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**SUPERIOR COURT OF CALIFORNIA
COUNTY OF LOS ANGELES**

By Fax

COMMUNITY COALITION OF SOUTH LOS
ANGELES and REYNA FRIAS,

Petitioners/Plaintiffs,

v.

LOS ANGELES UNIFIED SCHOOL DISTRICT;
MICHELLE KING, in her official capacity as
Superintendent of the Los Angeles Unified School
District; CALIFORNIA DEPARTMENT OF
EDUCATION; and TOM TORLAKSON, in his
official capacity as State Superintendent of Public
Instruction,

Respondents/Defendants.

CASE NO. BS 156259

**VERIFIED THIRD AMENDED PETITION
FOR WRIT OF MANDATE AND
COMPLAINT FOR DECLARATORY AND
INJUNCTIVE RELIEF**

Judge: Hon. Mary Strobel
Department: 82

FILED
Superior Court of California
County of Los Angeles

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Barbara Hall

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INTRODUCTION

1. “Equal treatment for children in unequal situations is not justice.” Gov. Brown Jan. 24, 2013 State of the State Speech. Governor Brown’s proposal for California to adopt the Local Control Funding Formula (“LCFF”) reflects the recognition that a just educational system must acknowledge differences among the student population, identify those youth most at risk, and systematically address the needs of at-risk youth to improve their chance for success.

2. Enacted on July 1, 2013, LCFF is California’s new education finance system. Compared to the former system, it is intended to redirect a much greater portion of the State’s education dollars to high-need students, including a significant portion of the \$18 billion in new funds expected to come into the system as a result of an improving economy and Proposition 30’s temporary tax increases.

3. The Los Angeles Unified School District (“LAUSD”) is undermining LCFF’s promise of ensuring greater educational equity by diverting money under the new formula that should be used to increase or improve services for high-need students to other, general purposes. In enacting LCFF, the legislature recognized that low-income students, foster youth, and English language learners are among the most vulnerable students, and that these students face unique challenges based on their circumstances. LCFF provides a uniform “base” grant to all school districts for each student enrolled in the district. LCFF also provides a “supplemental grant” for each student who falls under one or more of these categories, and, when the overall percentage of enrollment of these high-need students in the district equals or exceeds 55%, an additional “concentration grant” for each such student over that 55% threshold. LCFF refers to low-income, foster youth, and English language learners as “unduplicated pupils” because each pupil is counted only once for purposes of the LCFF funding scheme, even if the pupil falls into two or more of the qualifying categories (*e.g.*, if the pupil is both a foster youth and an English language learner).

4. The statute and regulations require that districts use the supplemental and concentration funds to “increase or improve services” for these high-need student groups “in proportion to” the overall increase in the district’s funding attributable to those funding streams post-enactment. Educ. Code § 42238.07(a)(1); 5 C.C.R. § 15496(a).

1 5. The State Board of Education enacted regulations to implement LCFF. Among other
2 things, the regulations created a uniform standard for districts to follow to define their obligation to
3 proportionally increase or improve services for unduplicated pupils. With respect to the supplemental
4 and concentration funds, the regulations created a seven-step formula to calculate the total amount of
5 funds and the percentage target for increasing or improving services; the formula applies uniformly even
6 though districts began from different State funding starting points relative to what they will ultimately
7 receive under LCFF's new statutory formula. *See* 5 C.C.R. § 15496(a).

8 6. The transition to fully funding LCFF's base grants and the supplemental and
9 concentration add-ons began in fiscal year 2013-14 and is predicted to reach completion in 2020-21,
10 when districts will receive their full target amount of base, supplemental and concentration funding
11 based on their overall enrollment. Until then, districts will only receive a portion of the funds that they
12 will be entitled to at full implementation. Over the course of this phase-in, districts must use the seven-
13 step formula to determine how much supplemental and concentration funds they must spend in a given
14 year. Under the formula, this calculation of supplemental and concentration expenditures is based in
15 part on what the district already spends on services for unduplicated pupils.

16 7. Most significantly for this litigation, the second step of the formula requires a Local
17 Educational Agency (*i.e.*, a school district, a charter school or a county office of education that directly
18 educates students) to estimate its prior year expenditures of supplemental and concentration funding by
19 "[e]stimat[ing] the amount of LCFF funds expended by the LEA [Local Educational Agency] on
20 services for unduplicated pupils in the prior year that is in addition to what was expended on services
21 provided for all pupils." 5 C.C.R. § 15496(a)(2). The regulations further specify how school districts
22 should approach this estimate of prior year spending for the first year they completed this calculation
23 (the 2014-15 budget year): "The estimated amount of funds expended in 2013-14 shall be no less than
24 the amount of Economic Impact Aid funds the LEA expended in the 2012-13 fiscal year." *Id.*

25 8. Under LCFF, districts must create a Local Control and Accountability Plan ("LCAP"), in
26 which they describe how they plan on using LCFF funding to meet student goals generally and
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1 specifically detail how they intend on using supplemental and concentration funding to increase or
2 improve services for unduplicated pupils.

3 9. In direct contravention to the statute and regulations, LAUSD included in its 2014-15
4 LCAP, adopted by LAUSD's governing board on June 24, 2014, general expenditures on *special*
5 *education* as prior year (2013-14) spending on services for unduplicated pupils. Special education is
6 instruction specifically designed to allow children with disabilities or developmental delays to attain
7 educational benefit. Under federal and State law, a school district must provide special education
8 services to any student with a qualifying disability, regardless of whether she is low-income, an English
9 language learner, or a foster youth. Because general special education services are not targeted to
10 unduplicated students, LAUSD's inclusion of special education funding as prior year spending on
11 services for unduplicated pupils is improper under the LCFF statute and regulations, and therefore
12 violated mandatory duties created by the statute and regulations, for at least four distinct reasons:

- 13 • Under step two of the proportionality calculation, only funds expended on services for
14 unduplicated pupils *in addition to services provided for all pupils* can be counted as a prior
15 year expenditure. General special education expenditures do not qualify as prior year
16 expenditures because school districts must make those services available to all pupils, not
17 only unduplicated pupils.
- 18 • LAUSD's reading of the regulations would lead to absurd results. Under its interpretation,
19 LAUSD would be able to count all services that benefit unduplicated pupils but do not reach
20 100% of students as "services for unduplicated pupils." For instance, under LAUSD's
21 formulation, the district could credit its supplemental and concentration obligation by
22 counting the proportional unduplicated enrollment of all types of pre-existing and
23 longstanding programs such as summer school, sports and extracurricular activities that are
24 available to all students, but serve only some of them even though those programs were
25 neither targeted to, nor designed for, unduplicated pupil populations.
- 26 • The legislature's decision not to identify special education students as one of the categories
27 of unduplicated pupils and to maintain a separate restricted source of revenue for special
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1 education confirms that funds for general special education services are not to be counted as
2 funds to increase or improve services for unduplicated pupils.

- 3 • Funds LAUSD spends on special education are spent pursuant to preexisting legal
4 obligations and thus cannot be classified as funds that “increase or improve” services for
5 unduplicated pupils under the Education Code and regulations.

6 10. By including nearly \$450 million in general special education funding in its prior year
7 (2013-14) expenditure estimate of supplemental and concentration funding, LAUSD has inflated its
8 calculation of the baseline dollar amount it is already spending to serve unduplicated pupils, and
9 lessened its obligation to spend new funds it will receive to increase or improve services for these
10 students, over the course of implementation. In other words, LAUSD overstates how far it has already
11 progressed towards its target for supplemental and concentration funds at full implementation.
12 Removing the unjustified \$450 million and applying the LCFF regulations’ 7-step formula reveals that
13 LAUSD’s maneuver deprived unduplicated pupils of roughly \$126 million in increased or improved
14 services in the 2014-15 school year, a decrease of roughly \$298 million in increased or improved
15 services for those students in the 2015-16 school year, and \$381 million in services in the 2016-17
16 school year. (See specifically 5 C.C.R. §§ 15496(a)(5), 15497 [Emergency Regulations, LCAP
17 Template Section 3.C] and 15497.5 [Permanent Regulations, LCAP Template Section 3.A], which
18 require districts to quantify and report their total annual supplemental and concentration obligation in
19 dollar terms.) Instead, LAUSD has spent those funds without regard for the requirement that they be
20 used to increase or improve services for unduplicated pupils. Over the course of LCFF implementation,
21 LAUSD’s impermissible inflation of its baseline starting point of supplemental and concentration
22 funding will deprive unduplicated pupils of *more than \$2 billion* in increased or improved services.

23 11. The Petitioners file this writ to remedy LAUSD’s violation of its clear, mandatory duties
24 under the Education Code and LCFF regulations. Pursuant to the Education Code and LCFF
25 regulations, LAUSD has a mandatory duty to “increase or improve services for unduplicated pupils in
26 proportion to the increase in funds apportioned on the basis of the number and concentration of
27 unduplicated pupils in the school district[.]” Educ. Code § 42238.07; *see also* 5 C.C.R. § 15496(a).

1 Similarly, LAUSD has a mandatory duty to determine the dollar amount and the corresponding
2 percentage of effort by which it must increase or improve services for unduplicated pupils (called the
3 “proportionality percentage”) in accordance with the regulations. That duty includes properly
4 estimating the amount of funds spent on services for unduplicated pupils in the prior year to include only
5 funding spent on “services for unduplicated pupils in the prior year that is *in addition to* what was
6 expended on services provided for all pupils.” 5 C.C.R. § 15496(a)(2) (emphasis added). By including
7 general special education spending in its prior year expenditures for unduplicated pupils in its 2014-15
8 LCAP, LAUSD violates its duties under both the Education Code and the regulations. In addition,
9 LAUSD has continued to violate these same regulations in its adopted 2015-16 LCAP, which carried
10 forward the \$450 million in special education spending from 2013-14 as services for unduplicated
11 pupils, and in the 2016-17 LCAP year, although the adopted LCAP itself reflects an inadequately
12 revised proportionality obligation that fails to remove the erroneous spending retroactive to the 2014-15
13 school year. The Los Angeles County Office of Education (“LACOE”), to date, has continued to
14 approve LAUSD’s LCAPs despite their unlawful content but has agreed, as part of a dismissal from this
15 action, to abide by and implement the legal determinations that issue from CDE and this litigation.

16 12. Petitioners have no adequate or speedy remedy at law. Petitioners brought this issue to
17 the attention of the District as early as April 2014 and have made every attempt to convince the District
18 to correct its proportionality percentage. The District has steadfastly refused to alter its conduct.
19 Petitioners also filed a Uniform Complaint Procedure (“UCP”) complaint regarding this matter with
20 LAUSD in September 2015 (the “UCP Complaint”) and appealed the denial of the complaint to the
21 California Department of Education (“CDE”) in November 2015.

22 13. On May 27, 2016, the CDE issued an investigative report and then on August 5, 2016,
23 following requests for reconsideration, a final determination resolving the UCP Complaint (the “Final
24 Determination”). Both the investigative report and the Final Determination concluded that LAUSD’s
25 interpretation of the law and its proportionality calculation are “not consistent with the LCFF statute and
26 regulations.” See Attachment 1 at 14 and Attachment 2 at 15. The CDE determined that “LAUSD’s
27 approach does, as [Petitioners] argue, give a strained construction to the meaning of the regulation[.]”
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1 holding that the District may only count as prior year expenditures spending that was directed to
2 students on the basis of their status as high-need students. *Id.* Specifically, the CDE rejected the
3 District's "calculation apply[ing] 79% (the percentage of pupils receiving special education who are also
4 unduplicated pupils) to the bulk of its general fund expenditures for special education, resulting in \$450
5 million in special education expenditures being included as part of its estimate of 'prior year
6 expenditures[.]'" *Id.* at 14-15. Ultimately, the CDE ordered LAUSD to revise its LCAP no later than
7 2017-18 to remove all prior year expenditures from the \$450 million at issue that reflect services which
8 the District did not specifically provide to high-need students because of their status as either a low-
9 income student or as a foster youth or an English Learner but which are, instead, special education
10 services provided generally to all special education students. *Id.* at 18-19.

11 14. While the CDE endorsed Petitioners' interpretation of the law and ordered LAUSD to
12 revise its LCAP substantially, it did not order complete relief consistent with that legal determination.
13 Specifically, the CDE did not order the District (1) to fulfill its obligation to high-need students for
14 increased or improved services lost during the 2014-15, 2015-16, and 2016-17 academic years and (2) to
15 recalculate its current supplemental and concentration obligation by removing all past effects of its
16 unlawful special education allocation. As to the latter harm, by failing to correct its calculations from
17 prior years, the District under calculates its current year (2016-17) obligation by at least some \$135
18 million. Absent a directive by the CDE or this Court, the District refuses to acknowledge that its
19 additional supplemental and concentration spending in the current year should be some \$381 million as
20 opposed to the \$245 million reflected in its 2016-17 LCAP. Likewise, the District's current overall
21 supplemental and concentration obligation should be approximately \$1.004 billion in 2016-17 instead of
22 the only \$870.54 million in the 2016-17 LCAP. Given the purported reprieve the CDE provided to the
23 District for the 2016-17 year in the Final Determination, the proportionality obligation and supplemental
24 and concentration revenue reported in the 2016-17 LCAP and budget do not accurately reflect that the
25 District is continuing to carry forward the disputed spending in the current year, and thus has not even
26 reallocated increased and improved services consistent with its current LCAP. Absent a directive by the
27 CDE or this Court, the District will also continue to deny its separate obligation to fully provide the lost
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1 services for high-need students in the 2014-15, 2015-16, and 2016-17 academic years. (LAUSD has not
2 yet approved an LCAP for 2017-18.)

3 15. With the CDE Final Determination, Petitioners have fully exhausted any requisite
4 administrative remedies. This writ, appropriately brought under Code of Civil Procedure § 1085, seeks
5 to enforce LAUSD's mandatory legal duty to proportionally increase or improve services for high need
6 students in accord with the LCFF statute and regulations and the CDE's mandatory legal duty to order
7 relief that faithfully implements, not reduces, LCFF's mandatory level of increased or improved
8 services. Ultimately, this Court, not the CDE has the final say as to whether the LCFF statute and
9 regulations are being followed. The CDE has awarded partial relief, but it remains necessary to pursue
10 this writ against LAUSD and/or the CDE to accomplish the complete relief sought in the UCP complaint
11 and this Third Amended Petition so that high-need students in LAUSD are made whole for the loss of
12 increased or improved services flowing from the District's unlawful action.

13 16. Accordingly, for all the years in which the District has violated the law and prospectively,
14 this writ petition seeks an order setting aside LAUSD's decisions to approve and adopt its LCAPs as in
15 contravention of LAUSD's mandatory duties to calculate its proportionality obligation toward
16 unduplicated pupils in accordance with the Education Code and expenditure regulations and an order
17 directing CDE to ensure its relief fully implements LCFF's proportionality requirements.

18 PARTIES

19 Petitioners

20 17. Petitioner Community Coalition of South Los Angeles ("Community Coalition") is a
21 non-profit organization formed and existing under the laws of the State of California, with its principal
22 office presently located at 5414 Crenshaw Boulevard, Los Angeles, CA 90043. Founded in 1990 by
23 United States Congresswoman Karen Bass, Community Coalition has worked for 25 years to help
24 transform the social and economic conditions in South Los Angeles that foster addiction, crime,
25 violence, and poverty.

26 18. Community Coalition works to improve educational opportunities for low-income
27 students and students of color in Los Angeles County. Community Coalition recognizes that LCFF
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1 presents a critical opportunity to invest in LAUSD's most vulnerable students: "The implementation of
2 LCFF presents a historic moment, a chance to follow the spirit of the State law, which directs extra
3 resources specifically to areas with the highest needs." Mar. 18, 2014 Press Release,
4 <http://cocosouthla.org/files/LCFFPressRelease.pdf>.

5 19. As a non-profit organization committed to improving educational opportunities for low-
6 income students and students of color in Los Angeles County and that has worked on securing
7 appropriate services for high-need students in LAUSD's LCAP, Community Coalition has a clear,
8 present, and beneficial interest that is distinct from that of the public at large in ensuring that LAUSD
9 complies with its obligation under LCFF to use appropriate supplemental and concentration funds to
10 improve and increase services for unduplicated pupils. Community Coalition provides programs and
11 services to youth who qualify as unduplicated pupils and attend LAUSD schools and was a leader in the
12 coalition to win a "Student Equity Index" in LAUSD to ensure that additional supplemental and
13 concentration dollars would flow to the schools with greatest need and serve students with the highest
14 need.

15 20. In addition to its direct beneficial interest as a non-profit organization committed to
16 improving educational opportunities for low-income students and students of color, including by
17 advocating specifically around LAUSD's use of LCFF funds, Petitioner Community Coalition is
18 interested as a California-based non-profit in having Respondents' statutory duties enforced. There is a
19 substantial public interest in enforcing Respondents' duties, given the substantial public interest in the
20 lawful use of funds by public agencies, the operation of the State's public education system, and the
21 historic nature of the reforms reflected in LCFF to emphasize equity in the statewide public education
22 system.

23 21. Petitioner Reyna Frias is the mother of two minor children, both of whom attend public
24 schools in LAUSD. Her youngest child attends an elementary school in the district, where he is
25 classified as an English learner, and is therefore classified by LCFF as an unduplicated pupil. He also
26 receives special education services to address a speech or language impairment. Ms. Frias' oldest child
27 attends middle school in the district. Both of Petitioner Frias' children also are classified as
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unduplicated pupils because they are eligible to receive a free or reduced-price meal and thus qualify as low-income under the statute. Petitioner Frias volunteers at each of her children's schools, and makes time separately to volunteer at another elementary school, which also is part of LAUSD.

22. As a mother of two children presently attending public schools in LAUSD who are classified as "unduplicated pupils," Petitioner Frias has a clear, present, and beneficial interest that is distinct from that of the public at large in ensuring that LAUSD complies with its obligation under LCFF to use appropriate supplemental and concentration funds to improve and increase services for unduplicated pupils.

23. In addition to her direct beneficial interest as a parent of two unduplicated pupils in LAUSD, Petitioner Frias is interested as a resident of California in having Respondents' statutory duties enforced. There is a substantial public interest in enforcing Respondents' duties, given the substantial public interest in the lawful use of funds by public agencies, the operation of the State's public education system, and the historic nature of the reforms reflected in LCFF to emphasize equity in California's public education system.

Respondents

24. Respondent LAUSD is a public school district organized and existing under the laws of the State of California. The second largest school district in the nation, LAUSD enrolls more than 640,000 students in kindergarten through 12th grade, at over 900 schools, and 187 public charter schools. See LAUSD website, <http://achieve.lausd.net/about>. In June 2014, LAUSD adopted its 2014-15 LCAP, in which LAUSD set forth a proposal and budget to meet State and local education priorities in the subsequent three years, including a calculation of expenditures to increase or improve services for unduplicated pupils. In 2015, LAUSD performed an annual update of its LCAP but did not revise its method of calculating expenditures to increase or improve services for unduplicated pupils. LAUSD's Board of Education adopted an updated LCAP in June 2015 and another in June 2016. Both again included the prior year spending on special education services that are at issue in this case.

25. Respondent Michelle King is LAUSD's Superintendent. As LAUSD's highest administrative officer, Respondent King shares responsibility with LAUSD to ensure that LAUSD

1 complies with all laws, including the LCFF regulations. Respondent King is sued in her official
2 capacity only.

3 26. Respondent California Department of Education ("CDE") is the state agency charged
4 with overseeing California's public education system, including enforcing regulations promulgated
5 under the Education Code. By statute, a UCP complainant who is not satisfied with a local decision
6 regarding an LCAP-related complaint may file an appeal with the State Superintendent of Public
7 Instruction. Any such appeals are processed by the CDE through its Local Agency Systems Support
8 Office. In November 2015, Petitioners filed an appeal of LAUSD's denial of their LCAP-related UCP
9 Complaint with the State Superintendent and CDE. On May 27, 2016, the CDE issued an investigative
10 report and then on August 5, 2016, upon requests for reconsideration, a Final Determination resolving
11 Petitioners' UCP Complaint without providing complete relief.

12 27. Respondent Tom Torlakson has been at all relevant times the State Superintendent of
13 Public Instruction ("SPI"). As the state's highest ranking officer overseeing California's public
14 education system, Respondent SPI shares responsibility with the CDE to ensure that Local Educational
15 Agencies comply with education laws, including the LCFF regulations. As UCP complainants who
16 were not satisfied with LAUSD's local decision regarding their LCAP-related complaint, Petitioners
17 filed their UCP appeal with the SPI and the CDE in November 2015. Respondent SPI is sued in his
18 official capacity only.

19 JURISDICTION AND VENUE

20 28. This Court has jurisdiction under California Code of Civil Procedure §§ 525-526, 1060
21 and 1085.

22 29. Venue is proper in the Superior Court of Los Angeles under California Code of Civil
23 Procedure §§ 393, 394, 395 and 401, because Respondents King and LAUSD are public officers or
24 public agencies situated in Los Angeles County, nearly all of the acts and omissions complained of in
25 this Petition took place in Los Angeles County, Respondents SPI and CDE are state officers or agencies
26 and the effects of the Final Determination can be felt by Petitioners in Los Angeles County, where the
27 Attorney General has an office.
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1 **FACTUAL ALLEGATIONS**

2 **A. Local Control Funding Formula (LCFF)**

3 30. California's Local Control Funding Formula represents a landmark change in school
4 funding. "The [LCFF] legislation was the culmination of more than a decade of research and policy
5 work on California's K-12 funding system." Mac Taylor, *Updated: An Overview of the Local Control*
6 *Funding Formula*, California Legislative Analyst's Office, at 1 (Dec. 2013),
7 <http://www.lao.ca.gov/reports/2013/edu/lcff/lcff-072913.pdf> (hereinafter, Taylor, *Overview of LCFF*).

8 31. One paper, in particular, set forth a framework that formed the core tenets for what
9 ultimately became LCFF. In 2008, with the aim of remedying pervasive inequalities in the educational
10 system, Dr. Michael Kirst, the current President of the State Board of Education, along with the former
11 California Secretary of Education Alan Bersin, and then-professor and current California Supreme Court
12 Justice Goodwin Liu, wrote a seminal brief proposing a reformed finance system for public education.
13 See Alan Bersin *et al.*, *Getting Beyond the Facts: Reforming California School Finance*, The Chief
14 Justice Earl Warren Institute on Race, Ethnicity and Diversity (2008) at 6,
15 <https://www.law.berkeley.edu/files/GBTfissuebriefFINAL.pdf>.

16 32. The primary components of the proposal included: (1) establishing a new standard base
17 amount that is distributed to districts on an equal per pupil basis, (2) maintaining pre-existing special
18 education funding, and (3) creating new supplemental and concentration funding that targets low-
19 income students and English language learners. The new, targeted funding scheme was informed by the
20 principal that "[o]utside of special education, many students face disadvantages that call for additional
21 educational resources if they are to meet the same academic standards of their more advantaged peers."
22 *Id.* at 7.

23 33. LCFF was enacted on July 1, 2013, and went into effect for the first time during the
24 2013-14 school year. The legislation "made major changes both to the way the State allocates funding
25 to school districts and the way the State supports and intervenes in underperforming districts." Taylor,
26 *Overview of LCFF* at 1.

1 34. The legislature created LCFF to give California a framework for reducing historic
2 inequities among our extremely diverse population and was intended to provide funding to help close
3 California's persistent student achievement gap for English language learners, foster care students, and
4 low-income students.

5 35. Between the 2013 enactment and the 2020-21 school year, the State anticipates roughly
6 \$18 billion in new revenues will flow back into the public school system, enabling LCFF to be fully
7 implemented by the end of the 2020-21 school year when total revenues are projected to reach the prior
8 2007-08 high point, adjusted for cost of living increases.

9 36. As the LCFF funding scheme is phased in to full implementation and thereafter, the
10 legislature has directed a greater portion of the State's education funding to three categories of students:
11 English-language learners, low-income students, and foster youth. Specifically, LCFF provides an
12 additional 20%-42.5% per student in State education funds to school districts for these three categories
13 of students. *Id.* at 3-5; *see also Jan. 30, 2014, Initial Statement of Reasons*,
14 <http://www.cde.ca.gov/re/lr/r/r/lcffemergencyregs.asp> at 1. Pursuant to the statute and regulations, all
15 school districts are "required . . . to increase or improve services for unduplicated pupils in proportion to
16 the increase in funds apportioned on the basis of the number and concentration of unduplicated pupils in
17 the school district." Educ. Code § 42238.07(a)(1); 5 C.C.R. § 15496(a).

18 **1. LCFF Largely Replaces Categorical Programs with Per-Pupil Funding and**
19 **Funds Targeted at Low-Income Students, English-Learners, and Foster**
20 **Youth.**

21 37. Prior to the enactment of LCFF, California provided funds to school districts pursuant to
22 the "revenue limits" and "categorical" funding system. School districts received the majority of their
23 funding through a complex series of formulas known as "revenue limit" funding. School districts were
24 permitted to use revenue limit funds for general purposes. In addition to the revenue limit funding,
25 school districts also received funding through "categorical" programs, which had restrictions on their
26 use and provided earmarked funding to school districts to support specific activities. Categorical
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1 programs earmarked funding for such programs as reduced class sizes in selected grades, incentives to
2 hire physical education teachers, oral health assessments for students in kindergarten, and more.

3 38. In contrast to the categorical approach, LCFF consolidated funds previously scattered
4 across multiple categorical programs into a single per-pupil grant, with additional funds allocated to
5 districts with students facing greater challenges. In revising the funding scheme, LCFF eliminated
6 approximately three-quarters of the categorical programs, with only fourteen categorical programs
7 surviving—including the categorical program for special education. *See Taylor, Overview of LCFF* at
8 6-7. Categorical programs that receive funding from other State sources, like special education, are
9 generally excluded from the LCFF calculation.

10 **2. An Overview of the LCFF Statutory Framework.**

11 39. Under LCFF, school districts receive funds from the State based on a straightforward
12 formula. First, each district receives a base amount for each pupil, with the base amount varying based
13 on the pupil's grade. The new single formula also includes an add-on "supplemental grant" (20% over
14 the base amount) for each unduplicated pupil. Unduplicated pupils are students categorized as either an
15 English learner, low-income student, and/or foster youth. Finally, when the overall percentage of
16 unduplicated pupil enrollment in the district equals or exceeds 55%, LCFF provides districts with an
17 additional "concentration grant" equal to 50% of the base amount for each such student beyond the 55%
18 threshold.

19 40. California Education Code § 42238.07 requires the State Board of Education to draft
20 regulations to govern the expenditure of the supplemental and concentration funds to ensure that these
21 funds are used for the benefit of unduplicated pupils. Section 42238.07 specifies that the new
22 regulations must include provisions "[r]equir[ing] a school district, county office of education, or charter
23 school to increase or improve services for unduplicated pupils in proportion to the increase in funds
24 apportioned on the basis of the number and concentration of unduplicated pupils in the school district,
25 county office of education, or charter school." Educ. Code § 42238.07. This proportionality calculation
26 evidences LCFF's equity requirement that school districts must increase or improve services for
27 unduplicated pupils in proportion to the additional dollars these students generate.
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1 41. The statute also requires that the State Board of Education's regulations specify the rules
2 by which school districts may use supplemental and concentration funds for schoolwide or districtwide
3 purposes. *See id.*

4 42. The regulatory framework implementing this requirement is described in greater detail in
5 Section B below.

6 **3. LCFF Relies on County Offices of Education to Provide Oversight and**
7 **Enforcement.**

8 43. LCFF's increased funding flexibility was accompanied by the requirement that each
9 district adopt an LCAP, in which the district must describe in detail how it is using LCFF funding to
10 meet student goals in eight statutorily identified State priority areas and is using supplemental and
11 concentration funding to increase or improve services for unduplicated pupils.

12 44. County offices of education provide the primary accountability mechanism for district
13 LCAPs. Each year, after a district adopts its LCAP, it must file the LCAP with the County
14 Superintendent of Schools. *See* Educ. Code § 52070(a). The County Superintendent may then seek
15 clarification from the district, and may submit recommendations for amendments to the LCAP. *See*
16 Educ. Code §§ 52070(b)-(c). The County Superintendent may approve a district's LCAP, but only if the
17 County Superintendent determines, among other things, that the LCAP complies with the regulations
18 adopted by the State Board implementing the requirement to increase or improve services for
19 unduplicated pupils. *See* Educ. Code § 52070(d)(3).

20 **B. Regulations Enacting LCFF**

21 **1. History and Transition to the LCFF Funding Scheme.**

22 45. As noted, LCFF is premised on an eventual increase of \$18 billion in overall K-12
23 funding that will enable LCFF to be fully phased in by the end of the 2020-21 school year. If those
24 funding projections hold true, by that time, all districts will have reached the level of funding established
25 by the uniform per-pupil formula. In the meantime, however, supplemental and concentration grants are
26 new features of school funding in California that need to be gradually phased in as new funding
27 becomes available. Also, in the meantime, each district must meet the statutory standards to increase or
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1 improve services for unduplicated pupils and must do so while starting from different baselines because
2 each district received different amounts of funding under the former system and previously directed
3 different amounts of services towards high need students.

4 46. The State Board of Education was therefore tasked with developing regulations that
5 would establish a methodology that districts would follow to establish the baseline of total initial
6 supplemental and concentration funding (and the services tied to that funding) and a method for growing
7 that baseline level of services during LCFF implementation until the district grows its services at full
8 phase-in to a level proportionate to the total increase in funding generated by unduplicated pupils.

9 47. In November 2013, the State Board of Education published draft expenditure regulations.
10 *See* State Board of Education Agenda for November 2013, Item # 13,
11 <http://www.cde.ca.gov/be/ag/ag/yr13/agenda201311.asp>. The draft regulations presented an “options-
12 based policy framework” that would give each district flexibility to demonstrate how it would meet the
13 requirement to increase or improve services for unduplicated pupils. *See id.* However, the State Board
14 of Education received numerous complaints from legislators, advocates and community groups
15 regarding the “options-based policy framework” presented in the draft regulations and ultimately
16 adopted a much more defined standard enacted in its “emergency regulations,” which governed the
17 2014-15 LCAPs that LEAs had to adopt by July 1, 2014.

18 48. The process to develop permanent regulations to implement LCFF proceeded in parallel,
19 but the State Board of Education issued emergency regulations to establish a framework before the June
20 30, 2014 deadline for school districts to finalize their initial LCAPs. The permanent regulations have
21 since superseded the emergency regulations.¹

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27 ¹ Because the provisions regarding the calculation of prior year expenditures and the proportionality
28 obligation remain unchanged by the permanent regulations, except where otherwise noted, this Petition
cites to the emergency regulations, as those governed the initial 2014-15 LCAP first at issue in this case.

1 **2. The State Board of Education Enacted Emergency Regulations**
2 **Implementing LCFF.**

3 49. In early February 2014, the emergency regulations to implement LCFF went into effect,
4 and are set forth in 5 C.C.R. §§ 15494-97. The emergency regulations created a number of mandatory
5 duties for school districts. Relevant to this petition, Section 15496(a) created a duty for school districts
6 to use supplemental and concentration grant funds “to increase or improve services for unduplicated
7 pupils as compared to the services provided to all pupils in proportion to the increase in funds
8 apportioned on the basis of the number and concentration of unduplicated pupils as required by
9 Education Code section 42238.07(a)(1).” 5 C.C.R. § 15496(a).

10 50. To ensure the requisite proportional increase in services for unduplicated pupils, the
11 regulations set forth a duty for school districts to engage in a seven-step process to “determine the
12 percentage by which services for unduplicated pupils must be increased or improved *above services*
13 *provided to all pupils*” in a fiscal year. *Id.* (emphasis added).

14 51. The first step is to estimate the amount of an LEA’s full LCFF funding target that would
15 be attributed to the supplemental and concentration grants. *See* 5 C.C.R. § 15496(a)(1). This step
16 requires the district to determine how much total LCFF funding it would receive if LCFF were fully
17 funded today, and how much of that total would be supplemental and concentration funding.

18 52. The second step—which is in controversy in the present Petition—requires estimating the
19 expenditures of supplemental and concentration funding in the all-important initial “prior year” (*i.e.*,
20 2013-14) and every prior year thereafter: “Estimate the amount of LCFF funds expended by the LEA on
21 services for unduplicated pupils in the prior year that is *in addition to* what was expended on services
22 provided for all pupils.” 5 C.C.R. § 15496(a)(2) (emphasis added). The estimated amount of funds
23 expended in 2013-14 cannot be less than the amount of Economic Impact Aid (“EIA”) funds that the
24 LEA spent in the 2012-13 fiscal year. *See id.* EIA is a former categorical program that required districts
25 to spend money only on services “to improve the academic achievement of English learners and
26 economically disadvantaged pupils.” Educ. Code § 54025(b). A district may include additional funds in
27 the estimate only if they were “expended by the LEA on *services for unduplicated pupils* in the prior
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1 year that is *in addition to* what was expended on *services provided for all pupils.*” 5 C.C.R. §
2 15496(a)(2) (emphasis added). Step two of the regulations recognizes only two types of expenditures:
3 (1) expenditures on services for all pupils and (2) expenditures on services for unduplicated pupils.

4 53. In step three, the number from step two (the baseline starting point for supplemental and
5 concentration expenditures) is subtracted from the first step’s number (the ultimate target for
6 supplemental and concentration expenditures), and the difference, or the gap in supplemental and
7 concentration expenditures between current and target supplemental and concentration spending, is
8 determined. *See* 5 C.C.R. § 15496(a)(3).

9 54. In step four, the school district’s gap amount from step three is multiplied by what is
10 known as the “gap closure” percentage, which is the percentage “step” the State as a whole is taking in
11 that fiscal year to close the overall LCFF funding gap between current levels and the projected 2020-21
12 full implementation LCFF target. The product of multiplying the LEA’s gap amount by the statewide
13 LCFF gap closure percentage yields the amount of new supplemental and concentration expenditures the
14 LEA must add to its local spending plan (the “LCAP”) in the fiscal year for which it is adopted. *See* 5
15 C.C.R. § 15496(a)(4).

16 55. Step five estimates the total amount of supplemental and concentration spending
17 obligation for the upcoming fiscal year by adding the prior year supplemental and concentration
18 expenditure amount from step two to the new supplemental and concentration expenditure amount
19 calculated in step four. The district must report that total supplemental and concentration spending
20 amount in its LCAP. *See* 5 C.C.R. §§ 15496(a)(5) & 15497 (LCAP Template, Section 3.C in the
21 emergency regulations), 15497.5 (Section 3.A under the permanent regulations) and Nov. 2016 revised
22 LCAP Template at p. 9 (“Demonstration of Increased or Improved Services for Unduplicated Pupils”).

23 56. In steps six and seven, a method is provided to determine the “proportionality
24 percentage” by which the school district must increase or improve services for unduplicated pupils over
25 and above the level of services provided for all pupils. *See* 5 C.C.R. §§ 15496(a)(6)-(7), 15497 (LCAP
26 Template, Section 3.D under the emergency regulations), 15497.5 (Section 3.B under the permanent
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1 regulations), and Nov. 2016 revised LCAP Template at p.9 (“Demonstration of Increased or Improved
2 Services for Unduplicated Pupils”).

3 57. In January 2014, the CDE published an instructional guide describing how school
4 districts should perform the proportionality calculation. The guide includes a sample scenario that
5 illustrates how a hypothetical school district would demonstrate increased or improved services under
6 the regulations. *See* CDE, “Local Control Funding Formula Sample Scenario” (Jan. 2014) at 1-2,
7 Attachment 3 (excerpted).

8 **C. LAUSD Improperly Counted \$450 Million in Special Education Services as**
9 **Part of Its Prior Year Expenditure Estimate, Depriving Unduplicated Pupils**
10 **of Some \$126 Million in Increased or Improved Services for FY 2014-15, and**
11 **Likely More Than \$2 Billion by the Time LCFF is Fully Funded.**

12 58. To determine the percentage target LAUSD must satisfy to increase or improve services
13 for unduplicated pupils for the first year of LCFF implementation (2014-15), LAUSD was required to
14 perform the 7-step process outlined in the regulations. As described above, the second step in the
15 calculation required the district to determine its prior year spending on “services for unduplicated
16 pupils.” 5 C.C.R. § 15496(a)(2). By regulation, LAUSD had to include, at a minimum, the “Economic
17 Impact Aid funds the LEA expended in the 2012-13 fiscal year,” and could include additional
18 expenditures in the estimate only if those funds “expended . . . on services for unduplicated pupils” are
19 “*in addition to what was expended on services provided for all pupils.*” 5 C.C.R. § 15496(a)(2)
20 (emphasis added).

21 a. In addition to roughly \$250 million in undisputed prior year 2013-14 spending—most of
22 which was 2012-13 Economic Impact Aid (“EIA”) funds—LAUSD included \$450 million of *special*
23 *education* expenditures in its estimate of funds expended on services for unduplicated pupils in 2013-14.
24 Special education services are not services for unduplicated students because, under federal and State
25 law, a school district must provide special education services to all students with a qualifying disability
26 without regard to status as low-income, an English language learner, or a foster youth. *See, e.g.*, 20
27 U.S.C. §§ 1412(a)(1)-(4) & 1414(d)(2); Educ. Code § 56040.

1 59. Approximately 13.5% of LAUSD's students receive some type of special education
2 services. According to LAUSD, 79% of students who use special education services also are
3 unduplicated pupils. This is a lower concentration than the general student population, which is
4 comprised of 84% unduplicated pupils. LAUSD has attempted to justify using supplemental and
5 concentration dollars to fund special education services based on the fact that a small portion of
6 unduplicated pupils use special education services.

7 60. Although there is no distinction between the special education services provided to
8 unduplicated and non-unduplicated pupils, LAUSD nevertheless apportions special education funds
9 based on the percentage of students receiving special education services who also happen to be
10 unduplicated pupils. Special education services cost LAUSD approximately \$653.4 million in 2013-14
11 in expenditures unreimbursed by either State or federal categorical funds. Based on its estimate that
12 79% of students who received special education services were unduplicated pupils in 2013-14, LAUSD
13 counted approximately \$450 million of special education expenses as prior year spending on services for
14 unduplicated pupils.

15 61. By including this \$450 million in special education expenditures, LAUSD inflated its
16 initial prior year expenditures for unduplicated pupil services to \$700 million. Given that its 2014-15
17 supplemental and concentration funding obligation under the 7-step calculation was \$837 million, the
18 district only proceeded to allocate "new" supplemental and concentration expenditures in the amount of
19 \$137 million in its 2014-15 LCAP. In contrast, had LAUSD left special education spending out of its
20 prior year estimate (and funded special education services out of general LCFF base funds instead),
21 Petitioners estimate that the amount of new State funding the district would have been required to use
22 towards increasing or improving services for high-need students in 2014-15 alone would have been
23 roughly \$264 million—approximately \$126 million higher than what LAUSD allocated.

