



AB 1204: Local Control Funding Formula Reform Act

Summary:

AB 1204 introduces essential reforms to California's Local Control Funding Formula (LCFF) aimed at addressing the diverse needs of vulnerable student populations while acknowledging regional cost disparities and inflationary pressures. This legislation proposes significant changes, including the inclusion of homeless students in funding counts, a guaranteed annual inflation adjustment for base grants, and regional cost adjustments for housing and labor by 2030.

It also seeks to increase supplemental grants from 20% to 35% of base grants and lower the concentration grant threshold from 55% to 45% of unduplicated pupils. The implementation of these changes will occur in phases from 2025 to 2030, accompanied by a grade-span cost analysis to rectify funding inequities across K-12 education. Moreover, the state will reimburse local administrative costs as mandated.

Background:

The LCFF, enacted in 2013, reshaped funding distribution in California's education system by allocating resources based on student needs. It established base grants for all students, along with supplemental and concentration grants aimed at supporting high-need students, namely English learners, low-income students, and foster youth. Despite these provisions, significant gaps persist that AB 1204 seeks to address. For instance, more than 270,000 homeless students are currently excluded from the LCFF's unduplicated counts. The existing inflation adjustments linked to a specific economic index often fail to keep pace with actual cost increases, particularly in high-cost areas.

Furthermore, the funding formula does not factor in the regional disparities in labor and housing costs, putting urban and coastal districts at a disadvantage. Lastly, many districts serving 45% to 55% high-need students find themselves underfunded due to high thresholds for concentration grants.

Problem:

There are several critical issues that necessitate reforming the LCFF. Firstly, the exclusion of homeless students from funding calculations means they do not receive the targeted support they need, facing various challenges like housing insecurity and frequent school transfers. Secondly, the existing inflation adjustments erode purchasing power for schools, especially those in high-cost areas, making it difficult to meet community needs. Thirdly, regional inequities persist since the LCFF does not account for the varying costs of labor and housing, which places

urban districts at a significant disadvantage compared to their rural counterparts.

Additionally, the high thresholds for concentration grants leave districts with a substantial number of high-need students—specifically those with 45% to 55% unduplicated pupils—underfunded despite their challenging circumstances. Finally, there is a lack of transparency in the grade-span cost adjustments, resulting in funding allocations that may not accurately reflect the true costs of educating students across different grade levels.

Solution:

To combat these issues, AB 1204 proposes a comprehensive set of reforms. It expands eligibility for supplemental grants by including students experiencing homelessness in the unduplicated pupil counts and allows for dual or triple counting for students in overlapping categories, increasing potential funding. The legislation also enhances funding for high-need students by raising the supplemental grants to 35% of base grants and lowering the threshold for concentration grants to 45% of unduplicated pupils.

Additionally, AB 1204 guarantees a minimum 4% annual inflation adjustment for base grants to ensure that funding keeps pace with rising costs. By 2030, it mandates the California Department of Education to publish regional cost factors for housing and labor, allowing for necessary regional adjustments. The transition to the new funding formula will be phased from 2025 to 2030, providing a gradual increase in funding for districts while ensuring a continuous appropriation process.

Finally, the legislation requires a grade-span cost analysis to be conducted by 2028 to create adequate adjustments and enhance accountability and compliance for reporting homeless student data.

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