



CALIFORNIA
DEPARTMENT OF
EDUCATION

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STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

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Dear County and District Superintendents and Charter School Administrators:

USE OF LOCAL CONTROL FUNDING FORMULA SUPPLEMENTAL AND CONCENTRATION GRANT FUNDS

The Local Control Funding Formula (LCFF) adopted in June 2013 offers a dramatically new approach toward funding California schools. It gives power over the vast majority of spending decisions to those in the best position to know the needs and priorities of their districts—local school boards—while also requiring them to get significant input from their communities.

Use of Local Control Funding Formula Supplemental and Concentration Grant Funds for Salary Increases

The California Department of Education (CDE) has been asked under what circumstances it may be permissible for a school district to use supplemental and concentration grant funds apportioned to it pursuant to the LCFF to fund ongoing teacher compensation. Below is a summary of the applicable statutes and regulations and a discussion of the question posed. The Department had previously addressed this issue in a letter sent to the Fresno County Office of Education on April 14, 2015, which may have created some misunderstandings. For clarity, the following supersedes that letter.

Overview of Local Control Funding Formula Legislation

The LCFF was adopted in June 2013 and eliminated the revenue limit funding formula and numerous categorical programs. The formula establishes a target level for state funding based on an equal amount per pupil, with adjustments based on factors described below. The LCFF target represents the amount a district would receive when LCFF is fully funded. Currently, full funding is being phased in over several fiscal years.

The LCFF provides for a “base grant” that provides a school district with a specified amount per unit of average daily attendance based upon the pupils’ grade spans. In addition, the LCFF provides for add-ons to the base grant based on the unduplicated count of pupils enrolled in a district who are low-income, English learners, or foster youth (“unduplicated pupils”) (as defined by California *Education Code [EC]* Section 42238.02[b]). There is a “supplemental grant” add-on of 20 percent of the base funding for each unduplicated pupil. In addition, when the number of unduplicated pupils

exceeds 55 percent of a school district's enrollment, there is a "concentration grant" add-on of an additional 50 percent of the base amount for each unduplicated pupil in excess of 55 percent. The LCFF legislation required the State Board of Education (SBE) to adopt regulations governing the expenditure of supplemental and concentration grant funds. These funds must be expended in accordance with those regulations, as described more fully below. (*EC* sections 42238.02[e] and [f] and 42238.07 and 5 *California Code of Regulations [CCR]* sections 15494 through 15497.5.)

The Local Control Accountability Plan and Expenditure Regulations

The LCFF legislation requires school districts to adopt a Local Control and Accountability Plan (LCAP). The LCAP is a three-year plan that must be updated annually by July 1. (*EC* sections 52060[a] and [b] and 52061[a].) The Legislature required the SBE to adopt an LCAP and annual update template that districts are required to use. (*EC* sections 52060[a], 52061[a], and 52064.) The SBE-approved LCAP and Annual Update Template (LCAP Template) is set forth in 5 *CCR* Section 15497.5. A district LCAP is required to set forth the district's annual goals and related specific actions and budgeted expenditures for improving its educational program in eight state priority areas and any locally adopted priority areas. (*EC* Section 52060[c] and 5 *CCR* Section 15497.5.) The annual update must include a review of progress on LCAP goals, an assessment of the effectiveness of actions described in the LCAP toward achieving those goals, and a description of changes to the action the district will make as a result of this review. (*EC* Section 52061[a][2].)

The SBE specified requirements related to expenditures of supplemental and concentration grant funds in 5 *CCR* Section 15496. Under subdivision (a) of this regulation, a district is required to provide evidence in its LCAP to demonstrate how the district will use supplemental and concentration grant funds to support unduplicated pupils, and include an explanation of how expenditure of these funds will meet the district's goals for its unduplicated pupils in the state priority areas. Such funding must be used to "increase or improve services for unduplicated pupils as compared to services provided to all pupils in proportion to the amount of funds apportioned based on the number and concentration of unduplicated pupils as required by *EC* Section 42238.07(a)(1)."

