

December 23, 2020

Director Keely Martin Bosler
Department of Finance

Via email only

RE: Need to Address the Decline in LCFF Supplemental and Concentration Grants Resulting from Undercounting Low-Income Students

Dear Director Bosler:

We represent two coalitions – the LCFF Equity Coalition (a coalition of civil rights, advocacy, community, parent, student, and other organizations which have worked diligently on passage and implementation of the Local Control Funding Formula) and the Alliance for Student Success (A coalition advocating on behalf of students to address long-standing inequities of opportunity and to ensure every student receives an excellent education that prepares them for college, career, and civic life). LCFF creates an historic opportunity to focus resources on helping California’s neediest students overcome the barriers they face in closing the opportunity gap and graduating college and career ready. We are committed to strengthening California’s current K-12 school funding and accountability system to realize its promise of creating a more equitable school system. We wanted to bring to your attention a critical funding issue that local education agencies (LEAs) [districts, county offices of education, and charter schools] are facing in the current year and encourage the Governor to address it in the January budget.

When the 2020-21 budget passed, the education trailer bill (SB 98) provided a hold harmless provision for LCFF funding, maintaining the 2019-20 attendance level for all LEAs for the current year. However, this hold harmless only applied to the attendance component of the LCFF calculation and did not apply to the other key factor in the LCFF calculation, namely an unduplicated count of low-income students, English learners and foster youth. LEAs have been struggling to collect data for this year’s unduplicated count, especially the low-income student data because of changes in federal policy, relating to required documentation for providing free and reduced priced meals, and LEAs not offering in-person instruction which could lead to underreporting. ***We urge the Governor to hold LEAs’ unduplicated counts harmless and allow LEAs to use their unduplicated count data from 2019-20 for the current-year LCFF calculation.*** We recommend that this change be made through urgency legislation.

Collecting Low-Income Data is Difficult Because of Changes to Federal Policy

The data on whether a student’s low-income eligibility status has traditionally been collected when LEAs gathered data on to determine eligibility for a free and reduced meal under the federal nutrition program run by the US Department of Agriculture (USDA). LEAs are having difficulty collecting free- and reduced-meal data this year because of changes in federal policy and distance learning:

- ***The Federal Government allowed all students to participate in free meals program regardless of income eligibility.*** Now because of COVID-19, at the start of this school year, LEAs’ meal programs were allowed to serve all students free meals regardless of income eligibility through December 2020. At the start of October, the USDA extended the universal eligibility through the entire 2020-21 school year. So, for this school year, students are not required to submit income data to LEAs to be eligible for a free/reduced priced meal. Because their student eligibility for the nutrition program is not dependent on income status, parents have not been as responsive as usual to LEAs’ request for income information.
- ***Most students are participating in distance learning.*** To date, most students have been participating in school through distance learning in 2020-21 and have not been at school to fill out and return

traditional paperwork. Historically, families had an incentive to share family income information because it would make students eligible for a free/reduced meal. Because families are no longer required to fill out income eligibility forms in order to access free meals for their school-aged children and because most students are not appearing at school sites, LEAs have found it increasingly challenging to collect income data affecting their unduplicated pupil count for low-income students.

The California Department of Education is aware of this issue and has taken steps to make it easier for LEAs to collect this information by extending the deadline until December 31, 2020 and allowing LEAs to collect the information over the phone. But, even with these changes, there is an expectation that the low-income student count will be down for 2020-21 as compared to the number of low-income students a LEA actually serves.

In addition to the reduction in low-income student counts there is likely an unprecedented decline in English learner counts this year as well. First, kindergarten is the grade with the highest concentration of English learner as students enter the system. And kindergarten enrollment is down significantly this year, thus reducing a LEA's total EL numbers. In addition, this year is the first administration of the English Language Proficiency Assessment screener, with many young students being assessed remotely which could have a substantial reduction of the numbers of English Learners.

Reduction in Low-Income Student Counts Would Result in Unanticipated Reductions in LCFF Supplemental and Concentration Grant

When the State adopted its 2020-21 education budget, the budget assumed that LCFF funding would remain constant from year-to-year because of the attendance hold harmless, and as such assumed that unduplicated counts would be roughly the same level as in the prior year. Given the State's underlying economic situation, we are actually expecting a rise in the number of low-income students. The current estimates are that unemployment rates among low-income workers and workers with a high school degree or less education have risen the fastest. Instead, because of the challenge in collecting this income information, the number of low-income students will fall.

Absent corrective action, the State will automatically reduce LCFF Supplemental and Concentration grants (S&C) payments to LEAs because of lower counts of low-income students, and thus lower unduplicated count percentages. These reductions could be significant. The unduplicated count is created using a three-year average. For LEAs that only receive Supplemental grants, one low-income student under counted would cost the LEA around \$1,600 in lost revenues (over a three-year period). For a LEA receiving both S&C grants, a one student under counting would cost \$5,600 in lost revenues over the three years or \$1,867 each year. Statewide, the reductions in S&C funding could be significant, certainly in the hundreds of millions of dollars annually for the next three years. The exact amount of these reductions will be available when the CDE releases the first principal apportionment data in early February 2021.

Most LEAs did not budget or plan for these lower unduplicated counts. In their budgets adopted in June and revised in the summer, the LEAs did not anticipate this lowering of funding. And, while there are ways for LEAs to cut some services, making staffing reductions would be both undesirable and potentially infeasible at this point in the year. LEAs also designed Learning Continuity and Attendance Plans that propose plans to "increase and improve services" in alignment with their expected S&C funding. So, reductions could require them to not deliver on those increased and improved services.

Urgency Legislation is Needed to Address this Issue

Now is not the time to take S&C grant money away from LEAs. Students eligible for S&C grant funding are the ones most at risk of seeing learning losses increase traditional gaps in opportunity and outcomes. If anything, we should be investing more in this group of students and not less. In fact, the Governor's actions suggest the greater need here. When the budget was being finalized, and the Governor and Legislature were trying to determine the allocation of federal CARES Act funding, the Governor fought hard to ensure that the

largest portion was distributed based on the allocation of S&C grants to ensure that LEAs serving student populations with greater needs would receive greater CARES Act Funding as distributed through the Learning Loss Mitigation Fund.

When the Legislature returns in January, one of its first actions should be to address this unintended issue. And, since the 2020-21 budget assumed no change in S&C funding, there is money within the budget assumed for LCFF back in June.

Hold Unduplicated Counts Harmless for 2020-21

Our coalitions propose that the Governor provide a hold harmless for unduplicated counts for the 2020-21 school year. Specifically, we propose that all LEAs be allowed to use as their 2020-21 unduplicated counts, the higher of their unduplicated count for 2020-21 or the unduplicated count for the 2019-20 school years. We further request the hold harmless be applied to any other programs that use FRPM data as a threshold for eligibility or factor for funding (such as the Charter School Facility Grant Program).

Because of the timing of this issue, we recommend that this proposal be part of an urgency bill.

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Thank you for considering this proposal. We are available to discuss this issue as you finalize the January budget and during the budget discussions.

Sincerely,

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