

POLICY BRIEF



A NEW MODEL FOR CALIFORNIA'S SCHOOLS: SCHOOL-LEVEL DEVOLUTION

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EXECUTIVE SUMMARY

California's public education system is facing a systemic financial crisis. A detailed analysis of school districts in Los Angeles County—including the Los Angeles Unified (LAUSD), William S. Hart Union High, and Culver City Unified districts—reveals that fiscal instability is not a problem created by charter schools, but a universal challenge rooted in declining enrollment, rising operational costs, and an over-reliance on temporary state and federal aid. The current, often divisive debate pitting traditional public schools against charters distracts from this fundamental reality and fails to address the underlying drivers of the crisis.

This brief proposes a path forward: a **DEVOLUTION TO SCHOOLS** model. This hybrid approach draws inspiration from the existing “affiliated charter” school framework to grant all public schools, traditional and charter alike, greater budgetary autonomy. Under this model, schools would receive their full per-pupil funding allocation and be empowered to control their budgets, including “buying back” necessary central services from the district office. This structure introduces healthy competition, forcing district offices to become more cost-effective and responsive while empowering school principals to direct resources toward their most pressing local needs. The school district’s role would evolve from that of a top-down manager to an essential service provider and robust overseer. This model offers a practical, evidence-based solution to foster efficiency, equity, and accountability across the entire public school system.

THE PROBLEM: A SHARED CRISIS, A FLAWED DEBATE

Across Los Angeles County, school districts of every type and size are confronting the same existential financial threats. The data shows that fiscal instability is a systemic issue, not one defined by the presence or absence of charter schools.

- The massive, charter-rich **Los Angeles Unified School District** faces a structural deficit, relying on one-time funds to remain solvent despite an \$18.4 billion budget for 2024-25.
- The high-performing, suburban **William S. Hart Union High School District**, with a minimal charter presence (6.6% of enrollment), is nonetheless deficit spending due to declining enrollment, which has cost it an estimated \$25 million in state funding since 2018-19.
- The affluent, traditional-only **Culver City Unified School District**, which authorizes no charter schools, is also grappling with budget shortfalls and has been forced to eliminate 39 staff positions for the upcoming school year due to the same pressures.

The evidence is decisive: the common narrative that charter schools "take money" from traditional schools misrepresents the state's "money follows the child" funding system. When a student leaves a district for any reason, whether for a charter, a private school, or a move to another city, the funding associated with that student leaves as well. Legislative efforts focused narrowly on regulating charters will not solve the fundamental challenges facing all public schools.

FUNDING INEQUITY IS A CORE ISSUE

Compounding the problem is a significant and persistent funding disparity. A 2019-20 analysis revealed that LAUSD charter schools received **\$5,226 less per pupil** than their traditional public school counterparts—a 27% funding gap—despite serving virtually identical student populations.

Chart 1: Per-Pupil Funding Gap in LAUSD (2019-20)

Source: University of Arkansas, "Charter School Funding: Inequity in the City"

Funding Source	Traditional Public Schools (Per Pupil)	Charter Schools (Per Pupil)	Funding Gap (\$)	Funding Gap (%)
Total Funding	\$19,630	\$14,405	-\$5,226	-26.6%
State & Local	\$15,310	\$12,407	-\$2,903	-19.0%
Federal	\$3,959	\$1,962	-\$1,997	-50.4%
Non-Public	\$361	\$325	-\$36	-10.0%

This "efficiency" of charter schools is often a state of forced austerity, limiting their ability to invest in facilities, teacher salaries, and comprehensive support services. Furthermore, a structural flaw in the state's Local Control Funding Formula (LCFF) systematically underfunds charter schools serving the highest-need students by basing a portion of their funding on a district-wide average rather than the actual students they enroll. An analysis by the Public Policy Institute of California (PPIC) found this flaw lowers per-pupil funding by an average of **\$450** for a third of all charter students in the state.

