

## Research Brief

# Toward a Grand Vision: Early Implementation of California's Local Control Funding Formula

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### Introduction

California has taken the first steps down an historic path that fundamentally alters how its public schools are financed, education decisions are made, and traditionally underserved students' needs are met. The Local Control Funding Formula (LCFF), passed with bipartisan legislative support and signed into law by Governor Jerry Brown on July 1, 2013, represents the most comprehensive transformation of California's school funding system in 40 years.

The LCFF significantly loosens the reins of state control over education. It all but eliminates categorical funding streams, substituting a base of funding for all districts and adding dollars for low-income students, English language learners, and foster youth. The new system empowers school districts to determine how to allocate their dollars to best meet the needs of their students. Finally, by requiring all districts to engage parents and other education stakeholders in decisions about how to spend newly flexible funds, the LCFF represents a remarkable experiment in local democracy.

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The LCFF is a paradigm shift for California education, and it is still in its infancy. How are school districts using their newfound budget flexibility in this early implementation phase? How are they engaging parents and other stakeholders? What opportunities and challenges do they foresee with the LCFF? What can state policymakers learn from these early experiences?

With generous support from the Stuart Foundation and the Heising-Simons Foundation, a team of 12 independent researchers set out to answer these questions. This research brief summarizes our findings.

The research team conducted the study between June and October 2014. We began with a series of interviews with key policy makers and staff in Sacramento who were closely involved with the LCFF. We then reviewed a variety of documents covering the LCFF's development, requirements, and early implementation, and more than 40 district Local Control Accountability Plans (LCAPs).

We selected 10 districts across California in which to study early implementation of the LCFF. We selectively sampled districts that were diverse in terms of enrollment, geographic region, urbanicity, and proportions of English learner (EL) and low-income students to ensure that our sample was reasonably representative of districts in the state (see Table 1 on page 3).

Study data included interviews with district staff and stakeholders, county office of education (COE) officials, and document review. Prior to

conducting interviews, we reviewed all 10 districts' LCAPs along with minutes of local school board meetings and other documents available on district websites.

For each district, we interviewed the Superintendent and the district official responsible for the budget along with other district staff, school board members, union representatives, and parents. We conducted a total of 71 interviews across the 10 districts. For 8 of the 10 districts, we also interviewed officials at their COEs. Further, we conducted phone interviews with officials in an additional 14 COEs around the state. In sum, we interviewed officials at 20 different COEs out of the total 58 COEs in California; the 20 COEs interviewed serve 458 districts in the state.

We asked all interviewees questions about the budget development process before and after the LCFF; parent, community, and educator engagement; supports for completing the LCAPs; district priorities; and their general attitude toward the LCFF. For COE officials, we also asked about the range of needs and impact of the LCFF across the districts they serve and about the COE's capacity to support these districts.

The remainder of this brief describes district and COE initial views of the LCFF, the new formula's impact on district budgeting processes, the challenges of LCAPs, ways in which COEs are managing their new responsibilities under the LCFF, and districts' efforts to engage parents, community members, and educators. We conclude with some emerging LCFF challenges this study revealed.

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**Table 1: Number of Districts Interviewed by District Characteristics**

	Less than 10,000 students	Between 10,000 and 25,000 students	Between 25,000 and 50,000 students	More than 50,000 students
<b>Enrollment</b>				
Number of districts interviewed	3	3	2	2
<b>Geographic Region</b>	Southern CA	Mid State	Bay Area	Northern CA
Number of districts interviewed	2	2	3	3
<b>Urbanicity</b>	Small town in a remote area	Mid-sized town	Suburb outside of large city	Large city
Number of districts interviewed	3	3	1	3
<b>Proportion of EL students</b>	Less than 25%	Between 25 and 50%	Between 50 and 75%	More than 75%
Number of districts interviewed	2	6	1	1
<b>Proportion of low-income students</b>	Less than 25%	Between 25 and 50%	Between 50 and 75%	More than 75%
Number of districts interviewed	1	2	4	3

