

## Local Control Funding Formula: What You Need to Know

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Below you'll find a detailed update on the latest funding rates, cash flow schedule, Local Control Funding Formula (LCFF) and the Education Protection Account (EPA).

### Local Control Funding Formula and Funding Rates

The 2013-14 California State Budget created the Local Control Funding Formula, an overhaul of the existing funding formula that will make the funding schools receive more equitable and direct additional funds to schools serving high need populations. As many charters were previously locked out of some funding streams available to districts, the charter community stands to benefit greatly from the new system. The intent to implement LCFF still remains in place with the Advance Apportionment, but the CDE has stated that the specific calculations won't be made until the 2013-14 P2 certification next July, meaning schools will not receive LCFF specific funds until after the end of the 2013-14 school year.

The good news is that the CDE has recognized the budget's intent to distribute an additional \$2.1 billion under the LCFF by increasing the total funding in the Advance Apportionment by \$1.5 billion. These funds are being distributed on an equal basis to all schools, which amounts to a 4.62% increase in general purpose funding. That 4.62% equates to an increase in general purpose funding rates of \$236-\$286, depending on grade span, from 2012-13, as shown in the table below.

Funding Rates	K-3	4-6	7-8	9-12
2012-13 P2 Certified	\$ 5,109	\$ 5,187	\$ 5,346	\$ 6,188
2013-14 Advance Apportionment Certified	\$ 5,345	\$ 5,427	\$ 5,593	\$ 6,474
Difference	\$ 236	\$ 240	\$ 247	\$ 286

Note that these rates will change when the CDE makes the LCFF calculations and implements the school-specific LCFF amounts at P2. However, these calculations for the Advance Apportionment will drive the monthly payments that charters receive until LCFF is calculated and implemented. Additionally, the CDE could make changes when P1 is certified.

### Categorical Payments

Also included in the Advance Apportionment are all of the categorical programs that will be consolidated into LCFF. These funding amounts are based on 2012-13 and are added to the state aid funding to make up the Advance Apportionment amount. This includes all categorical payments such as old flexed programs like Class Size Reduction, Supplemental Hourly Instruction, and Arts and Music Grant, in addition to newer programs like the New Charter School Supplemental Categorical Grant. The win here for charters is that programs with historically unfavorable funding schedules such as Class Size Reduction are now consolidated into the more favorable 5-5-9 schedule. For a full list of all 56

categorical programs that the state is consolidating into the Advance Apportionment with the school-specific amounts, click here: [2012-13 Adjusted Local Control Funding Formula Categorical State Aid](#).

### **Cash Flow**

Perhaps the best news for fall funding was that there were no deferrals planned during the Advance Apportionment period. The CDE will be following the 5-5-9 schedule through January with no funds scheduled to be deferred. This is a welcome change after several years of fall funding deferrals. To see your school's apportionment schedule through January, use the following link to the CDE's schedule: [Payment Schedule Summary - LEA detail](#). Additionally, the CDE is currently projecting no deferrals in February or March. The exact amount and timing of state funding for the spring will be available when the CDE certifies the first principal apportionment in mid-February.

### **Education Protection Account (EPA)**

The Education Protection Account, which was created as a result of Proposition 30 last November, continues to provide funding to charter schools. This year's projection from the state is that 17.92% of General Purpose funding will come from the EPA, with those amounts currently based off the P2 certified General Purpose funding totals from 2012-13. This is a slight decrease from the 2012-13 percentage of 21.4%. The huge improvement in EPA funding this year is that apportionments will be paid in equal quarterly installments, unlike last year when schools waited until the end of the year to receive any funding. The state released the first quarterly payment on September 24 and the second payment is scheduled for December 23.

### **Accounting**

With the simplified funding formula also comes simplified accounting:

“The CDE is currently working to determine the appropriate SACS coding for the LCFF. In the meantime, pending accounting guidance from the CDE, for SACS coding purposes the funds received in Line A-15 should be recorded to Charter Schools General Purpose Entitlement-State Aid (Resource 0000, Object 8015). Note that some reclassification entries may be necessary once CDE completes its research and issues accounting guidance.”

Line A-15 from the [Advance Apportionment Summary](#) refers to the total of the LCFF categorical programs. These funds, arriving with state aid payments, will not need to be separated for accounting purposes. The entirety of a school's monthly payment can be coded to 8015. There is no longer a need to separate out funds that are attributed to the Categorical Block, Economic Impact Aid, Class Size Reduction or any other programs that had separate codes under the old funding system. As the CDE notes above, additional direction will be coming in the future about potential SACS coding changes under the LCFF.

### **Stay Tuned For More Timely Analyses from EdTec**

As always, charter school funding amounts and timing have the potential to change quickly. We are pleased to see additional funding through the Advance Apportionment and the most favorable cash flow schedule in several years. A downside of being at the forefront of charter school financial management

has meant that EdTec is often the bearer of bad news for the charter school community. We're excited that this report offers some positive financial news and we hope it is the beginning of a new trend. 🌱