A new approach is needed. One that addresses the systemic drivers of financial instability and builds a more equitable and efficient structure for all public schools.

POLICY PROPOSAL: DEVOLUTION TO SCHOOLS

To create a system that is both wealthier and more efficient, California should adopt a **Devolution to Schools** model. This model does not require converting all schools to charters, but rather extending the core financial autonomy of the affiliated charter framework to all public schools.

1. **Empower Schools with Budgetary Control:** Grant every school principal, in both traditional and charter schools, direct control over their site's full per-pupil funding allocation. This includes base funding as well as supplemental and concentration grants.
2. **Establish a "Buy-Back" System for Central Services:** Empower schools to use their budgets to "buy back" necessary services from the district office (e.g., payroll, legal counsel, special education support, curriculum development) on a fee-for-service basis. Schools would also have the option to procure such services from external providers if they prove more cost-effective or of higher quality.
3. **Evolve the District's Role:** Shift the district's primary function from top-down administrative control to that of an essential service provider and a robust accountability agent. The district would focus on providing high-quality, competitively priced services and conducting rigorous oversight of academic and fiscal performance across all schools.

PRACTICALITY AND FEASIBILITY

This model is not a radical departure but a logical evolution of existing structures, making it highly practical to implement.

- **Fostering True Efficiency:** The buy-back system creates a healthy market pressure that forces district central offices to become more efficient, responsive, and transparent about their value. It directly addresses long-standing concerns about administrative bloat by empowering schools, the "customers" of the central office, to make informed financial decisions. This allows principals to redirect funds from administrative overhead to pressing classroom needs.
- **Maintaining District Strengths:** This model preserves the critical role of a district in providing economies of scale. A district can negotiate better rates for services like transportation, insurance, or legal counsel than a single school could. By making these services optional rather than mandatory, the district is incentivized to leverage this advantage and prove its value.
- **Ensuring Robust Accountability:** Greater autonomy must be paired with stronger, more specialized oversight. The current one-size-fits-all audit system is insufficient. This model requires a shift to a tiered, risk-based audit framework. A traditional school with limited financial control would undergo a standard compliance audit. A school with full budgetary autonomy would be subject to a more rigorous, forensic audit that actively probes for potential waste, fraud, or abuse. The district, as the authorizer and overseer, must be adequately funded and empowered by law to carry out this more intensive monitoring.

By grounding the system in the affiliated charter framework, this proposal remains within the established public education structure. It maintains the district's role as the Local Educational Agency (LEA), preserving the authority of the elected school board and the structure of collective bargaining agreements while granting the financial agility needed to innovate and thrive.

RECOMMENDATIONS FOR LAWMAKERS

To build a more resilient, equitable, and effective public education system for all of California's students, the Legislature should:

1. **Pilot the Devolution to Schools Model:** Authorize and fund a pilot program in a diverse set of school districts to implement and refine the school-level budgeting and "buy-back" system for central services.
2. **Fix the LCFF "District Average" Flaw:** Amend the Local Control Funding Formula to ensure that a charter school's concentration grant is calculated based on the students it actually serves, not the potentially misleading average of its authorizing district. This will direct resources more accurately to the students with the greatest needs.
3. **Establish and Fund a Tiered Oversight System:** Legislate a risk-based audit framework that matches the intensity of financial oversight to the level of autonomy granted to a school. Provide the necessary resources for county offices of education and district authorizers to effectively carry out this critical accountability function.

A COMPARATIVE ANALYSIS OF SCHOOL FUNDING AND EFFICIENCY: THE FACTS FROM LOS ANGELES COUNTY

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The research report is organized into three sections. Section I establishes the legal and financial context of California's public education system. Section II provides a detailed comparative analysis of the three case-study districts in the Los Angeles Region. Section III evaluates the efficiency and accountability of different models.