24 62. LAUSD's initial year approach of including \$450 million in special education spending
25 as part of its supplemental and concentration allocation has a ripple effect on all future-year LCAP
26 calculations. For example, in its adopted 2015-16 LCAP, LAUSD continued to rely on this erroneous
27 calculation by carrying forward the \$450 million in special education expenditures as prior year
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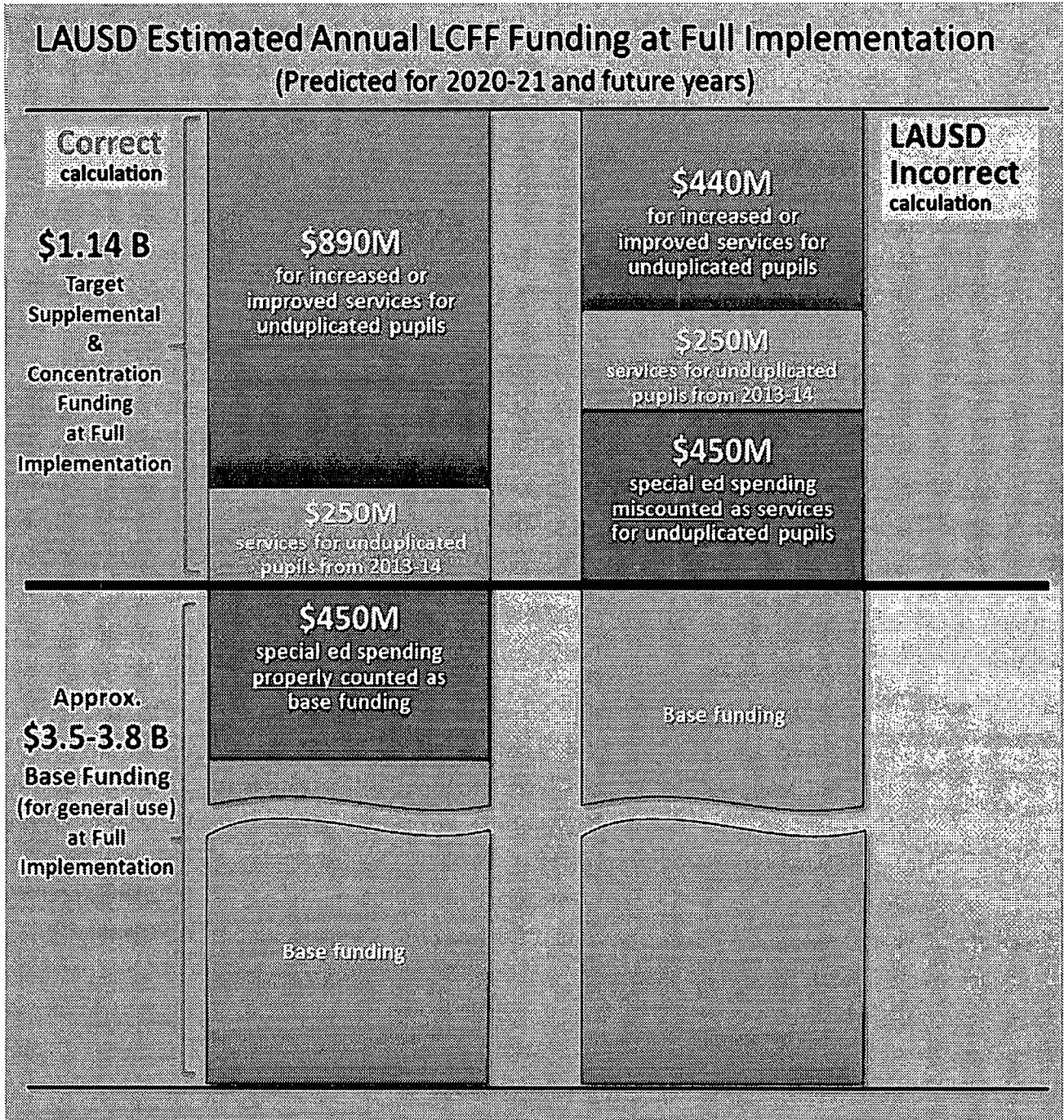
1 expenditures on programs and services targeting unduplicated pupils. As a result, LAUSD claims that it
2 spent \$846 million on services for unduplicated pupils in 2014-15, when in fact it spent only
3 approximately \$522 million. This results in a loss of roughly \$298 million in spending to increase or
4 improve services for unduplicated pupils in 2015-16 on top of the roughly \$126 million deprivation
5 from 2014-15.

6 63. LAUSD again carried forward the misallocation of \$450 million in special education
7 expenditures as prior year expenditures for unduplicated pupils in the 2016-17 LCAP year—although its
8 adopted 2016-17 LCAP includes a revised proportionality calculation that omits the disputed \$450
9 million spending consistent with the CDE's initial order. However, in light of the CDE's Final
10 Determination, upon information and belief, the District has yet to re-direct any of its supplemental and
11 concentration expenditures and has reverted in practice back to its original miscalculation, which
12 resulted is resulting in a loss of roughly \$381 million in increased or improved services for unduplicated
13 pupils for the 2016-17 school year on top of the cumulative deprivations from 2015-16 and 2014-15.

14 64. As of January 2016, the Governor's office estimated that the new funding formula will be
15 95% implemented in fiscal year 2016-17. Thus, almost all of the new funding districts can expect to
16 receive during the transition to LCFF will have been distributed by the end of 2016-17.

17 65. As the State moves each year towards fully funding LCFF, LAUSD's approach will
18 increasingly shortchange the district's high-need students until full implementation when the district will
19 reach its "Target Supplemental and Concentration" spending of roughly \$1.14 billion each year. The
20 State estimates that full implementation will be reached in FY 2020-21. At that point, the district would
21 deprive high-need student investment the full \$450 million in supplemental and concentration funding in
22 the 2020-21 academic year (*i.e.*, the full amount of special education services that LAUSD initially
23 misallocated as prior year spending on services for unduplicated pupils). That \$450 million deficit will
24 then be repeated each and every year after that, so that, in total, LAUSD is on track to shortchange high-
25 need students by billions of dollars over LCFF's phase-in and beyond.
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66. The following graphic illustrates the impact LAUSD's improper calculation will have on its LCAP in the first year LCFF is expected to be fully implemented (currently projected for 2020-21). This \$450 million deficit in funding for unduplicated pupils will be repeated every year after that.



1 **D. LAUSD Has Violated Its Mandatory Legal Duty to Determine Its**
2 **Proportionality Percentage and Craft Its LCAPs in Accordance with the**
3 **Regulations and Statute.**

4 67. LAUSD has a clear, present, and ministerial duty to determine its proportionality
5 percentage in accordance with the regulations. That duty includes properly estimating the amount of
6 funds expended on services for unduplicated pupils in the prior year under 5 C.C.R. § 15496(a)(2).
7 LAUSD further has a clear, present and ministerial duty to demonstrate in its LCAP how funding
8 apportioned on the basis of the number and concentration of unduplicated pupils is used to increase or
9 improve services for such pupils. *See* 5 C.C.R. § 15496(a); Educ. Code § 42238.07.

10 68. By including special education spending in its prior year expenditures for unduplicated
11 pupils, LAUSD violates the district's mandatory duties under the regulations and statute because:

- 12 (a) only funds expended on services for unduplicated pupils *in addition to services provided*
13 *to all pupils* can be counted as a prior year expenditure, and general special education
14 expenditures serve all pupils without regard to their status as unduplicated or not;
15 (b) LAUSD's interpretation of the regulations (*i.e.*, that "all pupils" does not refer to the sum
16 of the two categories of students addressed by the regulations—unduplicated and not
17 unduplicated—but to a narrow and numerically precise "100% of students") would lead
18 to absurd results by allowing districts to count all services that benefit unduplicated
19 pupils in some way, but do not reach 100% of students as "services for unduplicated
20 pupils";
21 (c) the legislature's decision not to identify and categorize special education students as
22 unduplicated pupils confirms that funds for special education services are not to be
23 counted as funds to increase or improve services for unduplicated pupils; and
24 (d) funds LAUSD spends on special education are spent pursuant to preexisting legal
25 obligations and thus cannot be classified as funds that "increase or improve" services for
26 unduplicated pupils under both the Education Code and regulations.
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1 **1. Section 15496(a) Makes Clear that Services Provided for All Pupils, Such as**
2 **General Special Education Services, May Not Be Included in the Prior Year**
3 **Expenditure for Unduplicated Pupils.**

4 69. LAUSD's inclusion of a proportional share of special education expenditures in its prior
5 year expenditure estimate for 2013-14 violates the clear duty under the regulation to include only
6 services that are not available to all pupils in its initial prior year expenditure estimate. Because
7 LAUSD's inclusion of general special education services in its prior year expenditure estimate renders
8 meaningless the distinction specified in the regulation, its actions are contrary to the plain language of
9 the regulation and exceed Respondents' authority.

10 **a) The Regulations Draw a Clear Distinction Between Services for**
11 **Unduplicated Pupils and Services Provided for All Pupils.**

12 70. To determine the increase or improvement in services for 2014-15, step two of the
13 proportionality calculation directs districts to estimate funds expended in the prior year (FY 2013-14) on
14 services for unduplicated pupils "that is *in addition to* what was expended on *services provided for all*
15 *pupils*. The estimated amount of funds expended in 2013-14 shall be no less than the amount of
16 Economic Impact Aid funds the LEA expended in the 2012-13 fiscal year." 5 C.C.R. § 15496(a)(2)
17 (emphases added). This second step of the process again parses all possible expenditures into two and
18 only two categories of services for comparison: (1) services for unduplicated pupils; and (2) services
19 provided for all pupils (*i.e.*, services for both unduplicated pupils and non-unduplicated pupils). Only
20 the former may be included in the prior year expenditure estimate.

21 71. The general regulatory standard governing the use of supplemental and concentration
22 funding reinforces this distinction. Section 15496 mandates that "funding apportioned on the basis of
23 the number and concentration of unduplicated pupils . . . shall be used to increase or improve services
24 for unduplicated pupils *as compared to the services provided to all pupils* in proportion to the increase
25 in funds apportioned on the basis of the number and concentration of unduplicated pupils." 5 C.C.R. §
26 15496(a) (emphasis added). Similarly, the regulation frames the seven-step calculation as
27 "determin[ing] the percentage by which services for unduplicated pupils must be increased or improved
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1 above services provided to all pupils in the fiscal year as follows.” *Id.* (emphasis added). In both
2 instances, the regulation again distinguishes between two types of spending for services: (1)
3 expenditures on services for unduplicated pupils, and (2) expenditures on services for all students
4 (which, again, necessarily serve unduplicated pupils in addition to other pupils).

5 72. Services “for unduplicated pupils” are precisely that—services designed to serve students
6 based on their unduplicated status. The former Economic Impact Aid categorical program, addressed in
7 the regulations as a minimum prior year expenditure for the pre-LCFF baseline estimate of supplemental
8 and concentration expenditures, was expressly designed to fund services for low-income students and
9 English learners. *See* Educ. Code § 54025. Similarly, the regulations specify that expenditures in any
10 previously approved LCAP may be treated in subsequent LCAPs as prior year expenditures on services
11 “for unduplicated pupils” only if the LEA’s LCAP demonstrated that the expenditure was sufficiently
12 directed to *unduplicated pupil goals*. 5 C.C.R. § 15496(b). Services that could generically serve the
13 universe of both unduplicated pupils and non-unduplicated pupils—*i.e.*, without regard to students’ low-
14 income, English learner or foster youth status—do not comply with the regulatory standard for inclusion
15 as part of prior year expenditures.

16 **b) Special Education Services Are Not Designed for, Nor Provided Only**
17 **to, Unduplicated Pupils, and Thus Are Services Provided for and**
18 **Available to All Pupils.**

19 73. All students—both unduplicated and those who are not unduplicated—are eligible to take
20 advantage of special education services under the Individuals with Disabilities Education Act, 20 U.S.C.
21 § 1400 *et seq.* All pupils may request an Individual Education Plan to seek special education services,
22 and the district must provide such services to all who qualify, regardless of whether they are considered
23 “unduplicated” under the LCFF statute.

24 74. However, dollars spent on special education services are not expenditures on services
25 designed for unduplicated students by virtue of their status as low-income, English learner, or foster
26 youth students. To the contrary, students are *excluded* from receiving special education services if their
27 needs are based on their status as low-income, English learner or foster youth. The Individuals with
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1 Disabilities Education Act ("IDEA") regulations provide that "[a] child must not be determined to be a
2 child with a disability" if the need for services is the result of "Limited English Proficiency." 34 C.F.R.
3 § 300.306(b)(1)(iii). California similarly *excludes* students from receiving special education services if
4 their "educational needs are due primarily to limited English proficiency; . . . social maladjustment; or
5 environmental, cultural, or economic factors," such as unstable home life, unless they have a separate
6 qualifying disability. Educ. Code. § 56026(e); *Oceanside Unified School District* (OAH 2010) Case
7 Number 2010071003.

8 75. Whether a student has a qualifying disability is determined wholly separate from whether
9 the student is classified as low-income, English learner, or foster youth. A "child with a disability" for
10 purpose of special education means a child "with intellectual disabilities, hearing impairments
11 (including deafness), speech or language impairments, visual impairments (including blindness), serious
12 emotional disturbance (referred to . . . as "emotional disturbance"), orthopedic impairments, autism,
13 traumatic brain injury, other health impairments, or specific learning disabilities" and who requires
14 services "by reason thereof." 20 U.S.C. § 1401(3).

15 76. Because special education services must be made available to both students who are
16 unduplicated and those who are not, and because those services explicitly may *not* be provided to
17 address any of the English proficiency, economic or environmental reasons by which a student is
18 designated as unduplicated, special education spending can be considered as only supporting services for
19 all pupils and not as prior year (FY 2013-14) expenditures on services for unduplicated pupils for
20 purposes of calculating LAUSD's supplemental and concentration spending obligation for FY 2014-15
21 and thereafter.

22 77. LAUSD, however, has improperly included special education expenditures in its prior
23 year supplemental and concentration expenditure estimate, and in doing so has vastly overstated its
24 progress towards meeting its obligation to "increase or improve" services to high-need students.

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c) LAUSD's LCAP and Budget Documents Confirm that Special Education Services Are, in Fact, Provided for All Pupils.

78. LAUSD effectively concedes, in its computation of the prior year expenditure and listing of LCAP expenditures, that special education services are properly understood as services provided for all pupils.

79. LAUSD estimates that \$653.4 million was spent on special education services in FY 2013-14. LAUSD further estimates that 79% of students who utilized special education services were unduplicated pupils, and LAUSD used this percentage to compute the \$450 million prior year expenditure estimate for special education services, *i.e.*, the district took a *pro rata* share of certain special education expenditures for the relevant services. LAUSD's estimate necessarily reflects that 21% of the students who utilized special education services were not unduplicated pupils and, as such, that special education services are provided for all pupils, both unduplicated and non-unduplicated.

d) Treating Special Education Services as Services “for Unduplicated Pupils” Leads to Absurd Results, Renders Key Regulatory Language Obsolete, and Eviscerates the Statutory Provision the Regulations Seek to Implement.

80. LAUSD’s basis for its rationale that it can apportion the unduplicated pupil “share” of special education expenditures to its prior year estimate of supplemental and concentration spending turns on its flawed reading of “services provided for all pupils.” LAUSD reads “all pupils” wrongly to mean only those services provided to precisely “100% of pupils.”

81. Under LAUSD’s rationale, LAUSD could apportion all types of services that generally serve the student population—just not 100% of students—and attribute the portion of such services provided to unduplicated pupils as services that “increase or improve” services for unduplicated pupils and which, therefore, may be funded by the supplemental and concentration funding generated by unduplicated pupils.

82. Many district programs—like special education services—are available to all students, but serve only a portion of students, including summer school, after-school programs, sports and other

extracurricular activities, counseling and health services, and class-size reduction initiatives or other investments in base programs that affect only certain grades, to name a few. Under LAUSD's theory, a percentage of spending for *all* of these programs and services should count as prior year spending on unduplicated pupils.

83. "All pupils" is not a reference to 100% or to any particular percentage, but rather to the sum of the two categories of students addressed in the regulations—unduplicated students and those who are not unduplicated. As noted, there are only two types of services in the regulations' universe when determining an LEA's proportionality obligation—those for unduplicated pupils and those for all pupils. The phrase "all pupils" refers to services provided to both unduplicated and non-unduplicated pupils, not to a requirement that such services must be delivered to each and every child in the district.

84. When LCFF is fully funded in FY 2020-21 under current projections, supplemental and concentration funds for LAUSD will total approximately \$1.13 billion. The expenditures for services for all students, as identified by LAUSD in its 2014-15 budget, amounted conservatively to more than \$3.5 billion dollars. Apportioning expenditures for services made available to all students, but which serve fewer than 100% of students, and charging unduplicated pupils with their "share" of these expenditures would undoubtedly exceed the \$1.13 billion full target for supplemental and concentration funding very soon (if it has not already). As such, LAUSD's overly-narrow reading of what constitutes services provided for "all pupils" could excuse it from providing *any* additional funding to "increase or improve" services to unduplicated pupils throughout LCFF's phase-in period and beyond.

85. This unsupportable interpretation of the regulations would allow every school district to compute an initial baseline supplemental and concentration funding amount that *exceeds* the amount of such funding the district will receive when LCFF is fully funded. Such an interpretation would render obsolete both the regulatory mandate and the ultimate statutory requirement that supplemental and concentration funding be used to increase or improve services for the students who generate those funds for the district.

86. By counting the percentage of long-standing special education expenditures that touch unduplicated pupils towards the district's overall obligation to provide increased and improved services

1 for unduplicated pupils, LAUSD defeats the explicit promise and the very spirit of LCFF—to ensure that
2 California students with the highest needs receive proportional increases and improvements in services.

3 **e) The Legislative Decision to Treat Special Education Students as a**
4 **Subgroup Distinct from the Unduplicated Pupil Subgroups and**
5 **Retain the Special Education Categorical Further Confirms that**
6 **Special Education Spending Should Not Be Counted as Funds to**
7 **Increase or Improve Services for Unduplicated Pupils.**

8 87. The LCAP submitted by each district must describe “goals and specific actions to achieve
9 those goals for all pupils and each subgroup of pupils identified in Education Code section 52052.” 5
10 C.C.R. § 15497 (LCAP Template, Introduction at 1.) The subgroups identified in Section 52052 are
11 ethnic subgroups, socioeconomically disadvantaged pupils, English learners, pupils with disabilities and
12 foster youth.

13 88. LCFF thus explicitly recognizes subcategories of students other than English learner,
14 low-income and foster youth, including special education students (“pupils with disabilities”). Yet the
15 LCFF statutes and regulations specify that only three of these subgroups are the unduplicated groups
16 that generate the supplemental and concentration funds that must be used to increase or improve services
17 for those unduplicated pupils: English learners, low-income youth, and foster youth.

18 89. At the same time, LCFF folded numerous categorical programs into the general LCFF
19 funding formula. A limited number of categorical programs remained intact and thus fall outside of the
20 LCFF formula, including the State special education categorical program. (Also, all federal programs,
21 including the federal special education categorical, remained untouched by LCFF.) In contrast,
22 Economic Impact Aid (“EIA”), a categorical program that was restricted to services for English learners
23 and low-income students, was folded into LCFF. The State board explicitly referenced spending on
24 EIA, the only former categorical program that both served only unduplicated pupils and was folded into
25 LCFF, as the minimum baseline for the prior year expenditure estimate for 2013-14.

26 90. The regulatory distinction between services provided for unduplicated pupils and services
27 provided for all pupils therefore mirrors, appropriately, the key statutory distinction between the three
28

unduplicated pupil groups and other subgroups. Especially in light of the continued categorical program for special education services, the regulatory distinction must be read to reinforce the decision by the legislature not to include special education students as an unduplicated pupil group to be served by supplemental and concentration fund expenditures.

91. LAUSD's approach, in contrast, seeks to override this critical structural feature of LCFF by unilaterally expanding the permissible uses of supplemental and concentration funds to include funding services to address goals and actions for students with disabilities.

2. Funds Spent on Special Education Are Spent Pursuant to Preexisting Legal Obligations and Thus Do Not "Increase or Improve" Services for Unduplicated Pupils.

92. LCFF emergency regulations in effect at the time LAUSD adopted the 2014-15 LCAP provided that districts must use supplemental and concentration funding "to *increase or improve* services for unduplicated pupils as compared to the services provided to all pupils in proportion to the increase in funds apportioned." 5 C.C.R. § 15496(a) (emphasis added). The emergency regulations specify that "increasing or improving" services means a growth in quantity or quality of services provided to unduplicated pupils. 5 C.C.R. § 15495(f) & (g) (Jan. 2014). These provisions remained the same in the permanent regulations adopted in November 2014. 5 C.C.R. §§ 15496(a), 15495(k) & (l) (Jan. 2015).

93. At the time the emergency regulations were adopted, LAUSD had a pre-existing legal obligation to provide special education services to all eligible students. Notably, although LCFF eliminated approximately three-quarters of categorical programs, fourteen categorical programs survived. Taylor, *Overview of LCFF*, at 6. Among those was funding for special education. *See id.* at 7; *see also* Educ. Code. §§ 56836.08, 56836.15. These funds are provided contingent upon the LEA providing special education services as required under State and federal law to all eligible students. *See* Educ. Code. §§ 56845, 56836.30. This categorical funding is separate from, and not subject to, the LCFF formulas.

1 94. Thus, LAUSD does not have a choice in whether to provide the services tied to special
2 education: those services are mandated by federal and State law, and are obligations that predated
3 LCFF's enactment and adoption of the expenditure regulations.

4 95. Rather than *increase or improve* services using supplemental and concentration funds,
5 LAUSD's approach allows it to continue providing the same services that it has always agreed to and
6 been legally required to provide, while counting that as "increasing or improving" services for
7 unduplicated pupils. Moreover, for students with disabilities who also qualify as unduplicated, such as
8 Petitioner Frias' child, LAUSD is denying those students the benefit of increased or improved services
9 above the special education services that they were already receiving prior to LCFF.

10 96. Because special education expenditures are incurred pursuant to preexisting legal
11 mandates and are used to maintain, not increase, legally required services, they cannot be included as
12 expenditures that "increase or improve services for unduplicated pupils as compared to services
13 provided to all pupils," 5 C.C.R. § 15496(a), under any reasonable reading of the terms "increase" or
14 "improve."

15 **E. LAUSD Has Violated Its Mandatory Legal Duty Under the Education Code and**
16 **LCFF Regulations to "Increase or Improve" Services for Unduplicated Pupils.**

17 97. LAUSD has a distinct clear, present, and ministerial duty to meet the underlying statutory
18 requirement in Education Code § 42238.07 and the corresponding regulation 5 C.C.R. § 15496(a) to
19 "increase or improve services for unduplicated pupils" in proportion to the increased funding that
20 LAUSD receives as a result of enrolling those students.

21 98. For the same reasons that LAUSD's actions violate its duties as spelled out in the LCFF
22 expenditure regulations and fail to increase or improve services for unduplicated pupils by merely
23 maintaining its legally required pre-existing level of special education services, the District has violated
24 its duty to proportionally "increase" or "improve" services under the statute. *See* Section D, *supra*.

**LAUSD'S VIOLATION OF 5 C.C.R. § 15496(a) WILL CAUSE IMMEDIATE
IRREPARABLE INJURY**

99. Respondents LAUSD and King have a clear, present and ministerial duty to determine the District's proportionality percentage in accordance with the regulations. That duty includes properly estimating the amount of funds expended on services for unduplicated pupils in the prior year under 5 C.C.R. § 15496(a)(2). By including special education funds in its prior year expenditures for unduplicated pupils, LAUSD violates this duty.

100. This petition seeks an order compelling LAUSD to perform the calculation with an estimate of prior year expenditures that excludes special education spending that was not spending for unduplicated pupils, which will remain supported by the District's core operating dollars or base funds. As a result, LAUSD will have to revise its 2016-17 LCAP to spend approximately \$381 million more on programs counting towards its goal for increasing and improving services for unduplicated pupils.² Any subsequent LCAPs that commit the same error will also require correction. This sum does not include the roughly \$126 million in 2014-15 and \$298 million in 2015-16 in new or better services that unduplicated pupils should have received. This deficit to high-need students will continue to build year after year until it grows to the full \$450 million annually at full implementation (projected for 2020-21).

101. As Governor Brown acknowledged in announcing his proposal for LCFF, supplemental and concentration funding is intended to meet the greater needs of unduplicated pupils. Students from those groups have, on average, much poorer outcomes, including lower rates of graduation, lower

² Note that Petitioners agree with the CDE that LCFF regulations do not require districts to provide a specific dollar increase/improvement in services but rather a specific percentage increase. The percentage itself reflects a quantum of services equal to that percent of the total amount of base funds expended on services provided to all pupils (*i.e.*, a percent of the total spent on all core or base programs). We use the dollar figures as a way to express the quantum of the proportional increase or improvement in services due from a given district consistent with the regulatory formula. Indeed, all districts are required to calculate this quantum of proportional services in dollar terms under the formula (*see* 5 C.C.R. § 15496(a)(5) and report it in dollar terms in their LCAPs (*see* Nov. 2016 LCAP Template at p. 9, "Estimated Supplemental and Concentration Grant Funds"))).

1 college access rates, decreased career opportunities, higher drop-out and suspension rates, and poorer
2 academic performance.

3 102. For example, LAUSD students take the California Assessment of Student Performance
4 and Progress tests, which is the test designed to assess students' understanding of the national Common
5 Core learning standards. LAUSD's district-wide results reveal a wide achievement gap for English
6 learner ("EL") students. During the 2015-16 school year, only 3% of LAUSD's EL students met the
7 English language arts standard, while 82% did not meet the standard. In contrast, 26% of LAUSD's non-
8 EL students met the English language arts standard while 35% of non-EL students did not meet the
9 standard. The achievement gap is equally pronounced with respect to the Mathematics standard. Only
10 4% of EL students met the math standard, while 79% did not meet the standard. Again, non-EL students
11 fared significantly better, with 19% of non-EL students meeting the standard and 28% not meeting the
12 standard. Similarly, LAUSD's low-income students also severely underperformed on the standardized
13 tests. 45% of low-income students did not meet the English language arts standard as compared to 24%
14 of non-low-income students who did not meet the standard. Low-income students also performed more
15 poorly at mathematics, as 51% of low-income students did not meet the standard while 30% of non-low-
16 income students did not meet the standard.

17 103. LAUSD's most recent district report card also reveals a large disparity between high-
18 need students and the general LAUSD population. For example, the report shows that, in the 2014-15
19 school year, 46% of all LAUSD students were on track to pass all A-G courses with a 'C' or better.
20 However, only 15% of EL students and 25% of foster youth could meet that mark. EL students also have
21 far lower graduation rates. 51% of LAUSD's EL students graduated within four years, while 70% of
22 students graduate within that time district-wide.

23 104. High-need students are also struggling at the school-site level. By way of example,
24 according to the California Department of Education's 2015-16 School Accountability Report Card, the
25 high-need students attending Rowan Avenue Elementary School ("Rowan") in East Los Angeles are
26 performing well below the school, district, and State averages. Rowan serves 969 students, 92.6% of
27 whom are socioeconomically disadvantaged, 38.3% of whom are English learners, and 0.7% of whom
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are foster youth. Only 18% of Rowan's students meet or exceed State standards in English language arts and only 20% meet or exceed standards in math. In contrast, 44% of students across California meet or exceed State standards in English language arts and 33% meet or exceed standards in math. Rowan's English learners are particularly at risk. At every grade level, Rowan's EL students perform at least 30% worse than the general school population in both English language arts and math. For example, 81% of Rowan's third grade EL students do not meet standards in English language arts and math, while only 51% and 48% of Rowan's third grade students in general do not meet standards in English language arts and math respectively. Similarly, only 9% of Rowan's English learners scored at proficient or advanced in science, while 46% of all students attending Rowan scored proficient and advanced in science.

105. While it is clear that many of Rowan's high-need student populations are struggling, LAUSD has failed to provide that school with the appropriate level of resources and support. Petitioners estimate that, were LAUSD properly implementing the LCFF regulations, Rowan would be receiving hundreds of thousands to half a million dollars more in districtwide or direct school level services than is currently the case. At current funding levels, Rowan's students remain severely under-resourced. Rowan has no social/behavior or career development counselor, no librarian, no social worker, no speech/language/hearing specialist, and no resource specialist. In fact, Rowan only has fewer than two full time equivalent ("FTE") of support staff, with one full time nurse, 0.2 academic counselor, and 0.6 psychologist assigned to the school. With such a current deficit of resources, it is beyond dispute that a greater investment of targeted services would improve outcomes for Rowan's high-need students and begin closing the achievement gap.

106. The experience at Rowan is being repeated daily across the district at hundreds of the district's high-need schools due to LAUSD's LCFF violation. In 2014, LAUSD adopted a Student Equity Index that is intended to direct greater supplemental and concentration dollars to schools like Rowan that are serving high concentrations of low-income, EL, and foster youth students. Thus, should Petitioners prevail, students at these high-need schools would benefit directly in terms of greater resources through increased supplemental and concentration dollars under the district's equity index formula. Conversely, by deflating the amount of available supplemental and concentration dollars in

1 recent years, LAUSD has deprived students at these high-need schools of significant investments to
2 which they would have been entitled under the Student Equity Index.

3 107. LCFF was specifically intended to “increase or improve” services for unduplicated pupils
4 to begin addressing the major disparities in outcomes they experience. LAUSD’s actions will have real-
5 world impacts by reducing the extent to which these students experience increased or improved services,
6 which will negatively impact their educational opportunities.

7 108. LAUSD’s high need students have already suffered harm for over the past three years by
8 the District’s failure to provide the appropriate amount of services, and they will be further harmed if
9 LAUSD does not immediately amend its LCAP to include the correct proportionality calculation.
10 Already, LAUSD’s most vulnerable students have lost almost three years’ worth of vital services. These
11 students who are seniors will graduate this year and will never receive the services to which they are
12 entitled. Further, younger students will also suffer irreparable harm because they will lose the services
13 that the District should offer now, which would have helped them to build a solid foundation critical to
14 their ability to excel in future years.

15 **PETITIONERS HAVE NO ADEQUATE OR SPEEDY REMEDY AT LAW**

16 109. Petitioners have made every effort to attempt to convince LAUSD to comply with their
17 clear, present, and ministerial duties, without success. Seeking relief through this writ is therefore
18 Petitioners’ only legal remedy to correct Respondents’ violations of their mandatory duties.

19 110. LAUSD released a proposed LCAP in early April 2014 that included in its calculation of
20 expenditures to increase or improve services for unduplicated pupils approximately \$450 million for
21 special education services. Attorneys from Public Advocates and the ACLU contacted LAUSD staff
22 within days of this release to discuss the improper inclusion of special education expenditures and
23 informed LAUSD’s Chief Operating Officer that its proposal would violate the regulation. At the May
24 2014 State Board meeting, Public Advocates conveyed the same concerns to LACOE’s assistant
25 superintendent who is overseeing LCAP review.

26 111. On June 6, 2014, Public Advocates and the ACLU contacted LAUSD’s then-
27 Superintendent John Deasy by letter, copying staff at LACOE involved in reviewing LCAPs, and
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1 cautioned the district that its "improper inclusion of special education funding as part of its estimate of
2 prior year (FY 2013-14) services for unduplicated pupils . . . resulted in a significant under-calculation
3 of the funds allocated to 'increase or improve services for unduplicated pupils' in the district's LCAP."
4 Public Advocates and the ACLU requested that the district remove the \$450 million in special education
5 expenditures from its estimate of prior year services for unduplicated pupils, and increase the proposed
6 supplemental and concentration spending for FY 2014-15 accordingly.

7 112. In response, on June 13, 2014, counsel for LAUSD stated that the District "believes it is
8 justified in its approach," but failed to explain the basis for this belief other than to state that the LCFF
9 expenditure regulations "do not preclude the District from including special education expenditures as
10 part of the prior year services for unduplicated pupils." Two weeks later, LAUSD School Board
11 adopted the draft LCAP, which included the inflated and incorrect figures.

12 113. Soon after sending the June 6 letter, Public Advocates and the ACLU also reached out to
13 discuss this matter with both the district and county office of education counsel.

14 114. In mid-August 2014, LACOE initially withheld approval of LAUSD's LCAP, seeking
15 further explanation of LAUSD's claimed \$700 million in prior year spending, which included the
16 disputed \$450 million in special education spending. In a letter dated August 19, 2014, then-
17 Superintendent Deasy explained that the District's General Fund contribution to special education in FY
18 2013-14 was approximately \$653.4 million, and that 79% of the district's students with disabilities are
19 unduplicated pupils. Therefore, he counted 79% of most (though not all) special education program
20 expenditures towards prior year spending to arrive at approximately \$450 million. LACOE ultimately
21 approved the LCAP without modification on September 5, 2014.

22 115. With millions of dollars of expenditures remaining misallocated, on December 19, 2014,
23 Petitioners' counsel reached out to LAUSD's then interim Superintendent, Ramon Cortines, and then
24 County Superintendent of Schools, Arturo Delgado, by letter to "reiterate [their] serious concerns
25 regarding LAUSD's Local Control and Accountability Plan (LCAP) and to advise you that we will
26 pursue legal action" unless "LAUSD and LACOE agree immediately to correct the decision to
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1 impermissibly include special education services as prior year spending on unduplicated students in
2 LAUSD's initial LCAP."

3 116. On April 14, 2015, LAUSD's Board of Education approved a three-year deal with its
4 employee unions that would increase LAUSD's health care costs by roughly \$1 billion per year. *See*
5 Annie Gilbertson, *LAUSD board backs \$1 billion employee health care agreement*, KPCC (Apr. 14,
6 2015), [http://www.scpr.org/news/2015/04/14/51022/lausd-board-backs-1-billion-employee-health-care-](http://www.scpr.org/news/2015/04/14/51022/lausd-board-backs-1-billion-employee-health-care-a/)
7 *a/*. On May 12, 2015, LAUSD's Board of Education approved a 10.36 percent pay raise for teachers
8 that is poised to add an estimated \$278.6 million per year to the district's budget. *See* Thomas Himes,
9 *LAUSD agrees to teachers contract without knowing how to pay for it*, L.A. Daily News (May 12,
10 2015), [http://www.dailynews.com/social-affairs/20150512/lausd-agrees-to-teachers-contract-without-](http://www.dailynews.com/social-affairs/20150512/lausd-agrees-to-teachers-contract-without-knowing-how-to-pay-for-it)
11 *knowing-how-to-pay-for-it*.

12 117. Shortly thereafter, Governor Jerry Brown issued a revised State budget that included an
13 estimated additional \$300 million to \$400 million in discretionary funds for LAUSD. *See* Thomas
14 Himes, *LAUSD gets \$300 to \$400 million more in revised state budget*, L.A. Daily News (May 19,
15 2015), [http://losangeles-easy.com/news/california/lausd-gets-300-million-to-400-million-more-in-](http://losangeles-easy.com/news/california/lausd-gets-300-million-to-400-million-more-in-revised-state-budget)
16 *revised-state-budget*.

17 118. Between January and June 2015, Petitioners' counsel conducted various meetings and
18 telephone calls with LAUSD in a final attempt to convince LAUSD to revise its LCAP to comply with
19 the Education Code and regulations. During these negotiations, despite reports that LAUSD would
20 receive additional State funding and LAUSD's decision to commit significant funds to new obligations,
21 LAUSD continued to refuse to amend its LCAP to allocate the correct amount of supplemental and
22 concentration funds to increase and improve services for unduplicated pupils and has continued its
23 refusal to date.

24 119. On June 23, 2015, LAUSD's Board of Education approved the 2015-16 LCAP, which
25 again included the erroneous prior year expenditure calculation and which shortchanged unduplicated
26 students of roughly \$298 million in targeted services in the new school year.

120. In June 2016, LAUSD's Board of Education approved the 2016-17 LCAP, which again included the erroneous prior year expenditure calculation and which shortchanges unduplicated students of roughly \$381 million in targeted services in the new school year.

121. Petitioners sought relief administratively through the CDE and SPI. Though agreeing the District's special education allocations have violated the law, the state agency respondents have only ordered LAUSD to begin complying with LCFF in 2017-18 and, even then, at a much lower level of increased or improved services than the regulations require. Respondents CDE and SPI have not ordered the District to restore or otherwise fulfill its obligation to have provided the mandatory level of increased or improved services for 2014-15, 2015-16, and 2016-17. What is more, Respondents CDE's and SPI's remedy—by not ordering the District to recalculate its proportionality obligation beginning in 2014-15 going forward—permits LAUSD to establish a significantly lower proportionality obligation than LCFF requires in 2017-18 and thereafter until full LCFF implementation. Despite Petitioners' request for reconsideration, Respondents CDE and SPI have refused to correct their failure to ensure that the District fully meets its proportionality obligation.

PETITIONERS HAVE EXHAUSTED ADMINISTRATIVE REMEDIES

122. On August 3, 2015, the District Respondents filed a demurrer arguing that Petitioners failed to exhaust administrative remedies because they did not file a UCP complaint before proceeding with this litigation. On September 9, 2015, Petitioners filed the UCP Complaint with LAUSD raising the same issues from this Writ Petition and Complaint. On November 9, 2015, LAUSD issued a determination denying Petitioners' UCP Complaint in its entirety. On November 13, 2015, Petitioners appealed LAUSD's determination to Respondents CDE and SPI.

123. On May 27, 2016, Respondents CDE and SPI issued a decision on the Petitioner's appeal, ordering LAUSD to revise its LCAP because its proportionality calculation was not consistent with the law and regulations. Respondents CDE and SPI held that LAUSD's proportionality calculation was "not consistent with the LCFF statute and regulations" and that LAUSD had a "strained construction to the meaning of the regulation." The decision stated that "LAUSD must revise its

1 calculation practice of 'prior year expenditures'" "beginning with the 2016-17 LCAP" and "[i]n future
2 years."

3 124. On June 13, 2016, the District submitted a Request for Reconsideration of Report of
4 Appeal Against LAUSD, in which the District challenged the decision and requested the CDE stay its
5 order pending reconsideration.

6 125. On June 14, 2016, LAUSD Superintendent Michelle King sent a letter to the CDE
7 explaining that the May 27, 2016 decision would purportedly put the District in a difficult financial
8 position. On that same day, State Superintendent Torlakson sent a letter to Superintendent King stating
9 that he would not require LAUSD to adjust its LCAP until the 2017-18 fiscal year.

