CALIFORNIA SCHOOL FINANCE REFORM AND THE PURSUIT OF EQUITY
USING THE LOCAL CONTROL FUNDING FORMULA: A CASE STUDY

A Dissertation

Presented to the

Faculty of

California State Polytechnic University, Pomona

In Partial Fulfillment

Of the Requirements for the Degree

Doctorate Educational Leadership

In

College of Education and Integrative Studies

By

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2015
SIGNATURE PAGE

DISSEPTION: CALIFORNIA SCHOOL FINANCE REFORM AND THE PURSUIT OF EQUITY USING THE LOCAL CONTROL FUNDING FORMULA: A CASE STUDY

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DEDICATION

For my children,

Cailey, Madelyn, and Daniel

Whose unwavering love and support made this possible.

Never let anyone set limits on what you can achieve.

Through hard work and commitment, anything is possible.
ACKNOWLEDGMENTS

My doctoral journey would not have been successful without the love and support of many wonderful people. I would like to acknowledge the incredible support I received from Dr. Betty Alford, my dissertation chair, whose wisdom and inspiration, which she gave so generously, were key factors in my achievement. I also want to acknowledge Dr. Jacobsen and Dr. Nakaoka, whose time and expertise as part of my committee were invaluable. I want to thank Dr. Leon for not taking no for an answer, when recruiting me for this program. I want to also thank Dr. Nancy Sanders for her incredible work in the program and for always being there for Cohort One. Thank you to Dr. Medina for being a wonderful mentor and so giving of his time. I would like to thank my fellow Cohort One members for their love and support over these past three years. We became a family, and I hope we will always remain close friends.

I would like to thank those I work with for understanding my limitations over these past three years and for always stepping up when needed. Thank you to Sandra, Amy, Eileen, Daryl, Joe, Nate, and David for not only keeping things going during these past three years, but for taking them to the next level. Your hard work is greatly appreciated. To Richard, Stephanie, Darren and Fernando, without your support and patience, this would not have been possible. Thank you so much for allowing me the time and space I needed to complete this journey. Thanks to Lupe, Christine, and Estela, for providing your unwavering support.

I would also like to thank my family and close friends for their love and support. Thank you to my children for not only supporting me during this journey, but for becoming my biggest cheerleaders. Thank you to Lori and Mark for always being there
when I needed a helping hand. Your love and encouragement have meant the world to me. To Dianna, thank you for sharing this journey with me and being such a wonderful study partner and friend. Thank you to John for your wonderful advice when I wanted to quit. Also, thank you to Rick for your companionship and incredible sense of humor, which helped to lighten a sometimes unbearable load. Finally, to Don Eckrote, my dearest friend, who gave me the nickname, Dr. Barnes, years ago and in whose memory I sought to make it a reality.
ABSTRACT

This purpose of this research study was to determine whether the implementation of the Local Control Funding Formula (LCFF) increased the equitable distribution of resources and provided greater local decision-making within a large urban school district. The study was conducted as a mixed method single district case study. The research questions were designed to determine if the implementation of the LCFF had changed the relationship between the number of students receiving free and reduced meals and the amount spent on support services, and whether expenditure patterns changed, or greater flexibility and local decision-making was identifiable after implementation. Site principals and district administrators were also asked to provide challenges and barriers to implementation along with recommendations. The quantitative results relative to increased equitable distribution of resources indicated that the relationship between the district’s students receiving free and reduced meals and the amount spend on support services remained significant after the implementation of LCFF. The qualitative data provided support that increased flexibility and local decision-making had occurred primarily, at the district office level rather than at the school site level. Constraints placed on school site decision-making by district, state, and federal budget policies impacted expenditures through LCFF. The need for additional professional development and guidelines for site administrators in determining LCFF allowable expenditures was recommended. Greater coordination between state and federal guidelines was also recommended in order for the goals of LCFF to be realized.
TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Signature Page</td>
<td>ii</td>
</tr>
<tr>
<td>Dedication</td>
<td>iii</td>
</tr>
<tr>
<td>Acknowledgements</td>
<td>iv</td>
</tr>
<tr>
<td>Abstract</td>
<td>vi</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>vii</td>
</tr>
<tr>
<td>List of Tables</td>
<td>xii</td>
</tr>
<tr>
<td>List of Figures</td>
<td>xiii</td>
</tr>
<tr>
<td>Chapter 1: Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Background of the Problem</td>
<td>3</td>
</tr>
<tr>
<td>Landmark Litigation Impacting School Finance</td>
<td>4</td>
</tr>
<tr>
<td>Impact of California Court Cases and Voter Initiatives</td>
<td>7</td>
</tr>
<tr>
<td>Revenue Limit</td>
<td>8</td>
</tr>
<tr>
<td>Proposition 13</td>
<td>8</td>
</tr>
<tr>
<td>Proposition 98 and Proposition 111</td>
<td>9</td>
</tr>
<tr>
<td>Categorical Aid Programs</td>
<td>10</td>
</tr>
<tr>
<td>California’s 2013 Finance Reform</td>
<td>11</td>
</tr>
<tr>
<td>The Local Control Funding Formula</td>
<td>13</td>
</tr>
<tr>
<td>Statement of the Problem</td>
<td>15</td>
</tr>
<tr>
<td>Statement of the Purpose</td>
<td>16</td>
</tr>
<tr>
<td>Research Questions</td>
<td>16</td>
</tr>
<tr>
<td>Definitions</td>
<td>17</td>
</tr>
</tbody>
</table>
Assumptions and Delimitations ................................................................. 18
Significance of the Study ........................................................................ 19
Summary ................................................................................................... 20

Chapter 2: Literature Review .................................................................... 21
Introduction ............................................................................................... 21
Theoretical Framework ............................................................................. 24
Literature Review ...................................................................................... 24
  National Trends in School Finance Reform Litigation ......................... 25
    The First Wave-Federal Equity Litigation .............................................. 26
    The Second Wave-State Equity Litigation ............................................ 28
    The Third Wave-State Adequacy Litigation ....................................... 32
  School Finance Measures of Equity and Adequacy ............................. 35
    School District Cost and Function ...................................................... 37
    Production Function for Education .................................................... 38
    Successful Districts Approach ............................................................ 38
    Professional Judgment Approach ...................................................... 39
  Federal Education Funding and Policy .................................................. 40
  Does Money Matter? ............................................................................ 42
  Getting Down to Facts: School Finance and Governance in California .... 45
  Getting Beyond the Facts: Reforming California School Finance ........... 49
    Base Grant .......................................................................................... 51
    Supplemental Grant ............................................................................ 51
    Concentration Grant .......................................................................... 52
Hold Harmless Condition ................................................................. 52
The Local Control Funding Formula-Perspectives from Year One .......... 53
Enthusiasm and Worries ................................................................. 53
Changes to District Budget Practices .......................................... 54
The Challenges of the Local Control Accountability Plan ............... 55
Challenges Experienced by County Offices of Education ................. 55
District Challenges with Meaningful Community Engagement ........... 55
Summary ............................................................................................ 56
Chapter 3: Methodology ........................................................................ 58
Introduction .......................................................................................... 58
Research Questions ............................................................................ 60
Overview of the Study ......................................................................... 61
Methodology ....................................................................................... 62
Research Design .................................................................................. 62
Research Setting .................................................................................. 64
Research Sample and Data Sources ............................................... 65
Protection of Subjects ......................................................................... 67
Data Collection and Analysis ............................................................. 67
Quantitative Data Collection and Analysis ....................................... 68
Qualitative Data Collection and Analysis .......................................... 71
Limitations .......................................................................................... 72
Summary ............................................................................................ 73
Chapter 4: Research Findings ................................................................. 75

Introduction .................................................................................................. 75

District Demographics .................................................................................. 78

District Budget Policy and Procedures ......................................................... 84

Research Question Number One ................................................................. 87

Research Question Number Two ................................................................. 98

Research Question Number Three ............................................................. 102

    Status Quo at the Site Level ................................................................. 102

    Increased Collaboration at the District Level ....................................... 104

    Lack of Flexibility and Simplicity ......................................................... 107

Research Question Number Four ............................................................... 111

    Lack of Communication and/or Information ....................................... 111

Research Question Number Five ............................................................... 112

    Need for Additional Training and Reference Materials ..................... 112

Summary .................................................................................................... 113

Chapter 5: Conclusions and Recommendations ............................................ 115

Introduction ................................................................................................ 115

Summary of the Study ................................................................................ 115

Discussion of Research Findings ............................................................... 119

    Quantitative Findings ........................................................................... 119

    Qualitative Findings ............................................................................ 120

LCAP Development .................................................................................... 120

Lack of Clarity ............................................................................................ 123
## LIST OF TABLES

Table 1.1  2015-16 LCFF Schedule ................................................................. 15

Table 4.1  NCLB Transfers to East View Schools .............................................. 81

Table 4.2  School Site Funding Allocations Per Student ..................................... 84

Table 4.3  Elementary School Staffing Allocations ............................................ 85

Table 4.4  Secondary School Staffing Allocations ............................................. 86

Table 4.5  Descriptive Statistics Elementary Pre-LCFF Implementation .............. 88

Table 4.6  Pearson Correlation Elementary Pre-LCFF Implementation ................. 88

Table 4.7  Descriptive Statistics Elementary Post-LCFF Implementation ............. 90

Table 4.8  Pearson Correlation Elementary Post-LCFF Implementation ............... 91

Table 4.9  Descriptive Statistics Secondary Pre-LCFF Implementation ................ 93

Table 4.10 Pearson Correlation Secondary Pre-LCFF Implementation .................. 93

Table 4.11 Descriptive Statistics Secondary Post-LCFF Implementation ............... 95

Table 4.12 Pearson Correlation Secondary Post-LCFF Implementation ............... 95

Table 4.13 Coefficient of Determination and Alienation .................................... 97
## LIST OF FIGURES

<table>
<thead>
<tr>
<th>Figure Number</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Convergent Parallel Design</td>
<td>68</td>
</tr>
<tr>
<td>4.1</td>
<td>Ethnic Breakdown of East View</td>
<td>79</td>
</tr>
<tr>
<td>4.2</td>
<td>Ethnic Breakdown of Southside</td>
<td>79</td>
</tr>
<tr>
<td>4.3</td>
<td>Southside Unified School District Enrollment History</td>
<td>83</td>
</tr>
<tr>
<td>4.4</td>
<td>Scatterplot Elementary Prior to Implementation of LCFF</td>
<td>89</td>
</tr>
<tr>
<td>4.5</td>
<td>Scatterplot Elementary Post-Implementation of LCFF</td>
<td>92</td>
</tr>
<tr>
<td>4.6</td>
<td>Scatterplot Secondary Prior to Implementation of LCFF</td>
<td>94</td>
</tr>
<tr>
<td>4.7</td>
<td>Scatterplot Secondary Post-Implementation of LCFF</td>
<td>96</td>
</tr>
<tr>
<td>4.8</td>
<td>Elementary Expenditure Pattern Pre-Implementation of LCFF</td>
<td>99</td>
</tr>
<tr>
<td>4.9</td>
<td>Elementary Expenditure Pattern Post-Implementation of LCFF</td>
<td>99</td>
</tr>
<tr>
<td>4.10</td>
<td>Secondary Expenditure Pattern Pre-Implementation of LCFF</td>
<td>100</td>
</tr>
<tr>
<td>4.11</td>
<td>Secondary Expenditure Pattern Pre-Implementation of LCFF</td>
<td>100</td>
</tr>
</tbody>
</table>
Chapter 1

The nation’s public education system has seen numerous reform efforts throughout the years, but none as sweeping as the No Child Left Behind Act, 20 U.S. C § 6301 et seq. (2001) (Branca, 2009). The U.S. Congress enacted the comprehensive legislation in an effort to close the achievement gap and to provide marginalized student groups with an “opportunity for successful educational attainment” (Mayers, 2006, p 449). The No Child Left Behind Act (NCLB), required states and school districts to ensure that all students, regardless of ethnicity or socioeconomic status, be proficient in grade-level math and reading by 2014 (Federal Education Budget Project, 2014). After 10 years of grade-level standards with high-stakes testing and increased accountability measures, achievement gaps still persist. Rebell (2014) posited that the “disadvantages that stem from poverty…explain the failure of …schools to even come close to reaching the proficiency targets established …by the federal No Child Left Behind Act” (p.7). He further contends that federal and state officials “recognize this reality” but remain steadfast in their resolve that “overcoming the achievement gaps related to poverty and race is the country’s principal educational policy” (p. 1). However, he continues by emphasizing that federal and state officials have failed to ensure schools have the necessary resources to meet these goals (Rebell, 2014).

In 2013, The National Commission on Equity and Excellence in Education found that inequities in school funding still exist across the nation (Ali et al.). According to Rebell (2014) the Commission used California as an example of a state with vast disparities in per-pupil funding, stating that “even excluding the top 5 percent of districts, spending in California, in 2009, ranged from $6,032 to $18,025 per pupil” (p. 2). Ali et
al., (2013) further state that, “The time has come for bold action by the states--and the federal government--to redesign and reform the funding of our nation’s public schools. Achieving equity and excellence requires sufficient resources…” (p.17). Additionally, as outlined by Rebell (2014), the Commission recommended that each state undertake the following actions:

- Identify and publicly report the teaching staff, programs, and services needed to provide a meaningful educational opportunity to all students of every race and income level.
- Determine and report the actual cost of resources identified as needed to provide all students a meaningful educational opportunity based on the efficient and cost-effective use of resources.
- Adopt and implement a school finance system that will provide equitable and sufficient funding for all students to achieve state content and performance standards. *Equitable funding* includes the provision of additional resources to address the academic and other needs of low-income students, students with disabilities and English-language learners, and for districts and schools serving large concentrations of low-income students and those in remote areas.
- Ensure that their respective finance systems are supported by stable and predictable sources of revenue.
• Develop systems to ensure districts and schools effectively and efficiently use all education funding to enable students to achieve state content and performance standards. (p. 2)

In 2013, California implemented the Local Control Funding Formula (LCFF). LCFF incorporates many of the recommendations listed above. This new school finance system shifts California from an equality-based student finance system, to a weighted student formula based on the concept of equity. California’s Local Control Funding Formula, including the level of equity provided by this new school finance system, is the focus of this study.

**Background of the Problem**

This section will discuss the legal cases that were the basis for early school finance reform. The first case, *Brown v. Board of Education* 347 U.S. 483 (1954), helped to shape future legal arguments regarding equity and equal protection, which would eventually be used in school finance litigation (Bernie & Stiefel, 1999). Another groundbreaking case was *San Antonio Independent School District v. Rodriguez*, 411 U.S. 1, (1973). The ruling in this case established that the federal government did not consider education to be a fundamental right under the U.S. Constitution (Gillespie, 2009). Therefore, federal courts were no longer a venue for school finance reformers. However, the *Serrano v Priest*, 5, Cal. 3d, 584, (1971) decision opened the door for reformers to use state constitutions to promote finance reform. The Serrano (1971) ruling set the stage for the state court system to become a major, ongoing factor in school finance reform (Minorini & Sugarman, 1999).
Landmark Litigation Impacting School Finance

Historically, advocates fighting for equity within the nation’s educational system have turned to the courts for help when the traditional political process has failed to provide a satisfactory remedy. The theme of equal opportunity within the nation’s public education system influenced court cases pertaining to school finance (Bernie & Stiefel, 1999). One such influence was the landmark educational equity case of Brown v. Board of Education (1954). The plaintiff’s claim was that the segregated education provided to Black students under the ‘separate but equal’ doctrine established by Plessy v. Ferguson, 163 U.S. 537 (1896), was inferior to that received by White students, resulting in a violation of their constitutional rights under the Fourteenth Amendment. The U.S. Supreme Court ruled in favor of Brown (1954), noting that “education is perhaps the most important function of state and local governments” and further stated, that “in the field of education the doctrine of ‘separate but equal’ has no place. Separate educational facilities are inherently unequal” (Minorini & Sugarman, 1999b, p. 176). According to both Wise (1968) and Enrich (1995), the court’s emphasis on race, in their decision of Brown (1954), was “one of three particular themes” with historical relevance to the “evolution of legal ideas about school finance equity” (Bernie & Stiefel, 1999, p. 14).

Brown (1954) was an important victory for education reformers and opened the door to apply its theme of inequality of educational opportunities in respect to a particular race, or “suspect” class, to other aspects of school reform. In their book, Private Wealth and Public Education, Coons, Clune and Sugarman (1970) contended that school finance systems that relied largely on local property taxes were inequitable. They further argued that such school finance systems limited the educational opportunities of students living
in low property-wealth districts, which had higher incidents of minorities and students living in poverty. This was due to the fact that local property taxes provided fewer resources to low property-wealth districts than high property-wealth districts. Using the court’s decision in *Brown (1954)*, they argued that these school finance systems were discriminatory and violated the constitutional rights of poor students. A series of school finance cases were filed on behalf of students in low property-wealth districts, claiming that the disparity in school resources across school districts violated the equal protection clause of the U.S. Constitution (Minorini & Sugarman, 1999).

*Rodriguez (1973)* was one such case. This case was filed in 1968, on behalf of the parents of students in the Edgewood Independent School District in Texas. The district was located in a high-poverty region of the state, and the student demographic was ninety-six percent minority. The argument presented was that poverty was a suspect classification and, as such, should be protected under the Fourteenth Amendment’s equal protection clause. The lawyers further argued that education was a constitutionally protected fundamental right (Gillespie, 2009). While the plaintiffs prevailed in the lower courts, the U.S. Supreme Court ultimately reversed the decision by a five-to-four vote. In the explanation of the ruling, Justice Powell explained, “that education was not a fundamental right under the Constitution, in that it neither implicitly nor explicitly guaranteed it” (Gillespie, 2009, p. 996). The ruling in this case, essentially closed the door to federal litigation regarding state school finance systems. This did not, however, deter advocates from using the equal protection argument at the state level, since most state constitutions contained their own equal protection clause.
The precedent-setting case of *Serrano v. Priest*, 5 Cal.3d 584, 1971, argued that California’s school funding system violated the equal protection clause of both the U.S. Constitution and that of the State of California. The lawsuit was filed in 1968, the same year as *Rodriguez (1973)*, on behalf of John Serrano against Ivy Baker Priest, then California’s State Treasurer. Mr. Serrano was the parent of a student enrolled in Baldwin Park Unified School District, located in a low property-wealth community. At that time, there were vast disparities in per-pupil funding between high and low-property wealth districts in California. The plaintiffs argued that California’s school finance system, which relied heavily on local property taxes, created funding inequities. They further argued that, “the use of such a system created inequities in educational opportunity, resources, and quality for poor students throughout the state” (Minorini & Sugarman, 1999, p. 48). Timar (2007) provided the following example of how the primary use of local property taxes generated large disparities in available resources between high and low-property wealth districts, at the time of the lawsuit:

Baldwin Park had a tax rate of $5.48 per $1000 of assessed valuation, which produced $577 per average daily attendance (ADA). Beverly Hills, on the other hand, taxed itself at about half that rate, at $2.38 per $1000 of assessed valuation, yet generated $1,232 per ADA, over twice as much as Baldwin Park (p. 6).

The California Supreme Court found in favor of the plaintiff, Mr. Serrano, stating that California’s school “funding scheme invidiously discriminated against the poor because it made the quality of a child’s education a function of the wealth of his parents and neighbors” (*Serrano* 1971). The court’s ruling declared California’s school finance
system unconstitutional on the grounds that it violated both the Fourteenth Amendment of the U.S. Constitution and California’s constitutional equal protection clause. The ruling became precedent-setting when the court included California’s equal protection clause in their opinion. This was the first time a court’s ruling on a school financial system included a violation of a state’s constitutional equal protection clause. The inclusion of this statement also allowed the Serrano (1971) ruling to remain in effect when in 1973 the U.S. Supreme Court ultimately ruled on Rodriguez (1973) by declaring that education was not a fundamental right provided under the U.S. Constitution’s Fourteenth Amendment.

The Serrano (1971) decision opened the door for litigation regarding school finance reform using individual education and equal protection clauses within state constitutions. According to the National Education Access Network (2013), since the Serrano (1971) decision, forty-five states have been challenged in court regarding the constitutionality of their K-12 funding systems. The only exceptions are Delaware, Hawaii, Iowa, Nevada, and Utah. Currently, there are fifteen states with pending school finance litigation, including California.

**Impact of California Court Cases and Voter Initiatives**

This next section will discuss how the California Legislature developed revenue limits to equalize funding between districts in compliance with the Serrano (1971) ruling. The section also includes discussion of categorical programs, which were introduced to address the needs of specific populations. Another important aspect of California’s school finance reform, the voter initiative, will be examined. The initiatives that have had the greatest impact are Proposition 13, Proposition 98 and Proposition 11. Finally,
this section provides an overview of California’s most recent reform effort, the Local Control Funding Formula (LCFF), which was approved in 2013.

**Revenue limit.** In response to the *Serrano* (1971) ruling, the legislature enacted Senate Bill (SB) 90 (Chapter 1406/1972), which established a school finance system referred to as revenue limits. The new system benchmarked each district’s base revenue at its combined state aid and local property tax amounts in 1972-73. This ensured that districts did not lose funding as the result of implementing revenue limits. Each subsequent year, districts were to receive a differentiated inflation adjustment with low-wealth districts getting a larger amount than high-wealth districts. The result was a “squeezing” of the revenue growth in high-wealth districts and an increase in revenue growth in low-wealth districts in order to equalize funding levels. In 1974, the California Superior Court in Los Angeles ruled that SB 90 (1972), “still did not equalize education funding either sufficiently or quickly enough” (Bell, et al., 2013b, p. 5) The ruling further mandated that within six years the “state’s school finance system should reduce wealth-related disparities between school districts apart from categorical aids … to insignificant differences, with mean amounts considerably less than $100 per pupil” (*Serrano v. Priest*, 1974, paragraph 3(c)). In response to this latest ruling, Senate Bill (AB) 65 (Chapter 894/1977) was enacted, which established a schedule of equalization payments to more quickly eliminate the disparity in funding. However, before the state could equalize funding, Proposition 13 was enacted and changed school finance once again.

