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# The Strategy and Politics of California's Major School Finance Reform

## POLICY BRIEF

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California approved a massive overhaul of its byzantine and unequal school finance system when the state Legislature passed and Governor Jerry Brown signed the Local Control Funding Formula (LCFF) in 2013. LCFF featured a new state finance model, but it was much more than a change in finance distribution formulas. It also provided districts with more flexibility in allocating resources and with a new accountability approach. For example, one of the accountability components revised local district processes for budgeting and resource allocation through a new state-mandated, three-year Local Control Accountability Plan. Using the passage of LCFF as a kind of case study, this policy brief brings together a conceptual analysis of state policy change with a contextual understanding of California's political and policy environment at the time in order to illuminate how this policy breakthrough occurred.

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## Opening a Policy Window

Kingdon (1995) suggests that a promising policy window opens when four independent factors align in placing potential reforms on a policy agenda: a clear problem is recognized, a solution for that problem is developed, the political environment is favorable as to the timing for change, and political constraints are not severe. In California in 2012, these major elements converged:

1. California's school finance system had been in place for over three decades and came to be seen, during the process of building support for LCFF, as antiquated, convoluted, and unequal;
2. A new kind of feasible school finance reform had emerged from research (Bersin et al., 2008);
3. Governor Brown had been elected with large Democratic victories in both legislative houses; and
4. The California economy began to recover from recession and a progressive income tax generated significant new revenue. Moreover, Governor Brown led a successful ballot initiative (Proposition 30) to raise the marginal tax rate for high-income earners.

This policy brief was revised from a symposium paper for the annual conference of the American Educational Research Association (AERA) in San Francisco in April 2020. The panel, titled "The California Way: State Politics, State Strategy, and Local Implementation," was organized by Dr. Andrea Venezia, former executive director of EdInsights and former professor at Sacramento State University. Education leaders at the state, district, and school levels (including Michael Kirst, primary author of this brief) were on board to share their perspectives about California's major reforms in school finance and accountability during Governor Jerry Brown's second tenure in office from 2011 to 2019. The in-person symposium was cancelled due to precautions associated with the outbreak of the COVID-19 pandemic.

In bringing these factors together to open a policy window for school finance reform in California, Governor Brown became, in Mintrom's (1997, 2000) analysis, a "policy entrepreneur." There is a substantial difference, however, between prioritizing a major, non-incremental reform on the state policy agenda and getting it enacted. Baumgartner and Jones (1993, 2002) describe the process of enacting significant policy changes in the United States as "punctuated equilibrium," in which long periods of stability are interrupted by brief periods of major alterations in the policy system. California's process of school finance reform is a good example of punctuated equilibrium.

California school finance had not changed fundamentally since the passage of Proposition 13 in 1978. Proposition 13 cut local property taxes for education roughly in half, which necessitated state assumption of over 80 percent of total school costs. This new state responsibility was followed by a steady accumulation of state categorical earmarks that limited how school districts could allocate over a third of their spending. These state categorical requirements were long-lasting primarily because the purposes of the funding mandates were supported by many interest groups and did not favor any particular types of districts (such as those serving cities, suburbs, or low-income populations). Almost every school interest group had aims that were served from the categorical funding, and the programs—whether for school counselors, gifted children, or at-promise[1] students—were highlighted and promoted through imagery and messaging by political supporters to their stakeholders. Over time, however, the maze of categorical funding mandates came with major detrimental side effects for districts and schools, namely budgetary and regulatory complexities that fragmented local educational priorities.

Disrupting the longstanding, dominant political coalitions that had come to be associated with categorical school funding required the development of new policy imagery and messaging that was compelling and accessible for the media and the public. As a policy entrepreneur, Governor Brown used appeals that emphasized greater finance equity statewide and a return to local control of spending. For example, Governor Brown and his allies drew from civil rights advocacy and from their income tax increase for the very rich to reframe the policy debate for school funding around equitable distribution of state resources. They also promulgated a "principle of subsidiarity" that prioritized local spending decisions over state directives and state overregulation. Governor Brown also attacked the existing funding arrangements as confusing layers of historical accretion that no longer had an underlying rationale. The political and administrative mechanisms associated with the categorical programs (LCFF repealed more than 40 such programs) were so convoluted that it was impossible to link resource allocations to local accountability for student outcomes.

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This new framing for state finance policy for K-12 education—making the distribution of state finances more equitable, prioritizing local control of spending decisions, and simplifying the complex maze of categorical and regulatory streams—eventually proved to be popular politically. In addition, the proposed LCFF formula appealed to the prevailing public opinions and values of progressive Californians. LCFF included higher base funding for all districts, with significant add-ons for every child who was from a low-income family, had limited English speaking abilities (but not low-income), or was in foster care. Perhaps its most innovative concept was a "concentration factor" increase of 50 percent in funding for each student in a district with over 55 percent of the three student categories above. This concentration adjustment and added weight for students

[1] California uses the term "at-promise youth" rather than the former "at-risk youth."

from low-income families had been proposed in a policy brief that had recommended school finance changes for California (Bersin et al., 2008). LCFF did not claim that it provided “adequate” funding, and the California Supreme Court rejected a lawsuit based on an alleged State Constitutional requirement for finance adequacy.