10 126. On July 1, 2016, Petitioner submitted an Opposition to LAUSD's Request for
11 Reconsideration, along with a Request for Reconsideration of the Report. Petitioners explained that the
12 CDE's original determination was correct and Petitioners argued that the CDE must further order
13 LAUSD to provide lost services for high-need students from the 2014-15 and 2015-16 school years.
14 Petitioners also asserted that the CDE should require LAUSD to amend its 2016-17 LCAP immediately
15 because (1) the law does not allow the CDE or SPI to permit LAUSD to violate the law for any length of
16 time and (2) LAUSD's faulty LCAP is currently harming high-need students by depriving them of
17 necessary services.

18 127. On July 15, 2016, LAUSD submitted an opposition to Petitioners' July 1, 2016
19 submission. On July 29, 2016, Petitioners submitted a Reply to the District's opposition.

20 128. On August 5, 2016, Respondents CDE and SPI issued the Final Determination on
21 Petitioners' UCP appeal. In a 19-page, reasoned decision, the CDE described the relevant law and
22 regulations and concluded that LAUSD must amend its LCAP because its proportionality calculation is
23 "not consistent with the LCFF statute and regulations." See Attachment 1 at 15. Specifically, the CDE
24 explained that the District is required to:

25 make a comparison between expenditures on services provided for unduplicated
26 pupils "in addition" to expenditures on services for "all" pupils. To be consistent
27 with the statutory purposes, the comparison must distinguish between services
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1 directed to unduplicated pupils based on that status, and services available for all
2 pupils, without regard to their status as unduplicated pupils or not. Expenditures
3 for services available to pupils regardless of their status as unduplicated pupils may
4 *not* be included in the estimate of prior year expenditures on services for
5 unduplicated pupils that are in addition to expenditures for services provided for all
6 pupils.

7
8 *Id.* at 15-16 (emphasis added). Accordingly, Respondents CDE and SPI held that the District's
9 application of "79% (the percentage of pupils receiving special education who are also unduplicated
10 pupils) to the bulk of its general fund expenditures for special education" is inconsistent with the LCFF
11 statute and regulations. *Id.* at 15.

12 129. The CDE ordered "LAUSD [to] revise its calculation practice of 'prior year expenditures'
13 as set forth in 5 C.C.R. Section 15496(b)(2) to exclude any special education expenditures which are not
14 expenditures for special education services provided for unduplicated pupils that are in addition to
15 expenditures on services for all special education pupils or identified and described in its LCAP as
16 principally directed towards and effective in meeting the district's goals for its unduplicated pupils in the
17 state and any local priority areas[.]" *Id.* at 18. The CDE also suggested that LAUSD may be able to
18 count a portion of the \$450 million in special education expenditures if said portion is, in fact, for a
19 service provided to high-need students based on their status as such and if those services were provided
20 specifically to serve high-need students goals; this could potentially reduce LAUSD's obligations to
21 provide increased or improved services for high-need students. The CDE ordered LAUSD to fully
22 implement its order by no later than 2017-2018. *Id.* at 19.

23 130. The CDE's Final Determination, however, did not grant Petitioners complete relief. The
24 CDE did not—as requested by Petitioners' UCP Complaint and request for reconsideration—order
25 LAUSD to recalculate its proportional spending obligation and its minimum proportionality percentage
26 for academic years 2014-15, 2015-16, and 2016-17. As such, the CDE has not ordered the District to
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1 make high-need students whole for the loss in increased or improved services caused by LAUSD's
2 unlawful practice since the inception of its initial LCAP.

3 131. Through the Final Determination, Respondents CDE and SPI ignore the mandatory levels
4 of annual increased or improved services required by the LCFF statute and regulations to accommodate
5 LAUSD's pleas that it will be too costly for it to correct all the harm it has inflicted on unduplicated
6 pupils. Respondents CDE's and SPI's authority to grant relief under the UCP, however, in no way
7 permits it to grant relief that violates the LCFF statute and regulations themselves by reducing the level
8 of LAUSD's obligations toward unduplicated pupils. Respondent CDE's and SPI's relief must be
9 consistent with and must direct the District to fulfill each "fiscal year" of its annual obligation and thus
10 LAUSD's total obligation to increase or improve services at the level mandated by the regulations. *See* 5
11 C.C.R. § 15496(a). Because Respondents CDE and SPI have not done so with the relief ordered, they
12 have violated their ministerial duties to enforce the LCFF laws.

13 132. District Respondents filed a second demurrer on December 30, 2016, alleging that the
14 CDE and State Superintendent were indispensable parties to this lawsuit. On March 21, 2017, the Court
15 granted the demurrer holding that the CDE and State Superintendent were necessary parties to this
16 lawsuit and ordering Petitioners to amend the Second Amended Petition for Writ of Mandate and
17 Complaint to add the CDE and SPI as Respondents.

18 133. To date, the District has indicated that it will revise its LCAP to comply with the CDE's
19 Final Determination starting in 2017-18 but its revised calculation for 2017-18 will not account for its
20 erroneous calculations in prior years. The District's failure to ameliorate its improper prior year
21 expenditure allocation before 2017-18 will cause two harms. First, because the proportionality
22 calculation builds year-after-year, LAUSD must remove the \$450 million dollars of misallocated prior
23 year expenditures from its initial unlawful LCAP to arrive at the correct proportionality percentage for
24 2017-18 and beyond. In other words, LAUSD should have corrected the calculations in its 2014-15
25 LCAP and carried the accurate proportionality calculation forward each year to arrive at the correct
26 2017-18 obligation. Respondent LAUSD's decision to revise its calculation beginning 2017-18, and
27 Respondents CDE and SPI refusing to order otherwise, results in the District underestimating its 2017-
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1 18 obligation to high need students by \$136 million. Second, the District's refusal to revise the
2 calculation from its initial LCAP in which it made the error will result in hundreds of millions of dollars
3 of services lost to high need pupils during the 2014-15, 2015-16, and 2016-17 school years. Indeed, the
4 District has yet to provide any increased or improved services to high-need students pursuant to the law
5 and the CDE decision.

6 **CAUSES OF ACTION**

7 **FIRST CAUSE OF ACTION against Respondents LAUSD and King**

8 **Writ of Mandate – Code Civ. Proc. § 1085**

9 **(Violation of 5 C.C.R. § 15496)**

10 **(Improper Inclusion of Special Education Expenditures as “Services for Unduplicated Pupils”)**

11 134. Petitioners re-allege and incorporate by reference each and every allegation contained in
12 paragraphs 1 through 131 inclusive.

13 135. At all relevant times, Respondents LAUSD and King had a mandatory, non-discretionary,
14 and ministerial duty under Education Code § 42238.07 and 5 C.C.R. § 15496 to use appropriate
15 supplemental and concentration funds to increase and improve services for unduplicated pupils in
16 proportion to the increased funds those students generate. That duty includes properly estimating the
17 amount of funds expended on services for unduplicated pupils in the prior year under 5 C.C.R. §
18 15496(a)(2).

19 136. In breaching their mandatory duties to use appropriate supplemental and concentration
20 funds to increase and improve services for unduplicated pupils, District Respondents have violated their
21 mandatory obligations under 5 C.C.R. § 15496.

22 137. Unless and until Respondents LAUSD and King are compelled to follow the law,
23 LAUSD's current and prospective unduplicated pupils will be deprived of an increase or improvement
24 of services to which they are entitled under the LCFF statute and regulations. This miscalculation
25 affects not only the amount of funding for increased or improved services for unduplicated pupils for the
26 2014-15, 2015-16, and 2016-17 school years, but also will affect funding in perpetuity because each
27 year's calculation builds on the prior year's calculation.
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1 138. Petitioners lack a plain, speedy, and adequate remedy at law, except by way of
2 peremptory writ of mandate pursuant to Code of Civil Procedure § 1085.

3 139. Without relief from this Court, Petitioners are being, and will continue to be, irreparably
4 harmed by Respondents LAUSD's and King's failure to perform their legal duties. Respondents'
5 violation of their mandatory duties under 5 C.C.R. § 15496 will continue to harm Petitioners by
6 depriving unduplicated pupils of new and improved educational services and resources that are needed
7 to ensure academic success in the current and future academic years.

8 140. The Court must issue a writ of mandate directing Respondents LAUSD and King to
9 comply fully with 5 C.C.R. § 15496, including to compel LAUSD to recalculate its prior year
10 expenditures – beginning with its 2014-15 LCAP – and immediately adjust the substance of its current
11 and future LCAPs to account for a larger amount of “new” supplemental and concentration funding and
12 therefore a larger proportionality percentage and begin the requisite stakeholder engagement process to
13 determine how to allocate the new services forthwith.

14 **SECOND CAUSE OF ACTION against Respondents LAUSD and King**

15 **Writ of Mandate – Code Civ. Proc. § 1085**

16 **(Violation of Educ. Code § 42238.07 & 5 C.C.R. § 15496)**

17 **(Failure to Increase or Improve Services by Using Supplemental & Concentration Spending to**
18 **Maintain Preexisting, Legally Required Special Education Services)**

19 141. Petitioners re-allege and incorporate by reference each and every allegation contained in
20 paragraphs 1 through 138 inclusive.

21 142. At all relevant times, Respondents LAUSD and King had a mandatory, non-discretionary,
22 and ministerial duty under Education Code § 42238.07 and 5 C.C.R. § 15496(a) to use supplemental and
23 concentration funds to increase or improve services for unduplicated pupils in proportion to the
24 additional funding the district receives due to those students. That duty includes not using supplemental
25 and concentration funds in a manner that fails to increase or improve services for unduplicated pupils—
26 *i.e.*, that fails to grow services for unduplicated pupils in quantity or quality. 5 C.C.R. § 15495.
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1 143. In breaching their mandatory duties to use appropriate supplemental and concentration
2 funds to increase or improve services for unduplicated pupils, Respondents LAUSD and King have
3 violated their mandatory obligations under Education Code § 42238.07 and 5 C.C.R. § 15496(a).
4 Respondents' improper use of special education funds to satisfy LAUSD's obligation to increase or
5 improve services for unduplicated pupils affects not only the amount of funding for unduplicated pupils
6 for the 2014-15, 2015-16, and 2016-17 school years, but also will affect funding in perpetuity because
7 each year's calculation builds on the prior year's calculation.

8 144. Petitioners lack a plain, speedy, and adequate remedy at law, except by way of
9 peremptory writ of mandate pursuant to Code of Civil Procedure § 1085.

10 145. Without relief from this Court, Petitioners are being, and will continue to be, irreparably
11 harmed by Respondents LAUSD's and King's failure to perform their legal duties. Respondents'
12 violation of their mandatory duties under Education Code § 42238.07 and 5 C.C.R. § 15496(a) will
13 continue to harm Petitioners by depriving unduplicated pupils of new and improved educational services
14 and resources in the current and future academic years that are needed to ensure academic success.

15 146. The Court must issue a writ of mandate directing Respondents LAUSD and King to
16 comply fully with 5 C.C.R. § 15496, including to compel LAUSD to recalculate its prior year
17 expenditures – beginning with its 2014-15 LCAP – and immediately adjust the substance of its current
18 and future LCAPs to account for a larger amount of "new" supplemental and concentration funding and
19 therefore a larger proportionality percentage and begin the requisite stakeholder engagement process to
20 determine how to allocate the new services forthwith.

21 **THIRD CAUSE OF ACTION against Respondents CDE and SPI**

22 **Writ of Mandate – Code Civ. Proc. § 1085**

23 **(Violation of Educ. Code §§ 42238.07 & 52075(a), (d) & 5 C.C.R. §§ 15496 & 4633(a)-(j))**

24 **(Failure to Enforce Regulation Requiring the District**

25 **to Increase or Improve Services Each Fiscal Year)**

26 147. Petitioners re-allege and incorporate by reference each and every allegation contained in
27 paragraphs 1 through 142, inclusive.
28

1 148. At all relevant times, Respondents CDE and SPI had a mandatory, non-discretionary, and
2 ministerial duty under Education Code § 52075(a), (d) and 5 C.C.R. § 4633(a)-(j) to adjudicate UCP
3 complaint appeals alleging that a school district “has not complied with the requirements of [the LCFF
4 statutes]”; to “review the conclusions of law which are the subject of the appeal and determine whether
5 they are correct”; and to “provide a remedy to all affected pupils, parents, and guardians.” At all times,
6 Respondents CDE’s and SPI’s duty herein requires that, upon finding a violation of LCFF, they issue a
7 final determination resolving Petitioners’ UCP Complaint with a remedy that comports with the LCFF
8 statutes and regulations, Educ. Code § 42238.07 and 5 C.C.R. § 15496. As discussed above,
9 Respondents CDE and SPI contravened their duties by, upon confirming the legal violation of LCFF,
10 failing to order a remedy that directs LAUSD to provide the mandatory minimum level of increased or
11 improved services required each fiscal year by the LCFF statutes and regulations, which resulted in high
12 need students being deprived of hundreds of millions of dollars of increased or improved services.

13 149. Petitioners lack a plain, speedy, and adequate remedy at law, except by way of
14 peremptory writ of mandate pursuant to Code of Civil Procedure § 1085 because Petitioners have
15 exhausted all avenues to appeal the UCP Complaint and no adequate remedy at law exists.

16 150. Without relief from this Court, Petitioners are being, and will continue to be, irreparably
17 harmed by Respondents CDE’s and SPI’s failure to perform their legal duties. Their violation of their
18 mandatory duties under Education Code § 52075(a), (d), 5 C.C.R. § 4633(a)-(j), Education Code §
19 42238.07 and 5 C.C.R. § 15496 will continue to harm Petitioners by depriving unduplicated pupils of
20 new and improved educational services and resources in the current and future academic years that are
21 needed to ensure academic success.

22 151. The Court must issue a writ of mandate directing Respondents CDE and SPI to fully
23 comply with Education Code § 52075(a), (d) and 5 C.C.R. § 4633(a)-(j), Educ. Code § 42238.07 and 5
24 C.C.R. § 15496, including to compel them to issue a final determination that requires LAUSD to
25 recalculate its prior year expenditures in accord with the LCFF regulations for each year since its
26 unlawful special education allocation practice began and to immediately adjust the substance of its
27 current and future LCAPs to account for a larger amount of “new” supplemental and concentration
28

1 funding and therefore a larger proportionality percentage, to propose a plan for fully meeting over the
2 next few years the District's unmet prior year obligations toward high need students and to begin the
3 requisite stakeholder engagement process to determine how to allocate the new services forthwith.

4 **FOURTH CAUSE OF ACTION**

5 **Declaratory Relief**

6 152. Petitioners re-allege and incorporate by reference each and every allegation contained in
7 paragraphs 1 through 147 inclusive.

8 153. Petitioners desire a judicial determination of the respective rights of the parties caused by
9 Respondents' violation of their mandatory duties under Education Code § 42238.07, 5 C.C.R. §
10 15496(a), Education Code § 52075(a), (d), and 5 C.C.R. § 4633(a)-(j). Actual controversies have arisen
11 and now exist between Petitioners and Respondents regarding Respondents' violation of their mandatory
12 duties under Education Code § 42238.07, 5 C.C.R. § 15496(a), Education Code § 52075(a), (d), and 5
13 C.C.R. § 4633(a)-(j). Accordingly, declaratory relief is appropriate and necessary. A judicial
14 determination is appropriate at this time and under these circumstances so that Petitioners may ascertain
15 their rights and so that the public's interest in this action may be resolved.

16 **PRAYER FOR RELIEF**

17 WHEREFORE, Petitioners pray for judgment on this Petition as follows:

18 A. For the Court to issue a writ of mandate directing Respondents LAUSD and King, and all
19 those acting in concert with them, to fully comply with Education Code § 42238.07 and 5 C.C.R. §
20 15496(a), including to compel LAUSD to recalculate its prior year expenditures – revising its
21 proportionality percentage beginning in 2014-15 to comport with the LCFF statutes and regulations –
22 and immediately adjust the substance of its current and future LCAPs to account for a larger amount of
23 “new” supplemental and concentration funding and therefore a larger proportionality percentage by
24 which they must increase and improve services for unduplicated pupils, to propose a plan for fully
25 meeting over the next few years the District's unmet current and prior year obligations toward
26 unduplicated pupils, and to begin the requisite stakeholder engagement process to determine how to
27 allocate the new services forthwith;
28

1 B. As part of the foregoing relief, for the Court to order Respondents LAUSD and King to
2 file a Return to the writ within 60 days that sets forth a plan which is consistent with statutory
3 requirements for LCAP adoption and acceptable to Petitioners for how it will fully implement its
4 obligation to increase or improve services to high need students by the 2020-21 school year, including
5 with respect to implementing additional increased or improved services denied high-need students as a
6 result of Respondent LAUSD's and King's actions during the 2014-15, 2015-16, and 2016-17 academic
7 years.

8 C. For the Court to issue a writ of mandate directing Respondents CDE and SPI, and all
9 those acting in concert with them, to fully comply with Education Code § § 42238.07 and 52075(a), (d),
10 as well as 5 C.C.R. § § 15496 and 4633(a)-(j), including by amending their Final Determination to
11 require LAUSD to recalculate its prior year expenditures in accord with the LCFF regulations for each
12 year since the District's unlawful special education allocation practice began (2014-15), to immediately
13 adjust the substance of its current and future LCAPs to account for a larger amount of "new"
14 supplemental and concentration funding and therefore a larger proportionality percentage by which it
15 must increase and improve services for unduplicated pupils, to require LAUSD to propose a plan for
16 fully meeting over the next few years the District's unmet current and prior year obligations toward
17 unduplicated pupils, and to begin the requisite stakeholder engagement process to determine how to
18 allocate the new services forthwith.

19 D. For the Court to issue a declaratory judgment that Respondents' conduct described in this
20 Petition violates 5 C.C.R. § 15496(a), Education Code § 42238.07, Education Code § 52075(a), (d), and
21 5 C.C.R. § 4633(a)-(j);

22 E. For the Court to issue an order prohibiting Respondents, and all those acting in concert
23 with Respondents, from using the policies and practices challenged in this Petition;

24 F. For the Court to exercise continuing jurisdiction over this action to ensure that
25 Respondents comply with the writ of mandate of this Court;

26 G. For the recovery in full of Petitioners' costs and reasonable attorneys' fees incurred in
27 this action; and
28

1 H. For such further equitable and legal relief as this Court deems just and appropriate.

2
3 Respectfully submitted,

4
5 DATED: April 7, 2017

ACLU FOUNDATION OF SOUTHERN
CALIFORNIA

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04/11/2017

ATTACHMENT 1

04/11/2017

**CALIFORNIA DEPARTMENT OF EDUCATION (CDE)
INVESTIGATION OF APPEAL AGAINST THE
LOS ANGELES UNIFIED SCHOOL DISTRICT
REYNA FRIAS, APPELLANT**

District: Los Angeles Unified School District (LAUSD)

County: Los Angeles

Date of Investigation: November 12, 2015 – May 25, 2016

Appellant: Reyna Frias
Community Coalition of South Los Angeles

Primary District Staff: Michelle King, Superintendent
Los Angeles Unified School District

Julie Hall-Panameno, Director
Los Angeles Unified School District

Binh Nguyen, Coordinator of Litigation Research
Los Angeles Unified School District

CDE Staff: Jeff Breshears, Director
Local Agency Systems Support Office

Marsha Bedwell, Attorney
Legal Affairs

Jonathan Feagle, Consultant
Local Agency Systems Support Office

Date of Report May 27, 2016

04/11/2017

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**INVESTIGATION OF APPEAL
Los Angeles Unified School District
Reyna Frias, Appellant**

DEPARTMENT INVESTIGATIVE REPORT

I. BACKGROUND

On November 12, 2015, the Local Agency Systems Support Office (LASSO) of the California Department of Education (CDE) received an appeal, pursuant to California *Education Code (EC)* Section 52075, of the Los Angeles Unified School District's decision dated November 9, 2015. The complaint alleged that Los Angeles Unified School District (LAUSD) violated statute by including special education spending as part of its estimate of prior year expenditures for services for foster youth, low income students, and English learners in its 2014-15 and 2015-16 local control and accountability plans (LCAP).

The initial complaint (Complaint) was filed by Ms. Reyna Frias and the Community Coalition of South Los Angeles (Complainants), with representation, on September 9, 2015 with LAUSD. Complainants requested that LAUSD revise its 2015-16 LCAP to remove special education funding as part of its prior year spending for unduplicated pupils and revise its proportionality calculation and its LCAP to ensure that it spends the appropriate amount of money on increased and improved services for unduplicated pupils in fiscal year 2015-16 and future years.

The District's Decision in response to the initial complaint was presented in a letter from Julie Hall-Panameno, Director of Educational Equity Compliance Office, dated November 9, 2015 (District Report). Complainants, with representation, submitted an appeal to the CDE. In response to the appeal, the CDE notified LAUSD, by letter dated November 13, 2015, that the CDE had received an appeal of its Decision dated November 9, 2015, and requested that LAUSD provide the required documents pursuant to *California Code of Regulations*, Title 5 (5 CCR) Section 4633(a). LAUSD responded to the CDE with an email dated November 20, 2015. All required documents were included as attachments to this email. In a letter dated January 13, 2016, the CDE notified LAUSD and the appellant that the CDE would conduct a further investigation of the allegations and, due to the complexity and state-wide nature of the issues, had found good cause to extend the investigation timeline pursuant to 5 CCR Section 4662(b).

II. SUMMARY OF ALLEGATIONS, DISTRICT RESPONSE AND APPEAL

The Complaint

The Complaint alleges LAUSD failed to comply with legal requirements related to its 2014-15 and 2015-16 LCAPs. In particular, the complaint alleges LAUSD violated *EC* Section 42238.07 and 5 CCR Section 15496 by including a portion of the district's special education spending as part of its estimate of prior year expenditures for services for foster youth, low income students, and English learners (unduplicated pupils) in its 2014-15 and 2015-16 LCAPs.

The Local Control Funding Formula (LCFF) includes a seven-step proportionality calculation to determine the minimal proportionality percentage (MPP) by which a local educational agency (LEA) must increase or improve services for unduplicated pupils above services provided to all pupils in the fiscal year. (See below, p. 8) Step two of this calculation requires an LEA to estimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils ("prior year expenditures").

According to the Complaint, when calculating the MPP for the 2014–15 LCAP and 2015–16 LCAP, LAUSD includes \$450 million of special education expenditures as part of its \$700 million estimate of "prior year expenditures." The complaint asserts that special education expenditures may not be counted as such "prior year expenditures" because special education services are available to all students. In support of this assertion, the complaint states that all pupils may request an Individual Education Plan for special education services, and an LEA must provide these services to all students who qualify, regardless of whether or not they are counted as an unduplicated pupil. The Complaint therefore concludes that special education expenditures are not services targeted for unduplicated pupils and may not be counted as prior year expenditures for unduplicated pupils.

The Complaint alleges that as a result of the inclusion of the \$450 million of special education expenditures in the estimation of prior year expenditures, LAUSD shortchanged unduplicated pupils \$126 million in increased or improved services in 2014–15, and \$288 million in such services in 2015–16. The Complaint further alleges the "deficit" in expenditures on programs for unduplicated pupils will continue to build each year until it grows to \$450 million annually at full implementation of LCFF (estimated to be in 2020–21). Finally, the Complaint alleges that inclusion of special education as prior year expenditures will cost unduplicated pupils "\$2 billion in increased or improved services between now and FY 2020–21" (Original Complaint, p. 5).

The Complaint requests LAUSD revise its 2015–16 LCAP to remove special education funding as part of its prior year spending for foster youth, low income pupils, and English learners, and also revise its MPP calculation and its 2015–16 LCAP to ensure it spends the appropriate amount of money on increased and improved services for such pupils in 2015–16 and in future years.

LAUSD Response to the Complaint

LAUSD investigated the Complaint, pursuant to its Uniform Complaint Procedures. It concluded the complainants' legal contentions were without merit. The district's view is summarized as follows:

The plain language of the 5 CCR Section 15496 directs LEAs to estimate the amount of LCFF funds expended by the LEAs on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils. (Emphasis in District Report, p. 14.) According to LAUSD, special education services are not services provided to all pupils, but are instead services provided only to a small percentage of pupils who meet specific eligibility requirements prescribed by federal and state special education laws. (Individuals with Disabilities Act [20 U.S.C. 1400 et seq.]; EC 56000 et seq.) Therefore, special education services may be included in the estimate of prior year expenditures on services for unduplicated pupils under 5 CCR Section 15496(a)(2).

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LAUSD further argues the regulations broadly define "services." (District Report, p. 14.) LAUSD determined it was within its "discretion to interpret subdivision (a) of Section 15496 according to its plain meaning." (District Report, p. 18.)

LAUSD further described how it determined the "prior year expenditure" figure to be \$450 million in 2013–14 and 2014–15. LAUSD utilized its estimate of District General Fund contribution to special education (net of revenue limit and affiliated charters),¹ which was \$653.4 million for 2013–14 and \$633.9 million for 2014–15.² It further calculated the percentage of unduplicated pupils who receive special education services, excluding those attending affiliated charter schools, utilizing 2012–13 CALPADS and CASEMIS student enrollment data.³ That percentage was determined to be 79.38%. LAUSD reports it identified the subset of special education programs that benefit unduplicated pupils and applied the 79% to the expenditures for those programs, yielding \$449.88 million in expenditures for 2013–14 and 2014–15. (District Report, p. 10.)

The district response to the complaint included general descriptions of some of the expenditures included in the \$450 million. These included: initiatives addressing integration of student with disabilities into general education settings, and reducing disproportionality among subgroups identified for special education; increased support services to advance academic achievement of English learners with disabilities; aligning IEPs with the district's English Learner Master Plan, inclusion of IEP goals for English proficiency in each IEP, and identification of the ELD present level of performance in each student. (District Report, p. 10.)

LAUSD's response further states that certain expenditures were excluded from its calculation of prior year expenditures for unduplicated pupils, even though it believes that the regulations would permit inclusion of a wide array of expenditures in the calculation. Special education expenditures excluded were described as: \$33 million on spending for pre-school and adult populations; \$6.5 million for SPED Career & Transition Program, which serves pupils from both K-12 and adult student populations. LAUSD reports it took a conservative approach in making its calculation and excluded an

¹ CDE understands net of revenue limit to mean the amount of contributions to special education excluding an amount equal to revenue limit funding for certain special education pupils. CDE understands net of affiliated charters to mean that LAUSD excluded charter school expenditures that are included in its general ledger.

² Special education services are funded by a combination of three funding sources: federal, state, and local. Federal funds and state funds are provided through special education categorical grants. The contribution of local funds to special education typically comes from a school district's unrestricted general funds, and this contribution is sometimes referred to as "encroachment" - based on the idea a contribution of local funds for special education "encroaches" on general education program. However, the label can be a misnomer when it is used to describe *any* local expenditure for special education, as "regular" education costs for pupils receiving special education are intended to be funded from other local sources, including LCFF. However, it is the case that Federal and state special education categorical funds do not fund the full excess costs of educating pupils with disabilities.

³ CALPADS and CASEMIS are student information systems, CASEMIS including data specific to Special Education.

additional \$34.5 million, "to ensure that its proportionality calculations were based upon services geared directly to unduplicated pupils." The exclusions included:

- SPED Central Office (\$11.15 million)
- SPED IMA Equipment-Materials (\$4.56 million)
- SPED Reimbursement Due Process (\$4.26 million)
- SPED Allocation to Schools for Compliance (3.25 million)
- SPED Program Specialists Certificated (\$2.94 million)
- SPED IMA Allocation to Schools (\$1.05 million)
- SPED Least Restrict Environment Counselors (\$0.65 million), and
- SPED Temporary Personnel Account (\$0.13 million).

LAUSD also reports it excluded some amount in expenditures for services that may involve minimal contact between special education personnel and the general education population, including some amount for salaries and health benefits for therapists and specialist who participate in assessments to determine pupil eligibility for special education. (District Report, p. 13.)

The LAUSD response concludes the district's actions as described above are appropriate under 5 CCR Section 15496(a). It states that the regulation setting forth the requirements for estimates of prior year expenditures for unduplicated pupils does not exclude expenditures for services that are ""available to all students who are eligible"", or services that are not ""targeted for"" unduplicated pupils. (District Report, p. 14, citing allegations of the Complaint.) It concludes that 5 CCR Section 15496 directs LEAs to exclude only "services provided to all pupils," and accordingly poses the question to be answered as:

"Are special education services 'services provided to all pupils' under Section 15496 of title 5 of the *California Code of Regulations*?" (District Report, p. 14.)

LAUSD states its view that, factually, special education services are services provided only to those eligible to receive them according to statute, and the expenditures included in its estimate are only for those students who have an IEP. It further asserts that no authority in the LCFF or implementing regulations, or legislative or regulatory history, support a conclusion that services for special education are "services provided to all students" despite that phrase's "plain meaning." (District Report, p.15.) LAUSD asserts that Complainants' construction of the regulations is inconsistent with the Legislature's lack of inclusion of a "do not supplant" restriction in the LCFF. (District Report, p.17.)

In addition, LAUSD argues that the legislative direction to authorize expenditure of supplemental and concentration funds on a "district-wide" or "school-wide" basis support its methods for determining "prior year expenditures." (District Report, p. 17.) According to LAUSD, the fact that 84% of its pupils are unduplicated pupils, means the "district-wide core educational program is itself ""principally directed towards .meeting the district's goals for its unduplicated pupils."" (District Report, p.18.) Based on the above, LAUSD's response concludes \$450 million in special education expenditures described above may be included in its estimate of prior year expenditures on services for unduplicated pupils.

The Appeal

In their appeal, Complainants state that there are no material facts in dispute. (Appeal, p. 2.) Complainants point out that LAUSD derived its estimate of "prior year expenditures" by application of a formula:

79% (representing unduplicated pupils), multiplied by expenses associated with a subset of special education programs that would benefit these pupils, yielding \$449.8 million in prior year expenditures.

This figure, notes Complainants, is nearly all of the special education general fund encroachment. Complainants describe the key issue as the legal interpretation to be given 5 CCR Section 15496(a)(2)'s requirement to "[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expending on services provided for all pupils." (Appeal, p. 2, emphasis in Appeal.)

Complainants allege that LAUSD essentially interprets "services provided for all pupils" to mean only those services provided to "precisely 100% of pupils," and such interpretation is not supported by law. According to Complainants, such an interpretation would lead to absurd results, allowing a district to apply its unduplicated percentage to any program that is available to all pupils but serves only a portion of pupils, such as summer school, after-school programs, extracurricular activities and such. (Appeal, p. 2.)

Complainants further assert LAUSD failed to address Complainants' argument that 5 CCR Section 15496(a)(2) recognizes only two types of spending for services: (1) expenditures on services for unduplicated pupils and (2) expenditures on services for all pupils. According to Complainants, expenditures for services that serve pupils without regard to students' low-income, English learner, or foster youth status are not "expenditures for unduplicated pupils," and, therefore, do not meet the regulatory standard for inclusion as part of "prior year expenditures." (Appeal, p. 2.)

Complainants also restate their assertion that because special education expenditures are incurred pursuant to preexisting federal and state mandates, LAUSD's action violates the mandate to "increase or improve services for unduplicated pupils as compared to services provided to all pupils" as required by the statute and regulations. (Appeal, p. 3.)

Complainants requested remedy is that the Superintendent of Public Instruction (SPI) overturn LAUSD's decision, and require LAUSD to revise its 2015-16 LCAP to remove special education funding as part of its prior year spending for unduplicated pupils, and also to revise its proportionality calculation and 2015-16 LCAP to ensure it spends the appropriate of money on increased and improved services for such pupils in 2015-16 and future years.

III. GENERAL PROCEDURES OF INVESTIGATION

Upon receipt of the appeal, CDE requested LAUSD provide the following documents in accordance with 5 CCR Section 4633(a):

- A copy of the original complaint

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- A copy of the Decision
- A summary of the nature and extent of the investigation conducted by the local educational agency, if not covered in the Decision
- A copy of the investigation file, including but not limited to, all notes, interviews and documents submitted by the parties or gathered by the investigator
- A report of any action taken to resolve the complaint
- A copy of the local educational agency complaint procedures
- Such other relevant information as the Department may request

CDE reviewed these documents. In addition, CDE reviewed the LAUSD 2014–15 LCAP and 2015–16 LCAP. CDE conducted a telephone conference with Complainants' representatives on February 24, 2016, to discuss the complaint. Complainants' representatives explained the basis for the complaint consistent with the written appeal submission. CDE conducted a telephone conference with representatives of LAUSD on April 6, 2016. In that conference CDE requested LAUSD provide information identifying the program expenditures which it included in its calculation of the \$450 million prior year expenditures. In response, LAUSD provided a list of special education programs included in SACS Resource Code 6500, specifying which programs were included and which were excluded, as well as further argument in support of its determination. (Exhibit F.)

IV. APPLICABLE STATUTES AND REGULATIONS

- *California Education Code (EC)* sections 42238.02, 42238.07, 52060-52075
- *California Code of Regulations*, Title 5 (5 CCR) 15494-15497.5

V. FINDINGS OF FACTS AND CONCLUSIONS OF LAW

LCFF Overview

An overview of the Local Control Funding Formula (LCFF) legislation is helpful to understanding the allegations of this Complaint. The LCFF was enacted by Assembly Bill No. 97 (Chapter 47, Statutes of 2013)⁴, and was effective on July 1, 2013. The LCFF establishes a new funding formula for school districts (as well county offices of education, and charter schools (LEA's)). It replaces the long-standing "revenue limit" system of funding. Under revenue limits, districts received funds based on a unique revenue limit amount multiplied by their average daily attendance (ADA). This statutory formula provided school districts most of their general purpose funding.

Under the old system, revenue limit funding was coupled with "categorical" programs. These programs provided funding for specific, restricted purposes, typically funded either by program-specific formula grants, or pursuant to an application submitted by a school district. Often, categorical programs were designed to provide targeted services

⁴ Senate Bill No. 91 (Chapter 70, Statutes of 2013) and Senate Bill No. 97 (Chapter 357, Statutes of 2013), made minor changes to the LCFF as adopted by AB 97)

based on demographics and needs of the pupils in a district. The LCFF replaced the approximately three-quarters of categorical programs.

The LCFF establishes a "base" level of funding for school districts, which is a specified amount for each unit of ADA based on grade spans: \$6,845 for K-3; \$6,947 for grades 4-6, \$7,154 for grades 7 and 8, and \$8,239 for grades 9-12. (EC Section 42238.02(d).) These base rates may then be subject to additional adjustments as described below.

Implementation of the LCFF requirements began in 2013–2014, but full funding of the formula is being phased in over several years. The LCFF is anticipated to be fully funded by 2020–21. The Legislative Analyst reports that at the time of the LCFF's adoption, the base LCFF funding rate was estimated to be about \$500 per pupil higher than the 2012–13 revenue limit rates, and the state has provided approximately \$12.8 billion in additional K-12 funds over the past three years under the LCFF.⁵ When fully implemented, the LCFF will result in significantly more funding than was provided by the previous system of revenue limits coupled with categorical programs.

Grade-Span Adjustments and Adjustments for "Unduplicated Pupils"

The LCFF provides for two adjustments to the base funding level described above. The first adjustment is based upon the grade level of the pupils. A Kindergarten through grade 3 adjustment increases the base rate by 10.4 percent tied to a reduction in class-size to a schoolsite-average of no more than 24 pupils, upon full implementation, unless collectively bargained otherwise. (EC Section 42238.02(d)(3).) In addition, the formula provides for an increase in the base amount by 2.6 percent for pupils in grades 9-12 to reflect higher operating costs and a focus on college and career readiness. (EC Section 42238.02(d)(4).)

The second adjustment to the LCFF formula is based on pupil demographics. The formula provides additional funding in the form of supplemental and concentration amounts based on the number and concentration of low income, English learners and foster youth pupils ("unduplicated pupils") as defined by EC Section 42238.02(b). The LCFF formula provides an additional 20 percent of the base amount for each unduplicated pupil. (EC Section 42238.02(e).) When the number of unduplicated pupils exceeds 55 percent of a school district's enrollment, the LCFF formula provides an additional 50 percent of the base amount for each unduplicated pupil that exceeds the 55 percent enrollment. (EC Section 42238.02(f).)

Expenditure Requirements for Supplemental and Concentration Funds

EC Section 42238.07 governs the expenditure of supplemental and concentration funds). It provides:

- "a) On or before January 31, 2014, the state board shall adopt regulations that govern the expenditure of funds apportioned on the basis of the number and concentration of unduplicated pupils pursuant to sections 2574, 2575, 42238.02, and 42238.03. The regulations shall include, but are not limited to, provisions that do all of the following:

⁵ Legislative Analyst's Office, Overview of Local Control Funding Formula and New State Accountability System; presentation to Assembly Budget Subcommittee No. 2 on Education Finance, March 8, 2016.

(1) Require a school district, county office of education, or charter school to increase or improve services for unduplicated pupils in proportion to the increase in funds apportioned on the basis of the number and concentration of unduplicated pupils in the school district, county office of education, or charter school.

(2) Authorize a school district, county office of education, or charter school to use funds apportioned on the basis of the number of unduplicated pupils for schoolwide purposes, or, for school districts, districtwide purposes, for county offices of education, countywide purposes, or for charter schools, charterwide purposes, in a manner that is no more restrictive than the restrictions provided for in Title I of the federal No Child Left Behind Act of 2001 (20 U.S.C. Sec. 6301, et seq.).

(b) The state board may adopt emergency regulations for purposes of this section."

Consistent with the provisions of EC Section 42238.07, the State Board of Education (SBE) adopted regulations governing the expenditure of supplemental and concentration funds in January 2015. These regulations are at 5 CCR sections 15495 through 15497.5.

5 CCR Section 15496 addresses the requirement that schools districts "increase or improve" services for unduplicated pupils in proportion to the increase in supplemental and concentration funds (EC Section 42238.07(a).) ⁶

Calculating the Minimum Proportionality Percentage (MPP)

As noted above, funding increases provided for by LCFF are being phased in over several years, with the funding target expected to be reached by 2020–21. Prior to the implementation of LCFF, districts varied in the extent to which they participated in various categorical programs and in the level of services provided for low-income pupils, English learners, and foster youth. Thus, in 2012–13, the year immediately preceding the year of LCFF's initial implementation, there was variation across districts in the level of expenditures for services provided to pupils who met the criteria for low-income, English learner, and foster youth. During the phase-in of funding, districts will receive LCFF funding based upon the difference (gap) between their prior year funding and the amount they will receive when the LCFF is fully funded (the target LCFF base funding level [LCFF target]). Because of the phase in of LCFF funding, the base funding level and supplemental and concentration grant funding level must be estimated until full funding is reached.