**Proposition 13.** In 1978, voters responded to the high property tax rates in California by passing Proposition 13. This initiative significantly changed the school finance system. Proposition 13 reduced property taxes by an average of 60% effective
the 1978-79 fiscal year (Bell, et al. 2013b). Under the revenue limit method, property taxes were the primary source of district funding. However, if property taxes alone were insufficient to reach the district’s established revenue limit amount, then the state was required to backfill the difference using state aid. Under Proposition 13, districts became highly dependent on the state for their funding. Under the new regulations, districts were no longer able to increase property taxes to fund general purpose expenditures, any inflation increase was now the sole responsibility of the state, and districts were now dependent upon state sales and income tax collections which are highly unstable year over year.

**Proposition 98 and Proposition 111.** In 1988, voters approved Proposition 98 in an attempt to provide a constitutionally guaranteed minimum funding level for California schools. The calculations used to determine the funding level under Proposition 98 were extremely sensitive to changes in the economy and state tax collections (Bell, et al., 2013b). The result was that education received large increases in funding when the economy is growing which cannot be maintained when the economy suffers a downturn. Proposition 98 consisted of three “tests” which determined the minimum funding level based on economic factors and state tax collections. The first two tests were included in the original Proposition 98 legislation and Proposition 111 added the third test. In *How California Funds K-12 Education*, Timar (2006), described the three tests in this way:

- **Test 1** provides K-12 and community colleges with at least the same percentage of state General Fund revenues as in 1986-87. At the time, this was roughly 40 percent.
• *Test 2* provides that K-14 receives at least the same amount of combined state aid and property tax revenues as in the previous year adjusted for state-wide ADA growth and an inflation factor equal to the annual change in per capita personal income.

• *Test 3* is generally the same as Test 2, but uses a different inflation factor—one that is equal to the annual percentage change in per capita state General Fund tax revenues plus ½% if the inflation factor is lower than the Test 2 inflation factor. (p. 8-9)

The three tests provided a certain level of predictability in that one could estimate, based on economic factors, which test education funding would fall into and, therefore, estimate its probable funding level. Test 3 served to protect the state from having to pay school districts more than it could afford at the expense of other segments of the government, such as health and social services. Another protection for the state was the ability to suspend Proposition 98 by a two-thirds vote of the legislature if they deemed it necessary. Schools were, in turn, protected through a provision called the “Maintenance Factor” which called for the eventual repayment of any funds lost due to a suspension or application of Test 3 (Timar, 2007).

**Categorical aid programs.** Categorical program funds were additional restricted dollars prescribed by the state. They were provided to districts based on the needs of their student populations. These programs targeted specific populations or legislative program priorities and had individual reporting requirements. Over the past several decades, as funds became available, the legislature created additional categorical programs rather than increasing districts’ discretionary funds. Unfortunately, this practice resulted in
disjointed funding that prohibited schools from creating a cohesive academic program for all students (Loeb, Bryk & Hanushek, 2007). The myriad state categorical programs targeted for English language learners, students of low socioeconomic status, and other underrepresented groups have done little to close the achievement gap (Loeb, Bryk & Hanushek, 2007). This practice stemmed from two main factors, the legislature’s lack of confidence in district administrators to spend funds appropriately and the desire to keep the funds from being placed on teacher salary schedules (Loeb, Bryk & Hanushek, 2007).

At one point, there were over 100 categorical programs funded by the state and federal governments, each with their own reporting requirements (Bersin, Kirst, & Liu, 2008). Kirst (2007) stated, “categorical aid represents about a third of the money Sacramento spends on schools” (p. 5).

**California’s 2013 finance reform.** After court rulings and voter initiatives, California’s school finance system had become a compliance-oriented system that did not differentiate for individual district or student need. Like many states, California did not adjust its finance system to align resources to support the expectations of the NCLB (2002) (Branca, 2009). During this period, California’s standardized tests highlighted the achievement gaps between various ethnic groups and children living in poverty throughout the state. By 2005, California students substantially lagged behind other states in achievement scores. According to the National Assessment of Education Progress, California students ranked seventh lowest in eighth-grade math, third lowest in reading, and second lowest in science in 2005 (Loeb, Byrk, & Hanushek, 2007). Kirst (2007) postulated, “the disjuncture between California’s finance and academic standards policies has become so stark that it is arguably jeopardizing further increases in academic
In response to the bleak achievement data included in the 2005 National Assessment of Education Progress, Governor Schwarzenegger’s Committee on Education Excellence, along with Senate Pro Tem Don Perata, Assembly Speaker Fabian Nunez, and Superintendent of Public Instruction Jack O’Connell, requested a study of California’s school finance and governance structure. The study was an unprecedented independent review of California’s education system coordinated by the Stanford Institute of Research on Education Policy and Practice, led by education Associate Professor Susanna Loeb. After 18 months of research, a report was completed, *Getting Down to Facts: School Finance and Governance in California* (Loeb, Bryk, & Hanushek, 2007), which consisted of 22 studies conducted by more than 30 researchers from universities and research institutes throughout the state (Trei, 2007). The purpose of the research was not to make specific recommendations, but rather to allow policymakers to gain a greater understanding of how the current school governance and finance systems function and to identify shortcomings within the two systems.

In 2008, Alan Bersin, Michael W. Kirst, and Goodwin Liu used the information contained in *Getting Down to Facts: School Finance and Governance in California* to design a new school finance system. The new system was outlined in a policy brief entitled *Getting Beyond the Facts: Reforming California School Finance* (Bersin, Kirst & Liu, 2008). Their recommendations called for a weighted student formula in place of the current revenue system as well as differentiated funding based on student population needs.
Getting Down to Facts and Getting Beyond the Facts positioned California policymakers to make sweeping school finance reform by the fall of 2009. Unfortunately, a recession and subsequent fiscal crisis halted any reform effort until 2013. The recession, which began in 2008, was the worst national recession since World War II (Bell, et al., 2013b). It devastated California’s economy resulting in the loss of 1.3 million jobs. By September 2012, California had the highest unemployment rate in the nation at 11.9 percent and a total loss in state revenue of 14 percent. The recession resulted in cuts to education funding in the amount of $7.7 billion or 16 percent over a four-year period (Bell, et al., 2013b). Only through the passage of another voter initiative, Proposition 30 in November 2012 did education finance reform finally become possible. The passage of Proposition 30 provided sufficient funding and stability to begin the first significant school finance reform in decades (Bell, et al., 2013b). The new finance system, called the Local Control Funding Formula (LCFF), was implemented as part of the 2013 State Budget Act. LCFF largely encompassed the recommendations included in Getting Beyond the Facts.

The local control funding formula. In 2013, revenue limits and most state categorical programs were replaced with Assembly Bill (AB) 97 (Chapter 47/2013). This is the most comprehensive finance reform the state has seen since Senate Bill (SB) 90, which implemented revenue limits in response to the Serrano (1971) decision (Bell, et al., 2013b). The LCFF is an attempt to align California’s school finance system to student achievement goals and represents a shift from a conceptual framework of equality to one of equity. According to Bell, et al. (2013b), the major funding features of the LCFF, are listed below:
1) Each district and charter school will receive equal per-pupil funding, based on their average daily attendance (ADA), provided through base grants tied to four specific grade spans.

2) Base grants will be augmented by 10.4% for students in grades K-3 to support class size reduction (CSR) in these grades. Districts must reduce class sizes to 24 students in grades K-3 by 2020-21. The yearly incremental reduction should be commensurate with the percentage of “gap” funding provided by the state. Districts may avoid this requirement by negotiating alternate class sizes with their teachers’ union.

3) Base grants will also be augmented by 2.6% for grades 9-12 to support career and technical education (CTE) courses. While all districts with this grade span will receive the additional funding, there is no requirement at this time that such courses actually be implemented.

4) Supplemental grants equal to 20% of the base grant amount will be provided to serve students of poverty, English language learners, and students in foster care. The funding will be based on an unduplicated count of students receiving free and reduced lunch, the number of English learners, and the number of foster care youth enrolled in a district.

5) Concentration grants equal to 50% of the base grant will be provided to districts whose unduplicated pupil counts of students receiving free and reduced lunch, English language learners, and students in foster care represent 55% or more of their total student population. (p. C-18)
Table 1.1 Depicts the major funding structures and target funding amounts within LCFF.

Table 1.1

2015-16 Local Control Funding Formula Schedule

<table>
<thead>
<tr>
<th>Factors</th>
<th>K-3</th>
<th>4-6</th>
<th>7-8</th>
<th>9-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjust Base Grant per ADA*</td>
<td>$7,863</td>
<td>$7,228</td>
<td>$7,444</td>
<td>$8,849</td>
</tr>
<tr>
<td>20 % Supplemental Grant</td>
<td>$1,573</td>
<td>$1,446</td>
<td>$1,489</td>
<td>$1,770</td>
</tr>
<tr>
<td>50% Concentration Grant (if eligible students exceed 55% of enrollment)</td>
<td>$3,932</td>
<td>$3,614</td>
<td>$3,722</td>
<td>$4,425</td>
</tr>
</tbody>
</table>

*Based on a unified school district, adjusted for CSR and CTE funding (Schools Services of California, Governor’s 2015-16 Budget Workshop, 2014, p. C-18)

The per-student funding amounts included in Table 1 are targeted funding amounts. These are the anticipated amounts that all districts will receive under full funding of LCFF by the year 2021.

Statement of the Problem

According to Bersin, Kirst and Liu (2008), California’s school finance system has been ineffective in ensuring an equitable distribution of resources to meet the diverse needs of its K-12 student population. They blame the ineffectiveness of the finance system on the fact that it used an overly complicated per-student funding formula, along with numerous, highly regulated, categorical programs. In 2013, California implemented a new school finance system, the LCFF. The goals of the LCFF are to simplify the funding formula, provide districts with greater local control and to provide additional resources to students with greater needs. These students have been identified as students of poverty, foster care youth and English language learners (Kaplan & Parker, 2013). Since the LCFF is still in its infancy, more research is needed to determine its
effectiveness in providing greater local control and increased equity for its targeted student populations (Humphrey & Koppich, 2014).

Statement of the Purpose

The purpose of the study was to determine if the implementation of the LCFF has increased the equitable distribution of resources and provided greater local decision-making within a large urban school district located in Southern California and to identify challenges and recommendations. This study added to the limited body of research regarding LCFF.

Research Questions

The study answered the following research questions:

1) Did the implementation of the Local Control Funding Formula change the relationship between the number of students receiving free and reduced meals and the amount spent on support services at the elementary and secondary school levels?

2) Did the implementation of the Local Control Funding Formula change expenditure patterns at the elementary and secondary school levels?

3) Has the implementation of the Local Control Funding Formula provided greater flexibility and local budget decision-making?

4) What challenges and/or barriers emerged during the implementation process?

5) What recommendations did site administrators identify to overcome these challenges and/or barriers in order to meet the goals of the Local Control Funding Formula?
Definitions

In order to facilitate a greater understanding of the terms within the study, definitions for the following terms have been provided.

Adequacy - The level of funding sufficient to ensure all students reach proficiency on state standardized tests or the educational provisions included in the state constitution.

Average Daily Attendance (ADA) - The average number of students actually attending classes who are enrolled for a least the minimum school day (Bell, et al., 2013b).

Categorical Aid – Funds granted by either the state or federal government to support a specific population of students or program initiatives. These funds are regulated by the party granting the funds.

Cost-of-living Adjustment (COLA) - An increase in revenue applied to a school district’s revenue allocation based on increases in a designated government price index.

English Language Learners (ELL) - Students whose parents have completed a Home Language Survey indicating that their primary language is Spanish.

Equalization Aid - Additional state aid provided to low-income districts to move their revenue allocation closer to the statewide average.

Equity - Refers to the principle of fairness in education finance by providing resources based on need in order to equalize each students’ ability to learn.

Foster Care Youth - Any student with an open case within the California Department of Children and Family Services.

Gap Funding - The funding provided to reduce the gap between the funding goals established under LCFF and a district’s current funding allocation.
Revenue Limit - The amount of revenue a district can collect annually for general purposes from local property taxes and state aid (Bell, et al., 2013b).

State Aid - General-purpose revenue provided by the state as part of a district’s revenue limit. These funds are necessary when property taxes in a given district either do not reach or exceed the minimum revenue limits established by law in California.

Students of Poverty - Students living in households where the household income is below the poverty line.

Supplanting - The act of superseding or replacing.

Support Services - Additional services provided by someone other than classroom teacher, i.e., librarian, social worker, psychologist, counselor, nurse, etc.

Unduplicated Count - The total number of students qualifying for supplemental and concentration grant funding under LCFF. A student can only be counted once, even though they may fall into one or more of the following categories: student of poverty, English language learner, or foster care youth.

Weighted Student Formula - A student-driven budget policy which provides equitable distribution of funds based on student need rather than equal distribution of funds per student.

Assumptions and Delimitations

Assumptions and delimitations have been established in order to assist in the data collection and timeframe of the study. The study was conducted within a single urban school district located in Southern California. Data was analyzed for the period of July 1, 2010 to May 31, 2015. For the purposes of the study, students of poverty were defined as those students who were receiving free and reduced lunch during a given year. English
language learners were defined as those students whose parents have completed a Home Language Survey indicating that their primary language is Spanish. A student in foster care is defined as any student with an open case within the Department of Children and Family Services. It was further assumed that the percentage of students receiving free and reduced lunch represented an accurate unduplicated count of students in the targeted populations at each site. Interviews were conducted as part of the study. It was assumed that responses given by the individuals interviewed were truthful and were given freely without hidden agendas. The focus of the study was the perspective of site and district administrators. Therefore, interviews of parents, students and community members were not conducted as part of this study.

Significance of the Study

Implementation of LCFF is a historic step in California school finance. It is the first departure from the concept of an equal per-pupil funding formula, which became the priority after the Serrano (1971) ruling. The concept of equal funding does not address the needs of higher-cost populations, such as, English language learners and students of low socioeconomic status within districts (Bersin, Kirst & Liu, 2008). The state legislature chose instead to address these higher cost populations by funding specific categorical programs targeted at their needs. Unfortunately, this method led to a highly dysfunctional finance system that few could understand. The LCFF strives to correct many of the inadequacies of the prior method through the use of a weighted student formula using supplemental and concentration funding for high-cost populations. A mixed method case study of the LCFF within a large urban district provided policymakers with data regarding the extent to which LCFF met the goals for which it
was created, within one district. The results may help inform policymakers regarding next steps in their finance reform effort.

**Summary**

The California school finance system has been shaped by legal rulings and voter initiatives (Timar, 2006). Over the past thirty years, the school finance system has become more complex and dysfunctional (Loeb, Bryk & Hanushek, 2007). A study entitled *Getting Down to Facts California* (Loeb, Bryk, & Hanushek, 2007) outlined the problem areas of the finance system and stemmed a further study entitled *Getting Beyond the Facts* (Bersin, Kirst & Liu, 2008), which recommended a weighted student formula as a method to address the broken school finance system.

In 2013, Governor Brown implemented sweeping school finance reform through the Local Control Funding Formula. This study sought to determine if the implementation of the Local Control Funding Formula increased the equitable distribution of resources and provided greater local control within a large urban school district located in Southern California. Chapter 2 will include a review of the relevant literature related to the topic area. Chapter 3 will detail the methodology used by the researcher to conduct the mixed method case study. Chapter 4 will report on the findings and results of descriptive statistical analysis and interviews conducted as part of the case study. Finally, Chapter 5 will provide conclusions and recommendations.
Chapter 2

California’s school finance system has been shaped by “a combination of court rulings, legislative enactments, and voter initiatives” (Timar, 2006, p. 5). In their 1971 ruling on *Serrano v Priest*, 5, Cal. 3d, 584, (1971), the California Supreme Court found that California’s school finance system, which was based solely on property tax collections within a district’s geographical boundary, was unconstitutional because it did not provide equal access to educational resources (Minorini & Sugarman, 1999). As a result, policymakers established a revenue limit for each district, thereby creating an equal minimum amount of funding per student (Bell, et al., 2013b). The formula called for the collection of property taxes as the primary source of revenue with state aid providing the balance. The purpose of revenue limits was to increase the per-pupil funding provided by low property-wealth districts to the level provided by high property-wealth districts, which would require a redistribution of funds over time (Bell, et al., 2013b). In response to this redistribution of tax dollars, voters in California approved Proposition 13 (Fischel, 1989). Proposition 13 immediately reduced property taxes and limited each school district’s ability to raise property taxes in the future (Bell, et al., 2013b). The impact of Proposition 13’s reduction in property tax collections, which were a major source of funding for schools, shifted the burden of school funding from the local level to the state level (Marlow, 2000). The combination of *Serrano* (1971) and Proposition 13 resulted in the transformation of California’s school finance system from a local decentralized system to one of a state centralized system (Timar, 2006).

The implementation of revenue limits addressed the issue of unequal per-student resource allocation, which was the basis of the *Serrano* (1971) case, however it did not
address the issue of diverse populations within or among California school districts (Bersin, Kirst & Liu, 2008). In order to meet the needs of diverse populations, both state and federal governments have established categorical program aid (Bell, et al., 2013b). Categorical program aid is additional funding that is targeted to specific student populations. Funds are awarded for each categorical program based on the number of eligible students within the district. Categorical programs are highly regulated and have specific reporting requirements (Loeb, Bryk & Hanushek, 2007). According to Duncombe and Yinger (2007), “each categorical aid program places additional constraints and responsibilities on school districts” (p. 2). In their 2007 Syracuse University study, Duncombe and Yinger noted that California’s education budget devoted a higher percentage of its funding to categorical programs than most states.

In fact, California had over 100 categorical programs available to districts prior to Governor Schwarzenegger’s implementation of categorical block grants in 2005. These categorical block grants combined over forty categorical programs into six block grants (Bell, et al., 2013b). In their study of California’s school governance and finance systems, Getting Down to Facts, Loeb, Bryk and Hanushek (2007) found that California’s disproportionate use of categorical programs was a major source of dysfunction within the state’s school finance system. They pointed to the fact that the stringent reporting requirements caused site administrators to spend too much time completing expenditure reports and not enough time on implementation and monitoring of the programs. They also found that the rigorous spending limitations made categorical program funds very difficult to spend and that, in many cases, program funds went unspent by sites and districts.
Another aspect complicating California’s school finance system was the use of complex formulas to allocate general-purpose funds to districts (Loeb, Bryk & Hanushek, 2007). These formulas were the result of voter initiatives, Proposition 98 and Proposition 111, which were intended to provide a minimum funding level for schools (Bell, et al., 2013b). However, these initiatives resulted in complex funding formulas that did not allow for funding transparency within California’s school finance system (Bersin, Kirst & Liu, 2008). Timar (2007) also stated that California’s use of multiple categorical programs, in addition to complicated funding equations for resource allocation, was the reason California’s school finance system was both difficult to understand and dysfunctional.

In 2013, Governor Brown implemented the Local Control Funding Formula (LCFF), which changed California’s school finance system from an allocation method using multiple sources of funding, i.e., revenue limits and categorical programs, to a single weighted student formula. This method of resource allocation is centered on an equitable distribution of funds based on student need (Kaplan & Parker, 2013). According to Kaplan and Parker (2013), the goals of the new LCFF are to “provide more resources to students with greater need; make California’s education finance system more transparent, rational, and equitable; and boost funding for the vast majority of school districts” (p. 5).

This study focused on the implementation of the LCFF. The purpose of the study was to determine if implementation of the LCFF has increased the equitable distribution of resources and provided greater local decision-making within a large urban school district located in Southern California and to identify challenges and recommendations.
This chapter will include a discussion of the theoretical framework used in the study, as well as a review of the pertinent literature on the topic of school finance reform.

**Theoretical Framework**

This research study was based on the theoretical framework of vertical equity. Vertical equity “specifies that differently situated children should be treated differently” (Berne & Stiefel, 1999, p. 7). Within the LCFF, three specific student populations were identified as the focus of the weighted student formula. These three student populations consist of students of poverty, English language learners, and students in foster care (Bell, et al., 2013b). Loeb, Byrk and Hanushek (2007) estimated that it costs 30 percent more to educate students of poverty and 24 percent more to educate English language learners.

Therefore, in order to achieve a more equitable distribution of funds, the identified student populations should receive additional resources (Berne & Stiefel, 1999). Furthermore, in order to meet the unique educational needs of these student populations, administrators must be afforded greater autonomy in the use of their site resources (Chambers, Shmabaug, Levin, Muraki, & Poland, 2008). As part of the implementation of the LCFF, state categorical programs were essentially eliminated in an attempt to increase local decision-making (Kaplan, 2013). Therefore, it was theorized that the implementation of the LCFF would provide a more equitable distribution of funds and increased local decision-making.

**Literature Review**

The literature review will include a review of the major stages or waves of school finance reform, including major court cases that have shaped school finance systems
throughout the nation. The role of federal funding within districts and a discussion of whether or not the level of resource allocation has an impact on student outcomes will also be included. Finally, the studies that informed California’s 2013 school finance reform, known as the Local Control Funding Formula, as well as studies of similar funding formulas used in other states will be reviewed. The 2013 reform effort began with a study by Loeb, Byrk and Hanushek (2007) called *Getting Down to Facts: School Finance and Governance in California* commissioned by the Governor, in 2005 (Bell, et al., 2013b). The study was actually the result of 22 separate studies conducted throughout the state by major universities which focused on how the school governance and finance systems functioned in California at the time (Loeb, Bryk, & Hanushek, 2007).

Additionally, the recommendations contained in *Getting Beyond the Facts: Reforming California School Finance* by Bersin, Kirst, and Liu (2008) will be reviewed in context with the LCFF regulations.