## Building a Winning Coalition

Even though Democrats held every statewide elected office and a substantial majority in both legislative branches, Governor Brown’s 2012 school finance overhaul faced stiff opposition and could not be passed in its original state. The Legislature and interest groups reacted to the Governor’s leadership by focusing in other areas, including student performance goals and a new vision of accountability that featured local support rather than the shame, blame, and negative state follow-up associated with No Child Left Behind. The powerful California Teachers Association (CTA) was neutral concerning the legislation. Many suburban districts were opposed because LCFF’s provision of additional funding for districts with high numbers of students from low-income families provided limited increases for them. Moreover, many Democrats had helped pass the various categorical programs and they appreciated the credit, recognition, and control that the earmarks provided.

The political task was to modify the original proposal and persuade opponents that the benefits of a new finance system would be a vast improvement and would be worth the risk of change. The California interest group environment is dense, with a large array of paid lobbyists. Some interest groups representing low-income groups and people of color suggested that the accountability provisions associated with student outcomes needed to be strengthened. Interest groups associated with business were not active. Some wealthy business individuals were concerned about the treatment of charter schools, even though LCFF incorporated a formerly separate charter funding system into the core state finance formula with considerable benefits for charters operating in low-income districts. Six foundations formed a collaborative to fund research and financial modeling related to the new finance proposal, to build trust and transparency about the proposed changes, to amplify the voices of underrepresented groups in the process, and to promote public understanding. The six foundations created a dialogue with state officials who were managing the political process (Stuart Foundation, 2015).

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Mintrom (2000) draws on several case studies to identify key concepts associated with successful policy entrepreneurship. These concepts apply in the following ways to LCFF in California.

***Creativity and insight***. The school finance reform recommendations from which LCFF was drawn envisioned how a new approach could alter the nature of state policy debates (Bersin et al., 2008, p. 6). The goals were limited but path breaking. At the time, there was much discussion about the adequacy of school funding in California, with estimates recommending funding increases by more than 33 percent. Rather than seeking to resolve the adequacy issue, LCFF allocated significant funding increases over five years based on the share of students from low-income families in a district and other factors. By 2018, districts with high concentrations of students from low-income families had state funding increases of between 40 percent and 50 percent per student. The repeal of categorical funding and enhanced, local resource control appealed to a large array of locally-based education interest groups, including school boards, administrators, and employees.

***Social sensitivity and political dexterity.*** Executive branch staff broadened their own perspectives and gained a deep sense of opponents' views by setting up meetings with and listening to those with a wide range of perspectives on the school finance legislation. The original proposal in 2012 was modified in 2013 to provide more funding to middle- and upper-middle-income suburbs. The passage of the tax increase for high-income earners in 2012 via Proposition 30 provided the revenues and impetus. The Administration also adjusted its plans for accountability processes and a state system of support for struggling districts, based on feedback from the Legislature, civil rights groups, and others.

***Strategic sense.*** Governor Brown had long-established ties to organized labor. The CTA switched from neutral to support and was able to convince state political leaders and their members that local spending flexibility could be useful in stimulating district collective bargaining gains. Republicans liked the local-control features and a majority of them voted for LCFF.

***Leadership.*** Governor Brown and his appointees kept control of the coalition-building process. The Governor promised his own dominant Democratic party "with the fights of their lives" if they did not pass LCFF.

## Conclusion

This policy brief provides a conceptual framework for and describes key contextual factors that contributed to the disruption of longstanding, dominant political coalitions in California and the adoption of LCFF. It is difficult to generalize about these developments beyond education in California. As McDonnell (2010) indicates:

> *Theories of policy changes and process … depend on context. They can highlight categories of variables and processes that are significant, identify a few patterns that are broadly applicable across policy domains and contexts, and provide a systematic approach for analyzing emerging policy issues … Their applicability to other institutions is limited by the specific nature of the policies, the time period, and the political culture of the institutional venues in which they are enacted* (p. 258).

Recent research highlights other major factors that differ by state regarding education reform: the number of school districts in the state (fragmentation), the degree to which education governance is separated from other political issues, and how much state legislation tends to impinge on local control (Dahill-Brown, 2019).

Nonetheless, the contextual factors in California in 2012 and 2013 that contributed to the substantial reforms associated with LCFF align well with the elements that Kingdon (1995) suggests are crucial in opening a potential policy window and that Mintrom (1997, 2000) discusses regarding successful policy entrepreneurship. A policy window opened for the development of school finance change in California in 2012, and the Governor took that opportunity to build a coalition that could bring LCFF to fruition.


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