In consideration of the phase-in of LCFF funding and the varying "starting" points for school districts, 5 CCR Section 15496 provides a seven-step process for determining the amount of funding attributable to supplemental and concentration grants in the LCAP year and the minimum proportion by which a district must "increase or improve" services for unduplicated pupils (MPP). (5 CCR Section 15496(b)(1)-(7).) During the transition to full funding, these amounts will depend, in part, on a district's estimate of LCFF funds

⁶ The process for adoption of permanent regulations proceeded in parallel with adoption of emergency regulation, which were adopted in January 2014 and went into immediate effect. The emergency and permanent regulations were the same with respect to determination of prior year expenditures and calculating the minimum proportionality percentage.

expended on services for unduplicated pupils in the prior year that is in addition to what was expended on services for all pupils. (5 CCR Section 15496(b)(2)[Step two].) Pursuant to the formula, districts make incremental progress toward the supplemental and concentration grant expenditures levels required at full implementation to proportionally increase or improve services for unduplicated pupils.

At full funding, a district's supplemental and concentration grant funding level will be identifiable, and the regulations at that point require the MPP to be calculated by dividing that grant amount by the remainder of the district's LCFF funds (with exclusion of certain funds as identified in the regulation). (5 CCR Section 15496(a)(8).)

Schoolwide and Districtwide Expenditures of Supplemental and Concentration Funds

EC Section 42238.07(b) required the SBE to adopt regulations to authorize a school district to use funds apportioned on the basis of the number and concentration of unduplicated pupils for "districtwide" or "schoolwide" purposes, in a manner no more restrictive than provided for in Title I of the federal No Child Left Behind Act of 2001 (20 U.S.C. Sec. 6301, et seq.). Title I provides federal financial assistance distributed through state education agencies to LEAs with a high number or percentage of children from low-income families to assist them in ensuring that all pupils meet the state's academic standards. LEAs are required to allocate funding to schools with the highest percentages of children from low-income families. Unless the receiving school is operating a schoolwide program, it is required to focus Title I services on children who are identified as failing, or most at risk of failing, to meet state academic standards.

A school operating a schoolwide program is authorized to provide services to upgrade the entire educational program of a school. A school serving an attendance area in which least 40% of the pupils are from low income families may operate a schoolwide program. Educational programs may be designed to serve all students, provided requirements such as conducting a needs assessment, developing a comprehensive plan, and conducting an annual evaluation of the plan are met. (20 U.S.C. 6313, 6314.)⁷ Title I does not include a provision for districtwide programs.

Consistent with EC Section 42238.07(b), the expenditure regulations identify the circumstances in which LEAs may use supplemental and concentration funds on a districtwide or schoolwide basis. (5 CCR Section 15486(b).) The conditions imposed on LEAs for such use vary depending on the type of LEA and the percentage of unduplicated pupils. For a district such as LAUSD, with an enrollment of unduplicated pupils of 84%, the requirements for districtwide use of supplemental and concentration grant funding are as follows:

"(b) an LEA may demonstrate it has increased or improved services for unduplicated pupils by using funds to upgrade the entire educational program of a school district as follows:

(1) A school district that has an enrollment of unduplicated pupils of 55 percent or more of the district's total enrollment in the fiscal year for which an LCAP is adopted or in the prior year may expend supplemental and concentration grant

⁷ NCLB was recently amended by the Every Student Succeeds Act ("ESSA", Pub. Law No. 114-95). ESSA contains provisions for schoolwide Title I programs.

funds on a districtwide basis. A school district expending funds on a districtwide basis shall do all of the following:

- (A) Identify in the LCAP those services that are being funded and provided on a districtwide basis.
- (B) Describe in the LCAP how such services are principally directed towards, and are effective in, meeting the district's goals for its unduplicated pupils in the state and any local priority areas."

The Local Control and Accountability Plan (LCAP)

LCFF requires the governing board of each school district to adopt an LCAP, on or before July 1, 2014, using a template adopted by the SBE. (EC Section 52060.) The LCAP is required to be updated on or before July 1 of each year. According to statute, the LCAP is required to include, for the school district and each school within the district:

- a description of the annual goals, for all pupils and each subgroup of pupils identified pursuant to EC Section 52052,⁸ to be achieved for each of the eight state priorities identified in EC Section 52060(d), as well as for any additional local priorities identified by the district governing board, and
- a description of the specific actions the school district will take during each year of the local control and accountability plan to achieve the goals identified in its plan.

EC Section 52064 required the SBE to adopt a template by March 31, 2014, for LEAs to use for their LCAPs and annual updates to the plan. The SBE-adopted template for the LCAP and Annual Update is at 5 CCR Section 15497.5.

Stakeholder Input on Development and Approval of the LCAP

The LCAP must be developed with stakeholder input, as prescribed by EC sections 52060, 52062 and 52063. There must be consultation with teachers, principals, administrators, other school personnel, local bargaining units of the school district, parents, and pupils. (EC Section 52060(g).) A district also must have a parent advisory committee to advise on the LCAP. Before a governing board adopts the LCAP, the district superintendent must present it to the parent advisory committee, and respond in writing to advisory committee comments. (EC sections 52062(a)(1); 52063(a)(1).)

Districts, such as LAUSD, that have enrollment of English learners of at least 15 percent and at least 50 English learners, also must have an English learner parent advisory committee. (EC Section 52063(b).) Prior to adoption, the district superintendent must present it to the English learner parent advisory committee for review and comment, and respond, in writing, to comments received from the committee. (EC Section 52062(a)(2).)

Members of the public must be informed by the district of the opportunity to submit written comments regarding the specific actions and expenditures proposed to be included in the plan. (EC Section 52062(a)(3).) A school district governing board is required to adopt its LCAP and annual update using a two-meeting process. It must first

⁸ These subgroups of pupils are: ethnic subgroups, socioeconomically disadvantaged pupils, English Learners, pupils with disabilities, foster youth, and homeless youth (homeless youth added effective June 24, 2015).

hold a public hearing at which it receives public comment; this hearing must be held at the same meeting as its first public hearing on adoption of its proposed budget. The district may then adopt its LCAP or annual update at a public meeting held at least one-day after the initial public hearing, and that meeting must be the same meeting at which the district adopts its budget. (EC Section 52062(b).)

A school district may adopt revisions to its LCAP during the time it is in effect, if it follows the above process for adopting an LCAP, including adopting the revisions in a public meeting.

County Superintendent Review and Approval

Within five days of adoption of the LCAP or annual update by the governing board, a school district is required to submit it to the county superintendent of schools for review and approval. (EC Section 52070.) The statute establishes a procedure by which a county superintendent may seek clarification from the district regarding the LCAP or annual update. Any recommendations of a county superintendent for amendments to the LCAP or annual update must be considered by the governing board of the school district in a public meeting. By October 8 of each year the county superintendent must approve the district's LCAP or annual update if he or she determines:

- The LCAP or annual update adheres to the SBE-adopted template (EC Section 52070(d)(1))
- The school district's budget for the applicable fiscal year includes expenditures sufficient to implement the specific actions and strategies include in the LCAP based upon projections of the costs included in the plan (EC Section 52070(d)(2)), and
- The LCAP or annual update adheres to the expenditure requirements adopted pursuant to EC 42238.07 for funds apportioned on the basis of the number and concentration of unduplicated pupils. (EC Section 52070(d)(3))

The expenditure regulations adopted by the SBE address county superintendents' responsibilities in reviewing LCAPs for adherence to the requirements of EC Section 52070(d)(3). (5 CCR Section 15497.) The county superintendent is required to review any descriptions in the LCAP of districtwide or schoolwide services to determine whether the district has "fully demonstrated that it will increase or improve services for unduplicated pupils pursuant to Section 15496(a)." If a county superintendent determines a district has failed to increase or improve services for unduplicated pupils as described in 5 CCR Section 15497, the county superintendent must provide technical assistance to the district, as specified in the statute.

Analysis

Special Education Expenditures in Determining MPP

The central issue in this complaint is the meaning of the "second step" in the calculation required by 5 CCR Section 15496(a) to determine the "percentage by which services for unduplicated pupils must be increased or improved above services for all pupils [the MPP]. Step two requires a district to:

"Estimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on

services provided for all pupils. The estimated amount of funds expended shall be no less than the amount of Economic Impact Aid expended in the 2012–2013 fiscal year.”

In this case, LAUSD asserts special education services are clearly not “services for all pupils” because such services are provided only to those pupils who meet the eligibility criteria specified in statute. Building on its view that special education services are not provided to all pupils, LAUSD performs a straightforward calculation applying 79% (the percentage of pupils receiving special education who are also unduplicated pupils) to the bulk of its general fund expenditures for special education, resulting in \$450 million in special education expenditures being included as part of its estimate of “prior year expenditures” in the MPP calculation.⁹

LAUSD does exclude from its calculation some of its expenditures for special education. (See exclusions identified at p. 3–4 above.) However, based on the information provided by LAUSD in response to the Complaint, those exclusions are not based on any distinctions between expenditures on special education services for unduplicated pupils, and expenditures on special education services for all pupils receiving special education, including unduplicated pupils. Rather than making such a distinction, the district derives a proportional expenditure amount and identifies that amount as expenditures for unduplicated pupils “in addition” to expenditures for all pupils. As was noted previously, the bulk of expenditures coded to Resource Code 6500 were included in the proportional calculation. The programs identified to Resource Code 6500 reflect a broad array of program services available to special education pupils generally. (Exhibit F.)¹⁰

LAUSD’s approach does, as Complainants argue, give a strained construction to the meaning of the regulation. It focuses on the plain meaning of “all,” as is evident from its framing the question: “Are special education ‘services provided to all pupils’ under section 15496 of the *California Code of Regulations*?” (District Report, p. 14.) It construes the regulation to permit inclusion of any expenditures for services in programs that serve both unduplicated and duplicated pupils as expenditures on services for unduplicated pupils, even when the services are provided without regard to pupils’ unduplicated status.

The above approach is not consistent with the LCFF statute and regulations. *EC* Section 42238.07(a) requires that funds apportioned on the basis of the number and concentration of unduplicated pupils be expended to “increase or improve” services for unduplicated pupils in proportion to the increase in funds apportioned. (*EC* Section 42238.07; 5 *CCR* Section 15496.) The regulation at issue directs the manner in which districts are to calculate the MPP during the transition period to full funding of the LCFF. At step 2 in the calculation, the regulation directs the district to make a comparison between expenditures on services provided for unduplicated pupils “in addition” to

⁹ Note the same figure is derived for 2013–14 and 2014–15, despite a difference to general fund expenditures for special education services in the two years. (District Report, p 10.)

¹⁰ Schools districts utilize a standard chart of accounts to record and report financial information. A “resource code” is used in schools’ accounting systems to track activities funded with revenues that have special accounting or reporting requirements or are legally restricted. Resource Code 6500 is for special education. Districts often contribute unrestricted general fund resources to this Resource Code 6500 when expenditures for special education exceed federal and state categorical funding (see footnote 2).

expenditures on services for "all" pupils. To be consistent with the statutory purposes, the comparison must distinguish between services directed to unduplicated pupils based on that status, and services available for all pupils, without regard to their status as unduplicated pupils or not.

Not only is the above approach the directive of the statutory language, the regulations demonstrate that legislative purpose, in part, by specifying a floor for "prior year expenditures" in the first year in which the formula was operative consisting of a district's 2012-13 expenditures of Economic Impact Aid (the pre-LCFF categorical program providing supplemental funds to serve pupils who were low-income or English learners).

Thus, in calculating the MPP under 5 CCR Section 15496, the regulation requires that expenditures on services for unduplicated pupils made without regard to pupils' unduplicated status be excluded from the estimate of prior year expenditures (5 CCR Section 15496(a)(2)). With regard to expenditures for special education, prior year expenditures on special education services directed to unduplicated pupils based on their status as unduplicated may be included when estimating prior year expenditures under 5 CCR Section 15496(a)(2). But, in addition, expenditures for special education services that are for duplicated and unduplicated pupils generally, without regard to pupils' unduplicated status, may not be included in estimating such prior year expenditures.

The Significance of Districtwide Expenditure

In support of its position that it acted consistent with 5 CCR Section 15496(a)(2) and in arguing rejection of Complainants' demand to remove \$450 million of special education expenditures from its estimate of prior year expenditures, LAUSD argues that the regulations grant districts, such as it, with high enrollments of unduplicated pupils the highest level of flexibility. (District Response, p. 17.) The district further states "[b]ecause the overwhelming majority of LAUSD's pupils (84%) are unduplicated, the district-wide core program is itself 'principally directed towards meeting the district's goals for its unduplicated pupils,'" citing, in part 5 CCR Section 15496(b)(1)(B). (District Response, p. 18.) While it is the case that LAUSD has flexibility to the extent afforded by the regulations, we do not find its argument persuasive on the issues raised by this appeal.

First, LAUSD's argument appears to conflate the threshold that permits districtwide use of funds apportioned on the basis and numbers of unduplicated pupils with the justification required when a district decides to proceed districtwide. The 55 percent or more qualifies a district to use funds on a districtwide basis, but it must then identify in its LCAP those services provided on such basis and describe how they are "principally directed towards and are effective in "meeting the district's goals for its unduplicated pupils in the state and any local priority areas. (5 CCR Section 1549(b)(1)(B).)

In accordance with the regulation, LAUSD has flexibility to expend supplemental and concentration grant funds on a districtwide basis, as circumscribed by the actions necessary to justify such expenditure. The required articulation of reasons supporting districtwide use is critical to meeting the statutory requirement that such funds be used to "increase or improve" services for unduplicated pupils in proportion to the amount of the increase in funding. (EC Section 42238.07(b).) In addition, the requirement to articulate in the LCAP how districtwide expenditures are " principally directed towards, and effective in " meeting goals for unduplicated pupils is a critical step that should

reflect the culmination of the significant stakeholder engagement called for by the LCFF, and is essential to transparency.

In addition, the authority to expend supplemental and concentration grant funds for services provided on a districtwide basis under *EC* Section 42238.07(b) and 5 *CCR* Section 15496(b) is an alternative to expenditure of such for services for unduplicated pupils on a targeted basis (*EC* Section 44238.07(a).)¹¹ Accordingly, districtwide expenditure is not, necessarily, determinative of whether such expenditure qualifies as a "prior year expenditure" under 5 *CCR* Section 15496(a)(2), though it may qualify as such (see below).

MPP is a "Proportional" Spending Requirement

We must also note a point of disagreement with the position asserted by Complainants as expressed in their requested remedy. Complainants request that LAUSD be directed to revise its proportionality calculation and its LCAP to insure that it spends the appropriate amount of money on increased and improved services for High Needs Students in FY 2015–16, and in future years." The expenditure requirement for supplemental and concentration grant funding is a requirement to increase or improve services for unduplicated pupils in proportion to the increase in funding received based on the number and concentration of unduplicated pupils with the proportional increase determined by the MPP calculation set forth in the regulations. Thus, it is a "proportional" spending requirement, and not a requirement for a "dollar-for-dollar" spending, such as might exist with a restricted, categorically funded program. Accordingly, it is inconsistent with the regulatory framework to state that LAUSD's calculation of its MPP deprived unduplicated pupils of a specific dollar amount of increased or improved services, as alleged in the Complaint. (Complaint, p. 2.)

Some Special Education Expenditures for Unduplicated Pupils May Count as Prior Year Expenditures

In addition, we do not conclude that any and all expenditures of a district's general fund for special education purposes must be excluded from its estimate of "prior year expenditures" under 5 *CCR* Section 15496(a)(2). A district may, in fact, make expenditures for special education services that are for unduplicated pupils that are "in addition" to special education services that are provided to unduplicated pupils and all other pupils receiving special education services. As noted above, prior year expenditures on special education services provided to pupils based on their status as unduplicated pupils may be included when estimating prior year expenditures under 5 *CCR* Section 15496(a)(2). In that case, such expenditures could be considered "prior year expenditures" and included in the required calculation of the MPP.

But, in addition, expenditures for special education services that are made available to duplicated and unduplicated pupils generally, without regard to pupils' unduplicated status, may not be included in estimating such prior year expenditures under 5 *CCR* Section 15496(a)(2). These expenditures must be excluded when calculating the MPP for the LCAP year.

¹¹ The LCFF does not, however, include a "do not supplant" mandate, as noted by LAUSD. (District Report, p. 17.)

In this case, some of the expenditures identified as being included in the \$450 million LAUSD identifies as being spent for special education services may, in fact, be special education services provided on the basis of pupils' unduplicated status. However, based on the information provided and the legal theory articulated by LAUSD in connection with the complaint and appeal, it is not possible to make that determination.

VI. REQUIRED CORRECTIVE ACTIONS

In this case, based on the information provided, LAUSD does not demonstrate that the \$450 million consists of expenditures on special education services provided to pupils based on their status as unduplicated pupils, in addition to special education services provided to all pupils, as required by 5 CCR Section 15496(b)(2). Based on the above analysis, beginning with the 2016–17 LCAP, LAUSD must revise its calculation practice of "prior year expenditures" as set forth in 5 CCR Section 15496(b)(2) to exclude any special education expenditures which are not for expenditures for special education services provided for unduplicated pupils that are in addition to expenditures on services for all special education pupils, and ensure its MPP is consistent with its estimate of "prior year expenditures". In future years, LAUSD must calculate MPP consistent with the above analysis, and reflect that MPP in its LCAPs, for so long as 5 CCR Section 15496(b)(2) is applicable.

VII. CONCLUSION

The CDE has investigated the complaint initially filed on September 9, 2015, with the Los Angeles Unified District. This district is required to implement the Required Corrective Actions. The CDE will monitor LAUSD's compliance with the required actions of this report for two years from LAUSD's receipt of this report.

Pursuant to 5 CCR Section 4665, within 35 days of receipt of this investigation report, either party may request reconsideration.

04/11/2017

VIII. APPENDIX 1: EXHIBITS

Exhibit A: Original Complaint

Exhibit B: District Report of Findings

Exhibit C: Appeal Letter

Exhibit D: LAUSD 2015-16 Local Control and Accountability Plan

Exhibit E: LAUSD Special Education Expenditures in SACS Resource 6500

04/11/2017

Exhibit A: Original Complaint

04/11/2017



September 9, 2015

Julie Hall-Panameno, Director
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Via E-Mail and U.S. Mail

Re: Uniform Complaint Procedure Complaint Re Superintendent Cortines and LAUSD's Failure to Comply with Legal Requirements Pertaining to LCAP

Dear Ms. Hall-Panameno,

We submit the following Uniform Complaint Procedure ("UCP") complaint on behalf of Ms. Reyna Frias and Community Coalition of South Los Angeles ("Community Coalition") regarding Los Angeles Unified School District and Superintendent Cortines's (collectively "LAUSD") failure to comply with the legal requirements pertaining to its Local Control and Accountability Plan ("LCAP"). Specifically, LAUSD has violated its legal obligations under Education Code § 42238.07 and 5 C.C.R. § 15496 by including special education spending as part of its estimate of prior year expenditures for services for foster youth, low income students, and English learners (collectively "High Need Students") in its 2014-15 and 2015-16 LCAPs.

We have brought the issues in this complaint to the district's attention through multiple letters and conferences and most recently in a legal complaint filed with the LA Superior Court on July 1, 2015. LAUSD filed a demurrer on the ground that Ms. Frias and Community Coalition cannot seek judicial relief until they exhaust the administrative remedies provided under section 52075 of the Education Code and file a complaint pursuant to the UCP. While we do not believe that filing a UCP complaint is a prerequisite to filing our lawsuit, out of an abundance of caution and because of the considerable delay before we expect the Court to reach a decision on

the district's demurrer motion, we now file this UCP complaint. Given our prior dealings with the district in attempts to resolve this matter, we maintain that the filing of this complaint is not mandatory and is futile, as we do not expect it to change the district's clear refusal to correct its erroneous calculations in its LCAP and ensure that it increases and improves services for High Need Students in accordance with LCFF regulations.

As a result of this error in LAUSD's LCAP, the district deprived High Need Students of roughly \$126 million in increased or improved services in Fiscal Year 2014-15 and roughly \$288 million in increased or improved services in FY 2015-16. Over the course of LCFF implementation, LAUSD's improper inflation of its baseline starting point of supplemental and concentration funding will deprive High Need Students of more than \$2 billion in increased or improved services between now and FY 2020-21, and \$450 million in services every year thereafter.

Accordingly, we request that LAUSD revise its 2015-16 LCAP to remove special education funding as part of its prior year spending for High Need Students and revise its proportionality calculation to ensure that the district spends the proper amount of money on increased and improved services for High Need Students.

We initially brought this error to LAUSD's attention in April 2014 when LAUSD released the first draft of its proposed 2014-15 LCAP. We subsequently engaged in negotiations for over a year with LAUSD personnel to attempt to resolve the dispute, but the district refused to amend its LCAP to comply with its obligations under the Education Code and relevant regulations. We also sent a letter to the District in December 2014 on behalf of Ms. Frias and Community Coalition raising these same issues. On July 1, 2015, we filed a Petition for Writ of Mandate in Los Angeles Superior Court (No. BS 156259) (the "Action"), which included the same claims we are asserting in this UCP complaint. A copy of the Petition is enclosed as Attachment 1 for your reference.

Because we have already discussed these issues at length with LAUSD and the district has made clear that it will not amend its LCAP, and because none of the underlying facts are in dispute, we trust that LAUSD will be able to conclude its investigation and render a decision in an expeditious manner.

I. Complainants

Ms. Reyna Frias is the mother of two children, both of whom attend public schools in LAUSD. Ms. Frias's youngest child is a third grade student and is classified as an English learner. He also receives special education services to address a speech or language impairment. Ms. Frias's oldest child is a seventh grade student. Both of Ms. Frias' children are eligible to receive a free or reduced-price meal and thus qualify as low-income students.¹

Community Coalition is a non-profit organization that works to transform the social and economic conditions in South Los Angeles that foster addiction, crime, violence and poverty.

¹ For more information regarding Ms. Frias or her children, please contact counsel listed on this letter.

For purposes of investigating this complaint and reporting any findings or decision, both complainants can be contacted through counsel listed on this letter.

II. Attempts to Resolve the Dispute with LAUSD Personnel

LAUSD released a proposed LCAP in early April 2014 that included in its calculation of prior year expenditures for High Need Students approximately \$450 million of expenditures for special education services. Attorneys from Public Advocates and the ACLU reached out to LAUSD staff within days of this release to discuss the improper inclusion of special education expenditures and informed LAUSD's chief operating officer that its proposal would violate the regulation.

On June 6, 2014, Public Advocates and the ACLU contacted LAUSD's then-Superintendent John Deasy by letter, copying staff at LACOE involved in reviewing LCAPs, and cautioned the District that its "improper inclusion of special education funding as part of its estimate of prior year (FY 2013-14) services for unduplicated pupils . . . resulted in a significant under-calculation of the funds allocated to 'increase or improve services for unduplicated pupils' in the district's LCAP." Public Advocates and the ACLU requested that the district remove the \$450 million in special education expenditures from its estimate of prior year services for High Need Students, and increase the proposed supplemental and concentration spending for FY 2014-15 accordingly.

In response, on June 13, 2014, counsel for LAUSD stated that the District "believes it is justified in its approach" but failed to explain the basis for this belief other than to state that the LCFF expenditure regulations "do not preclude the District from including special education expenditures as part of the prior year services for unduplicated pupils." Two weeks later, the LAUSD Board of Education adopted the draft LCAP, which included the inflated and incorrect figures. On September 5, 2014, LACOE approved LAUSD's LCAP without modification.

On December 19, 2014, on behalf of the complainants, Public Advocates and the ACLU sent a letter to LAUSD's new interim Superintendent, Ramon Cortines to "reiterate [their] serious concerns regarding LAUSD's Local Control and Accountability Plan (LCAP) and to advise you that we will pursue legal action" unless "LAUSD . . . agree[s] immediately to correct the decision to impermissibly include special education services as prior year spending on unduplicated students in LAUSD's initial LCAP."

Between January and July 2015, Public Advocates and the ACLU conducted various meetings and telephone calls with LAUSD personnel—including Gregory McNair, the district's Chief Business & Compliance Counsel, and Megan Reilly, the district's Chief Financial Officer—in a final attempt to convince LAUSD to revise its LCAP to comply with the Education Code and regulations. During these negotiations, LAUSD continued to refuse to amend its LCAP to allocate the correct amount of supplemental and concentration funds to increase and improve services for High Need Students. On June 23, 2015, LAUSD's Board of Education approved the 2015-16 LCAP, which again included the erroneous prior year expenditure calculation and deprived High Need Students of hundreds of millions of dollars in increased and improved services.

On July 1, 2015, Public Advocates, the ACLU, and Covington & Burling LLP filed the Action in Los Angeles Superior Court on behalf of Ms. Frias and Community Coalition alleging that LAUSD violated its mandatory duties to use appropriate supplemental and concentration funds to increase or improve services for High Need Students in accordance with Education Code § 42238.07 and 5 C.C.R. § 15496. On August 3, 2015, LAUSD filed a demurrer, arguing that the plaintiffs were required to exhaust administrative remedies by filing a UCP complaint with the relevant governmental entities before filing suit.²

III. Basis for the UCP Complaint

The Local Control Funding Formula ("LCFF") requires school districts to "increase or improve services for [High Need Students] in proportion to the increase in funds apportioned on the basis of the number and concentration of [High Need Students] in the school district[.]" Educ. Code § 42238.07. In early February 2014, the emergency regulations for implementing LCFF went into effect and are set forth in 5 C.C.R. §§ 15494-97. To ensure the requisite proportional increase in services for High Need Students, the regulations set forth a duty for school districts to engage in a seven-step process to "determine the percentage by which services for [High Need Students] must be increased or improved above services provided to all pupils" in a fiscal year. 5 C.C.R. § 15496(a).

The proportionality calculation is at the heart of LCFF's equity requirement that school districts must increase or improve services for High Need Students in proportion to the additional dollars those students generate. *See* Educ. Code § 42238.07; 5 C.C.R. § 15496(a). The second step requires school districts to estimate the expenditures of supplemental and concentration funding in the initial "prior year" (*i.e.*, FY 2013-14) and every prior year thereafter. Under the second step of the calculation, school districts may only count as prior year expenditures "funds expended by the LEA on services for [High Need Students] in the prior year that is in addition to what was expended on services provided for all pupils." 5 C.C.R. § 15496(a)(2). The regulation thus distinguishes between two types of spending: (1) spending on services for High Need Students and (2) spending on services for all students.

The LCAP that LAUSD's Board of Education approved for FY 2014-15 violates the Education Code and regulations because it includes \$450 million in special education spending as part of the \$700 million it claimed as prior year services for High Need Students. Special education services cannot be counted as spending on prior-year expenditures on services for High Need Students because these services are available to all students—regardless of whether

² To be clear, we do not agree that filing a UCP complaint is a prerequisite to challenging LAUSD's LCAP through litigation. Neither the statute setting forth the LCFF UCP complaint procedure nor its legislative history evidences an intent by the legislature to make the regulatory process the exclusive recourse to vindicate rights. *See, e.g., Kemp v. Nissan Motor Corp.*, 57 Cal. App. 4th 1527, 1531 (1997). Further, it is unnecessary to file a UCP complaint to LAUSD or the State Superintendent of Public Instruction based on these claims because such a complaint would be both futile and inadequate. *See Huntington Beach Police Officers Ass'n v. City of Huntington Beach*, 58 Cal. App. 3d 492, 499 (1976); *Unfair Fire Tax Comm. v. Oakland*, 136 Cal. App. 4th 1424, 1430 (2006). We reserve all rights to continue to assert the non-applicability of exhaustion to the pending Petition for Writ of Mandate. Nonetheless, we are filing this UCP complaint to obviate the need to litigate the demurrer in the interest of judicial economy and to conserve the resources of all parties in this Action.

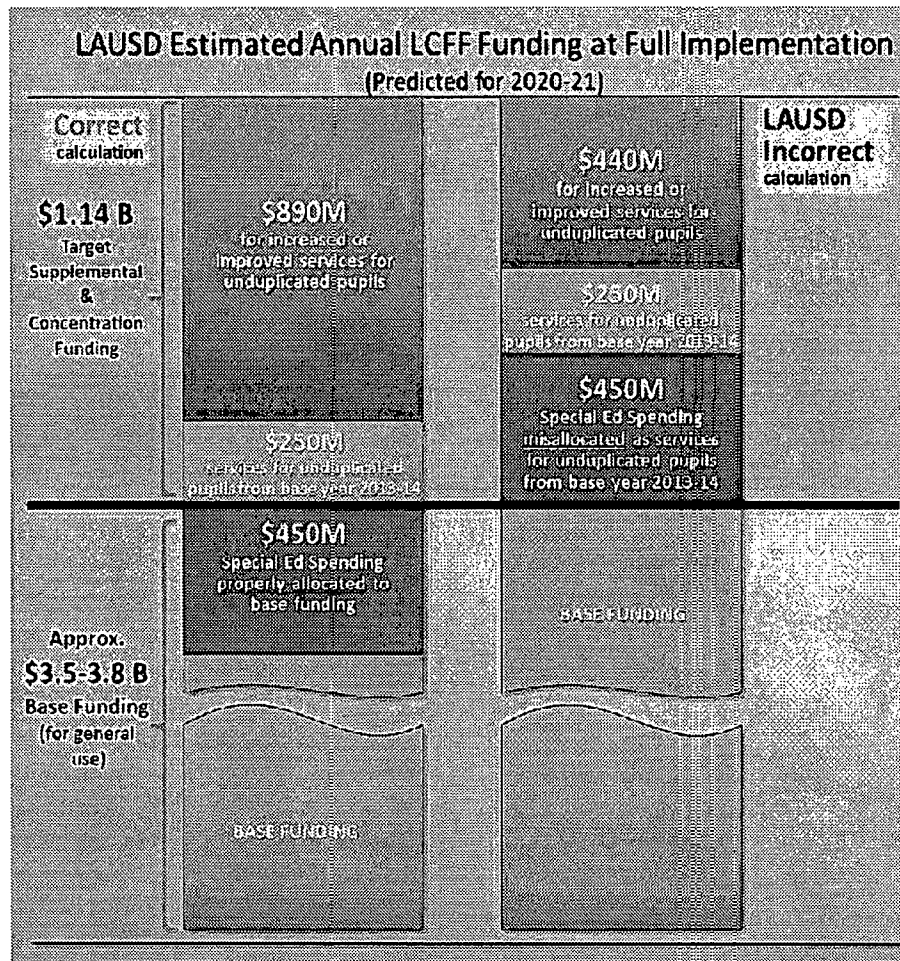
they are low-income, English Learners, or foster youth—who are eligible to take advantage of special education services under the Individuals with Disabilities Education Act, 20. U.S.C. § 1400 *et seq.* All pupils may request an Individual Education Plan to seek special education services, and the district must provide such services to all who qualify, regardless of whether they are High Need Students. Thus, dollars spent on special education services are not expenditures on services targeted for High Need Students and may not be counted as a prior year expenditure for High Need Students.

Moreover, LAUSD was already required to provide special education under federal and state law. Continuing to provide what LAUSD was already obligated to provide to each eligible student cannot plausibly be viewed as an “increase or improvement” in services.

This error has already had, and will continue to have, a significant detrimental impact on the amount of services High Need Students in LAUSD receive. As a result of the error in LAUSD’s 2014-15 LCAP, the district shortchanged High Need Students \$126 million in increased or improved services in FY 2014-15. On June 23, 2015, LAUSD’s Board of Education approved the district’s 2015-16 LCAP, which included the same erroneous prior year expenditure calculation. During FY 2015-16, this miscalculation will deprive High Need Students of \$288 million on programs counting towards its goal for increasing and improving services for High Need Students. This deficit to High Need Students will continue to build year after year until it grows to \$450 million annually at full implementation (projected for FY 2020-21). Altogether, LAUSD’s inclusion of special education expenditures as a prior year expenditure will cost High Need Students—including Ms. Frias’s children and the constituents Community Coalition serves—over \$2 billion in increased or improved services between now and FY 2020-21.

(continued on next page)

04/11/2017




IV. Remedy Requested

For the reasons described in this UCP complaint, we request that LAUSD revise its 2015-16 LCAP to remove special education funding as part of its prior year spending for High Need Students and revise its proportionality calculation and its LCAP to ensure that it spends the appropriate amount of money on increased and improved services for High Need Students in FY 2015-16 and in future years. For any questions related to this complaint or to contact the complainants, please contact the attorneys listed below.

Sincerely,

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 131 Steuart Street, Suite 300
 San Francisco, CA 94105-1241
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04/11/2017

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Enclosure

04/11/2011

Exhibit B: District Report of Findings

04/11/2017



Los Angeles Unified School District
OFFICE OF THE GENERAL COUNSEL
EDUCATIONAL EQUITY COMPLIANCE OFFICE
333 S. Beaudry Avenue, 20th Floor, Los Angeles, CA 90017
TELEPHONE (213) 241-7682; FACSIMILE (213) 241-3312

RAMON C. CORTINES
Superintendent of Schools

DAVID R. HOLMQUIST
General Counsel

BELINDA STITH
*Interim Chief Education & Litigation
Counsel*

e

JULIE HALL-PANAMEÑO
*Director
Educational Equity Compliance Office*

November 9, 2015

Mr. Victor Leung
Staff Attorney
ACLU of Southern California
1313 West 8th Street, Suite 200
Los Angeles, CA 90017

**Re: Uniform Complaint Procedures (UCP) Case # UCP-029-15/16
Parent and Non-Profit Organization**

Dear Mr. Leung,

The Los Angeles Unified School District (the District) has completed its investigation of the above-referenced complaint alleging that LAUSD violated its legal obligations under Education Code § 42238.07 and 5 C.C.R. § 15496 by including special education spending on foster youth, low income students, and English learners (collectively "High Need Students") as part of its estimate of prior year expenditures for services for High Need Students in its 2014-15 and 2015-16 LCAPs. Enclosed is a copy of the final report that includes details of the investigation, conclusions, and, if necessary, corrective actions.

Please be assured of the confidential treatment of this complaint and accompanying report. Information is only being provided to those persons within the District on a need to know basis within the confines of the District's reporting procedures and investigative process. You are advised that the District prohibits retaliation against you or anyone who files a complaint, anyone who requests an appeal or anyone who participates in any complaint investigation process. You are also advised that civil law remedies may be available to you.

Appeal Information

If you disagree with the findings and conclusions presented to you by this office you have the right to appeal within fifteen days of the receipt of this letter. Such an appeal should specify the reason for appealing the decision. A copy of the original complaint and a copy of this report should be included. Send your appeal to:

California Department of Education
1430 N Street
Sacramento, CA 95814

If you have any questions or need more information pertaining to the complaint process or the enclosed report, please feel free to call me at (213) 241-7682.

Sincerely,



Julie Hall-Panameno, Director
Educational Equity Compliance Office

- C: Sharyn Howell, Associate Superintendent, Division of Special Education
Megan Reilly, Chief Financial Officer, Los Angeles Unified School District
John Walsh, Deputy Chief Financial Officer
Nargis Merchant, Deputy Budget Director, Budget Services & Financial Planning Division
Tony Atienza, Director, Finance Policy
Cheryl Simpson, Director, Budget Services & Financial Planning Division
Nirupama Jayaraman, Asst. Budget Director, Budget Services & Financial Planning Division
Pedro Salcido, Accountability Advisor, Office of Government Relations
Edgar Zazueta, Chief of External Affairs
Vibiana Andrade, General Counsel, Los Angeles County of Education
Gregory McNair, Chief Business & Compliance Counsel
Mary Kellogg, Assistant General Counsel
Sungyon Lee, Assistant General Counsel
Gregory Luke, Attorney, Strumwasser & Woocher LLP

**Los Angeles Unified School District
Uniform Complaint Procedure Case #UCP-029-15/16
Parent and Non-Profit Organization**

Background:

In 2013, the Legislature adopted a comprehensive reform of the rules governing the financing of schools in California, known as the Local Control Funding Formula ("LCFF"). The LCFF directs state funding to schools under three new "grants" (base, supplemental, and concentration) and delegates broad discretion over the spending of those funds to local educational agencies. The Legislature set a long-term target for the increased funding of public education throughout California and provided for yearly incremental increases in spending over the course of five fiscal years to reach the ultimate LCFF funding goal.

The LCFF provides that schools districts, charter schools, and county offices of education must generate Local Control Accountability Plans ("LCAPs") for each fiscal year during the period leading up to the full funding of the LCFF. The Legislature did not itself enact rules governing the contents of LCAPs, but instead delegated authority to the State Board of Education to adopt appropriate regulations to ensure that local educational agencies would increase and improve services for unduplicated pupils — i.e., foster youth, English learners, and low-income pupils — in proportion to the supplemental and concentration dollars those students generate during the intervening years leading up to the full funding of LCFF. To that end, the regulations governing LCAPs, codified at Cal. Code Regs, tit. 5, §§ 15494-15497.5, require local educational agencies to "[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on *services provided for all pupils*" as part of the calculation of "the percentage by which services for unduplicated pupils must be increased or improved above services provided to all pupils" in each fiscal year. (Cal. Code Regs., tit. 5, § 15496, subd. (a) [emphasis added].)

The LCAP regulations grant schools that serve high concentrations of unduplicated pupils the highest level of flexibility in demonstrating compliance with these "proportionality" requirements, in recognition of the special expertise those schools have acquired in the provision of education to high needs students. (Cal. Code Regs., tit. 5, § 15496, subd. (b).) The Los Angeles Unified School District ("LAUSD" or "the District") serves, by far, the largest aggregation of pupils of any school in the state, over 84% of whom are unduplicated. After consultation with the counsel and staff of the State Board of Education, LAUSD issued its initial LCAP in June of 2014, identifying over \$700 million of varied LCFF expenditures on services for unduplicated pupils, which figure included \$450 million of District general fund expenditures on Individualized Education Programs for the many thousands of unduplicated pupils who also meet the eligibility criteria to receive Special Education services under federal and state law. On

September 5, 2014, the Los Angeles County Office of Education ("LACOE") approved the initial LAUSD LCAP.

On or about July 1, 2015, Complainants filed a lawsuit against LAUSD and LACOE (the "Petition") seeking a writ of mandate and declaratory relief to remedy alleged District violations of the LCFF and the LCAP regulations arising from the inclusion of Special Education expenditures in the calculation of prior-year expenditures under section 15496. LAUSD demurred to the Petition on the ground that Complainants had failed to exhaust the administrative remedies provided in the LCFF for stakeholders aggrieved by any aspect of an LCAP, which include appeal to the State Superintendent of Public Instruction. (Educ. Code, § 52075.) In response, the Complainants filed the subject Complaint, reserving their argument that exhaustion was not required. The Complaint attaches and incorporates the Petition.

