

Weighted Student Formula

Overview of the Concept:

- The Weighted Student Formula will be implemented in concert with the Governor's revenue initiative, which will provide an over \$14 billion in funding increases for K-12 education (a \$2,500 increase per student) by 2015-16.
- Under the Weighted Student Formula proposal, all of this additional funding, along with most existing funding will be flexible and can be spent based on local priorities.
- The existing deficit factor will be fully restored, COLA will be provided on both revenue limits and the new formula, and the formula base grants will be equated to current revenue limit levels.

Summary of Modifications to the Proposal:

- **Equate the Base Grant to Revenue Limits.** The base grant portion of the weighted student formula will be set equal to or slightly higher than the current average deficit revenue limit for unified school districts (which is \$5,203).
- **Restore Deficit Factor on Existing Revenue Limits.** The current revenue limit deficit factor will be fully restored during the phase-in of the weighted student formula, but the formula will not be fully implemented until the existing deficit factor has been fully restored. Language will be added to statute to freeze implementation of the formula at 80 percent of school funding until the existing deficit factor has not been restored. The formula grant will be increased by the same proportion that revenue limits are increased as COLA adjustments are provided and the deficit factor is restored.
- **Pay Off Deferrals.** In 2012-13, new K-12 funding will be used to fund enrollment growth and pay down deferrals. In 2013-14 and ongoing, new funding will first be used to fund enrollment growth, and then half of the remaining new funding will pay COLA and restore the deficit factor and the other half will pay down deferrals. After the deficit factor has been fully restored and deferrals eliminated, future new K-12 funding will be used to provide enrollment growth, fund COLA and grow the formula grants (including the base, supplemental and concentration grants).
- **Adjust for Grade Spans.** Grade span adjustments will be made to the formula grants (including the base, supplemental and concentration grants). The grade spans will be K-3, 4-6, 7-8 and 9-12, and the adjustment to each grade span will be equivalent to the current charter school grade span adjustment (which is based on revenue limit averages for districts with those grade spans).
- **Target K-3 Class Size Reduction Dollars to K-3 Classrooms.** This program will be eliminated; however, an adjustment will be made to the K-3 grade span (including the base, supplemental and concentration grants) to ensure the funding currently going into K-3 Class Size Reduction will continue to be allocated for the students in those grades. Schools will not be required to spend these funds on class size reduction.
- **Adjust for Targeted Instructional Improvement Block Grant and Home-to-School Transportation Dollars.** These programs will also be eliminated, but districts will continue to receive the same amount of money they currently receive for these programs as a permanent add-on to their formula grant. They will be allowed to spend these funds for any educational purpose.

- **Reduce the Formula Grant Weights.** In response to critiques from the education community and researchers that the weights initially proposed may be too high, lower weights will be proposed for the supplemental and concentration grants. Districts will receive a supplemental grant equal to 20 percent of the base grant for each unduplicated free and reduced price lunch or English learner student. The Governor's Budget included a 37 percent grant adjustment for these students. A corresponding adjustment will be made to the concentration grant calculation. Districts with at least 50 percent of their students receiving free and reduced price lunches or English learners will receive a concentration grant for each of these students up to a maximum of 20 percent of the base grant for districts with 100 percent of their students receiving free and reduced price lunches or English learners. No charter school will receive a higher concentration factor than the school district in which it resides. In addition, the English learner and free and reduced price meal eligibility data will be based on an average of the three most recent years for which student level data is available.
- **Improve Data Accuracy.** Commencing with the 2013-14 fiscal year, County Offices of Education (COEs) will be required to review school district English learner and free and reduced price meal eligibility data to ensure the data is collected and reported accurately. COEs will also verify that the school districts and charter schools are accurately accounting for English learners and free and reduced price meal eligible students.
- **Extend the Phase in Period.** The weighted student formula will be phased in over a seven year period. In 2012-13, schools will receive 95 percent of their funding based on revenue limit formulas and current categorical allocations and 5 percent of their funding based on the new formula. The proportion based on the new formula will increase over the next six years as follows: 10 percent, 20 percent, 40 percent, 60 percent, 80 percent, and 100 percent.
- **Add Conditional Implementation Provisions.** Implementation of the formula in 2012-13 will be triggered off if the Governor's revenue initiative fails and Proposition 98 funding for K-12 is reduced as a result. Furthermore, implementation in future years will be delayed if Proposition 98 funding for K-12 does not meet predetermined growth thresholds each year.
- **Protect Low-Income and English Learner Students and Strengthen Accountability.** Funding provided by the supplemental and concentration grants will be required to be spent for the benefit of the low-income and English learner students for which the district received the funding. The Administration and the State Board of Education are reviewing the existing accountability, reporting and transparency requirements. The State's current broad-based academic and fiscal accountability system, which includes the Academic Performance Index, the annual School Accountability Report Cards (which report over 30 metrics, including all of the Williams compliance items related to the sufficiency of instructional materials, teacher quality and the conditions of school facilities) and school review processes such as accreditation visits and comprehensive annual financial audits, is a good starting point. Instead of adding another layer of requirements, the existing requirements will be streamlined and reported concurrently in a transparent fashion. Further implementation of the formula in 2013-14 will be contingent on legislation to identify additional indicators of district and school success such as professional development opportunities for teachers, college going and employment rates for students, and provision of the necessary conditions for learning, which will be linked to incentive funding.