## Enthusiasm for the LCFF (and a Few Worries)

*“I think it’s one of the most positive things that’s happened to public education in the last 40 years. It focuses attention on areas where we have the most need. It focuses on gaps...”*

Nearly all of individuals we interviewed expressed genuine enthusiasm for the idea of local control. Districts like the freedom the LCFF provides them to make local decisions about how to spend their dollars. In particular, districts and COEs recognize the potential of the LCFF to shift budgeting from a compliance exercise—how do we spend the state-determined categoricals?—to an activity focused on addressing the needs of their students. Under the previous finance system, districts’ hands largely

were tied when it came to allocating dollars to customized programs and services. The newfound fiscal flexibility the LCFF affords gives districts the opportunity to rethink how best to use their resources.

Districts and COEs also support the parent engagement component of the LCFF. As one superintendent said,

*“I think [the LCFF] is a wonderful direction. I wholeheartedly support what it aspires to do in terms of local control, bringing in the community to write their story [about] what they want for their kids.”*

District and COE general enthusiasm, however, is tempered by several concerns about the future of the LCFF. First, they fear the state will change the system before it has time to mature. One refrain sounded over and over in our interviews was,

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*“Please leave it alone. Give us time to get used to it, to learn how to work with it, and to make it work for us.”*

The first phase of the LCFF was on such a quick timeline that many districts were trying to understand it while they implemented it, a proverbial case of “building the airplane while it’s rolling down the runway.” Districts and county offices hope the state will give them the time to appraise what went well, identify what they could do better, and refine their processes.

Second, districts and COEs worry that other state fiscal issues will dilute the LCFF’s intended impact. What happens, for example, when Proposition 30 expires? This financial boost for education has been a lifeline for many districts, keeping them from insolvency. In addition, districts are reeling from the sudden state decision to require them to absorb a larger share of the cost of teachers’ and other district employees’ pensions. Districts and COEs are quite clear that if Proposition 30-era funding levels are not sustained and the new pension obligation stands, they will not have adequate resources in the future to sustain commitments they are making now, such as for new programs and staff.

While districts and COEs generally applaud the intent and direction of the LCFF, nearly all emphasize that school funding in California still is not sufficient. As one school board member said, “We are a cancer patient no longer in the emergency room but we are far away from adequacy.”

Even once the eight-year phase-in of the LCFF is complete, many districts will be only at their 2008 levels of funding. As one administrator argued,

*“... I don’t think you can provide targeted supports on top of a foundation that is deficient and expect to get great results. If you are able to have a solid base and then truly supplement, then there are opportunities [for the LCFF] to really be a game changer for [low-income and EL students, for foster youth] and for all students. But that’s the dance.”*

Third, districts are concerned about the state sustaining its commitment to local control. They are aware that advocacy groups are pressuring the state for tighter regulations and reporting requirements around supplemental and concentration grants and they worry that this move has the potential to undermine the very concept of local control.

Finally, districts and COEs are challenged by the strain the LCAP process places on them generally and on those in isolated rural areas especially. Districts found it challenging to “[get] the metrics right” so that programs, services, and resource allocation are aligned with appropriate measures of progress. COEs are concerned about their capacity to continue to monitor and support districts effectively. At this moment, districts and COEs are positively inclined toward the LCFF. That feeling of support could shift if the state fails to give district and COE concerns due attention.

We turn now to the LCFF’s initial impacts on district budgeting processes and practices.

## LCFF Begins to Change District Budget Practices

The LCFF is sparking changes in the way districts develop their budgets. A few districts in our study moved to a needs-based budgeting process. As one district official described it,

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*“This year we began the [budget development] process from ‘What do we need?’ rather than from ‘What can we afford?’”*

These districts examined data about student performance, attendance, and course-taking patterns, reviewed information gathered from stakeholder engagement activities, and determined what programs and services would best meet their students’ needs. Then they figured out how to pay for them. “We attached spending to goals,” noted one district official. Several other districts took a more cautious approach, using budget flexibility and the infusion of new funds mainly to restore programs and services that had sustained significant reductions or were eliminated in recent years.

