

AMENDED IN ASSEMBLY JUNE 1, 2009
AMENDED IN ASSEMBLY MARCH 26, 2009
CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 8

Introduced by Assembly Member Brownley
(Coauthor: Assembly Member Smyth)

December 1, 2008

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

LEGISLATIVE COUNSEL'S DIGEST

AB 8, as amended, Brownley. Education finance: working group.

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. This bill would require the Director of Finance and the Legislative Analyst to convene a working group to make findings and recommendations to the Legislature and the Governor on or before December 1, 2010, regarding restructuring California's school finance system. The bill would require those findings and recommendations to include, among other things, alternative structures for funding public schools, the policy and fiscal

implications of the alternative funding structure or structures, and an evaluation mechanism to facilitate continuous improvement, maximum transparency, and accountability of the funding structures.

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

18 (d) The system places substantial restrictions on the use of
19 resources by schools and districts, creating high compliance costs
20 and making it difficult for local educators to respond to the needs
21 of their pupils. Fewer paperwork requirements and more flexibility
22 in allocating resources are cited by school principals as two of the
23 most important factors in improving pupil outcomes.

24 (e) Many schools and districts lack the proper tools or capacity
25 to ensure that money is spent on the most effective programs and
26 practices. Research consistently finds that successful schools use
27 data to inform teaching practices and innovation. However,
28 California schools and districts vary widely in their use of data
29 and in their capacity to use data to improve pupil performance.

30 (f) Ensuring that money is spent efficiently and effectively
31 requires a full understanding of how money is allocated by school
32 districts and spent within schools. However, California does not

1 collect financial data that is useful for determining the effectiveness
2 of resources at the state, district, or school levels.

3 (g) Therefore, it is the intent of the Legislature to do all of the
4 following:

5 (1) Build on previous research and recommendations to produce
6 a comprehensive plan for finance reform to support pupil
7 achievement, with specific consideration given to the interactions
8 of incentives in school finance formulas.

9 (2) Establish simpler formulas for allocating funding to each
10 local educational agency.

11 (3) Make the allocation of funding more rational and equitable
12 so that the revenues received by each local educational agency
13 reflect the actual cost of educating pupils with varying needs in
14 varying environments, so that all pupils are prepared, at the end
15 of their elementary and secondary education, for college, careers,
16 and successful participation in our democratic institutions, no
17 matter where they live or what their economic, racial, or ethnic
18 background may be.

19 (4) Support accountability by increasing the transparency of
20 state funding mechanisms and of expenditure decisions at the local
21 level.

22 (5) Improve the reporting of financial data so that programmatic
23 investments can be linked to programs that increase pupil
24 achievement.

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

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

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

30 41054. (a) The Director of Finance and the Legislative Analyst
31 shall convene a working group to make findings and
32 recommendations to the Legislature and the Governor regarding
33 the implementation of a restructured California school finance
34 system as set forth in subdivision (b).

35 (1) In addition to the Department of Finance and the Legislative
36 Analyst, the working group shall be composed of representatives
37 of the Governor, representatives of the Superintendent of Public
38 Instruction, and majority and minority staff of the appropriate
39 policy and fiscal committees of the Assembly and Senate.

1 (2) The working group shall consult with, or invite the
2 participation of, organizations or experts it deems appropriate to
3 accomplish its tasks.

4 (3) In its deliberations, the working group shall consider and
5 give appropriate weight to the sequence of recent research, findings,
6 and recommendations beginning with the Getting Down to Facts
7 Project and leading to the report of the Governor's Committee on
8 Education Excellence and other subsequent research papers and
9 reports, and shall draw upon, rather than repeat, those efforts.

10 (b) The working group shall make findings and
11 recommendations regarding all of the following:

12 (1) Alternative structures for funding public schools that shall
13 include, but not necessarily be limited to, all of the following
14 characteristics:

15 (A) Simple formulas for allocating funding to each local
16 educational agency.

17 (B) Rational and equitable allocation of funding so that the
18 revenues received by each local educational agency reflect the cost
19 of educating pupils with varying needs in varying environments,
20 including, but not necessarily limited to, pupils in poverty and
21 English learners.

22 (C) Predictability and stability of funding so that local
23 educational agencies can effectively plan for the future.

24 (D) Support for accountability by providing transparency of
25 state revenue allocation rules as well as expenditure decisions at
26 the local level.

27 (E) Facilitation of the reporting of financial data so that
28 programmatic investments can be linked to pupil achievement.

29 (F) Allocation of consistent additional resources to school
30 districts and county offices of education on the basis of exogenous
31 characteristics of the local educational agency and its students that
32 research has shown clearly affect the costs of educating pupils.

33 (G) Recognition of the financial consequences of growth or
34 decline in the number of students served.

35 (H) Reinforcement of the academic goals of the public schools.

36 (2) A means of transitioning from the current school funding
37 structure to the new structure or structures identified pursuant to
38 paragraph (1), only as increased funding becomes available in
39 future years. In particular, the findings and recommendations shall
40 address:

1 (A) The conditions that should be in place before a transition
2 begins.

3 (B) The length of time that is necessary or appropriate to
4 transition to a new funding structure.

5 (C) The extent to which local educational agencies will be held
6 harmless during a transition from the current school funding
7 structure to the new system, if that transition is based only on new
8 funding.

9 (D) An equalization component for the transition to the new
10 funding structure, based on the characteristics identified in
11 subparagraphs (B) and (E) of paragraph (1).

12 (E) How and when to eliminate unnecessary statutory and
13 budgetary elements of the current school funding structure.

14 (3) The policy and fiscal implications of the alternative funding
15 structure or structures identified pursuant to paragraph (1). In
16 particular, the findings and recommendations shall address all of
17 the following:

18 (A) Costs associated with implementing new school funding
19 structures.

20 (B) Trade offs inherent among the characteristics set forth in
21 paragraph (1).

22 (C) Equity considerations.

23 (D) Incentives and disincentives that new school funding
24 structures may create or eliminate.

25 (E) Governance considerations.

26 (4) Modifications to the standardized account code structure to
27 provide school-level reports on revenue and expenditures to
28 facilitate easy comparisons across schools and districts, including
29 comparisons of school, district, and statewide demographics and
30 academic performance, and data on program-level expenditures.

31 (5) An evaluation mechanism to facilitate continuous
32 improvement, maximum transparency, and accountability of the
33 primary funding structures, as well as a consistent process to
34 evaluate the effectiveness of any specific programs that are funded
35 separately.

36 (c) The working group shall present its findings and
37 recommendations to the Legislature and the Governor on or before
38 December 1, 2010.

- 1 *(d) If the working group incurs any costs that the participating*
- 2 *entities determine that they are unable to absorb, those costs shall*
- 3 *be paid from nonstate funds donated or granted to pay them.*