SECTION I: THE CALIFORNIA PUBLIC SCHOOL GOVERNANCE AND FUNDING FRAMEWORKS

To comprehend the dynamics of school finance and performance, one must first understand the foundational structures that govern public education in California. The state employs a complex system that allows for different models of school operation, each with varying degrees of autonomy and accountability. These governance structures are inextricably linked to the mechanisms by which funds are distributed, creating a landscape where a school's operational capacity is directly shaped by its legal classification.

A. MODELS OF PUBLIC EDUCATION: A SPECTRUM OF AUTONOMY AND ACCOUNTABILITY

California's public education system is not a monolith. It comprises traditional district-run schools alongside a robust sector of charter schools, which themselves are divided into distinct categories based on their relationship with the local school district.

Traditional Public Schools

The most common model, traditional public schools, are governed by a publicly elected district school board. This board sets policy for all schools under its jurisdiction, and the schools operate within the comprehensive framework of the California Education Code and local district regulations.¹ The district serves as the Local Educational Agency (LEA), a designation that centralizes control over budget, personnel, curriculum, and operations.

Charter Schools: Publicly Funded, Independently Operated

Since California passed the Charter Schools Act in 1992, becoming the second state in the nation to do so, charter schools have grown to become an integral part of the educational landscape.⁴ As of May 2024, California was home to 1,283 active charter schools, educating approximately 11.7% of the state's public school students in the 2022–23 school year.⁴

Legally, a charter school is an independently run public school that is granted greater flexibility in its operations (including curriculum, staffing, and financial decisions) in exchange for a higher degree of accountability for performance.¹ This arrangement is codified in a "charter," which is a performance contract between the school and its authorizing agency.¹ All charter schools are public schools; they cannot charge tuition, must be non-sectarian, and are required to admit any student who wishes to attend. If applications exceed capacity, enrollment is determined by a public random lottery.¹

The power to authorize a charter school in California rests with local school districts, county boards of education, or the State Board of Education.¹ The authorizing body is tasked with critical oversight responsibilities, including conducting annual site visits, monitoring the school's fiscal condition, and ensuring compliance with the law and the terms of its charter.⁶ In a district as large as LAUSD, the Board of Education holds the exclusive authority to approve or deny charter petitions.³

Within this framework, several distinct types of charter schools operate, with LAUSD providing a clear and useful taxonomy:

- **Independent Charter Schools:** These schools function as their own LEAs, operating independently of the school district in nearly all respects, including finances.¹ They are typically governed by a non-profit public benefit corporation with its own board of directors, which may include educators, parents, and community professionals.¹ This structure grants them maximum operational and fiscal autonomy. Many independent charters are managed by non-profit Charter Management Organizations (CMOs) such as the Alliance for College-Ready Public Schools, Green Dot Public Schools, and KIPP, which operate multiple school sites.²
- **Affiliated (or Dependent) Charter Schools:** These schools maintain much closer ties to the district.³ They function under the governance of the district's board of education and must follow most district policies and procedures.⁸ Crucially, the district typically administers all funding for affiliated charters, limiting their financial autonomy compared to their independent counterparts.² They are granted some additional flexibility and local control as a benefit of their charter status.¹⁰
- **Start-up vs. Conversion Charters:** A charter school can either be created from inception as a new school ("start-up") or be formed by converting a pre-existing traditional public school to charter status ("conversion").²

The distinction between these models is far from academic; it is the primary determinant of a school's ability to innovate and respond to student needs. The governance structure (specifically, whether a school operates as an independent LEA or remains under the district's umbrella) dictates its fiscal and operational agility. An independent charter, with its own board and direct control over its budget, has the

authority to make swift decisions about resource allocation. For example, it can reallocate funds from a central administrative line item to hire an additional reading specialist or purchase new technology without seeking district-level approval. This autonomy is the engine of potential efficiency. An affiliated charter, by contrast, operates within the district's financial and administrative systems, limiting its ability to make such independent choices. This fundamental structural difference creates a core tension between autonomy and accountability that must be a central consideration in the design of any national funding model. The more autonomy a school is granted, the more specialized and rigorous its oversight must be.