Policy/Authority:

- Title 5, Code Cal. Regs., §§ 15494-15497.5
- Education Code §§ 2574, 2575, 42238.01, 42238.02, 42238.03, 42238.07, 47605, 47605.5, 47606.5, 48926, 52052, 52060-52077, and 64001.

Method of Investigation:

- The investigation was conducted at the direction of Julie Hall-Panameño, Director of the Educational Equity Compliance Office. Information was gathered from interviews to investigate the allegations made in the complaint. Additionally, the correspondence between the counsel for Complainants and counsel for the District that preceded the filing of the Petition and the instant Complaint was reviewed.
- Persons interviewed:
 - Megan Reilly, Chief Financial Officer, LAUSD
 - John Walsh, Deputy Chief Financial Officer
 - Tony Atienza, Director, Finance Policy
 - Cheryl Simpson, Director, Budget Services & Financial Planning Division
 - Nargis Merchant, Deputy Budget Director, Budget Services & Financial Planning Division
 - Nirupama Jayaraman, Assistant Budget Director, Budget Services & Financial Planning Division
 - Pedro Salcido, Accountability Advisor, Office of Government Relations
 - Sharyn Howell, Associate Superintendent, Division of Special Education
 - Edgar Zazueta, Chief of External Affairs

Allegation(s):

The Complainant alleges that LAUSD has violated its legal obligations under Education Code section 42238.07 and title 5, section 15496 of the California Code of Regulations by including special education spending on foster youth, low income students and English learners in its estimate of prior year expenditures on services for unduplicated pupils in its 2014-15 and 2015-2016 LCAPs. There does not appear to be any difference between the allegations of the Complaint and the allegations of the antecedent Petition filed by Complainants in the Superior Court of Los Angeles County.

Legal Framework:

The relevant provision of the Code of Regulations on which Complainants rely directs local agencies to do the following when preparing an LCAP each fiscal year:

“[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils. The estimated amount of funds expended in 2013-14 shall be no less than the amount of Economic Impact Aid funds the LEA expended in the 2012-13 fiscal year.” (Cal. Code Regs., tit. 5, §15496, subd. (a)(2).)

Notably, this regulation does not require local agencies determine the actual expenditures on services for unduplicated pupils in any given fiscal year, but rather to “estimate the amount” of such expenditures. Complainants contend that LAUSD violated this regulation by including that portion of LCFF funding budgeted for the Individualized Education Programs provided to unduplicated pupils in its LCAP estimate of prior year spending.

Complainants also claim that the District has violated Education Code section 42238.07. However, that statute does not impose any duties upon local educational agencies, but rather comprises a directive to the State Board of Education. In its entirety, it reads:

(a) On or before January 31, 2014, the state board shall adopt regulations that govern the expenditure of funds apportioned on the basis of the number and concentration of unduplicated pupils pursuant to Sections 2574, 2575, 42238.02, and 42238.03. The regulations shall include, but are not limited to, provisions that do all of the following:

(1) Require a school district, county office of education, or charter school to increase or improve services for unduplicated pupils in proportion to the increase in funds apportioned on the basis of the number and

concentration of unduplicated pupils in the school district, county office of education, or charter school.

(2) Authorize a school district, county office of education, or charter school to use funds apportioned on the basis of the number of unduplicated pupils for schoolwide purposes, or, for school districts, districtwide purposes, for county offices of education, countywide purposes, or for charter schools, charterwide purposes, in a manner that is no more restrictive than the restrictions provided for in Title I of the federal No Child Left Behind Act of 2001 (20 U.S.C. Sec. 6301, et seq.).

(b) The state board may adopt emergency regulations for purposes of this section.

The Complaint does not identify any specific element of this statute that LAUSD is alleged to have violated, or any clear, present ministerial duty imposed by this statute on LAUSD.

Complainants reference this statute solely as authority for the proposition that "school districts must increase or improve services for High Need Students in proportion to the additional dollars those students generate." (Complaint, at p. 4.) Because a statute expressly and solely directed at the State Board of Education does not impose duties upon local educational agencies, this statute does not provide authority for the issuance of a writ or declaratory relief against LAUSD, but, at most, may provide an interpretive aide if the regulations adopted by the State Board of Education are determined to be ambiguous.

Findings:

(1) SPECIAL EDUCATION IS NOT A SERVICE PROVIDED TO ALL STUDENTS.

- a. Special Education is provided only to pupils who satisfy detailed criteria regarding recognized disabilities and who are not subject to specific exclusionary factors.**

The Individuals with Disabilities Education Improvement Act ("IDEA"), codified at 20 U.S.C. § 1400 et seq., imposes duties on states and local educational agencies to provide an Individualized Education Program ("IEP") to students who meet the specific eligibility requirements.¹ Accordingly, Special Education services are by definition not services provided

¹ The IDEA contains multiple parts. Direct services to children are codified in Parts B and C of the IDEA. Part B of the IDEA covers school aged children (ages 3-22). Part C of the IDEA covers infants and toddlers (ages birth to 3). In California, Part B IDEA services are carried out primarily by local educational agencies, such as the District; Part C IDEA services are carried out primarily by regional centers. (Educ. Code, § 56001; Gov. Code § 95004; *see also*, Educ. Code, §§ 56000 et seq. and Gov. Code, §§ 95000 et seq.) While California school districts may

to all students, but rather specialized services provided to individual students who have qualifying disability and satisfy the related test for eligibility. In 2013-2014, only 12 percent of LAUSD's student population qualified to receive some form of specialized instruction or assistance under an IEP.

Only children of certain ages, with qualifying disabilities who, by reason thereof, require special education intervention are eligible for and entitled to services under the IDEA. (*See*, 20 U.S.C. § 1400 (3) [definition of "child with a disability"].) Special education eligibility is limited in many ways, including by (1) qualifying disability, (2) need for special education, and (3) age.

The first limiting criterion is qualifying disability. In order to qualify as a "child with a disability" under IDEA the student must first meet the definition of one or more of the categories of disability eligibility. These include: intellectual disability, hearing impairment (including deafness), speech or language impairment, visual impairment (including blindness), serious emotional disturbance, orthopedic impairment, autism, traumatic brain injury, other health impairment, specific learning disability, and (for certain age groups) developmental delay. (20 U.S.C. § 1400 (3)(A)(i); *see also*, Educ. Code, § 56026 (a).)

It is important to note that some children may have a qualifying disability but, regardless, may still be ineligible for special education under the IDEA. This second exclusionary factor dictates that disability, or even diagnosis of a disability², is insufficient in and of itself to qualify a child for special education services under the IDEA. Rather, a child must demonstrate a need for special education and related services.³ (20 U.S.C. § 1400 (3)(A)(ii).) California law further explains this standard as a child whose disability (or impairment) "requires instruction and services which cannot be provided with modification of the regular school program." (Educ.

have some limited involvement in Part C IDEA services, this response addresses only Part B IDEA services.

² A diagnosis of a potentially disabling condition is "neither required nor sufficient" to establish eligibility under the IDEA. (*Lakeside Joint School District*, (OAH 2010), Case No. 2009090504.)

³ "Special education" itself is narrowly defined by California law as something above and beyond what is available in the regular school program. Education Code section 56031 defines "special education" as "specially designed instruction . . . to meet the unique needs of individuals with exceptional needs." In addition, certain related services are specifically defined as special education, including: speech and language pathology services, travel training, and vocational education. (Educ. Code, § 56031, subd. (b); *see also* 34 C.F.R. § 300.39(2).) A child who needs only a related service which is not otherwise classified as "special education" will not meet IDEA eligibility criteria. (34 C.F.R. § 300.8 (2).)

Code, § 56026, subd. (b).) As the Ninth Circuit has confirmed, a child will not be eligible for special education, even with a qualifying disability, if the impact of the disability can be addressed through regular education programming. (*Hood v. Encinitas Union Sch. Dist.*, 486 F.3d 1099 (9th Cir. Cal. 2007).)

Even where a need for specialized services is indicated, exclusionary factors may still prevent special education eligibility under the IDEA. To wit, a child will not be eligible for services under the IDEA if the need for special services is due to either of the following: (a) limited English proficiency; (b) lack of appropriate instruction in reading or math; (c) temporary physical disability; (d) social maladjustment; or, (e) environmental, cultural, or economic factors. (34 C.F.R. § 300.306 (b)(1); *see also* Educ. Code § 56026, subd. (e).) For example, a student with ADHD was found not to be eligible for special education during a period of time when it was reasonable to conclude that his school issues were caused primarily by his unstable home life, rather than a qualifying disability and/or the impact of his ADHD. (*Oceanside Unified School District*, (OAH 2010) Case No. 2010071003.) The exclusionary factor related to limited English proficiency is quite significant in the context of the instant Complaint. If Special Education services were indeed a “service provided to all pupils” then all English learner unduplicated pupils would necessarily qualify for Special Education. The fact that the IDEA expressly *prohibits* any such conclusion amply demonstrates that Special Education services are not “services provided to all pupils.”

Finally, the third broad factor which could limit a disabled child’s eligibility for special education under the IDEA is age. Part B of the IDEA narrowly defines qualifying students as those “between the ages of 3 and 21.” (20 U.S.C. § 1412 (a)(1)(A); Educ. Code, § 56026 subd. (c).) Further, even within this age span, other limitations apply, as follows:

- Children incarcerated in an adult correctional facility who were not identified as a “child with a disability” or did not have an individualized education program (the plan implementing special education) prior to incarceration will be ineligible for services under the IDEA. (20 U.S.C. § 1412 (a)(1)(B); Educ. Code, § 56040.)
- Children who have received a regular high school diploma will be ineligible for services under the IDEA. (20 U.S.C. § 1414 (c)(5)(B)(i); 34 C.F.R. § 300.102 (a)(3)(i); *see also* Educ. Code, § 56026.1.)

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- Children who did not receive special education prior to their 18th birthday will not be eligible for services under the IDEA. (20 U.S.C. § 1412 (a)(1)(B)(i); Educ. Code, § 56026.)

Special education eligibility is not conferred lightly. In order to qualify, a child must first undergo an extensive formal assessment of his/her abilities and needs. (20 U.S.C. § 1414 (b).) With that information, a team of qualified professionals, along with the child's parents, then determine whether the assessment and other data warrant a finding of IDEA eligibility. (20 U.S.C. § 1414 (d)(1)(B).)

b. Special Education personnel are not permitted to provide services to the general student population.

Both federal and state law prohibit the instructors, assistants, and therapists that provide Special Education services to LAUSD pupils from providing services to general education students. Special Education service providers are not certified to operate as teachers in LAUSD classrooms, as recognized in the collective bargaining agreement between LAUSD and the United Teachers of Los Angeles ("UTLA").

Special Education teachers, including Resource Specialists ("RSP") and Special Day Program providers ("SDP") are funded and allocated to provide services according to stated caseloads and norms, in accordance with the services listed on a students' Individualized Education Program. Certificated assignments for RSP teachers are based on caseload allocations and guidelines referenced in Education Code section 56362. SDP teacher allocations are determined based upon norms negotiated with UTLA. These teachers are assigned solely for the purpose of improving performance outcomes for students with disabilities.

Special Education teachers, trainees, and assistants may not be allocated for teaching non-disabled students, nor may they be re-allocated during the school day for non-special education responsibilities. They may not serve as coordinators, coaches, athletic directors or other non-special education instructional assignments during the school day. They are required to directly support the instructional program for students with disabilities during the entire school day.

If a school wishes to assign a Special Education teacher to act as a coordinator, coach, or perform any other such duties not related to Special Education, the school must budget for this position through grants or other funding sources. It is a misuse of Special Education resources to assign personnel funded to support the instructional program for students with disabilities to any other duties.

(2) LAUSD PROPERLY ESTIMATED ITS PRIOR-YEAR SPECIAL EDUCATION SPENDING ON UNDUPLICATED PUPILS

a. The LCFF Calculation

The District's General Fund contribution to Special Education (net of the Revenue Limit and affiliated charters) was estimated at \$653.4 million for 2013-14 and \$633.9 million for 2014-15. Seventy nine percent (79%) of the District's students with disabilities are identified as low income, English learners, or foster youth. The District identified the subset of Special Education programs that benefit these targeted student populations and applied 79 percent to the expenditures of those programs to estimate the share that would benefit these high needs students. This calculation totals to \$449.88 million for 2013-14 and 2014-15, thereby reflecting the estimated share of General Fund expenditures for services that benefit low income, English learners, or foster youth with an Individualized Education Program. In addition to this amount, \$22.2 million was allocated in supplemental funds for Special Education teachers and assistants in 2014-15, and an additional \$3 million for anticipated cost increases.

These expenditures include initiatives addressing integration of students with disabilities into general education settings, and reducing disproportionality among subgroups identified for special education. Furthermore, the District has increased support services to advance the academic achievement of every English Learner with Disabilities (ELD). The District aligns IEPs with the English Learner Master Plan for each English learner with disabilities. Each IEP is required to include goals for English proficiency, and the ELD present level of performance for each student.

b. Budget and Expenditures used in the Initial Prior Year for 2013-2014

Table 1 shows that the District's Maintenance of Effort (MOE) for Special Education was \$1.5 billion in 13-14. This includes \$178 million in unassigned support costs, known as PCRA. In addition, expenditures in General Fund programs that support Special Education, including administrative and transportation costs, amounted to \$25 million for that year. This reflects a grand total of \$1.6 billion in expenditures. The LCFF supplemental amount of \$449.88 million reflects only 28.9 percent of these expenditures.

Table 1: MOE and Support to Special Ed Expenditures	Amount, 13-14
PCRA*	\$177,894,430
Special Ed Portion of MOE	\$1,354,331,202
Total MOE	\$1,532,225,632
Expenditures in Programs that Support Special Ed**	\$25,401,341
Grand Total, MOE and Support to Special Ed Prog	\$1,557,626,973

*The MOE calculation includes an amount for the Program Cost Report Allocation. Procedure 910 of the California School Accounting Manual provides a method of

distributing unassigned support costs to different user programs such as special education. The calculation is performed in state provided SACS software.

****These are expenditures in Programs 13232 and 13233. They are part of the General Fund and are not included in the MOE.**

Note: Special Ed Portion of MOE also includes Specially Funded Programs. The MOE is calculated using all expenditures in SACS Goal 5000.

Table 2 shows that the District's Special Education program had an authorized budget of \$1.36 billion and expenditures of \$1.34 billion. This excludes amount for Specially-Funded Programs and General Fund programs that support Special Ed.

Table 2: Special Education Budget and Expenditures		Amount, 13-14
Authorized CM0 Budget		\$1,361,780,338
Expenditures		\$1,335,666,481
Difference, Budget Less Expenditures		\$26,113,857

Note: Excludes Specially-Funded Programs and General Fund programs that support Special Education.

Table 3 shows Special Education revenues for 2013-14.

Table 3: Special Education Revenues	Amount in Millions, 2013-14
Federal Revenues	\$110.9
State Revenues	\$353.2
Local Revenues	\$0.1
SELPA Charter Schools Revenue	\$59.7
Contribution-Unrestricted Programs	\$727.6
Contribution-Fair Share	\$11.4
<i>Total Revenue</i>	<i>\$1,262.9</i>

Note: Excludes Specially-Funded Programs and General Fund programs that support Special Education.

The District's General Fund contribution to Special Education (net of the Revenue Limit and of affiliated charters) was estimated at \$653.4 million for 2013-14. Of this amount, supplemental and concentration funds was estimated at \$449.88 million and base funds was estimated at \$203.5 million.

c. Identifying Unduplicated Pupils who Receive Special Education Services

The table below shows how LAUSD determined that 79% of its students who receive Special Education services are unduplicated pupils. It first matched the 2012-13 CALPADS file, which was used for the District's overall unduplicated calculation, to the 2012-13 CASEMIS

file. There were 65,589 students with disabilities (SWD) identified on the 2012-13 CALPADS file. Of this count, 61,265 students were identified as not attending affiliated charter schools. (Affiliated charter students must be excluded from the unduplicated calculation as these schools receive their LCFF allocation independent from the District.) Of the 61,265 students with disabilities in CALPADS not attending affiliated charter schools, 48,633 students were identified as being either EL, Foster, or Low-Income. This computes to an unduplicated percentage of 79.38% for LAUSD's students with disabilities (48,633/61,265).

Table 4: SWD Identified as Unduplicated Pupils	
Count of SWD on CALPADS file, 12-13	65,589
Count of SWD on CALPADS file not attending charter schools, 12-13	61,265
Count of unduplicated SWD on CALPADS file not attending charter schools, 12-13	48,633
Percent unduplicated SWD, 12-13	79.38%

d. LAUSD excluded from its prior year calculation all categories of Special Education expenditures that did not provide direct services to pupils.

The LCAP regulations broadly define "services", without limitation, to include "services associated with the delivery of instruction, administration, facilities, pupil support services, technology, and other general infrastructure necessary to operate and deliver educational instructions and related services." (Cal. Code Regs., tit. 5, § 15495, subd. (d).) Though the regulations thus clearly permit school districts to include a wide array of expenditures in the calculation of prior-year expenditures on unduplicated pupils, LAUSD conservatively limited the calculation to the major spending groups within Special Education that provide direct services to pupils. As a result, the calculation of Special Education expenditures on unduplicated pupils is substantially smaller than permitted under the regulations.

In fiscal year 2014-2015, the total authorized budget for Special Education services in LAUSD was in excess of \$ 1.4 billion. The District estimated that \$633.9 million (net of Revenue Limit and affiliated charters) would be contributed towards this budget from the District's LCFF general fund. However, the District only counted \$566 million of this general fund encroachment towards the estimate of proportionality spending. *In other words, despite the broad definition of services in the LCAP regulations, the District did not consider \$68 million in Special Education expenditures as potential sources of proportionality expenditures on unduplicated pupils.* Of this amount, \$ 33 million was excluded because it related to major group categories of Special Education spending on pre-school and adult student populations. An additional \$6.5 million budgeted for the "SPED Career & Transition Program" was excluded because it served pupils from both the K-12 and adult student populations. In other words, the District did not attempt to isolate how much of the expenditures in that major subgroup were

directed to the K-12 pupils that are targets of LCFF funding, but instead took the conservative approach of excluding the major subgroup from the proportionality calculation altogether.

The remainder of the foregone \$68 million excluded from proportionality — \$34.5 million — comprise major subgroup spending that clearly falls within the regulatory definition of “services” in the proportionality calculations, but that the District conservatively opted to exclude. Specifically, the District excluded from its proportionality calculations the following major group categories of Special Education spending that otherwise satisfy the broad regulatory definition of “services” that may be considered to demonstrate proportionality compliance:

- “SPED Central Office” (\$11.15 million);
- “SPED IMA Equipment-Materials” (\$4.56 million);
- “SPED Reimbursement Due Process” (\$4.26 million);
- “SPED Allocation to Schools for Compliance” (\$3.25 million);
- “SPED Program Specialists Certificated” (\$2.94 million);
- “SPED IMA Allocation to Schools” (\$1.05 million);
- “SPED Least Restrictive Environment Counselors” (\$0.65 million); and
- “SPED Temporary Personnel Account” (\$0.13 million).

Though all the subgroups comprise “services associated with the delivery of instruction, administration, facilities, pupil support services, technology, and other general infrastructure necessary to operate and deliver educational instructions and related services” to pupils that is permitted in the proportionality calculations under section 15495, the District opted not to rely on those expenditures to demonstrate proportionality in order to ensure that its proportionality calculations were based upon services geared directly to unduplicated pupils.

e. LAUSD excludes expenditures on services that may involve de minimis contact with general education students from its proportionality calculations.

Finally, the District excludes expenditures on services that may involve de minimis contact between Special Education personnel and the general education population from its proportionality calculations. Specifically, with respect to the five major budget subgroups that fund salaries and health benefits for therapists and specialists who participate in assessments to determine eligibility for Special Education, the District budgets the funding of those activities through other state and federal funding sources, and does not include expenditures on those services in its proportionality calculations.

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Analysis:

The Complainants claim that the District's LCAP violates a statute — Education Code section 42238.07 — and a regulation adopted to implement that statute — Cal. Code Regs, tit. 5, § 15496, Subd. (a).) As discussed below, the statute in question does not purport to govern the actions of local educational agencies, but is instead a delegation of authority to the State Board of Education to adopt regulations governing LCAPs. The regulation adopted by the SBE pursuant to this delegation of authority addresses the issue raised in the Complaint by requiring local educational agencies to “[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on *services provided for all pupils*” as part of the calculation of “the percentage by which services for unduplicated pupils must be increased or improved above services provided to all pupils” in each fiscal year. (Cal. Code Regs., tit. 5, § 15496, subd. (a) [emphasis added].) The regulation does not provide any other guidance regarding this aspect of the proportionality requirement for LCAPs, except insofar as it defines “services” broadly, and without limitation, to include “services associated with the delivery of instruction, administration, facilities, pupil support services, technology, and other general infrastructure necessary to operate and deliver educational instructions and related services.” (Cal. Code Regs., tit., 5, § 15495, subd. (d).) Thus, the sole source of a potential violation of law referenced in the Complaint is the regulatory requirement that local educational agencies “[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on *services provided for all pupils*.”

Complainants contend that “Special Education services cannot be counted as spending on prior year expenditures on services for High Needs Students because these services are *available* to all students . . . who are eligible to take advantage of special education services” and are not “targeted for High Needs Students.” (Complaint, at pp. 4-5 [emphasis added].) But, the LCAP regulations do not employ any of these locutions. The State Board of Education did not exclude services that are “available to all students . . . who are eligible” for those services from the prior-year estimate of unduplicated spending. Nor did it exclude services that are not “targeted for” unduplicated students. To the contrary, section 15496 directs local educational agencies to exclude from the prior year estimate of unduplicated spending only “services provided to all pupils.” Complainants do not address whether Special Education services constitute “services provided to all pupils” under section 15496, but instead introduce language into the regulation that does not exist.

Accordingly, the Complaint presents a single mixed question of fact and statutory interpretation: Are Special Education services “services provided to all pupils” under section 15496 of title 5 of the California Code of Regulations?

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As a factual matter, Special Education services are not services provided to all pupils, but rather services provided to individual pupils who are eligible to receive those services. Complainants do not present or identify any evidence to support a factual conclusion that Special Education "services are services provided to all students" or to otherwise contradict the express import of the federal and state laws that set the exacting eligibility criteria for qualified students to receive an Individualized Educational Program. The facts further confirm that the Special Education expenditures counted by the District towards its prior-year estimates of spending are expenditures only on the individual students who have qualified to receive an IEP. Thus, the facts do not support a conclusion that Special Education services are services provided to all pupils.

The only remaining argument suggested in the Complaint is the contention that the Legislature or the State Board of Education intended Special Education services to be exempt from the plain meaning of the phrase "services provided to all students." Despite numerous requests lodged by the District, Complainants have not identified any authority in the LCFF and its implementing regulations, nor any authority in the relevant legislative and regulatory histories, to support a conclusion that the Legislature or the State Board of Education intended Special Education to be deemed "services provided to all students" despite the plain meaning of that phrase.⁴

It bears noting that the LCFF, its implementing regulations, and the general law require that the District's quasi-legislative decisions regarding the interpretation and implementation of section 15496 be accorded the most deferential level of judicial scrutiny. (See, *American Coatings Assn., Inc. v. South Coast Air Quality Dist.* (2012) 54 Cal.4th 446, 461-462; *Khan v. Los Angeles City Employees' Retirement System* (2010) 187 Cal.App.4th 98, 106.) Mandate in this context will only "lie to correct abuses of discretion" and the courts ask whether the public agency's action was arbitrary, capricious, or entirely lacking in evidentiary support." (*County of Los Angeles v. City of Los Angeles* (2013) 214 Cal.App.4th 643, 653-654.).

⁴ Notably, the correspondence between counsel for LAUSD and counsel for Complainants contains numerous instances in which LAUSD counsel urged the Complainants to identify any statutory, regulatory, or other authority in the legislative history of the LCFF and its implementing regulations that reflects any legislative intent to deem Special Education services "services provided to all pupils" despite the plain meaning of that phrase. Complainants did not identify any such authority, but instead relied solely on arguments that the District's proportionality calculations violated the "spirit of the LCFF" and arguments that interpolate language into the relevant statutes and regulations that was neither enacted by the Legislature nor adopted by the State Board of Education. LAUSD has not identified any authority to support the claim that the Legislature or the State Board of Education intended Special Education services to be deemed "services provided to all pupils."

Alleged Violation of Education Code 42238.07

Complainants allege a violation of Education Code section 42238.07, a statute that by its plain language contains only directives addressed to the California State Board of Education, specifically, directives to "adopt regulations that govern the expenditure of funds apportioned on the basis of the number and concentration of unduplicated pupils." Standing alone, this statute imposes no clear, present ministerial duties on local educational agencies and, accordingly, no writ of mandate will lie to compel local educational agencies to comply with its terms.

As noted above, the Complaint does not identify any specific term of Education Code section 42238.07 that LAUSD is alleged to have violated. Nor does it articulate how LAUSD could have violated a statute expressly and solely directed at the State Board of Education. Complainants reference this statute solely as authority for the proposition that "school districts must increase or improve services for High Need Students in proportion to the additional dollars those students generate." (Complaint, at p. 4.) Because the regulations adopted by the Board of Education to govern the LCAP give express effect to this principle, and because Education Code section 42238.07 does not contain any directives regulating the conduct of local educational agencies, that provision does not provide any independent authority for the issuance of a writ of mandate or declaratory relief.

Education Code section 42238.07 may be relevant only to the extent that the regulations adopted by the State Board of Education are ambiguous and properly susceptible to the application of extrinsic aids in support of statutory interpretation. The regulations adopted by the State Board of Education, however, do not admit any ambiguity. Nor are those regulations inconsistent with the Legislative directives set forth in Education Code section 42238.07. In relevant part, the plain terms of the regulations direct local districts to perform two discreet tasks with respect to the calculation of funds expended on services for unduplicated pupils. First, subdivision (a)(2) of section 15496 requires local educational agencies to "[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils." Second, that same provision mandates that "the estimated amount of funds expended in 2013-14 shall be no less than the amount of Economic Impact Aid funds the LEA expended in the 2012-13 fiscal year."

With respect to the first directive, the evidence clearly shows that LAUSD has properly estimated the amount of funds expended on unduplicated pupils in addition to what was expended on services provided to all pupils. Because Special Education services are not services provided to all pupils, but rather services provided to a small subset of the LAUSD student population under conditions that prohibit the comingling of Special Education expenditures and activities with general education expenditures and activities, LAUSD has clearly acted well within its discretion in its implementation of section 15496.

With respect to the second directive, there is no allegation in the Complaint or Petition that the District's estimated amount of funds is less than the EIA funds expended in 2012-13. Indeed, the District expended \$125.2 from EIA funding in 2012-13, a number far below the estimated amounts expended in 2013-14. There is, accordingly, no factual basis to allege a violation of this directive.

Alleged Violation of Cal. Code Regs., tit. 5, § 15496

Neither the Complaint nor the Petition points to any express language in any provision of law that prohibits school districts from counting *any* category of expenditures made from their general fund on unduplicated pupils in the calculation of prior year spending other than "expenditures on services provided to all pupils," nor to any provision that prohibits school districts from including *any* category of expenditures in the account of increased and improved spending on unduplicated pupils. (Cal. Code Regs., § 15946, subd. (a)(2).) To the contrary, Complainants *infer* a prohibition from the allegedly "absurd results" that they claim would ensue if the LCAP is not implemented according to the strictures their legal counsel unsuccessfully advocated before the Legislature and the State Board of Education. In its correspondence with LAUSD's counsel, counsel to Complainants alternatively asserted that the District's actions violated the "spirit" of the LCFF.

The LCFF returned control over the decisions regarding school spending to local districts and their stakeholders, replacing the complex web of layered categorical funding programs that had formerly constrained the discretion of local school administrators. Complainants' contention that the "spirit" of the LCFF prohibits supplantation of the funds that were formerly devoted to spending on unduplicated pupils through categorical mandates appears to be contradicted in both the text and legislative history of the LCFF. The original version of the LCFF, set forth in Senate Bill 69, contained express "do not supplant" provisions in the form of a draft Education Code section 52062.5. The early committee reports on this bill expressly reflect such an intention. But none of this statutory and committee report language, and no similar mandate, survived through the ensuing legislative process. Instead, the Legislature ultimately directed the State Board of Education to adopt regulations that *explicitly authorize* school districts to use regarding the expenditure of supplemental and concentration funds for "school-wide" and "district-wide" purposes in a manner that "is no more restrictive" than Title 1. (Educ. Code, § 42238.07, subd. (a)(2).) Both the emergency and the final regulations adopted pursuant to this directive consequently outline a more flexible process for ensuring that supplemental and concentration grant funding will be used to benefit unduplicated pupils.

Notably, those regulations grant the highest level of flexibility to school districts, like LAUSD, that already serve high concentrations of unduplicated pupils. When those districts are required to justify demonstrate in the LCAP the proper expenditure of supplemental and concentration grant funds on a districtwide basis, they are not required to "[d]escribe how these

[district-wide] services are *the most effective use* of the [LCFF] funds to meet the district's goals for its unduplicated pupils in the state and local priority areas." (Cal. Code Regs., tit. 5, § 15496, subd. (b)(2)(C) [emphasis added].) Nor are they required to "provide the basis for this determination, including . . . any alternatives considered and any supporting research, experience, or educational theory in defense of their district-wide spending." (*Ibid.*) Rather, the regulations permit a school district like LAUSD to expend supplemental and concentration grant funds on a districtwide basis as long as the LCAP describes "how such services are *principally directed towards*, and are effective in, meeting the district's goals for its unduplicated pupils in the state and any local priority areas." (*Id.*, subd. (b)(1)(B) [emphasis added].)

Likewise, on the input side of the equation, the LCFF funding formula itself recognizes that the education of *high concentrations* of unduplicated pupils necessarily comports additional expenditures by school districts, above and beyond the standard supplemental expenditures required for unduplicated pupils. Districts receive a supplemental grant based on the number of low-income students, English learners, and foster children they serve. But, districts in which these students make up at least 55 percent of enrollment will be entitled to an additional "concentration" grant, equaling an extra 50 percent of the base grant for each high-needs student above the 55 percent threshold. The purpose of providing an additional per-pupil bonus grant amount for districts with a greater the concentration of high-need students is clear: it is a legislative recognition that the cost of servicing large numbers of unduplicated pupils is not reflected in simply by increasing the additional per-student grant amount, but that the greater concentration of such students makes the costs of servicing those pupils even higher on a per-pupil basis. In other words, the Legislature clearly recognizes that school districts like LAUSD already incur substantial additional costs, and devote substantial additional resources, simply by providing core educational programs to high concentrations of unduplicated students. This express statutory formula, and the concomitant Legislative decision to reject "do not supplant" requirements to restrict the spending of LCFF supplemental and concentrated funds exclusively on unduplicated pupils, together reflect the manifest "spirit" of flexibility contained in the LCFF, particularly regarding school districts that already serve high concentrations of unduplicated pupils.

Because the overwhelming majority of LAUSD's pupils (84%) are unduplicated, the district-wide core educational program is itself "principally directed towards . . . meeting the district's goals for its unduplicated pupils." (Cal. Code Regs., tit. 5, § 15496, subd. (b)(1)(B).) Complainants have nonetheless demanded that \$450 million of expenditures on the provision of special education services to unduplicated pupils be removed from the estimate of funds expended on unduplicated pupils that is required in the LCAP subdivision (a)(2) of 5 Cal. Code Regs., § 15496. Complainants' demands are not supported in the law, nor are they consistent with the core purpose of the LCFF to grant local districts greater discretion over the expenditure of funds on unduplicated pupils.

Conclusions:

Complainants' legal contentions do not have any support in the law. The plain language of the LCAP regulations directs local educational agencies to "[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on *services provided for all pupils*." (Cal. Code Regs., tit. 5, § 15946, subd. (a)(2) [emphasis added].) Special Education are not "services provided for all pupils," but rather services provided to a small percentage of the student population that qualifies to receive an individualized education program under the requirements set forth in federal and state law. Complainants have not identified any authority in the legislative history of the LCFF or regulatory history of the LCAP regulations that suggests a legislative intent to deem Special Education a service provided to all pupils. Accordingly, LAUSD acted well within its considerable discretion to interpret subdivision (a) of section § 15496 according to its plain meaning.

Exhibit C: Appeal Letter

04/11/2017



November 12, 2015

State Superintendent Tom Torlakson
c/o Local Agency Systems Support Office
California Department of Education
1430 N Street
Sacramento, CA 95814
lcff@cde.ca.gov

Via E-Mail and U.S.P.S. Priority Mail

Re: Appeal of Uniform Complaint Procedure Complaint Re Superintendent Cortines and LAUSD's Failure to Comply with Legal Requirements Pertaining to LCAP

Dear Superintendent Torlakson,

We submit this appeal of the determination of the Los Angeles Unified School District with respect to the Uniform Complaint Procedure ("UCP") complaint our firms filed on behalf of Ms. Reyna Frias and Community Coalition of South Los Angeles ("CoCoSouthLA"). This appeal is regarding Los Angeles Unified School District and Superintendent Cortines's (collectively "LAUSD" or the "District") failure to comply with the legal requirements pertaining to its Local Control and Accountability Plan ("LCAP").

As discussed more fully in the attached UCP complaint (the "Complaint"), LAUSD has violated its legal obligations under Education Code § 42238.07 and 5 C.C.R. § 15496 by including special education spending as part of its estimate of prior year expenditures for services for foster youth, low income students, and English learners (collectively "High Need Students") in its 2014-15 and 2015-16 LCAPs. Accordingly, we requested through a UCP complaint that LAUSD revise its 2015-16 LCAP to ensure that the district spends the proper amount of money on increased and improved services for High Need Students.¹

On November 9, 2015, we received the attached determination and report of findings from LAUSD in which the district concludes that the "[c]omplainants' legal contentions do not

¹ Please find the UCP complaint, dated September 9, 2015, as Exhibit 1 to this appeal. The document may be downloaded electronically at <https://www.dropbox.com/s/9pnqojfbzk864k/Att%201%20-%202015-09-09%20LAUSD%20UCP%20Complaint%20re%20LAUSD%20LCAP.pdf?dl=0>.

have any support in the law” and thus fails to provide the relief requested by Ms. Frias and CoCoSouthLA in their Complaint.² We now appeal LAUSD’s erroneous legal determination to the Superintendent and request that the Superintendent correct this misapplication of the law for the reasons described in the attached Complaint. We incorporate all arguments in the attached Complaint into this appeal.

In addition to the bases set forth in the attached Complaint, LAUSD’s response acknowledges several points warranting a determination from the Superintendent in favor of Complainants:

- There are no material facts in dispute here. We assert in the Complaint that “[b]ased on its estimate that 79% of students who received special education services were unduplicated pupils in 2013-14, LAUSD counted approximately \$450 million of special education expenses as prior year spending on services for unduplicated pupils.”³ LAUSD concedes in its letter that “79%[] of the District’s students with disabilities are identified as low income, English learners or foster youth” and that the District “identified the subset of Special Education programs that benefit these targeted student populations and applied 79 percent to the expenditures of those programs to estimate the share that would benefit these high need students”— totaling \$449.8 million.⁴ In sum, LAUSD acknowledges it is crediting as baseline prior year supplemental and concentration spending a share of nearly all of its special education “encroachment,” *i.e.*, the general fund special education program costs not covered by federal and state categoricals, proportional to the 79% representation of High Need Students in its special education population.
- The key question is purely one of legal interpretation. As the District emphasizes, at issue is the regulation requiring the district to “[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on *services provided for all pupils*.”⁵ Yet, LAUSD fails to respond substantively to the Complaint’s arguments that its reading of “services provided for all pupils” to mean only those services provided to precisely “100% of pupils” is unsupported by the regulatory and statutory language; nor does LAUSD respond to the assertion that its reading would lead to absurd results by allowing districts to apply its unduplicated pupil percentage to any program that, “like special education services—are available to all students, but serve only a portion of students, including summer school, after-school programs, sports and other extracurricular activities, counseling and health services, and class-size reduction initiatives . . . to name a few.”⁶ The District also fails to respond directly to the Complaint’s arguments as to why “special education services” constitute “services provided for all pupils” as opposed to “services for unduplicated pupils.”⁷
- In addition, LAUSD wholly fails to refute the Complaint’s argument that its practice violates the mandate to “increase or improves services for unduplicated pupils as compared to

² See LAUSD Report of Findings, Exhibit 2, at page 19, <https://www.dropbox.com/s/3cdgl9bto1e0kpp/Att%202%20-%20LAUSD%20UCP%20Determination.pdf?dl=0>.

³ Exhibit 1, Attachment 1 (Writ Petition) ¶58; *see also id.* at ¶73.

⁴ Exhibit 2 at p.10.

⁵ Exhibit 2 at p.14 (5 Cal. Code Regs. § 15496(a)).

⁶ Exhibit 1, Attachment 1 (Writ Petition) ¶¶74-76. *See in general*

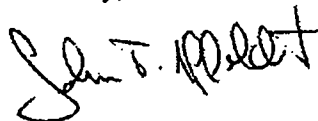
⁷ Exhibit 1, Attachment 1 (Writ Petition) ¶¶66-73.

services provided to all pupils,” as the statute and regulations require.⁸ To “increase” or “improve” means to grow services in “quantity” or “quality.”⁹ Because special education expenditures are incurred pursuant to preexisting legal mandates in federal and state law, “and are used to maintain, not increase, legally required services, they cannot be included as expenditures that ‘increase or improves services for unduplicated pupils as compared to services provided to all pupils.’”¹⁰ Accordingly, LEAs are not permitted to subsidize the pre-existing and ongoing costs of delivering Individualized Education Plans (IEPs) required by federal law with LCFF supplemental and concentration funds.

- Indeed, LAUSD concedes that special education services are not “services for unduplicated pupils”—which are the only type of services that may be supported with supplemental and concentration funds. As the District explains, a child will be excluded from special education services for such factors as “limited English proficiency . . . , social maladjustment; or . . . environmental, cultural or economic factors” that may include “unstable home life.”¹¹ Yet students who face such barriers are precisely the type of students who are targeted as “unduplicated students” under LCFF—English language learners, foster youth and low-income students. LAUSD thus acknowledges that students with disabilities who are receiving special education services do so not because of their unduplicated status, but in spite of that status.