**National Trends in School Finance Reform Litigation**

Historically, three major frameworks have emerged in relation to school finance reform; these are equality, equity, and adequacy (Hansen, Chalk, & Ladd, 1999). These frameworks have evolved over time, mainly through education finance reform litigation and have “traditionally been divided into three waves: federal equality litigation, state equality litigation, and state adequacy litigation” (Gillespie, 2010, p. 991). According to Reich (2006), litigation to produce school finance reform has been so prevalent that “over the past thirty years, …45 states have had their school funding schemes challenged in state courts” (pp. 3-4). Each of these frameworks will be discussed below, along with any
corresponding court cases, and the impact these rulings have had on California school finance.

**The first wave--federal equality litigation.** The quest for equal opportunity was the first framework to emerge. According to Berne and Stiefel (1999), the framework of equal opportunity is based on the premise that “success should not depend on circumstances outside the control of the child, such as the financial position of the family, geographic location, ethnic or racial identity, gender, and disability” (p. 13). The United States Supreme Court established the legal argument for equality in 1954, when it “held in the landmark case, *Brown v. Board of Education 347 U.S. 483 (1954)*, that when a state provides children an education, such an opportunity ‘is a right which must be made available to all on equal terms’” (Reich, 2007, p. 3). According to Minorini and Sugarman (1999), the nexus between the *Brown (1954)* case and school finance began in the 1960s when civil rights advocates and legal scholars began examining America’s school finance systems and found that most states relied on local property taxes to provide funding for school districts. Upon their examination, they concluded “that, by giving local governments the primary power and responsibility to raise funds and set spending levels in public schools, states had created systems that substantially advantaged some children over others” (p. 35). Two major publications by school finance researchers linked the equality argument to public school finance systems. The books were *Private Wealth and Public Education* by John E. Coons, William H. Clune and Stephan D. Sugerman (1970) and *Rich Schools: Poor Schools* by Arthur Wise (1968). Springer, Houck, and Guthrie (2008) stated, “Both books targeted property related resource disparities within states, as an injustice and constructed a constitutional
argument, based on the Fourteenth Amendment’s equal protection clause, by which resource disparities could become a productive province for adjudication” (p. 11).

Shortly following these publications, two landmark cases were filed using the constitutional legal arguments developed by Coons et al. (Minorini & Sugarman, 1999). The first case, *Serrano v. Priest (1971)*, was filed in California followed by *San Antonio Independent School District v. Rodriguez (1973)*, which was filed in Texas. Although both cases used essentially the same argument, that “local control over taxation for public school[s] … yield[s] inappropriate and discriminatory disparities in education [opportunity]” (Baker & Green, 2008, p. 207), only *Serrano (1971)* was ultimately successful. The success of the *Serrano (1971)* case was due to the fact that it included the argument that California’s school finance system violated both the Fourteenth Amendment of the U.S. Constitution and the education clause within California’s state constitution.

The California Supreme Court ruled in favor of *Serrano (1971)* finding that the state’s finance system violated the Fourteenth Amendment but that the ruling was also applicable to California’s education clause (Minorini & Sugarman, 1999). Had they not included that their ruling also applied to California’s education code, *Serrano (1971)* would have been overturned by the U.S. Supreme Court’s decision of *Rodriquez (1973)* (Minorini & Sugarman, 1999). The *Serrano (1971)* ruling eventually called for the state legislature to develop a finance system that provided equal per-student funding to within $100 for districts throughout the state, which ultimately led to the implementation of revenue limits in California (Bell, et al., 2013b).
The *Rodriguez (1973)* case argued that the state’s education finance system violated the Fourteenth Amendment of the U.S. Constitution. The case was heard by the U.S. Supreme Court, which ruled that education was not a fundamental interest under the federal constitution. The ruling also stated that “poor children in poor districts were not considered a suspect classification” and therefore did not take precedence over the state’s right of local control over taxation to fund their school finance system “even though it was clearly unequal” (Koski & Hahnel, 2008 p. 46). The *Rodriguez (1973)* case resulted in a shift in the focus of school finance litigation from the federal courts to the state courts, using state education clauses instead of the Fourteenth Amendment (Minorini & Sugarman, 1999). The *Rodriguez (1973)* decision also resulted in a shift from litigation geared towards equality, to litigation based on the equity of school finance systems. This shift became known as the second wave of school finance litigation (Gillespie, 2010).

**The second wave--state equity litigation.** The second wave included cases that sought relief using state equal protection clauses as well as state education clauses. Cases based on state education clauses tended to argue “that local funding violated states’ constitutional responsibility to provide efficient and adequate education” (Evans, Murray, & Schwab, 1999, p. 73). The use of both equal protection and education clauses that provide for “efficient and adequate” education as a source of achieving equity highlighted the fact that there are two definitions of equity used in school finance (Berne & Stiefel, 1999). The first is horizontal equity, which is defined as “the equal treatment of equals” (Baker & Green, 2008, p. 204). This form of equity is measured by the *inputs* of a finance system. Therefore, a system that provides horizontal equity would result in equal per-pupil funding for all schools within a district. Horizontal equity is most commonly
associated with the concept of fiscal neutrality (Evans, Murray & Schwab, 1999). The second form of equity is vertical equity, which is defined as “equal opportunity for an equal outcome” (Koski & Hahnel, 2008, p. 43). This type of equity calls for differentiated funding to provide those with additional needs an equal opportunity to achieve an equal outcome (Berne & Stiefel, 1999). The emphasis of this type of equity is the measure of student outcomes (Evans, Murray & Schwab, 1999).

During this second wave of litigation, the courts decided cases using either the concept of horizontal equity or fiscal neutrality. The concept of fiscal neutrality was coined by Coons, Clune, and Sugerman (1970) and states that “the quality of a public education may not be a function of wealth other than the wealth of the state as a whole” (p. 45). During this period, the courts were inclined to decide in favor of the state if their school finance system provided relatively equal per-pupil funding between districts thereby achieving horizontal equity. In cases where per-pupil funding was not equal, courts looked to the concept of fiscal neutrality to decide the case. Consequently, as long as the school finance system was not solely dependent upon property-wealth within individual district boundaries, courts found that fiscal neutrality had been achieved and ruled in favor of the state (Reich, 2006).

This second wave of litigation, using the two forms of equity, lasted between 1973 and 1989 (Evans, Murray & Schwab, 1999). According to Minorini and Sugarman (1999b), the case most commonly associated with this era of litigation is Robinson v Cahill, 303 A.2d 273, (1973), which originated in New Jersey and lasted for over 20 years. The New Jersey Supreme Court’s first ruling in this case came in 1973, which they based “solely on the state’s education article, which imposed on the state legislature a
duty to provide a thorough and efficient education to the state’s children” (Koski & Hahnel, 2008, p. 47). The court did not specify how the legislature was to address their ruling that the state must afford every pupil educational “opportunit[ies] that will equip [him] for his role as citizen and as competitor in the labor market” (Robinson I, 1073:293). In 1976, upon review of the opportunities afforded to students within the New Jersey public school system and the legislature’s ability to fund said opportunities, the New Jersey Supreme Court ruled that the state had met its constitutional obligation under Robinson (1973) (Minorini & Sugarman, 1999). However, the new system did little to equalize funding between districts within the state of New Jersey.

This lack of equalization became the impetus for additional court cases in the state over the next two decades. According to Minorini and Sugarman (1999), the New Jersey Supreme Court eventually ruled that the state had to “equalize the spending in the poorest districts to that of the wealthiest districts” as well as “provide additional funding to the poorer districts to account for the extra educational needs of the children from disadvantaged backgrounds” (p. 51).

Once again, the New Jersey Supreme Court remained silent as to how the legislature was to meet the obligation of their ruling. With no clear directive, the legislature essentially ignored the court’s ruling for many years (Goertz & Natriello, 1999). It was not until 1998, after the New Jersey Supreme Court, in conjunction with the New Jersey Department of Education, finally ordered the legislature to implement specific educational reform measures that the case was deemed resolved (Minorini & Sugarman, 1999b).
There were two other court cases worth noting during this period. These cases originated in Washington and West Virginia and challenged their state’s education finance systems on the basis that the finance systems violated their state’s education clauses. These cases were different from the New Jersey case in that the plaintiffs argued that the school finance systems denied equity of access to adequate educational opportunities. These cases were the precursor to the third wave of adequacy litigation (Minorini & Sugarman, 1999). In 1978, the Washington Supreme Court ruled that the state’s school finance system had violated the state’s education clause because it had not provided students with the educational opportunities required by state statues and regulations. Their decision was based on the fact that the state’s finance system relied on voters to approve special excess levy funding for schools and voters had failed to do so over the past two years (Minorini & Sugarman, 1999).

In 1979, the West Virginia Supreme Court ruled that their state’s education finance system was unconstitutional because it did not contain the elements necessary to meet the *thorough and efficient* educational system required under their constitution. Ultimately, the state legislature and Department of Education developed an education plan that “included the development of education standards and curricula geared to those standards, improved facilities, and a revised school finance plan” (Minorini & Sugarman, 1999b, p. 194).

The New Jersey case highlighted the fact that, although the courts have the authority to declare a school finance system unconstitutional, they do not have the expertise to provide a solution as part of their ruling, nor the authority to mandate the legislature provide a remedy. Therefore, the courts are dependent on the legislature to
willingly comply with their ruling (Goertz & Natriello, 1999). This lack of authority is considered one of the reasons courts became less receptive to equity-based arguments associated with school finance reform (Gillespie, 2010). During this time, “plaintiffs only prevailed in 7 of 22 final decisions” (Koski & Hahnel, 2008, p. 47). However, these second wave cases did have an impact on school finance systems. The impacts can be summarized as follows: 1) in states where the finance systems were overturned by their high courts, the per-pupil spending became more equalized; 2) the equity was achieved by providing additional funds to low-wealth districts; 3) the successful challenge of a state’s school finance system resulted in increased school funding; and 4) when a school finance system was found to be unconstitutional, education spending became more centralized (Koski & Hahnel, 2008).

Faced with the reality that courts were becoming less receptive to equity-based arguments, advocates changed their litigation strategy (Gillespie, 2010). Their new strategy became the third wave in school finance reform litigation, which focused on the adequacy of school funding systems.

**The third wave—state adequacy litigation.** The adequacy movement began in 1989 and continues today. According to Gillespie (2010), “the shift from equity to adequacy was largely based on the result of the standards-based movement of the 1980s” (p. 1002). Adequacy is defined as “a specific level of resources required to achieve certain educational outcomes” (Koski & Hahnel, 2008, p. 47) and “is measured in terms of whether funding is sufficient for children in schools to achieve state-mandated minimum outcome levels” (Baker & Green, 2008, p. 211).
The case that established “adequacy as a distinct theory in finance litigation” was Kentucky’s *Rose v Council for Better Education*, 790 S.W. 2d 186, Ky. (1989) (Minorini & Sugarman, 1999b, p. 195). Gillespie (2010) called *Rose*, “arguably the most successful adequacy-based litigation” (p. 1003). She further stated that although the case was brought before the court “on behalf of poor school districts seeking more equitable funding for their students,” the court found that even “the more affluent school districts were inadequately funded when compared to national standards” (p. 1003). In its ruling, the court found that the state’s entire education system was unconstitutional because it did not comply with the state’s education article. Kentucky’s education article required that the children of Kentucky be provided an adequate education, which was defined by seven specific capabilities (Reich, 2006). Minorini and Sugarman (1999b) listed these capabilities as follows:

- Sufficient oral and written communication skills to enable students to function in a complex and rapidly changing environment;
- Sufficient knowledge of economic, social, and political systems to enable the student to make informed choices;
- Sufficient self-knowledge and knowledge of his or her mental and physical wellness;
- Sufficient grounding in the arts to enable each student to appreciate his or her cultural and historical heritage;
- Sufficient training or preparation for advanced training in either academic or vocational fields so as to enable each child to choose and pursue life work intelligently; and
• Sufficient levels of academic or vocational skills to enable public school students to compete favorably with their counterparts in surrounding states, in academics, or in the job market. (p. 195)

In response to the court’s ruling, the Kentucky Legislature enacted a comprehensive statewide education reform package entitled the Kentucky Education Reform Act (KERA) (1989) (Hiese, 1995). According to Minorini and Sugarman (1999b), KERA (1989) provided a substantial increase to the minimum guaranteed per-pupil student funding levels, which resulted in a 25 percent increase in spending in the poorest districts and an eight percent increase in the most affluent districts. KERA (1989) also developed new education standards, statewide curriculum frameworks, performance-based standard assessments, and a statewide accountability system. According to Gillispie (2010), “two state supreme courts have adopted [Kentucky’s] definition of an adequate education, and numerous other courts have explicitly relied upon it when defining a constitutionally adequate education” (p. 2004).

The most notable California cases to use the adequacy argument are Williams v State of California (2003) and Robles-Wong v. California (2010) (Bell, et al., 2013b). The Williams case was settled out of court but stemmed around the adequacy of school facilities, credentialed teachers, and instructional materials provided to low-achieving schools verses those of high-achieving schools. The state chose to settle the lawsuit out of court because of the prevalence of victories using adequacy arguments at the time (Bell, et al., 2013b). According to Gillespie (2010), “adequacy plaintiffs ha[d] prevailed in twenty-five states and ha[d] been victorious in ten of the fourteen cases decided between 2003 and 2005” (p. 1002). The settlement resulted in additional funding for low-decile
schools to improve facilities and audits were instituted to ensure facilities are kept in
good repair, teachers are properly credentialed, and sufficient textbooks are provided to
all students (Bell, et al., 2013b).

The plaintiff in *Robles-Wong v California* (2010) argued that California was in
violation of its education clause because it did not provide an adequate funding level to
sufficiently prepare students for the 21st century under the standards-based curriculum
adopted by the State of California. Therefore, the state was denying students the
fundamental right to an adequate education (Bell, et al., 2013b). The courts ruling on
*Wong* established that California did not have an obligation under its education articles or
constitution to fund education at a specific level. This case was precedent-setting for
California and made it more difficult to bring the issue of the adequacy of California’s
per-student funding before the courts in the future (Bell, et al., 2013b).

One of the issues that courts and legislatures have wrestled with since adequacy
cases have become prevalent is how to establish a quantitative measurement for the
adequacy of school funding. The next section will address this issue and discuss the three
most common methods for establishing the amount of funding necessary to provide
adequate educational outcomes.

**School Finance Measures of Equity and Adequacy**

This section will discuss four methodologies used in school finance to measure
equity and adequacy. These measurements are cost function, and production function,
successful schools, and professional judgment. This section will also include key
findings for each of the methods from the *Getting Down to Facts* (Loeb, Byrk, &
Hanushek, 2007) study that was specific to California’s school finance system. For the
purpose of this section, the term *equitable* as it relates to the measurement of a school finance system is defined as “one that reduces to a “reasonable level” the disparity in spending across a state’s districts” (Downes & Steifel, 2008, p. 222). An *adequate* school finance system is defined as, “one that provides sufficient spending to give students in each district an opportunity to meet state standards of performance” (Downes & Steifel, 2008, p. 222).

In this era of litigation related to the adequacy of school funding, one must be able to quantify the level of funding required for students to achieve the desired results on state standardized tests (Downes & Steifel, 2008). This determination is not an easy task in the field of education for several reasons. According to Loeb, Bryk and Hanushek (2007), first, the disparity between the current student outcomes and the established goals are quite different. In such cases, one must know what specific actions are necessary to improve a student’s achievement in order for the cost to be quantified. In most cases, this information is not obtainable.

Second, needs vary across districts. Some differences stem from student populations while others are the result of differences in the capacity of teachers and administrators within individual schools. These variances are difficult to quantify. Third, once quantified, these costs are unique to specific schools and districts at a given time. Once variables change within these institutions, the resource needs change as well. Finally, the calculation is also impacted by changes in non-human resources. Technological changes to curriculum or instruction impacts the cost to reach desired outcomes. Although it is difficult to quantify the exact dollar amount necessary to achieve adequacy, there is value
in modeling various scenarios in order to see how increases in school resources might impact student outcomes (Loeb, Bryk & Hanushek, 2007).

**School district cost and function.** According to Downes and Stiefel (2008), the cost function approach is a measure of adequacy and applies “economic theory to understand the behavior of local governments and to explain variation in expenditures across school districts” (p. 228). The following equation is used to determine “the relationships between the variation in per-pupil expenditures to variation in output levels, input prices, and student and district characteristics” (p. 228).

\[ C = pX = c(Q,p,A) \]

Where: (Q) represents the outcomes of the projection process, (X) represents the inputs to the production process, (C) is the cost per pupil, (p) represents input prices, (A) consists of variables that measure attributes of students and the school district that influence cost, and (c) is the functional form relating costs to its determinants.

Downes and Stiefel (2008) contended that there are both positive and negative aspects of using this approach. The positive is that it is one equation, so as factors change, the equation can be easily updated. However, they recognized four major drawbacks to the use of this approach: 1) high-quality data must be used to ensure accuracy; 2) measuring the efficiency regarding delivery of education is complex, and there is no standard method; 3) there is not a standardly used function form, and using different function forms garner different results; and 4) this approach can determine the spending level needed to generate a desired result, but it cannot determine how to best use the funds.
As part of the *Getting Down to Facts* project, an analysis was completed using both the cost and production function methods. According to Imazeki (2007), the cost function model estimates that California schools would need up to $1.7 billion more to achieve state API goals of 800, and the minimum base funding would need to be set at $5,832 per pupil based on 2004-05 dollars (p. 2). By way of comparison, the LCFF when fully funded will provide an average base grant of $7,846 in the year 2021 (Bell, et al., 2013b).

**Production function for education.** The production function is defined by Downes and Stiefel (2008) as “the efficient relationship between student outcomes and spending” (p. 225). They further stressed that the production function is the inverse of the cost function which determines spending based on student outcomes. However, the two methods can vary widely in their results based upon the variables being used. For example, the results obtained by Imazeki (2007) using production function estimated the cost to get California schools to an 800 API was $1.5 trillion as compared to the $1.7 billion estimate using the cost function approach. Further research is needed to determine why the two estimates are so far apart (Imazeki, 2007).

**Successful districts approach.** The concept behind this approach is that districts that are achieving the desired level of success must be spending their money where it is most needed. The first step in this model is to determine the criteria to be used to define a *successful district*. Second, the spending data are gathered for the districts meeting the criteria. Third, the outliers are identified as the highest and lowest spending districts, and these districts are removed from the group. Fourth, after the outliers are removed, the average per-pupil spending is calculated. Finally, the per-pupil spending is adjusted for
possible differences between districts. These adjustments include district size, student population, and teacher salaries (Downes & Stiefel, 2008).

When this method was used as part of the *Getting Down to Facts* study, the results found that there is “no relationship between school resources and academic success,” and “interviews reveal some factors related to success, but no real recipe” (Perez, et al., 2007, p. 2). Perez (2007) concluded that it “is not that resources don’t matter but that they only matter in combination with how they are used” (p. 3). According to Perez (2007), the limitation associated with this method is that it is very hard to duplicate a successful school. Much of the success is attributed to the staff and administrators and their relationships with the children and community. Therefore, providing the same funding level or programmatic strategies may not garner the same results at another school.

**Professional judgment approach.** This approach uses highly qualified professional educators to determine the per-pupil spending needed to reach achievement goals at a school or district based on a typical student population. Once the group of professionals has determined what it would take to meet performance standards at a typical school, they are then asked to add specific characteristics to the scenario. The characteristics usually pertain to student enrollment, number of students eligible for free and reduced meals, and the number of English language learners. They then take the academic program they created for the typical student population and add additional services to address the needs of students in poverty and English language learners.

The participants meet over several days to determine the various programmatic needs for all students. Researchers, using the data provided by the panel of experts, then
determine the cost per pupil. These cost are adjusted for differentials pertaining to district size and demographics (Chambers, Levin, & Delaney, 2006; Downes & Stiefel, 2008). The results of the panel using this method as part of the *Getting Down to Facts* study was that additional resources were necessary. Cost estimates based on the panel’s recommendations determined that approximately 50 percent more funding would be required using the per-student cost provided in 2004-05 (Chambers, Levin, & Delaney, 2006).

Additional background information and a detailed discussion of the findings of the *Getting Down to Facts* study conducted on California’s school finance system will be provided later in this chapter. The next two sections will discuss the role of federal funding in state school finance systems and to what extent money makes a difference in student outcomes.

**Federal Education Funding and Policy**

In 1965, President Lyndon B. Johnson established the Elementary and Secondary Education Act (ESEA) as part of his *War on Poverty* (Sunderman, 2013). ESEA provided a federal funding source for public schools that served low-income families, as a means of addressing social inequities within districts (Cohen & Moffitt, 2009). According to the National Center for Education Statistics, in 2011 federal funds accounted for approximately 12.5 percent of the nation’s school district revenues and approximately 13.6 percent of California’s total school district revenues (Cornman, 2014). While this figure pales in comparison to the amount provided by state and local funds, this amount still provides the federal government substantial leverage over state and local education policy when coupled with Title VI of the Civil Rights Act (Cohen &
Moffitt, 2009). The federal government’s power to influence state education policy became more apparent with the release of the federal report entitled *A Nation at Risk* in 1983. According to Odden and Wolstetter (1992), this report catalyzed education reform in the 1980s. They further stated that the report “defined the problems afflicting American education, talked about a rising tide of mediocrity in the nation’s public schools and called for deep and comprehensive changes” (p. 366). According to Sunderman (2013), ESEA “represents the primary federal policy vehicle for achieving equitable public education” and “reauthorizations have gradually shifted from a compensatory perspective on equitable education…to an outcome perspective on equitable education” by which districts are held accountable for the achievement gap of low-income students (p. 71). The federal government implemented the No Child Left Behind Act in 2001 (NCLB), “which strengthened sanctions, increased testing requirements, and mandated the disaggregation of testing results by race, gender, free and reduced meal services, and disability status,” while at the same time setting the goal that all students would score proficient on state standardized tests by 2014 (Sunderman, 2013, p.71).

The policy shift associated with NCLB placed a strain on many state education finance systems since federal funds provided under ESEA were insufficient to pay for the new program mandates (Bell, et al., 2013b). Gillespie (2010) suggested that NCLB and the standardized tests associated with the mandate were partially responsible for the increase in adequacy litigation cases filed over the past decade. These adequacy cases have highlighted the question of how much money does it take to ensure the outcomes
desired by state standards? The next section will address the subject of money and whether or not it has an impact on student achievement.