B. THE ARCHITECTURE OF SCHOOL FINANCE: STATE AND FEDERAL MECHANISMS

The funding of California's public schools is a layered system, with the state's Local Control Funding Formula (LCFF) providing the foundation and federal programs adding supplemental resources. Both traditional and charter schools are funded through these mechanisms, but nuances in the formulas can lead to significant disparities.

The Local Control Funding Formula (LCFF): California's Equity-Focused Model

Enacted in 2013–14, the LCFF represented a landmark shift in California school finance. It replaced a convoluted system of dozens of "categorical" grants, each with its own spending rules, with a streamlined, equity-based formula.¹¹ The core principles of LCFF are equity, transparency, and local control, with the goal of directing more resources to students with greater needs and empowering local communities to decide how best to use those funds.¹² Funding is allocated to LEAs) both school districts and charter schools (based on Average Daily Attendance (ADA), not total enrollment, which means that student attendance is a critical factor in a school's financial health.¹³

The LCFF has three main components:

- **Base Grant:** Every LEA receives a uniform base grant per student, with the amount varying by grade span (K-3, 4-6, 7-8, and 9-12) to reflect the different costs of education at different levels.¹⁴
- **Supplemental Grant:** To address historical inequities, the formula provides an additional 20% of the base grant for each student classified as "high-need"—defined as an English learner (EL), a student from a low-income family (LI), or a foster youth.¹⁵
- **Concentration Grant:** For LEAs where high-need students make up more than 55% of the total student population, the formula provides a further concentration grant equal to 65% of the base grant for each high-need student above that 55% threshold.¹⁶

Federal Funding Streams: Layering on Support

On top of state and local funding through the LCFF, schools receive federal funds for specific purposes.

- Title I, Part A: As part of the Elementary and Secondary Education Act (ESEA), Title I is the largest federal K-12 education program. It provides financial assistance to LEAs and schools with high numbers or high percentages of children from low-income families.¹⁸ The U.S. Department of Education allocates these funds to states based on census poverty data, and states, in turn, distribute the funds to their LEAs.¹⁸ LEAs are required to target Title I funds to schools with the highest concentrations of poverty.¹⁸
- Individuals with Disabilities Education Act (IDEA): This federal law ensures that students with disabilities are provided with a Free Appropriate Public Education and provides federal funds to help cover the excess costs of special education services.¹⁹
- Distribution to Charters: As public schools, charter schools are eligible to receive federal funds, including Title I and IDEA, based on the demographic makeup of the students they serve.¹⁹

While the LCFF was designed to promote equity, a specific provision within its complex architecture creates a structural disadvantage for certain charter schools. The formula stipulates that a charter school's concentration grant is calculated based not on its own percentage of high-need students, but on the percentage in the school district where it is located, if the district's percentage is lower.²² This "district average" flaw systematically underfunds charter schools that have been intentionally created to serve the most concentrated populations of disadvantaged students within a larger, more socioeconomically diverse district.

An analysis by the Public Policy Institute of California (PPIC) revealed the significant impact of this cap, finding that it affects a third of all charter school students in the state. On average, it lowers their per-pupil funding by approximately \$450. For charter schools with the highest needs (where over 95% of students are low-income, English learners, or foster youth) the funding loss is even more severe, reaching about 24% of their additional funding.²² In a vast and diverse district like LAUSD, the overall district-wide average of high-need students is inevitably lower than the 80% or 90% concentrations found at charter schools located in the city's highest-poverty neighborhoods. Consequently, the very schools designed to serve the most vulnerable students are penalized by the funding formula. This demonstrates a crucial lesson for the development of any national model: to be truly equitable, funding formulas must be based on the actual students a school serves, not on broader, potentially misleading averages that obscure pockets of intense need.