For all the reasons stated here and in the attached Complaint, the District has misapplied the law to deny the Complaint and the Superintendent should overturn LAUSD’s determination. Accordingly, the Superintendent must require the District to revise its 2015-16 LCAP to remove special education funding as part of its prior year spending for High Need Students and revise its proportionality calculation and its LCAP to ensure that it spends the appropriate amount of money on increased and improved services for High Need Students in FY 2015-16 and in future years. For any questions related to this appeal or to contact the complainants, please contact the attorneys listed below.

Sincerely,



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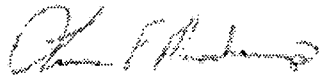
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⁸ 5 Cal. Code Regs. § 15496(a).

⁹ 5 Cal. Code Regs. §§ 15495(k) & (l).

¹⁰ Exhibit 1, Attachment 1 (Writ Petition) ¶¶86-90.

¹¹ Exhibit 2 at p.8.



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Enclosures

(For the electronic version of this appeal, click on the weblinks below to download attachments.)

[Attachment 1: September 9, 2015 UCP Complaint re: LAUSD LCAP](#)

[Attachment 2: November 9, 2015 LAUSD Report of Findings re: UCP Complaint](#)

Exhibit D: LAUSD 2015-16 Local Control and Accountability Plan

Click Here for:
LAUSD 2015-16 LCAP

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Exhibit E: LAUSD Special Education Expenditures in SACS Resource 6500

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LAUSD Special Education Programs in SACS Resource 6500

The below tables identify the programs in SACS Resource 6500 that were included in the LCFF supplemental calculation of \$450 million and those that were excluded.

Included in Supplemental Calculation
SPED-ADAPTED PHYSICAL EDUCATION
SPED-ADMINISTRATORS-SPED CENTERS
SPED-ASSISTANT OVERTIME-X & Z TIME/RENORMING
SPED-ASSISTANT PRINCIPAL ELEMENTARY INSTRUCTIONAL SPECIALIST
SPED-ASSISTANTS
SPED-ASSISTIVE TECHNOLOGY
SPED-CLERICAL SUPPORT-SPED CENTERS
SPED-DEAF AND HARD OF HEARING
SPED-EXTENDED SCHOOL YEAR
SPED-NON PUBLIC SERVICES
SPED-NURSING SERVICES
SPED-OCCUPATIONAL & PHYSICAL THERAPY
SPED-OPTIONS
SPED-PSYCHIATRIC SOCIAL WORKERS
SPED-PSYCHOLOGISTS
SPED-SPEECH & LANGUAGE
SPED-TEACHER-ITINERANTS
SPED-TEACHER-RESOURCE SPECIALIST PROGRAM
SPED-TEACHER-SPECIAL DAY PROGRAM
SPED-TEACHER-SUPPL & SUB TIME/RENORMING/PROF DEVELOPMENT
SPED-VISUALLY IMPAIRED

Excluded from Supplemental Calculation
SPED-ALLOCATION TO SCHOOLS FOR COMPLIANCE
SPED-ASSISTANTS-PRESCHOOL
SPED-CAREER & TRANSITION PROGRAM
SPED-DONATIONS
SPED-EDUCATIONALLY RELATED MENTAL HEALTH SERVICES
SPED-IMA ALLOCATION TO SCHOOLS
SPED-IMA-EQUIP-MATERIAL
SPED-LEAST RESTRICTIVE ENVIRONMENT COUNSELORS
SPED-PASS THROUGH FOR INDEPENDENT CHARTERS
SPED-PRESCHOOL PROGRAM SERVICES (INCLUDING ITINERANTS)

04/11/2011

SPED-PROGRAM SPECIALISTS-CERTIFICATED
SPED-REIMBURSEMENT-DUE PROCESS
SPED-TEACHER-SPECIAL DAY PROGRAM-PRESCHOOL
SPED-TEMPORARY PERSONNEL ACCOUNT

04/11/2011

04/11/2011

04/11/2017

ATTACHMENT 2

**CALIFORNIA DEPARTMENT OF EDUCATION (CDE)
INVESTIGATION OF APPEAL AGAINST THE
LOS ANGELES UNIFIED SCHOOL DISTRICT**

REYNA FRIAS, APPELLANT

As Clarified on Reconsideration August 5, 2016

District: Los Angeles Unified School District (LAUSD)

County: Los Angeles

Date of Investigation: November 12, 2015 – May 25, 2016

Appellant: Reyna Frias
Community Coalition of South Los Angeles

Primary District Staff: Michelle King, Superintendent
Los Angeles Unified School District

Julie Hall-Panameno, Director
Los Angeles Unified School District

Binh Nguyen, Coordinator of Litigation Research
Los Angeles Unified School District

CDE Staff: Jeff Breshears, Director
Local Agency Systems Support Office

Marsha Bedwell, Attorney
Legal Affairs

Jonathan Feagle, Consultant
Local Agency Systems Support Office

Date of Report August 5, 2016

04/11/2017

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INVESTIGATION OF APPEAL

Los Angeles Unified School District Reyna Frias, Appellant

DEPARTMENT INVESTIGATIVE REPORT

I. BACKGROUND

On November 12, 2015, the Local Agency Systems Support Office (LASSO) of the California Department of Education (CDE) received an appeal, pursuant to California *Education Code* (EC) Section 52075, of the Los Angeles Unified School District's decision dated November 9, 2015. The complaint alleged that Los Angeles Unified School District (LAUSD) violated statute by including special education spending as part of its estimate of prior year expenditures for services for foster youth, low income students, and English learners in its 2014–15 and 2015–16 local control and accountability plans (LCAP).

The initial complaint (Complaint) was filed by Ms. Reyna Frias and the Community Coalition of South Los Angeles (Complainants), with representation, on September 9, 2015 with LAUSD. Complainants requested that LAUSD revise its 2015–16 LCAP to remove special education funding as part of its prior year spending for unduplicated pupils and revise its proportionality calculation and its LCAP to ensure that it spends the appropriate amount of money on increased and improved services for unduplicated pupils in fiscal year 201516 and future years.

The District's Decision in response to the initial complaint was presented in a letter from Julie Hall-Panameno, Director of Educational Equity Compliance Office, dated November 9, 2015 (District Report). Complainants, with representation, submitted an appeal to the CDE. In response to the appeal, the CDE notified LAUSD, by letter dated November 13, 2015, that the CDE had received an appeal of its Decision dated November 9, 2015, and requested that LAUSD provide the required documents pursuant to *California Code of Regulations*, Title 5 (5 CCR) Section 4633(a). LAUSD responded to the CDE with an email dated November 20, 2015. All required documents were included as attachments to this email. In a letter dated January 13, 2016, the CDE notified LAUSD and the appellant that the CDE would conduct a further investigation of the allegations and, due to the complexity and state-wide nature of the issues, had found good cause to extend the investigation timeline pursuant to 5 CCR Section 4662(b).

On May 27, 2016, the CDE issued its Investigative Report (Report). Thereafter, on June 13, 2016, LAUSD submitted a "Request for Reconsideration of Report of Appeal Against the Los Angeles Unified School District (Reyna Frias et al., Appellants) pursuant to 5 CCR 4665(a). (LAUSD Reconsideration Request.) LAUSD's request put forth additional arguments in support of its position, and it urged reconsideration of the Report. LAUSD also requested the Superintendent of Public Instruction (SPI) to immediately stay its effectiveness pending reconsideration.

On June 14, 2016, the CDE received correspondence from Michelle King, LAUSD Superintendent regarding the Report stating that as result of the Report, LAUSD could be required to identify \$1 billion in programmatic cuts. On June 14, the SPI corresponded with Superintendent King, indicating that in order to allow LAUSD to make thoughtful adjustments to its LCAP consistent with the Report, the CDE would not require adjustments until the 2017–2018 fiscal year.

On July 1, 2016, the Complainants submitted Opposition to LAUSD's Request for Reconsideration, along with a Request for Reconsideration of the Report. Complainants objected to delaying any adjustments until the 2017–2018 fiscal year. The CDE corresponded with LAUSD and Complainants on July 14, 2016, to inform them that the requests for reconsideration would be considered together and that any response would issue on or before August 5, 2016.

On June 16, 2016, CDE staff met with LAUSD staff to discuss the Report. On July 8, 2016, LAUSD submitted a revised narrative account of why its spending on unduplicated pupils with disabilities was properly included in its "prior year estimate of funds expended on unduplicated pupils in its LCAP."

On July 15, 2016, LAUSD submitted opposition to the Complainants' July 1, 2016 Opposition and Request for Reconsideration. Complainants submitted a reply on July 29, 2016 to LAUSD's July 15, 2016 correspondence opposing Complainants' opposition to the district's request for reconsideration.

II. SUMMARY OF ALLEGATIONS, DISTRICT RESPONSE AND APPEAL

The Complaint

The Complaint alleges LAUSD failed to comply with legal requirements related to its 2014–15 and 2015–16 LCAPs. In particular, the complaint alleges LAUSD violated EC Section 42238.07 and 5 CCR Section 15496 by including a portion of the district's special education spending as part of its estimate of prior year expenditures for services for foster youth, low income students, and English learners (unduplicated pupils) in its 2014–15 and 2015–16 LCAPs

The Local Control Funding Formula (LCFF) includes a seven-step proportionality calculation to determine the minimal proportionality percentage (MPP) by which a local educational agency (LEA) must increase or improve services for unduplicated pupils above services provided to all pupils in the fiscal year. (See below, p. 10) Step two of this calculation requires an LEA to estimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils ("prior year expenditures").

According to the Complaint, when calculating the MPP for the 2014–15 LCAP and 2015–16 LCAP, LAUSD includes \$450 million of special education expenditures as part of its

\$700 million estimate of "prior year expenditures." The complaint asserts that special education expenditures may not be counted as such "prior year expenditures" because special education services are available to all students. In support of this assertion, the complaint states that all pupils may request an Individual Education Plan for special education services, and an LEA must provide these services to all students who qualify, regardless of whether or not they are counted as an unduplicated pupil. The Complaint therefore concludes that special education expenditures are not services targeted for unduplicated pupils and may not be counted as prior year expenditures for unduplicated pupils.

The Complaint alleges that as a result of the inclusion of the \$450 million of special education expenditures in the estimation of prior year expenditures, LAUSD shortchanged unduplicated pupils \$126 million in increased or improved services in 2014–15, and \$288 million in such services in 2015–16. The Complaint further alleges the "deficit" in expenditures on programs for

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unduplicated pupils will continue to build each year until it grows to \$450 million annually at full implementation of LCFF (estimated to be in 2020–21). Finally, the Complaint alleges that inclusion of special education as prior year expenditures will cost unduplicated pupils “\$2 billion in increased or improved services between now and FY 2020–21” (Original Complaint, p. 5).

The Complaint requests LAUSD revise its 2015–16 LCAP to remove special education funding as part of its prior year spending for foster youth, low income pupils, and English learners, and also revise its MPP calculation and its 2015–16 LCAP to ensure it spends the appropriate amount of money on increased and improved services for such pupils in 2015–16 and in future years. (Complaint, p. 6.)

LAUSD Response to the Complaint

LAUSD investigated the Complaint pursuant to its Uniform Complaint Procedures and issued a report of its determination (District Report) on November 9, 2015. It concluded the complainants’ legal contentions were without merit. The district’s view is summarized as follows:

The plain language of the 5 CCR Section 15496 directs LEAs to estimate the amount of LCFF funds expended by the LEAs on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils. (Emphasis in District Report, p. 18.) According to LAUSD, special education services are not services provided to all pupils, but are instead services provided only to a small percentage of pupils who meet specific eligibility requirements prescribed by federal and state special education laws. (Individuals with Disabilities Act [20 U.S.C. Section 1400 et seq.]; EC 56000 et seq.) Therefore, special education services may be included in the estimate of prior year expenditures on services for unduplicated pupils under 5 CCR Section 15496(a)(2).

LAUSD further argues the regulations broadly define “services.” (District Report, p. 14.) LAUSD determined it was within its “discretion to interpret subdivision (a) of Section 15496 according to its plain meaning.” (District Report, p. 18.)

LAUSD further described how it determined the “prior year expenditure” figure to be \$450 million in 2013–14 and 2014–15. LAUSD utilized its estimate of District General Fund contribution to special education (net of revenue limit and affiliated charters),¹ which was \$653.4 million for 2013–14 and \$633.9 million for 2014–15.² It further calculated the percentage of unduplicated

¹ CDE understands net of revenue limit to mean the amount of contributions to special education excluding an amount equal to revenue limit funding for certain special education pupils. CDE understands net of affiliated charters to mean that LAUSD excluded charter school expenditures that are included in its general ledger. The expenditures are not expenditures of federal Individual with Disabilities Education Act funds (20 U.S.C. Section 1400 et seq.)

² Special education services are funded by a combination of three funding sources: federal, state, and local. Federal funds and state funds are provided through special education categorical grants. The contribution of local funds to special education typically comes from a school district’s unrestricted general funds, and this contribution is sometimes referred to as “encroachment” - based on the idea a contribution of local funds for special education “encroaches” on general education program. However, the label can be a misnomer when it is used to describe any local expenditure for special education, as “regular” education costs for pupils receiving special education are intended to be funded from other local sources, including LCFF. However, it is the case that Federal and state special education categorical funds do not fund the full excess costs of educating pupils with disabilities.

pupils who receive special education services, excluding those attending affiliated charter schools, utilizing 2012–13 CALPADS and CASEMIS student enrollment data.³ That percentage was determined to be 79.38%. LAUSD reports it identified the subset of special education programs that benefit unduplicated pupils and applied the 79% to the expenditures for those programs, yielding \$449.88 million in expenditures for 2013–14 and 2014–15. (District Report, p. 10.)

The district response to the Complaint included general descriptions of some of the expenditures included in the \$450 million. These included: initiatives addressing integration of student with disabilities into general education settings, and reducing disproportionality among subgroups identified for special education; increased support services to advance academic achievement of English learners with disabilities; aligning IEPs with the district's English Learner Master Plan, inclusion of IEP goals for English proficiency in each IEP, and identification of the ELD present level of performance in each student. (District Report, p. 10.)

LAUSD's response further states that certain expenditures were excluded from its calculation of prior year expenditures for unduplicated pupils, even though the District believes that the regulations would permit inclusion of a wide array of expenditures in the calculation. Special education expenditures excluded were described as: \$33 million on spending for pre-school and adult populations; \$6.5 million for Special Education (SPED) Career & Transition Program, which serves pupils from both K–12 and adult student populations. LAUSD reports it took a conservative approach in making its calculation and excluded an additional \$34.5 million, "to ensure that its proportionality calculations were based upon services geared directly to unduplicated pupils." The exclusions included:

- SPED Central Office (\$11.15 million)
- SPED IMA Equipment-Materials (\$4.56 million)
- SPED Reimbursement Due Process (\$4.26 million)
- SPED Allocation to Schools for Compliance (3.25 million)
- SPED Program Specialists Certificated (\$2.94 million)
- SPED IMA Allocation to Schools (\$1.05 million)
- SPED Least Restrict Environment Counselors (\$0.65 million)
- SPED Temporary Personnel Account (\$0.13 million)

LAUSD also reports it excluded some amount in expenditures for services that may involve minimal contact between special education personnel and the general education population,

³ CALPADS and CASEMIS are student information systems, CASEMIS including data specific to Special Education.

including some amount for salaries and health benefits for therapists and specialist who participate in assessments to determine pupil eligibility for special education. (District Report, p. 13.)

The LAUSD response concludes the district's actions as described above are appropriate under 5 CCR Section 15496(a). It states that the regulation setting forth the requirements for estimates of prior year expenditures for unduplicated pupils does not exclude expenditures for services that are ""available to all students...who are eligible"", or services that are not ""targeted for"" unduplicated pupils. (District Report, p. 14, citing allegations of the Complaint.) It concludes that 5 CCR Section 15496 directs LEAs to exclude only "services provided to all services 'services provided to all pupils' under Section 15496 of title 5 of the *California Code of Regulations*?" (District Report, p. 14.)

LAUSD states its view that, factually, special education services are services provided only to those eligible to receive them according to statute, and the expenditures included in its estimate are only for those students who have an IEP. It further asserts that no authority in the LCFF or implementing regulations, or legislative or regulatory history, support a conclusion that services for special education are "services provided to all students" despite that phrase's "plain meaning." (District Report, p.15.) LAUSD asserts that Complainants' construction of the regulations is inconsistent with the Legislature's lack of inclusion of a "do not supplant" restriction in the LCFF. (District Report, p.17.)

In addition, LAUSD argues that the legislative direction to authorize expenditure of supplemental and concentration funds on a "district-wide" or "school-wide" basis support its methods for determining "prior year expenditures." (District Report, p. 17.) According to LAUSD, the fact that 84% of its pupils are unduplicated pupils, means the "district-wide core educational program is itself ""principally directed towards....meeting the district's goals for its unduplicated pupils."" (District Report, p.18.) Based on the above, LAUSD's response concludes \$450 million in special education expenditures described above may be included in its estimate of prior year expenditures on services for unduplicated pupils.

The Appeal

In their appeal, Complainants state that there are no material facts in dispute. (Appeal, p. 2.) Complainants point out that LAUSD derived its estimate of "prior year expenditures" by application of a formula:

79% (representing unduplicated pupils), multiplied by expenses associated with a subset of special education programs that would benefit these pupils, yielding \$449.8 million in prior year expenditures.

This figure, notes Complainants, is nearly all of the special education general fund encroachment. Complainants describe the key issue as the legal interpretation to be given 5 CCR Section 15496(a)(2)'s requirement to "[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils." (Appeal, p. 2, emphasis in Appeal.)

Complainants allege that LAUSD essentially interprets "services provided for all pupils" to mean only those services provided to "precisely 100% of pupils," and such interpretation is not supported by law. According to Complainants, such an interpretation would lead to absurd results, allowing a district to apply its unduplicated percentage to any program that is available

to all pupils but serves only a portion of pupils, such as summer school, after-school programs, extracurricular activities and such. (Appeal, p. 2.)

Complainants further assert LAUSD failed to address Complainants' argument that 5 CCR Section 15496(a)(2) recognizes only two types of spending for services: (1) expenditures on services for unduplicated pupils and (2) expenditures on services for all pupils. According to Complainants, expenditures for services that serve pupils without regard to students' low-income, English learner, or foster youth status are not "expenditures for unduplicated pupils," and, therefore, do not meet the regulatory standard for inclusion as part of "prior year expenditures." (Appeal, p. 2.)

Complainants also restate their assertion that because special education expenditures are incurred pursuant to preexisting federal and state mandates, LAUSD's action violates the mandate to "increase or improve services for unduplicated pupils as compared to services provided to all pupils" as required by the statute and regulations. (Appeal, p. 3.)

Complainants requested remedy is that the SPI overturn LAUSD's decision, and require LAUSD to revise its 2015–16 LCAP to remove special education funding as part of its prior year spending for unduplicated pupils, and also to revise its proportionality calculation and 2015–16 LCAP to ensure it spends the appropriate of money on increased and improved services for such pupils in 2015–16 and future years.

III. GENERAL PROCEDURES OF INVESTIGATION

Upon receipt of the appeal, CDE requested LAUSD provide the following documents in accordance with 5 CCR Section 4633(a):

- A copy of the original complaint
- A copy of the Decision
- A summary of the nature and extent of the investigation conducted by the local educational agency, if not covered in the Decision
- A copy of the investigation file, including but not limited to, all notes, interviews and documents submitted by the parties or gathered by the investigator
- A report of any action taken to resolve the complaint
- A copy of the local educational agency complaint procedures
- Such other relevant information as the Department may request

CDE reviewed these documents. In addition, CDE reviewed the LAUSD 2014–15 LCAP and 2015–16 LCAP. CDE conducted a telephone conference with Complainants' representatives on February 24, 2016, to discuss the complaint. Complainants' representatives explained the basis for the complaint consistent with the written appeal submission. CDE conducted a telephone conference with representatives of LAUSD on April 6, 2016. In that conference CDE requested LAUSD provide information identifying the program expenditures which it included it in its calculation of the \$450 million prior year expenditures. In response, LAUSD provided a list of special education programs included in SACS Resource Code 6500, specifying which programs

were included and which were excluded, as well as further argument in support of its determination. (Exhibit F.)

IV. APPLICABLE STATUTES AND REGULATIONS

- California *Education Code* (EC) sections 42238.02, 42238.07, 52060–52075
- California *Code of Regulations*, Title 5 (5 CCR) 15494–15497.5

V. FINDINGS OF FACTS AND CONCLUSIONS OF LAW

LCFF Overview

An overview of the LCFF legislation is helpful to understanding the allegations of this Complaint. The LCFF was enacted by Assembly Bill No. 97 (Chapter 47, Statutes of 2013)⁴, and was effective on July 1, 2013. The LCFF establishes a new funding formula for school districts (as well county offices of education, and charter schools (LEA's)). It replaces the long-standing "revenue limit" system of funding. Under revenue limits, districts received funds based on a unique revenue limit amount multiplied by their average daily attendance (ADA). This statutory formula provided school districts most of their general purpose funding.

Under the old system, revenue limit funding was coupled with "categorical" programs. These programs provided funding for specific, restricted purposes, typically funded either by program-specific formula grants, or pursuant to an application submitted by a school district. Often, categorical programs were designed to provide targeted services based on demographics and needs of the pupils in a district. The LCFF replaced the approximately three-quarters of categorical programs.

The LCFF establishes a "base" level of funding for school districts, which is a specified amount for each unit of ADA based on grade spans: \$6,845 for K–3; \$6,947 for grades 4–6, \$7,154 for grades 7 and 8, and \$8,239 for grades 9–12. (EC Section 42238.02(d).) These base rates may then be subject to additional adjustments as described below.

Implementation of the LCFF requirements began in 2013–2014, but full funding of the formula is being phased in over several years. The LCFF is anticipated to be fully funded by 2020–21. The Legislative Analyst reports that at the time of the LCFF's adoption, the base LCFF funding rate was estimated to be about \$500 per pupil higher than the 2012–13 revenue limit rates, and the state has provided approximately \$12.8 billion in additional K–12 funds over the past three years under the LCFF.⁵ When fully implemented, the LCFF will result in significantly more funding than was provided by the previous system of revenue limits coupled with categorical

⁴ Senate Bill No. 91 (Chapter 70, Statutes of 2013) and Senate Bill No. 97 (Chapter 357, Statutes of 2013), made minor changes to the LCFF as adopted by AB 97).

⁵ Legislative Analyst's Office, Overview of Local Control Funding Formula and New State Accountability System; presentation to Assembly Budget Subcommittee No. 2 on Education Finance, March 8, 2016.

programs.

Grade-Span Adjustments and Adjustments for "Unduplicated Pupils"

The LCFF provides for two adjustments to the base funding level described above. The first adjustment is based upon the grade level of the pupils. A Kindergarten through grade 3 adjustment increases the base rate by 10.4 percent tied to a reduction in class-size to a schoolsite-average of no more than 24 pupils, upon full implementation, unless collectively bargained otherwise. (EC Section 42238.02(d)(3).) In addition, the formula provides for an increase in the base amount by 2.6 percent for pupils in grades 9–12 to reflect higher operating costs and a focus on college and career readiness. (EC Section 42238.02(d)(4).)

The second adjustment to the LCFF formula is based on pupil demographics. The formula provides additional funding in the form of supplemental and concentration amounts based on the number and concentration of low income, English learners and foster youth pupils ("unduplicated pupils") as defined by EC Section 42238.02(b). The LCFF formula provides an additional 20 percent of the base amount for each unduplicated pupil. (EC Section 42238.02(e).) When the number of unduplicated pupils exceeds 55 percent of a school district's enrollment, the LCFF formula provides an additional 50 percent of the base amount for each unduplicated pupil that exceeds the 55 percent enrollment. (EC Section 42238.02(f).)

Expenditure Requirements for Supplemental and Concentration Funds

EC Section 42238.07 governs the expenditure of supplemental and concentration funds). It provides:

"(a) On or before January 31, 2014, the state board shall adopt regulations that govern the expenditure of funds apportioned on the basis of the number and concentration of unduplicated pupils pursuant to sections 2574, 2575, 42238.02, and 42238.03. The regulations shall include, but are not limited to, provisions that do all of the following:

- (1) Require a school district, county office of education, or charter school to increase or improve services for unduplicated pupils in proportion to the increase in funds apportioned on the basis of the number and concentration of unduplicated pupils in the school district, county office of education, or charter school.
- (2) Authorize a school district, county office of education, or charter school to use funds apportioned on the basis of the number of unduplicated pupils for schoolwide purposes, or, for school districts, districtwide purposes, for county offices of education, countywide purposes, or for charter schools, charter-wide purposes, in a manner that is no more restrictive than the restrictions provided for in Title I of the federal No Child Left Behind Act of 2001 (20 U.S.C. Section 6301, et seq.).

(b) The state board may adopt emergency regulations for purposes of this section."

Consistent with the provisions of EC Section 42238.07, the State Board of Education (SBE) adopted regulations governing the expenditure of supplemental and concentration funds in January 2015. These regulations are at 5 CCR sections 15495–15497.5.

5 CCR Section 15496 addresses the requirement that schools districts "increase or improve" services for unduplicated pupils in proportion to the increase in supplemental and concentration

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funds (EC Section 42238.07(a).)⁶

Calculating the Minimum Proportionality Percentage (MPP)

As noted above, funding increases provided for by LCFF are being phased in over several years, with the funding target expected to be reached by 2020–21. Prior to the implementation of LCFF, districts varied in the extent to which they participated in various categorical programs and in the level of services provided for low-income pupils, English learners, and foster youth. Thus, in 2012–13, the year immediately preceding the year of LCFF's initial implementation, there was variation across districts in the level of expenditures for services provided to pupils who met the criteria for low-income, English learner, and foster youth. During the phase-in of funding, districts will receive LCFF funding based upon the difference (gap) between their prior year funding and the amount they will receive when the LCFF is fully funded (the target LCFF base funding level [LCFF target]). Because of the phase in of LCFF funding, the base funding level and supplemental and concentration grant funding level must be estimated until full funding is reached.

In consideration of the phase-in of LCFF funding and the varying "starting" points for school districts, 5 CCR Section 15496 provides a seven-step process for determining the amount of funding attributable to supplemental and concentration grants in the LCAP year and the minimum proportion by which a district must "increase or improve" services for unduplicated pupils (MPP). (5 CCR Section 15496(b)(1)–(7).) During the transition to full funding, these amounts will depend, in part, on a district's estimate of LCFF funds expended on services for unduplicated pupils in the prior year that is in addition to what was expended on services for all pupils. (5 CCR Section 15496(b)(2) [Step two].) Pursuant to the formula, districts make incremental progress toward the supplemental and concentration grant expenditures levels required at full implementation to proportionally increase or improve services for unduplicated pupils.

At full funding, a district's supplemental and concentration grant funding level will be identifiable, and the regulations at that point require the MPP to be calculated by dividing that grant amount by the remainder of the district's LCFF funds (with exclusion of certain funds as identified in the regulation.) (5 CCR Section 15496(a)(8).)

Schoolwide and Districtwide Expenditures of Supplemental and Concentration Funds

EC Section 42238.07(b) required the SBE to adopt regulations to authorize a school district to use funds apportioned on the basis of the number and concentration of unduplicated pupils for "districtwide" or "schoolwide" purposes, in a manner no more restrictive than provided for in Title I of the federal No Child Left Behind Act of 2001 (20 Section 6301, et seq.). Title I provides

⁶ The process for adoption of permanent regulations proceeded in parallel with adoption of emergency regulations, which were adopted in January 2014 and went into immediate effect. The emergency and permanent regulations were the same with respect to determination of prior year expenditures and calculating the minimum proportionality percentage.

federal financial assistance distributed through state education agencies to LEAs with a high number or percentage of children from low-income families to assist them in ensuring that all pupils meet the state's academic standards. LEAs are required to allocate funding to schools with the highest percentages of children from low-income families. Unless the receiving school is operating a schoolwide program, it is required to focus Title I services on children who are identified as failing, or most at risk of failing, to meet state academic standards.

A school operating a schoolwide program is authorized to provide services to upgrade the entire educational program of a school. A school serving an attendance area in which least 40% of the pupils are from low income families may operate a schoolwide program. Educational programs may be designed to serve all students, provided requirements such as conducting a needs assessment, developing a comprehensive plan, and conducting an annual evaluation of the plan are met. (20 U.S.C. sections 6313–6314.)⁷ Title I does not include a provision for districtwide programs.

Consistent with EC Section 42238.07(b), the expenditure regulations identify the circumstances in which LEAs may use supplemental and concentration funds on a districtwide or schoolwide basis. (5 CCR Section 15496(b).) The conditions imposed on LEAs for such use vary depending on the type of LEA and the percentage of unduplicated pupils. For a district such as LAUSD, with an enrollment of unduplicated pupils of 84%, the requirements for districtwide use of supplemental and concentration grant funding are as follows:

"(b) ...an LEA may demonstrate it has increased or improved services for unduplicated pupils... by using funds to upgrade the entire educational program of ... a school district...as follows:

(1) A school district that has an enrollment of unduplicated pupils of 55 percent or more of the district's total enrollment in the fiscal year for which an LCAP is adopted or in the prior year may expend supplemental and concentration grant funds on a districtwide basis. A school district expending funds on a districtwide basis shall do all of the following:

(A) Identify in the LCAP those services that are being funded and provided on a districtwide basis.

(B) Describe in the LCAP how such services are principally directed towards, and are effective in, meeting the district's goals for its unduplicated pupils in the state and any local priority areas."

The Local Control and Accountability Plan (LCAP)

LCFF requires the governing board of each school district to adopt an LCAP, on or before July 1, 2014, using a template adopted by the SBE. (EC Section 52060.) The LCAP is required to be

⁷ NCLB was recently amended by the Every Student Succeeds Act ("ESSA", Pub. Law No. 114-95). ESSA contains provisions for schoolwide Title I programs.

updated on or before July 1 of each year. According to statute, the LCAP is required to include, for the school district and each school within the district:

- a description of the annual goals, for all pupils and each subgroup of pupils identified pursuant to EC Section 52052,⁸ to be achieved for each of the eight state priorities identified in EC Section 52060(d), as well as for any additional local priorities identified by the district governing board, and
- a description of the specific actions the school district will take during each year of the local control and accountability plan to achieve the goals identified in its plan.

EC Section 52064 required the SBE to adopt a template by March 31, 2014, for LEAs to use for their LCAPs and annual updates to the plan. The SBE-adopted template for the LCAP and Annual Update is at 5 CCR Section 15497.5.

Stakeholder Input on Development and Approval of the LCAP

The LCAP must be developed with stakeholder input, as prescribed by EC sections 52060, 52062 and 52063. There must be consultation with teachers, principals, administrators, other school personnel, local bargaining units of the school district, parents, and pupils. (EC Section 52060(g).) A district also must have a parent advisory committee to advise on the LCAP. Before a governing board adopts the LCAP, the district superintendent must present it to the parent advisory committee, and respond in writing to advisory committee comments. (EC sections 52062(a)(1); 52063(a)(1).)

Districts, such as LAUSD, that have enrollment of English learners of at least 15 percent and at least 50 English learners, also must have an English learner parent advisory committee. (EC Section 52063(b).) Prior to adoption, the district superintendent must present it to the English learner parent advisory committee for review and comment, and respond, in writing, to comments received from the committee. (EC Section 52062(a)(2).)

Members of the public must be informed by the district of the opportunity to submit written comments regarding the specific actions and expenditures proposed to be included in the plan. (EC Section 52062(a)(3).) A school district governing board is required to adopt its LCAP and annual update using a two-meeting process. It must first hold a public hearing at which it receives public comment; this hearing must be held at the same meeting as its first public hearing on adoption of its proposed budget. The district may then adopt its LCAP or annual update at a public meeting held at least one-day after the initial public hearing, and that meeting must be the same meeting at which the district adopts its budget. (EC Section 52062(b).)

A school district may adopt revisions to its LCAP during the time it is in effect, if it follows the above process for adopting an LCAP, including adopting the revisions in a public meeting.

County Superintendent Review and Approval

⁸ These subgroups of pupils are: ethnic subgroups, socioeconomically disadvantaged pupils, English Learners, pupils with disabilities, foster youth, and homeless youth (homeless youth added effective June 24, 2015).

Within five days of adoption of the LCAP or annual update by the governing board, a school district is required to submit it to the county superintendent of schools for review and approval. (EC Section 52070.) The statute establishes a procedure by which a county superintendent may seek clarification from the district regarding the LCAP or annual update. Any recommendations of a county superintendent for amendments to the LCAP or annual update must be considered by the governing board of the school district in a public meeting. By October 8 of each year the county superintendent must approve the district's LCAP or annual update if he or she determines:

- The LCAP or annual update adheres to the SBE-adopted template (EC Section 52070(d)(1))
- The school district's budget for the applicable fiscal year includes expenditures sufficient to implement the specific actions and strategies included in the LCAP based upon projections of the costs included in the plan (EC Section 52070(d)(2)), and
- The LCAP or annual update adheres to the expenditure requirements adopted pursuant to EC 42238.07 for funds apportioned on the basis of the number and concentration of unduplicated pupils. (EC Section 52070(d)(3))

The expenditure regulations adopted by the SBE address county superintendents' responsibilities in reviewing LCAPs for adherence to the requirements of EC Section 52070(d)(3). (5 CCR Section 15497.) The county superintendent is required to review any descriptions in the LCAP of districtwide or schoolwide services to determine whether the district has "fully demonstrated that it will increase or improve services for unduplicated pupils pursuant to Section 15496(a)." If a county superintendent determines a district has failed to increase or improve services for unduplicated pupils as described in 5 CCR Section 15497, the county superintendent must provide technical assistance to the district, as specified in the statute.

Analysis

Special Education Expenditures in Determining MPP

The central issue in this complaint is the meaning of the "second step" in the calculation required by 5 CCR Section 15496(a) to determine the "percentage by which services for unduplicated pupils must be increased or improved above services for all pupils [the MPP]. Step two requires a district to:

"Estimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils. The estimated amount of funds expended shall be no less than the amount of Economic Impact Aid expended in the 2012–2013 fiscal year."

In this case, LAUSD asserts special education services are clearly not "services for all pupils" because such services are provided only to those pupils who meet the eligibility criteria specified in statute. Building on its view that special education services are not provided to all

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pupils, LAUSD performs a straightforward calculation applying 79% (the percentage of pupils receiving special education who are also unduplicated pupils) to the bulk of its general fund expenditures for special education, resulting in \$450 million in special education expenditures being included as part of its estimate of "prior year expenditures" in the MPP calculation.⁹

LAUSD does exclude from its calculation some of its expenditures for special education. (See exclusions identified at p. 3–4 above.) However, based on the information provided by LAUSD in response to the Complaint, those exclusions are not based on any distinctions between expenditures on special education services for unduplicated pupils, and expenditures on special education services for all pupils receiving special education, including unduplicated pupils. Rather than making such a distinction, the district derives a proportional expenditure amount and identifies that amount as expenditures for unduplicated pupils "in addition" to expenditures for all pupils. As was noted previously, the bulk of expenditures coded to Resource Code 6500 were included in the proportional calculation. The programs identified to Resource Code 6500 reflect a broad array of program services available to special education pupils generally. (Exhibit F.)¹⁰

LAUSD's approach does, as Complainants argue, give a strained construction to the meaning of the regulation. It focuses on the plain meaning of "all," as is evident from its framing the question: "Are special education 'services provided to all pupils' under section 15496 of the California Code of Regulations?" (District Report, p. 14.) It construes the regulation to permit inclusion of any expenditures for services in programs that serve both unduplicated and duplicated pupils as expenditures on services for unduplicated pupils, even when the services are provided without regard to pupils' unduplicated status.

The above approach is not consistent with the LCFF statute and regulations. EC Section 42238.07(a) requires that funds apportioned on the basis of the number and concentration of unduplicated pupils be expended to "increase or improve" services for unduplicated pupils in proportion to the increase in funds apportioned. (EC Section 42238.07; 5 CCR Section 15496.) The regulation at issue directs the manner in which districts are to calculate the MPP during the transition period to full funding of the LCFF. At step 2 in the calculation, the regulation directs the district to make a comparison between expenditures on services provided for unduplicated pupils "in addition" to expenditures on services for "all" pupils. To be consistent with the statutory purposes, the comparison must distinguish between services directed to unduplicated pupils based on that status, and services available for all pupils, without regard to their status as unduplicated pupils or not. Expenditures for services available to pupils regardless of their

⁹ Note the same figure is derived for 2013–14 and 2014–15, despite a difference to general fund expenditures for special education services in the two years. (District Report, p 10.)

¹⁰ Schools districts utilize a standard chart of accounts to record and report financial information. A "resource code" is used in schools' accounting systems to track activities funded with revenues that have special accounting or reporting requirements or are legally restricted. Resource Code 6500 is for special education. Districts often contribute unrestricted general fund resources to this Resource Code 6500 when expenditures for special education exceed federal and state categorical funding (see footnote 2).

status as unduplicated pupils may not be included in the estimate of prior year expenditures on services for unduplicated pupils that are in addition to expenditures for services provided for all pupils.

Not only is the above approach the directive of the statutory language, the regulations demonstrate that legislative purpose, in part, by specifying a floor for "prior year expenditures" in the first year in which the formula was operative consisting of a district's 2012–13 expenditures of Economic Impact Aid (the pre-LCFF categorical program providing supplemental funds to serve pupils who were low-income or English learners).

Thus, in calculating the MPP under 5 CCR Section 15496, the regulation requires that expenditures on services for unduplicated pupils made without regard to pupils' unduplicated status be excluded from the estimate of prior year expenditures (5 CCR Section 15496(a)(2)). With regard to expenditures for special education, prior year expenditures on special education services directed to unduplicated pupils based on their status as unduplicated may be included when estimating prior year expenditures under 5 CCR Section 15496(a)(2). For years subsequent to the initial LCAP year (2014–2015), an LEA with 55 percent or more unduplicated pupils, such as LAUSD, may include expenditures for services provided on a districtwide or schoolwide basis to both duplicated and unduplicated pupils so long as they are described in the LEA's LCAP as principally directed towards and effective in meeting the district's goals for its unduplicated pupils in the state and any local priority areas (see below). But, in addition, expenditures for special education services that are for duplicated and unduplicated pupils generally, without regard to pupils' unduplicated status, may not be included in estimating such prior year expenditures.

