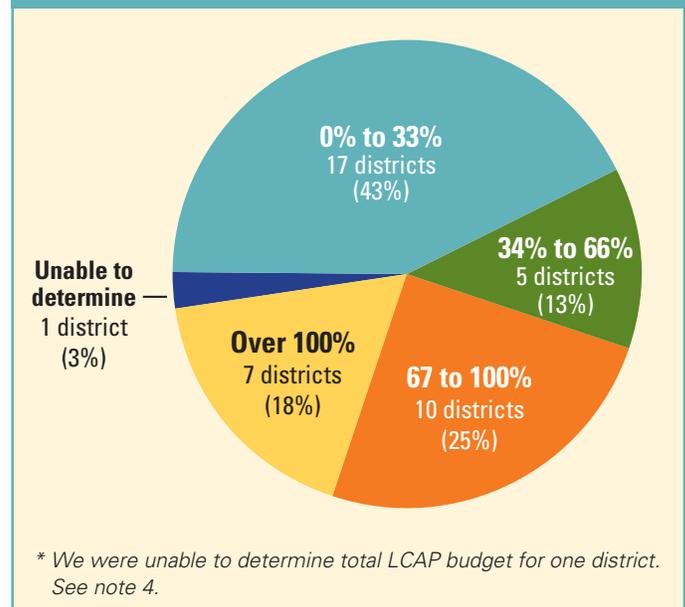
LCAPs are not transparent in communicating what percentage of a district's total budget they represent. In the spirit of local control, the state does not require how much or how little of the total district budget is represented in an LCAP. Rather, districts determine which actions are most relevant to include, and only expenditures associated with those actions appear in LCAPs. As a result, when providing feedback on the LCAP, community members do not have an understanding of how much or how little of the budget they are commenting on, nor are they able to ask questions about the potentially sizable amount of funds not identified in the LCAP.

For the purposes of this review, we estimate the percentage of a district's budget represented in each LCAP² As Figure 1 shows, 43 percent (17) of the 40 districts present less than one-third of their budget in the LCAP. At the extreme low end, Redondo Beach Unified's LCAP represents only 4 percent of the total district budget. On the other end, seven districts represent *more* than 100 percent of their budget in the LCAP. The portion of the budget represented in the LCAP may exceed 100 percent if districts "double count" individual line items or plan for greater spending than their budget allows.

LCAPs are not transparent about whether line items are double counted. For example, for the 2015-16 school year, San Bernardino City Unified's LCAP includes 15 line items, each specifying a different activity, with the same exact expenditure amount of \$6,303,709. For three of those line items, the LCAP clarifies that the activity draws from a shared pot of \$6,303,709. For the remaining 12 line items, it is unclear whether San Bernardino Unified plans to spend \$6,303,709 on each activity — for a total of more than \$75 million — or whether a single pot of \$6,303,709 funds all activities.

LCAPs are not transparent about what portion of available funding sources are represented. By choosing which programs and services to represent

FIGURE 1. What percentage of a district's budget was represented in the LCAP?



in their LCAPs, districts also determine which funding sources are included. In our review, three districts include only LCFF supplemental/concentration grants. On the other end, most (35) districts include a range of funding sources — such as federal Title I and Title III funds and local grants — in addition to LCFF. LCAPs that do include multiple funding sources do not make it clear whether they represent all available funding sources.

LCAPs are not transparent in identifying supplemental/concentration grants. In describing their planned actions and services for the 2015-16 school year, about a quarter (9) of the districts do not make the distinction between base and supplemental/concentration grants. Further, in the new "Annual Update" section, which compares the district's 2014-15 plans with actual actions and expenditures for the year, one-third (13) of the districts do not make this distinction in funds.

The above challenges make it very difficult to determine how much a district plans to spend on a discrete action or service, whether that service is targeted to high-need students, and whether it will be supported by supplemental/concentration grant funding. Figure 2 (see next page) summarizes these transparency challenges across the five largest and smallest districts in our sample.