**Does Money Matter?**

As early as 1906, Cubberley wrestled with the relationship between educational resources and outcomes as evidenced by his statement, “however desirable and even necessary it may be to provide more money with which to maintain the schools of a state, a still more important question is how to distribute this money so as to secure the best result” (p. 3). According to Springer et al. (2008), this question remains as relevant today as it was over 100 years ago. The seminal report on school resource allocation and its influence on student achievement is the Coleman Report (Baker, 2012). The report was commissioned for the U.S. Office of Education as part of the legislative mandate of the 1965 Civil Rights Act (Baker, 2012). In an effort to gain a greater understanding of how the variation of school resources impacted student achievement, Coleman interviewed principals and teachers about their students and schools. One of the report’s conclusions was that a student’s family and other background characteristics were more important than school resources in determining school achievement (Coleman, et al., 1966).

According to Baker (2012), “Coleman did find that teacher characteristics were positively associated with student outcomes, and more strongly so for minority students compared with white students” (p. 3). However, according to Marion and Flanigan (2001), “despite [methodological and interpretational] shortcomings, the report … dramatically demonstrated that environmental issues have a very significant impact. … Money was no longer seen as the primary correlate of student achievement” (p. 246). Furthermore,
Baker (2012) stated, “an extension of this implication was that putting more money into schools to try to improve quality was unlikely to matter either” (p. 3).

Current research by Konstantopolous and Borman (2011) and Borman and Dowling (2010) using modern statistical analysis to reanalyze the data used in the Coleman report found that while family background matters, differences in school quality play a substantial role in student outcomes (Baker, 2012). Although the Coleman report has been refuted by researchers for using faulty methodology and interpretations (Kain & Watts, 1970), it is still widely referenced as a source that money does not matter in student outcomes (Baker, 2012). During the 1980s and 1990s, Hanushek conducted a number of studies with similar conclusions to Coleman, which is that little or no correlation exists between the amount of resources invested in education and student achievement (Carr & Furman, 1999). According to Baker (2012), the most “widely cited source for the claim that money simply doesn’t matter when it comes to improving school quality and student outcomes” (p. 4) is Hanushek’s 1986 meta-analysis, *The Economics of Schooling: Production and Efficiency in Public Schools*, in which he concluded that there was “no strong or systematic relationship between school expenditures and student performance” (p. 1162). However, like the Coleman report, Hanushek’s findings have been discredited when modern methodologies and statistical analysis were used to review the data (Baker, 2012). Hedges, Laine and Greenwald’s 1994 meta-analysis of the studies used by Hanushek “argued that, despite Hanushek’s (1989) claim to the contrary, more of the studies than not showed a positive correlation between level of resources and the level of student learning” (Archibald, 2006).
Production function research has evolved over time, and by the early 2000s, researchers were able to make adjustments for regional cost variations and adjust for measurements of inputs (Baker, 2012). They were also able to use more detailed data sets to analyze relationships between money and student outcomes, which have led to “empirically-grounded confidence that funding does matter” and that “it’s not just how much you spend, but how you spend it” (Baker, 2012, pp. 6-7). In her work entitled, Narrowing in on Educational Resources that Do Affect Student Achievement, Archibald (2006) found:

1) Teacher performance is positively related to student achievement,
2) Per-pupil spending at the school level is positively related to student achievement,
3) School-level poverty has a significantly negative impact on student achievement, and 4) School size has a statistically significant negative impact on student achievement (pp. 35-36).

Baker (2012) contended, “Money matters, resources that cost money matter, and more equitable distribution of school funding can improve outcomes” (p. v).

The next sections will discuss California’s most recent school finance reform effort, the Local Control Funding Formula. The discussion will begin with the findings contained in the Getting Down to Facts study. Next, Getting Beyond the Facts, the policy brief which ultimately shaped the new finance formula, will be discussed. Finally, the details of the Local Control Funding Formula will be described, along with the results of a study conducted on the first year of the implementation process, ending with a summary of the chapter.
Finance reform in California has been elusive. Studies of the finance system have been conducted in the past and financial system overhaul proposals have been placed before policymakers to no avail (Kirst, 2007). Kirst (2007) cited these as “The Little Hoover Commission’s 1997 report, Dollars and Sense: A Simple Approach to School Finance; PACE’s Crucial Issues In California Education, 2000; and the Joint Legislative Committee for the California Master Plan (2003)” (p. 14). The latest study, Getting Down to Facts: School Finance and Governance in California, completed in 2007, was a comprehensive investigation of California’s education system independently funded by the Bill & Melinda Gates Foundation, the William and Flora Hewlett Foundation, the James Irvine Foundation and the Stuart Foundation. The study consisted of 22 separate reports “by scholars at universities and research institutes across the nation” (Loeb, Bryk, and Hanushek, 2007, p. 1) and culminated in a summary report.

The purpose of the project was “to describe California’s school finance and governance systems, identify aspects of those systems that hinder the effective use of resources, and estimate costs of achieving a range of student outcome goals” (Loeb, Bryk, & Hanushek, 2007, p. 1). After 18 months of research, Loeb (2007) concluded, “Quite simply, the finance and governance system is broken and requires fundamental reform not tinkering around the edges” (p. 5). In their summary of the 22 reports, Loeb, et al. (2007) identified five of the leading barriers to the effective use of resources in California schools:
1) *Excessive regulation, especially for a system with strong standards and accountability:* The California system places substantial restrictions on schools’ and districts’ use of resources, which impose meaningful compliance costs and make it difficult for local actors to respond to incentives embedded in the accountability system. (p. 12)

2) *Spending below the national average even with substantial recent increases:* The relatively lower spending is reflected mainly in low staff-to-student rations including fewer teachers and administrators per pupil in California.

3) *Inequitable by any measure:* Differences in spending across districts are substantial and not systematically tied to costs, needs or demands.

4) *Complex and irrational:* District spending levels are largely a historical artifact of spending in the 1970s combined with a confusing categorical program that does not appear to systematically address differences in needs across districts. The system is confusing and requires substantial and costly compliance work by school districts.

5) *Highly centralized:* Restrictions on raising local revenues likely equalize spending across districts, particularly constraining high-income districts, but may also reduce monitoring of schools by local residents. (p. 35)

The barriers above paint a picture of an ineffective school finance system resulting from years of over regulation by the state legislature, prescriptive court rulings and complicated voter initiatives (Loeb, et al., 2007). In 2004, there was an effort to reduce the number of categorical programs by creating block grants, which consolidated funding for several categorical programs (Timar, 2007). However, according to Loeb, et
al. (2007), too many categorical programs still remain. She further stated that the result of these remaining categorical programs was that site administrators spent a great deal of time on compliance related to these programs, rather than on efforts to improve student achievement. Loeb et al. (2007) concluded, “there is no reason to think that adding one or two more [programs] will make much difference, no matter how carefully targeted or lavishly funded” (p. 5), but instead, advocates for “simplification and relaxation of state regulations to allow greater local flexibility for local resource allocation” (p. 6).

In 2007, California was still using a funding mechanism developed in the 1970s to adhere to the Serrano (1971) ruling of equal per-pupil funding. According to Kirst (2007), “the revenue limit for districts is still based on what they were spending in 1972 when the local property tax drove the system” (p. 6). This basis for determination means that the difference in spending referenced in barrier number three began prior to 1972. Although the courts ruled that California had met their obligation under Serrano (1974), there were still vast differences in funding between districts that were the result of the various inequalities that brought about the lawsuit in the first place. The Legislature made several attempts to equalize the per-pupil funding amount statewide, however this was never fully achieved.

There have been several voter initiatives that aided in complicating California’s school finance system, but the two major contributors are Propositions 13 and 98. Proposition 13, which reduced property taxes and eliminated each individual district’s ability to levy local taxes, greatly impacted the funding level of education in California. The result was that California spends substantially less per pupil than other states. Loeb, Grissom and Stunk (2007) stressed, “There are fewer teachers per student in California
than in comparison states. There are also fewer school level administrators per student and fewer district level administrators per school level administrator…” (p. iv).

Proposition 13 resulted in California’s schools being more dependent upon state funding than districts in other states. Most other states allow districts to levy taxes within their boundaries to provide funding for local schools. Empirical data indicate that when schools are funded locally, decisions are made locally, and the public is more involved in their schools (Grissom & Stunk, 2006). The result of California’s dependency on state funding is that the state, instead of local school boards and community members, controls school policy.

Proposition 98 established a complex set of equations that determine the minimum funding level for schools. Unfortunately, it also contained “safe-guards” which have worked against schools, such as suspension provisions as well as imprecise language, which has allowed the state to manipulate the formulas in their favor, thus lowering the minimum guarantee. Only those who work in school finance at the state or district level on a daily basis are able to understand the formulas and subsequent manipulations. This complexity has left the public confused as to why, if the state says it is fully funding schools under the Proposition 98 guarantee, are schools still so underfunded? The answer to this question lies in the fact that Proposition 98 was never an adequacy model for funding, but instead a mechanism to ensure schools received a certain minimum percentage of the state budget.

The other aspect of the 2007 investigation was to address the adequacy of school funding in California. Student outcomes became the focus of resource allocation when the nation shifted to a standards-based education system. *Getting Down to Facts*
attempts to determine the additional per-pupil cost it would take to get students to reach the state goal of 800 on the Academic Performance Index (API) using both a cost function and production function approach. Researchers also employed the successful schools approach by analyzing schools that are, *Beating the Odds* regarding student outcomes. The final approach used in the study was the professional judgment approach to determine what is needed in the California school finance system to provide greater efficiency and adequacy.

**Getting Beyond the Facts: Reforming California School Finance**

In 2008, Bersin, Kirst and Liu wrote a policy brief, *Getting Beyond the Facts: Reforming California School Finance*, which ultimately led to the creation of the Local Control Funding Formula in 2013. The authors used the vast amount of information contained in *Getting Down to Facts* to form their recommendations for a new California school finance system. In an extraordinary move, the state incorporated almost all of the recommendations included in the policy brief. As Fensterwald (2013) maintained, “It is extremely rare in policy analysis that 80 percent of what is recommended is put into law” (p. 1).

The recommendations of Bersin, Kirst and Liu (2008) were based on four guiding principles. First, “revenue allocations should be guided by student needs” (p. 5). This principle speaks to the equity needs not currently addressed under the revenue limit methodology. As discussed previously, the state has used categorical programs to address student equity needs. However, these programs have proven ineffective in closing achievement gaps over the past several years. Second, “revenue allocations should be adjusted for regional cost differences” (p. 5). Cost of living rates vary substantially
throughout California. This variability results in higher staffing and material costs for some districts. This principle recognizes the inequity in funding all districts at the same base level. It foreshadows a recommendation to increase funding levels in districts in high regional cost areas to compensate for the higher costs they incur. Third, “the system as a whole should be transparent and easily understood by legislators, school officials, and the public” (p. 5). The current system is highly complex and includes a myriad of categorical programs. There is no quick or easy way to describe why a district is funded at a certain level, let alone how categorical program funds are allocated. Lastly, “reforms should apply to new money going forward, without reducing any district’s current allocation” (p. 6). This principle is the key to success for any recommended finance reform (Bersin, Kirst & Lui, 2008). Without such a principle, it was highly unlikely that the new system would be embraced by the legislature or public (Bersin, Kirst & Lui, 2008).

Bersin, Kirst and Liu (2008) recommended a new finance system composed of five components based on the principle of equity. They specifically stated that they did not address the area of adequacy because of the lack of agreement among experts regarding the amount necessary to achieve adequacy in California school funding. The five component areas are “1) base funding 2) special education 3) targeted funding 4) regional cost adjustment 5) hold harmless condition” (p. 6). Only the components of base funding, targeted funding, and hold harmless will be discussed in detail since special education is not addressed in this paper and the regional cost adjustment was not implemented as part of LCFF.
**Base grant.** In place of revenue limits, a base-funding amount of equal per-pupil funding was recommended as part of the new finance system. These funds were provided to pay for the basic functions of the educational program. The authors did not recommend varying the base grant by grade span and, instead, wished to leave this decision to policymakers. Ultimately, LCFF did include differentiated grade-span amounts in base funding in recognition of the varying costs of educating students at different grade levels. As Bersin, Kirst and Liu (2008) stated, “Ideally, base funding would reflect the level of resources that enables an average child to meet California’s academic performance standards” (p. 6). However, policymakers were limited by budgetary constraints when determining base grant values. Additional research in the area of adequacy calculations and variables would help to inform policymakers on how to best determine the proper funding level for base grants in California.

**Supplemental grant.** California has a diverse population with a high concentration of English language learners. Nearly 30 percent of the nation’s English language learner population attend school in California. In 2004-05, 50 percent of students in California were considered to be living in poverty and therefore eligible for free and reduced-priced lunch (FRPL), and 25 percent of all students were English language learners (Berin, Kirst, & Lui, 2008). There is much debate regarding how best to determine the exact costs to educate students living in poverty and English language learners. The recommendation related to the two populations listed above was to provide an additional amount of funding per identified student. However, the authors stopped short of recommending an amount. When LCFF was enacted, policymakers included an additional 20 percent of the base grant amount to serve these two populations. They also
added a third population to the group receiving supplemental grants, students living in foster care.

**Concentration grant.** Concentration grants were recommended based on the fact that research indicates that “poverty concentration begins to have a negative impact on achievement when FRPL students comprise more than 50% of school enrollment” (Bersin, Kirst, Liu, 2008, p. 8). The authors recommended additional funding for districts based on a sliding scale where student populations of FRPL and English language learners (EL) are at or above 50 percent. The equation is as follows: $T \times 2 \times \%\text{FRPL or EL}$, where $T$ equals the dollar amount provided per student (Bersin, Kirst, Liu, 2008, p. 9). This would allow districts to receive additional funding commensurate with the concentration level of their FRPL and EL populations. LCFF did include concentration grant funding. However, it was calculated at a straight 50 percent of the base grant and begins when a district’s unduplicated count of FRPL, EL, and foster care youth exceeds 55 percent of their total student population.

**Hold harmless condition.** The policy brief included a recommendation that “the proposed reform…be phased in gradually as new money becomes available” (Bersin, Kirst, & Liu, 2008, p. 9). LCFF includes a phased approach to reach full funding over an eight-year period. The funds provided through the passage of Proposition 30 made implementation of LCFF possible. Unfortunately, the funding is only temporary and will sunset in 2020-21 if the temporary tax increases are not extended. This places on-going funding for LCFF at risk past 2021.
The Local Control Funding Formula-Perspectives from Year One

In their study, *Toward a Grand Vision: Early Implementation of California’s Local Control Funding Formula*, Humphrey and Koppich (2014) obtained perspectives from various school district and county office personnel regarding the first year implementation of LCFF. This study is the only published research to date regarding the implementation of the LCFF. Therefore, it will be described in greater detail than would otherwise be warranted. The study, which was conducted from June through October 2014, began with a review of over 40 Local Control Accountability Plans (LCAPs) from districts throughout the state. In order to gain a more in-depth perspective, ten districts were selected for further study. Interviews were conducted of the key stakeholders from the selected school districts as well as several county offices. The major themes that surfaced from these interviews were:

- Enthusiasm and worries regarding the LCFF,
- Changes in district budget practices as part of implementation of the LCFF,
- District’s challenges when developing the LCAP,
- Challenges county offices faced with regard to their new responsibilities under the LCFF,
- Districts’ challenges with meeting the meaningful engagement requirement of the LCAP.

Each theme is discussed in greater detail below.

**Enthusiasm and worries.** According to Humphrey and Koppich (2014) almost all interview participants were enthusiastic about the idea of local control and the freedom that it afforded them regarding budget decisions. Participants felt that greater
local control would allow them to move away from a compliance mentality and allow them to focus the best use of resources to address the needs of their students. The four major concerns expressed by district and county office officials were:

- The state will not allow districts the time they need to assess how they are doing and allow them to make improvements to their LCAP processes.
- The LCFF funding is not adequate and will only get them back to their 2008 funding level. In addition, districts are expected to absorb additional pension costs using these already inadequate funds.
- There is skepticism that the state will uphold its commitment to local control given that advocacy groups continue to place pressure on the state legislature to restrict funding based on specific student populations.
- The LCAP process places a substantial burden on district personnel.

**Changes to district budget practices.** The implementation of LCFF has required districts to become more collaborative, both with internal and external stakeholders. Districts discovered that the LCAP process demands that business and instructional personnel work hand-in-hand to develop the LCAP budget. In Humphrey and Koppich (2014) findings districts were still unclear about how the funds were allowed be spent and worried that when the accountability rubrics are developed, they will greatly restrict their local control. Districts spent their money in the first year in various ways. Some districts added new programs and services to address the needs of the three targeted populations. Others used it to purchase technology in preparation for the Common Core. Many restored programs and positions lost to budget cuts over the past several years. However,
the most common use for the additional funding provided in 2013-14 was to provide salary increases.

**The challenges of the local control accountability plan.** Humphrey and Koppich (2014) further reported that the LCAP process is extremely time consuming. The process requires multiple meetings and extensive time to process and analyze the data gathered from each meeting. Districts found the LCAP software to be both technically challenging and time consuming. In their review of various district LCAPS, the researchers found most districts had a difficult time identifying measurable targets and the corresponding metric they would use to monitor their progress. Another challenge faced by districts was that the public was not able to easily understand the LCAP document. Therefore, additional staff time was required to make presentation documents that summarized the LCAP in order to make it more understandable.

**Challenges experienced by county offices of education.** Under LCFF, County Offices of Education are responsible for providing technical assistance during LCAP development and approval of districts’ LCAP documents. County offices were not given additional resources to help offset these additional responsibilities. Most counties had to reassign staff or mandate that staff take on additional responsibilities in order to meet their LCAP oversight responsibilities. County officials have expressed concerns about their ability to continue using staff in this manner, as well as their ability to do justice to the LCAP process without an influx of additional resources (Humphrey & Koppich 2014).

**District challenges with meaningful community engagement.** Most districts studied by Humphrey and Koppich (2014) expressed that the meaningful engagement
aspect of the LCAP was the most challenging. Not only did districts have a very short timeline in the first year to engage the required stakeholders, they were also not given a clear description of what meaningful engagement should entail. For many districts this was the first time they were engaging parents in setting goals or participating in the budget development process. Therefore, staff wrestled with how to best engage the parents in a manner that would be both meaningful and productive. In many cases, because districts placed such an emphasis on engaging outside stakeholders, the teachers and administrators felt left out of the process and did not feel their voices were heard during this first year (Humphrey & Koppich, 2014).

**Summary**

This chapter began with a discussion of the national trends in school finance reform litigation. The three waves of school finance were defined and the major cases pertaining to that particular era were detailed. Next, the roles of federal funding and policy were discussed along with their impact on state school districts’ finances. The chapter also contained a discussion of the impact of resource allocation on student achievement. As is customary with this topic, no definitive answer was established. The literature review concluded with a discussion of California’s latest finance reform effort, the Local Control Funding Formula, which is the first finance system in California to be based on empirical data and rooted in a conceptual framework (Loeb et al., 2007). The *Getting Down to Facts* project provided much of the data used by the authors of the new finance formula. Some of the major findings within *Getting Down to Facts* were the lack of equity under revenue limit formulas, the complexity related to how schools are funded, and the overabundance of highly regulated categorical programs. The new LCFF system
blends two conceptual frameworks. The base grants provide equality in funding while
the supplemental and concentration grants provide equity for underserved student
populations. The LCFF has simplified the finance system and provides greater local
control. Districts are still held accountable through the LCAP, but finally have the ability
to provide a comprehensive intervention program for the three targeted student
populations. The literature review concluded with a brief summary of the findings
included in Toward a Grand Vision: Early Implementation of California’s Local Control
Funding Formula (Humphrey & Koppich, 2014), which is currently the only published
research on the first year of implementation of the LCFF.

Chapter 3 will include a discussion of the methodology used in the research study.
Topics will include research design, the setting of the study, the research sample, data
sources, how the data were collected, and the methods of data analysis.
Chapter 3

California’s school finance system has evolved as the result of court rulings, voter initiatives, and legislative action. In 1971, the California Supreme Court ruled in *Serrano v Priest* that California’s school finance system was unconstitutional. The legislature responded by creating a revenue limit system. This system established a per-student minimum funding level using a combination of property tax collections and state aid. If property taxes were insufficient to reach the minimum per-student revenue limit amount, state aid provided the balance. Although in theory the revenue limit system addressed the equalization of per-pupil funding, in reality this method never fully equalized funding between California school districts (Bell, et al., 2013b). This lack of equalization was due in part to the method the legislature chose to equalize the funding. They did not immediately redistribute the property tax wealth. Instead, they froze high-wealth districts at their 1972-73 funding level and used only increases in property or state budget surpluses to provide additional funds to low-wealth districts (Bell, et al., 2013b). Thirty years after the *Serrano* (1971) ruling, large disparities in per-pupil funding remained.

In addition to revenue limit funding, schools also received categorical program aid to address the needs of specific student populations, such as English language learners or students of poverty. Categorical program aid comes from both the federal and state governments. According to Loeb, Byrk and Hanushek (2007), categorical funding sources are highly regulated and have stringent reporting requirements, which often make them difficult and time consuming to implement. This was a common theme among the principals they interviewed as part of their *Getting Down to Facts* study.
California residents have also had a role in shaping the school finance system through the use of voter initiatives. They passed Proposition 13, which reduced property taxes and limited a school district’s ability to raise funds through local taxes. The result was that districts became almost totally dependent on state aid for their funding (Odden & Wohlstetter, 1992). In an attempt to stabilize year-to-year funding, voters approved Proposition 98, which created a series of complex calculations to ensure that education got a minimum guaranteed level of funding of approximately 40 percent of the state’s general fund budget (Bell, et al., 2013).

