COMMENTARY

RAND Study Consistent with LAO Surveys

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For the past three years—2010, 2011, and 2012—the Legislative Analyst's Office (LAO) has gathered information from California school districts regarding how recent state actions have affected their budgets and operations. Similar to the RAND findings, our survey responses indicated that districts have taken considerable advantage of recent categorical flexibility provisions. Namely, districts reported large-scale shifting of Tier 3 funds away from original program activities to more general purposes, with a larger share of districts shifting a larger share of funding in each successive year of the survey. Additionally, we too found that Tier 3 flexibility has been a critical tool for districts in weathering budget cuts and fiscal uncertainty. Over 90 percent of respondents to our 2012 survey reported that categorical flexibility made it easier to develop and balance a budget. This is consistent with the RAND findings that flexibility helped districts preserve fiscal solvency, retain staff, and protect core educational programs.

These findings highlight the degree to which the state budget crisis has influenced districts' experiences with Tier 3 flexibility. We concur with RAND that readers must use caution before generalizing survey findings to other situations, as districts' responses to fiscal flexibility might be different in a different fiscal context. Some argue that increasing local discretion over K–12 funds ultimately could lead to expanded school-based decision-making or instructional innovations. However, given the fiscal realities with which districts are grappling—combined with the limited term and limited amount of flexibility provided under Tier 3—it is unsurprising that the RAND study found little evidence of dramatic change in these areas to date.

Although the current fiscal conditions make it difficult to draw broad conclusions about the potential impact of loosening K–12 funding requirements, district feedback from these surveys suggest that continued—and additional—funding flexibility could be beneficial for many districts and their instructional programs. The vast majority of districts responding to the LAO survey stated explicit preferences for not only expanded near-term categorical flexibility, but also the permanent elimination of most existing categorical programs. Over half of respondents to the RAND survey indicated categorical flexibility is helping their districts improve the quality of teaching and instruction in new ways—which is both encouraging and somewhat unexpected, given the current budget climate. Also reassuring are the RAND findings that a notable majority of respondents did not believe low-achieving students were hurt by recent flexibility provisions.

Both the RAND and LAO survey responses suggest that recent categorical flexibility provisions—coupled with significant budget reductions—have altered the ways in which districts construct their budgets and prioritize instructional programs. Moreover, because the amount of Tier 3 funding each district receives has been "frozen" at 2008–09 levels regardless of changes in student enrollments in the ensuing years, the current allocations are increasingly disconnected from the student needs for which they were originally intended. As such, a potential resurrection of the preexisting Tier 3 programs seems impractical. Rather, we believe the state's approach to allocating K–12 funding is in need of more expansive, fundamental restructuring. We share the perspective of many in the Legislature, however, that granting districts greater authority over education programs ideally would be contingent

upon the state's ability to monitor student achievement and intervene when locally designed efforts are not resulting in desired outcomes. We therefore have recommended the Legislature restructure the school funding system *in tandem* with refining its approach to K–12 accountability.

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