



# GETTING DOWN — TO FACTS II —

Technical Report

## In the Era of the Local Control Funding Formula: The Shifting Role of California’s Chief Business Officers

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**About:** The *Getting Down to Facts* project seeks to create a common evidence base for understanding the current state of California school systems and lay the foundation for substantive conversations about what education policies should be sustained and what might be improved to ensure increased opportunity and success for all students in California in the decades ahead. *Getting Down to Facts II* follows approximately a decade after the first *Getting Down to Facts* effort in 2007. This technical report is one of 36 in the set of *Getting Down to Facts II* studies that cover four main areas related to state education policy: student success, governance, personnel, and funding.

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 **PACE**  
Policy Analysis for California Education

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## Overview

In 2013, California ushered in a new era of school funding, accountability, and support with the passage of the Local Control Funding Formula (LCFF). Championed by a cross section of stakeholders (Baumgardner, Frank, Willis, & Berg-Jacobson, 2018), the LCFF includes three primary components that significantly altered how education funding is handled in California. First, the LCFF created a dramatic shift in how the state allocates funding to school districts. The passage signified a move away from a primarily categorical-based (or program-based) system to one that channels additional funds to students identified by the state as having the greatest educational needs (also referred to as “unduplicated students”): low-income students, English learner (EL) students, and foster youth. Second, the LCFF requires each local school district to develop a planning document each year, known as the Local Control and Accountability Plan (LCAP), that articulates the goals of the district and how its spending is aligned to accomplish those goals. Third, under the LCFF, the state created the California School Dashboard, which houses multi-indicator reporting of school and district performance on both academic and other student success measures.

Yet the LCFF was just one of several major shifts in state education policy during the same time period. The LCFF came on the heels of newly adopted curriculum standards, the Common Core State Standards, just a few years earlier. In addition, in 2017 the state shifted to a new type of accountability — the System of Support — to support all districts and particularly those identified for assistance based on student outcomes. These policy shifts signaled a change in the state’s approach to educating its youth. However, practitioners — from superintendents to classroom teachers and support staff — are still absorbing the enormity of the state’s policy and regulatory changes. Nevertheless, now in the fourth year of implementation, school district leaders have some experience with the early impacts of the LCFF and the new accountability system and have begun to more fully realize the implications of these policy shifts on both the long-term and day-to-day work in their organizations.

Policymakers and others seeking to guide and support California’s school districts in the era of the LCFF may benefit from better understanding how these recent policy shifts shape the work of district leadership. To that end, this paper summarizes interview findings that convey the practical, on-the-ground perspectives of an often-overlooked leadership role in school districts: the chief business officer (CBO). To develop this paper, WestEd and Stanford University researchers conducted in-depth interviews with 42 CBOs representing a range of California school districts, then analyzed the interview transcripts to develop a set of findings and select representative quotes that are shared throughout this paper.<sup>1</sup>

This paper was developed as part of the Getting Down to Facts II (GDTF II) project, a collection of over 30 studies focused on a variety of topics, including school governance, finance, standards, and student achievement in California. To provide additional context, the

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<sup>1</sup> Appendix A provides more information on the process of selecting CBO interviewees, the districts represented by these interviewees, and the analysis of the interview transcripts. A copy of the interview protocol used in this study is in Appendix B.

paper compares the views of CBOs with those of 91 district superintendents who were interviewed for another GDTF II paper (Moffitt et al., 2018). In addition, the paper includes relevant findings from recent research on California’s implementation of the LCFF.

## **The Voice of Practitioners**

All U.S. states hold a constitutional obligation to provide a free, public education to their students. It is the leaders of local school systems who deliver on that obligation and bear the responsibility for the day-to-day operations of schools and school districts. At the same time, states play an important role in distributing funding and providing policy direction for the education system.

In a state as geographically and demographically diverse as California, strong connections are necessary between those implementing education policy and those creating and administering laws and regulations to support local practitioners. To address these connections, this paper explores the perspectives of local practitioners, specifically the perspectives of CBOs, on the recent transformation of the state’s funding system. We focus on CBOs’ perspectives on the LCFF for a few reasons. First, the CBO’s position within the school district sits at the nexus between the state’s funding formula changes and the local district’s responsibility to oversee the implementation of those policy changes. Second, one of the CBO’s primary roles is to guide and communicate the school district’s overall fiscal health, which is directly tied to the state’s funding formula. The LCFF, via its LCAP requirements, contains provisions for engaging stakeholders in school districts’ spending strategies and alignment of resources. CBOs help constituent groups, through the engagement process, to make meaning of the relevant financial information. Third, considering CBOs’ perspectives on the LCFF might offer important opportunities for adjustments to state policy, regulations, and support structures to respond to the experience and realities of practitioners.

The in-depth interviews conducted with CBOs for this paper offer rich data that can extend previous research on LCFF implementation and provide guidance on how to tackle future challenges. Importantly, interview responses from CBOs and, for comparison, from superintendents, allow an inside look — from the sometimes-overlooked perspective of practitioners — into nearly all of the issues covered in the other GDTF II papers.

## **Role of the Chief Business Officer in California Schools**

The role of the CBO is rapidly evolving in the LCFF era from simply being the steward of the district’s financial health and management to a role that more frequently engages and contributes to how the district prioritizes its resources toward accomplishing its established goals. Whether or not by their own choice, CBOs work within organizations that are changing. For example, a decade ago, Perry and colleagues (2007) reported that only 23 percent of CBOs said their districts had “to a great extent” established procedures for evaluating budget amendments against district goals. This finding is in contrast to the CBO perspectives and practices expressed in the interviews for this paper in which a markedly larger proportion

(nearly 60 percent) reported using the LCAP — a document intended to capture how the district plans to use resources to meet district goals — to prioritize the use of school district funds.

Yet an increased focus on aligning spending to school district goals and priorities is not the only transformation that school districts and their CBOs are undergoing. For one, increased local control also demands that district leaders engage stakeholders — both internal and external — in discussions about how resources are used to fund the organization. As a result, financial data are in demand more than ever to help inform decision-making, from the boardroom to the negotiating table to community meetings. In addition, the LCAP has drawn more attention to how school districts are measuring their progress and using data to inform decision-making processes. In particular, the LCAP asks district leadership — including CBOs — to provide justification for their choice of investments to serve high-need student groups. The leadership’s justification is then subject to input and scrutiny by other stakeholders, including parents, community members, and advocacy organizations.

As the LCFF and the LCAP continue to become embedded in school districts’ routines and processes, it is an opportune moment to consider the different and improved types of support available for these leadership functions in school districts. Examining CBO perspectives on their districts’ resource management provides insight into the types of support that they consider most valuable.

## **Key Findings**

Several themes emerged from the interviews with CBOs. These themes are reflected in the key findings summarized in the following paragraphs.

**CBOs generally support the LCFF.** CBOs generally reported strong support for the LCFF. In particular, many CBOs noted their support for the flexibility that the LCFF affords districts for making decisions about spending. When asked to identify the purpose of the LCFF, CBOs most frequently cited equity (68 percent of CBOs) and local control (50 percent of CBOs) as key purposes, consistently expressing approval of these goals. Additionally, nearly half of the interviewed CBOs described the purpose of the LCFF as being primarily a funding mechanism. CBOs also frequently used the terms “winners” and “losers” to describe differences in the financial benefit of the LCFF across districts. However, even CBOs who did not view their district as benefiting financially from the shift to the new funding system expressed positive views about the LCFF.

### **The LCFF shapes CBOs’ work in numerous ways, including:**

- *Changing approaches to prioritizing funding.* Over half of the CBOs interviewed for this paper reported that they use the LCAP to prioritize spending decisions. The use of the LCAP suggests that the LCFF has led to a shift in how spending decisions are made in California school districts. The use of the LCAP to guide spending decisions

may indicate a shift toward a more strategic approach to district resource management.

- *Differentiating how funding is prioritized for different funding types.* Interviews with CBOs revealed key differences in how they prioritize various types of funding. Whereas some CBOs reported using a separate process for prioritizing the different types of LCFF funding (known as “base,” “supplemental,” and “concentration” funding), other CBOs reported using the same process for all types of funding.<sup>2</sup> CBOs also varied in the extent to which they reported just supplemental and concentration funds in their LCAP as opposed to reporting supplemental, concentration, and base funds. Some of these differences seem to derive from variation in the guidance that the CBOs received from their county offices of education.
- *Driving other process improvements.* Interviewed CBOs noted that the LCFF has also driven improvements in other areas, such as increasing the district’s accountability to the community, creating a more inclusive and collaborative decision-making process, more strongly linking funding decisions to student outcomes, and strengthening connections between business officials and staff in instructional services.
- *Making data use central to determining effectiveness of investments.* CBOs interviewed for this paper reported that their school districts use multiple measures of student progress to assess the effectiveness of their resource investments. Under California’s old accountability system, the Academic Performance Index (API), student progress was measured almost solely based on standardized test scores. CBOs’ use of multiple measures of student progress suggests that school districts are evolving in the type, frequency, and detail of the data they are using in their decision-making, rather than simply focusing on test scores to gauge progress in the district.

**Some CBOs consider local control to be constrained by external demands.** Several CBOs identified a misalignment between the state’s articulation of local control under the LCFF and their ability to exercise local control. The CBOs attributed this misalignment to what they viewed as constraints on decision-making from state-mandated engagement and reporting requirements that limited their ability to exercise more local control over spending.

**CBOs see opportunities for learning and collaboration from county offices of education and other sources.** Nearly every CBO interviewed for this paper reported that their county office of education is an important source of support and information related to the LCFF and the LCAP. CBOs added that their county offices of education help facilitate

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<sup>2</sup> Under the LCFF, base grant funding, which provides the majority of school district funding, is based on the district’s average daily attendance (ADA). Supplemental funding is based on the school district’s unduplicated student counts (i.e., the number of unduplicated English learner students, low-income students, and foster youth). School districts receive concentration funding if more than 55 percent of the district’s enrollment is from these targeted student populations.

collaboration with other CBOs in their county. CBOs also reported that they receive some guidance and support from professional organizations and, to a lesser extent or more indirectly, from the state.