2. We calculate "percentage of total budget represented in the LCAP" by dividing the sum of all individual line-item expenditures for the 2015-16 school year by the district's estimated total revenues for 2015-16. This calculation assumes that individual line items in LCAPs represented individual expenditures. As we explain in this brief, this assumption may not always hold true. We made this assumption to estimate the best-case scenario of how much of a district's budget an LCAP represents.

FIGURE 2. Transparency characteristics across five largest and five smallest districts in our sample

FIVE LARGEST DISTRICTS	2014-15 Enrollment	What percentage of total district budget do we estimate is represented in the LCAP? ³	Are expenditure amounts repeated, leading to potential double-counting?	Which funding sources are included?	Are base grants identified separately from supplemental/concentration grants for 2015-16 planned actions?
Los Angeles Unified	646,683	69%	No	LCFF only	Yes
San Diego Unified	129,779	97%	Yes	LCFF and other sources	Yes
Fresno Unified	73,543	90%	Yes	LCFF and other sources	Yes
Santa Ana Unified	56,815	113%	No	LCFF and other sources	No
San Francisco Unified	58,414	51%	Yes	LCFF and other sources	Yes

FIVE SMALLEST DISTRICTS	2014-15 Enrollment	What percentage of total district budget do we estimate is represented in the LCAP?	Are expenditure amounts repeated, leading to potential double-counting?	Which funding sources are included?	Are base grants identified separately from supplemental/concentration grants for 2015-16 planned actions?
Trinity Alps Unified	660	9%	No	LCFF and other sources	Yes
Yreka Union Elementary	984	17%	Yes	LCFF and other sources	Yes
Live Oak Unified	1,757	15%	No	LCFF and other sources	Yes
Konocti Unified ⁴	3,130	Unable to calculate	Unable to calculate	LCFF and other sources	Yes
Ravenswood City	4,216	6%	No	LCFF and other sources	No

LCAPs do not provide information in a community-friendly format. Not only is LCAP content — the description of planned actions and expenditures — unclear but, as others have pointed out, the format is lengthy and challenging to read.⁵ The average LCAP across our sample increased from 46 pages in 2014-15 to 137 pages in 2015-16. Los Angeles Unified’s LCAP increased sixfold, from 66 to 401 pages. LCAPs became this lengthy because of the format: the template includes a myriad of columns and checkboxes that force districts to write narrative spanning several pages or repeat line items verbatim across the three years required in the LCAP. Even with these challenges, some districts have taken steps to make the document more community friendly, as shown in Figure 3.

FIGURE 3. How do districts improve LCAP community friendliness?

Recognizing the challenges of the LCAP template, some districts have taken initiative to make their LCAPs more community friendly.

- **Sacramento City Unified** created a separate “Community Guide to the LCAP” in English, Spanish, and Hmong. In 10 pages, the document summarizes the LCAP and provides context for those unfamiliar with LCFF.
- **West Contra Costa Unified** developed an “Interactive LCAP” that allows the user to scroll through the LCAP as an electronic document and view individual sections by goal or site.
- **Fresno Unified** includes headers and graphics to differentiate LCAP sections and uses bullet points and different fonts and sizes to make actions and services more readable.

3. The portion of the budget represented in the LCAP may exceed 100 percent if districts “double count” individual line items or account for more planned expenditures than their budget allowed.

4. We are unable to determine the percentage of total district budget represented and whether amounts are repeated in Konocti Unified’s LCAP because we could not decode the district’s planned expenditures in the LCAP. For example, one planned expenditure is listed as “1B8 S&C resource 0100; Objects 1-3xxx; Goal/Function 1110-2140-211 and 57x0-2140-211.” Another is listed as “1A3 Technology S&C Resource 0100 Object 43 & 44x0-1110-1000-211 \$100k included in \$306,864; (in revised budget Goal 1112).”

