

AMENDED IN ASSEMBLY APRIL 9, 2008

AMENDED IN ASSEMBLY MARCH 25, 2008

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 2159

Introduced by Assembly Member Brownley
(Coauthors: Assembly Members Hancock and Solorio)

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 Funding and Accountability Commission for Transparency and Simplicity (FACTS) to provide state policymakers with a final recommendation and plan to comprehensively reform the current education finance system and support pupil achievement by making California's funding system simpler, more transparent, and more

effective. The bill would leave 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 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 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~~ 2011, and would be repealed on January 1, ~~2013~~ 2012.

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, 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

1 with a confusing and burdensome system of categorical programs.
2 Disparities in school and district revenues are substantial and are
3 not aligned to pupil or educator needs.

4 (d) The system places substantial restrictions on the use of
5 resources by schools and districts, creating high compliance costs
6 and making it difficult for local educators to respond to the needs
7 of their pupils. Fewer paperwork requirements and more flexibility
8 in allocating resources are cited by school principals as two of the
9 most 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. Research consistently finds that successful schools use
13 data to inform teaching practices and innovation. However,
14 California schools and districts vary widely in their use of data
15 and in their capacity to use data to improve pupil performance.

16 (f) Ensuring that money is spent efficiently and effectively
17 requires a full understanding of how money is allocated by school
18 districts and spent within schools. However, California does not
19 collect financial data that is useful for determining the effectiveness
20 of resources at the state, district, or school levels.

21 (g) If financial data are available, it is difficult, if not impossible,
22 to link information across different datasets or sources. Much of
23 the data that are collected and reported locally, such as the data
24 collected through the School Accountability Report Card, are not
25 collected and reported centrally, and so comparisons among schools
26 cannot be made.

27 (h) Therefore, it is the intent of the Legislature to do all of the
28 following:

29 (1) Develop a comprehensive plan for school finance reform,
30 with consideration given to the interactions of school finance with
31 accountability and to the complexities of having multiple levels
32 of school governance.

33 (2) Simplify the formulas for allocating funding to each local
34 educational agency.

35 (3) Make the allocation of funding more rational so that the
36 revenues received by each local educational agency reflect the cost
37 of educating pupils with varying needs in varying environments.

38 (4) Support accountability by increasing the transparency of
39 state funding mechanisms and of expenditure decisions at the local
40 level.

1 (5) Improve the reporting of financial data so that programmatic
2 investments can be linked to pupil achievement.

3 (6) Support continuous improvement by requiring periodic
4 review of the school finance system and of local resource decisions.

5 (7) Hold local educational agencies harmless and transition to
6 the new system gradually, as new moneys become available.

7 SEC. 2. Section 41054 is added to the Education Code, to read:

8 41054. (a) The Funding and Accountability Commission for
9 Transparency and Simplicity (FACTS) is hereby established for
10 the purpose of providing state policymakers with a final
11 recommendation and plan to comprehensively reform the current
12 education finance system to support pupil achievement by making
13 California's funding system simpler, more transparent, and more
14 effective.

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

18 (1) Representatives from the education and business
19 communities.

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

22 (3) Representatives of the research community with expertise
23 in educational policy and best practices.

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

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

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

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

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

39 (C) Adjustments for pupils that cost more to educate, such as
40 pupils from disadvantaged backgrounds and English language

1 learners. The adjustment will be identified as a percentage of the
2 base foundation amount.

3 (D) Additional funding for special populations served outside,
4 or in complement to, the traditional kindergarten, and grades 1 to
5 12, inclusive, school environment, such as adult learners, gifted
6 and talented pupils, and prekindergarten.

7 (E) A mechanism to accommodate districts with declining
8 enrollment.

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

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

15 (B) Additional funding for pupils with extremely high-cost
16 disabilities.

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

21 (A) An adequate base foundation amount for each county office
22 of education.

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

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

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

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

32 (A) Be centrally located and standardized for easy comparison
33 across schools and districts.

34 (B) Be linked to data on school demographics and academic
35 performance.

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

37 (5) Recommend the steps necessary to create an education
38 finance evaluation system focused on continuous improvement
39 and accountability that shall include, but shall not be limited to,
40 all of 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 and
20 the allocations under the new funding formula. For purposes of
21 this subparagraph, a year with increased funding shall be defined
22 as a year in which the per-pupil funding guaranteed by Proposition
23 98 exceeds the prior year per-pupil funding level, adjusted for the
24 inflation increase set forth in Section 42238.1 of the Education
25 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
29 commission shall provide status reports and be available to present
30 public 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)
2 (h) This section shall become inoperative on July 1, ~~2012~~ 2011,
3 and as of January 1, ~~2013~~ 2012, is repealed, unless a later enacted
4 statute, that becomes operative on or before January 1, ~~2013~~ 2012,
5 deletes or extends the date on which it becomes inoperative and
6 is repealed.

O