Nearly all districts in the study shifted to joint program-fiscal teams to develop their budgets. Under the pre-LCFF finance system, district budget offices would inform, for example, the Curriculum and Instruction (C&I) Department how much it had to spend. C&I would then develop its budget based on dollars allotted and requirements of categorical programs. Most districts in the study found that this approach was not a good fit with the LCFF. Instead, they formed joint teams of fiscal and program staff to better blend fiscal flexibility and local decisions about budget priorities. As one district official put it,

*“The LCAP process really pushed the emphasis on collaboration. We recognized that people were working in silos. And we had to change.”*

COEs bolstered district-level cooperative teams. Many COEs offered information, training, and technical assistance to districts as they were developing their LCAPs. In the process, COEs modeled the cross-functional budget development approach. Fiscal and program staff at the county level often co-led workshops for districts and required that participating districts send joint budget-program teams.

Districts worked hard to balance district-wide needs with LCFF requirements for increased or improved services for low-income and EL students and foster youth. Most districts gave across-the-board teacher salary increases. As one superintendent said, “We haven’t given raises in four years. We couldn’t let that go on.”

Many spent money on new technology, much of it for implementing Common Core. Some allocated resources for services such as librarians and counselors and for new curriculum. District and COE interviewees reported they used new dollars to expand programs for EL students, often focusing on appropriate EL program transition times; enhance social services for foster youth, including providing designated counselors and social workers; and add parent liaisons to better communicate with underserved communities.

How to allocate supplemental and concentration dollars raised a number of dilemmas for study districts. While they acknowledged that the three LCFF target groups—low-income and EL students and foster youth—should receive more resources, districts also pointed to other groups of underserved students not named in the LCFF, including homeless students, refugees, African-American boys, and Native Americans. Though some of these students fall into one or more of the target groups for supplemental funding,

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districts say they have unique needs that are not necessarily addressed by other programs for the LCFF target populations.

Many districts say they are still unclear about state-sanctioned uses for the new dollars. Although the state does not require it, and in fact, the state's accounting system does not make provision for it, all of our study districts report they are keeping track of supplemental and concentration fund expenditures. They suspect the state ultimately will ask for the information and are concerned that along with that request will come stricter requirements around using supplemental and concentration grants—a move, they say, that will weaken the local control aspect of the LCFF and make it more like a traditional categorical program that emphasizes inputs over outcomes.

Districts agree they should be held accountable for results, and especially for improved outcomes for students with the greatest need. But, they assert, if local control is the governing principle, they should be able to spend their money as local circumstances dictate. As one district official remarked, “If they're truly flexible dollars, then let us control them.”

## The Challenges of Local Control Accountability Plans

Districts generally reported that completing the LCAP template was a burdensome task. Much of the difficulty appears to have resulted from the tight timeline and the newness of the activity. As one district administrator said, “What should have taken a year we had to do in 6 months.” While these problems are likely to be resolved in future years, other problems will require

proactive changes at the state level to make the process less cumbersome for districts.

Several districts expressed confusion or ambivalence about the scope and purpose of the LCAP. They struggled to determine whether the LCAP was most essentially a reporting of how supplemental and concentration funds were spent—in other words, a compliance document—or an articulation of the district's overall fiscal strategy for meeting its academic goals. While some districts approached the LCAP as an opportunity to articulate a vision, most simply did not have the time to carry it through, or quickly got bogged down in the minutiae of filling out the template, cell by cell.

This tension translated to difficulties in deciding what expenditures to include throughout the LCAP. On the one hand, districts wanted to provide complete information about all district spending that was relevant to the eight state priorities, including LCFF base funds and federal funds. On the other hand, they worried that putting all funding sources in the LCAP would be confusing or overwhelming to their local stakeholder audience. Districts generally decided on a more comprehensive approach to secure county approval, often sacrificing readability and clarity for local audiences. As one county administrator said,

*“[District] people got excited about telling their own story until they started getting into the template and the Word document, which was super tedious and people got [discouraged] that this wasn't their story but just some sort of compliance document...”*

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This same county administrator encouraged districts to produce a summary document that, “...Joe Public can pick up to see what’s going on in the district.” The administrator’s advice for creating a summary document was to “keep synthesizing and synthesizing until you have a document that is readable.” However, most district and county officials concluded that the LCAP itself is not well suited for public consumption.