SECTION II: A COMPARATIVE ANALYSIS OF LOS ANGELES AREA SCHOOL DISTRICTS

The theoretical frameworks of governance and finance come to life when examined within specific contexts. The diverse school districts of Los Angeles County offer a compelling natural experiment. By comparing a massive urban district with a robust charter sector (LAUSD), a smaller suburban district with a limited charter presence (William S. Hart), and a high-performing traditional-only district (Culver City), we can observe how these systems function under different demographic and organizational pressures.

District Demographics and Charter School Presence (2023-24)	Los Angeles Unified (LAUSD)	William S. Hart Union High	Culver City Unified (CCUSD)
Total Student Enrollment	429,033 (TK-12, 2022-23) ²³	22,135 (7-12, 2023-24) ²⁵	6,717 (K-12, 2023-24) ²⁸
Racial/Ethnic Demographics	74.0% Latino, 9.8% White, 8.4% Black, 6.0% Asian (2017-18) ³⁰	42.8% Hispanic/Latino, 35.1% White, 10.8% Asian, 3.8% Black (2016-20) ³¹	38.9% White, 22.8% Hispanic/Latino, 16.8% Asian, 10.8% Black (2016-20) ³²
Socioeconomic Status (Unduplicated Pupils)	~80% Low-Income (Title I) ³³	28.6% Unduplicated Pupil Count ²⁵	41.8% Unduplicated Pupil Count ²⁸
Number of Traditional Schools	~1,000+ (including magnets, options, etc.) ³⁶	16 schools (including junior high and high schools) ²⁶	9 schools ²⁸
Number of Authorized Charter Schools	219 (Independent) ³⁶	3 ²⁵	0 ²⁸
Charter School Enrollment (% of Total)	108,520 in Independent Charters (~25%) ³⁶	1,450 (~6.6%) ²⁵	0 (0%) ²⁸

A. LOS ANGELES UNIFIED SCHOOL DISTRICT (LAUSD): A STUDY IN SCALE AND INEQUITY

As the nation's second-largest school district, LAUSD operates on an unparalleled scale. It serves over 429,000 students in its traditional schools and is also the country's largest authorizer of charter schools.⁷ Its student population is predominantly high-need, with approximately 74% identifying as Latino and over 80% qualifying as low-income.³⁰ This immense and complex system provides a stark case study of the funding dynamics between traditional and charter schools.

A comprehensive 2019–20 study by the University of Arkansas, highlighted by the Pacific Research Institute, uncovered a significant and persistent funding disparity within LAUSD. The research found that traditional public schools in the district received an average of \$19,630 in per-pupil funding, while public charter schools received only \$14,405.³⁴ This amounts to a funding gap of \$5,226 per student, or 27% less funding for charter school students.³⁹ This inequity is particularly striking because it cannot be explained by differences in student populations; the study found that LAUSD's traditional and charter schools serve virtually identical proportions of low-income students, English learners, and students with disabilities.³⁴ The gap widened from a 22% disparity in 2015-16, indicating that even as overall education funding increased, the inequity grew more pronounced.³⁹

Per-Pupil Funding Comparison: Traditional vs. Charter Schools in LAUSD (2019-20)	Traditional Public Schools (Per Pupil)	Charter Schools (Per Pupil)	Difference (\$)	Difference (%)
Total Funding	\$19,630	\$14,405	-\$5,226	-26.6%
State & Local Public Funding	\$15,310	\$12,407	-\$2,903	-19.0%
Federal Public Funding	\$3,959	\$1,962	-\$1,997	-50.4%
Non-Public Funding	\$361	\$325	-\$36	-10.0%

SOURCE: ADAPTED FROM DATA IN THE UNIVERSITY OF ARKANSAS STUDY "CHARTER SCHOOL FUNDING: INEQUITY IN THE CITY," AS CITED BY THE PACIFIC RESEARCH INSTITUTE.³⁴