5. For example, see Koppich, et al., “Two Years of California’s Local Control Funding Formula: Time to Reaffirm the Grand Vision” (2015); Collier and Freedberg, “District Accountability Plans Mushroom in Size and Complexity,” EdSource, (2015).

FINDING #2: LCAPs Do Not Make It Clear Whether Districts Are Targeting Supplemental/Concentration Funds To High-Needs Students

Our previous report observed that “it is downright impossible to know” whether supplemental/concentration grants are reaching high-needs students.⁶ Our 2015-16 analysis arrives at the same conclusion.

We see examples of LCAPs targeting supplemental/concentration grants to high-need groups. Santa Rosa High School District, for example, plans to use supplemental grants to develop an English Learner Master Plan, reduce the long-term English learner status of migrant students, and hire five bilingual counselors to provide case management to foster youth and English learners. Similarly, Oakland Unified proposes adding several positions to support targeted populations, including a full-time case manager to serve foster youth, six full-time summer school teachers to assist newcomer refugees with language acquisition, and 20 facilitators with the Office of African American Male Achievement to create and organize summer student literacy camps that support African Americans and low-income students.

Despite these promising examples, it is impossible in most cases to trace whether supplemental/concentration funds followed the high-needs students who generated them. As noted above, the incomplete picture of funds limits what we could determine about what districts planned to do with supplemental/concentration grants. Among the nine districts whose LCAPs do not identify supplemental/

concentration grants separately from base funds, this lack of transparency precludes any conclusions about how supplemental/concentration grants were spent. Among the districts where supplemental/concentration grants are distinguished from base funds, we still do not know which portion of available supplemental/concentration grants are represented in the LCAP, nor whether individual line items are double counted.

A review of the Annual Update suggests that supplemental/concentration dollars were likely underspent. To better understand how 2014-15 funds were actually spent, we reviewed the Annual Update across five districts. We selected districts that represented a range of sizes and differentiated supplemental/concentration grants from base spending in their annual updates. We found that all five underspent relative to their projections; two of the five underspent by more than 10 percent. (See Figure 4.) There may be reasons that underspending makes sense: perhaps districts identified cost efficiencies or found other funding sources. However, it should also raise questions — especially when districts underspent supplemental/concentration grants. Under LCFF spending regulations, unspent supplemental/concentration money may become flexible the next year and may roll back into base funding or be used to plug budget holes. Underspending these targeted dollars therefore becomes problematic for two reasons. First, students and families may not receive the services to which they are entitled. Second, those supplemental/concentration dollars may evaporate, shortchanging the district’s high-needs students.

FIGURE 4. Proposed and actual expenditures, 2015-16 LCAP Annual Update, across five districts in our sample

District	2014-15 Enrollment	Sum of Budgeted Expenditures	Sum of Estimated Actual Expenditures	\$ Underspent	% Underspent
Alisal Union School District	9,153	\$8,123,088	\$6,234,754	\$1,888,334	23%
Del Norte County Unified	3,502	\$180,000	\$173,800	\$6,200	3%
San Diego Unified	129,779	\$52,000,000	\$51,990,000	\$10,000	<1%
Santa Rosa High	11,244	\$2,686,240	\$2,420,624	\$265,616	10%
West Contra Costa Unified	30,596	\$24,730,877	\$22,071,176	\$2,659,701	11%

6. *The Education Trust—West* (2014), p. 17.

We see examples of LCAPs allocating supplemental/concentration grants to questionable uses.

LCFF requires that districts use supplemental/concentration grants to “increase or improve services” for English learners, foster youth, and low-income students.⁷ The LCAP template requires districts to describe their overall approach to using these funds to benefit high-needs students, but does not require explanations of how individual planned actions will result in increased or improved services for these groups. As in 2014-15, we saw some districts planning to use supplemental/concentration grants to fund actions that may not meet LCFF’s intended goal of increasing or improving services for targeted groups:

- Los Angeles Unified, which laudably provides a clear breakdown of its expenditures by funding source, intends to spend almost \$450 million of its supplemental/concentration grants on special education services. Because the district is already legally required to provide special education services to all students who require them, Los Angeles Unified’s planned expenditures do not necessarily increase or improve services for targeted populations. The district is currently facing litigation on this issue.⁸
- Stockton Unified proposes to spend supplemental/concentration funds to support community-oriented policing without a clear explanation of how these efforts will increase or improve services for English learners, low-income students, or foster youth. The planned expenditures include personnel costs for nine full-time police, one full-time crime data analyst, eight full-time high school campus safety monitors, and a \$1.5-million security system.
- Glendale Unified intends to spend at least \$100,000 in supplemental/concentration grants to administer the California English Language Development Test, California’s assessment of English language proficiency. As an existing, state-mandated test administered annually since 2001, the administration of this assessment does not increase or improve services for English learners. Further, the state already provides separate funding to school districts to reimburse costs associated with administering this assessment. The use of LCFF funds for this purpose could represent supplanting — the *replacement* of funding for a current program or service — rather than supplementing existing programming.
- Trinity Alps Unified, which — to its credit — provides a clear breakdown of its expenditures by funding source, intends to spend 64 percent of its supplemental/concentration grants on salaries for “certificated personnel” — positions requiring certification from the state, such as teachers, counselors, psychologists, and specialists. Trinity Alps clarifies that these funds will primarily be used to “maintain/sustain services” — not an increase or improvement in services for targeted populations.

Notably, these examples come from LCAPs where districts have explicitly identified how they plan to spend supplemental/concentration grants. In the nine LCAPs where districts did not distinguish between base and supplemental/concentration grants, there may be more examples that we could not uncover.

7. Cal. Code Regs., tit. 5 § 15496.

8. *Community Coalition v. Los Angeles Unified School District*, No. BS156259.

RECOMMENDATIONS

LCFF was a bold move toward educational equity in California. However, the incomplete picture of spending constrains LCFF's potential. We believe it is possible to create additional budget transparency without stifling local control. We make the following recommendations to state leaders and policymakers:

1. Revise the LCAP template to improve budget transparency. In the template, require districts to:

- State what percentage of the total district budget is represented in the LCAP.
- Identify each expenditure amount only once. This will eliminate double counting of expenditures in the LCAP. If a district plans to pay for multiple activities from a single amount, require the district to note that the activity is covered by an aforementioned expenditure and action.
- Distinguish between LCFF base and supplemental/concentration grants throughout the entire LCAP, including the Annual Update.
- Include an appendix or an accompanying report attached to the main body of the LCAP that clearly shows expenditures. See Appendix 3 for a model format. This appendix or report should include last year's expenditures and proposed expenditures for the next three years, and it should cross-reference these expenditures with actions from the LCAP. This way, stakeholders can read about how services have been and will be increased and improved, and also how spending aligns with those services. This reporting does not require changing the Standard Accounting Code Structure and does not even require the reporting of accounting information. Rather, it would create transparency into spending on programs — which is how parents and community members think about educational services.
- Require districts to report unspent supplemental/concentration funding from the prior year. In addition to reporting this dollar amount, districts should be asked to describe how they propose to use that funding in the next year to increase or improve services for unduplicated students.

2. Share best practices and guidance on how districts can increase the transparency of their budgets and LCAPs. This should include the following:

- Encourage districts to increase the community friendliness of the LCAP by creating executive summaries, summary guides to the LCAP, and community-focused budget presentations. The state should share examples of what works well and provide districts with templates. The State Board of Education has already done some of this during regular state board meetings. The California Department of Education can document and warehouse these examples on its website, and the California Collaborative for Educational Excellence can help disseminate promising practices.
- Identify standard practices for using the State Accounting Code Structure to help track LCFF spending and encourage districts to use them. Within the existing accounting code structure, districts can use resource codes to track supplemental/concentration funding if they wish. They can also track spending against specific goals and programs. County offices of education could standardize the use of accounting codes across their districts, even without state-level reporting requirements. They could also ask for standard reporting at the county level.