The Significance of Districtwide Expenditure

In support of its position that it acted consistent with 5 CCR Section 15496(a)(2) and in arguing rejection of Complainants' demand to remove \$450 million of special education expenditures from its estimate of prior year expenditures, LAUSD argues that the regulations grant districts, such as it, with high enrollments of unduplicated pupils the highest level of flexibility. (District Response, p. 17.) The district further states "[b]ecause the overwhelming majority of LAUSD's pupils (84%) are unduplicated, the district-wide core program is itself 'principally directed towards...meeting the district's goals for its unduplicated pupils,'" citing, in part 5 CCR Section 15496(b)(1)(B). (District Response, p. 18.) While it is the case that LAUSD has flexibility to the extent afforded by the regulations, we do not find its argument persuasive on the issues raised by this appeal.

First, LAUSD's argument appears to conflate the threshold that permits districtwide use of funds apportioned on the basis and numbers of unduplicated pupils with the justification required when a district decides to proceed districtwide. The 55 percent or more qualifies a district to use funds on a districtwide basis, but it must then identify in its LCAP those services provided on such basis and describe how they are "principally directed towards and are effective in "meeting the district's goals for its unduplicated pupils in the state and any local priority areas." (5 CCR Section 15496(b)(1)(B).)

In accordance with the regulation, LAUSD has flexibility to expend supplemental and concentration grant funds to increase or improve services for unduplicated pupils on a districtwide basis, as circumscribed by the actions necessary to justify such expenditure. The required articulation of reasons supporting districtwide or schoolwide use is critical to meeting the statutory requirement that such funds be used to "increase or improve" services for

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unduplicated pupils in proportion to the amount of the increase in funding. (EC Section 42238.07(b).) In addition, the requirement to articulate in the LCAP how districtwide expenditures are "...principally directed towards, and effective in..." meeting goals for unduplicated pupils is a critical step that should reflect the culmination of the significant stakeholder engagement called for by the LCFF, and is essential to transparency.

In addition, the authority to expend supplemental and concentration grant funds for services provided on a districtwide basis under EC Section 42238.07(b) and 5 CCR Section 15496(b) is an alternative to expenditure of such for services for unduplicated pupils on a targeted basis (EC Section 44238.07(a).)¹¹ Accordingly, districtwide expenditure is not, necessarily, determinative of whether such expenditure qualifies as a "prior year expenditure" under 5 CCR Section 15496(a)(2), though it may qualify as such (see below).

MPP is a "Proportional" Spending Requirement

We must also note a point of disagreement with the position asserted by Complainants as expressed in their requested remedy. Complainants request that LAUSD be directed to revise its proportionality calculation and its LCAP to insure that it spends the appropriate amount of money on increased and improved services for High Needs Students in FY 2015–16, and in future years (Appeal, p. 2)" The expenditure requirement for supplemental and concentration grant funding is a requirement to increase or improve services for unduplicated pupils in proportion to the increase in funding received based on the number and concentration of unduplicated pupils¹². The proportional increase is determined by the MPP calculation set forth in the regulation. The regulation makes clear the required proportional increase is not a requirement to increase expenditures for unduplicated pupils from one year to the next. The required comparison for MPP purposes is whether there is a proportional increase or improvement in services for unduplicated pupils above what is provided to all pupils in the fiscal year. (5 CCR Section 15496(a).) Thus, an LEA may count towards meeting the MPP its current year expenditures on services it also provided in the prior year, provided they are either targeted towards unduplicated students or, for LEA's with 55 percent or more unduplicated pupils, they are provided on a districtwide or schoolwide basis to both duplicated and unduplicated pupils and the LCAP identifies the expenditures and describes the services as principally directed towards and effective in meeting the district's goals for its unduplicated pupils in the state and any local priority areas. Accordingly, the regulations specify a "proportional" spending requirement, and not a requirement for a "dollar-for-dollar" spending, such as might exist with a restricted, categorically funded program. Accordingly, it is inconsistent with the regulatory framework to state that LAUSD's calculation of its MPP deprived unduplicated pupils of a specific dollar amount of increased or improved services, as alleged in the Complaint. (Complaint, p. 2.)

¹¹ The LCFF does not, however, include a "do not supplant" mandate, as noted by LAUSD. (District Report, p. 17.)

¹² The regulations at 5 CCR Section 15496(b)(1) and (2) specify the requirements regarding districtwide use of funds for districts with 55 percent or more unduplicated pupils, and for those with less than 55 percent unduplicated pupils. Requirements for schoolwide use for schools with enrollment of unduplicated pupils of 40 percent or more, and for those less than 40 percent unduplicated pupils are set out at 5 CCR Section 15496(b)(3) and (4).

Some Special Education Expenditures for Unduplicated Pupils May Count as Prior Year Expenditures

In addition, we do not conclude that any and all expenditures of a district's general fund for special education purposes must be excluded from its estimate of "prior year expenditures" under 5 CCR Section 15496(a)(2). A district may, in fact, make expenditures for special education services for unduplicated pupils that are "in addition" to special education services provided to unduplicated pupils and all other pupils receiving special education services. As noted above, prior year expenditures on special education services provided to pupils based on their status as unduplicated pupils may be included when estimating prior year expenditures under 5 CCR Section 15496(a)(2). In addition, prior year districtwide and schoolwide expenditures on special education services may be included, provided all the requirements applicable to such as described above are met. Such expenditures could be considered "prior year expenditures" and included in the required calculation of the MPP. But, in addition, expenditures for special education services that are made available to duplicated and unduplicated pupils generally, without regard to pupils' unduplicated status nor principally directed towards unduplicated pupils, may not be included in estimating such prior year expenditures under 5 CCR Section 15496(a)(2). These expenditures must be excluded when calculating the MPP for the LCAP year.

In this case, some of the expenditures identified as being included in the \$450 million LAUSD identifies as being spent for special education services may, in fact, be special education services provided on the basis of pupils' unduplicated status or principally directed towards unduplicated pupils. However, based on the information provided and the legal theory articulated by LAUSD in connection with the complaint and appeal, it is not possible to make that determination.

VI. REQUIRED CORRECTIVE ACTIONS

In this case, based on the information provided, LAUSD does not demonstrate that the entire \$450 million consists of expenditures on special education services provided to pupils based on their status as unduplicated pupils, in addition to special education services provided to all pupils, as required by 5 CCR Section 15496(b)(2). Based on the above analysis, LAUSD must revise its calculation practice of "prior year expenditures" as set forth in 5 CCR Section 15496(b)(2) to exclude any special education expenditures which are not for expenditures for special education services provided for unduplicated pupils that are in addition to expenditures on services for all special education pupils or identified and described in its LCAP as principally directed towards and effective in meeting the district's goals for its unduplicated pupils in the state and any local priority areas, and ensure its MPP is consistent with its estimate of "prior year expenditures."

Under LCFF, stakeholders have a key and critical role in developing goals, actions and services, for all pupils, including unduplicated pupils. (EC Sections 52062 and 52063.) This engagement process provides opportunity for public engagement on appropriate increases or improvements in services for unduplicated pupils as compared to services for all pupils, as well as to ensure the district's budget makes provision for the services and actions identified in the district LCAP. In addition, the district's LCAP is required to be annually updated. Stakeholder engagement is also a critical part of this updating process, which must review progress on the LCAP goals, assess the effectiveness of actions towards reaching those goals, and identify and describe expenditures for unduplicated pupils. (EC Sections 52061 and 52062.) Furthermore, as described above, LCFF imposes a proportional increase or improvement in services for

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unduplicated pupils as opposed to a "dollar-for-dollar" spending requirement. In light of these circumstances, any changes that could be required to the district's LCAP as a result of the required action must be arrived at with stakeholder engagement. To allow for thoughtful and meaningful engagement, the statutory purposes are best achieved by requiring full implementation no later than 2017–2018.

However, the CDE urges LAUSD to recalculate its prior year expenditures and MPP immediately and consider whether it may count a portion of the \$450 million or identify other services that are principally directed to unduplicated students towards meeting its MPP rather than making significant budget adjustments. In future years, LAUSD must calculate MPP consistent with the above analysis, and reflect that MPP in its LCAPs, for so long as 5 CCR Section 15496(b)(2) is applicable.

VII. CONCLUSION

The CDE has investigated the complaint initially filed on September 9, 2015, with the Los Angeles Unified District. This district is required to implement the Required Corrective Actions. The CDE will monitor LAUSD's compliance with the required actions of this report for two years from LAUSD's receipt of this report. The CDE is ready to work with all stakeholders to thoughtfully carry out the corrective actions specified in this report and minimize any potential negative impact to the provision of services to LAUSD students.

This report, as clarified, constitutes the decision on reconsideration pursuant to 5 CCR Section 4665, and as such is the final administrative determination on the complaint.

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VIII. APPENDIX 1: EXHIBITS

Exhibit A: Original Complaint

Exhibit B: District Report of Findings

Exhibit C: Appeal Letter

Exhibit D: LAUSD 2015–16 Local Control and Accountability Plan

Exhibit E: LAUSD Special Education Expenditures in SACS Resource 6500

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Exhibit A: Original Complaint

04/11/2017



September 9, 2015

Julie Hall-Panameno, Director
Educational Equity Compliance Office
Los Angeles Unified School District
333 South Beaudry Avenue, 20th Floor
Los Angeles, CA 90017
julie.hall@lausd.net

Superintendent Ramon Cortines
Office of the Superintendent
Los Angeles Unified School District
333 S. Beaudry Ave., 24th Floor
Los Angeles, CA 90017
ramon.cortines@lausd.net

Via E-Mail and U.S. Mail

Re: Uniform Complaint Procedure Complaint Re Superintendent Cortines and LAUSD's Failure to Comply with Legal Requirements Pertaining to LCAP

Dear Ms. Hall-Panameno,

We submit the following Uniform Complaint Procedure ("UCP") complaint on behalf of Ms. Reyna Frias and Community Coalition of South Los Angeles ("Community Coalition") regarding Los Angeles Unified School District and Superintendent Cortines's (collectively "LAUSD") failure to comply with the legal requirements pertaining to its Local Control and Accountability Plan ("LCAP"). Specifically, LAUSD has violated its legal obligations under Education Code § 42238.07 and 5 C.C.R. § 15496 by including special education spending as part of its estimate of prior year expenditures for services for foster youth, low income students, and English learners (collectively "High Need Students") in its 2014-15 and 2015-16 LCAPs.

We have brought the issues in this complaint to the district's attention through multiple letters and conferences and most recently in a legal complaint filed with the LA Superior Court on July 1, 2015. LAUSD filed a demurrer on the ground that Ms. Frias and Community Coalition cannot seek judicial relief until they exhaust the administrative remedies provided under section 52075 of the Education Code and file a complaint pursuant to the UCP. While we do not believe that filing a UCP complaint is a prerequisite to filing our lawsuit, out of an abundance of caution and because of the considerable delay before we expect the Court to reach a decision on

the district's demurrer motion, we now file this UCP complaint. Given our prior dealings with the district in attempts to resolve this matter, we maintain that the filing of this complaint is not mandatory and is futile, as we do not expect it to change the district's clear refusal to correct its erroneous calculations in its LCAP and ensure that it increases and improves services for High Need Students in accordance with LCFF regulations.

As a result of this error in LAUSD's LCAP, the district deprived High Need Students of roughly \$126 million in increased or improved services in Fiscal Year 2014-15 and roughly \$288 million in increased or improved services in FY 2015-16. Over the course of LCFF implementation, LAUSD's improper inflation of its baseline starting point of supplemental and concentration funding will deprive High Need Students of more than \$2 billion in increased or improved services between now and FY 2020-21, and \$450 million in services every year thereafter.

Accordingly, we request that LAUSD revise its 2015-16 LCAP to remove special education funding as part of its prior year spending for High Need Students and revise its proportionality calculation to ensure that the district spends the proper amount of money on increased and improved services for High Need Students.

We initially brought this error to LAUSD's attention in April 2014 when LAUSD released the first draft of its proposed 2014-15 LCAP. We subsequently engaged in negotiations for over a year with LAUSD personnel to attempt to resolve the dispute, but the district refused to amend its LCAP to comply with its obligations under the Education Code and relevant regulations. We also sent a letter to the District in December 2014 on behalf of Ms. Frias and Community Coalition raising these same issues. On July 1, 2015, we filed a Petition for Writ of Mandate in Los Angeles Superior Court (No. BS 156259) (the "Action"), which included the same claims we are asserting in this UCP complaint. A copy of the Petition is enclosed as Attachment 1 for your reference.

Because we have already discussed these issues at length with LAUSD and the district has made clear that it will not amend its LCAP, and because none of the underlying facts are in dispute, we trust that LAUSD will be able to conclude its investigation and render a decision in an expeditious manner.

I. Complainants

Ms. Reyna Frias is the mother of two children, both of whom attend public schools in LAUSD. Ms. Frias's youngest child is a third grade student and is classified as an English learner. He also receives special education services to address a speech or language impairment. Ms. Frias's oldest child is a seventh grade student. Both of Ms. Frias' children are eligible to receive a free or reduced-price meal and thus qualify as low-income students.¹

Community Coalition is a non-profit organization that works to transform the social and economic conditions in South Los Angeles that foster addiction, crime, violence and poverty.

¹ For more information regarding Ms. Frias or her children, please contact counsel listed on this letter.

For purposes of investigating this complaint and reporting any findings or decision, both complainants can be contacted through counsel listed on this letter.

II. Attempts to Resolve the Dispute with LAUSD Personnel

LAUSD released a proposed LCAP in early April 2014 that included in its calculation of prior year expenditures for High Need Students approximately \$450 million of expenditures for special education services. Attorneys from Public Advocates and the ACLU reached out to LAUSD staff within days of this release to discuss the improper inclusion of special education expenditures and informed LAUSD's chief operating officer that its proposal would violate the regulation.

On June 6, 2014, Public Advocates and the ACLU contacted LAUSD's then-Superintendent John Deasy by letter, copying staff at LACOE involved in reviewing LCAPs, and cautioned the District that its "improper inclusion of special education funding as part of its estimate of prior year (FY 2013-14) services for unduplicated pupils . . . resulted in a significant under-calculation of the funds allocated to 'increase or improve services for unduplicated pupils' in the district's LCAP." Public Advocates and the ACLU requested that the district remove the \$450 million in special education expenditures from its estimate of prior year services for High Need Students, and increase the proposed supplemental and concentration spending for FY 2014-15 accordingly.

In response, on June 13, 2014, counsel for LAUSD stated that the District "believes it is justified in its approach" but failed to explain the basis for this belief other than to state that the LCFF expenditure regulations "do not preclude the District from including special education expenditures as part of the prior year services for unduplicated pupils." Two weeks later, the LAUSD Board of Education adopted the draft LCAP, which included the inflated and incorrect figures. On September 5, 2014, LACOE approved LAUSD's LCAP without modification.

On December 19, 2014, on behalf of the complainants, Public Advocates and the ACLU sent a letter to LAUSD's new interim Superintendent, Ramon Cortines to "reiterate [their] serious concerns regarding LAUSD's Local Control and Accountability Plan (LCAP) and to advise you that we will pursue legal action" unless "LAUSD . . . agree[s] immediately to correct the decision to impermissibly include special education services as prior year spending on unduplicated students in LAUSD's initial LCAP."

Between January and July 2015, Public Advocates and the ACLU conducted various meetings and telephone calls with LAUSD personnel—including Gregory McNair, the district's Chief Business & Compliance Counsel, and Megan Reilly, the district's Chief Financial Officer—in a final attempt to convince LAUSD to revise its LCAP to comply with the Education Code and regulations. During these negotiations, LAUSD continued to refuse to amend its LCAP to allocate the correct amount of supplemental and concentration funds to increase and improve services for High Need Students. On June 23, 2015, LAUSD's Board of Education approved the 2015-16 LCAP, which again included the erroneous prior year expenditure calculation and deprived High Need Students of hundreds of millions of dollars in increased and improved services.

On July 1, 2015, Public Advocates, the ACLU, and Covington & Burling LLP filed the Action in Los Angeles Superior Court on behalf of Ms. Frias and Community Coalition alleging that LAUSD violated its mandatory duties to use appropriate supplemental and concentration funds to increase or improve services for High Need Students in accordance with Education Code § 42238.07 and 5 C.C.R. § 15496. On August 3, 2015, LAUSD filed a demurrer, arguing that the plaintiffs were required to exhaust administrative remedies by filing a UCP complaint with the relevant governmental entities before filing suit.²

III. Basis for the UCP Complaint

The Local Control Funding Formula ("LCFF") requires school districts to "increase or improve services for [High Need Students] in proportion to the increase in funds apportioned on the basis of the number and concentration of [High Need Students] in the school district[.]" Educ. Code § 42238.07. In early February 2014, the emergency regulations for implementing LCFF went into effect and are set forth in 5 C.C.R. §§ 15494-97. To ensure the requisite proportional increase in services for High Need Students, the regulations set forth a duty for school districts to engage in a seven-step process to "determine the percentage by which services for [High Need Students] must be increased or improved above services provided to all pupils" in a fiscal year. 5 C.C.R. § 15496(a).

The proportionality calculation is at the heart of LCFF's equity requirement that school districts must increase or improve services for High Need Students in proportion to the additional dollars those students generate. *See* Educ. Code § 42238.07; 5 C.C.R. § 15496(a). The second step requires school districts to estimate the expenditures of supplemental and concentration funding in the initial "prior year" (*i.e.*, FY 2013-14) and every prior year thereafter. Under the second step of the calculation, school districts may only count as prior year expenditures "funds expended by the LEA on services for [High Need Students] in the prior year that is in addition to what was expended on services provided for all pupils." 5 C.C.R. § 15496(a)(2). The regulation thus distinguishes between two types of spending: (1) spending on services for High Need Students and (2) spending on services for all students.

The LCAP that LAUSD's Board of Education approved for FY 2014-15 violates the Education Code and regulations because it includes \$450 million in special education spending as part of the \$700 million it claimed as prior year services for High Need Students. Special education services cannot be counted as spending on prior-year expenditures on services for High Need Students because these services are available to all students—regardless of whether

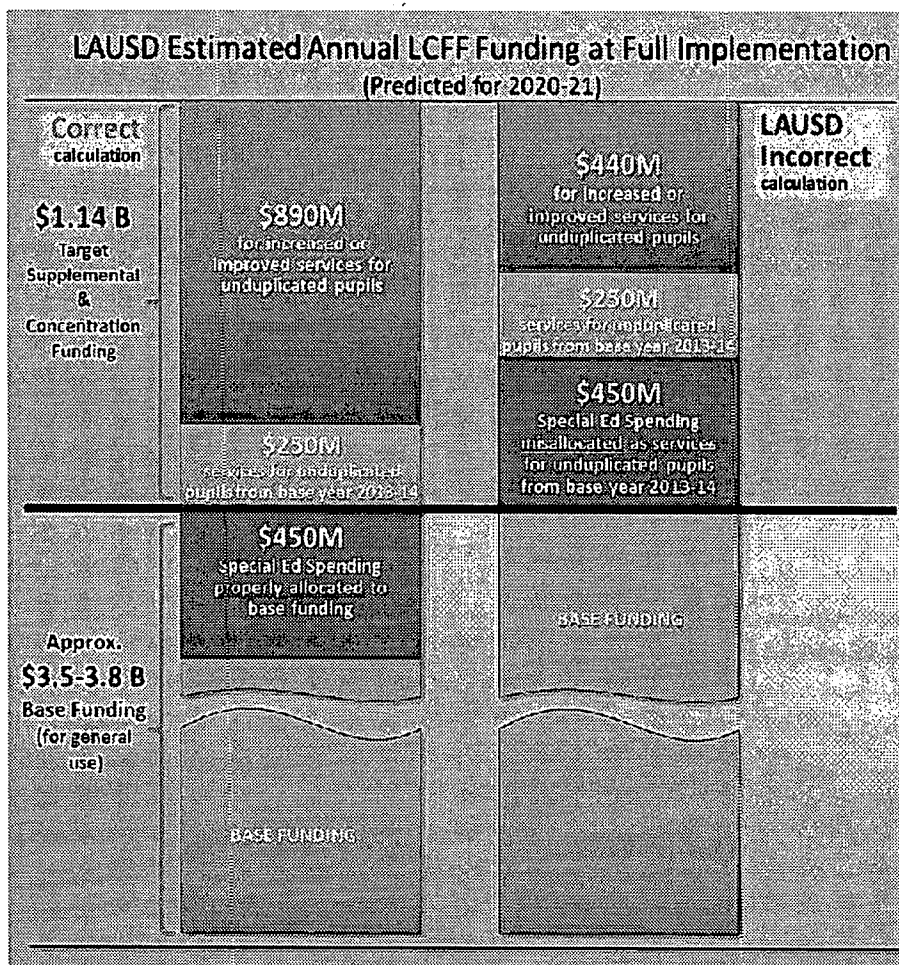
² To be clear, we do not agree that filing a UCP complaint is a prerequisite to challenging LAUSD's LCAP through litigation. Neither the statute setting forth the LCFF UCP complaint procedure nor its legislative history evidences an intent by the legislature to make the regulatory process the exclusive recourse to vindicate rights. *See, e.g., Kemp v. Nissan Motor Corp.*, 57 Cal. App. 4th 1527, 1531 (1997). Further, it is unnecessary to file a UCP complaint to LAUSD or the State Superintendent of Public Instruction based on these claims because such a complaint would be both futile and inadequate. *See Huntington Beach Police Officers Ass'n v. City of Huntington Beach*, 58 Cal. App. 3d 492, 499 (1976); *Unfair Fire Tax Comm. v. Oakland*, 136 Cal. App. 4th 1424, 1430 (2006). We reserve all rights to continue to assert the non-applicability of exhaustion to the pending Petition for Writ of Mandate. Nonetheless, we are filing this UCP complaint to obviate the need to litigate the demurrer in the interest of judicial economy and to conserve the resources of all parties in this Action.

they are low-income, English Learners, or foster youth—who are eligible to take advantage of special education services under the Individuals with Disabilities Education Act, 20. U.S.C. § 1400 *et seq.* All pupils may request an Individual Education Plan to seek special education services, and the district must provide such services to all who qualify, regardless of whether they are High Need Students. Thus, dollars spent on special education services are not expenditures on services targeted for High Need Students and may not be counted as a prior year expenditure for High Need Students.

Moreover, LAUSD was already required to provide special education under federal and state law. Continuing to provide what LAUSD was already obligated to provide to each eligible student cannot plausibly be viewed as an “increase or improvement” in services.

This error has already had, and will continue to have, a significant detrimental impact on the amount of services High Need Students in LAUSD receive. As a result of the error in LAUSD’s 2014-15 LCAP, the district shortchanged High Need Students \$126 million in increased or improved services in FY 2014-15. On June 23, 2015, LAUSD’s Board of Education approved the district’s 2015-16 LCAP, which included the same erroneous prior year expenditure calculation. During FY 2015-16, this miscalculation will deprive High Need Students of \$288 million on programs counting towards its goal for increasing and improving services for High Need Students. This deficit to High Need Students will continue to build year after year until it grows to \$450 million annually at full implementation (projected for FY 2020-21). Altogether, LAUSD’s inclusion of special education expenditures as a prior year expenditure will cost High Need Students—including Ms. Frias’s children and the constituents Community Coalition serves—over \$2 billion in increased or improved services between now and FY 2020-21.

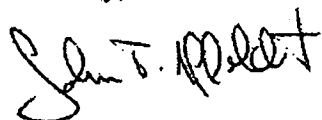
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IV. Remedy Requested

For the reasons described in this UCP complaint, we request that LAUSD revise its 2015-16 LCAP to remove special education funding as part of its prior year spending for High Need Students and revise its proportionality calculation and its LCAP to ensure that it spends the appropriate amount of money on increased and improved services for High Need Students in FY 2015-16 and in future years. For any questions related to this complaint or to contact the complainants, please contact the attorneys listed below.

Sincerely,

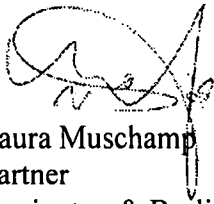


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04/11/2017



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Enclosure

04/11/2017

Exhibit B: District Report of Findings

04/11/2017



Los Angeles Unified School District
OFFICE OF THE GENERAL COUNSEL
EDUCATIONAL EQUITY COMPLIANCE OFFICE
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RAMON C. CORTINES
Superintendent of Schools

DAVID R. HOLMQUIST
General Counsel

BELINDA STITH
Interim Chief Education & Litigation Counsel

JULIE HALL-PANAMEÑO
Director
Educational Equity Compliance Office

e

November 9, 2015

Mr. Victor Leung
Staff Attorney
ACLU of Southern California
1313 West 8th Street, Suite 200
Los Angeles, CA 90017

Re: Uniform Complaint Procedures (UCP) Case # UCP-029-15/16
Parent and Non-Profit Organization

Dear Mr. Leung,

The Los Angeles Unified School District (the District) has completed its investigation of the above-referenced complaint alleging that LAUSD violated its legal obligations under Education Code § 42238.07 and 5 C.C.R. § 15496 by including special education spending on foster youth, low income students, and English learners (collectively "High Need Students") as part of its estimate of prior year expenditures for services for High Need Students in its 2014-15 and 2015-16 LCAPs. Enclosed is a copy of the final report that includes details of the investigation, conclusions, and, if necessary, corrective actions.

Please be assured of the confidential treatment of this complaint and accompanying report. Information is only being provided to those persons within the District on a need to know basis within the confines of the District's reporting procedures and investigative process. You are advised that the District prohibits retaliation against you or anyone who files a complaint, anyone who requests an appeal or anyone who participates in any complaint investigation process. You are also advised that civil law remedies may be available to you.

Appeal Information

If you disagree with the findings and conclusions presented to you by this office you have the right to appeal within fifteen days of the receipt of this letter. Such an appeal should specify the reason for appealing the decision. ~~A copy of the original complaint and a copy of this report should be included. Send your appeal to:~~

04/11/2017

California Department of Education
1430 N Street
Sacramento, CA 95814

If you have any questions or need more information pertaining to the complaint process or the enclosed report, please feel free to call me at (213) 241-7682.

Sincerely,



Julie Hall-Panameno, Director
Educational Equity Compliance Office

- C: Sharyn Howell, Associate Superintendent, Division of Special Education
Megan Reilly, Chief Financial Officer, Los Angeles Unified School District
John Walsh, Deputy Chief Financial Officer
Nargis Merchant, Deputy Budget Director, Budget Services & Financial Planning Division
Tony Atienza, Director, Finance Policy
Cheryl Simpson, Director, Budget Services & Financial Planning Division
Nirupama Jayaraman, Asst. Budget Director, Budget Services & Financial Planning Division
Pedro Salcido, Accountability Advisor, Office of Government Relations
Edgar Zazueta, Chief of External Affairs
Vibiana Andrade, General Counsel, Los Angeles County of Education
Gregory McNair, Chief Business & Compliance Counsel
Mary Kellogg, Assistant General Counsel
Sungyon Lee, Assistant General Counsel
Gregory Luke, Attorney, Strumwasser & Woocher LLP

04/11/2017

**Los Angeles Unified School District
Uniform Complaint Procedure Case #UCP-029-15/16
Parent and Non-Profit Organization**

Background:

In 2013, the Legislature adopted a comprehensive reform of the rules governing the financing of schools in California, known as the Local Control Funding Formula ("LCFF"). The LCFF directs state funding to schools under three new "grants" (base, supplemental, and concentration) and delegates broad discretion over the spending of those funds to local educational agencies. The Legislature set a long-term target for the increased funding of public education throughout California and provided for yearly incremental increases in spending over the course of five fiscal years to reach the ultimate LCFF funding goal.

The LCFF provides that schools districts, charter schools, and county offices of education must generate Local Control Accountability Plans ("LCAPs") for each fiscal year during the period leading up to the full funding of the LCFF. The Legislature did not itself enact rules governing the contents of LCAPs, but instead delegated authority to the State Board of Education to adopt appropriate regulations to ensure that local educational agencies would increase and improve services for unduplicated pupils — i.e., foster youth, English learners, and low-income pupils — in proportion to the supplemental and concentration dollars those students generate during the intervening years leading up to the full funding of LCFF. To that end, the regulations governing LCAPs, codified at Cal. Code Regs, tit. 5, §§ 15494-15497.5, require local educational agencies to "[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on *services provided for all pupils*" as part of the calculation of "the percentage by which services for unduplicated pupils must be increased or improved above services provided to all pupils" in each fiscal year. (Cal. Code Regs., tit. 5, § 15496, subd. (a) [emphasis added].)

The LCAP regulations grant schools that serve high concentrations of unduplicated pupils the highest level of flexibility in demonstrating compliance with these "proportionality" requirements, in recognition of the special expertise those schools have acquired in the provision of education to high needs students. (Cal. Code Regs., tit. 5, § 15496, subd. (b).) The Los Angeles Unified School District ("LAUSD" or "the District") serves, by far, the largest aggregation of pupils of any school in the state, over 84% of whom are unduplicated. After consultation with the counsel and staff of the State Board of Education, LAUSD issued its initial LCAP in June of 2014, identifying over \$700 million of varied LCFF expenditures on services for unduplicated pupils, which figure included \$450 million of District general fund expenditures on Individualized Education Programs for the many thousands of unduplicated pupils who also meet the eligibility criteria to receive Special Education services under federal and state law. On

September 5, 2014, the Los Angeles County Office of Education ("LACOE") approved the initial LAUSD LCAP.

On or about July 1, 2015, Complainants filed a lawsuit against LAUSD and LACOE (the "Petition") seeking a writ of mandate and declaratory relief to remedy alleged District violations of the LCFF and the LCAP regulations arising from the inclusion of Special Education expenditures in the calculation of prior-year expenditures under section 15496. LAUSD demurred to the Petition on the ground that Complainants had failed to exhaust the administrative remedies provided in the LCFF for stakeholders aggrieved by any aspect of an LCAP, which include appeal to the State Superintendent of Public Instruction. (Educ. Code, § 52075.) In response, the Complainants filed the subject Complaint, reserving their argument that exhaustion was not required. The Complaint attaches and incorporates the Petition.

Policy/Authority:

- Title 5, Code Cal. Regs., §§ 15494-15497.5
- Education Code §§ 2574, 2575, 42238.01, 42238.02, 42238.03, 42238.07, 47605, 47605.5, 47606.5, 48926, 52052, 52060-52077, and 64001.

Method of Investigation:

- The investigation was conducted at the direction of Julie Hall-Panameño, Director of the Educational Equity Compliance Office. Information was gathered from interviews to investigate the allegations made in the complaint. Additionally, the correspondence between the counsel for Complainants and counsel for the District that preceded the filing of the Petition and the instant Complaint was reviewed.
- Persons interviewed:
 - Megan Reilly, Chief Financial Officer, LAUSD
 - John Walsh, Deputy Chief Financial Officer
 - Tony Atienza, Director, Finance Policy
 - Cheryl Simpson, Director, Budget Services & Financial Planning Division
 - Nargis Merchant, Deputy Budget Director, Budget Services & Financial Planning Division
 - Nirupama Jayaraman, Assistant Budget Director, Budget Services & Financial Planning Division
 - Pedro Salcido, Accountability Advisor, Office of Government Relations
 - Sharyn Howell, Associate Superintendent, Division of Special Education
 - Edgar Zazueta, Chief of External Affairs

Allegation(s):

The Complainant alleges that LAUSD has violated its legal obligations under Education Code section 42238.07 and title 5, section 15496 of the California Code of Regulations by including special education spending on foster youth, low income students and English learners in its estimate of prior year expenditures on services for unduplicated pupils in its 2014-15 and 2015-2016 LCAPs. There does not appear to be any difference between the allegations of the Complaint and the allegations of the antecedent Petition filed by Complainants in the Superior Court of Los Angeles County.

Legal Framework:

The relevant provision of the Code of Regulations on which Complainants rely directs local agencies to do the following when preparing an LCAP each fiscal year:

“[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils. The estimated amount of funds expended in 2013-14 shall be no less than the amount of Economic Impact Aid funds the LEA expended in the 2012-13 fiscal year.” (Cal. Code Regs., tit. 5, §15496, subd. (a)(2).)

Notably, this regulation does not require local agencies determine the actual expenditures on services for unduplicated pupils in any given fiscal year, but rather to “estimate the amount” of such expenditures. Complainants contend that LAUSD violated this regulation by including that portion of LCFF funding budgeted for the Individualized Education Programs provided to unduplicated pupils in its LCAP estimate of prior year spending.

Complainants also claim that the District has violated Education Code section 42238.07. However, that statute does not impose any duties upon local educational agencies, but rather comprises a directive to the State Board of Education. In its entirety, it reads:

(a) On or before January 31, 2014, the state board shall adopt regulations that govern the expenditure of funds apportioned on the basis of the number and concentration of unduplicated pupils pursuant to Sections 2574, 2575, 42238.02, and 42238.03. The regulations shall include, but are not limited to, provisions that do all of the following:

(1) Require a school district, county office of education, or charter school to increase or improve services for unduplicated pupils in proportion to the increase in funds apportioned on the basis of the number and

concentration of unduplicated pupils in the school district, county office of education, or charter school.

(2) Authorize a school district, county office of education, or charter school to use funds apportioned on the basis of the number of unduplicated pupils for schoolwide purposes, or, for school districts, districtwide purposes, for county offices of education, countywide purposes, or for charter schools, charterwide purposes, in a manner that is no more restrictive than the restrictions provided for in Title I of the federal No Child Left Behind Act of 2001 (20 U.S.C. Sec. 6301, et seq.).

(b) The state board may adopt emergency regulations for purposes of this section.

The Complaint does not identify any specific element of this statute that LAUSD is alleged to have violated, or any clear, present ministerial duty imposed by this statute on LAUSD. Complainants reference this statute solely as authority for the proposition that "school districts must increase or improve services for High Need Students in proportion to the additional dollars those students generate." (Complaint, at p. 4.) Because a statute expressly and solely directed at the State Board of Education does not impose duties upon local educational agencies, this statute does not provide authority for the issuance of a writ or declaratory relief against LAUSD, but, at most, may provide an interpretive aide if the regulations adopted by the State Board of Education are determined to be ambiguous.

Findings:

(1) SPECIAL EDUCATION IS NOT A SERVICE PROVIDED TO ALL STUDENTS.

- a. Special Education is provided only to pupils who satisfy detailed criteria regarding recognized disabilities and who are not subject to specific exclusionary factors.**

The Individuals with Disabilities Education Improvement Act ("IDEA"), codified at 20 U.S.C. § 1400 et seq., imposes duties on states and local educational agencies to provide an Individualized Education Program ("IEP") to students who meet the specific eligibility requirements.¹ Accordingly, Special Education services are by definition not services provided

¹ The IDEA contains multiple parts. Direct services to children are codified in Parts B and C of the IDEA. Part B of the IDEA covers school aged children (ages 3-22). Part C of the IDEA covers infants and toddlers (ages birth to 3). In California, Part B IDEA services are carried out primarily by local educational agencies, such as the District; Part C IDEA services are carried out primarily by regional centers. (Educ. Code, § 56001; Gov. Code § 95004; *see also*, Educ. Code, §§ 56000 et seq. and Gov. Code, §§ 95000 et seq.) While California school districts may

to all students, but rather specialized services provided to individual students who have qualifying disability and satisfy the related test for eligibility. In 2013-2014, only 12 percent of LAUSD's student population qualified to receive some form of specialized instruction or assistance under an IEP.

Only children of certain ages, with qualifying disabilities who, by reason thereof, require special education intervention are eligible for and entitled to services under the IDEA. (*See*, 20 U.S.C. § 1400 (3) [definition of "child with a disability"].) Special education eligibility is limited in many ways, including by (1) qualifying disability, (2) need for special education, and (3) age.

The first limiting criterion is qualifying disability. In order to qualify as a "child with a disability" under IDEA the student must first meet the definition of one or more of the categories of disability eligibility. These include: intellectual disability, hearing impairment (including deafness), speech or language impairment, visual impairment (including blindness), serious emotional disturbance, orthopedic impairment, autism, traumatic brain injury, other health impairment, specific learning disability, and (for certain age groups) developmental delay. (20 U.S.C. § 1400 (3)(A)(i); *see also*, Educ. Code, § 56026 (a).)

It is important to note that some children may have a qualifying disability but, regardless, may still be ineligible for special education under the IDEA. This second exclusionary factor dictates that disability, or even diagnosis of a disability², is insufficient in and of itself to qualify a child for special education services under the IDEA. Rather, a child must demonstrate a need for special education and related services.³ (20 U.S.C. § 1400 (3)(A)(ii).) California law further explains this standard as a child whose disability (or impairment) "requires instruction and services which cannot be provided with modification of the regular school program." (Educ.

have some limited involvement in Part C IDEA services, this response addresses only Part B IDEA services.

² A diagnosis of a potentially disabling condition is "neither required nor sufficient" to establish eligibility under the IDEA. (*Lakeside Joint School District*, (OAH 2010), Case No. 2009090504.)

³ "Special education" itself is narrowly defined by California law as something above and beyond what is available in the regular school program. Education Code section 56031 defines "special education" as "specially designed instruction . . . to meet the unique needs of individuals with exceptional needs." In addition, certain related services are specifically defined as special education, including: speech and language pathology services, travel training, and vocational education. (Educ. Code, § 56031, subd. (b); *see also* 34 C.F.R. § 300.39(2).) A child who needs only a related service which is not otherwise classified as "special education" will not meet IDEA eligibility criteria. (34 C.F.R. § 300.8 (2).)

Code, § 56026, subd. (b).) As the Ninth Circuit has confirmed, a child will not be eligible for special education, even with a qualifying disability, if the impact of the disability can be addressed through regular education programming. (*Hood v. Encinitas Union Sch. Dist.*, 486 F.3d 1099 (9th Cir. Cal. 2007).)

Even where a need for specialized services is indicated, exclusionary factors may still prevent special education eligibility under the IDEA. To wit, a child will not be eligible for services under the IDEA if the need for special services is due to either of the following: (a) limited English proficiency; (b) lack of appropriate instruction in reading or math; (c) temporary physical disability; (d) social maladjustment; or, (e) environmental, cultural, or economic factors. (34 C.F.R. § 300.306 (b)(1); *see also* Educ. Code § 56026, subd. (e).) For example, a student with ADHD was found not to be eligible for special education during a period of time when it was reasonable to conclude that his school issues were caused primarily by his unstable home life, rather than a qualifying disability and/or the impact of his ADHD. (*Oceanside Unified School District*, (OAH 2010) Case No. 2010071003.) The exclusionary factor related to limited English proficiency is quite significant in the context of the instant Complaint. If Special Education services were indeed a “service provided to all pupils” then all English learner unduplicated pupils would necessarily qualify for Special Education. The fact that the IDEA expressly *prohibits* any such conclusion amply demonstrates that Special Education services are not “services provided to all pupils.”