Financially, LAUSD operates under immense pressure. Its budget for the 2023–24 fiscal year was approximately \$18.8 billion, but the district faces a structural deficit where projected expenditures consistently outpace revenues in the multi-year forecast.⁴¹ The approved 2024–25 budget of \$18.4 billion managed to avoid mass layoffs only through the use of one-time federal reimbursements and other temporary funds, a strategy that is not sustainable.⁴³ The district's own financial reports, such as the Unaudited Actuals for FY 2023–24, reveal a complex balancing act of strategic fund transfers and reliance on non-recurring revenues to maintain fiscal stability and meet its reserve requirements.⁴⁵

This context reveals a critical dynamic: the widely praised "efficiency" of charter schools may be less a product of superior management and more a condition forced by chronic underfunding. When charter schools in LAUSD achieve comparable or, in some cases, superior academic outcomes while receiving nearly 27% less funding, it is a testament to their operational leanness.³⁹ However, this forced austerity comes at a cost. The funding gap often translates into an inability to invest in critical infrastructure, as charters frequently must secure private financing for facilities, a burden not borne by traditional schools.¹⁹ It can also mean lower teacher salaries and fewer comprehensive support services. This raises a crucial policy question: is this model truly "efficient," or is it simply

"under-resourced" in ways that threaten long-term sustainability and may not be immediately visible in academic test scores? A national model cannot praise the outcomes of such a system without also addressing the foundational funding inequities that create it. True efficiency must be built on a foundation of equitable and adequate resources for all necessary costs, including capital expenditures, to avoid creating a system that is efficient only because it is perpetually on the brink of financial crisis.

B. WILLIAM S. HART UNION HIGH SCHOOL DISTRICT: A SUBURBAN MODEL UNDER PRESSURE

In contrast to the urban sprawl of LAUSD, the William S. Hart Union High School District represents a high-performing, largely suburban model. Serving students in grades 7-12 in the Santa Clarita Valley, the district had an enrollment of approximately 22,135 in 2023-24.²⁵ Demographically, it is more affluent and less diverse than LAUSD, with a significantly lower percentage of high-need students (28.6% unduplicated pupil count).²⁵

The charter school presence in the Hart district is minimal. Data from 2023-24 shows three authorized charter schools serving a total of 1,450 students, which constitutes only 6.6% of the district's total enrollment.²⁵ These charters, such as Opportunities for Learning and Sequoia Charter, often serve specialized populations, including at-risk students or those with special education needs, rather than competing directly with the comprehensive high schools.⁴⁸

Despite its reputation for high performance and its limited exposure to charter competition, the Hart district is facing severe financial strain. The primary driver of this pressure is declining enrollment, which directly reduces state funding under the LCFF's ADA-based formula.⁴⁹ The district is projected to engage in deficit spending for the foreseeable future, eating into its reserves to cover the gap between revenues and expenditures.⁴⁹ Since the 2018-19 school year, the district has lost an estimated \$25 million in state funding due to a decline of over 1,800 students.⁴⁹ This fiscal reality has forced the governing board to adopt a fiscal stability plan and make difficult decisions, including staffing reductions.⁴⁹

The financial struggles of the Hart district provide a powerful counter-narrative to the argument that charter schools are the primary cause of fiscal distress in traditional districts. Hart's experience demonstrates that the traditional public school model is equally vulnerable to broader demographic and economic forces. The state's funding system, which ties revenue directly to the number of students in attendance each day, means that when students leave (whether to a neighboring district, a private school, a charter school, or because of population decline) the financial foundation of the district

erodes. The common refrain that charters "take money" from public schools is an oversimplification of a more fundamental reality: under California's "money follows the child" system, any student departure for any reason reduces a district's funding.¹ This reveals that a key challenge for any national funding model is to provide stability for districts facing demographic shifts that are often beyond their control. Policy solutions could include funding formulas that are less sensitive to short-term ADA fluctuations (for instance, by using multi-year rolling averages for all schools) or providing transitional aid to help districts responsibly manage the high fixed costs associated with downsizing.