3. Streamline the sections of the LCAP that ask districts to describe their goals and actions. With the changes described above, districts will achieve greater fiscal transparency for parents and other stakeholders. This gives room to simplify and streamline other portions of the LCAP. Indeed, the state can open up the LCAP to better support local planning and make it more community friendly. We suggest the following:

- Clarify that the LCAP is intended to be a strategic plan for closing opportunity and achievement gaps within a district.
- Allow Section 2 of the LCAP to be in a more narrative format to offer districts more flexibility for how they organize and present the content. This structure should allow the district to describe its goals and priorities in a way that makes sense to the local

community and that is easily understood by the district's stakeholders. This section should still describe districts' plans for increasing or improving services during a three-year period and should not contain three separate, repetitive sections that merely cut and paste the same set of actions.

- Include a summary report of district data addressing the eight state priorities and the 23 associated metrics. These data should list the district's goals and performance toward those goals. This format should be flexible so that districts may attach evaluation rubrics, dashboards, balanced scorecards, or other data compilations that they may use locally. This will be made easier if the LCAP is moved into an electronic format, so that districts may link to evaluation rubrics and other data showing the district's progress toward statewide goals and year-to-year improvement.

4. Clarify guidance on questionable uses of LCFF supplemental/concentration grants. The state should:

- Clarify specific unallowable uses, such as supplanting special education funds.
- Remind districts to use supplemental/concentration grants in the spirit and letter of the law — toward increasing and/or improving services for high-needs groups.

CONCLUSION

This brief highlights budget transparency issues with the LCAP; however, it does not explore how districts actually spent their dollars beyond a quick look at the Annual Update in a few districts. We need more researchers and watchdogs to look closely at district spending to gain a full understanding of whether supplemental/concentration grants are indeed being spent to increase or improve services for the students who generated them.

Of course, spending alone won't tell us whether LCFF has improved opportunities and outcomes for students. To know that, we need to look at data on school performance and improvement. As the State Board of Education adopts "evaluation rubrics" later this year and populates them with data, policymakers, researchers, and advocates can begin assessing the effectiveness of LCFF. But that doesn't mean we should sit back and wait. Through the annual LCAP process, there is an opportunity for local stakeholders to ask questions about the district's results and demand accountability. At the state level, we have extensive data on student performance, course access, and school climate that we can scrutinize and act on, even before the evaluation rubrics are fully in place. Accountability can't wait.

Even with the early challenges raised in this report, LCFF by and large remains the greatest move toward a more equitable school finance system in California in 40 years. Any bold and significant change will inevitably encounter bumps in the road. What's important is that we course-correct when we hit those bumps: improvements in LCAP budget transparency will keep us moving down that road. Paired with meaningful accountability for results, we can achieve a more equitable school system.

This brief was authored by Theresa Chen, with Carrie Hahnel, Natalie Wheatfall, and Leni Wolf.