**CBOs are concerned about adequacy of funding and rising costs.** Consistently, CBOs rated the inadequate level of overall funding and its impact on their school district’s ability to serve students as one of their biggest concerns. In particular, CBOs expressed concern about the level of base funding, rising special education costs, and growing pension contributions. Importantly, addressing these concerns is outside the locus of control of CBOs or other district leaders, and may have important implications for the state and county offices of education providing additional support.

The remaining sections of this paper elaborate on these key findings and include additional, related points that the CBOs raised in discussing the LCFF and how it has shaped their work.

### **CBOs Generally Support the LCFF**

#### **Equity and Local Control Cited and Supported as Main Purposes of the LCFF**

When asked to identify the primary purposes of the LCFF, CBOs most frequently suggested that it was intended to improve equity and local control. Furthermore, they consistently expressed approval of these goals. In particular, equity was the most frequently identified purpose, with 68 percent<sup>3</sup> of CBOs who were interviewed and 61 percent of superintendents citing it as a main purpose of the LCFF. Notably, the primary purposes of the LCFF identified by CBOs align with the intention for the LCFF as stated by the California Department of Education and State Board of Education (Torlakson & Kirst, 2013).

When describing the concept of educational equity, CBOs consistently used positive terms, regardless of whether they believed their own district benefited financially from the LCFF. Some alluded to fairness, stating that the LCFF aims to “level the playing field” or “close the achievement gap.” As one CBO stated, “Funding is being given — I don’t want to say equally, but fairly.” Others focused on affirming the greater needs of unduplicated students,<sup>4</sup> explaining that the LCFF serves to “give additional dollars towards those students that require additional resources,” and to “make sure that the low-income, and English language learners, and foster youth [are] being taken care of appropriately.” As one CBO pointed out, “We have data that shows that they are the ones who are getting left behind.”

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<sup>3</sup> The percentages of interviewees reported throughout the paper are approximations (rounded to whole numbers). The total number of CBOs that answered each question was not always 42. In a few cases, a question was skipped or the interviewer ran out of time before being able to ask a particular question.

<sup>4</sup> The LCFF specifies three groups of students who are counted as “unduplicated students” for providing school districts with additional dollars to support their education: low-income students, English learners, and foster youth.

Superintendents described the LCFF’s mission of equity with similarly positive, and sometimes even more enthusiastic, language. As one superintendent stated, “The Local Control Funding Formula accurately, correctly allocates greater funds to students that have the greatest need. . . . It’s a total redistribution of revenue out of Sacramento, which is a far superior system than we had before.” Another superintendent, despite coming from a “basic aid” district (a type of district that, due to its high property tax base, does not receive additional funding through the LCFF), shared the view that the “LCFF was a genius idea. . . . LCFF went a good way [in] saying we need to put our money where our needy kids are, which makes me proud.”

Along with citing equity, CBOs frequently cited local control as another primary purpose of the LCFF, and they often described how local control can enhance the effectiveness of districts’ resource allocation. A similar percentage of CBOs and superintendents (50 percent and 53 percent, respectively) listed local control as a key purpose of the LCFF. Many linked local control with effectiveness by pointing out that local practitioners and stakeholders have a better understanding of local students’ needs and, thus, they can advise what initiatives are more likely to meet these needs successfully. One CBO explained that with the LCFF, the state seems to express, “Here, districts. You get the funds. You’re best to know how to use it in the local context of your district.” Similarly, another CBO stated, “Although money is dedicated to a group of students that needs the extra money, there are no restrictions on that. We get to determine through our local committees how we want to spend that money, since we know what our students need to improve.” Many echoed this sentiment that the LCFF aims to strike a balance by identifying *whom* the funds should target without dictating *how* the funds must be used, allowing districts to leverage valuable knowledge about their local context. The focus on local control in the LCFF aligns with the strategy described by former California Superintendent of Public Instruction Bill Honig as the “Build-and-Support” model, based on school improvement research and practices in high-performing states. This model focuses on providing resources and capacity-building supports for districts to make independent, locally based decisions that are focused on improving student outcomes and reducing achievement gaps (Honig, 2016).

### **An Updated Funding Mechanism**

Another finding, perhaps unsurprising, is that CBOs were more likely than superintendents to identify the LCFF as largely a funding mechanism. One CBO stated that the LCFF “just replaced, or augmented, or modified the revenue limit [previous system],” and several others stated that its primary purpose was “to provide funding back to the levels of 2007–2008.” However, many CBOs identified the LCFF as a funding mechanism with a focus on student outcomes — specifically, one that directs funding toward students who need additional resources. For example, one CBO described that “the main purpose is to allocate the funding from the state, then give us our direction when it comes to supplemental [and] concentration.” In either case, 48 percent of CBOs suggested the provision of funds as a primary purpose of the LCFF, while only 27 percent of superintendents cited this as a primary purpose. Additionally, all of the superintendents who identified the LCFF as a funding mechanism also cited equity and/or local control as additional purposes and emphasized these latter ideas more heavily. Among CBOs who identified the LCFF as largely a funding mechanism, just under 90 percent

identified an additional main purpose. Overall, while both CBOs and superintendents discussed the LCFF's purposes beyond mere allocation of funds, CBOs were more likely than superintendents to cite the distribution of funds as one of the LCFF's main purposes.

### **Perceptions of “Winners” and “Losers”**

When discussing the LCFF's effects on district funding, CBOs expressed a common understanding, echoed by superintendents, that some districts financially benefited while others lost out. Of the CBOs interviewed, 18 percent mentioned that the LCFF had increased their district's funding, while an equal percentage mentioned that the LCFF had decreased their district's funding. The remainder either reported that the LCFF had not changed the funding level for their district, said they did not know whether it had, or focused only on how it had changed their district's funding prioritization process. Among those who did report a change in their district's funding level, several specifically referred to their district as a “winner” or “loser” under the LCFF. As one superintendent explained, “I think what you will hear is [that] there are LCFF winners and losers. My particular district, we are LCFF winners, meaning that because of our demographics, the supplemental and concentration grants are significantly better than in some other districts.”

In some cases, districts with high numbers of students from populations targeted for additional funding (known as unduplicated students) — the “winners” — found themselves with resources to substantially expand and enhance their services to students. One CBO, whose district serves about 6,600 students, with approximately 75 percent consisting of targeted student populations, described how the LCFF enabled the district to add a student success coordinator, school counselors, reading teachers, certificated teachers at each site, a classified family community liaison at each site, and laptops for each student from second grade through senior year of high school. In contrast, a CBO from a district with a low percentage of targeted students — considered a “losing” district — described how this district's decrease in funding under the LCFF has made it challenging to fund more than the bare minimum. As the CBO reported, once the district has allocated funding for legal requirements and basic infrastructure, it must rely on local fundraising for “extras” such as a physical education, performing arts, or visual arts program. “We look at local revenue sources, whether it's our school foundation or our PTA, to become the funding source for the extras. If we just use state funding, there's nothing available.” A superintendent from another, much larger district with a low percentage of targeted students articulated an even more dire situation, with LCFF funding failing to cover the district's basic needs. As this superintendent described, “I have the highest class sizes possible, [and] no ability to hire or redesign or do innovation without begging for money. Our schools live off of donations from parents. Parents' foundations are paying for PE teachers, a librarian, a computer tech person. We're constantly doing fundraisers, asking corporations for money.”

Perhaps not surprisingly, the three CBOs interviewed from basic aid districts, which are funded primarily through local property taxes rather than the LCFF, did not report the LCFF having as much of an impact on their districts. None of these three CBOs reported an impact to

the district's prioritization process, and only one reported a change to the district's funding level. This CBO stated that the amount of state funding that the district currently receives is "much smaller than what we used to get" under the previous, categorical-based funding system.

However, CBOs and superintendents who self-identified as LCFF "losers" did not always condemn the LCFF's redistribution of funds. The same superintendent whose current district was constantly "begging for money" acknowledged that in a previous position in another district, the LCFF was a great boon, providing funds "to lead vibrant initiatives [and] provide tools for kids who needed it." Other CBOs and superintendents who said that the LCFF lowered their district's funding, including those who did not mention having previous experience in a high-need district, still spoke positively about the LCFF's intention to advance equity. Nevertheless, there were occasional exceptions. One superintendent felt that the redistribution of funds was too extreme, stating, "I believe the formula swings too far, where the winners . . . have too many resources and the losers are having a difficult time." The superintendent pointed out that in one school in this superintendent's district, 70 percent of the student population is eligible for the federal Free and Reduced-Price Lunch program, but the students in that school do not benefit from concentration funds because the district's average amount of students from targeted populations is only 33 percent, below the 55 percent threshold to receive concentration funds. The superintendent reported that other districts with less funding under the LCFF felt similarly: "You are beginning to hear districts in the bottom third in funding — we are in that — become more vocal about how the disparate dollars [for similarly sized districts] are not equitable."

Meanwhile, even some of those who reported themselves as LCFF "winners" did not always find that their district had adequate funding to fulfill the vision of the LCFF. While some described how supplemental and concentration funds allowed them to hire additional staff, purchase new technology, and add after-school programs, others expressed that even with their districts being "winners," the LCFF did not provide sufficient funding to expand their services. Several echoed the sentiment that the LCFF only restored funding to pre-recession levels but did not increase funding. As one CBO put it, "We really haven't gone ahead of where we were prior to the recession. It was able to just get us back to where we were prior to the recession." This CBO described how the district's increase in funds allowed the district to return to its pre-recession status; the district reduced class sizes to pre-recession levels, rehired staff that had been laid off, eliminated furlough days, and restored salaries after a recession-era pay cut. As another district's superintendent stated, "It's more of a restoration of funding than it is a massive increase in funding." Thus, while these district leaders expressed appreciation that the LCFF brought them back to pre-recession levels, they depicted LCFF funding more as recovery relief than as additional funding for expanding and improving services.

Though CBOs and superintendents often brought up concerns about funding adequacy — particularly with regards to special education and pensions, as discussed in a subsequent section of this paper — their perceptions of the LCFF's intention and structure were overwhelmingly positive. In particular, regardless of the level of funding for their own district,

CBOs expressed support for two of the LCFF's guiding principles: the advancement of equity and local control.