C. CULVER CITY UNIFIED SCHOOL DISTRICT: A TRADITIONAL-ONLY CASE STUDY

Culver City Unified School District (CCUSD) offers a unique and valuable control case. It is a small, high-performing K-12 district with a diverse student body of 6,717 students in 2023–24.²⁸ While racially diverse, the district is relatively affluent compared to LAUSD, with an unduplicated pupil count of 41.8%.²⁸

The most critical feature of CCUSD for this analysis is its complete lack of charter schools; the district does not authorize or operate any.²⁸ This allows for an examination of the financial health and operational efficiency of a purely traditional system. It is important to note, however, that while CCUSD has no internal charter competition, its students are not in a vacuum. Families residing within CCUSD boundaries have the choice to enroll their children in charter schools authorized by neighboring entities, such as LAUSD.⁵³

Despite its high academic standing and the absence of an internal charter sector, CCUSD faces fiscal challenges remarkably similar to those of LAUSD and Hart. The district is grappling with the impacts of declining enrollment, rising operational costs, and the expiration of one-time federal COVID-19 relief funds.⁵⁴ This has led to a projected budget shortfall and necessitated painful cuts, including the elimination of 39 staff positions for the 2025–26 school year.⁵⁶ The district's 2024–25 budget projects total expenditures of approximately \$120.1 million against revenues of only \$108.5 million, forcing a significant draw from its reserve funds to close the gap.⁵⁴ The City of Culver City provides over \$1 million in direct financial support to the district for services like crossing guards, but this is not enough to solve the underlying structural deficit.⁵⁸

The case of Culver City proves decisively that fiscal instability is not a problem created by charter schools. Even without the presence of an internal charter sector to "drain"

students or funds, CCUSD is confronting the same existential threats as its neighbors. The true drivers of the financial crisis in public education are systemic: the demographic trend of declining enrollment, the escalating costs of employee salaries and benefits, and the unpredictable, boom-and-bust cycle of temporary state and federal aid. This finding has profound implications for policy. It suggests that legislative efforts focused solely on regulating or restricting charter schools will fail to address the fundamental financial challenges facing the entire public education system. A successful and durable national model must look beyond the charter versus traditional debate and tackle these deeper, systemic issues head-on.

SECTION III: EVALUATING EFFICIENCY AND OVERSIGHT ACROSS MODELS

The comparative analysis of the three districts reveals that different governance models produce different operational realities. This section synthesizes those findings to evaluate the core issues of administrative efficiency and accountability, contrasting the centralized district model with the decentralized charter model to identify the strengths and weaknesses of each.

A. ADMINISTRATIVE EFFICIENCY AND RESOURCE ALLOCATION

A perennial debate in education policy centers on administrative spending, with critics often arguing that an oversized bureaucracy diverts precious resources from the classroom. In California, this debate has manifested in proposals like the "95/5" initiative, which sought to cap district administrative spending at 5% of total funds to ensure that 95% went to direct student services.⁶⁰ While the initiative did not pass, it highlighted a persistent concern. Data from the mid-1990s showed that LAUSD's administrative costs were 7.4%, above the proposed cap.⁶⁰

Research suggests that charter schools, as a function of their decentralized structure, may be more efficient in this regard. By avoiding the overhead of a large central district office, they are often able to funnel a greater proportion of their funding directly into classroom instruction, even while receiving less overall funding.³⁹ In contrast, traditional districts have significant, necessary centralized costs for general administration, instructional supervision, and district-wide support services that are spread across all schools.¹⁷ For instance, recent data shows that both the Hart and Culver City districts allocate roughly 56-57% of their budgets to instruction and 41-42% to support services, which include administrative functions.⁵²

However, a simple analysis of administrative cost ratios fails to capture the full picture of efficiency. The charter model's potential for efficiency stems not just from lower overhead but from the autonomy it grants school leaders to allocate resources to meet specific, site-level needs. At the same time, a traditional district's centralized services (such as special education program management, large-scale transportation logistics, and legal counsel) create economies of scale that a single, small charter school would struggle to replicate. A single charter might pay a premium for specialized legal services on the open market, whereas a large district can negotiate a lower rate or maintain in-house counsel.

