

ASSEMBLY THIRD READING
AB 1204 (Alvarez)
As Amended May 5, 2025
Majority vote

SUMMARY

Makes several changes to the Local Control Funding Formula (LCFF) for school districts and charter schools and its components, implemented according to a specified timeline and pursuant to recommendations provided by the California Department of Education (CDE).

Major Provisions

- 1) Adds homeless students to the list of students qualifying as unduplicated under the LCFF.
- 2) Sets a minimum annual cost-of-living adjustment (COLA) applied to the LCFF of 4%.
- 3) Requires the CDE to apply a regional cost-adjustment to a school district or charter school's LCFF calculation and develop recommendations, by January 1, 2028, for adequacy adjustments to each grade span's base grant rate.
- 4) Increases the supplemental grant add-on to 35% percent of the applicable grade span base grant and adjusts the concentration grant add-on threshold to 45% unduplicated pupil enrollment.
- 5) Removes the limit on a charter school's unduplicated pupil percentage (UPP) for purposes of concentration grant add-on funding.
- 6) Requires the Legislative Analyst's Office (LAO) to report to the Legislature, by January 1, 2027, regarding the impact of changes to the LCFF made by this bill.
- 7) States legislative intent to fully fund the bill's changes to the LCFF by fiscal year (FY) 2030-31, taking into account any recommendations developed by the CDE.
- 8) Requires the Superintendent of Public Instruction (SPI) to allocate an additional one-fifth of the amount of the LCFF entitlement difference between current law calculations and this bill's calculations, for each of the 2025-26 through 2029-30 FYs.
- 9) Requires a demonstration that any additional funding received by a school district or charter school due to the changes in the bill was used to support additional services for the targeted pupil group.
- 10) Requires that no school district or charter school receive less LCFF state aid in a given fiscal year than it received in the 2024-25 fiscal year.

COMMENTS

Local Control Funding Formula. The LCFF was established in the 2013-14 fiscal year to provide a more equitable distribution of funding among school districts, charter schools, and COEs. The three main components of the LCFF for school districts and charter schools are the base, supplemental, and concentration grants. The amount of the base grant is different for four

different grade spans and receives a statutory annual COLA. The LCFF base grant for the 2024-25 school year was \$11,068 for grades K-3 (includes the applicable grade span adjustment), \$10,177 for grades 4-6, \$10,478 for grades 7-8, and \$12,460 for grades 9-12 (includes the applicable grade span adjustment). The base grant for each school district and charter school, including the grade span adjustment, is multiplied by units of ADA. For school districts, funded ADA is equal to the greater of current or prior year ADA.

In addition to the base grant, school districts and charter schools also receive supplemental funding for each enrolled pupil who is either an EL, low-income (as determined by eligibility for free- or reduced-price meals), or in foster care. These are referred to as "unduplicated" pupils, because pupils who fall into more than one of these categories are counted only once for LCFF purposes. Districts and charter schools receive an additional 20% of the base grant amount for each unduplicated pupil.

The concentration grant is provided to districts and charter schools that have a significant concentration of unduplicated pupils. The concentration grant is provided whenever the enrollment of unduplicated pupils exceeds 55% of total enrollment. For each grade span, the grant is calculated by multiplying the base grant per ADA, times the total funded ADA, times portion (if any) of UPP that exceeds 55%, times 65%. Note that AB 130 (Chapter 44, Statutes of 2021) increased the concentration grant factor to 65%.

Funding targets for the LCFF were established that, when fully funded, would restore school district purchasing power to pre-recession levels. Full implementation of LCFF required additional funding allocations over a multi-year period and a transition formula to bridge the gap between prior funding levels and the new LCFF target levels. Prior to the targets being fully funded, available funding in excess of the amount needed for the COLA were added to the formula to gradually reduce the gap between the target and actual funding. The 2018-19 Budget Act fully funded the LCFF gap, bringing all LEAs to their LCFF target level.

Impact of the LCFF on student achievement. The LCFF changed the way resources were distributed to LEAs, but the most critical outcome measurements are related to changes in student achievement. According to a 2021 PPIC report, *Targeted K-12 Funding and Student Outcomes: Evaluating the Local Control Funding Formula*, "Test scores have seen modest improvements, and in particular, improvements have been much greater in the state's highest-need districts. These trends over the past five years on Smarter Balanced Assessment Consortium (SBAC) suggest that additional LCFF funding leads to higher test scores; but a more definitive statement about cause and effect requires an empirical design that can account for other changes unrelated to the funding change."

Low-income and non-low-income students meeting or exceeding grade-level standards saw modest increases for both groups, but larger ones among low-income students. The 2023 Learning Policy Institute (LPI) report, *School Funding Effectiveness: Evidence From California's Local Control Funding Formula*, stated that LCFF-induced increases in per-pupil spending have improved students' math and reading achievement, reduced the probability of grade repetition, increased the likelihood of high school graduation and college readiness, and decreased suspensions and expulsions. Improvements in student outcomes have been more pronounced for cohorts exposed to funding increases for more of their school-age years.

Where California ranks in per pupil funding. The publication, *EdWeek*, issues a semi-annual ranking of per-pupil spending that adjusts for regional differences in cost of living. In the 2021 report, California's regionally adjusted per pupil ranking was 21st of all states and Washington, D.C., up from 44th in the 2018 report. Due to lags in data, and the COVID-19 pandemic, the 2021 report is based on data from 2018. In that year, California's regionally-adjusted per pupil spending was \$11,269, which was \$2,410 below the national average of \$13,679. California's figures are now likely higher, given the increases to K-12 public school spending during the COVID-19 pandemic.