Detailed Proposal

California's school finance system has become too complex, administratively costly and imbalanced. There are many different funding streams, each with its own allocation formula and spending restrictions. Many program allocations have been frozen and no longer reflect demographic and other changes. Furthermore, the fiscal flexibility that has recently been provided to schools is time-limited and excludes some significant programs. To remedy this, the Budget proposes a weighted pupil funding formula that will provide significant and permanent additional flexibility to local districts by consolidating the vast majority of categorical programs (excluding federally required programs such as special education) and revenue limit funding into a single source of funding. The formula will distribute these combined resources to schools based on weighted factors that account for the variability in costs of educating specific student populations, thereby ensuring that funds will continue to be targeted to schools with large populations of disadvantaged pupils.

The Administration's proposed weighted pupil funding formula will entitle every school district and charter school to a per pupil base grant that varies based on grade span, multiplied by average daily attendance (ADA). The base grants will be set at a level which is slightly higher than the average revenue limit for a unified school district and the grade span adjustments will be based on revenue limit averages for districts with those grade spans. These adjustments reflect increased costs for middle school and high school classes. An adjustment will also be made to the K-3 grade span to ensure the funding currently going into K-3 Class Size Reduction will continue to be allocated for the students in those grades. However, schools will not be required to spend these funds on class size reduction.

Scholarly research and practical experience indicate that low-income students and English learners come to school with unique challenges and often require supplemental instruction and other supports in order to be successful in school. Furthermore, these challenges are most extreme in communities with high concentrations of poverty and non-English speakers. So, the Administration's proposed formula will provide every school district or charter school additional grants to support the overall cost of educating English learners and low-income students, as measured by those receiving free or reduced price lunches (FRPL). The funding provided by these grants will be required to be spent for the benefit of the low-income and English learner students for which the district received the funding.

The supplemental grant will be equal to 20 percent of the base grant for each student who is either a FRPL or an EL student. Then an additional concentration grant equal to 4 percent of the base grant is added per FRPL or EL student for each 10 percentage points that a district's population of FRPL and EL students exceeds 50 percent of its total student population. So, at 60 percent, 4 percent of the base grant is added, which grows to 8 percent of the base grant at 70 percent, and 12 percent at 80 percent, and so on. However, no charter school will receive a higher concentration factor than the school district in which it resides. In addition, the English learner and free and reduced price meal eligibility data will be based on an average of the three most recent years for which student level data is available.

Commencing with the 2013-14 fiscal year, County Offices of Education (COEs) will be required to review school district English learner and free and reduced price meal eligibility data to ensure the data is collected and reported accurately. COEs will also verify that the school districts and charter schools are accurately accounting for English learners and free and reduced price meal eligible students.

Finally, an adjustment will be made for school districts currently receiving Targeted Instructional Improvement Block Grant and Home-to-School Transportation dollars. These programs will be eliminated, but districts will continue to receive the same amount of money they currently

receive for these programs as a permanent add-on to their formula grant. They will be allowed to spend these funds for any educational purpose.

Mathematically, the formula will be as follows:

Base Grant = \$5,466 for K-3, \$4,934 for 4-6, \$5,081 for 7-8 and \$5,887 for 9-12 * ADA

Plus

Supplemental Grant = base grant * 0.20 * FRPL or EL ADA

Plus

Concentration Factor = base grant * 2 * 0.20 * FRPL or EL ADA * the percentage points that the FRPL or EL percentage is above 50%, or 0 if the FRPL or EL percentage is equal to or less than 50%.