In 2007, after an 18-month study of California’s school finance system, Loeb, Byrk and Hanushek declared the system broken. They found that the system consisted of unequal revenue limits, highly complex funding calculations, and numerous categorical programs, which left district administrators unable to determine the amount of funding they would receive or how it could be spent. They further asserted, “The state education system’s structural problems are so deep-seated that tinkering around the edges with incremental reform is unlikely to have an effect. Instead, a wholesale commitment to sweeping change is needed” (Trei, 2007, p. 1).

These sweeping changes were realized in 2013 when Governor Brown implemented the most comprehensive transformation of California’s school funding system in 40 years (Humphrey & Koppich, 2014). The Local Control Funding Formula (LCFF) was signed into law on July 1, 2013. The LCFF is a weighted student formula, which provides equal base grant amounts to all students along with additional weighted funding for students of poverty, foster care youth and English language learners. The new finance system also eliminated all but a few state categorical programs with the
intent of providing districts greater latitude in determining how their funds are spent (Kaplan & Parker, 2013).

The purpose of this study was to determine if the implementation of the LCFF has increased the equitable distribution of resources and provided greater local decision-making within a large urban school district located in Southern California and to identify challenges and recommendations. This study added to the limited body of research regarding the LCFF.

**Research Questions**

Specifically, the research questions were:

1) Did the implementation of the Local Control Funding Formula change the relationship between the number of students receiving free and reduced meals and the amount spent on support services at the elementary and secondary school levels?

2) Did the implementation of the Local Control Funding Formula change expenditure patterns at the elementary and secondary school levels?

3) Has the implementation of the Local Control Funding Formula provided greater flexibility and local budget decision-making?

4) What challenges and/or barriers emerged during the implementation process?

5) What recommendations did site administrators identify to overcome these challenges and/or barriers in order to meet the goals of the Local Control Funding Formula?
Overview of the Study

The research was conducted as a mixed method case study of a large urban school district located in Southern California. The quantitative data included total expenditures on support services and the number of students eligible for free and reduced lunch at each site. The researcher utilized as the main qualitative data source, interviews of site principals in order to establish whether changes had occurred in their budget development process, post-implementation of the LCFF. The researcher also sought to identify, through the interview process, any barriers to successful implementation and recommendations regarding how the district could best meet the goals of the LCFF.

According to Kaplan and Parker (2013), one such goal is to provide additional resources to students of poverty, English language learners, and foster care youth. Loeb, Byrk and Hanushek (2007) estimated that it costs 30 percent more to educate economically disadvantaged students and 24 percent more to educate English language learners. Quantitative research was conducted in order to determine whether or not the implementation of the Local Control Funding Formula resulted in additional resources being allocated to the targeted student populations. The measure used for the targeted student population was the number of students on free and reduced lunch (FRL) at each school site. The resource allocation was determined based on the school site’s total expenditures for support services. The researcher used statistical analysis to determine if there was a correlation between the number of students eligible for FRL and support services and if this correlation increased post-implementation of LCFF.

The remaining chapter will describe in further detail the methodology used to conduct the study. The chapter is organized into various sections, which include: research
design, research setting, research sample and data sources, instruments and procedures, 
data collection and analysis, and the role of the researcher. The chapter will conclude 
with a brief summary.

**Methodology**

Creswell (2014) defined research as “a process of steps used to collect and analyze 
information to increase our understanding of a topic or issue” (p.3). He further stated that 
the methodology used in a research study “offers detailed, technical discussions about the 
mechanics and administration of the data collection” (p.10). The proceeding sections will 
describe the steps used by the researcher in the collection and analysis of the data during 
this research study.

**Research Design**

The research for this study was conducted using a mixed method, single district 
case study. Yin (2008) defined a case study, as an empirical inquiry that investigates a 
contemporary event or phenomenon within its real-life context, which lends itself to the 
use of multiple sources of evidence, such as artifacts, documents and interviews. The 
research study that was conducted closely parallels Yin’s definition of a case study. The 
study’s topic of implementation of the LCFF is a contemporary event taking place in 
school districts throughout California. The research study also utilized several sources of 
evidence, which Yin (2008) considered to be one of the strengths of the case study 
method. Merriam (1988) cited the strength of using the case study design as its ability to 
allow for a deeper understanding of a problem or event. Stake (1995) contended that case 
study design also allows for the study of a problem or a contemporary event through 
various lenses.
The focus of the case study was a single urban district located in Southern California. According to Yin (2008), the rationale for using a single case is that it is representative of a typical environment, such as an urban neighborhood or school. The lessons learned from the single case are assumed to be informative about the experiences of the average person or institution. In this study, the researcher sought to select a district that was representative of a typical urban district. The selection criteria for the district will be included in a later section of this chapter.

Data collection and analysis for this study were conducted using a mixed methods approach. Tashakkori and Creswell (2007) define mixed methods as “research in which the investigator collects and analyzes data, integrates the findings, and draws inferences using both qualitative and quantitative approaches or methods in a single study” (p. 4). The researcher’s rationale for selecting a mixed methods approach was that the “combination of quantitative and qualitative data provide a more complete understanding of the research problem than either approach by itself” (Creswell, Klassen, Plano & Vicki, 2011, p. 8). The LCFF not only determines the amount of money provided to districts, it also allows the freedom of local decision-making. In order to best evaluate the changes that have occurred since the implementation of LCFF, the researcher must address both the quantitative and qualitative aspects of the LCFF.

This section discussed the various aspects of the study’s research design. It included the description and rationale for the researcher’s selection of the single case study, mixed method design. The next section will discuss the setting or context of the study.
Research Setting

The setting for the research study was a single district, which was representative of a typical urban district. According to the National Center for Education Statistics (2015), urban districts are characteristically larger than suburban or rural districts, and students attending urban schools are more likely to live in poverty, qualify for free and reduced price meals, belong to a Hispanic or other minority group and have a larger population of students who have difficulty speaking English (paragraphs 1-7). In consideration of these characteristics, the researcher developed the following criteria for the selection process:

- A unified school district located in an urban community within Southern California;
- A student enrollment of 24,000 or more;
- Consists of more than 20 schools sites, with at least two middle schools and two comprehensive high schools;
- English language learners representing 30 percent or more of the total student population;
- A free and reduced meal count of 60 percent or more of the total student population;
- An unduplicated pupil count of students receiving free and reduced lunch, English language learners and students in foster care representing 55 percent or more of the total student population.

Using the criteria listed above, the district, which will be referred to as Southside Unified School District (SUSD) was selected. SUSD is located in an urban community of
Southern California. The district is comprised of 20 elementary schools, six K-8 schools, four middle schools, eight high schools and three alternative schools. The District’s K-12 enrollment is 25,249. The ethnic makeup of the student population is 85 percent Hispanic, five percent African America, five percent Asian, four percent White, and two percent Other. SUSD is designated as a Title I, Program Improvement District with approximately 84% of the student population qualifying for free and reduced meals through the Federal Child Nutrition Program. English language learners account for approximately 36 percent of the overall student population.

The district’s 2014-15 adopted budget included general fund expenditures of $249 million with a per-student expenditure of approximately $10,410 per student. The per-student expenditures included all state and federal program revenues. The revenue breakdown is as follows: 6.66 percent property taxes, 83.16 percent state funds, 7.17 percent federal funds, 2.02 percent lottery funds and one percent other local funds. The district is considered a low property-wealth district, as indicated by the low percentage of funding provided through property taxes and the high percentage of state aid funding.

This section included a discussion of the selection criteria for the district used in the research study. SUSD was selected based on these criteria. The district demographics and budgetary information were also provided. The next section will discuss the samples and data sources used in the study and how the rights of participants have been protected.

Research Sample and Data Sources

This study utilized a sample of district and school site administrators, as well as archival and current data sources for most school sites within the district. Qualitative data were collected through interviews conducted using a sample population of nine school
site administrators. The sample population consisted of four elementary principals, one K-8 principal, one middle school principal, and three comprehensive high school principals. The criteria for selection of the principals was that they had been with the district for a minimum of six years and that they had been the principal of their site for the past four consecutive years. The sample population was chosen using a convenience sampling approach of those principals that met the criteria. This approach used participants based on willingness and availability (Creswell, 2014). This approach was limited in the fact that it cannot assure that the individuals included in the sample are representative of the population, however they can provide useful information for answering the research questions posed in the study (Creswell, 2014). Additionally, two district level administrators were interviewed. The district level administrators that were selected for interviews were the superintendent and deputy superintendent. These participants were selected due to their ability to determine district policy and procedures.

When collecting quantitative data for statistical analysis, the sample size is important in order to minimize sampling errors (Creswell, 2014). This study used quantitative data from all of the elementary, K-8, and middle and high schools, which provided a sample size of 38 of the district’s 41 school sites. The three sites not included in the sample were the district’s alternative schools, which did not lend themselves to the same expenditure patterns as the other sites based on the specific needs of their student populations. It was the researcher’s intention to make the sample population as accurate as possible to the general population within the district. According to Salkind (2011), “when the sample accurately represents the population, the results of the study have a high degree of generalizability” (p.129).
**Protection of Subjects**

The researcher completed the online educational module on Protection of Human Subjects in accordance with the Institutional Review Board (IRB) for the California State Polytechnic University, Pomona. This study was approved by the IRB prior to any research being conducted. It is important to protect the privacy and confidentiality of those individuals participating in the research study (Creswell, 2014; Lichtman, 2013). In order to keep the identity of interview participants confidential, the participants were given numeric identifiers. The codes are kept in the researcher’s home in a secure location and will be destroyed after three years. The researcher obtained a signed consent form from each of the interview participants prior to commencing the interview. Prior to conducting any research, the researcher obtained a signed consent form from the superintendent authorizing the study to be conducted in the district. The district’s name was not listed in the written report to further protect the individual participants.

The preceding section discussed the selection of the participants and the sample size. It also outlined the steps the researcher took to protect the rights of the participants in the study. The next section will discuss the instruments and procedures used for the collection of data and analysis.

**Data Collection and Analysis**

The researcher used a convergent parallel design in the collection and analysis of the data. According to Creswell (2014), the purpose of this collection method or design is to “simultaneously collect both quantitative and qualitative data, merge the data, and use the results to understand the research problem” (p. 540).
Figure 3.1 provides a visual depiction of the Convergent Parallel Design for the collection of data.

*Quantitative data collection and analysis.* The researcher collected quantitative data for analysis in order to answer research questions one and two. All data were available through public websites or through a public records request of the district. The quantitative data were collected for a four-year period from 2011-15. This timeframe included data from two years prior to implementation and two years after the implementation of the Local Control Funding Formula for comparison purposes. The two data sets used in the statistical analysis were free and reduced meal counts and expenditures on support services. These data were used because they are strong predictors of student achievement. California had suspended its standardized testing for the period in which this research was conducted so alternative predictors were used. Each data set was obtained for the 39 school sites representing the sample population for the
district. The district’s 2011-2015 data for free and reduced meal counts were obtained from the California Department of Education’s (CDE) DataQuest online data system.

Expenditure data for support services were obtained from the district’s in-house business system, SmarteFinance. All data, with the exception of the 2014-15 fiscal year, had been audited by an external audit firm and reconciled to the district’s annual audit report in order to validate its accuracy and trustworthiness (Creswell, 2014). All expenditure data adhered to California’s Standard Account Code Structure (SACS) as outlined in the California School Accounting Manual (CSAM). The researcher obtained an electronic copy of a report of district-wide expenditures by object, sub-totaled by site, which was downloaded into an Excel spreadsheet from the SmarteFinance business system. The researcher then sorted each site’s data by Goal, Function and Object (CSAM, 2014) to identify total expenditures on support services. The expenditures were then totaled by site for each year.

The researcher began the data analysis process by calculating the mean number of students on free and reduced lunch (X-variable) and the total expenditures on support services (Y-Variable) for each site over the two-year period prior to and after the implementation of LCFF. The values tables are located in Appendix A. The researcher then used the values of the two variables to compute the Pearson correlation coefficient and the significance levels (Salkind, 2011) using the Statistical Package for Social Sciences (SPSS) software for the two time periods.

The researcher computed the Pearson product-moment correlation coefficients (Salkind, 2011) of the two variables for the periods before and after implementation of
LCFF using the following equation:

\[
R_{xy} = \frac{n\Sigma XY - n\Sigma X \Sigma Y}{\sqrt{n\Sigma X^2 - (\Sigma X)^2][n\Sigma Y^2 - (\Sigma Y)^2]}
\]

where

- \(r_{xy}\) is the correlation coefficient between X and Y.
- \(n\) is the size of the sample.
- \(X\) is the individual’s score on the X variable.
- \(Y\) is the individual’s score on the Y variable.
- \(XY\) is the product of each X score times its corresponding Y score.
- \(X^2\) is the individual’s X score squared.
- \(Y^2\) is the individual’s Y score squared.

The researcher was able to determine if a significant relationship existed between the two variables based on the value of \(R_{xy}\). Next, the researcher calculated the correlation of determination by squaring \(R_{xy}\). The researcher was able to determine the meaningfulness of the relationship between the two variables using the value of \(R^2\) (Salkind, 2011). In order to answer research question number one, the researcher then compared the data to determine whether or not there was a change in the correlation coefficient or the correlation of determination since the implementation of LCFF. In order to answer research question number two, the researcher charted the two-year averages for pre- and post-expenditures. Pie graphs were created using major expenditure categories and were used to determine expenditure patterns for comparison purposes.
Qualitative data collection and analysis. The researcher used qualitative data to answer research questions three through five. The data were collected through the use of one-on-one interviews that were conducted using semi-structured open-ended questions. The interview questions are located in Appendix B. In a semi-structured interview, all participants were asked the same set of questions, although the order varied based on the participant’s answers, which allowed the researcher to remain objective, yet flexible, while gathering data (Lichtman, 2013). Creswell (2014) indicated that the use of open-ended questions allows participants to voice their experiences unconstrained by any perspective of the researcher. He further specified that interviews of this nature allow the participants to “offer many different perspectives on the study topic and provide a complex picture of the situation” (p. 535).

Lichtman (2013) states, “In qualitative research, the researcher is the instrument through which data are gathered, retrieved, analyzed and reported” (p. 255). Lichtman (2013) further indicated that qualitative studies use a small number of participants to cover the topic in depth and that is “it quite common to see studies with fewer than ten participants” (p. 251). A total of 11 participants, which included nine principals and two district office administrators were interviewed in gathering data. Interviews elicited information regarding how the LCFF had changed the site budget process and expenditure patterns. The interviewees identified challenges and barriers experienced during the implementation process and identified ways in which these challenges and barriers were resolved. The interviews were recorded by the researcher and professionally transcribed. Interview participants were asked to confirm their responses by reviewing
the transcripts as member-checks to ensure trustworthiness of the data. Once the data were validated, the researcher began the data analysis.

The researcher analyzed the interview data manually, using the constant-comparative method, which involved open coding and axial coding (Lichtman, 2013). The researcher analyzed the raw data to develop the initial categories or codes. Once the initial codes were established, the researcher reviewed the codes again to see if any could be collapsed into each other to create categories. Once the categories were established, another review of the data was conducted to derive a list of key concepts (Strauss & Corbin, 1990). These concepts were used to answer the research questions.

This section discussed the quantitative and qualitative methods, instruments and procedures for data collection, and analysis. The next section will include a brief discussion regarding the limits of the study.

**Limitations**

The researcher identified two major limitations of the study. The first was the amount of data available since the implementation of LCFF. There were only two years of data available, however only one year, 2014-15, included the use of supplemental and concentration funding for the full year. Although LCFF was implemented in 2013-14, the regulations for expenditures under LCFF’s supplemental and concentration grant funding were not available until March 2014. Therefore few, if any, differences in expenditure patterns were expected for the 2013-14 fiscal year. The 2014-15 data were considered the first year the LCFF impacted district budget development and expenditures patterns. The second limitation was the researcher’s ability to study the impact of the implementation of the LCFF on student achievement. During the period for
which the study was conducted, the state was transitioning from using a statewide-standardized test aligned to the curriculum under the No Child Left Behind Act called the Standardized Testing and Reporting (STAR) test, to a new statewide student assessment system aligned to the Common Core curriculum. The new Smarter Balance Assessment Consortium (SBAC) test was being piloted during the time frame of the study. Any standardized test data gathered during this period would not be valid or comparable to test data gathered prior to the implementation of LCFF under STAR testing. The impact of the LCFF on student achievement data is an important area of study and will be listed as a topic of future study in Chapter 5.

Summary

This chapter contained a description of the methodology used in the study. The study was identified as a mixed method, single case study. This chapter provided the rationale for the research design using citations from literature regarding quantitative and qualitative research. The researcher also established the selection criteria for the district in the research study, which resulted in the selection of SUSD, a large urban school district in Southern California. The sample sizes for both the quantitative and qualitative research were established to be 38 school sites and a total of 11 site and district administrators, respectively. Quantitative data were collected using reliable and trustworthy sources such as the California Department of Education DataQuest on-line data system and audited district financial data. Qualitative data were collected using audiotaped interviews which were professionally transcribed and validated by interview participants. The researcher used statistical analysis for the quantitative data as well as open and axial coding in the analysis of qualitative data. The researcher also identified
the limitations of the study as being the lack of multiple years of data that reflect full implementation of the Local Control Funding Formula and lack of statewide student assessment data. Chapter 4 will provide the results of the data analysis.
Chapter 4

In 2013, California implemented a new school finance system called the Local Control Funding Formula (LCFF). The new funding methodology was based on the concept of equity and was a departure from California’s long standing method of resource allocation based on an equal per-pupil revenue limit which was created to comply with the Serrano v Priest (1971) ruling. The LCFF utilizes a weighted student formula consisting of three tiers to allocate resources to districts. The first tier is the base grant, which is a per-student allocation provided to all districts within the state. The second tier is called the supplemental grant and is allocated based on a district’s unduplicated count of students receiving free and reduced lunch, the number of English language learners, and foster care youth enrolled in the district. The final tier is the concentration grant which is allocated when a district’s unduplicated count represents 55 percent or more of the district’s total student population. According to Kaplan and Parker (2013), the goals of the LCFF are to simplify the funding formula, provide districts with greater local control, and provide additional resources to students with greater needs.

The LCFF was implemented in the 2013-14 school year. However, the regulations and guidelines for use of supplemental and concentration grand funds were not available to districts until May of 2014. Therefore, the first full year of implementation was the 2014-15 school year. Under the LCFF, districts are required to create a Local Control Accountability Plan (LCAP). The LCAP requires districts to list the activities and services it is providing through the use of its supplemental and concentration grant funds. Another requirement of the LCAP is that the expenditures included in the plan must be reflective of the state’s eight priority areas. These priority
areas are basic conditions, parent involvement, pupil achievement, pupil engagement, school climate, course access, other pupil outcomes, and implementation of state standards.

As part of the LCAP development, districts must engage stakeholders in meaningful discussions which include district data regarding student achievement, attendance, dropout rates, and suspensions and expulsions. The purpose of the stakeholder engagement is to gather input around how best to allocate the district’s supplemental and concentration grant funds to meet the needs of English language learners, students of poverty, and foster care youth, in order to close the achievement gap. Once input has been gathered from parents, students, teachers, and administrators, the district can then develop its goals, strategies, and performance measures for inclusion in the LCAP. The LCFF regulations call for county oversight of district LCAPs. However, an accountability rubric has yet to be developed by the state at the time of this writing, therefore districts are entering their second year of LCAP development with no tangible accountability standards to guide them.

The purpose of this research study was to determine if the implementation of the LCFF increased the equitable distribution of resources and provided greater local decision-making within a large urban school district located in Southern California and to identify challenges and recommendations. This study adds to a limited body of research on California’s newly implemented finance system. The researcher selected Southside Unified School District based on the criteria outlined in Chapter 3 as the setting of the study. The researcher used a mixed method case study design. School site quantitative data included total expenditures on support services and the number of students receiving
free and reduced meals over a four-year period. The four-year timeframe consisted of two years prior to implementation and two years post-implementation of LCFF for comparison purposes. These two data sets were used to calculate the correlation coefficient between a site’s expenditure on support services and the number of students receiving free and reduced lunch at that site. The results were reported by elementary and secondary school levels for pre- and post-implementation in order to answer research question number one. Expenditure data by category, or object, were gathered to analyze whether or not site expenditure patterns had changed since the implementation of the LCFF. The expenditure data were reported in pie graph form by elementary and secondary level for pre- and post-implementation of LCFF in order to answer research question number two.

The remaining three research questions were qualitative in nature and were answered using data gathered through interviews. Eleven interviews were conducted consisting of four elementary principals, one middle school, one K-8 and three high school principals as well as the superintendent and deputy superintendent of the District. The Southside Unified School District boundary includes students from two cities. The majority of the student population resides in the urban city of Southside, which accounts for approximately 82 percent of the total student population. The remaining 18 percent of the students reside in the upper middle class city of East View. In order to ensure all perspectives were included in the study, three of the nine principals interviewed were from schools located in East View with one from each level of elementary, middle, and high school. The interview participants were asked semi-structured, open-ended questions related to their experiences with the implementation of the LCFF and the
impact on staff, parents, and their budget development process. Once the data were
gathered, the researcher used open and axial coding to discern themes, which were used
to answer questions three through five.

This chapter is organized around the study’s research questions. It began with a
summary of the Local Control Funding Formula and a review of the purpose and
methodology used to conduct the study. The context of the study is established through a
brief description of the socioeconomic makeup of each city and their schools along with
the district’s staffing and budget policies. Next the study’s results are described in detail
by research question. Finally, the chapter concludes with a summary of the study’s
findings.

District Demographics

The Southside Unified School District consists of two cities, the City of
Southside, which is completely incorporated within the district’s boundary and the City
of East View, which is split between two unified districts. The demographics of the two
cities vary greatly as depicted in Figures 4.1 and 4.2. The socioeconomic and ethnic
makeup of the resident populations within the two cities has resulted in funding
disparities based on the fact that the students of Southside have historically qualified for
additional categorical and federal aid. According to 2010 census data, the median
household income in East Lake was $92,627 and the poverty rate was 5.4 percent. In
great contrast is the City of Southside with its median household income of $50,873 and
poverty rate of 19.4 percent. The ethnic breakdown of the residents within each city is as
follows:
Figures 4.1 and 4.2 indicate that the major difference in the ethnic makeup of the two cities is the percentage of their Asian and Hispanic populations. Southside is predominately Hispanic, with the designation of *other* being the second largest. East View has a predominately Asian population with Hispanic being the second largest. Both cities have relatively the same percentage of White and African-American residents.