When populating the LCAP template, nearly all districts found it difficult to determine whether certain expenditures should be categorized as serving all students or specific student populations. “That was a big issue,” said one county official who worked with districts with a high proportion of students who are both low income and EL, where administrators were not accustomed to thinking of these populations as distinct groups with different program needs. Very small districts faced a similar conundrum, though in a very different context: they were more accustomed to serving each child’s unique needs on a case-by-case basis, and did not tend to think about services as being specific to demographically defined groups of students.

In addition, a key challenge for small districts was the level of effort required to develop LCAPs given limited central office capacity. Indeed, these districts have very small central office staffs and most have multiple responsibilities. Lack of capacity placed a significant, almost unbearable, strain on the time of one or two individuals. Many district and COE interviewees urged the state to reduce LCAP requirements for very small districts or provide them with additional support to develop their LCAPs.

Relatedly, districts had a difficult time identifying the metrics they would use to

measure their progress in the future. While the state identifies metrics for its eight priorities, districts are responsible for establishing measures of progress for their own goals. In our review of more than 40 LCAPs, we found few examples in which districts clearly and completely described the metrics they planned to use to measure progress toward their goals. The problem appeared to stem from district goals that were not always specific, measurable, or reasonably attainable. Thus, the metrics associated with these goals often were general and lacked definition of what would constitute achieving the goal.

Another issue was the lack of integration with other required plans. One administrator said,

*“We have so many requirements: the LCAP, district plan, school plan, Title 1 Plan. [We need to] make it simpler, make [it] one single comprehensive plan.”*

A county official also noted the need to align the School Accountability Report Card (SARC) with the LCAP, saying,

*“The LCAP is a living doc[ument], the SARC is an ex post facto [document] a year behind and they don't line up. We need to look at elements and overlap. Let's hope that the work continues and we're not expecting districts to continue to duplicate, triplicate, and quadruplicate these efforts.”*

Some Basic Aid districts erroneously believed that they were not required to submit an LCAP given that they had small numbers of students in target groups and generally received few additional dollars. As a result, they were frustrated by the amount of time they had to spend developing their LCAP.

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Finally, it is worth noting that many district staff cited technical issues with the LCAP format, many stemming from limitations of the Word document (e.g. table cells not accommodating the text properly or erroneously deleting it). Several also complained about the redundancy of the template, saying they found themselves writing about the same topic over and over again across multiple sections. The state is already addressing several of these issues with a reorganized template and those administrators who were familiar with the new format appreciated the changes. One official described it as “more understandable for everyone.” Another said it allows the reader to “follow the actions and the money better.”

Overall, it appears that districts would benefit from clearer and more consistent messaging about the purpose, scope, and intended audience of the LCAP. Districts would likely benefit from model LCAPs, if only to show the range of variation that is acceptable. Additionally, districts might benefit from seeing examples of companion summary documents aimed at a more general audience. Finally, the state might consider a “short form” LCAP option for very small school districts whose circumstances are not well matched to the current LCAP template.

## County Offices of Education Take on New Responsibilities, Experience New Challenges

The LCFF significantly expands the traditional support and oversight roles of the county office. Under the LCFF, COEs are responsible for providing technical assistance to districts as they develop their LCAPs. As previously noted, most COEs offered workshops and training sessions

for their districts and often worked individually with them as the new LCAP process unfolded.

The new funding formula also gave COEs authority to approve, require changes in, or reject completed LCAPs. COEs uniformly praised materials and support provided to them by the California County Superintendents Educational Services Association (CCSESA). Most say they relied heavily on CCSESA’s trainings, toolkits, and manuals (for example, the LCAP Approval Manual) as they charted their new LCAP waters.