### **The LCFF Shapes CBOs' Work in Numerous Ways**

Interviews with CBOs suggest that the LCFF has not only impacted the funding levels in school districts but also their resource allocation process. This section explores both the challenges and the benefits identified by CBOs in how the LCFF shapes their work.

#### **Changing Approaches to Prioritizing Funding**

**The LCAP.** When asked about their process for prioritizing the use of funds, 60 percent of CBOs mentioned that the LCAP process helps to guide the allocation of funds (Table 1). In the LCAP, districts must describe specific, measurable goals and how funding is aligned to accomplish these goals. CBO responses suggest that they view the LCAP not just as a reporting requirement, but as a planning tool. For example, one CBO mentioned, "Our LCAP drives how we'll spend our money specifically on targeted, unduplicated students, the underserved students, or the students that need extra support." Although this CBO indicated that the LCAP is an important tool in the district's process for prioritizing funds for targeted student groups, the CBO did not mention its use to prioritize the allocation of base funding. Another CBO reported that the LCAP shapes funding decisions more generally in the district, noting that "the LCAP has become one of the biggest drivers for funding." These comments seem to indicate that the LCAP has changed the way in which CBOs prioritize funding decisions. However, one CBO mentioned that the process for prioritizing funds follows a similar process to what was in place before the LCFF. "We have stakeholder meetings, so we go through a series of meetings with the stakeholders each year, and we develop district plans. [But] that's prior to the current funding model, the local control funding model, and LCAP. I mean, that process always existed in some form." This comment may reflect that at least some elements of the LCAP engagement process were already in practice in some districts. Table 1 provides the frequency and percentage of CBOs' responses about how their districts prioritize funding decisions.

**Table 1: CBO Responses When Asked to Specify Means for Prioritizing Funding**

	Frequency	Percentage
LCAP	25	60%
Staffing	19	45%
Other meetings	18	43%
Cabinet meetings	9	21%
Funding covers only the basics; little left to prioritize	7	17%
Current programs	5	12%
Test scores	3	7%

Note: The total number of responses is greater than 42, and the total of the percentages is greater than 100 because each CBO could indicate more than one means of prioritizing.

**Meetings with staff and the community.** CBOs also reported that meetings with other staff and community members were integral to their process for prioritizing the allocation of funding. Twenty-one percent of the CBOs cited cabinet meetings, or meetings of district leadership, as a key component of their process for prioritizing funding, while 43 percent of CBOs mentioned other meetings, such as meetings with the community, school site administrators, advisory councils, and teachers, as a way to prioritize funding decisions.

Meetings with stakeholders, which include parents, community members, and advocacy organizations, were also frequently cited as guiding the prioritization of funds. Eighteen CBOs specifically mentioned that meetings with stakeholders were a key component of their district’s prioritization process for allocating funding. For example, one CBO mentioned,

We have several stakeholder engagement opportunities, both at the sites with the school site council and then districtwide . . . through the LCAP committee. . . . We use that committee to talk about — not only about how we’re going to meet the eight state objectives — but how we’re really prioritizing across the district. With those inputs and staff and community input, we prioritize for us what’s really important.

As this CBO noted, input from stakeholders allows the district to focus on local priorities and needs, in addition to focusing on the eight state priorities. Such CBO reports of the role of stakeholder engagement in their process for prioritizing funds seem to be another indication of

how the prioritization of funding may have changed under the LCFF, which requires stakeholder input and engagement.

Some CBOs also described stakeholder input as an important indicator for gauging whether funds were prioritized effectively. One CBO, in what the CBO described as a “data-driven school district,” explained that the district makes an effort to “utilize [both] internal and external metrics as far as student progression,” with stakeholder input considered as an important external metric. The CBO remarked,

Of course, it’s part of what’s included in the LCAP, but we are [also] utilizing an outside vendor . . . to really try to engage and enhance our communication with all of our stakeholders to see what is their perspective of how we’re prioritizing, and is it working. Is it meeting the needs of our community?

A superintendent similarly described the value of the community’s perspective on district prioritization decisions, explaining, “Decisions about what to do should be made with the input of staff and the community. It is an effort to pull in internal and external people into a conversation for how to prepare our students to be successful in a very competitive and global society.”

On the other hand, several CBOs expressed concern about the increased role that stakeholder input plays in decision-making. For example, one CBO pointed out that stakeholders’ priorities may not always reflect an effective or efficient use of district funds.

The Local Control Accountability Plan . . . says that your public gets to come in and tell you what you need to do. My mixed thoughts on that are: One, I think parents should have a voice in what’s going on in schools, but, two, parents don’t necessarily have the expertise to know what’s necessary to educate their students. If they did, they would be educating their students at home. They wouldn’t be sending them to public schools.

As the comment from this CBO demonstrates, not all education leaders have accepted the changes to district operations under the LCFF in the same way.

**Analysis of staffing needs.** Forty-five percent of CBOs also noted the importance of analyzing current staffing and projected staffing needs (based on incoming enrollment) as part of their process for prioritizing funding. One CBO noted, “When we build a budget, first thing we do is we estimate our enrollment for the next year so that we can do our staffing. Then, once we have our staffing in place, then we know our salaries, our benefits, our statutory benefits that go along with those. That’s about 80 percent of our budget done right there.” Similarly, another CBO noted, “Eighty-five percent of our budget, roughly, is for staffing [and] benefits. In terms of how we prioritize, we make sure that we have enough to cover our ongoing costs for our staffing and our benefits, which means providing basic health benefits, increases in retirement benefits, like PERS and STRS. Those are things that we have to do. We

have no option.” As noted by these CBOs, expenditures on staffing account for the largest portion of district budgets in California, making it a critical consideration in nearly all district budget decisions.

However, these CBOs’ comments may also be a reflection of a more traditional role for the CBO, one which had them more focused on counting the number of people and their associated costs than on helping the organization to investigate the best configuration of staffing to provide the greatest benefit to students. This more traditional role for CBOs seems to contrast somewhat with the more strategic approach to resource management described by some CBOs in their use of the LCAP to guide the prioritization of investments.

Other CBOs noted their focus on staffing as a reflection of the value they place on their teachers. “Like every other district, so much of our budget is in people. We prioritize, I think, people, and the value they provide to the organization by the amount we pay them. . . . I would say we prioritize first by the things closest to the classroom, which is the teacher and the learning environment for students.”

**Inadequate funding negates the need to prioritize.** Embedded in several of the comments about the need to focus on staffing first is concern about a lack of funding for much beyond salaries. Seven CBOs reported that they do not have a process to prioritize funding under the LCFF or have not been able to apply a process because current funding levels only allow them to cover the most basic services. One CBO explained as follows:

Because we’ve been underfunded for so many years, we’re basically trading water, and so there’s not really a sense that we can sit down and say, “Hey, we have a pot of money that we need to spend, and what should we do with it, and what are the best uses of it?” We’re really just trying to be able to continue to cover healthcare costs and pension costs, and so essentially, it comes down to a discussion of: Are we going to be able to maintain just our base programs?

Though this CBO’s comment seems to imply that the district does not prioritize funding at all, it is likely still engaging in some sort of process to prioritize where to allocate its limited funds. Otherwise, the district runs the risk of defaulting to the status quo and reinvesting in the same programs year after year without examining whether current investments are an effective use of funds with regard to student outcomes. To this end, another CBO expressed that, due to the level of funding, the prioritization process of this CBO’s district is focused on how to determine what the district needs to cut, rather than what it can add:

We try to ensure that as we have to cut things in order to meet the limitations of the base grant funding, then those cuts stay as far away from the classroom as possible. . . . Sadly, there’s not a whole lot extra to adjust priorities. The priorities more often become: What can we no longer afford to do? How do we keep that as far away from children as possible?

Concern over the adequacy of base funding, repeated throughout the interviews with CBOs, is discussed in more detail later in the paper.

### **Distinguishing state “guidance” from “requirements”**

Several CBOs also indicated either positive or negative views of the role of state guidance on how to prioritize the use of funds. For example, one CBO seemed to resist the LCAP, suggesting that the state’s requirement for documentation of how the district prioritized the use of funds stemmed from some level of distrust of local decision-making. As the CBO stated, “There’s this underlying assumption that somehow we weren’t doing it correctly to begin with, and so the state’s coming in and going, ‘Here, show us what you’re doing and justify it all.’” Interestingly, another CBO distinguished between federal “requirements” for the use of funds as compared to state “guidance” on the use of supplemental and concentration funds. The CBO reported the following perspective about state guidance:

In terms of supplemental funds . . . while there’s guidance around using those funds for target students — students who essentially generate the funding — there’s actually not a strict requirement about that. . . . From our standpoint, we do our best to stay true to the source of revenue, so we budget fully to support the students that generate the funds.

As the statement from this CBO suggests, the state has, perhaps intentionally, left guidance on some areas of the LCFF less clear than others. As such, the CBO expressed the perspective that the state has not required, or has not enforced their guidance, that school districts spend supplemental and concentration dollars on targeted student groups. Accordingly, the Legislative Analyst’s Office (LAO) wrote in a 2013 report describing the LCFF that the new law is meant to reduce “requirements” and provide more “guidance” in the creation of fiscal and academic plans. The LAO report stated, “The new system of funding and accountability, including the provisions dealing with the LCAPs, also is intended to reduce some spending requirements while giving districts more guidance in developing fiscal and academic plans designed to improve performance in their local context” (California Legislative Analyst’s Office, 2013). However, pressure from stakeholder groups has meant that, in some cases, county offices of education and the state have tried to make their guidance more explicit, particularly as it relates to the need to spend supplemental and concentration funding on those students with the greatest educational needs and to document those expenditures in a transparent way in the LCAP.

### **Differentiating How Funding Is Prioritized for Different Funding Types**

When asked whether their process for prioritizing supplemental and concentration funds is different from their process for prioritizing base funding, over half of all CBOs interviewed (56 percent) cited a different process for the different funding types, while 33 percent said that their process is the same. Echoing comments from other CBOs about the importance of staffing to the prioritization of funding, several CBOs noted that base funding is

prioritized based on student enrollment and staffing needs, while there is a separate process for the use of supplemental and concentration funding. In the words of one CBO, “The base falls out just, basically, on how we’re staffed and how many students we have. . . . We do concentrate on how we spend those targeted-type funds. That’s separate from the regular process.”