The schools located in East View have the highest Academic Performance Index (API) scores in the district and all carry the designation of California Distinguished Schools. Due to the socioeconomic makeup of the student population, none of the East
View schools are eligible to receive Title I funds and have historically qualified for very few state categorical programs.

In stark contrast, each of the Southside schools receive Title I funds, have historically qualified for multiple state categorical programs, and have all been designated as Program Improvement schools. Under the No Child Left Behind (NCLB) regulations, parents of students attending Program Improvement schools can request that their students be transported, at the district’s cost, to non-Program Improvement schools. Southside Unified has created an intra-district transfer policy to address parents’ desires to attend higher-achieving schools in the East View area of the district. Parents can either use the NCLB parent choice option to move their children to East View schools, if space is available, or enter a lottery system to move to a magnet or academy school located within the city of Southside. Once a student receives an intra-district transfer and attends the new school for a year, it becomes their school of residence. This eliminates the need for parents to reapply each year. As a result of NCLB parent choice transfers, approximately 42 percent of the student population in East View now consists of students who reside in the city of Southside.

Table 4.1 illustrates the extent of NCLB transfer students attending schools in East View. Each of these students resides in Southside but has transferred from their home school, through the parent choice option, to attend a school in East View. The total number of NCLB transfer students was 2,124 and their percentage of the total student population range from a low of 26 percent to a high of 58 percent.
### Table 4.1

**NCLB Transfers to East View Schools**

<table>
<thead>
<tr>
<th>School Site</th>
<th>Total Enrollment</th>
<th>NCLB Transfers</th>
<th>Percentage NCLB Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parks</td>
<td>383</td>
<td>101</td>
<td>26%</td>
</tr>
<tr>
<td>Stowe</td>
<td>391</td>
<td>197</td>
<td>50%</td>
</tr>
<tr>
<td>Franklin</td>
<td>333</td>
<td>144</td>
<td>43%</td>
</tr>
<tr>
<td>Earhart</td>
<td>535</td>
<td>310</td>
<td>58%</td>
</tr>
<tr>
<td>Austin</td>
<td>421</td>
<td>141</td>
<td>33%</td>
</tr>
<tr>
<td>Anthony</td>
<td>502</td>
<td>163</td>
<td>32%</td>
</tr>
<tr>
<td>Dickenson</td>
<td>749</td>
<td>346</td>
<td>46%</td>
</tr>
<tr>
<td>Windsor</td>
<td>1733</td>
<td>722</td>
<td>42%</td>
</tr>
</tbody>
</table>

Schools within the district do not qualify for Title I funding until their percentage of students on free and reduced lunch reaches 62 percent or more of their total student population. Under current NCLB regulations, Title I funds cannot follow the student. Therefore, although the student qualifies for Title I, these funds are no longer available to them when they transfer to an East View school. Several of the schools in East View have percentages of students on free and reduced lunch at or near 50 percent of their total student population, however they have historically had no additional funds to support the needs of these students.

As the number of Southside students attending East View schools has grown, there has been a subsequent increase in East View residents choosing to attend a bordering school district. The bordering district is the district of residence for the other
half of the City of East View. It is also a district of choice, which means that students do not need to get approval from their resident district to leave. The only restriction is that a district of choice cannot take more than ten percent of another district’s total enrollment. Currently, Southside Unified has lost approximately 2,000 East View residents to this particular district. The most common reasons given by parents for their choice to leave is better program offerings and that they would prefer their children attend schools with a more similar ethnic makeup. Although numerous attempts have been made to mirror or improve on the programs offered in Southside, the programmatic changes have been unsuccessful in convincing parents to stay.

Southside schools have also seen a substantial decline in enrollment. There are approximately 2,100 Southside residents attending schools in East View on NCLB transfers. In addition to the loss of students from parent choice transfers, the Southside schools have also losing students to neighboring school districts. Approximately, 30 percent of a neighboring school district’s enrollment is made up of Southside Unified students. Although inter-district transfers are not given freely, when parents appeal the denial of a transfer to the County Office of Education, they are usually successful. In an attempt to give parents choices in the Southside area of the district, academies, magnets, and various grade configurations have been established based on parent input. However, the decline has continued. Figure 4.3 shows the district’s enrollment over the past 19 years.
Figure 4.3 shows that the district’s decline began in 2003-04 and has continued through 2014-15. The district’s enrollment peaked at 35,427 students and has declined since to 25,311 for a total loss of 9,116 students, which equates to a 26 percent decline over the past twelve years. The district has lost over 900 students in each of the past two years resulting in a cumulative loss of revenue of over $12 million.

This section has set the context of the research study by describing the demographics of the cities within the Southside School District boundaries. It has also highlighted some of the most significant issues regarding the district’s demographics. The next section will discuss the district’s budget policy and procedures which ultimately impact school site budget development and expenditures.
District Budget Policy and Procedures

The Local Control Funding Formula allocates funds from the state to districts based on a weighted student formula, however LCFF regulations do not require that districts distribute their funds to school sites using this same method. Southside School District uses a per-student allocation method to distribute funds to their school sites. Table 4.2 is a listing of the district’s per-student school site funding allocations by funding source for the four-year period covered in this study. The funding sources included in Table 4.2 are the same funding sources used in the data analysis for research questions numbers one and two.

Table 4.2

School Site Funding Allocations Per Student

<table>
<thead>
<tr>
<th>Year</th>
<th>General Fund Site Discretionary</th>
<th>Limited English Proficiency (LEP)</th>
<th>School Library Improvement Block Grant</th>
<th>Supplemental Concentration Site Discretionary</th>
<th>Supplemental Concentration LEP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>ES $30.65</td>
<td>$572</td>
<td>ES $54.11</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>MS $37.45</td>
<td></td>
<td>MS $16.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HS $54.71</td>
<td></td>
<td>HS $9.87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012-13</td>
<td>ES $30.65</td>
<td>$610</td>
<td>ES $54.11</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>MS $37.45</td>
<td></td>
<td>MS $16.46</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HS $54.71</td>
<td></td>
<td>HS $9.87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013-14</td>
<td>ES $30.65</td>
<td>N/A</td>
<td>N/A</td>
<td>$75.00</td>
<td>$402.88</td>
</tr>
<tr>
<td></td>
<td>MS $37.45</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HS $54.71</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014-15</td>
<td>ES $25.00</td>
<td>N/A</td>
<td>N/A</td>
<td>$104.50</td>
<td>$402.88</td>
</tr>
<tr>
<td></td>
<td>MS $35.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HS $45.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The last two columns in Table 4.2 represent the supplemental and concentration grant funds allocated to sites through their LCAP. Although not required under LCFF regulations, the district has chosen to split the supplemental and concentration grants into two separate allocations or programs. The first is site discretionary, which as implied by
its title, can be used at the site’s discretion to meet their LCAP goals. The second has been designated specifically for English language learners for activities and interventions intended to close the achievement gap.

The District also allocates all school site staff centrally. Each site’s classroom teachers are allocated using staffing ratios based on anticipated student enrollment. The student-teacher ratios by grade level are determined by the district’s negotiated bargaining agreement. Baseline administrative staffing allocations have been established by school level and are reviewed yearly by the district’s cabinet to determine their adequacy. Adjustments are made based on necessity and the availability of funding.

Tables 4.3 and 4.4 detail the district’s elementary and secondary staff ratios.

Table 4.3

*Elementary School Staffing Formulas*

<table>
<thead>
<tr>
<th>Administrative Staff</th>
<th>Support Staff</th>
<th>Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>K-6</strong></td>
<td><strong>Enrollment</strong></td>
<td><strong>Office Manager</strong></td>
</tr>
<tr>
<td>Principal</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Assistant principal</td>
<td>850+</td>
<td>Typist clerk</td>
</tr>
<tr>
<td>Site Specialist</td>
<td>775-849</td>
<td>.5 FTE</td>
</tr>
<tr>
<td><strong>K-8</strong></td>
<td><strong>Enrollment</strong></td>
<td><strong>Elem School Clerk</strong></td>
</tr>
<tr>
<td>Principal</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Assistant Principal</td>
<td>800+</td>
<td></td>
</tr>
<tr>
<td>Site Specialist</td>
<td>700-799</td>
<td></td>
</tr>
<tr>
<td><strong>Campus Supervisor</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 hours per day</td>
<td>900+</td>
<td></td>
</tr>
<tr>
<td>23 hours per day</td>
<td>800-899</td>
<td></td>
</tr>
<tr>
<td>21 hours per day</td>
<td>700-799</td>
<td></td>
</tr>
<tr>
<td>19 hour per day</td>
<td>600-699</td>
<td></td>
</tr>
<tr>
<td>17 hours per day</td>
<td>500-599</td>
<td></td>
</tr>
<tr>
<td>15 hours per day</td>
<td>&lt;500</td>
<td></td>
</tr>
<tr>
<td><strong>Library Clerk</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 hours per week (Base)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 hours per week (LCAP)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Health Services Asst.</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
As indicated in Table 4.3, all elementary schools are allocated a full-time site principal, office manager, and health service assistants. The library clerk and health service assistant’s hours have been augmented through the use of the district’s LCAP funds which has freed up site funds for other priorities. Prior to 2013-14, if sites chose to purchase additional time for these two positions, they were required to use their categorical program funds. Most schools chose to augment their library clerk hours through the use of their School Library Improvement Block Grant and their health service assistant hours through Title I.

Table 4.4

Secondary School Staffing Formulas

<table>
<thead>
<tr>
<th>Administrative Staff</th>
<th>Support Staff</th>
<th>Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Middle</strong></td>
<td><strong>Middle &amp; High</strong></td>
<td><strong>Middle &amp; High</strong></td>
</tr>
<tr>
<td>Principal</td>
<td>Office Manager</td>
<td>32:1</td>
</tr>
<tr>
<td>Assistant Principal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counselor</td>
<td>Health Service Assistant</td>
<td></td>
</tr>
<tr>
<td>High School</td>
<td>Attendance Clerk</td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>Accounting Clerk III</td>
<td></td>
</tr>
<tr>
<td>Assist. Principals (3 FTE)</td>
<td>High (1 FTE)</td>
<td></td>
</tr>
<tr>
<td>Dean</td>
<td>Attendance Tech</td>
<td></td>
</tr>
<tr>
<td>Counselors (3 FTE)</td>
<td>High (1 FTE)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Secretary I</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Middle (1 FTE)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Secretary Data Processing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High (1 FTE)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Campus Security Officer</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Middle (1 FTE)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High (4 FTE)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Campus Security Assists</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Middle (2 @ 87.5 FTE)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Media Tech</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Middle (.50 FTE)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>High (1 FTE)</td>
<td></td>
</tr>
</tbody>
</table>
The staffing ratios included in Table 4.4 for the secondary schools represent base funding allocations for the middle and high schools. Any administrative or support services sites would like in addition to the base funded positions shown on Table 4.4 would require use of their site categorical or LCAP funds.

This section included the district’s budget policy, which is highly centralized. Funding allocations for discretionary and programmatic use at the site level were calculated centrally using a per-student allocation based on anticipated student enrollment. Staffing allocations for administrative and support staff were derived using staffing formulas generated by the district’s cabinet-level administrators. Teacher allocations were based on negotiated student-teacher ratios. The Local Control Funding Formula does not dictate the amount of funds to be distributed to school sites within a district. The district chose to fund its school sites at $104.50 per student with an additional allocation of $402.88 for each English language learner using their supplemental and concentration grant funds. Both allocations must be used in a manner outlined in the site’s LCAP. The next section will discuss the results of the data analysis by research question.

Research Question One: Did the implementation of the Local Control Funding Formula change the relationship between the number of students receiving free and reduced meals and the amount spent on support services at the elementary and secondary school levels?

In order to answer this question, a Pearson correlation coefficient of the relationship between the number of students receiving free and reduced meals and the total amount spend on support services for each school site was calculated. The
calculations were completed using a two-year average for the period prior to the implementation of the LCFF and a two-year average post-implementation. The descriptive statistics for the elementary pre-implementation are depicted in Table 4.5, and the Pearson correlation coefficient for the same period is included in Table 4.6.

Table 4.5

*Descriptive Statistics Elementary Pre-LCFF Implementation*

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free and Reduced Lunch</td>
<td>483.5385</td>
<td>225.45123</td>
<td>26</td>
</tr>
<tr>
<td>Support Services</td>
<td>174257.1154</td>
<td>64128.18532</td>
<td>26</td>
</tr>
</tbody>
</table>

The descriptive statistics included in Table 4.5 indicate that the average number of elementary students receiving free and reduced lunch during the period from 2011 to 2013 was 484 and the standard deviation was 225 students. The average expenditure on support services during this same period was $174,257 with a standard deviation of $64,128.

Table 4.6

*Pearson Correlation Elementary Pre-LCFF Implementation*

<table>
<thead>
<tr>
<th></th>
<th>Free Reduced Lunch</th>
<th>Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free and Reduced Lunch (FRL)</td>
<td>Pearson Correlation 1</td>
<td>.877**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>26</td>
</tr>
<tr>
<td>Support Services</td>
<td>Pearson Correlation .877**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>26</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)**
A Pearson correlation coefficient was calculated to determine if a significant relationship existed between the number of students receiving free and reduced meals and the amount spent on support services at the elementary level prior to implementation of the LCFF. According to Cronk (2014), correlations with an absolute value greater than 0.7 are considered strong, correlations with an absolute value between 0.3 and 0.7 are considered moderate, while correlations with an absolute value less than 0.3 are considered weak. Using Cronk’s scale to interpret the data, Table 4.6 indicates that a strong positive correlation was found ($r (24) = .877, p < .001$), which also signifies that a significant linear relationship between the number of students receiving free and reduced lunch and the amount spent on support services exists. Figure 4.4 is a scatterplot, which illustrates this linear relationship.

Figure 4.4 Scatterplot elementary prior to implementation of LCFF
The scatterplot depicted in Figure 4.4 indicates that the correlation between the two variables is positive, which is evident from the upward trend line. This means that as the number of students receiving free and reduced meals increases, so does the amount spent on support services. The strength of the relationship is illustrated by the way the data points are clustered near the line.

These same data were calculated for elementary schools for the two-year period after the implementation of LCFF for comparison purposes. Table 4.7 contains the descriptive statistics for this time period.

Table 4.7

Descriptive Statistics Elementary Post-LCFF Implementation

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free and Reduced Lunch</td>
<td>466.8462</td>
<td>215.32444</td>
<td></td>
</tr>
<tr>
<td>Support Services</td>
<td>173930.5769</td>
<td>60640.47276</td>
<td>26</td>
</tr>
</tbody>
</table>

The descriptive statistics indicate that the average number of elementary students receiving free and reduced meals for the period of 2013-2015 has declined to 467 and the standard deviation is 215 students. The average expenditure on support services during this same period has also declined to $173,931 with a standard deviation of $60,640.

Table 4.8 contains the results of the Pearson correlation coefficient calculation for elementary schools for the two-year period after the implementation of the Local Control Funding Formula.
The data provided in Table 4.8 indicated that there is a strong positive correlation ($r (24) = .734$, $p < .001$) between the two variables of free and reduced lunch and expenditures on support services. Although the Pearson correlation coefficient has declined, a significant linear relationship between the two variables still exists given that the correlation value is above 0.7 (Cronk, 2014). Figure 4.5 is a scatterplot of the data illustrating the linear relationship. The scatterplot depicted in Figure 4.5 indicates that the correlation between the two variables remains positive. The decline in the correlation coefficient is illustrated by the way the data points are not as tightly clustered near the line as the pre-implementation data points were in Figure 4.4. When comparing the pre- and post-elementary descriptive statistics and the correlation coefficients, the results were that the mean number of students on free and reduced meals dropped slightly from 484 to 467 while the correlation coefficients dropped from .877 to .734. However, both correlation coefficients still indicate there is a strong positive correlation between the

<table>
<thead>
<tr>
<th>Correlation Coefficient</th>
<th>Free Reduced Lunch</th>
<th>Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free and Reduced Lunch (FRL)</td>
<td>Pearson Correlation</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>26</td>
</tr>
<tr>
<td>Support Services</td>
<td>Pearson Correlation</td>
<td>.734**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>26</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)**
number of students on free and reduced meals and the amount spent on support services at the elementary level both pre-and post-implementation of the Local Control Funding Formula.

*Figure 4.5 Scatterplot elementary post-implementation of LCFF*

The same process was completed for the secondary schools within the district. The descriptive statistics for the secondary schools prior to the implementation of the LCFF is depicted in Table 4.9.
Table 4.9

Descriptive Statistics Secondary Pre-LCFF Implementation

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free and Reduced Lunch</td>
<td>796.0909</td>
<td>415.55877</td>
<td></td>
</tr>
<tr>
<td>Support Services</td>
<td>604120.6364</td>
<td>311975.12406</td>
<td>11</td>
</tr>
</tbody>
</table>

The descriptive statistics contained in Table 4.9 indicated that the mean number of the secondary students receiving free and reduced lunch is 796 with a standard deviation of 416. The mean amount spent on support services for this time period was $604,121 with a standard deviation of $311,976. The Pearson Correlation calculation for this data set is depicted in Table 4.10.

Table 4.10

Pearson Correlation Secondary Pre-LCFF Implementation

<table>
<thead>
<tr>
<th></th>
<th>Free Reduced Lunch</th>
<th>Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.860**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>

**Correlation is significant at the 0.01 level (2-tailed)

The data in Table 4.10 indicated \((r (11) = .860, p < .001)\), which means that a strong, positive correlation exists between the two variables at the secondary level, much
as it did in the elementary schools, prior to the implementation of LCFF. The Pearson correlation value of .860 is significant at the .001 level. The data set used in the correlation coefficient was also displayed in a scatterplot depicted in Figure 4.6. The scatterplot illustrates the positive linear relationship between the two variables. Although the scatterplot appears sparse with only 11 data points in comparison to the 26 at the elementary level, the results were no less significant. With the exception of one outlier, the data are clustered closely to the line once again indicating a positive linear relationship.

Figure 4.6 Scatterplot secondary prior to implementation of LCFF

The descriptive statistics for the secondary data set after the implementation of the LCFF are depicted in Table 4.11
Table 4.11

Descriptive Statistics Secondary Post-LCFF Implementation

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free and Reduced Lunch</td>
<td>762.7273</td>
<td>380.56907</td>
<td></td>
</tr>
<tr>
<td>Support Services</td>
<td>763740.5455</td>
<td>380499.5951</td>
<td>11</td>
</tr>
</tbody>
</table>

The data in Table 4.11 indicated that the mean number of students receiving free and reduced lunch at the secondary level has declined to 763 with a standard deviation of 381. At the same time, the amount spent on support services has increased to $763,740 with a standard deviation of $380,500. Table 4.12 depicts the corresponding Pearson correlation calculation.

Table 4.12

Pearson Correlation Secondary Post-LCFF Implementation

<table>
<thead>
<tr>
<th></th>
<th>Free Reduced Lunch</th>
<th>Support Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Correlation</td>
<td>1.00</td>
<td>.840**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>11</td>
<td>11</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (2-tailed)

The Pearson correlation data in Table 4.12 indicated ($r (11) = .840, p < .001$), which demonstrated that a strong, positive correlation exists with the Pearson correlation.
value of .840. Once again, the data indicated that the correlation between the two variables has declined after the implementation of the LCFF. The correlation coefficient at the secondary level dropped slightly from .860 to .840; however, the significance level remains high. Figure 4.7 is the scatterplot of the secondary data after implementation of LCFF. The drop in the significance level is evident by the fact that the data points are more loosely scattered than they were in Figure 4.6.

![Figure 4.7 Scatterplot secondary post-implementation of LCFF](image)

The results of the correlation coefficients showed that a significant relationship exists for the number of students receiving free and reduced lunch and the amount spent on support services at both elementary and secondary levels for the periods prior to and
after the implementation of LCFF. However, it is important to note that although two variables can be significantly related to one another, it still does not indicate that a causal relationship exists. In order to determine if the two are meaningfully related, the coefficient of determination should be calculated for analysis. The coefficient of determination is the shared variance between the two variables and calculated by simply squaring the correlation coefficient. The coefficient of alienation is the opposite, which means it is the level of variance that is not shared between the two variables and is calculated by subtracting the absolute value of the coefficient of determination from one.

Table 4.13 depicted both these values for the elementary and secondary levels for pre- and post-implementation of LCFF.

Table 4.13

<table>
<thead>
<tr>
<th>School Level</th>
<th>Coefficient of Determination</th>
<th>Coefficient of Alienation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elementary Pre-LCFF</td>
<td>77.0%</td>
<td>23.0%</td>
</tr>
<tr>
<td>Elementary Post-LCFF</td>
<td>53.9%</td>
<td>46.1%</td>
</tr>
<tr>
<td>Secondary Pre-LCFF</td>
<td>73.9%</td>
<td>26.1%</td>
</tr>
<tr>
<td>Secondary Post-LCFF</td>
<td>70.5%</td>
<td>29.5%</td>
</tr>
</tbody>
</table>

The data in Table 4.13 indicate that at the elementary level prior to implementation of LCFF, 77 percent of variance was accounted for between the two variables while only 23 percent of the variance was not. However, post-implementation, the level of variance not accounted for increases to 46.1 percent, indicating that other factors may be having an effect on the level of significance between the two variables. The secondary schools remained fairly static pre- and post-implementation.
The answer to the question of whether the implementation of the Local Control Funding Formula changed the relationship between the number of students receiving free and reduced meals and the amount spent on support services at the elementary and secondary school levels is “yes.” The results of the Pearson correlation coefficient and the coefficient of determination indicated that the relationship between the two variables declined at both levels; however, the variables at the elementary level appear to have been affected more by the LCFF implementation. A discussion of possible explanations and the implications will be included in Chapter 5.