COE officials reported that the new LCFF responsibilities, which came without new resources from the state, have stretched them beyond thin. They found the LCAP approval process incredibly time consuming, with a steep learning curve for an often-insufficient staff. Not only did COE staff need to understand deeply the details around LCAPs, they also grappled with the fundamental change the LCFF represents. As one COE official remarked,

*“It’s a challenge for us to discard our categorical mindset. We’re moving from an accounting system to accountability. That’s a tough shift.”*

Many county offices moved staff, including federally funded staff, from their usual responsibilities to handle LCAP work exclusively. In several COEs, officials told us, absorbing the new LCAP work meant setting aside Common Core work they had planned. Some COEs were able to scrape together funds for this first year to hire new staff dedicated to LCAP training and approval. But, as one county superintendent said, “We’re running on fumes.”

Many COE officials expressed deep concern that the kind of patchwork arrangement they were



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able to put together this year cannot be sustained without an infusion of resources. They expected the pace of work will pick up and the work itself will become more difficult in ensuing years as the state's evaluation rubric comes on line. Districts are challenged to continue to gather outcome data using multiple measures, and COEs are challenged to help them.

Capacity issues are especially acute in counties with very small, often rural districts. Because the districts are so small, the COE often assumes typical district roles such as budget and curriculum and instruction. These COEs have even fewer slack resources to allow them to take on LCAP responsibilities with the care they would like.

## Toward Meaningful Community Engagement

*“Meaningful engagement of parents, pupils, and other stakeholders...is critical to the LCAP and budget process.”*

Meaningful engagement is perhaps the most ambitious and challenging aspect of the LCFF. The LCAP template identified an extensive list of groups that districts were to engage, including:

*“...parents, community members, pupils, local bargaining units, and other stakeholders (e.g., LEA personnel, county child welfare agencies, county office of education foster youth services programs, court-appointed special advocates, foster youth, foster parents, education rights holders and other foster youth stakeholders, English learner parents, community organizations representing English learners, and others as appropriate)....”*

How to interpret and enact meaningful engagement was largely left open to the districts. The majority of districts we examined appeared to welcome the opportunity to gather input from parents and other groups.

Despite their willingness to engage their communities in the LCAP and budget development process, districts were challenged by limited resources, the lack of a civically-engaged public, and a relatively short timeline. While some districts began to solicit input from their communities early in the 2013-14 school year, most of the districts we examined did not begin holding meetings and fielding surveys until after January 2014. With a July 2014 deadline for submission of their LCAPs, most districts did what they could, but were able to secure input from only a fraction of their communities. As one district official, who estimated that they received input from about 4 percent of families in the district, explained:

*“That’s not engagement. It should happen at the school site and I really think there should have been a pot of money to do that. LCFF is a historic effort, but we really haven’t prepared our frontline people, really principals, on how to do engagement.”*

The second major challenge facing districts was how to engage stakeholders in a meaningful way. Districts began with little community understanding of the old and new budget processes, the intent of the LCFF, and new possibilities the LCFF opens up. At the same time, district officials had little or no experience engaging the public in the complexities of district goal setting and budgets. Districts tackled these challenges in different ways: while some sought input (mostly from parents) on budgetary

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priorities, others only sought feedback on a district-produced draft LCAP.

Research on public engagement underscores the difficulty of achieving a deliberative democratic process, or, in other words, finding a way for citizens and their representatives to make justifiable decisions for the public good in the face of the fundamental disagreements that are inevitable in diverse societies. Parents naturally viewed district priorities through the lens of their child's best interests, advocacy groups advocated for their constituencies, and the majority of citizens had little or no experience with the kind of direct local democracy envisioned by the LCFF. In one of our case study districts, the majority of parents were not eligible to vote due to their immigration status, but were suddenly invited to give their input about complex budgetary issues. In other districts, the complications of language, poverty, and transportation made meaningful engagement elusive. While some districts anticipated these barriers and invested in childcare, translation services, education and outreach efforts, and convenient meeting times and locations, meaningful engagement remained a work in progress. As one school board member noted:

*"The schools with the highest parent involvement had the lowest unduplicated counts [the number of students in targeted groups]. Parents at the poorest schools have two and three jobs."*

School districts generally lacked the skill set necessary to engage communities in deliberative democracy. Several of our case study districts sought the assistance of groups from outside the district (e.g., Building Healthy Communities,

WestEd, Ed Trust West, etc.) to convene and facilitate local meetings or to assist in designing the engagement processes and analyzing the feedback. These efforts helped make their communities feel more comfortable about participating and lent credibility to the engagement process. Some districts found they also needed to manage expectations. Parents who had heard about the LCFF often were under the impression that the new formula gave their districts significantly more money than it actually did. Whatever the challenges, all of our interviewees recognized they needed to continue to learn how best to ensure meaningful public engagement in the future.