Finally, the third broad factor which could limit a disabled child’s eligibility for special education under the IDEA is age. Part B of the IDEA narrowly defines qualifying students as those “between the ages of 3 and 21.” (20 U.S.C. § 1412 (a)(1)(A); Educ. Code, § 56026 subd. (c).) Further, even within this age span, other limitations apply, as follows:

- Children incarcerated in an adult correctional facility who were not identified as a “child with a disability” or did not have an individualized education program (the plan implementing special education) prior to incarceration will be ineligible for services under the IDEA. (20 U.S.C. § 1412 (a)(1)(B); Educ. Code, § 56040.)
- Children who have received a regular high school diploma will be ineligible for services under the IDEA. (20 U.S.C. § 1414 (c)(5)(B)(i); 34 C.F.R. § 300.102 (a)(3)(i); *see also* Educ. Code, § 56026.1.)

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- Children who did not receive special education prior to their 18th birthday will not be eligible for services under the IDEA. (20 U.S.C. § 1412 (a)(1)(B)(i); Educ. Code, § 56026.)

Special education eligibility is not conferred lightly. In order to qualify, a child must first undergo an extensive formal assessment of his/her abilities and needs. (20 U.S.C. § 1414 (b).) With that information, a team of qualified professionals, along with the child's parents, then determine whether the assessment and other data warrant a finding of IDEA eligibility. (20 U.S.C. § 1414 (d)(1)(B).)

b. Special Education personnel are not permitted to provide services to the general student population.

Both federal and state law prohibit the instructors, assistants, and therapists that provide Special Education services to LAUSD pupils from providing services to general education students. Special Education service providers are not certified to operate as teachers in LAUSD classrooms, as recognized in the collective bargaining agreement between LAUSD and the United Teachers of Los Angeles ("UTLA").

Special Education teachers, including Resource Specialists ("RSP") and Special Day Program providers ("SDP") are funded and allocated to provide services according to stated caseloads and norms, in accordance with the services listed on a students' Individualized Education Program. Certificated assignments for RSP teachers are based on caseload allocations and guidelines referenced in Education Code section 56362. SDP teacher allocations are determined based upon norms negotiated with UTLA. These teachers are assigned solely for the purpose of improving performance outcomes for students with disabilities.

Special Education teachers, trainees, and assistants may not be allocated for teaching non-disabled students, nor may they be re-allocated during the school day for non-special education responsibilities. They may not serve as coordinators, coaches, athletic directors or other non-special education instructional assignments during the school day. They are required to directly support the instructional program for students with disabilities during the entire school day.

If a school wishes to assign a Special Education teacher to act as a coordinator, coach, or perform any other such duties not related to Special Education, the school must budget for this position through grants or other funding sources. It is a misuse of Special Education resources to assign personnel funded to support the instructional program for students with disabilities to any other duties.

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(2) LAUSD PROPERLY ESTIMATED ITS PRIOR-YEAR SPECIAL EDUCATION SPENDING ON UNDUPLICATED PUPILS

a. The LCFF Calculation

The District's General Fund contribution to Special Education (net of the Revenue Limit and affiliated charters) was estimated at \$653.4 million for 2013-14 and \$633.9 million for 2014-15. Seventy nine percent (79%) of the District's students with disabilities are identified as low income, English learners, or foster youth. The District identified the subset of Special Education programs that benefit these targeted student populations and applied 79 percent to the expenditures of those programs to estimate the share that would benefit these high needs students. This calculation totals to \$449.88 million for 2013-14 and 2014-15, thereby reflecting the estimated share of General Fund expenditures for services that benefit low income, English learners, or foster youth with an Individualized Education Program. In addition to this amount, \$22.2 million was allocated in supplemental funds for Special Education teachers and assistants in 2014-15, and an additional \$3 million for anticipated cost increases.

These expenditures include initiatives addressing integration of students with disabilities into general education settings, and reducing disproportionality among subgroups identified for special education. Furthermore, the District has increased support services to advance the academic achievement of every English Learner with Disabilities (ELD). The District aligns IEPs with the English Learner Master Plan for each English learner with disabilities. Each IEP is required to include goals for English proficiency, and the ELD present level of performance for each student.

b. Budget and Expenditures used in the Initial Prior Year for 2013-2014

Table 1 shows that the District's Maintenance of Effort (MOE) for Special Education was \$1.5 billion in 13-14. This includes \$178 million in unassigned support costs, known as PCRA. In addition, expenditures in General Fund programs that support Special Education, including administrative and transportation costs, amounted to \$25 million for that year. This reflects a grand total of \$1.6 billion in expenditures. The LCFF supplemental amount of \$449.88 million reflects only 28.9 percent of these expenditures.

Table 1: MOE and Support to Special Ed Expenditures	Amount, 13-14
PCRA*	\$177,894,430
Special Ed Portion of MOE	\$1,354,331,202
Total MOE	\$1,532,225,632
Expenditures in Programs that Support Special Ed**	\$25,401,341
Grand Total, MOE and Support to Special Ed Prog	\$1,557,626,973

*The MOE calculation includes an amount for the Program Cost Report Allocation. Procedure 910 of the California School Accounting Manual provides a method of

distributing unassigned support costs to different user programs such as special education. The calculation is performed in state provided SACS software.

****These are expenditures in Programs 13232 and 13233. They are part of the General Fund and are not included in the MOE.**

Note: Special Ed Portion of MOE also includes Specially Funded Programs. The MOE is calculated using all expenditures in SACS Goal 5000.

Table 2 shows that the District's Special Education program had an authorized budget of \$1.36 billion and expenditures of \$1.34 billion. This excludes amount for Specially-Funded Programs and General Fund programs that support Special Ed.

Table 2: Special Education Budget and Expenditures	Amount, 13-14
Authorized CM0 Budget	\$1,361,780,338
Expenditures	\$1,335,666,481
Difference, Budget Less Expenditures	\$26,113,857

Note: Excludes Specially-Funded Programs and General Fund programs that support Special Education.

Table 3 shows Special Education revenues for 2013-14.

Table 3: Special Education Revenues	Amount in Millions, 2013-14
Federal Revenues	\$110.9
State Revenues	\$353.2
Local Revenues	\$0.1
SELPA Charter Schools Revenue	\$59.7
Contribution-Unrestricted Programs	\$727.6
Contribution-Fair Share	\$11.4
Total Revenue	\$1,262.9

Note: Excludes Specially-Funded Programs and General Fund programs that support Special Education.

The District's General Fund contribution to Special Education (net of the Revenue Limit and of affiliated charters) was estimated at \$653.4 million for 2013-14. Of this amount, supplemental and concentration funds was estimated at \$449.88 million and base funds was estimated at \$203.5 million.

c. Identifying Unduplicated Pupils who Receive Special Education Services

The table below shows how LAUSD determined that 79% of its students who receive Special Education services are unduplicated pupils. It first matched the 2012-13 CALPADS file, which was used for the District's overall unduplicated calculation, to the 2012-13 CASEMIS

file. There were 65,589 students with disabilities (SWD) identified on the 2012-13 CALPADS file. Of this count, 61,265 students were identified as not attending affiliated charter schools. (Affiliated charter students must be excluded from the unduplicated calculation as these schools receive their LCFF allocation independent from the District.) Of the 61,265 students with disabilities in CALPADS not attending affiliated charter schools, 48,633 students were identified as being either EL, Foster, or Low-Income. This computes to an unduplicated percentage of 79.38% for LAUSD's students with disabilities (48,633/61,265).

Table 4: SWD Identified as Unduplicated Pupils	
Count of SWD on CALPADS file, 12-13	65,589
Count of SWD on CALPADS file not attending charter schools, 12-13	61,265
Count of unduplicated SWD on CALPADS file not attending charter schools, 12-13	48,633
Percent unduplicated SWD, 12-13	79.38%

d. LAUSD excluded from its prior year calculation all categories of Special Education expenditures that did not provide direct services to pupils.

The LCAP regulations broadly define "services", without limitation, to include "services associated with the delivery of instruction, administration, facilities, pupil support services, technology, and other general infrastructure necessary to operate and deliver educational instructions and related services." (Cal. Code Regs., tit. 5, § 15495, subd. (d).) Though the regulations thus clearly permit school districts to include a wide array of expenditures in the calculation of prior-year expenditures on unduplicated pupils, LAUSD conservatively limited the calculation to the major spending groups within Special Education that provide direct services to pupils. As a result, the calculation of Special Education expenditures on unduplicated pupils is substantially smaller than permitted under the regulations.

In fiscal year 2014-2015, the total authorized budget for Special Education services in LAUSD was in excess of \$ 1.4 billion. The District estimated that \$633.9 million (net of Revenue Limit and affiliated charters) would be contributed towards this budget from the District's LCFF general fund. However, the District only counted \$566 million of this general fund encroachment towards the estimate of proportionality spending. *In other words, despite the broad definition of services in the LCAP regulations, the District did not consider \$68 million in Special Education expenditures as potential sources of proportionality expenditures on unduplicated pupils.* Of this amount, \$ 33 million was excluded because it related to major group categories of Special Education spending on pre-school and adult student populations. An additional \$6.5 million budgeted for the "SPED Career & Transition Program" was excluded because it served pupils from both the K-12 and adult student populations. In other words, the District did not attempt to isolate how much of the expenditures in that major subgroup were

directed to the K-12 pupils that are targets of LCFF funding, but instead took the conservative approach of excluding the major subgroup from the proportionality calculation altogether.

The remainder of the foregone \$68 million excluded from proportionality — \$34.5 million — comprise major subgroup spending that clearly falls within the regulatory definition of “services” in the proportionality calculations, but that the District conservatively opted to exclude. Specifically, the District excluded from its proportionality calculations the following major group categories of Special Education spending that otherwise satisfy the broad regulatory definition of “services” that may be considered to demonstrate proportionality compliance:

- “SPED Central Office” (\$11.15 million);
- “SPED IMA Equipment-Materials” (\$4.56 million);
- “SPED Reimbursement Due Process” (\$4.26 million);
- “SPED Allocation to Schools for Compliance” (\$3.25 million);
- “SPED Program Specialists Certificated” (\$2.94 million);
- “SPED IMA Allocation to Schools” (\$1.05 million);
- “SPED Least Restrictive Environment Counselors” (\$0.65 million); and
- “SPED Temporary Personnel Account” (\$0.13 million).

Though all the subgroups comprise “services associated with the delivery of instruction, administration, facilities, pupil support services, technology, and other general infrastructure necessary to operate and deliver educational instructions and related services” to pupils that is permitted in the proportionality calculations under section 15495, the District opted not to rely on those expenditures to demonstrate proportionality in order to ensure that its proportionality calculations were based upon services geared directly to unduplicated pupils.

e. LAUSD excludes expenditures on services that may involve de minimis contact with general education students from its proportionality calculations.

Finally, the District excludes expenditures on services that may involve de minimis contact between Special Education personnel and the general education population from its proportionality calculations. Specifically, with respect to the five major budget subgroups that fund salaries and health benefits for therapists and specialists who participate in assessments to determine eligibility for Special Education, the District budgets the funding of those activities through other state and federal funding sources, and does not include expenditures on those services in its proportionality calculations.

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Analysis:

The Complainants claim that the District's LCAP violates a statute — Education Code section 42238.07 — and a regulation adopted to implement that statute — Cal. Code Regs, tit. 5, § 15496, Subd. (a). As discussed below, the statute in question does not purport to govern the actions of local educational agencies, but is instead a delegation of authority to the State Board of Education to adopt regulations governing LCAPs. The regulation adopted by the SBE pursuant to this delegation of authority addresses the issue raised in the Complaint by requiring local educational agencies to “[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on *services provided for all pupils*” as part of the calculation of “the percentage by which services for unduplicated pupils must be increased or improved above services provided to all pupils” in each fiscal year. (Cal. Code Regs., tit. 5, § 15496, subd. (a) [emphasis added].) The regulation does not provide any other guidance regarding this aspect of the proportionality requirement for LCAPs, except insofar as it defines “services” broadly, and without limitation, to include “services associated with the delivery of instruction, administration, facilities, pupil support services, technology, and other general infrastructure necessary to operate and deliver educational instructions and related services.” (Cal. Code Regs., tit., 5, § 15495, subd. (d).) Thus, the sole source of a potential violation of law referenced in the Complaint is the regulatory requirement that local educational agencies “[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on *services provided for all pupils*.”

Complainants contend that “Special Education services cannot be counted as spending on prior year expenditures on services for High Needs Students because these services are *available* to all students . . . who are eligible to take advantage of special education services” and are not “targeted for High Needs Students.” (Complaint, at pp. 4-5 [emphasis added].) But, the LCAP regulations do not employ any of these locutions. The State Board of Education did not exclude services that are “available to all students . . . who are eligible” for those services from the prior-year estimate of unduplicated spending. Nor did it exclude services that are not “targeted for” unduplicated students. To the contrary, section 15496 directs local educational agencies to exclude from the prior year estimate of unduplicated spending only “services provided to all pupils.” Complainants do not address whether Special Education services constitute “services provided to all pupils” under section 15496, but instead introduce language into the regulation that does not exist.

Accordingly, the Complaint presents a single mixed question of fact and statutory interpretation: Are Special Education services “services provided to all pupils” under section 15496 of title 5 of the California Code of Regulations?

As a factual matter, Special Education services are not services provided to all pupils, but rather services provided to individual pupils who are eligible to receive those services. Complainants do not present or identify any evidence to support a factual conclusion that Special Education "services are services provided to all students" or to otherwise contradict the express import of the federal and state laws that set the exacting eligibility criteria for qualified students to receive an Individualized Educational Program. The facts further confirm that the Special Education expenditures counted by the District towards its prior-year estimates of spending are expenditures only on the individual students who have qualified to receive an IEP. Thus, the facts do not support a conclusion that Special Education services are services provided to all pupils.

The only remaining argument suggested in the Complaint is the contention that the Legislature or the State Board of Education intended Special Education services to be exempt from the plain meaning of the phrase "services provided to all students." Despite numerous requests lodged by the District, Complainants have not identified any authority in the LCFF and its implementing regulations, nor any authority in the relevant legislative and regulatory histories, to support a conclusion that the Legislature or the State Board of Education intended Special Education to be deemed "services provided to all students" despite the plain meaning of that phrase.⁴

It bears noting that the LCFF, its implementing regulations, and the general law require that the District's quasi-legislative decisions regarding the interpretation and implementation of section 15496 be accorded the most deferential level of judicial scrutiny. (See, *American Coatings Assn., Inc. v. South Coast Air Quality Dist.* (2012) 54 Cal.4th 446, 461-462; *Khan v. Los Angeles City Employees' Retirement System* (2010) 187 Cal.App.4th 98, 106.) Mandate in this context will only "lie to correct abuses of discretion" and the courts ask whether the public agency's action was arbitrary, capricious, or entirely lacking in evidentiary support." (*County of Los Angeles v. City of Los Angeles* (2013) 214 Cal.App.4th 643, 653-654.).

⁴ Notably, the correspondence between counsel for LAUSD and counsel for Complainants contains numerous instances in which LAUSD counsel urged the Complainants to identify any statutory, regulatory, or other authority in the legislative history of the LCFF and its implementing regulations that reflects any legislative intent to deem Special Education services "services provided to all pupils" despite the plain meaning of that phrase. Complainants did not identify any such authority, but instead relied solely on arguments that the District's proportionality calculations violated the "spirit of the LCFF" and arguments that interpolate language into the relevant statutes and regulations that was neither enacted by the Legislature nor adopted by the State Board of Education. LAUSD has not identified any authority to support the claim that the Legislature or the State Board of Education intended Special Education services to be deemed "services provided to all pupils."

Alleged Violation of Education Code 42238.07

Complainants allege a violation of Education Code section 42238.07, a statute that by its plain language contains only directives addressed to the California State Board of Education, specifically, directives to "adopt regulations that govern the expenditure of funds apportioned on the basis of the number and concentration of unduplicated pupils." Standing alone, this statute imposes no clear, present ministerial duties on local educational agencies and, accordingly, no writ of mandate will lie to compel local educational agencies to comply with its terms.

As noted above, the Complaint does not identify any specific term of Education Code section 42238.07 that LAUSD is alleged to have violated. Nor does it articulate how LAUSD could have violated a statute expressly and solely directed at the State Board of Education. Complainants reference this statute solely as authority for the proposition that "school districts must increase or improve services for High Need Students in proportion to the additional dollars those students generate." (Complaint, at p. 4.) Because the regulations adopted by the Board of Education to govern the LCAP give express effect to this principle, and because Education Code section 42238.07 does not contain any directives regulating the conduct of local educational agencies, that provision does not provide any independent authority for the issuance of a writ of mandate or declaratory relief.

Education Code section 42238.07 may be relevant only to the extent that the regulations adopted by the State Board of Education are ambiguous and properly susceptible to the application of extrinsic aids in support of statutory interpretation. The regulations adopted by the State Board of Education, however, do not admit any ambiguity. Nor are those regulations inconsistent with the Legislative directives set forth in Education Code section 42238.07. In relevant part, the plain terms of the regulations direct local districts to perform two discreet tasks with respect to the calculation of funds expended on services for unduplicated pupils. First, subdivision (a)(2) of section 15496 requires local educational agencies to "[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on services provided for all pupils." Second, that same provision mandates that "the estimated amount of funds expended in 2013-14 shall be no less than the amount of Economic Impact Aid funds the LEA expended in the 2012-13 fiscal year."

With respect to the first directive, the evidence clearly shows that LAUSD has properly estimated the amount of funds expended on unduplicated pupils in addition to what was expended on services provided to all pupils. Because Special Education services are not services provided to all pupils, but rather services provided to a small subset of the LAUSD student population under conditions that prohibit the comingling of Special Education expenditures and activities with general education expenditures and activities, LAUSD has clearly acted well within its discretion in its implementation of section 15496.

With respect to the second directive, there is no allegation in the Complaint or Petition that the District's estimated amount of funds is less than the EIA funds expended in 2012-13. Indeed, the District expended \$125.2 from EIA funding in 2012-13, a number far below the estimated amounts expended in 2013-14. There is, accordingly, no factual basis to allege a violation of this directive.

Alleged Violation of Cal. Code Regs., tit. 5, § 15496

Neither the Complaint nor the Petition points to any express language in any provision of law that prohibits school districts from counting *any* category of expenditures made from their general fund on unduplicated pupils in the calculation of prior year spending other than "expenditures on services provided to all pupils," nor to any provision that prohibits school districts from including *any* category of expenditures in the account of increased and improved spending on unduplicated pupils. (Cal. Code Regs., § 15946, subd. (a)(2).) To the contrary, Complainants *infer* a prohibition from the allegedly "absurd results" that they claim would ensue if the LCAP is not implemented according to the strictures their legal counsel unsuccessfully advocated before the Legislature and the State Board of Education. In its correspondence with LAUSD's counsel, counsel to Complainants alternatively asserted that the District's actions violated the "spirit" of the LCFF.

The LCFF returned control over the decisions regarding school spending to local districts and their stakeholders, replacing the complex web of layered categorical funding programs that had formerly constrained the discretion of local school administrators. Complainants' contention that the "spirit" of the LCFF prohibits supplantation of the funds that were formerly devoted to spending on unduplicated pupils through categorical mandates appears to be contradicted in both the text and legislative history of the LCFF. The original version of the LCFF, set forth in Senate Bill 69, contained express "do not supplant" provisions in the form of a draft Education Code section 52062.5. The early committee reports on this bill expressly reflect such an intention. But none of this statutory and committee report language, and no similar mandate, survived through the ensuing legislative process. Instead, the Legislature ultimately directed the State Board of Education to adopt regulations that *explicitly authorize* school districts to use regarding the expenditure of supplemental and concentration funds for "school-wide" and "district-wide" purposes in a manner that "is no more restrictive" than Title 1. (Educ. Code, § 42238.07, subd. (a)(2).) Both the emergency and the final regulations adopted pursuant to this directive consequently outline a more flexible process for ensuring that supplemental and concentration grant funding will be used to benefit unduplicated pupils.

Notably, those regulations grant the highest level of flexibility to school districts, like LAUSD, that already serve high concentrations of unduplicated pupils. When those districts are required to justify demonstrate in the LCAP the proper expenditure of supplemental and concentration grant funds on a districtwide basis, they are not required to "[d]escribe how these

[district-wide] services are *the most effective use* of the [LCFF] funds to meet the district's goals for its unduplicated pupils in the state and local priority areas." (Cal. Code Regs., tit. 5, § 15496, subd. (b)(2)(C) [emphasis added].) Nor are they required to "provide the basis for this determination, including . . . any alternatives considered and any supporting research, experience, or educational theory in defense of their district-wide spending." (*Ibid.*) Rather, the regulations permit a school district like LAUSD to expend supplemental and concentration grant funds on a districtwide basis as long as the LCAP describes "how such services are *principally directed towards*, and are effective in, meeting the district's goals for its unduplicated pupils in the state and any local priority areas." (*Id.*, subd. (b)(1)(B) [emphasis added].)

Likewise, on the input side of the equation, the LCFF funding formula itself recognizes that the education of *high concentrations* of unduplicated pupils necessarily comports additional expenditures by school districts, above and beyond the standard supplemental expenditures required for unduplicated pupils. Districts receive a supplemental grant based on the number of low-income students, English learners, and foster children they serve. But, districts in which these students make up at least 55 percent of enrollment will be entitled to an additional "concentration" grant, equaling an extra 50 percent of the base grant for each high-needs student above the 55 percent threshold. The purpose of providing an additional per-pupil bonus grant amount for districts with a greater the concentration of high-need students is clear: it is a legislative recognition that the cost of servicing large numbers of unduplicated pupils is not reflected in simply by increasing the additional per-student grant amount, but that the greater concentration of such students makes the costs of servicing those pupils even higher on a per-pupil basis. In other words, the Legislature clearly recognizes that school districts like LAUSD already incur substantial additional costs, and devote substantial additional resources, simply by providing core educational programs to high concentrations of unduplicated students. This express statutory formula, and the concomitant Legislative decision to reject "do not supplant" requirements to restrict the spending of LCFF supplemental and concentrated funds exclusively on unduplicated pupils, together reflect the manifest "spirit" of flexibility contained in the LCFF, particularly regarding school districts that already serve high concentrations of unduplicated pupils.

Because the overwhelming majority of LAUSD's pupils (84%) are unduplicated, the district-wide core educational program is itself "principally directed towards . . . meeting the district's goals for its unduplicated pupils." (Cal. Code Regs., tit. 5, § 15496, subd. (b)(1)(B).) Complainants have nonetheless demanded that \$450 million of expenditures on the provision of special education services to unduplicated pupils be removed from the estimate of funds expended on unduplicated pupils that is required in the LCAP subdivision (a)(2) of 5 Cal. Code Regs., § 15496. Complainants' demands are not supported in the law, nor are they consistent with the core purpose of the LCFF to grant local districts greater discretion over the expenditure of funds on unduplicated pupils.

Conclusions:

Complainants' legal contentions do not have any support in the law. The plain language of the LCAP regulations directs local educational agencies to "[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on *services provided for all pupils*." (Cal. Code Regs., tit. 5, § 15946, subd. (a)(2) [emphasis added].) Special Education are not "services provided for all pupils," but rather services provided to a small percentage of the student population that qualifies to receive an individualized education program under the requirements set forth in federal and state law. Complainants have not identified any authority in the legislative history of the LCFF or regulatory history of the LCAP regulations that suggests a legislative intent to deem Special Education a service provided to all pupils. Accordingly, LAUSD acted well within its considerable discretion to interpret subdivision (a) of section § 15496 according to its plain meaning.

Exhibit C: Appeal Letter

04/11/2017



November 12, 2015

State Superintendent Tom Torlakson
c/o Local Agency Systems Support Office
California Department of Education
1430 N Street
Sacramento, CA 95814
lcff@cde.ca.gov

Via E-Mail and U.S.P.S. Priority Mail

**Re: Appeal of Uniform Complaint Procedure Complaint Re Superintendent Cortines
and LAUSD's Failure to Comply with Legal Requirements Pertaining to LCAP**

Dear Superintendent Torlakson,

We submit this appeal of the determination of the Los Angeles Unified School District with respect to the Uniform Complaint Procedure ("UCP") complaint our firms filed on behalf of Ms. Reyna Frias and Community Coalition of South Los Angeles ("CoCoSouthLA"). This appeal is regarding Los Angeles Unified School District and Superintendent Cortines's (collectively "LAUSD" or the "District") failure to comply with the legal requirements pertaining to its Local Control and Accountability Plan ("LCAP").

As discussed more fully in the attached UCP complaint (the "Complaint"), LAUSD has violated its legal obligations under Education Code § 42238.07 and 5 C.C.R. § 15496 by including special education spending as part of its estimate of prior year expenditures for services for foster youth, low income students, and English learners (collectively "High Need Students") in its 2014-15 and 2015-16 LCAPs. Accordingly, we requested through a UCP complaint that LAUSD revise its 2015-16 LCAP to ensure that the district spends the proper amount of money on increased and improved services for High Need Students.¹

On November 9, 2015, we received the attached determination and report of findings from LAUSD in which the district concludes that the "[c]omplainants' legal contentions do not

¹ Please find the UCP complaint, dated September 9, 2015, as Exhibit 1 to this appeal. The document may be downloaded electronically at <https://www.dropbox.com/s/9pnqojfmbzk864k/Att%201%20-%202015-09-09%20LAUSD%20UCP%20Complaint%20re%20LAUSD%20LCAP.pdf?dl=0>.

have any support in the law” and thus fails to provide the relief requested by Ms. Frias and CoCoSouthLA in their Complaint.² We now appeal LAUSD’s erroneous legal determination to the Superintendent and request that the Superintendent correct this misapplication of the law for the reasons described in the attached Complaint. We incorporate all arguments in the attached Complaint into this appeal.

In addition to the bases set forth in the attached Complaint, LAUSD’s response acknowledges several points warranting a determination from the Superintendent in favor of Complainants:

- There are no material facts in dispute here. We assert in the Complaint that “[b]ased on its estimate that 79% of students who received special education services were unduplicated pupils in 2013-14, LAUSD counted approximately \$450 million of special education expenses as prior year spending on services for unduplicated pupils.”³ LAUSD concedes in its letter that “79%[] of the District’s students with disabilities are identified as low income, English learners or foster youth” and that the District “identified the subset of Special Education programs that benefit these targeted student populations and applied 79 percent to the expenditures of those programs to estimate the share that would benefit these high need students”—totaling \$449.8 million.⁴ In sum, LAUSD acknowledges it is crediting as baseline prior year supplemental and concentration spending a share of nearly all of its special education “encroachment,” *i.e.*, the general fund special education program costs not covered by federal and state categoricals, proportional to the 79% representation of High Need Students in its special education population.
- The key question is purely one of legal interpretation. As the District emphasizes, at issue is the regulation requiring the district to “[e]stimate the amount of LCFF funds expended by the LEA on services for unduplicated pupils in the prior year that is in addition to what was expended on *services provided for all pupils*.”⁵ Yet, LAUSD fails to respond substantively to the Complaint’s arguments that its reading of “services provided for all pupils” to mean only those services provided to precisely “100% of pupils” is unsupported by the regulatory and statutory language; nor does LAUSD respond to the assertion that its reading would lead to absurd results by allowing districts to apply its unduplicated pupil percentage to any program that, “like special education services—are available to all students, but serve only a portion of students, including summer school, after-school programs, sports and other extracurricular activities, counseling and health services, and class-size reduction initiatives . . . to name a few.”⁶ The District also fails to respond directly to the Complaint’s arguments as to why “special education services” constitute “services provided for all pupils” as opposed to “services for unduplicated pupils.”⁷
- In addition, LAUSD wholly fails to refute the Complaint’s argument that its practice violates the mandate to “increase or improves services for unduplicated pupils as compared to

² See LAUSD Report of Findings, Exhibit 2, at page 19, <https://www.dropbox.com/s/3cdgl9bto1e0kpp/Att%202%20-%20LAUSD%20UCP%20Determination.pdf?dl=0>.

³ Exhibit 1, Attachment 1 (Writ Petition) ¶58; *see also id.* at ¶73.

⁴ Exhibit 2 at p.10.

⁵ Exhibit 2 at p.14 (5 Cal. Code Regs. § 15496(a)).

⁶ Exhibit 1, Attachment 1 (Writ Petition) ¶¶74-76. *See in general*

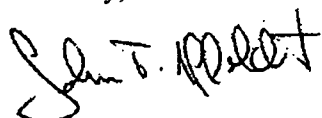
⁷ Exhibit 1, Attachment 1 (Writ Petition) ¶¶66-73.

services provided to all pupils,” as the statute and regulations require.⁸ To “increase” or “improve” means to grow services in “quantity” or “quality.”⁹ Because special education expenditures are incurred pursuant to preexisting legal mandates in federal and state law, “and are used to maintain, not increase, legally required services, they cannot be included as expenditures that ‘increase or improves services for unduplicated pupils as compared to services provided to all pupils.’”¹⁰ Accordingly, LEAs are not permitted to subsidize the pre-existing and ongoing costs of delivering Individualized Education Plans (IEPs) required by federal law with LCFF supplemental and concentration funds.

- Indeed, LAUSD concedes that special education services are not “services for unduplicated pupils”—which are the only type of services that may be supported with supplemental and concentration funds. As the District explains, a child will be excluded from special education services for such factors as “limited English proficiency . . . , social maladjustment; or . . . environmental, cultural or economic factors” that may include “unstable home life.”¹¹ Yet students who face such barriers are precisely the type of students who are targeted as “unduplicated students” under LCFF—English language learners, foster youth and low-income students. LAUSD thus acknowledges that students with disabilities who are receiving special education services do so not because of their unduplicated status, but in spite of that status.

For all the reasons stated here and in the attached Complaint, the District has misapplied the law to deny the Complaint and the Superintendent should overturn LAUSD’s determination. Accordingly, the Superintendent must require the District to revise its 2015-16 LCAP to remove special education funding as part of its prior year spending for High Need Students and revise its proportionality calculation and its LCAP to ensure that it spends the appropriate amount of money on increased and improved services for High Need Students in FY 2015-16 and in future years. For any questions related to this appeal or to contact the complainants, please contact the attorneys listed below.

Sincerely,



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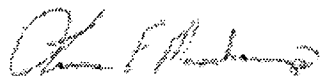
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⁸ 5 Cal. Code Regs. § 15496(a).

⁹ 5 Cal. Code Regs. §§ 15495(k) & (l).

¹⁰ Exhibit 1, Attachment 1 (Writ Petition) ¶¶86-90.

¹¹ Exhibit 2 at p.8.



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Enclosures

(For the electronic version of this appeal, click on the weblinks below to download attachments.)

Attachment 1: September 9, 2015 UCP Complaint re: LAUSD LCAP

Attachment 2: November 9, 2015 LAUSD Report of Findings re: UCP Complaint

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Exhibit D: LAUSD 2015–16 Local Control and Accountability Plan

[Click Here for: LAUSD 2015-16 LCAP](#)

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Exhibit E: LAUSD Special Education Expenditures in SACS Resource 6500

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LAUSD Special Education Programs in SACS Resource 6500

The below tables identify the programs in SACS Resource 6500 that were included in the LCFF supplemental calculation of \$450 million and those that were excluded.

Included in Supplemental Calculation
SPED-ADAPTED PHYSICAL EDUCATION
SPED-ADMINISTRATORS-SPED CENTERS
SPED-ASSISTANT OVERTIME-X & Z TIME/RENORMING
SPED-ASSISTANT PRINCIPAL ELEMENTARY INSTRUCTIONAL SPECIALIST
SPED-ASSISTANTS
SPED-ASSISTIVE TECHNOLOGY
SPED-CLERICAL SUPPORT-SPED CENTERS
SPED-DEAF AND HARD OF HEARING
SPED-EXTENDED SCHOOL YEAR
SPED-NON PUBLIC SERVICES
SPED-NURSING SERVICES
SPED-OCCUPATIONAL & PHYSICAL THERAPY
SPED-OPTIONS
SPED-PSYCHIATRIC SOCIAL WORKERS
SPED-PSYCHOLOGISTS
SPED-SPEECH & LANGUAGE
SPED-TEACHER-ITINERANTS
SPED-TEACHER-RESOURCE SPECIALIST PROGRAM
SPED-TEACHER-SPECIAL DAY PROGRAM
SPED-TEACHER-SUPPL & SUB TIME/RENORMING/PROF DEVELOPMENT
SPED-VISUALLY IMPAIRED

Excluded from Supplemental Calculation
SPED-ALLOCATION TO SCHOOLS FOR COMPLIANCE
SPED-ASSISTANTS-PRESCHOOL
SPED-CAREER & TRANSITION PROGRAM
SPED-DONATIONS
SPED-EDUCATIONALLY RELATED MENTAL HEALTH SERVICES
SPED-IMA ALLOCATION TO SCHOOLS
SPED-IMA-EQUIP-MATERIAL
SPED-LEAST RESTRICTIVE ENVIRONMENT COUNSELORS
SPED-PASS THROUGH FOR INDEPENDENT CHARTERS
SPED-PRESCHOOL PROGRAM SERVICES (INCLUDING ITINERANTS)

04/11/2017

SPED-PROGRAM SPECIALISTS-CERTIFICATED
SPED-REIMBURSEMENT-DUE PROCESS
SPED-TEACHER-SPECIAL DAY PROGRAM-PRESCHOOL
SPED-TEMPORARY PERSONNEL ACCOUNT

04/11/2011

004411/2011/

ATTACHMENT 3

04/11/2011

LOCAL CONTROL FUNDING FORMULA SAMPLE SCENARIO

The Local Control Funding Formula (LCFF) requires the State Board of Education to adopt spending regulations that require local educational agencies (LEAs) to increase or improve services for low-income students, English Learners, and foster youth ("unduplicated pupils") in proportion to the increase in funds apportioned for supplemental and concentration grants. The following sample scenario illustrates how a hypothetical school district would demonstrate increased or improved services under proposed Title 5 *California Code of Regulations* (5 CCR) section 15496. (See Attachment 3).

Sample Unified School District (USD)

68.83% of the students in Sample USD are low-income students, English Learners and/or foster youth.

2013-14 Total LCFF Funding	\$113,658,945
2014-15 Total LCFF Funding	\$120,009,636

Full Implementation:

Sample USD's LCFF Funding Target	\$ 167,569,262
Sample USD's Supplemental/Concentration Target Total	\$ 27,862,406

Calculation of Proportionality Percentage

To determine the proportionality percentage for its budget and initial Local Control and Accountability Plan (LCAP) in 2014-15, Sample USD will follow these steps:

(References to "estimated supplemental and concentration grant funding" below are intended to refer to funds apportioned on the basis of the number and concentration of unduplicated pupils.)

1. **Determine the district's target supplemental and concentration grant funding, 5 CCR section 15496(a)(1):** Estimate how much of Sample USD's total LCFF funding when it reaches its LCFF target at full implementation will be attributed to supplemental and concentration grants.
\$27,862,406
2. **Determine prior year expenditures to support unduplicated pupils, 5 CCR section 15496(a)(2):** Estimate Sample USD's expenditures in 2013-14 on services for low-income pupils, English Learners, and foster youth that are in addition to expenditures on services provided to all pupils. The estimated amount should be no less than the amount of Economic Impact Aid funds Sample USD expended in the 2012-13 fiscal year.
\$5,000,000

3. **Calculate the gap between prior year expenditures and target supplemental and concentration grant funding, 5 CCR section 15496(a)(3):** Subtract the estimated 2013-14 expenditures on additional services for low-income pupils, English Learners and foster youth from Sample USD's supplemental and concentration grant target. This calculation will result in a figure that is Sample USD's approximate supplemental and concentration funding gap.
 $\$27,862,406 - \$5,000,000 = \$22,862,406$
4. **Calculate the increase in estimated supplemental and concentration grant funding in the LCAP year, 5 CCR section 15496(a)(4):** Estimate Sample USD's increase in estimated supplemental and concentration grant funding in 2014-15 by multiplying the gap figure in step 3 by the estimated percentage of the remaining statewide funding gap between current funding and full implementation of LCFF that is eliminated in the fiscal year for which the LCAP is adopted as calculated by the Department of Finance. For purposes of this hypothetical, assume the Department of Finance has calculated that the total LCFF funding gap is reduced by 11.8% in 2014-15.
 $\$22,862,406 \times 11.8\% = \$2,697,764$
5. **Calculate the district's total estimated supplemental and concentration grant funding in the LCAP year, 5 CCR Section 15496(a)(5):** Calculate Sample USD's estimated supplemental and concentration grant funding in 2014-15 by adding the gap reduction figure above to the past year expenditure total from step 2. (Note: this amount will appear in Section 3C of Sample USD's 2014-15 LCAP. (See Attachment 3.)
 $\$2,697,764 + \$5,000,000 = \$7,697,764$
6. **Calculate the district's base funding in the LCAP year, 5 CCR Section 15496(a)(6):** Estimate the amount of funding attributable to base grants in 2014-15 by subtracting the amount calculated pursuant to Step 5 above from Sample USD's total amount of LCFF funding in 2014-15.
 $\$120,009,636 - \$7,697,764 = \$112,311,872$
7. **Calculate the minimum proportionality percentage, 5 CCR Section 15496(a)(7):** Divide the approximate amount of supplemental and concentration grant funds by the approximate amount of base grant funds in 2014-15. This calculation will result in the percentage by which services for low-income pupils, English Learners and foster youth must be increased or improved as compared to the services provided to all pupils.
 $\$7,697,764 / \$112,311,872 = \underline{6.9\%}$

PROOF OF SERVICE

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is Nationwide Legal Inc., 1609 James M. Wood Blvd., Los Angeles, CA 90015. On April 7, 2017, I served the following document:

1. **VERIFIED THIRD AMENDED PETITION FOR WRIT OF MANDATE AND COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF; ATTACHMENTS 1-3**
2. **AMENDED SUMMONS (for CALIFORNIA DEPARTMENT OF EDUCATION and TOM TORLAKSON, in his official capacity as State Superintendent of Public Instruction)**

on the parties in this action by placing a true copy thereof enclosed in sealed envelopes addressed as follows, and delivering such envelopes by hand to the persons at the addresses listed below.

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Attorneys for Respondents/Defendants, Los Angeles Unified School District and Michelle King

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20th Floor
Los Angeles, CA 90017
Facsimile: (213) 241-3311

Attorneys for Respondents/Defendants, Los Angeles Unified School District and Michelle King

I declare under penalty of perjury under the laws of the State of California that the above is true and correct. Executed on April 7, 2017, at Los Angeles, California.

ADRIAN ROUSSEAU

PRINT NAME

SIGNATURE

04/11/2017

PROOF OF SERVICE

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is Nationwide Legal Inc., 1609 James M. Wood Blvd., Los Angeles, CA 90015. On April 7, 2017, I served the following document:

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