

AMENDED IN ASSEMBLY MARCH 25, 2008

CALIFORNIA LEGISLATURE—2007—08 REGULAR SESSION

ASSEMBLY BILL

No. 2159

Introduced by Assembly Member Brownley

February 20, 2008

An act to add and repeal Section 41054 of the Education Code, relating to education finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 2159, as amended, Brownley. Education finance: Commission for Funding with Accountability, Transparency, and Simplicity.

Existing law establishes the public school system in this state, and, among other things, provides for the establishment of school districts throughout the state and for their provision of instruction at the public elementary and secondary schools they operate and maintain. Existing law establishes a public school funding system that includes, among other elements, the provision of funding to local educational agencies through state apportionments, the proceeds of property taxes collected at the local level, and other sources.

This bill would express findings and declarations of the Legislature with respect to the school funding system in the state. The bill would establish the ~~Commission for Funding with~~ *and* Accountability; *Commission for* Transparency; and Simplicity ~~(FAeTS)~~ *(FACTS)* to provide state policymakers with a ~~comprehensive plan to final recommendation and plan to comprehensively~~ reform the current education finance system, ~~to leverage~~ and support pupil achievement by making California's funding system simpler, more transparent, and more effective. The bill would leave ~~the appointment of the members~~ ~~and~~ the size of the commission unspecified, *however, it would require*

that it be composed of representatives of education and business, parents, and representatives of the research community. The commission would be required to develop a simple and transparent funding formula for districts, Special Education Local Plan Areas, and county offices of education, as specified. The commission also would be required to recommend the steps and elements necessary to create or modify a data system to provide school-level reports on revenues and expenditures, to recommend the steps necessary to create an education finance evaluation system, and to recommend how to transition to the evaluation system, as specified. The bill would require the commission to ~~convene no later than July 1, 2009~~ provide status reports on the progress of the commission as requested, to submit an interim report to the Governor and Legislature no later than August 1, 2009, and to submit a comprehensive final report to the Governor and the Legislature no later than ~~July 1, 2010~~ December 1, 2009. The bill would require the Senate Committee on Education and the Assembly Committee on Education to convene a joint hearing within 60 days of the commission's final report to review its recommendations. This provision would become inoperative on July 1, 2012, and would be repealed on January 1, 2013.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The 22 studies of the Getting Down to Facts Project *and the*
- 4 *Governor's Committee on Education Excellence* were consistent
- 5 in their conclusions that California's current education finance
- 6 system is overly complex, irrational, and burdensome, and is in
- 7 need of a *long-term plan* for comprehensive reform.
- 8 (b) The complexity of the current system poses a major obstacle
- 9 to transparency and effectiveness. It is almost impossible to
- 10 determine how much revenue each school district receives or how
- 11 those revenues are spent, let alone to report this information to
- 12 local communities ~~and stakeholders~~, *stakeholders, and the state.*
- 13 (c) The current system is not logical, with district revenues that
- 14 are largely a historical artifact of spending in the 1970s combined
- 15 with a confusing and burdensome system of categorical programs.

1 Disparities in *school and* district revenues are substantial and are
2 not aligned to pupil or ~~community~~ *educator* needs.

3 (d) The system places substantial restrictions on the use of
4 resources by schools and districts, creating high compliance costs
5 and making it difficult for local educators to respond to the
6 ~~requirements of the accountability system~~ *needs of their pupils*.
7 Fewer paperwork requirements and more flexibility in allocating
8 resources are cited by school principals as ~~one~~ *two* of the most
9 important factors in improving pupil outcomes.

10 (e) Many schools and districts lack the proper tools or capacity
11 to ensure that money is spent on the most effective programs and
12 ~~practices. Administrators in low-performing schools and districts~~
13 ~~have few opportunities to interact with, and learn from, colleagues~~
14 ~~in successful schools and districts.~~ *practices. Research consistently*
15 *finds that successful schools use data to inform teaching practices*
16 *and innovation. However, California schools and districts vary*
17 *widely in their use of data and in their capacity to use data to*
18 *improve pupil performance.*

19 (f) ~~Accountability for pupil performance is only possible with~~
20 ~~a full understanding of how money is spent and how pupils are~~
21 ~~performing. However, California lags behind other states in~~
22 ~~collecting useful information on pupils, their teachers, and their~~
23 ~~programs and resources.~~

24 (f) *Ensuring that money is spent efficiently and effectively*
25 *requires a full understanding of how money is allocated by school*
26 *districts and spent within schools. However, California does not*
27 *collect financial data that is useful for determining the effectiveness*
28 *of resources at the state, district, or school levels.*

29 (g) ~~When data is~~ *If financial data are* available, it is difficult,
30 if not impossible, to link information across different datasets or
31 sources. Much of the data that are collected and reported locally,
32 such as the data collected through the School Accountability Report
33 Card, are not collected and reported centrally, and so comparisons
34 among schools cannot be made.