Plus

Targeted Instructional Improvement Block Grant and Home-to-School Transportation Add Ons

The Administration proposes a 7-year phase-in with 5 percent of total school funding allocated based on this formula in 2012-13, growing to 10 percent in 2013-14, 20 percent in 2014-15, and by an additional 20 percent each year thereafter until completely implemented in 2018-19. Implementation of the formula in 2012-13 will be triggered off if the Governor's revenue initiative fails and Proposition 98 funding for K-12 is reduced as a result. Furthermore, implementation in future years will be delayed if Proposition 98 funding for K-12 does not meet predetermined growth thresholds each year.

For 2012-13 only, no district will receive less than it received per pupil from the programs included in the formula and Home-to-School Transportation in 2011-12. All funding not allocated based on the formula will be allocated in proportion to the amount each school district received per unit of average daily attendance 2011-12. However, all of the programs that will be replaced by the formula will immediately be made completely flexible for use in supporting any locally determined educational purpose. This includes K-3 Class Size Reduction and Economic Impact Aid, which are not included in the current flexibility.

The current revenue limit deficit factor will be fully restored during the phase-in of the weighted student formula, but the formula will not be fully implemented before the existing revenue limit deficit factor has been fully restored. Language will be added to statute to freeze implementation of the formula at 80 percent of school funding if the existing deficit factor has not been restored. The formula grant will be increased by the same proportion that revenue limits are increased as COLA adjustments are provided and the deficit factor is restored to ensure that the base grant is equal to or greater than revenue limits before it is fully implemented. In 2013-14 and ongoing, new funding will first be used to fund enrollment growth, and then half of the remaining new funding will pay COLA and restore the deficit factor and the other half will pay down deferrals.

Beginning in 2013-14, incentive funding equal to 2.5 percent of the base grant will be provided to school districts and charter schools which meet accountability metrics established by the State Board of Education. The Administration and the State Board of Education are reviewing the existing accountability, reporting and transparency requirements. The State's current broad-based academic and fiscal accountability system, which includes the Academic Performance Index, the annual School Accountability Report Cards (which report over 30 metrics, including all of the Williams compliance items related to the sufficiency of instructional materials, teacher quality and the conditions of school facilities) and school review processes such as accreditation visits and comprehensive annual financial audits, is a good starting point. Instead of adding another layer of requirements, the existing requirements will be streamlined and reported concurrently in a transparent fashion. Further implementation of the formula in 2013-14 will be contingent on legislation to identify additional indicators of district and school success such as

professional development opportunities for teachers, college going and employment rates for students, and provision of the necessary conditions for learning, which will be linked to the incentive funding.

Current program funding that will be included in the weighted formula and fully flexed are:

Apprentice Programs
Summer School Programs
ROC/Ps
Grade 7-12 Counseling
Specialized Secondary Program Grants
Gifted and Talented
Economic Impact Aid
Prof. Development Institutes for Math and English
Principal Training
Adult Education
Adults in Correctional Facilities
Partnership Academies
Agricultural Vocational Education
Educational Technology
Deferred Maintenance
Instructional Materials Block Grant
Staff Development
National Board Certification
California School Age Families Ed. Program
California High School Exit Exam
Civic Education
Teacher Dismissal Apportionments
Charter Schools Block Grant
Community Based English Tutoring
School Safety Block Grant
High School Class Size Reduction
K-3 CSR
Advanced Placement Grant Programs
Student Leadership/CA Assoc. of Student Councils
Pupil Retention Block Grant
Teacher Credentialing Block Grant
Professional Development Block Grant
School and Library Improvement Block Grant
School Safety Competitive Grant
Physical Education Block Grant
Arts and Music Block Grant
Certificated Staff Mentoring
Oral Health Assessments
Alternative Credentialing
District and COE Revenue Limits

The only major programs excluded are as follows:

- Special Education, because of federal program requirements and maintenance of effort issues.
- School Nutrition (funding for school lunches), because of federal accounting and maintenance of effort issues.
- After-school Programs, because Proposition 49 requires a ballot initiative approved by the voters to make any changes to afterschool funding.
- Quality Education Investment Act (QEIA), because this is part of a legal settlement.
- Pre-school, because it is not a K-12 program.
- Necessary Small Schools, because this funding is necessary to maintain schools in sparsely populated areas.