Research Question Two: Did the implementation of the Local Control Funding Formula change expenditure patterns at the elementary and secondary school levels?

In order to answer this question, site expenditure data were gathered over a four-year period consisting of two years prior to implementation and two years after implementation. The program budgets used in the comparison were the same as those included in Table 4.2. The data were gathered by major expenditure category and averaged over each of the two-year periods for comparison purposes. Expenditures for classroom teachers and site administrators were not included in the comparison since these expenditures are not at the discretion of site administrators. Figures 4.8 and 4.9 depict the pre- and post-expenditure patterns at the elementary level.
The data indicated that after the implementation of LCFF, expenditures for instruction materials and technology, each declined by one percent, and expenditures on certificated support services declined by six percent. The data also showed a corresponding increase of eight percent in classified support services.

Figures 4.10 and 4.11 depict the pre- and post-expenditure patterns at the secondary level.
The data indicated that after the implementation of LCFF, expenditures for services and operating expenses declined by one percent, and instructional materials declined by two percent while classified support services declined by eight percent. There was a corresponding increase of 11 percent in certificated support services.
Research question number two asked whether the implementation of the Local Control Funding Formula changed expenditure patterns at the elementary and secondary school levels. It appears that there have been expenditure pattern changes since the implementation of LCFF. The elementary schools appear to have concentrated their funds on classified support services, while the secondary schools appear to have focused their funds on certificated support services. Further discussion of the expenditure pattern changes and their implications will be discussed in Chapter 5.

Research questions one and two represented the quantitative portion of the research study. These two questions were answered using descriptive statistical analysis of the archival data gathered from the Southside Unified School District. The next three research questions represent the qualitative portions of the study. The questions were answered through data gathered from conducting interviews of district administrators. The main themes identified through the open and axial coding of the interview transcripts were: status quo at the site level, increased collaboration at the district level, lack of flexibility and simplicity, lack of communication and/or information, and the need for additional training and reference materials. These themes will be discussed in greater detail throughout the remaining sections of this chapter.

When the site administrators were asked to describe their leadership style and their role in the budget development process, their answers were consistent. Each described themselves as being collaborative or using a shared leadership style. One principal stated, “I have a shared leadership style and prefer shared decision-making. That is how I build consensus and capacity.” Another responded, “I am inclusive and a bridge-builder.” Other answers included, “I like to hear the voices of all stakeholders,”
and “It’s all about everyone buying-in.” When describing their role in their site budget development process, they described themselves as the facilitators of the process and as conveyers of information. The common response was, “I facilitate the discussion,” and “I provide information.” One principal described her role as being “the communicator.”

The site administrator’s responses to other interview questions, as well as those of the superintendent and deputy superintendent, will be used to answer the remaining research questions.

Research Question Three: Has the implementation of the Local Control Funding Formula provided greater flexibility and local budget decision-making?

In order to answer this question, site and district administrators were asked a series of questions aimed at identifying specific changes that have occurred in their budget-development process and the roles played by various stakeholders since the implementation of the LCFF. The responses were vastly different depending on whether the questions were asked about the site-level budget-development process or the district-level budget-development process.

Status quo at the site level. When asked to describe their site budget-development process, principals discussed collaboration with their leadership teams, parent groups, and teachers to establish funding priorities and programmatic goals for the upcoming year. When asked if they had made any specific changes to their budget-development process or if their parents or teachers played a more active role since the implementation of the LCFF, with the exception of one principal, the typical response was, “No, it is the same.” Other similar responses included, “No, the new funding mechanism did not change the budget process, other than there is more money to
discuss,” and “No, my process is similar to what I have always done, just using a
different funding stream.” Two principals mentioned changes to their monitoring
practices although their actual budget-development process had not changed. The first
said, “No, my budget process is still the same. We may have tightened up our monitoring
process to see if we are on track or need to change our goals,” while the other responded,
“No, my process has remained the same, but I have implemented more budget
monitoring.” The typical response with regard to their parents’ and teachers’ roles in the
process was, “It’s the same. I have always involved my parents and teachers in the budget
process.” One principal mentioned training her parents on LCFF, while another stated, “I
am just beginning to implement conversations around the eight priority areas and how
they fit into our site initiatives and priorities.”

The one principal who responded that her budget process had changed “quite a
bit” was the principal of East View High School, which is a non-Title I school. She
commented that prior to implementation of LCFF, she usually received only enough
funds “to buy the necessities.” Therefore, her budget-development process prior to
implementation was not very robust, and her parent and teacher engagement was mainly
targeted at goal setting and not the allocation of funds. Since implementation, she stated
that her parents have become much more involved in budget decision-making and that
she “has implemented monthly budget talks with her school site council and that they
review data before deciding what to spend their money on.” When asked if her teachers
play a more active role she responded, “Yes, they have been more involved, although
they did not request anything at first. I think they didn’t believe there was actually
money.”
Overall, there did not seem to be many changes in the budget-development process or the level of parent and teacher involvement at the school site level since the implementation of the LCFF. Most district school sites already used a shared leadership approach to budget development based on the requirements associated with Title 1. However, the same was not true of the district’s previous budget-development process and level of engagement of stakeholders. The next section discusses the changes experienced at the district level based on the new LCAP requirements.

**Increased collaboration at the district level.** When asked if they had noticed changes in the district’s budget-development process, principals were unanimous in saying, “Yes, it is much more collaborative.” One principal stated, “I have noticed a huge change. There is a big push for involvement of stakeholders.” Another responded, “Principals and the whole community are coming together to give input on what they would like to see the money spent on.” Yet another principal likened it to the process used at the site level,

It seems that the process that we have used with our school site councils is now being used at the district level with various stakeholders. Stakeholders are providing input and advice and are looking at data. They are talking about ways to improve the system.

When principals were asked how their involvement had changed in the district’s budget-development process, typical responses included statements such as, “We were asked to provide input,” “help to set goals,” and “define the priorities.”

Parents and teachers have also played a more active role in the district’s budget-development process. Both groups have been asked to participate in district LCAP
committees and to complete surveys regarding the priorities they would like to see funded in the district’s budget. When asked about the participation level of the teachers, the deputy superintendent stated:

This past year, we only had about 20 percent of the teachers participate, which was really made up of union representatives. This year, over 700 classroom teachers completed surveys, so it is getting better and will continue to do so as they understand the importance of it.

The superintendent and deputy superintendent both commented that the biggest impact has been on the parents and how they have taken ownership of the LCAP development process.

The superintendent stated:

I would say our parents are very engaged in the process. In fact, they would like to see the process expanded to other areas of decision-making. They have begun engaging in a very respectful process of problem-solving by creating their own presentations, using the data we have provided them in our LCAP meetings, to address other issues.

The deputy superintendent responded, “Absolutely, our parents feel very empowered and have participated in the process. Their voices are definitely being heard.”

The district’s process has become more collaborative since the implementation of the LCFF. This is mainly due to the fact that the district is now mandated to meaningfully engage stakeholders in the development of their LCAP. It appears that the biggest changes related to budget development have occurred at the district level and have substantially increased collaboration around budget goals and funding priorities.
However, these changes have not occurred without a perceived loss of authority by some. When asked if they felt the LCAP process has given the Board of Education more authority for budget decisions, the deputy superintendent responded:

No, in fact we have told them to stay out of the process. You don’t want it to appear that the Board is influencing parents. It needs to be the other way around. It seems as though the Board has been taken out of the equation all together, at least, that is how I think they feel.

The superintendent validated the Deputy Superintendent’s belief with his response to the same question:

The Board feels left out of the process. We asked them to stay away from the stakeholder meetings so as not to influence the outcome with their authority. Yet, by the time it gets to them for approval, if they were to remove or add anything, it could be a political problem. They have actually had the least control of all. However, I do believe they have seen their interests represented in the LCAP even though they do not play an active role in the process.

When asked about her own perception regarding whether the district has seen greater local control over budget decisions in light of the LCAP’s meaningful engagement requirement, the deputy superintendent responded:

No. I am hopeful, so I will amend that to say, not yet. I am hopeful that when all the accountability aspects are in place, we will see where we have that local control. Before stakeholders served in a more advisory capacity, now they are driving the ship. Fortunately, we have well-informed parents
and a collaborative relationship with our unions. I don’t know how it could get done if we didn’t.

The next section will discuss the administrators’ perceptions about the level of flexibility and autonomy they feel since the implementation of the LCFF.

Lack of flexibility and simplicity. One of the governor’s major goals related to the implementation of the LCFF was to provide greater flexibility and simplify spending by eliminating restrictive categorical programs and then creating supplemental and concentration grants (Humphrey & Koppich, 2014). When site administrators were asked whether they felt a greater degree of flexibility regarding their site budgets, the answers were mixed. One responded that based on the amount of funding they received, “No, it feels the same. There is not enough additional funding to add flexibility,” while another stated, “Yes, because we have additional funds.” Others alluded to possible misperceptions of what flexibility was going to look like, “No, I still see the limitations. I thought it would be like putting all the money in one big pot and we would no longer have any restrictions. That is not the case.” Another stated, “Not necessarily, because behind the flexibility, there is always a restriction.” One response stood out because it addressed the level of complexity educators have become accustomed to when trying to spend their money, “Yes, I think there is flexibility. You just need to know how to access it.”

When asked whether it was easier to spend their money and if they have spent less time on administrative aspects of the budget, such as justifying expenditures, the principals expressed a high level of frustration. Some responses were based on frustrations pertaining to the internal practices at the district office, “No, I think it has
gotten a little more difficult to get expenditures requisitions approved. I don’t know how to word the rationale.” A similar response was, “No, it is not any easier to spend, and it still takes quite a bit of time to get purchase requisitions approved because I don’t know what rationale they are looking for at the Ed Center.” This line of questioning quickly exposed a significant issue the district had not anticipated and can best be described as an unintended consequence of the LCAP implementation.

The district’s first LCAP became effective on July 1, 2014, which meant that district office staff and site administrators were free to spend their money as outlined in the LCAP and their site plans. However, in January 2015, the District was scheduled for its Federal Program Monitoring (FPM) review. When the FPM team began their review of the district’s federal programs in conjunction with the district’s approved LCAP, things suddenly became very complicated. According to the deputy superintendent, “The feds interpreted almost everything as supplanting after reading our LCAP. We were not anticipating this and had done as we were told with regard to keeping the language in the document general. This became a big problem for us.”

The result of the FPM was that the auditors would not allow expenditures in Title I that were also included or interpreted as being included in the district’s LCAP. This meant that initiatives that were expanded through the district’s LCAP, such as AVID training and tutors, technology purchases, and additional positions, were now considered baseline state expenditures and, as such, could not be funded using Title I at any of the school sites. This was a source of great confusion and animosity for principals who were still in the process of learning how their LCAP funds could be spent. Many of the comments expressed their frustration. “Things changed mid-year, and it got very
confusing,” and “I was no longer able to use my Title I funds for staff development or support services. There was suddenly a higher level of accountability mid-year that did not leave any flexibility at the site level.” Another principal summarized the situation well:

We thought that we were going to have all this money and would be able to spend it how we need. That is not how it played out. Not only were we learning how to spend LCAP funds, suddenly we couldn’t spend our Title I funds the way we used to. To make things even worse, it changed mid-stream.

When asked about the frustrations the principals expressed, the deputy superintendent replied:

Yes, they took away what we thought were some areas of flexibility. We now have to go back and redefine the core. Doing this and using more specific language in our LCAP will restore some of our flexibility. They are frustrated, and so are we. This is an area where the state and feds need to be talking to each other.

The district did retain some of its flexibility. A few of the principals’ comments alluded to the fact that they had anticipated a higher level of funding than they actually received through LCFF. This was due, in part, to decisions made at the district level. As Table 4.1 illustrated, there are a number of East View schools that have high populations of students eligible for Title I funds who are not receiving them due to existing federal regulations. Implementation of LCFF has allowed the district the flexibility to distribute its supplemental and concentration grant funds on an equal per-pupil basis as depicted in
Table 4.2. This has resulted in additional funds for the NCLB students attending East View schools. On the other hand, LCFF reduced the anticipated increases to Southside schools. When asked what benefits have come from the implementation of the LCFF, the superintendent responded, “The biggest impact has been our non-Title I schools. We have been able to address interventions at these sites for NCLB kids. They have received more money and more support.” When one of the principals who mentioned receiving fewer funds than anticipated was asked how he felt about the district’s use of flexibility in this manner, he said, “I’m fine with it. We are one organization, and it’s good for kids.”

This section has highlighted the fact that expectations may have been too high relative to the amount of flexibility and simplicity that implementation of the LCFF would provide. It also revealed the complex interdependency between the district’s state and federal funding. However, using their LCAP funds and the flexibility provided, the district was able to provide additional support services to low-income students who would otherwise have gone without.

Research question number three asked whether the implementation of the Local Control Funding Formula provided greater flexibility and local budget decision-making. The answer to this question most likely depends on what the individual’s role was prior to the implementation and what his or her role is now. However, the approximately 2,100 NCLB students attending the East View schools who are receiving support services for the first time are an example of new flexibility and local budget decision-making. The next section discusses some of the challenges experienced during the implementation of LCFF.
Research Question Four: What challenges and/or barriers emerged during the implementation process?

When asked this question, most principals referred to many of the issues discussed in the previous two sections, “getting purchase requisitions approved, getting rationales approved, and not enough money to meet the student’s needs,” along with “the perception that there was more money than there really was.” Other challenges pertained to the LCAP process itself, such as, “lack of traditional measures of student achievement for use as indicators in the LCAP” and “the ability to identify our foster-care students so that we can provide services.”

The lack of communication and/or information. The lack of communication and/or information was the most common response provided when changes occurred after the Federal Program Monitoring audit. Many principals commented that they found out about changes from other principals, “Things changed mid-year, and no one told us.” Another principal commented, “The greatest challenge was that we need more reliable information. We need to know when things change and why.” And finally, “The greatest challenges were with communication. We need clarity from the business and educational services departments. We need to know when and why.”

The responses given by the superintendent and deputy superintendent were targeted at the LCAP process and the lack of information available from the state. The deputy superintendent commented that one of her greatest challenges was “the lack of an accountability rubric. We have had to be very conservative in our expenditures and have chosen to target our funds on English learners until we have more information.”
The superintendent discussed the overwhelming amount of work required by the LCAP process stating that “time and manpower are our biggest challenges.”

The next section discusses the recommendation made by site principals and the superintendent and deputy superintendent.

Research Question Five: What recommendations did site administrators identify to overcome these challenges and/or barriers in order to meet the goals of the Local Control Funding Formula?

When asked this question, many of the site administrators addressed the issue of poor communication, such as, “More communication about how our budget amounts are derived,” and “More communication when a purchase requisition is rejected. I would like district staff to call me when there is something wrong with a purchase requisition, rather than just sending it back to me. It just prolongs the process.” Another suggested, “It would be nice if we could have a forum where principals could ask their questions and get immediate feedback.” Another stated, “I would recommend that the district office provide principals with timely and accurate information. As soon as changes in regulations occur, please let principals know so we can change direction and let teachers and parents know.”

Need for additional training and reference materials. The other major theme that emerged during the discussion was the need for additional training and reference materials. Many principals addressed the need for additional training on how to spend their LCAP funds. “I need additional training on what rationale to use on purchase requisitions and what I can spend my funds on.” Others stated, “The training was so fast, we did not have a lot of time to apply it. When I got back to my site and had to start
spending, it was difficult,” and “We received a broad overview but we need more training on how money can be spent.” Another suggested, “We could use some product-driven professional development.” Other recommendations addressed their ability to access immediate and accurate information. “The district should provide an expert at the district office that we can call when we need help writing a rationale.” Another recommended, “A flow chart should be created so we could refer to [it] when we are trying to purchase something, with optional rationales we can use.” One principal had researched other districts’ websites and found that San Francisco Unified had some good written materials. This principal stated, “I recommend that written guidelines be provided for principals regarding how funds can be spent.”

**Summary**

This chapter has provided the results of the research study. It began with information regarding the district demographics to establish the context of the study. The quantitative questions were answered first. The data were analyzed to investigate the relationship between the number of students on free and reduced lunch, and the amount spent on support services to determine whether it had changed since the implementation of the LCFF. The results indicated that a significant relationship existed between the two variables since the absolute value of each of the correlations remained above 0.7, which according to the Cronk scale indicates a strong relationship. Although the significance level went down after the implementation of the LCFF, the decline can be explained by administrative decision and other factors within the district. These will be discussed further in Chapter 5. The next question addressed was whether the expenditure patterns had changed since implementation. The results indicated that at the elementary level,
expenditures have become more focused on classified support services, while at the secondary level, they have been more concentrated on certificated support services since the implementation. The qualitative research results were discussed using data gathered during interviews with principals, the superintendent, and the deputy superintendent of the Southside Unified School District. The first qualitative question asked whether implementation of the LCFF had provided greater flexibility and local budget decision-making. The actions the district has been able to take to provide support to students who would not otherwise have received it indicated that, “Yes, greater flexibility and local budget decision-making has been provided by the district since the implementation of LCFF.” The next two questions discussed barriers to implementation and recommendations for overcoming these barriers. The overwhelming responses were related to the need for greater communication and training regarding the way LCAP funds can be spent. Chapter 5 will provide a discussion of the research study conclusions, and implications for policy and practice as well as recommendations for future research.
Chapter 5

Conclusion

This chapter will provide an in-depth discussion of the study’s findings and conclusions. It will begin with a brief overview of the study, which will include the problem statement, the study’s contribution to the field of literature, the purpose, research questions, methodology, and summary of the major findings. The discussion section will provide the researcher’s interpretation and analysis of the findings and overall conclusions. Next, the implications for policy and practice will be discussed, followed by recommendations for further research. The chapter will end with a brief concluding statement.

Summary of the Study

After years of litigation, voter initiatives, and legislative action, California’s school finance system had become ineffective in meeting the needs of its diverse student population (Bersin, Kirst, & Liu, 2008). In 2013, Governor Brown implemented the Local Control Funding Formula in an attempt to provide greater funding equity to California’s K-12 students. The objectives of the new finance system were to simplify the funding formula, provide districts with greater local control, and allocate funds according to student need. Through the new funding formula, districts receive additional funds for students of poverty, English language learners, and foster care youth. Funds are also increased based on a district’s concentration of students within the three targeted student populations. The LCFF is still in its infancy, having been implemented only within the last two years. As such, more research is needed in order to determine its effectiveness. Currently, there is only one published study pertaining to the LCFF.
implementation. The study entitled, *Toward a Grand Vision: Early Implementation of California’s Local Control Funding Formula* (Humphrey and Koppich, 2014), was a qualitative study on the perspectives of district administrators from 11 school districts and their County Offices of Education regarding the first year of LCFF implementation. This research study will add to the very limited body of research on this topic by providing a case study of the second year of implementation.

The purpose of this study was to determine whether the implementation of the LCFF increased the equitable distribution of resources and provided greater local decision-making within a large urban school district located in Southern California and to identify challenges and recommendations. This study sought to answer the following research questions:

1) Did the implementation of the Local Control Funding Formula change the relationship between the number of students receiving free and reduced meals and the amount spent on support services at the elementary and secondary school levels?

2) Did the implementation of the Local Control Funding Formula change expenditure patterns at the elementary and secondary school levels?

3) Has the implementation of the Local Control Funding Formula provided greater flexibility and local budget decision-making?

4) What challenges and/or barriers emerged during the implementation process?

5) What recommendations did site administrators identify to overcome these challenges and/or barriers in order to meet the goals of the Local Control Funding Formula?
The study was conducted using a mixed method, single case study design. This design was selected in order to address both the quantitative and qualitative aspects of the LCFF. The quantitative aspect of the study encompassed the first two research questions. The time period of the study was 2011-2015. This time period consisted of two years prior and two years post-implementation, for comparison purposes. Archival budget data, free and reduced meal eligibility, and expenditure data were gathered for analysis using descriptive statistics. A Pearson correlation coefficient and the correlation of determination were conducted to answer research question number one. The second research question was answered using a comparison of the average expenditures for two years prior and two years after implementation of the LCFF. The comparison data were depicted in graphic format.

A comparison of the Pearson correlation coefficients for the periods prior to implementation and the periods after showed that the relationship between the number of students receiving free and reduced lunch and the amount spent on support services had declined since the implementation of the Local Control Funding Formula. The Pearson correlation declined by .143 at the elementary level, and .020 at the secondary level.

The findings with regard to research question number two were that the expenditure patterns had changed since the implementation of LCFF. The comparison of the two periods showed that the elementary schools had concentrated their spending on classified support services for students since the implementation of the LCFF, whereas the secondary schools had focused their spending on certificated support services.

Research questions three through five were answered using data collected during interviews of district and school site administrators. These interviews consisted of four
elementary, one middle, one K-8 and three high school principals. The two district administrators interviewed were the superintendent and the deputy superintendent. Interview responses were professionally transcribed and analyzed using open and axial coding. Through the coding process, five major themes emerged. The themes were: status quo at the site level, increased collaboration at the district level, lack of flexibility and simplicity, lack of communication and/or information, and the need for additional training and resource materials. These themes were used to answer the qualitative research questions.

The finding with regard to question number three was that the implementation of the LCFF had provided greater flexibility and local budget decision-making at the district level. However, site principals did not experience this same flexibility. Question number four asked principals and district administrators to identify barriers and challenges they had experienced over the past year as they implemented the LCFF. Principals identified the lack of communication and timely information with regard to LCAP requirements as the major barrier to implementation. The deputy superintendent identified the lack of an accountability rubric to guide the LCAP process. The superintendent stated that the amount of time and manpower associated with the LCAP development were the district’s biggest challenges. In response to question number five, site administrators recommended that the district provide additional training and reference materials for how the LCAP funds could be spent.

This section has provided a summary of the research study. It included a discussion of the study’s background, the study’s contribution to the field of literature, its
purpose, the research questions, the methodology used to conduct the study, and finally, the results and findings. The next section will discuss the findings in greater detail.