With the exception of a few districts, soliciting input from teachers and administrators appeared to be most districts' secondary concern after seeking parent engagement. By and large, union officials reported limited opportunities for input on the district's goals and LCAPs. Typically, teachers and administrators were welcome to attend community meetings, but most of our case study districts made few efforts to solicit educators' views on the LCAP and budget. Most teacher representatives in our case study districts reported that teachers felt left out of the LCAP and budget process. Similarly, local school administrators were not systematically engaged. As one district official acknowledged:

*"Most principals were not aware of what had changed at the district level in terms of crafting a budget."*

In contrast, several smaller districts we examined set aside time to gather teacher input and discuss district priorities. Those discussions built on earlier school and district goal-setting

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processes that were part of strategic planning efforts.

## Conclusion

*“This governor and this state board [of education] did something that has never been done in the United States without a court case. It changed the distribution mechanism from an equality formula to an equity formula. ...I think that that unto itself is noteworthy, stunning, and amazing.”*

The magnitude of the change brought about by the enactment of the LCFF is just beginning to register with the public. As of April 2014, just 24 percent of Californians and only 37 percent of public school parents had heard of the LCFF. Still, when read a brief description of the LCFF, 70 percent of Californians supported the ideas behind it.<sup>1</sup>

While Californians may just be learning about the LCFF, our interviews with district officials, COE administrators, union leaders, school board members, and parent representatives suggest strong support for the local control of school funding and cautious optimism about the future of the new law.

District leaders report that the LCFF has encouraged new forms of budget development that eliminate silos between fiscal managers, curriculum and instruction heads, and various program office leaders. Some districts are taking a hard look at their outcome data to better determine how to distribute available resources in ways that are designed to advance learning for

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<sup>1</sup> Mark Baldassare, Dean Bonner, Sonja Petek, & Jui Shrestha, *Californians and Education* (April 2014). Public Policy Institute of California. San Francisco, CA.

LCFF target student populations. In some cases, districts are beginning to shift away from a categorical mindset and toward needs-based budgeting.

At the same time, interviewees in our sample were concerned about the pressures on policy makers to modify the LCFF before adequate time has passed to implement the new system. District and COE officials' common plea was:

*“Don't make big changes. Give us time to get this right and, please, don't return to prescriptive categorical funding.”*

Educators are also deeply concerned about future financial uncertainty and the outsized expectations for the LCFF. Our research suggests that district and COE officials need time and experience, but also support and additional resources to successfully transition to the LCFF.

The accountability component of the LCFF merits close attention as it develops in the coming year. Our review of a sample of LCAPs makes it clear that in the first year of implementation, the majority of district LCAPs did not provide a solid basis for measuring districts' success in meeting their goals. While the idea of establishing an accountability system using multiple measures makes sense, districts will need clearer guidance on how to create measureable goals and accompanying metrics. The state's forthcoming evaluation rubrics will be important tools for addressing this need.

Much of the attention during early implementation has been on the Funding Formula part of the LCFF—how the new supplemental and concentration funds will be spent—and far less on the Local Control part. However, if the state is serious about meaningful

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community engagement, districts will need help. Districts generally lacked the necessary skills, strategies, and resources to truly engage citizens, parents, advocacy groups, students, and educators in decision making around the complex and sometimes contentious issues inherent in LCFF.

The LCFF is unprecedented. It seeks to combine a state school funding mechanism aimed at more equitable distribution of resources to students needing the most support with a decision making process that moves power from the state to local communities. It is, indeed, a grand vision, as ambitious and noble an agenda as any state has set.

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