This dynamic suggests that the most efficient system may not be one that mandates a particular administrative structure, but one that empowers schools with choice. California law already allows for districts to provide services to charters on a fee-for-service basis.⁶ This concept could be expanded to create a more dynamic and efficient system for all public schools. If every school, traditional or charter, were given its full per-pupil allocation and then empowered to "buy back" necessary services from the district office, it would introduce a healthy market pressure. District central offices would be forced to become more responsive and cost-effective, proving their value to the schools they serve. School leaders, in turn, would be empowered to direct their resources to their most pressing local needs. This hybrid approach marries the autonomy that drives innovation in the charter sector with the potential economies of scale inherent in a larger district structure, offering a path toward a system that is both leaner and more effective.

B. THE STATE OF ACCOUNTABILITY: AUDITS AND OVERSIGHT

With autonomy must come accountability. In California, the system of financial oversight is intended to apply to all public schools, but its effectiveness varies depending on the school model. All LEAs, including school districts and charter schools, are required by state law to undergo an annual financial audit conducted by an independent, state-registered accounting firm.⁶⁵ These comprehensive audit reports must be filed with the County Office of Education, the State Controller's Office (SCO), and the CDE by December 15 of each year, ensuring a baseline level of financial transparency for all publicly funded schools.⁶⁵

For charter schools, an additional layer of oversight is provided by their authorizing entity. The authorizer (whether it be a district, county, or the state) is legally responsible for monitoring the charter school to ensure it is operating in compliance with the law and the terms of its performance contract.² This includes conducting annual site visits and monitoring the school's fiscal health.⁶

However, this system has been criticized for significant weaknesses. Investigations have found that charter school oversight often depends too heavily on self-reporting by the schools themselves or on the courage of internal whistleblowers.⁶⁸ The standard financial audits that all LEAs undergo are generally designed to ensure compliance with accounting principles, not to proactively detect fraud, waste, or abuse.⁶⁸ Furthermore, many district authorizers lack the specialized staff and resources needed to conduct robust, forensic monitoring of their charter schools' complex financial arrangements.⁶⁸ The state's Fiscal Crisis and Management Assistance Team (FCMAT) can be called upon

to conduct "extraordinary audits" when fraud is suspected, but this is a reactive measure, not a proactive safeguard.⁶⁸

In response to these challenges, both the LAO and state legislators have proposed significant reforms. These include aligning the charter school audit process more closely with that of school districts and adding new audit requirements that address issues specific to charters, such as related-party transactions and the use of public funds by non-profit management organizations.⁶⁹ Other proposals would require specialized training for auditors who work with charter schools and grant authorizers more explicit power to review financial records, such as credit card transactions.⁷¹

This points to a fundamental mismatch in the current system: the models of school operation have evolved faster than the models of accountability. A one-size-fits-all audit system is insufficient for the diverse and complex landscape of modern public education. The unique operational and financial flexibilities granted to independent charter schools create different types of fiscal risks than those present in a traditional, compliance-driven district. Effective accountability demands that the intensity and focus of oversight match the level of autonomy granted.

Therefore, a national model should not prescribe a single method of oversight. Instead, it should establish a tiered, risk-based system. A traditional district school, with its limited financial autonomy, can be effectively monitored through a compliance-based audit. An independent charter school, which functions as its own LEA with full budgetary control, requires a more rigorous and forensic audit that actively probes for potential self-dealing, waste, and mismanagement. The authorizing body must be adequately funded and empowered by law to carry out this more intensive level of oversight. Accountability should not be a uniform checklist but a sliding scale that corresponds directly to the level of autonomy and associated risk. This approach protects public funds and ensures accountability without stifling the innovation and flexibility that can lead to better outcomes for students

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