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Examining the Reach of Targeted School Funding

Ten years ago, the Local Control Funding Formula (LCFF) shifted K–12 funding in California, directing more dollars to districts with high-need students—English Learner, low-income, and/or foster youth. Under LCFF, districts receive additional funding for high-need students: 20% more per high-need student (supplemental grants), and in districts where 55% or more of the student body is high-need, 65% more per high-need student above the 55% threshold (concentration grants).

LCFF also gave districts flexibility around how to spend their money. But this flexibility has raised concerns over whether districts are spending supplemental and concentration grants in ways that reach the high-need students and schools who generate the added funds.

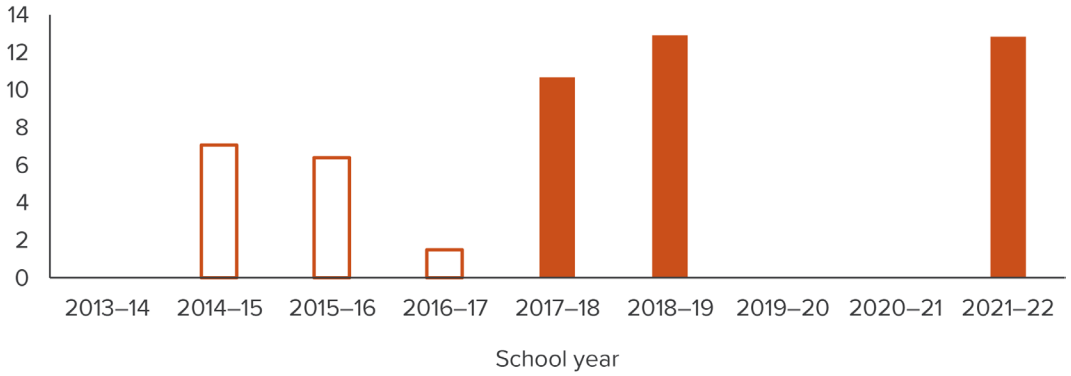
- From 2012–13 to 2021–22, spending increased by roughly $10,000 per student in the highest-need districts compared to roughly $6,500 in the lowest-need districts.
- Concentration grants in the highest-need districts led to improved test scores across subjects and grades; yet longstanding achievement gaps remain.
- Most districts report spending less on high-need students than the additional funding intended for them, and school site spending is not proportional to the funding formula.

How do additional dollars for high-need students tie to academic performance?

Pre-pandemic trends suggest that added LCFF funds lead to higher test scores in math and English, and research supports these trends; concentration grants, in particular, improve student outcomes. Although change was slow in the first years the state implemented LCFF, by 2017–18, student outcomes were improving, an effect that persisted into 2018–19 and beyond the pandemic.

The effects of LCFF on test scores begin to emerge in 2017–18 and persist through the pandemic

Test score increase for highest-need districts



Sources: California Department of Education, California Assessment of Student Progress and Performance research files, enrollment files; authors' calculations.
Notes: Separate estimates by year. Model includes average test scores for each grade-subject combination by district. Figure reports estimated increase in percent meeting standards for districts with 95% high-need student share. Solid bars denote statistically significant estimates at the 5% level. There was no exam in 2019–20, and the SBAC was optional and had low take-up in 2020–21. Figure shows equation (2) estimates of the change in slope at the cutoff for the percent proficient, by year. See report and technical appendix for full description of methods.

By 2021–22, we estimate that concentration grants led to an additional $16,000 per student in the very highest-need districts in the state; in the same year, the share of students meeting or exceeding standards on state tests went up 13 percentage points. Test scores rose modestly for grades 3–8 and rose notably for students in the 11th grade—which may reflect the length of exposure to LCFF for a cohort who attended schools that received LCFF funding for 9 of their 12 years.

Are districts targeting additional grant money to high-need students?

Each district prepares Local Control Accountability Plans (LCAPs) that offer insight into how they intend to spend LCFF funds. Comparing plans to actual 2021–22 supplemental and concentration funding reveals that, ultimately, districts do not plan to spend on high-need students in proportion to the amount of their grants. Nearly 60% of districts signal on their LCAPs that they spent less money on high-need students than they were allocated for these students. Nearly 20% spent about half or less.

A majority of districts spent their funds across all schools as opposed to targeting funds to high-need schools at the level of funding those schools generated. Furthermore, nearly 80% of concentration districts—or the highest-need districts—distributed funds in this more even way. The concern is that while 81% of high-need students are in concentration districts, 43% of non-high-need students are also in these districts—meaning that incomplete targeting of funding dilutes the impact of the formula on high-need students.

Though there is no strict legal requirement to target all supplemental and concentration funds to high-need students, incomplete targeting limits the extent to which LCFF can affect achievement gaps.

What steps can the state take to help districts better target money?

When funding meant for high-need students is not spent proportionally on the schools and students that generate the funds, it limits the ability of these added dollars to narrow gaps in achievement. Efforts to maximize the effectiveness of the LCFF will be key to addressing ongoing educational inequities and to helping California schools reach an equitable recovery after COVID-era learning losses.

To improve transparency, the California Department of Education should consider adding reporting codes for supplemental and concentration funds on districts' accounting reports. A site code for some expenditures can also help standardize data that districts already collect, so long as such efforts align with federal requirements.

Districts disclose their spending plans through LCAPs, but the documents are difficult to analyze; they are long, repetitive, and complicated. Making the LCAP an online document could make information more accessible and easier for stakeholders to compare, while streamlining reporting for districts. Improving the consistency of the financial information reported on LCAPs would improve transparency around how districts spend LCFF dollars; however, the state should explore ways to lighten the overall reporting burden and include districts in any efforts to revise LCAPs.

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Adapted by Stephanie Barton from *Examining the Reach of Targeted School Funding* by Julien Lafortune, Joseph Herrera, and Niu Gao.