Accordingly, five CBOs mentioned that they include all of their supplemental and concentration funds in their LCAP, but not their base funding. As one CBO reported, “The LCAP . . . is primarily focused on supplemental and concentration funds. . . . The LCAP basically drives the budgeting for those funds. . . . The base funds are done by our board.” Another CBO similarly reported, “The LCAP budget planning process is a process that plans a segment of our budget. It primarily is targeted towards the use of supplemental and concentration grant dollars. As a district, we bring general fund dollars and some federal funds into that process as we’re writing goals, but not every dollar is included through that complete process.”

The CBOs’ focus on the inclusion of supplemental and concentration funds (but not base funds) in their LCAP might be a reflection of recent changes in the external guidance that they have received. As one CBO reported,

Last year, as the state and county have become more specific about those supplemental and concentration funds . . . how we spend those, specifically, is all around our LCAP, whereas the base fund or the base grant isn’t. I mean, it still is vision-driven. I think we just have learned to be more focused with our supplemental and concentration.

Similarly, another CBO mentioned that the district engages stakeholders in conversations only about supplemental and concentration funding, but not about base funding. The CBO explained, “We don’t have the committees, the district advisory committees, or the parent advisory committees for federal or for base funding. Those are only for the supplemental and concentration grant dollars, but we do still review with site leaders and the board and have a budget study session for all funding, including base and federal.” This strategy of focusing more on supplemental and concentration funding in the LCAP, although not outlined in legislative guidelines, may be a response to recent pressure from stakeholder groups to increase transparency around the allocation of those funds, as well as the pressure to ensure that funding is being directed to the targeted student groups for which it is intended (Chen, 2016; Alejandre & Massaro, 2016).

In contrast, one CBO remarked that the CBO’s district relies heavily on the LCAP process for all funding decisions. Therefore, the district’s process for the prioritization of base funding does not differ from its process for the prioritization of supplemental and concentration funding. The CBO noted, “[It’s] not different because base funds and all funds go through the LCAP process.” Generally, considering all available funds together in district budgeting, rather than focusing on individual funding sources or types, tends to be advised by organizations that provide technical assistance for districts on financial management. This approach allows

districts to pool resources together to invest in programs that address district needs and have the potential for greatest impact on student outcomes.

A few CBOs who are in districts with a high percentage of unduplicated students noted not only that their districts' process for prioritizing these funds is the same, but that they use both base and supplemental and concentration funding to serve all students. As one of these CBOs explained, "We're talking 80 percent unduplicated [in our district]. I mean, how do you differentiate between base and supplemental concentration? Virtually everybody is qualified for supplemental concentration." Another CBO similarly remarked, "We use the same model for all, and actually, in our LCAP, we do point out some of our base funding, not all of it. . . . We're in a high supplemental concentrated area . . . so our base dollars are paying for a lot of the services that we're providing, so it's the same process for both." Although this CBO and others do not distinguish between base funding and supplemental and concentration funding when they prioritize or allocate funding, there is a difference in how they report the information in their LCAP — with all supplemental and concentration funds reported in the LCAP, but only some of the base funding.

### **Driving Other Process Improvements**

Several CBOs, in their praise for the changes in how funding is prioritized based on the LCFF, noted that the LCFF has also driven improvements in other areas of their work in the district. For example, one CBO praised the LCFF for increasing the district's accountability to the community and for pushing the district to think more creatively about how to provide support for students:

Primarily, it allows the school site with their stakeholders, and then at the district level with our larger aggregate of stakeholders, to really be responsible for those decisions — to some degree with restrictions and accountability, but [also] to be more creative in how to share best practices and improve support for students. I think it's allowed us to think outside of the box with respect to that.

Importantly, this CBO saw the engagement with stakeholders as a strategy to improve the work of the district. In addition to noting the LCFF's creation of a more inclusive and collaborative decision-making process, some CBOs and superintendents reported that the LCFF has helped them be more intentional about how they prioritize the allocation of funds in the districts to improve student outcomes. As one superintendent stated, "It is about transparency and about everyone having a deeper understanding of where the dollars are going and how they are spent and how it is tied to student outcomes."

Noting that the LCFF has ensured a strong link between funding decisions and student outcomes, some CBOs also reported that the LCFF has strengthened the connection between business officials and education services departments in their districts. As one CBO described, the LCFF has prompted a more deliberate planning process in addition to increased collaboration:

I work a lot with our Ed Services department — they're the ones preparing the LCAP. I'm providing them not only [with] how much did we spend in the last year on the annual update [but also with] what did we expect to spend [and] what did it actually end up costing? Then I'm working with them on the three-year projection on: are we going to have enough money to do all the things that you want to do?

However, one CBO noted that some of the improvements to the planning process in the district under the LCFF might have also occurred under the old system. “[The LCFF] is still exciting because of the way it allows the budget to be driven by a clear planning process and a partnership with instructional services. . . . We are seeing some programs coming back into play and some new innovations. Whether those new innovations would have happened anyway under a categorical program or not is challenging to say at this point.” Nevertheless, this CBO echoed others in highlighting that another notable process improvement under the LCFF is a stronger partnership between instructional services and school finance — a partnership to which they attribute greater innovation in the district.

### **Making Data Use Central to Determining Effectiveness of Investments**

When asked how district leaders determine the effectiveness of resource allocation decisions, CBOs consistently pointed to the central role of data. In fact, every CBO interviewed for this paper mentioned data — either in the form of test scores, survey data, or other data included in the California School Dashboard — as their focus when judging program effectiveness in their district.

Yet some CBOs' remarks also confirm what is already known about the wide variation in the experience and capacity of district leaders across the state to use data, as well as variation in the level of sophistication of district data systems (Warren & Hough, 2013; Hough, Byun, & Mulfinger, 2018). Some CBOs suggested that their data-driven approach to determining effectiveness was a recent shift, while others reported that they are currently working to improve their process for judging the effectiveness of their resource investments. As one CBO stated, “We have really started looking at our data surrounding students: our suspension rates, dropout rates, all of those attendance rates.” Another CBO remarked that some types of data have only been available in recent years. For example, since California switched to a new standardized testing system in 2015, there are currently only three years of test score data available. To this end, the CBO noted, “I think we do a good job of [prioritizing funds], especially through the LCAP process. It's hard to tell how effective it is at this point, since there's not a whole lot of data to compare from year to year [whether] it's having an effect on the students.” At the same time, as this CBO suggested, some of the data collected through the California School Dashboard may be insufficient to measure whether a particular resource allocation is producing the intended improvements in student outcomes. Nevertheless, the CBOs' overwhelming focus on data as a way to determine effectiveness may be an indication of the success of the LCAP and the more recent release of the California School Dashboard in increasing the use of data to guide decision-making.

While some CBOs focused on their recent shift to a data-driven approach and the limited availability of data, others described more detailed processes for using data to determine effectiveness. As one CBO stated, “We have a department that evaluates student test scores, other criteria, other data that is generated. That information is shared on a regular basis with our leadership team. . . . There’s graphs, charts, narratives that are provided to our leadership about student success, our areas of challenge, if there’s anything, notable trends. They dive into the data and evaluate where we’re at.” Another CBO detailed comparable breadth, depth, and frequency in their district leadership’s data analyses:

Multiple times throughout the year as different datasets come out — whether it be grades, whether it be attendance, whether it be parent involvement, whether it be our SBAC scores or our common assessment scores — we’re continuously looking at those datasets to see if we’re closing achievement gaps, to see that our students are making good progress, especially compared to other student subsets in our school district, but [also] in the neighboring school districts, the county, and the state.

Another CBO similarly emphasized the importance of tracking progress continuously throughout the year, describing the district’s use of benchmark tests: “If the priorities are math instruction, they’ll look at the math scores and they’ll look at their benchmark tests and try to visualize the growth that’s occurring. They’ll use that data to then create the plan for the next year. They’ll create pacing charts for going through the textbook.” These responses from CBOs may be an indication that some districts are moving more toward the model of continuous improvement that education leaders in California designed the LCAP to promote and hope to see integrated into district practices across the state. Along these lines, one CBO more explicitly noted that the district has shifted from viewing data as an accountability tool to a tool for improvement: “I think we make a lot of shifts and adjustments to try to not just satisfy state accountability but to be successful. . . . We make sure that we try to understand where the state sees our gaps and that we work to address those gaps and celebrate our strengths.” As Heather, Byun, & Mulfinger (2018) point out, this shift toward perceiving data for continuous improvement purposes has important implications, as it changes the types of data needed for relevant actors to make improvements at the student, school, district, county, and state levels.

CBOs’ responses to questions about how they prioritize the use of funds and how they determine effectiveness seem to indicate that the role of at least some CBOs is now at the intersection of performance data use and resource use. This potentially new role is undergirded by a stronger focus statewide on using data to measure improvement in student outcomes and tying those data to budget decisions through the LCAP. The change in the role of the CBO is also advanced by a strengthened connection between education services staff and district finance staff. As one CBO noted, it is the CBO’s role “to take ownership of the programs within your district, in terms of assessment. To some extent, you should be directing the funds [based on these data]. That is your responsibility.” The comment from this CBO and others seems to indicate a notable shift in the role of the CBO in the district — a role that is aligned with the state’s intent for the LCFF to promote data-informed decision-making and to ensure that

investments with the greatest potential benefits for students are directed to the students with the greatest needs.

### **CBOs See Benefits of the LCFF, but Some Consider Local Control to Be Constrained by External Demands**

In addition to citing local control as one of the main *purposes* of the LCFF, one-third of CBOs cited increased local control as one of the LCFF's primary *effects* when describing how the LCFF changed districts' funding. Moreover, many expressed that the newfound flexibility afforded under a system of local control was valuable in improving the effectiveness of the district's funding decisions. Unprompted, many CBOs contrasted the LCFF with the past categorical funding model. Several superintendents also echoed the CBOs' sentiments that freedom from categorical funding has allowed districts to explore and prioritize programs that more effectively meet the needs of their local community. As one CBO remarked, "I do remember all of those categoricals we used to have, and it really ties your hands in the ability to meet the needs of your particular population you're trying to serve and your community." Another CBO pointed out that with categorical funds, "it was very difficult to comingle funds to accomplish a goal," potentially limiting a district's ability to implement high-priority, high-impact initiatives that did not fit neatly into a single, aligned categorical area. One CBO explained the change from the time of categorical funds: "Now we can put programs in place that will work for us. . . . [We have] more flexibility in terms of having a big bucket. . . . It's less guidelines, less restrictive, and easier to put it into areas where the local decisions can really make an impact." From this CBO's perspective, not only does the LCFF create greater flexibility for districts, it also creates greater potential for impact on student outcomes.