35 (h) ~~Research consistently finds that successful schools use data~~
36 ~~to inform teaching practices and innovation. California schools~~
37 ~~and districts vary widely in their use of data and in their capacity~~
38 ~~to use data to improve pupil performance.~~

39 (h) *Therefore, it is the intent of the Legislature to do all of the*
40 *following:*

- 1 (1) *Develop a comprehensive plan for school finance reform,*
 2 *with consideration given to the interactions of school finance with*
 3 *accountability and to the complexities of having multiple levels of*
 4 *school governance.*
 5 (2) *Simplify the formulas for allocating funding to each local*
 6 *educational agency.*
 7 (3) *Make the allocation of funding more rational so that the*
 8 *revenues received by each local educational agency reflect the*
 9 *cost of educating pupils with varying needs in varying*
 10 *environments.*
 11 (4) *Support accountability by increasing the transparency of*
 12 *state funding mechanisms and of expenditure decisions at the local*
 13 *level.*
 14 (5) *Improve the reporting of financial data so that programmatic*
 15 *investments can be linked to pupil achievement.*
 16 (6) *Support continuous improvement by requiring periodic*
 17 *review of the school finance system and of local resource decisions.*
 18 (7) *Hold local educational agencies harmless and transition to*
 19 *the new system gradually, as new moneys become available.*
 20 SEC. 2. Section 41054 is added to the Education Code, to read:
 21 41054. (a) ~~The Commission for Funding with Accountability,~~
 22 ~~Funding and Accountability Commission for Transparency, and~~
 23 ~~Simplicity—(FAeTS) (FACTS) is hereby—established. The~~
 24 ~~commission shall work to provide established for the purpose of~~
 25 ~~providing state policymakers with a comprehensive plan to final~~
 26 ~~recommendation and plan to comprehensively reform the current~~
 27 ~~education finance system to leverage and support pupil~~
 28 ~~achievement by making California’s funding system simpler, more~~
 29 ~~transparent, and more effective.~~
 30 (b) ~~The commission shall consider, but not necessarily be limited~~
 31 ~~to, all of the following subjects as they relate to education finance~~
 32 ~~in this state:~~
 33 (1) ~~Data transparency.~~
 34 (2) ~~Simplification.~~
 35 (3) ~~Equity.~~
 36 (4) ~~Flexibility and accountability for school districts.~~
 37 (5) ~~Recommendations for statutory changes to accomplish the~~
 38 ~~purposes of this section.~~
 39 (c) ~~The commission shall consist of _____ members, who shall~~
 40 ~~be appointed by _____.~~

1 ~~(d) The members of the commission shall receive no~~
2 ~~compensation for their services, but shall be reimbursed for the~~
3 ~~actual and necessary expenses they incur in connection with the~~
4 ~~performance of their duties.~~

5 ~~(e) The commission shall convene no later than July 1, 2009,~~
6 ~~and elect a chairperson and vice chairperson from its membership.~~
7 ~~The commission shall submit a report to the Governor and the~~
8 ~~Legislature no later than July 1, 2010.~~

9 ~~(f) This section shall become inoperative on July 1, 2012, and,~~
10 ~~as of January 1, 2013, is repealed, unless a later enacted statute,~~
11 ~~that becomes operative on or before January 1, 2013, deletes or~~
12 ~~extends the dates on which it becomes inoperative and is repealed.~~

13 *(b) The commission shall be composed of ____ members who*
14 *shall be representative of the diversity of the state population and*
15 *shall include:*

16 *(1) Representatives from the education and business*
17 *communities.*

18 *(2) Parents whose children attend public schools in the state in*
19 *kindergarten and grades 1 to 12, inclusive.*

20 *(3) Representatives of the research community with expertise*
21 *in educational policy and best practices.*

22 *(c) For purposes of making formal recommendations and*
23 *conducting public hearings, the commission shall be subject to the*
24 *requirements of the Bagley-Keene Open Meeting Act (Article 9*
25 *(commencing with Section 11120) of Chapter 1 of Division 3 of*
26 *Title 2 of the Government Code).*

27 *(d) The commission shall do all of the following:*

28 *(1) Develop a simple and transparent base district funding*
29 *formula that allocates resources rationally to meet district needs.*
30 *The funding formula shall include, but shall not be limited to, all*
31 *of the following:*

