

Updating California's School Funding Formula

California's system for funding schools—the Local Control Funding Formula (LCFF)—is well into its second decade. Since the LCFF's inception in 2013, local flexibility and autonomy have increased, state education revenues have grown dramatically, and targeted funding has improved outcomes for high-need students (defined as low-income students, English Learners, or foster youth). However, challenges remain, including persistent achievement gaps and rising cost pressures.

What changes to the funding formula could help address these challenges—and how might they affect district funding levels? We model the state's funding system and consider several distinct formula changes, ranging in cost from \$1.5 to \$3.8 billion and each leading to different allocations across districts and student groups. Increased per student funding due to future enrollment declines may offer policymakers the opportunity to modify the LCFF without reducing funding for any districts.

Enrollment-based system

Current LCFF allocations are based on students' average daily attendance. In the midst of elevated rates of absenteeism, this system poses fiscal challenges for many districts. Switching to enrollment-based funding could cost the state about \$3.8 billion. Gains would be largest in districts with the most absences—these districts also tend to serve greater shares of high-need students.

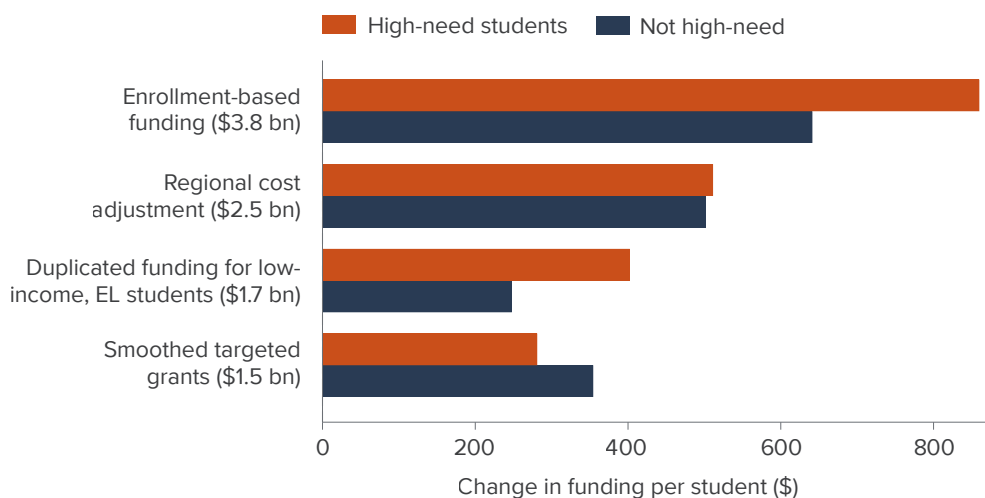
Regional cost adjustment

Since most school spending goes to staffing, local wages and housing prices directly affect districts' ability to attract and retain quality staff. We model a potential \$2.5 billion cost adjustment to the LCFF's base grant to account for regional differences in competitive teacher wages. Relative to a comparable increase in LCFF funding, this change would provide the average high-need student with less funding per pupil. School districts in rural areas and smaller towns would receive significantly less, while urban and suburban districts would see moderate increases per pupil.

Duplicated funding for students with multiple needs

Under the LCFF, districts receive supplemental funding based on their share of high-need students to help address the obstacles these students face and promote equitable academic outcomes. However, the formula does not provide any additional funds for students in multiple targeted categories (e.g., English Learners from low-income families). We examine a modification that would provide duplicated targeted funding for these “dual need” students, costing roughly \$1.7 billion in total. Boosting funding for these students would increase revenues for most high-need districts by about 2 percent on average.

Enrollment-based funding and duplicated funding for students with multiple needs would lead to the largest gains for high-need students



Sources: California Department of Education; authors' calculations.

Notes: Average per pupil allocations, weighted by enrollment in 2024–25. Charter schools and county offices of education are excluded. Regional cost adjustments are based on the Comparable Wage Index for Teachers (CWIFT). The cost adjustment is scaled to limit total state costs; estimated spending can range as high as \$20.6 billion. “Duplicated funding” refers to funding district enrollments of high-need students by the total number of students in each targeted group—low-income, English Learner (EL), or foster youth. For example, an EL student who is low-income would generate twice the funding as an EL student who is not low-income. See report for more information on the simulations.

Gradual funding increases for concentrated need

Some districts experience community-wide challenges beyond those facing individual students. For example, a low-income student may have inconsistent access to transportation or health care, but a low-income community could lack broader supports like reliable public transit or local hospitals. To address this, the current formula includes large funding increases for districts with the highest concentrations of high-need students (above 55%). Tweaks to the formula to “smooth” this discrete cutoff could still provide substantial increases for the highest-need districts while also providing resources for districts with moderate but still significant concentrations of high-need students, at a cost of roughly \$1.5 billion statewide.

How could the state fund these changes?

We estimate that if per student funding were to grow at the same rate as overall education funding, the state would be able to leverage an additional \$7.5 billion for schools. The state could direct this increase through the LCFF or toward other programs and one-time expenditures—or it could use the revenues to fund changes to the current formula.

Despite the progress made under the LCFF, lagging test scores, rising achievement gaps, and stubbornly high chronic absenteeism have raised concerns that changes in overall school funding levels or district allocations may be needed. The stakes of these choices are substantial. While we remain agnostic about the “correct” funding approach, understanding the trade-offs and compromises involved can help ensure that education dollars are efficiently, effectively, and equitably allocated. Even small changes to the LCFF could shift the distribution of billions of dollars across California’s more than 1,000 school districts.

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Adapted by Vicki Hsieh from [Updating California’s School Funding Formula: Assessing Alternatives and Trade-Offs](#), by Julien Lafortune, Iwunze Ugo, and Brett Guinan.