Yet, from the perspective of several CBOs, the switch from the old revenue-limit system of funding to the LCFF has also created new challenges for their work. Two CBOs noted that funding for categorical programs protected them from some of the demands of stakeholder groups because certain funds were already clearly earmarked for particular purposes. For example, one CBO noted, "Then you have a bunch of people that all want that same bucket of money, and it really put it on the backs of the administrators to say, 'No, we really have to hold onto this money for a textbook adoption, or staff development, or deferred maintenance.'" From this CBO's perspective, under the old revenue-limit system, districts had additional protection from stakeholder groups because some of the funding was already clearly restricted for certain uses. Another CBO echoed the same concerns about competition for funding under the LCFF:

I think LCFF and LCAP have provided some challenges, a lot of challenges, for school districts, with the state giving us local control and pushing all the decision-making down to districts. Sounds like a good idea. However, along with it, they neglected to — they made everything unrestricted, yet tell us that we need to spend it in a certain way, which totally is interesting. It's interesting for negotiations when everything looks like it's money you can use for anything and

there's no real legal ramification at this point except for, obviously, if you get sued by an advocacy group.

As this CBO suggests, nearly all of the district budget can be interpreted as discretionary by stakeholders. Yet in reality, districts still have many constraints on the use of funds due to rising expenses (Krausen & Willis, 2018) and the LCFF's provision that concentration and supplemental funds must be used to increase or improve services for targeted student groups.

In addition, a small number of CBOs expressed concern that the new funding system too closely resembles the former funding system, which was built around accountability and compliance at the cost of flexibility and local control. For example, one CBO stated, "The supplemental funds are almost the categoricals . . . because those funds are required to be spent on services for the kids who generated those funds, so we have to be careful . . . [and make] sure that we're in compliance with the funds that we receive." Similarly, another CBO cautioned that despite the intention of the LCFF to offer greater local discretion, many district leaders are returning to a compliance mindset due to their perception of the need to fulfill external requirements. "We are very quickly slipping right back into a compliance mindset, a categorical program and mindset. How do we tick these necessary boxes?" This response seems to suggest that despite changes in district processes around the prioritization of funds, some of the most challenging work for district leaders is the shift in mindset required to realize the goals of the LCFF. This finding is consistent with other statewide findings that many district leaders have found it challenging to transition away from a compliance-focused mindset (Koppich, Humphrey, & Marsh, 2015).

Another CBO remarked that the LCFF has generated even more reporting requirements for districts, as well as increased pressure from external groups.

There's a lot of reporting required, and when they add reporting requirements, they don't ever eliminate old reporting requirements. There's a lot of just paper pushing, which with small districts, you don't really have the staff to do that. . . . The intent was to give control back to the schools, and what has happened is that in the larger school districts, especially with the high population of the supplemental concentration students, they're hit hard with ACLU and minority stakeholder groups. . . . Then what happens is the reporting becomes tighter and things are more restricted.

This CBO's comment reflects the concerns of some CBOs over the requirements of the LCFF as well as concern over increasing pressure from external stakeholders. Both are seen as potential constraints on local control.

## **CBOs See Opportunities for Learning and Collaboration from County Offices of Education and Other Sources**

### **The County Office as a Primary Source of Support**

Although CBOs reported that they receive guidance and support on their LCAP from a variety of sources, the primary source of support reported was their county office of education. All but one of the interviewed CBOs credited their county office of education with providing guidance and support on the LCFF and LCAP. One CBO shared, “I get the guidance and the support for the LCFF from — our county office helps me with all of our stuff. . . . That’s where I get all of my information, that’s who helps us calculate our LCFF, that’s who helps us with our LCAP. . . . Our county office of education helps with all of that.”

In addition, 88 percent of CBOs reported that they are able to communicate and collaborate with budget officers in other districts through CBO meetings that the county offices regularly host. According to the CBOs, these county meetings have provided a space for them to receive updates on policy and practice, share ideas with other budget officers, network, and receive professional development. One CBO explained that county meetings are especially helpful to them, being in a smaller district, by providing a source of updates on fiscal and legal requirements that may impact their budgets. The CBO added that information as well as “the expectations of the county [are] communicated at these meetings, for when we’re submitting our budgets and interims and actuals.” Another CBO stated that at the county meetings, the county office of education has “their agenda and they’re giving us the opportunity to — like an open forum. ‘What are you doing? Update us. Do you need any support from our end? Do you want to share something with the others?’ It’s the opportunity for us to network with each other at that level.”

However, some CBOs pointed out that counties varied in the support that they provide to districts. One CBO noted that the CBO’s current county office of education brings in lobbyists and consultants to discuss policy updates, but previous counties in which the CBO had served did not offer those services. Another CBO shared that even though the CBO’s previous district offered a wide array of trainings, “in the county that I’m at now, not so much. They don’t take it to the level of participation or involvement.” This variation in support from county offices of education is well documented in existing research (Taylor, 2017b; Koppich & Humphrey, 2018). For example, Taylor (2017b) concluded that “the type and amount of optional services COEs [county offices of education] provide depends on the size in the county, their historic funding levels, and their superintendents’ priorities.” Furthermore, Koppich and Humphrey (2018) found that county offices of education “appear to exercise more control over the LCAPs” in smaller districts than in larger districts. This variation may indicate the need to build capacity and reduce variation at the county level to continue to improve their support for districts.

## **Guidance and Support from Professional Organizations**

CBOs also reported that they receive support and opportunities to collaborate with other CBOs through professional organizations. While a variety of organizations were named by CBOs, the most commonly cited were the California Association of School Business Officials (CASBO), the Association of California School Administrators (ACSA), School Services, Fiscal Crisis and Management Assistance Team (FCMAT), and Capital Advisors Group. CBOs mentioned attending these organizations' annual conferences, workshops, and training programs, as well as receiving their regular newsletters with information and updates. Overall, the majority of CBOs who mentioned professional organizations as a source of information viewed them positively. One CBO shared, "Consultants like School Services and Capital Advisors are able to provide us additional information that is very, very helpful in understanding, especially early on, and even now, the changes to compliance issues and the funding model moving forward." Another budget officer added that through workshops and presentations hosted by the professional organizations, CBOs are able to "maintain a group of people that we can use as resources when questions come up."

## **Informal Communication with Other CBOs**

CBOs also valued opportunities to communicate directly and collaborate with CBOs from other districts in an informal manner. Although county meetings were most often where CBOs received updates and information, CBOs also reported using informal avenues of communication, such as phone calls, to discuss new ideas and strategies with CBOs from neighboring or similarly sized districts. Another common source of informal communication was email; as one CBO shared, "Then we also have an email listserv where we can just — something's come up in the district, and I'm not familiar with it or not comfortable with it, I can send an email out to all the other county CBOs — there's 12 others — and just get some input from them." CBOs stated that they appreciate the opportunity to share and learn about strategies for addressing their districts' most pressing challenges, many of which are also faced by other CBOs in similarly sized and neighboring districts. One explained, "You try to solve problems and solve the issues in the most expeditious way possible. You don't want to have to keep recreating the wheel when other people might have insight to be able to shorten that learning curve."

In addition, several CBOs explicitly stated that informal communication made them feel that they are not alone. Rather, many CBOs face the same, or similar, budgeting issues. One CBO shared, "I'm the only one here in the district that speaks the language as far as school finance is concerned. Making particular decisions, I can't bounce it off anybody. I have to call somebody for confirmation if I feel like I'm not certain." This sentiment seems to indicate that while some CBOs feel isolated within their own districts, informal communication provides an opportunity for them to connect with other CBOs to gather ideas and for validation on their decisions.

**Less Direct Support from the State**

Relative to their reports of support from county offices of education, professional organizations, and informal networks, CBOs were less likely to mention the state as a direct source of support on the LCFF and LCAP or as an avenue for communicating and collaborating with other CBOs. Only 64 percent of CBOs indicated that they receive guidance on the LCFF and LCAP from the state. Many CBOs clarified that the support from the state was *indirect*, often in the form of information on the California Department of Education (CDE) website. Another budget officer explained that the CBO’s relationship with the state goes through the county office, whose staff “attend meetings up at CDE monthly, and then they come back and they report [information] to us. Indirectly, [support and guidance is] through the Department of Education.”

**CBOs Are Concerned about Adequacy of Funding and Rising Costs**

**Getting Closer to an Adequate Education**

Despite an expectation at the time of the interviews that the governor’s January 2018 budget proposal would be approved, including its plans to fully fund the LCFF for the following year (2018–19), ahead of the original timetable for fully funding the LCFF, CBOs identified the need for additional financial support from the state to fully capitalize on the opportunities offered by the LCFF. In fact, when CBOs were asked what they see as the top three things that state policymakers can do to support public education, CBOs almost exclusively focused on issues related to funding or rising costs (Table 2).

**Table 2:** CBOs’ Priorities for State Policymakers to Address

	Frequency	Percentage
Funding (general)	39	95%
Special education funding	23	56%
Pensions	20	49%
Base funding allocation	11	27%

Note: The total number of responses is greater than 42 and the total of the percentages is greater than 100 because each CBO could indicate more than one priority.

Specifically, 95 percent of CBOs emphasized insufficient funding, particularly related to the base funding allocation, the increasing cost of pension contributions, and special education. CBOs’ concerns about rising costs in special education and staff benefits, to name a few, are confirmed by recent research, including a study indicating that “spending increases since 2004–

05 have disproportionately gone to costs for special education, pupil services, operations and staff benefits” (Bruno, 2018).