APPENDIX 1: Districts Selected For LCAP Analysis

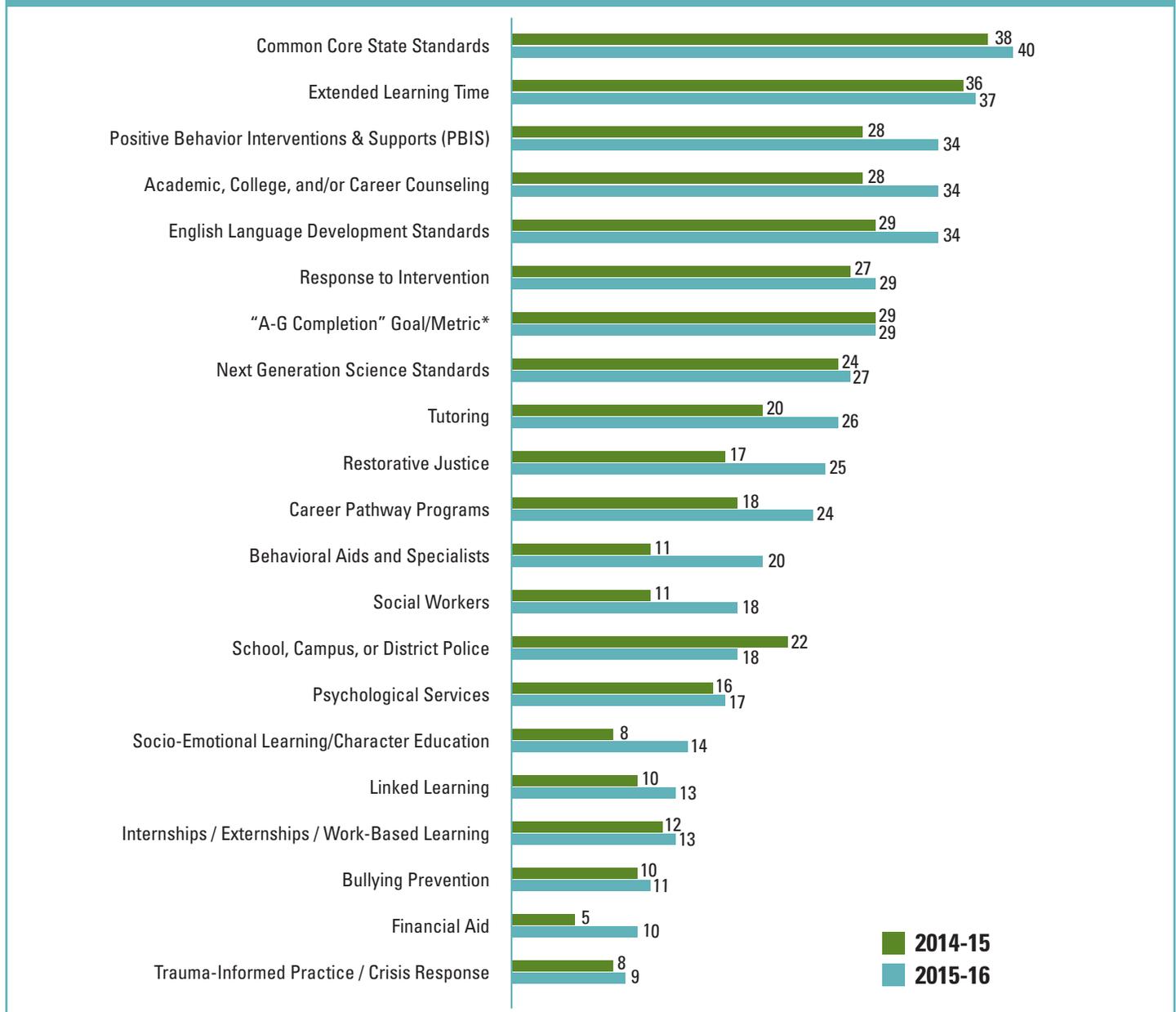
District	County	Enrollment in 2014-15	% students who were English learners, low-income, or foster youth in 2014-15
Alisal Union	Monterey	9,153	91%
Amador County Unified	Amador	3,825	46%
Bakersfield City	Kern	30,076	89%
Berkeley Unified	Alameda	10,442	41%
Calexico Unified	Imperial	9,263	95%
Chico Unified	Butte	13,739	49%
Coachella Valley	Riverside	18,878	96%
Del Norte County Unified	Del Norte	3,502	65%
Desert Sands Unified	Riverside	28,999	73%
Dinuba Unified	Tulare	6,580	96%
East Side Union High	Santa Clara	26,760	54%
Eureka City Schools	Humboldt	3,722	64%
Fairfield-Suisun Unified	Solano	21,366	60%
Fresno Unified	Fresno	73,543	87%
Glendale Unified	Los Angeles	26,168	56%
Kern High	Kern	37,318	65%
Konocti Unified	Lake	3,130	87%
Live Oak Unified	Sutter	1,757	81%
Los Angeles Unified	Los Angeles	646,683	83%
Merced City Elementary	Merced	10,788	85%
Mt. Diablo Unified	Contra Costa	31,923	50%
Oakland Unified	Alameda	48,077	78%
Pajaro Valley Unified	Santa Cruz	20,438	80%
Ravenswood City Elementary	San Mateo	4,216	97%
Redondo Beach Unified	Los Angeles	9,364	24%
Sacramento City Unified	Sacramento	46,868	71%
Salinas Union High	Monterey	14,437	71%
San Bernardino City Unified	San Bernardino	53,365	93%
San Diego Unified	San Diego	129,779	63%
San Francisco Unified	San Francisco	58,414	69%
San Jose Unified	Santa Clara	32,938	49%
Sanger Unified	Fresno	11,204	82%
Santa Ana Unified	Orange	56,815	94%
Santa Rosa High	Sonoma	11,244	50%
Stockton Unified	San Joaquin	40,057	88%
Trinity Alps Unified	Trinity	660	57%
Ukiah Unified	Mendocino	6,349	79%
West Contra Costa Unified	Contra Costa	30,596	75%
Woodland Joint Unified	Yolo	10,055	71%
Yreka Union Elementary	Siskiyou	984	67%