As required by *EC* Section 42238.07(b), the SBE expenditure regulations identify conditions under which a district may use supplemental and concentration grant funds on a districtwide basis. Under 5 *CCR* Section 15496(b), a district may demonstrate it has increased or improved services for unduplicated pupils by using these grant funds to upgrade the entire educational program of the school district, as follows. When a district has an enrollment of unduplicated pupils of 55 percent or more of the district's total enrollment in the fiscal year for which an LCAP is adopted or in the prior year,

districtwide use of funds is permitted. A district making a districtwide expenditure must (1) identify in the LCAP the services that will be funded and provided on a districtwide basis; and (2) describe in the LCAP how such services are principally directed toward and are effective in meeting the district's goals for its unduplicated pupils in the state and local priority areas. When a district's enrollment of unduplicated pupils is less than 55 percent of a district's total enrollment in the fiscal year for which an LCAP is adopted, the district's LCAP must, in addition to the above, describe how the services to be provided districtwide are the "most effective" use of the funds to meet the district's goals for its unduplicated pupils in the state and any local priority areas and provide the basis for this determination, including but not limited to any alternatives considered and any supporting research, experience, or educational theory. (5 CCR Section 15496[b][2].)

When a County Superintendent reviews an LCAP for approval, he or she must review any descriptions of districtwide expenditures when determining whether a district has fully demonstrated that it will increase or improve services for unduplicated pupils. (EC Section 52070[d][3] and 5 CCR Section 15497.)

Use of Supplemental and Concentration Funds for Across-the-Board Salary Increases

A district may use supplemental and concentration funds for a general salary increase in a manner consistent with the expenditure regulations and LCAP Template regulations. (5 CCR sections 15496[a] and [b] and 15497.5 [LCAP Template sections 2 and 3].) In order to use supplemental and concentration grant funds for an across-the-board salary increase, or for any other districtwide purpose, a district must demonstrate in its LCAP how this use of the grant funds will increase or improve services for unduplicated pupils as compared to services provided all pupils. This should be in proportion to the increase in supplemental and concentration funds apportioned on the basis of the number and concentration of unduplicated pupils. (5 CCR sections 15496[a] and [b], 15497, and 15497.5 [LCAP Template sections 2 and 3].)

For example, a district may be able to document in its LCAP that its salaries result in difficulties in recruiting, hiring, or retaining qualified staff which adversely affects the quality of the district's educational program, particularly for unduplicated pupils, and that the salary increase will address these adverse impacts. In this scenario, this district LCAP might specify a goal of increasing academic achievement of its unduplicated pupils and a related area of need for more teachers in the district with experience teaching the district's curriculum. In such a case, if the district has an enrollment of unduplicated pupils of 55 percent or more of the district's total enrollment in the fiscal year for which an LCAP is adopted or in the prior year, the district could then identify, as a corresponding service, a reduction of teacher turnover and the retention of experienced classroom teachers, supported by budgeted expenditures from

supplemental and concentration grant funds, and describe in the LCAP how this service is principally directed toward and effective in meeting the district's identified academic achievement goal for its unduplicated pupils. (5 CCR sections 15496, 15497, and 15497.5 [LCAP Template sections 2 and 3].) As noted above, if the district's enrollment of unduplicated pupils is less than 55 percent of a district's total enrollment in the fiscal year for which an LCAP is adopted, the district's LCAP would have to, in addition to the above, describe how the reduction of teacher turnover and the retention of experienced classroom teachers provided districtwide are the "most effective" use of the funds to meet the district's goal for its unduplicated pupils, and provide the basis for this determination, including but not limited to any alternatives considered and any supporting research, experience, or educational theory. This is an example and is not intended to be exhaustive or exclusive.

Targeted Salary Increases

Districts may use supplemental and concentration grant funds to provide more targeted salary increases to increase or improve services for unduplicated pupils provided these meet the same legal requirements described above for expenditure of such funds and related documentation in the LCAP. For example, districts could provide salary increases for employees serving predominantly unduplicated pupils or provide increased compensation for a longer instructional day, particularly at schools serving predominantly unduplicated pupils. The district must appropriately document in its LCAP its basis and strategies for use of supplemental and concentration grant funds in keeping with 5 CCR sections 15496(a) and (b) and 15497.5 (LCAP Template sections 2 and 3).

We hope this information is of assistance in developing, adopting, and reviewing district LCAPs and Annual Updates.

If you have any further questions, please contact Jeff Breshears, Administrator, Local Agency Systems Support, by phone at 916-319-0303 or by e-mail at JBreshears@cde.ca.gov.

Sincerely,



Tom Torlakson

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