To emphasize the need for more funding for California school districts, CBOs frequently compared the funding level in California to other states. Nearly 40 percent of CBOs mentioned, without any prompting, how the state of California ranks among the lowest in the nation in terms of per-pupil spending. One CBO commented:

Education is the lifeblood of what our economy and what our country has been built upon. The fact that California funds education so low, based upon the metrics, whichever calculation you use, we’re no greater than 45th in the nation. We need to increase the amount of school funding to provide adequate levels of funding for all school districts in the state.

Notably, when discussing funding concerns, a majority of CBOs stressed the need to increase the *base* funding in particular. One CBO stated, “The base is what’s under the greatest amount of pressure, since it has to basically cover all the obligations that the general fund has.” CBOs shared concerns that districts will be forced to make drastic cuts to basic programs for the general student population due to insufficient unrestricted funds. Accordingly, the value that CBOs place on local control and flexibility over the use of funds, discussed earlier in this paper, may also be a reflection of CBOs’ concerns about meeting their financial obligations in the future. One CBO went so far as to suggest that supplemental and concentration funds should be reduced in order to increase the base allocation: “[M]ore additional base funding needs to be given to districts in order to be able to meet their budgets, and not have so much in the supplemental [and] concentration area if we can’t meet the basic needs.” The need for additional base funding is corroborated in a report by the California School Boards Association (2016) which concludes that the state will need to increase base funding to levels that “reflect what it would take for schools to meet all of the other expectations created by the LCFF” (p. 13).

Interviewed CBOs also frequently emphasized the need to rethink the adequacy of funding in California. As one CBO pointed out, the LCFF has “been about trying to restore funding back to 2007–08 levels, which were not adequate at that time.” While the dollar amount that would be considered adequate for different subgroups of students continues to be highly debated, there is ongoing research into what an adequate level of funding might be for California districts (Imazeki, 2018; Levin et al., 2018; California School Boards Association, 2016). For example, a costing-out study (Levin et al., 2018) found that in the 2016–17 school year, an additional \$22.1 billion, which is 32 percent above what public schools in California actually spent, would have been necessary to “ensure that all students had the opportunity to meet the goals set by the California Department of Education.” Levin and colleagues suggest that an adequate level of per-pupil spending would have been \$16,800, but the actual per-pupil amount spent by each district, on average, was \$12,750. The authors acknowledge recent increases in funding under the LCFF, noting that “California has made substantial progress toward providing an adequate education in recent years” (Levin et al., 2018). Furthermore,

early evidence suggests that California’s increased investment in education under the LCFF may be paying off. As Johnson and Tanner (2018) outline, “We find that LCFF-induced increases in school spending led to significant increases in high school graduation rates and academic achievement, particularly among poor and minority students.” This positive impact of the funding increases under the LCFF supports the notion that, especially given the current gaps identified by district leaders, further funding increases could lead to further improvement and equity in student outcomes.

### **Special Education Costs and Special Education Local Plan Areas**

Special education funding is another notable area of concern indicated by CBOs. Fifty-six percent of CBOs named special education as one of the top three priorities for state policymakers to address. Moreover, when asked how special education funding affects other budgeting decisions, nearly 93 percent of CBOs stated that special education funding has a detrimental effect on other budgeting. Asked the same question, 82 percent of superintendents reported that special education funding negatively impacts their budget. To illustrate the seriousness of their concerns, many CBOs during the interviews detailed the costs of certain special education services. One CBO explained that a student placed in a specialized setting cost the district \$175,000 in a single year. Yet the district received only \$8,000 from the LCFF and \$600 from its Special Education Local Plan Area (SELPA) to cover the cost of services for that student. Another CBO shared,

We’re having to take about roughly 10 percent of the base program, that I feel is the base program anyway . . . to help supplement . . . the special ed dollars that we need. A significant amount to have to shift the priorities of that money over to the smaller group. . . . I’m not saying that they don’t need the services, but the lack of funding for those services is draining the resources from our entire population.

One CBO clarified that the issue with special education funding is a longstanding one. The administrator shared, “[Throughout my] more than 25 years in education, do I ever feel that we have enough funding for the special education students? No, I’ve never seen it happen.”

Throughout conversations about special education, the term “encroachment” was often used to describe the challenge that these costs place on the general fund; 11 CBOs specifically used the term when asked whether special education funding affects their other budgeting decisions. For example, one CBO stated, “We’re in the double-digit millions for [special education’s] encroachment upon the general fund. It continues to grow each year.” In recent years, scholars and practitioners have criticized the use of this term, which some believe implies that funding for special education students is “unfairly” taking money away from the general education students (Hill, Warren, Murphy, Ugo, & Pathak, 2016). Nevertheless, the term is a reflection of the tradeoff between resources for general and special education students that districts face given the inadequate and unequalized funding for special education, as several

recent reports have found (Wright & Duncan-Becerril, 2016; California Legislative Analyst's Office, 2018; Fensterwald, 2018; California School Boards Association, 2016; California Statewide Task Force on Special Education, 2015). While school districts spent \$13.2 billion on special education students nationwide, they received only \$1.2 billion from the federal government and \$3.8 billion from states for special education, leaving school districts to pay for the remaining 62 percent of the costs by using their general funds (Fensterwald, 2018).

CBOs also expressed concern that in addition to the costs for special education services increasing, the special education population is also growing. One CBO noted, "We're getting hit from two different sides. There has not been additional funding for special education. We have been in declining enrollment, but the special education [population] has been increasing." Another CBO similarly reported that the CBO's county is "either declining in ADA [average daily attendance] or flat, so our special education dollars are staying pretty stagnant, yet obviously our students with special needs [population] is growing. That's a huge challenge. My contribution from LCFF for special education exceeds 65 percent." The special needs student population has been growing at a rate of 11 percent since 2005, compared to the overall student population's growth rate of 1.3 percent (Fensterwald, 2018). The increase in special education students and decrease in overall enrollment has renewed questions about whether to provide funding for special education based on the number of students with disabilities, rather than based on ADA, as special education funding is determined under the current funding system. However, Hill and Warren (2018) suggest that an ADA-based funding system, with an equalized per-pupil rate under California's AB 602, is still the best system for funding special education because of the potential negative incentives for districts to identify more students with disabilities under a funding formula based on the number of special education students.

CBOs also detailed several other challenges related to special education funding, including the cost of litigation and attorney fees and a lack of control over costs. One CBO explained the wastefulness of litigation that draws money out of the system that could have been used to support students: "It's an unfortunate investment in time and money to end up pretty much where you were originally, and no winners and no losers except for the money that's been invested in it that can't be used for something else." Nearly half of the CBOs interviewed also mentioned having less control over how much they spend in special education services compared to other programs, given that the services are federally mandated and state-mandated. Consequently, CBOs use general funds to provide the special education services that students need to be successful. CBOs stated that if the district cannot provide the necessary services, the district sends students to non-public schools and bears that cost. A CBO explained that "in many places in our budget we can say, 'We can do this or we can do that,' [but] when it comes to special education, the framework is more like, 'We have to do this, so what may or may we not be able to do someplace else?'"

Relatedly, close to 17 percent of CBOs emphasized that the unpredictability of special education costs is an additional problem that school districts face, hindering their ability to accurately budget ahead of time. While special education costs can be difficult to predict, CBOs

also stated that they are particularly careful about ensuring that they budget enough for special education because it is a “place where you really don’t want to make a mistake.” Although some CBOs mentioned that they use placeholders to try to account for special education costs, sometimes unexpected situations arise. As a CBO shared, “It’s hard to nail special education down. It’s very volatile. It can fluctuate greatly from year to year. You can’t really anticipate it.”

Special education costs for school districts are dependent on the types of services that the district is required to provide in a particular year. For example, non-public school placements, transportation services, and one-on-one aides were mentioned as particularly expensive. A CBO recounted that hiring a one-on-one aide for a single special needs student cost the district between \$20,000 and \$30,000. For a different district, the cost of transportation for 70 special education students was \$1.3 million. This cost equates to approximately \$18,751 per student on transportation alone, which is significantly more than the \$12,750 average that districts spent *in total* per student in 2016–17 (Levin et al., 2018).<sup>5</sup> Another CBO stated that a “non-public school placement could . . . bankrupt our really small school district, just for one kid to have that.”

Currently, special education funding for districts and programs is facilitated through SELPAs. A SELPA can operate either as a single district or as a collection of multiple districts. When CBOs were asked whether SELPA decisions are made transparent to them or not, about three-quarters (74 percent) answered that the decisions were transparent. Superintendents similarly indicated (91 percent) that SELPAs were transparent in their funding decisions. However, some recent reports and legislative efforts have exposed the disparities in SELPA funding rates (Hill & Warren, 2018; Hill, Warren, Murphy, Ugo, & Pathak, 2016; Fensterwald, 2018). Reports indicate that the top 10 percent of SELPAs receive 50 percent more per pupil than the average of the remaining 90 percent of SELPAs, and that the way in which SELPAs distribute their funds by ADA differ vastly (Hill & Warren, 2018; Hill, Warren, Murphy, Ugo, & Pathak, 2016). One CBO commented that SELPA funding models vary based on when the SELPA was established. The CBO added that “just the days and years at which those programs came out of county offices and into the SELPAs dictated what that funding model was. It can disproportionately allocate to one group, or one program or another, just based on the antiquated funding models.” To further increase transparency in SELPA funding decisions, Hill and Warren’s most recent report (2018) recommends that SELPAs should be required to write plans that would detail their budgets and hold the SELPAs accountable for student outcomes by reporting the progress and success of students with disabilities.

Six CBOs pointed out that the reason their SELPAs were transparent in their decisions was because they were single-district SELPAs. For example, several CBOs mentioned that being a single-district SELPA allowed the district to receive funding directly. One CBO shared, “Where I worked before, we were a single SELPA district, which was a lot easier because all of the money for that SELPA came to us.” Another CBO explained that even though the CBO’s single-

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<sup>5</sup> Although there are several different calculations of per-pupil spending, the amount included in this paper is the one provided in Levin et al. (2018) to ensure consistency with the other papers included in the GDTF II project.

district SELPA ran smoothly, “Usually, the problem that happens when you have a SELPA with more than one member is you might have interests that are opposed. That’s where some of the issues come in. You might be on the short end of the stick.” Although most CBOs from multiple-district SELPAs did not bring up this sentiment shared by those in single-district SELPAs, one CBO commented, “Well, our particular [SELPA] . . . is made up of large and small districts, and we all have different needs. I can understand that’s a challenge for them to meet all of our varying needs. It [is] obviously more helpful for all small districts or all large districts, but then you also lose the strength in numbers and economies of scale.” Nevertheless, a common response among CBOs was that their SELPAs were doing a good job, given the limited funding. Yet only 23 percent of CBOs and 15 percent of superintendents specified that more funding is needed for SELPAs. Only one CBO suggested that SELPAs should cease to exist; most agreed that SELPAs hold value, given the economies of scale they provide, especially for smaller districts.