Discussion of Research Findings

The discussion of the research findings will be organized by methodology. The quantitative findings will be discussed first, followed by the qualitative findings.

Quantitative findings. The quantitative findings can best be explained by the district’s demographics and budget initiatives. Over the past four years, the district’s enrollment has declined at an average rate of 3 percent a year, with the largest declines taking place in the two years since LCFF’s implementation. The enrollment decline has been greater at the elementary school level. As the number of students on free and reduced lunch declined, there was an influx of additional funds provided through the implementation of the LCFF. These additional funds were spent to restore support services such as library clerks and health service assistants at the elementary level, while counselors, activities directors and assistant principal positions were restored at the secondary level. The restoration of these support services occurred district-wide in the two years after LCFF implementation. In some cases, the positions were not only restored, but also additional hours or days were added to provide greater support.

The Pearson correlation declined after implementation of the LCFF because the two variables used in the correlation affected by different factors. The free and reduced meal counts were going down due to declining enrollment, while the expenditures on support services were going up due to the district’s decision to restore and further augment support services at the same time. The larger drop in the correlation at the
elementary level was explained by the fact that decline in enrollment was concentrated in the elementary grades.

The expenditure pattern changes at the elementary and secondary levels were consistent with the district’s budget initiatives. The elementary expenditure pattern showed a concentration of funds spent on classified support salaries after the implementation of LCFF. The support services that were restored with the LCFF funding at the elementary level were all classified salaries. The increase shown in certificated support services at the secondary level also aligned to the district’s budget initiatives. The support services that were restored at the secondary level were all certificated positions.

Qualitative findings. The qualitative research, which consisted of 11 interviews, resulted in five major themes. These themes were (a) status quo at the site level, (b) increased collaboration at the district level, (c) lack of flexibility and simplicity, (d) lack of communication and/or information, and (e) the need for additional training. For discussion purposes, the first three themes will be combined into a single theme of LCAP development. The remaining two will be combined into a single theme of lack of clarity. The themes identified in this research study are consistent with those in Toward a Grand Vision: Early Implementation of California’s Local Control Funding Formula Humphrey and Koppich, 2014), which was conducted after the first year of LCFF implementation. The common themes between the two studies are the collaborative budget development process, the lack of information, and the need for additional training.

LCAP Development

The major theme in this area was greater collaboration at the district level. It is not surprising that the district’s budget-development process has become more
collaborative given the requirement of meaningful engagement of stakeholders as part of the district’s LCAP development. The new LCAP budget-development process aligns to the practice that principals have used to develop their site plans for years. This practice contributed to most principal’s comments that they had not made any changes to their budget process and why their role, and that of their teachers and parents, had not changed since the implementation of LCFF. Principals shared that they were able to participate in setting goals and priorities for the district’s budget. They also stated that they saw evidence of their participation at their school sites with the additional staff and programs they established as priorities in the district’s budget. They also expressed that they had seen evidence that their highest priority, the socio-emotional needs of students, was addressed in the district’s LCAP which provided greater support services in this area.

According to the superintendent, parents have also had a greater opportunity to participate in the budget process and have learned a great deal about addressing issues in a respectful manner. Teachers were not initially trustful of the process and did not participate in large numbers in the first year. However, their participation almost doubled in the second, which is an indicator of greater trust in the process.

One of the most difficult aspects of the current budget process was the lack of an accountability rubric from the state. Districts were entering their third year without clarity on how their LCAP funds could be spent. There are eight priority areas the district can use to justify its LCAP expenditures. However, several principals expressed their frustration at the lack of clarity regarding an acceptable performance measure, leaving principals unable to use innovative strategies to address the priority area of student engagement. The state requires that each activity included in the LCAP have a
corresponding performance measure. In the case of use of an innovative curriculum, it is very difficult to provide such a performance measure, which may hinder the purchase of materials and equipment to aid in the use of innovative strategies to increase student engagement. Given the lack of clear accountability parameters, the district has chosen to focus its spending on interventions for English language learners. While this is certainly a worthwhile and necessary expenditure, this focus limits the flexibility that sites might otherwise have if an accountability rubric were available. This lack of accountability rubric was a great source of frustration for both district and site administrators, which was expressed numerous times during their interviews. Staff was dependent on advice from county and state officials with regard to acceptable use of their LCAP funds. This advice has not always been accurate and has caused major problems this past year, which impacted the use of both state and federal funds.

Districts were advised by the county and state to keep descriptions in their LCAPs general, in order to provide greater latitude for expenditures. Unfortunately, mid-year, when the FPM team arrived, they had a different interpretation of the general nature of the descriptions used in the district’s LCAP. Federal regulations require that districts use federal Title I funds to supplement the state-funded programs and not supplant. When the federal auditors reviewed the district’s LCAP and saw the lack of detail in the descriptions, they interpreted it to mean that all expenditures in these categories were state funded and therefore not eligible under Title I. An example of one of the expenditure categories they disallowed was AVID tutors. Most sites had historically used their Title I funds to pay for AVID tutors. However, in the district’s LCAP, they listed \textit{AVID tutors}, which they intended to fund only for middle schools. Since there was
no such designation, the federal auditors denied all funding of AVID tutors through Title I. That is just one example. The FPM monitors also denied technology purchases and certain teacher staff-development expenditures. This left principals scrambling to find other funding sources for items they had either already purchased or planned to purchase.

**Lack of Clarity**

The other major theme derived from the interviews was a lack of clarity. This lack of clarity served as a major barrier for principals who expressed frustration at not knowing how to spend their funds. They also voiced their frustration at the lack of timely information provided by district office staff. Principals were trained several times on the requirements of the LCAP and participated in LCAP development. However, there was not sufficient training provided on how to legally spend their LCAP funds. This concern was partially due to the fact that it was anticipated these funds would be more flexible and therefore easier to spend. The anticipated flexibility was lost once the federal audit occurred. In fact, the disallowed expenditures from Title I had to be moved into the more flexible LCAP accounts, which exhausted this source of funds at many sites.

Unfortunately, even though moving expenses out of Title I provided additional money in this account, principals were severely limited by what the FPM monitors considered allowable expenditures for Title I after their review of the district’s LCAP. District administrators tried to work with the auditors to get them to understand the LCAP and its provisions for flexibility. However, in their determination of supplanting, the federal auditors did not take into consideration the direction that had been given to districts to keep the language broad. Their findings were submitted to the district in February with an appeal timeline. The district continued to appeal the findings to no
avail. Unfortunately, as they were appealing the findings, they did not update principals with regard to the new limitations placed on LCAP and Title I expenditures by the FPM program monitors. District staff began returning purchase requisitions based on the new restrictions without explaining the situation in detail to the principals. This practice left principals greatly confused as to how their LCAP and Title I funds could be spent. During the interviews, most principals expressed their frustration that they were not told immediately about the additional funding constraints.

Principals were asked for recommendations with regard to the barriers they experienced. Most recommended additional training, specifically on how LCAP funds could be spent. They also asked for reference materials so that if they needed help once they got back to their sites, they would have access to accurate information. They also recommended that a list of approved rationales be created for use on purchase requisitions. Finally, they requested that a call be placed to discuss possible solutions prior to rejecting a purchase requisition. Despite the many funding issues experienced during the year, there were opportunities to provide greater equity to a segment of underserved students, which is discussed in the next section.

**Flexibility Provides Greater Equity**

Using the flexibility provided under LCFF, the district was able to increase its equitable distribution of funds for students on NCLB transfers. Under the NCLB regulation prohibiting portability, students who choose to exercise their school-choice option lose their Title I funding if they attend a non-Title I school. Southside School District has five non-Title I schools located in East View. There are approximately 2100 students attending East View schools on NCLB transfers (see Table 4.1). At some of
these school sites, NCLB transfers account for 50 percent or more of their total student population.

East View schools do not qualify for any additional funds to help support their growing NCLB transfer population. When LCFF was implemented, the district had the flexibility to distribute funds to school sites in a manner of their choosing. They were, however, limited by federal regulations which prohibit districts from allocating more state funds to a non-Title I school than they allocate to Title I school. The district chose to allocate its LCFF funds using an equal per-pupil amount to all schools within the district (see Table 4.2). In addition, the district was able to add library clerk hours and provide full time health service assistants using centralized LCAP funds. Prior to that, school sites had to use their Title I funds or other discretionary funds to purchase additional time for these support services. Therefore, once the district increased these services district-wide, it freed up schools’ site budgets to be used on other priorities.

In the next few sections, the study’s conclusions and implications for policy and practice will be discussed along with recommendations for future research followed by a concluding statement.

**Conclusions**

The results of the quantitative research were somewhat surprising in that the relationship between the two variables of students receiving free and reduced lunch and the amount spent on support services declined upon implementation of the LCFF. However, the relationship of the two variables remained significant. The looser coupling of the two variables can partially be explained by the additional funding provided under LCAP and the district’s decision to allocate these funds district-wide instead of targeting
the funds for schools with larger populations of low socio-economic students. The
district chose to use LCAP funds to increase support services provided by counselors,
health services assistants, and library clerks for all students. Southside Unified School
District, like many other districts, had cut these services during the fiscal crisis, which
began in 2008. In many cases the increase in services provided through LCAP in 2014-15
simply restored services to their prior fiscal crisis levels. Counseling, health and library
services are vital to the achievement of all students and were listed as the highest priority
for funding, by parents, teachers, and administrators in the LCAP engagement meetings.

The District’s declining enrollment was also a factor in the loosening of the
relationship between the two variables. This is because as students on free and reduced
lunch decreased, expenditures on support services increased, which negatively impacted
the correlation coefficient, causing the value to decline. It is anticipated that after the
district restores its vital support services district-wide, any additional LCAP funds will be
targeted to sites based on student need. Additional longitudinal data are needed in order
to definitively answer research question number one using only a pre and post
implementation correlation coefficient.

However, the descriptive statistics supported the fact that a more equitable
distribution of funds was accomplished this past year for the NCLB transfer students
attending East View schools. These schools were allocated additional support services
and given additional discretionary funds through LCAP to support the needs of the
NCLB transfer students. Schools in Southside were also provided additional support
services through district funds and, therefore, had greater flexibility in the use of their
LCAP funds to support their students’ needs.
The flexibility in state funding provided under LCAP was limited due to a lack of alignment with federal supplanting regulations. The state and county staff did not take into account federal supplanting rules when training staff on writing their LCAPs and the acceptable use of funds. Greater coordination between state and federal officials is needed during this transition so that the flexibility provided under LCFF is not eroded by federal regulations.

District office staff may need to consider additional communication methods to improve communication with site principals. Principals also need additional training with regard to acceptable LCAP and Title I expenditures. Since the LCAP development is still evolving, communication is of high importance between each level, i.e., state, county, district and site. Communication at each level needs to be clear and swift.

**Implications for Policy and Practice**

The implications of this case study for state and federal policymakers are very timely. The state is currently working to develop its accountability rubric, which will ultimately determine how much flexibility is provided through LCAP funds. The interviews conducted in the study illuminated the fact that the district’s budget-development process has become much more collaborative. Parents, teachers, site administrators, and district staff are working together to determine how to best serve the students within the district. It is important that the state consider input from district level administrators regarding the creation of an accountability rubric, so that this rubric does not limit the local decision-making that is just beginning to occur.

The federal government is currently in the process of reauthorizing ESEA. Both the House and Senate have passed their reauthorization bills, and they will now move
into conference committee to produce a final bill within a few months. The House version of the bill includes the concept of portability within Title I. This would allow the Title I funding a student is eligible for to follow them should they chose to attend a non-Title I school under the school-choice provision. This study has highlighted the fact that large numbers of Title I students are choosing to exercise their school-choice option under NCLB. However, the schools they are moving to do not have adequate funding to support the additional needs of these low-income students. Approval of portability within Title I would provide schools the resources necessary to support NCLB transfer students and provide the greatest opportunity for academic success.

An important implication for the Southside School District is that principal felt that they did not have the flexibility they anticipated under the LCFF. A more decentralized approach to allocation of the LCAP funds could be considered in order to allow sites to determine how best to serve their students. The district has a very diverse population and a “one size fits all” approach to resource allocation limits the flexibility needed by sites to address their individual student-population needs.

The district might also consider providing additional personnel to help support principals during these early years of implementation. Many principals expressed their need for help with writing rationales for their purchase requisitions and the need for additional training on how LCAP funds could be spent. It is recommended that the district add one or two additional staff members or reassign existing staff for the specific purpose of answering questions related to LCAP development and purchase requisition rationales. The additional staff could also provide on-going training sessions on the proper use of LCAP funds and be responsible for communicating any regulation changes
with regard to funding. Providing principals with these additional resources would ease their frustration and help to ensure a smoother transition as more information becomes available with regard to LCAP and LCFF.

The implementation of the LCFF has highlighted the need for on-going communication with parents, teachers and community members with regard to the district’s financial status and priorities. This need is due to the fact that almost all state funds are now considered unrestricted. Under the old state finance system, most of the competing priorities were funded separately through categorical programs, leaving the district’s unrestricted general fund balance and any cost-of-living increases available to be bargained for salary increases. Under the LCFF, the base funding available for salary increases will be limited by other competing priorities, such as the maintenance of district facilities and other essential functions provided by the district.

In order to help prioritize the funding of competing interests, district administrators and union leadership will need to engage in an interest-based bargaining approach. This will allow for identification and agreement on the district’s overall needs and will allow each party to respond accordingly. For example, the need for additional funds for the maintenance and repair of school facilities must be identified as a priority for both district administrators and union leadership so that it can be taken into consideration when discussing the funds available for salary increases. An interest-based bargaining process will help to facilitate these discussions and ensure that competing priorities are given consideration when negotiations take place with regard to salary increases. The district has recently implemented an interest-based bargaining approach
with its teachers’ union. It is recommended that this approach continue and that it be extended to its classified bargaining unit as well.

**Recommendations for Future Research**

There is currently a very limited body of research on the topic of LCFF. Future studies are needed in order to gather a greater understanding of its impact from various perspectives. The following are a few recommendations for future research based on specific topic areas which were illuminated during the research study but not included as part of this research study:

- **Future research on the topic of the Board of Education’s role in LCAP development is needed.** As indicated in the interviews, the Board of Education did not feel as though they had a role in the process. Therefore further study is warranted since board participation is vital under the concept of local control.

- **Future research might also include the impact of implementation of the LCFF on bargaining unit negotiations.** The superintendent indicated in his interview that it seems the negotiations have left the bargaining table and ended up in the LCAP development process. This is due to the fact that money needs to be reserved in the LCAP before negotiations can take place. Otherwise, there will not be money available for the bargaining unit initiatives. This new phenomenon warrants greater study.

- **Future research regarding access to LCAP funds by special education programs is also needed.** One of the principals interviewed has a large special education population at her site and she highlighted the need for additional
funds to support inclusion of special education students. Special education was not included in this study. Future study in this area would provide much-needed information.

- A study conducted from the parents’ perspective would also be informative. This study did not include parent interviews. The superintendent mentioned that parents have gained greater decision-making skills through the LCAP development process and want to use the same process to solve problems in other areas. Parent’s perspectives could help illuminate needs and provide important information on relationships between parents and schools.

- Additional research regarding how sites are using their funds would also be informative. This research study did not find any substantial changes at the school sites other than non-Title I schools. A study conducted using multiple districts might provide more information in this area.

- Another study that would be of interest would be a comparison between a district with a large population of low socioeconomic students (SES) versus a district with a low SES student population. The funding disparities were quite large. A study of this nature could determine if implementation of the LCFF had been harmful to the districts in more affluent areas.

- The current study did not include achievement data since state academic achievement tests had been suspended during the period of the study. Once state achievement tests have been reinstated, a longitudinal study is recommended to determine whether this funding change has resulted in
closing the achievement gap for students of poverty, English language learners, and foster care youth.

Concluding Statement

The Local Control Funding Formula was an historic step in the direction of providing school finance reform that is responsive to students’ needs. The local control aspect of this reform allows district officials to work with parents, teachers, and school administrators. These are the stakeholders who know the needs of their student population best and can decide how to spend their money in a manner that will close the achievement gap for students of poverty, English learners, and foster care youth.

The Local Control Accountability Plan has resulted in a collaborative process to establish funding needs and priorities at the district level. The LCAP process provided the parents of Southside Unified School District with a model on how to address problem-solving and consensus-building. The district’s relationships with its unions were also strengthened as they worked with district administrators to prioritize the expenditures within the LCAP. The state is projected to provide its accountability rubric in 2016. District administrators are anxiously awaiting the rubric, as it is an essential feature to the full implementation of the LCAP. There is current discussion as to whether districts’ individual LCAPs should become the source of the each district’s new performance index. This researcher can only speculate that somehow these documents will need to be even more prescriptive and much less unique if this is to be the case. Hopefully, the state will use the same process of meaningful inclusion, expected of school, districts as it works to create the new accountability rubric. District administrators have embraced the concept of accountability within the LCAP, however,
not at the cost of losing the much-needed flexibility promised under the LCFF.

Hopefully, districts will be given the time and freedom they need in order to turn their LCAPs into the unique local accountability plans that the governor intended—funding plans that provide equity to California’s most needy students and allow school districts the flexibility and autonomy to serve their students at the highest possible level.
References


*California school accounting manual*. (2013). Retrieved from


*Plessy v. Ferguson*, (1896), 163 U.S. 537.


*Robinson v Cahill*, 303 A.2d 273, (1973)

*Robinson I*, 1073:293


*Serrano v. Priest*, (1971), 5, Cal.3d, 584.


Appendices

Appendix A: Table of Values

Mean FRL and Support Services, 2011-12 and 2012-13

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Appendix B: Interview Questions

All school site administrators will be asked the following questions.

1) What role do you play in the development of your site budget?
2) What changes have you noticed, if any, in the budget-development process used by the district office since the implementation of LCFF*? 
3) What training have you received on the requirements under LCFF and the LCAP**? Do you feel additional training is needed?
4) Have you made any changes to your site budget-development process since the implementation of LCFF?
5) Do your school site council or other parent groups play a more active role in your budget-development process since the implementation of LCFF? How has LCAP changed their roles?
6) Do your teachers play a more active role in your budget development process since the implementation of LCFF? How has LCAP changed their roles?
7) Over this past year, do you feel you have had any greater flexibility or autonomy in determining how to spend your money to best serve the needs of your students? If yes, how so?
8) Since the implementation of LCFF has it been any easier to spend your money? Do you spend less time on administrative aspects of the budget, such as justifying expenditures or reporting requirements?
9) Have you experienced an increase in funding since LCFF?
Appendix B: Interview Questions (continued)

10) What benefits, if any, do you perceive have come from the implementation of LCFF?

11) What challenges or barriers have you experienced either during or since the implementation of LCFF?

12) Do you have any recommendations that might help overcome any challenges or barriers so that the district can reach the goals set forth in the LCFF?

* LCFF-Local Control Funding Formula
**LCAP-Local Control Accountability Plan
District office administrators will be asked the following questions: (Bullets indicate probing questions.)

1) How would you describe your leadership philosophy?

2) What role do you play in the development of the district’s budget?

3) Has your responsibility for budget development changed since the implementation of the LCFF*? If so, in what way?

4) How have the LCAP** requirements impacted your budget decision-making?

5) Do you feel that the implementation of the LCFF has given the district greater local control over budget decisions? If so, in what way?

6) Do you feel that the implementation of the LCFF has given the Board of Education greater authority for budget decisions? If so, in what way?

7) Do you feel that the implementation of the LCFF has given parents a greater voice in budget decisions? If so, what impact has this had on the budget?

8) Do you feel that the implementation of the LCFF has given teachers a greater voice in budget decisions? If so, what impact has this had on the budget?

9) How has the implementation of the LCFF impacted the role of the site administrator in the budget process?

10) What training has been provided to the site administrators regarding the LCFF and LCAP regulations?

11) Have site administrators been given greater autonomy for budget decisions since the implementation of the LCFF?

   • What specific decisions are they allowed to make now, that they were not allowed to make prior to implementation?

12) Has the district made specific decisions to provide sites with more discretionary money since the implementation of the LCFF?

13) What benefits, if any, do you perceive have come from the implementation of the LCFF?
Appendix B: Interview Questions (continued)

14) What challenges or barriers have you experienced either during or since the implementation of LCFF?
   - In what way did you overcome them?

15) What changes, if any, do you plan to make in the budget-development process at the district level and site level to better meet the goals of the LCFF?

* LCFF-Local Control Funding Formula
**LCAP-Local Control Accountability Plan
Appendix C: Informed Consent Letter

Institutional Consent Form: IRB# 15-0187

March 15, 2015

Dear Superintendent,

I am writing this letter to request permission to collect data for my doctoral dissertation, entitled California School Finance Reform And The Pursuit Of Equity Using the Local Control Funding Formula: A Case Study, within your district. It is not my intent to name the district as the subject of this study. A pseudonym will be used in place of the district’s name.

The purpose of the study is to determine if the implementation of the Local Control Funding Formula (LCFF) has increased the equitable distribution of resources and provided greater local decision-making, within a large urban school district located in Southern California. The study will also seek to identify challenges and recommendations relative to the implementation of the LCFF. Since the LCFF has only recently been implemented, within the last two years, there is limited research on the topic. This study will add to the body of research on the LCFF.

I am seeking permission to conduct one-on-one, audio taped interviews of site principals as well as the Deputy Superintendent and yourself. These interviews will be completely voluntary and the identities of the subjects will be kept confidential. The interviews will consist of answering a list of 12 open-ended questions and will last approximately 30-45 minutes. Prior to commencing the interviews, I will obtain a signed consent form from each participant. I am also seeking permission to collect quantitative financial data. Specifically, I am requesting the Free and Reduced Lunch percentage, by school site, for the fiscal years 2010-11 through 2014-15, as well as detailed site expenditure reports for each of the fiscal years listed above.

A copy of the final dissertation will be provided to you. Please indicate your consent for me to conduct the research listed above within the district by signing below.

Superintendent