32 *(A) An adequate foundation amount per pupil for all districts.*

33 *(B) Adjustments to the foundation amount for district*
34 *characteristics that affect the costs of educating pupils but are*
35 *outside district control, such as grade levels served, regional wage*
36 *costs and population density.*

37 *(C) Adjustments for pupils that cost more to educate, such as*
38 *pupils from disadvantaged backgrounds and English language*
39 *learners. The adjustment will be identified as a percentage of the*
40 *base foundation amount.*

1 (D) Additional funding for special populations served outside,
 2 or in complement to, the traditional kindergarten, and grades 1
 3 to 12, inclusive, school environment, such as adult learners, gifted
 4 and talented pupils, and prekindergarten.

5 (E) A mechanism to accommodate districts with declining
 6 enrollment.

7 (2) Develop a simple and transparent funding formula for
 8 Special Education Local Plan Areas (SELPA) that allocate
 9 resources rationally to meet regional needs. The funding formula
 10 shall include, but shall not be limited to, all of the following:

11 (A) An adequate base foundation amount for each SELPA tied
 12 to the size of the general pupil population.

13 (B) Additional funding for pupils with extremely high-cost
 14 disabilities.

15 (3) Develop a simple and transparent funding formula for county
 16 offices of education that allocates resources rationally in order to
 17 meet regional needs. The funding formula shall include, but shall
 18 not be limited to, all of the following:

19 (A) An adequate base foundation amount for each county office
 20 of education.

21 (B) Additional funding tied to countywide pupil population.

22 (C) Additional funding tied to the number of districts served.

23 (D) Additional funding for direct services to special populations,
 24 such as incarcerated and adjudicated youth, habitual truants,
 25 homeless children, and other low-incidence, high-need pupils.

26 (4) Recommend the steps and elements necessary to create a
 27 data system, or to modify existing data systems, to provide
 28 school-level reports on revenue and expenditures. These report
 29 shall have all of the following characteristics:

30 (A) Be centrally located and standardized for easy comparison
 31 across schools and districts.

32 (B) Be linked to data on school demographics and academic
 33 performance.

34 (C) Include reporting of program-level expenditures.

35 (5) Recommend the steps necessary to create an education
 36 finance evaluation system focused on continuous improvement and
 37 accountability that shall include, but shall not be limited to, all of
 38 the following:

1 (A) A periodic review of the parameters of the base funding
2 formulas that shall include the base foundation amounts and
3 adjustments for local educational agency and pupil needs.

4 (B) Evaluation of programs funded outside the base funding
5 formula for effectiveness prior to renewal.

6 (C) Assistance to local educational agencies in allocating
7 resources effectively.

8 (6) Recommend how to transition to the new evaluation system
9 with minimal disruptions to operations of local educational
10 agencies and schools so that during the transition, all of the
11 following occur:

12 (A) Districts are held harmless, meaning that no district will
13 receive less revenue per pupil than would have been allocated in
14 the prior year with adjustments for enrollment growth and cost of
15 living.

16 (B) The new evaluation finance system gradually is phased in
17 as increased funding becomes available in future years. Phase in
18 of the new evaluation system shall include an equalization
19 component based on the characteristics of pupils in the district
20 and the allocations under the new funding formula. For purposes
21 of this subparagraph, a year with increased funding shall be
22 defined as a year in which the per-pupil funding guaranteed by
23 Proposition 98 exceeds the prior year per-pupil funding level,
24 adjusted for the inflation increase set forth in Section 42238.1 of
25 the Education Code.

26 (e) Upon the request of either the Senate Committee on
27 Education or the Assembly Committee on Education, or upon a
28 joint request by both committees, the chairperson of the commission
29 shall provide status reports and be available to present public
30 testimony on the progress the commission is making toward
31 accomplishing its charge.

32 (f) The commission shall submit an interim report to the
33 Legislature and the Governor no later than August 1, 2009.

34 (g) The commission shall submit a comprehensive final report
35 and set of recommendations, as described in subdivision (a), to
36 the Legislature and the Governor no later than December 1, 2009.

37 (h) The Senate Committee on Education and the Assembly
38 Committee on Education shall convene a joint hearing within 60
39 days of the release of the commission's final report to review its
40 recommendations.

1 *(i) This section shall become inoperative on July 1, 2012, and*
2 *as of January 1, 2013, is repealed, unless a later enacted statute,*
3 *that becomes operative on or before January 1, 2013, deletes or*
4 *extends the date on which it becomes inoperative and is repealed.*

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