### **Pensions and Unfunded Liabilities**

Along with indicating concern over rising special education costs, nearly half of the CBOs named pensions as one of the top three issues that state policymakers should address. When asked directly about pensions, 98 percent of CBOs — all except one — agreed that increasing obligations to pay into the California State Teachers’ Retirement System (CalSTRS) and the California State Public Employees’ Retirement System (CalPERS) was a pressing issue in their district. The costs to districts of paying into CalSTRS and CalPERS funds have been rising dramatically in the past few years, in part because of consistent underfunding. Consequently, these funds have accrued a large debt without sufficient assets to cover their liabilities (Koedel, 2018; Cook, 2015; Taylor, 2017a). While teachers, school districts, and states will all continue to be required to contribute to these funds, school districts will bear the biggest burden. Koedel (2018) estimates that by 2020–21, districts will have to contribute 19.1 percentage points of teacher salaries to CalSTRS, a 100 percent increase from the 8.25 rate in 2013–14. This situation in California aligns with the \$1.1 trillion gap nationally between overall assets of state pension systems and promised employee benefits in 2015 (Public Sector Retirement Systems, 2017; California Legislative Analyst’s Office, 2017). One CBO explained the concern about pension costs as follows:

My salaries have not gone up largely because we just don’t have a ton of funds here, yet I’m paying over \$4 million in pensions now. I think I’m actually approaching maybe \$5 million. Yes, it’s going up by 3 to 5 percent every year. That’s a huge cost. . . . It’s sad to say I see budget cuts on the horizon because there won’t be enough revenue coming in to cover those increased costs.

As this CBO’s comment suggests, many district leaders anticipate that increasing pension costs will increasingly outpace growth in revenues and will likely require districts to make budget cuts in the future. Another CBO shared that while a general education teacher’s salary rose by \$7,500 in the district within the past five years, that teacher’s CalSTRS contribution also grew by \$7,500, representing a 127 percent increase. The same CBO

explained that pension expenses are “just a very difficult thing to communicate to staff.” Krausen and Willis (2018) refer to pressure from rising pensions costs as creating a “Silent Recession” and suggest that the challenges associated with these increased costs are exacerbated because they are often not well understood by the community.

Notably, while nearly half of CBOs listed pensions as one of the top three issues that state policymakers should address, only 7 percent of superintendents noted pensions as a top concern. This discrepancy may come from the fact that the pension issue largely revolves around funding, which CBOs primarily oversee. Superintendents, on the other hand, more often listed accountability, the LCFF and LCAP, and labor as top priorities.

In recent years, a switch from the current defined-benefit plan to a defined-contribution plan has been discussed as an alternative to help alleviate the challenges of pension funding. When asked whether changing to a defined-contribution plan would affect districts’ ability to hire new teachers, only 35 percent of CBOs believed it would have an effect. In comparison, 25 percent of CBOs thought it would have no effect, 23 percent were not sure whether it would have an effect or what the effect would be, and 15 percent were not aware of the difference between a defined-benefit and defined-contribution plan. A CBO who believed that switching to a defined-contribution plan would impact the ability to hire new educators explained that “one of the advantages of coming to public schools . . . is having a defined benefit versus the defined contribution. I think it is one advantage that public schools offer that is hard to find elsewhere.”

Other CBOs expressed the opinion that changing to a defined-contribution plan wouldn’t make it more difficult to hire staff, stating that teachers, particularly young teachers, think more about take-home pay than retirement benefits. As one CBO remarked, “I have young children in their 20s and 30s, and when you’re that age, not many of them even think about that. . . . They’re so busy thinking about how much am I going to bring home, not how much am I saving for the future.” Similarly, another CBO suggested that “employees usually base their work and decisions on the instant money, not the future money.” Another CBO noted that such a change could be beneficial overall for the district: “I could see where [a defined-contribution plan] could be an alternative that could be considered and could reduce that liability for the districts, and then free up funding that could be used for additional employment.” Nonetheless, a CBO who believed that a change in plan would have no effect explained his reasoning: “In California, we already have a problem. We have a shortage of teachers before we changed contributions. We can’t even get teachers as it is.”

In contrast, expenditures on healthcare appear to be a less worrisome issue for CBOs, primarily due to restrictions on cost increases. While close to 88 percent of the interviewed CBOs reported that their districts pay for healthcare for their employees, almost all of these CBOs qualified their responses by clarifying that these benefits were restricted to employees who have worked for the district for a certain number of years and were under the age of 65. One CBO stated that employees in their district only receive three years of a “modest post-retirement health benefit” and only if they have worked for the district for 20 years. Due to this

qualification, the CBO shared that “it’s generally been a fairly reasonable cost for us as a district. We don’t feel that there’s this huge mounting cost that’s out there. [The qualification is] a pretty high bar to reach.”

### **Summary and Implications**

Interviews with CBOs suggest that the LCFF has had a substantial impact on their work. CBOs reported that they are using the LCAP to prioritize their expenditures, that they have greater control and flexibility over spending decisions, and that both of these factors have led to improved planning processes and greater innovation in district spending decisions. Notably, CBOs were generally positive about the LCFF, supporting its goals for greater local control and increased equity, even if they did not report an increase in funding in their particular district resulting from the LCFF. CBOs also reported a stronger focus on data and the use of multiple measures of student progress to determine the effectiveness of their investments. These responses seem to suggest that the requirements for CBOs have changed: CBOs not only need to be experts in how to effectively manage resources, but also in how to use various forms of data to guide resource management and decision-making.

In addition, CBOs identified an enhanced role for community stakeholders in budget decisions. Most CBOs viewed community input on the budget process as a way to improve their ability to direct resources to the areas of greatest need and to areas with the greatest potential for impact on student outcomes. However, some CBOs also noted a discrepancy between the investment demands from community stakeholders and the district’s capacity to actually make investments, given the available resource levels. Several CBOs also referenced pressure from advocacy groups or the threat of lawsuits if funds were not used in a particular way. Most frequently, these references were made in light of concerns over constraints on local discretion in the allocation of funds in the context of a return to a more compliance-focused education finance system. As such, CBOs identified a tension between local control and state-mandated requirements, which some CBOs view as creating an unnecessary administrative burden and as contributing to increased pressure from external stakeholders.

Nevertheless, CBOs’ positive view of the LCFF and their reports of its impact on their work offer new evidence to support the theory of subsidiarity, which serves as an important undergirding to the LCFF. Subsidiarity is an organizing principle suggesting that those closest to the work, or those with the greatest knowledge about local needs, should make decisions about how to meet those needs. CBOs’ views on the way in which the LCFF has begun to shift their work and the value they place on the increased flexibility and local discretion afforded by the LCFF suggest that the LCFF has succeeded in increasing local control, pushing district leaders to view their work differently, and adjusting district operations in the direction the state intended. Accordingly, the state can realize its policy goals through the LCFF’s implementation by those on the ground — that is, the practitioners. The interview findings suggest that this state-to-local shift is already underway for California’s budget leaders.

Yet CBOs also identified several challenges to their work. These are visible areas of need as well as lesser-understood or lesser-acknowledged barriers that constrain full realization of the goals of the LCFF. First and foremost, inadequate funding was a major concern for CBOs. Many CBOs, unprompted, noted California’s low ranking in the nation in terms of per-pupil funding. Regardless of the increases in funding that many districts have received under the LCFF, the narrative of the inadequacy of state funding for education in California remains, and it is pervasive.

In particular, CBOs expressed concern over the inadequacy of base funding, the funds which have the fewest restrictions relative to supplemental and concentration funds. Moreover, concerns regarding the inadequacy of funding seemed to fuel CBOs’ dissatisfaction with any restrictions on their decision-making power for resource allocations. At the same time, CBOs identified serious concerns over the rising costs of employee pension funds and special education services, with some noting that base funding barely covered these increased costs or that cuts would likely have to be made in the future to cover rising costs. Notably, increases in these costs are largely outside the control of school district leaders. As such, the state may need to consider whether to provide even greater flexibility in the use of funds if districts continue to face rising expenses that they are increasingly unable to cover with base funding. The situation also raises the concern that school districts may be more likely to use supplemental and concentration funds to cover these costs, rather than directing these funds as the state intended to increase or improve services for targeted student groups. Some have proposed that the flexibility to use funds for a broader set of high-need students may help to address this issue. For example, Assembly Member Shirley Weber (D-San Diego) introduced legislation to adjust the definition of “unduplicated pupils” to include students identified as the lowest-performing subgroups based on the most recent data available from the state’s standardized testing system.

In addition to not having control over some of the rising costs that CBOs identified as the greatest concerns — notably, special education and pensions — district leaders also do not have control over base funding levels. From the state’s perspective, any increases in funding to districts must be weighed against concerns about another recession in the next few years. There are several legislative efforts that have recently been put forth to increase the level of funding for education. California voters may get to vote in 2018 on a proposed ballot initiative that would split Proposition 13 between residential and commercial properties, instituting higher taxes for non-residential properties. If passed, this constitutional amendment could generate billions of dollars in new funding for education. At the same time, new legislation proposed by Assembly Member Al Muratsuchi (D-Torrance) is under debate in the legislature to substantially increase base grants to districts under the LCFF, starting in 2019–20.

Beyond changing the funding formula and the way funding is allocated, the LCFF (through its focus on local control as a driver for change) also requires organizational shifts, cultural shifts, and changes to staff capacity that are not easily envisioned or operationalized. These changes might take considerable time, and they will inevitably require greater support. Accordingly, districts need to grow their capacity to use data to measure the effectiveness of

their resource investments, to monitor improvement, and to engage with the public in meaningful ways in order to prioritize resources to meet local needs. Perhaps most importantly, districts need to shift district culture and individual mindsets toward new ways of doing business that focus on continuous improvement and measuring effectiveness to serve as catalysts for greater equity and improvement across the system.