Source: California Department of Education.

APPENDIX 2: What Programs And Services Do Districts Propose In Their LCAPs?

Our review tracks the number of 2014-15 and 2015-16 LCAPs that mentioned different types of actions and services. Overall, as Figure 5 shows, districts plan to invest in similar programs in 2015-16 as they did in 2014-15. We see increasing interest in career pathway programs, English Language Development standards, tutoring as an academic intervention, and academic, college, and career counseling. Additionally, we observe a shift in districts' investments in social-emotional and school climate activities, as districts appear to be moving away from policing and toward supportive services such as restorative justice, psychological services, and social work and behavior aid personnel. It is important to note that increased mentions of these activities do not necessarily mean increased spending. We do not attempt to estimate how much districts are spending on each of these activities.

FIGURE 5: Number of districts mentioning actions and services in our review of 40 2014-15 and 2015-16 LCAPs



* "A-G completion" refers to the percentage of students who graduate and complete the high school course sequence required for eligibility to the University of California or California State University systems.

APPENDIX 3: Model Budget Format

We recommend that the model budget format shown in Figure 6 below be required as an appendix or accompanying report attached to the main body of the LCAP template. This format addresses several of the transparency issues we raise in this brief. Namely, it summarizes all planned actions and expenditures for the coming year, as well as actual actions and expenditures from the previous year. This format does not double count individual expenditure amounts for multiple actions, identifies all funding sources for actions, and distinguishes clearly between LCFF base and supplemental/concentration grants.

FIGURE 6: Model budget format

Summary of all expenditures listed in the LCAP, by action/service, 2015-16

Action Number	Annual Update	Action/Service	2014-15 Actual Expenditure			2015-16 Planned Expenditure		
			LCFF Base	LCFF Supplemental / Concentration	Other Funding Sources	LCFF Base	LCFF Supplemental / Concentration	Other Funding Sources
1.1	A2.1	Teacher Salaries	\$30,000,000			\$30,900,000		
1.2	A1.2	Library Techs	\$56,000			\$56,000		
1.3	A1.3	Preschool	\$500,000	\$100,000		\$500,000	\$100,000	
1.4	A1.4	Preschool Teacher Salaries	See action 1.1	See action 1.1	See action 1.1	See action 1.1	See action 1.1	See action 1.1
2.1	A2.4	Parental Involvement	\$150,000	\$50,000		\$150,000	\$50,000	\$50,000
3.1	A3.5	Long-Term English Learner Summer Classes	\$200,000	\$10,000		\$200,000	\$10,000	
(None)	A2.2	Chromebooks			\$1,000,000			
		TOTAL	\$30,906,000	\$160,000	\$1,000,000	\$31,806,000	\$160,000	\$50,000