What is the funding goal for public education? Although most advocates for public education believe additional funding is needed to support schools, there is little consensus regarding the ultimate goal. Is the goal for California to be one of the top 10 states in K-12 education funding? Is the goal for California to provide funding for K-12 at the national average? Is the funding goal related to adequacy? According to the technical report, *Getting Down to Facts II: Adequacy and State Funding Formulas: What Can California Learn From the Research and National Context?* "the cost of an adequate education is...the minimum cost to achieve a targeted outcome that has been deemed "adequate" by analysts, policymakers or, in some cases, a state constitution."

Total school funding is determined by Proposition 98, not by the LCFF. Making changes to the LCFF does not increase school funding. Rather, school funding is determined by Proposition 98, which requires a minimum level of funding, but has also, in practice, served as a funding ceiling.

According to the Author

"Education is the cornerstone of opportunity, yet California's current school funding system has neglected its most vulnerable students, particularly those experiencing homelessness. AB 1204 addresses these inequities by designating homeless students as "unduplicated pupils" under the LCFF, unlocking essential resources for support services like transportation, counseling, and shelters.

AB 1204 empowers districts to better serve high-need populations. This legislation aligns funding with equity goals, ensuring that resources are directed to those who need them most, while supporting local educators in enhancing attendance and graduation rates. Ultimately, AB 1204 is a moral imperative that seeks to fulfill California's promise of equity and excellence for every student."

Arguments in Support

The San Diego Unified School District writes, "The equity-driven design of the LCFF provides districts with flexible funding to address the unique needs of their student populations, while the Local Control and Accountability Plan (LCAP) ensures transparency, community engagement, and accountability. This structure allows districts to prioritize resources strategically to support programs that directly improve student outcomes.

The San Diego Unified School District serves a diverse population of over 95,000 students. Seventeen percent of our students are English Learners, 7% of our students are experiencing homelessness, 18% are students with disabilities, and 58% are socio-economically disadvantaged. In total, 60% of our students are counted as "unduplicated" (i.e. students who are English Learners, low-income, or in foster care) for the purposes of LCFF funding. However, these categories alone do not capture the complexity of our students' needs, especially those facing compounding challenges. Additionally, the high cost of living — particularly in housing,

transportation, and other essentials — places enormous strain on our families, educators, and school operations. For example, the LCFF defines a family of four as "low income" if they earn less than \$57,720 annually. Yet in San Diego County, a family of four earning less than \$132,400 is considered "low income" by HUD standards. Consequently, many of our families who do not meet the income criteria to be counted as "low income" in the LCFF still have deep and urgent needs that require additional support. Current LCFF allocations do not account for these regional economic realities."

Arguments in Opposition

None on file

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

- 1) Ongoing Proposition 98 General Fund costs of an unknown but significant amount, likely in the billions of dollars to tens of billions of dollars annually, for the state to fund increased LCFF entitlements for school districts and charter schools resulting from this bill. The bill requires the CDE to allocate the amounts discussed below to school districts and charter schools in 1/5 increments beginning FY 2025-26 through 2029-30.

A COLA of 1% represents approximately \$800 million in new costs under the LCFF using FY 2024-25 estimates. This bill sets a minimum annual COLA for the LCFF of 4% statewide, guaranteeing annual costs within the Proposition 98 minimum guarantee to fund the LCFF of up to approximately \$3.2 billion. These costs would be lower or zero depending on how close the otherwise applied statutory COLA is to 4%. However, the bill also requires the CDE apply an additional regional cost-adjustment beyond the statewide COLA.

Further, increasing the supplemental grant amount to 35% and lowering the concentration grant threshold to 45% creates new costs. In FY 2024-25, total funding provided to school districts and charter schools in the form of supplemental grant funding is about \$8 billion. Increasing the supplemental grant amount to 35% creates up to approximately \$5 billion in new costs annually, assuming FY 2024-25 LCFF inputs.

- 2) Ongoing General Fund costs to the CDE of approximately \$2 million to make required changes to the formula, develop and apply a regional cost-adjustment, develop recommendations for adequacy adjustments for each grade span's base grant rate, verify funding increases supported the targeted pupil group, and determine whether a school district or charter school receives at least as much state aid as it received in FY 2024-25.

CDE staff will need to run parallel calculations for approximately 2,300 total school districts and charter schools annually to determine the amount of additional funding required each year. Additionally, CDE does not have the subject matter expertise this bill requires for the regional cost-adjustment nor adequate staff resources and would have to hire additional staff with the appropriate expertise or contract with an external vendor for that function.

VOTES

ASM EDUCATION: 8-0-1

YES: Muratsuchi, Hoover, Addis, Alvarez, Bonta, Garcia, Lowenthal, Patel

ABS, ABST OR NV: Castillo

ASM APPROPRIATIONS: 12-0-3

YES: Wicks, Hoover, Stefani, Calderon, Caloza, Fong, Mark González, Krell, Bauer-Kahan, Pacheco, Pellerin, Solache

ABS, ABST OR NV: Dixon, Ta, Tangipa

UPDATED

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