The CBOs' perspectives described in this paper suggest that county offices of education are well situated to provide support and guidance for school districts. Most CBOs reported that their county offices of education are already important sources of information for districts and provide critical opportunities for CBOs to collaborate with and learn from other CBOs. Since the early 1990s, county offices of education have provided statutory oversight of district fiscal operations under AB 1200. However, under AB 1200, county offices of education have been primarily concerned with monitoring district financial health to ensure that districts meet their financial obligations. The focus, therefore, has been less on spurring innovation in fiscal management and continuous improvement in district systems. Under Governor Jerry Brown's January 2018 budget proposal, county offices of education may receive a large infusion of funding to support their work with school districts that have been identified for assistance under the state's new accountability model. These potential additional dollars present an opportunity for county offices of education to provide increased and different support to districts more broadly and to build capacity for continuous improvement, including in resource allocation and data use. However, playing a larger support role will likely require county offices of education to build their internal capacity as well.

Interviews with CBOs suggest that now is an opportune time to build on the momentum that has already started under the LCFF. It is a time to continue to build CBO capacity to serve as stewards of the state's limited resources, to embrace continuous improvement, and to ensure the prioritization of investments with the greatest potential benefits for students, particularly students with the greatest needs.

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## **Appendix A: Methodological Approach**

This paper reports on the results of a study conducted as part of the Getting Down to Facts II (GDTF II) project, a collection of over 30 studies focused on school governance, finance, and the Local Control Funding Formula (LCFF) in California. To carry out the study, a team of WestEd researchers and one Stanford University researcher conducted structured interviews with a sample of chief business officers (CBOs) — 42 in all — to elicit their views on policies and practices related to the state’s LCFF and its requirements for each district to create a Local Control and Accountability Plan (LCAP). Interview topics included the LCFF and LCAP, school finance, intra-district and inter-district collaboration, special education, pensions and unfunded liabilities, and contracts and vendor payments (see Appendix B for a copy of the interview protocol).

To provide additional context for the CBO perspectives, this paper also compares their views with those of 91 district superintendents who were interviewed by the Brown University GDTF II team during fall 2017 (Moffitt et al., 2018).

### **District Selection and CBO Recruitment**

California CBOs interviewed for this study were from a stratified random sample selected to be contacted for participation in the study. Two of the 42 CBOs also identified themselves as the interim superintendent or assistant superintendent in their district when they were interviewed. Because the research team wanted to interview CBOs representing a range of types of districts, the process for selecting CBOs to interview began with the research team ranking all California school districts by district enrollment. Next, the team divided the sample in half at the median. The team then created a sample of 100 districts consisting of 67 districts (two-thirds of the total sample) randomly selected from the top half of the distribution (representing high-enrollment districts) and 33 districts (one-third of the total sample) randomly selected from the bottom half of the distribution (representing low-enrollment districts). A sample of 100 districts was selected to represent approximately 10 percent of California school districts. In order to mirror the sample of superintendents selected in the Brown University team’s GDTF II study, WestEd researchers selected two-thirds of the CBO sample from high-enrollment districts.

The research team contacted the CBOs in each of the selected districts — first by email, then by telephone — explaining the study and requesting the participation of CBOs. Out of 100 contacted, a total of 42 CBOs agreed to participate and were successfully interviewed. Interviews took place from January to late March of 2018.

For the 42 districts of the CBOs who participated in the interviews, the average district size in terms of student enrollment was 8,895 students; by comparison, the statewide average student enrollment for the 2016–17 school year was 6,569 students. Twelve of the 42 CBOs’ districts are high-poverty districts (an average of 80 percent of their students qualify for the federal free or reduced-price lunch program [FRPL]), 12 are medium-poverty districts (an

average of 54 percent FRPL), and 15 are low-poverty districts (an average of 23 percent FRPL).<sup>6</sup> In comparison, the statewide percentage of FRPL students was 58 percent. Twelve of the districts represented in the study have low rates of English learner students (4 percent mean), 19 have medium rates of English learner students (54 percent mean), and 11 have high rates of English learner students (80 percent mean); by comparison, 21 percent of students statewide are English learner students. Twenty-one percent of the interviewed CBOs' districts are urban districts, 57 percent are suburban districts, 17 percent are town districts, and 5 percent are rural districts. In the state, 15 percent of districts are urban districts, 33 percent are suburban districts, 17 percent are town districts, and 35 percent are rural districts, as of 2015–16.

The sample of 91 district superintendents whose interview responses provide comparisons to the CBOs' views described in this paper are from a stratified random sample of 205 California superintendents (a 44 percent response rate) selected as part of the Brown University team's GDTF II study (Moffitt et al., 2018).

### **Interview Method and Data Handling**

Researchers for the CBO study interviewed the 42 California CBOs by telephone using conference call software. The interview team consisted of one research assistant at Stanford University Center for Education Policy Analysis (CEPA) and several researchers at WestEd. One interviewer conducted each interview. The interviewer asked the CBO questions from a structured interview protocol (Appendix B). Each interviewee was assigned a unique identification number that was subsequently used on all notes and audio recordings taken during the interviews. Interviewers asked for the CBOs' consent before recording the interviews. Interviewees were notified at the beginning that they may still participate in this study if they declined to have the conversation recorded. Of the 42 interviews successfully completed, 41 were recorded and transcribed. For all of the interviews, including the one that was not recorded, detailed notes were taken during the interviews to capture CBO responses to the questions.

All team members observed appropriate data security requirements while handling interview documents. The team utilized an external transcription company to transcribe the audio recordings of the interviews. Because the audio recordings were identified by unique identification numbers, the CBOs' names were not seen by transcribers and not included with the transcriptions. The interview notes and the transcripts were checked against one another to ensure accuracy. The interview team began analyzing the transcript data by using a predetermined set of codes created by the Brown University team to analyze superintendent interview transcripts for its GDTF II study (Moffitt et al., 2018). However, after systematically analyzing interview notes and transcripts based on these predetermined codes, the CBO research team engaged in an iterative process of developing and revising the codes to organize the interview data. Interview data were then coded and analyzed in Excel. After a first round of coding by three members of the interview team, several codes were added or revised to add

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<sup>6</sup> For two districts, information was not available.

another level of specificity to the analysis, after which another round of coding was conducted by two members of the research team. All of the members of the research team responsible for data analysis also conducted interviews with CBOs for the study. The CBO interview dataset is available from the GDTF II team at CEPA.

### **Limitations**

There are two key limitations to this study. First, the sample was relatively small, especially given that California has more than a thousand school districts in total. In addition, participation in the study depended on the interviewees' interest in participating. Therefore, the views of the CBOs interviewed for this study are not necessarily representative of the full range of CBO views about the LCFF and related issues.

## Appendix B: Interview Protocol

### Interview Protocol for Chief Business Officers

[Note: Minor revisions were made to the interview protocol on January 19, 2018, before which a few interviews had already been conducted.]

#### Audio Recording Consent

Chief Business Officer X, thank you for agreeing to participate in an interview with our team working on the latest iteration of 'Getting Down to Facts,' a project led by Professor Susanna Loeb of Stanford University. We deeply appreciate your taking the time to talk with us.

With your permission, we would like to record our interview to have an accurate record of our conversation.

- In the course of the interview, you may ask us to stop recording at any time; and we will gladly stop recording the conversation.
- You may still participate in this study if you decline to have the conversation recorded.
- If you would like to receive a copy of the text of your transcribed interview, please let us know and we will gladly provide you with a copy.
- Do we have your permission to record our interview?

#### 1.0 Opening

1.1 What do you see as the top three things state policymakers should do to support California's public education? (open ended)

#### 2.0 Finance

2.1 What is the process that your school district uses to prioritize funds?

2.1.1 Is this different for the use of base versus supplemental/concentration versus federal funds?

2.2 How does your school district judge the effectiveness of its resource investments?

2.3 What is your process for tracking how schools use funds? How do you learn about how resources are used in the district? (open)

### 3.0 Intra- and Inter-District Collaboration

3.1 What forums and structures exist in your school system to promote communication across various functions, e.g., business, academic, etc.?

3.1.1 What role do you play in these?

3.2 Do you talk on a regular basis with other CBOs in other districts?

3.2.1 If so, which particular districts?

3.2.2 What do you feel you get out of:

- Talking with other CBOs
- Attending county meetings with other CBOs
- Other

### 4.0 LCFF/LCAP

4.1 What do you see as one or more of the main purpose(s) of LCFF? (e.g., how money should be spent, what equity means) (Prompt: list)

4.2 Has LCFF changed funding in your school district, if so how? (open)

4.3 From the following list, where do you receive guidance and support on LCAP and LCFF?

4.3.1.1 The State Department of Education? (Prompt: yes/no)

4.3.1.2 The County Office of Education? (Prompt: yes/no)

4.3.1.3 Other CBOs? (Prompt: yes/no)

4.3.1.4 Principals or teachers in your district? (Prompt: yes/no)

4.3.1.5 Who have we not mentioned?

### 5.0 Special Education, Pensions, and Health Benefits

5.1 Let's talk about special education funding for a moment. In general, how does special education funding affect your other budgeting decisions? (open)

5.1.1 Have you had unexpected special education expenditures that made you need to re-budget other funds? If so, what did you do?

5.1.2 How do the legal aspects of special education affect your budgets?

5.1.3 Are SELPA budgeting decisions made transparent to you? (Prompt: yes/no)

5.1.4 Are there ways that SELPAs could be more helpful to you? If so, what?

5.2 We hear a lot about pensions and unfunded liabilities. Are pensions a pressing issue in your district? (Prompt: yes/no)

5.2.1 Do you think it would affect your ability to hire new workers if the system changed to a defined-contributions plan?

5.3 Does your district pay health expenditures of retirees? If so, how are these expenditures affecting your budget and budgeting?

## 6.0 Contracts and Vendor Payments

6.1 Finally, we are interested in contracts or vendor payments for instruction in your district. Does your district contract for some of their instructional needs such as professional development, instructional materials, or curricula?

6.1.1 With whom are your biggest contracts? Do you know what these are for and approximately the amount?