

AMENDED IN SENATE JUNE 30, 2009

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 amend and repeal Section 42238.22 of, and 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

(1) *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~~ *The* 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.

(2) *Existing law creates the Santa Cruz High School attendance area, a program for middle school options to eliminate revenue limit inequities.*

This bill would provide that these provisions would remain in effect only until July 1, 2010.

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

1 practices. Research consistently finds that successful schools use
2 data to inform teaching practices and innovation. However,
3 California schools and districts vary widely in their use of data
4 and in their capacity to use data to improve pupil performance.

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

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

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

16 (2) Establish simpler formulas for allocating funding to each
17 local educational agency.

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

26 (4) Support accountability by increasing the transparency of
27 state funding mechanisms and of expenditure decisions at the local
28 level.

29 (5) Improve the reporting of financial data so that programmatic
30 investments can be linked to programs that increase pupil
31 achievement.

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

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

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

37 41054. (a) The Director of Finance and the Legislative Analyst
38 shall convene a working group to make findings and
39 recommendations to the Legislature and the Governor regarding

1 the implementation of a restructured California school finance
2 system as set forth in subdivision (b).

3 (1) In addition to the Department of Finance and the Legislative
4 Analyst, the working group shall be composed of representatives
5 of the Governor, representatives of the Superintendent of Public
6 Instruction, and majority and minority staff of the appropriate
7 policy and fiscal committees of the Assembly and Senate.

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

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

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

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

22 (A) Simple formulas for allocating funding to each local
23 educational agency.

24 (B) Rational and equitable allocation of funding so that the
25 revenues received by each local educational agency reflect the cost
26 of educating pupils with varying needs in varying environments,
27 including, but not necessarily limited to, pupils in poverty and
28 English learners.

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

31 (D) Support for accountability by providing transparency of
32 state revenue allocation rules as well as expenditure decisions at
33 the local level.

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

36 (F) Allocation of consistent additional resources to school
37 districts and county offices of education on the basis of exogenous
38 characteristics of the local educational agency and its ~~students~~
39 *pupils* that research has shown clearly affect the costs of educating
40 pupils.

1 (G) Recognition of the financial consequences of growth or
2 decline in the number of ~~students~~ *pupils* served.

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

4 (2) A means of transitioning from the current school funding
5 structure to the new structure or structures identified pursuant to
6 paragraph (1), only as increased funding becomes available in
7 future years. In particular, the findings and recommendations shall
8 address:

9 (A) The conditions that should be in place before a transition
10 begins.

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

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

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

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

22 (3) The policy and fiscal implications of the alternative funding
23 structure or structures identified pursuant to paragraph (1). In
24 particular, the findings and recommendations shall address all of
25 the following:

26 (A) Costs associated with implementing new school funding
27 structures.

28 (B) Trade offs inherent among the characteristics set forth in
29 paragraph (1).

30 (C) Equity considerations.

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

33 (E) Governance considerations.

34 (4) Modifications to the standardized account code structure to
35 provide school-level reports on revenue and expenditures to
36 facilitate easy comparisons across schools and districts, including
37 comparisons of school, district, and statewide demographics and
38 academic performance, and data on program-level expenditures.

39 (5) An evaluation mechanism to facilitate continuous
40 improvement, maximum transparency, and accountability of the

1 primary funding structures, as well as a consistent process to
2 evaluate the effectiveness of any specific programs that are funded
3 separately.

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

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

10 *SEC. 3. Section 42238.22 of the Education Code is amended*
11 *to read:*

12 42238.22. (a) There is hereby created in the Santa Cruz High
13 School attendance area, a program for middle school options to
14 eliminate revenue limit inequities in the per pupil funding for
15 instructional programs for pupils in grades 7 and 8. Participation
16 is limited to the Santa Cruz High School District, the Live Oak
17 Elementary School District, and the Soquel Union Elementary
18 School District. The purpose of the program is to encourage and
19 enable these elementary school districts in this attendance area to
20 continue providing a middle school program, in addition to the
21 junior high school program operated by the high school district,
22 thereby increasing enrollment options for all pupils in grades 7
23 and 8.

24 (b) In order for these elementary school districts to receive an
25 addition to the revenue limit pursuant to subdivision (g), these
26 districts shall do all of the following:

27 (1) Continue to participate in a consortium with the Santa Cruz
28 High School District.

29 (2) At a minimum, all pupils in grades 7 and 8 in the
30 participating districts shall be provided with the option to enroll
31 in either a middle school operated by the elementary school district
32 or a junior high school operated by the high school district.

33 (3) Provide evidence to the Superintendent that the amount
34 computed and allocated pursuant to subdivision (g) will be used
35 only for pupils in grades 7 and 8.

36 (c) Participation by the districts in the consortium shall be
37 voluntary.

38 (d) For purposes of this section, the following definitions shall
39 apply:

1 (1) “Junior high school program” means a departmentalized
2 program in which pupils in grades 7, 8, and 9 select classes based
3 on subject and move from classroom to classroom during the
4 schoolday.

5 (1)

6 (2) “Middle school program” means a program in which teachers
7 teach a common core curriculum to the same group of pupils in
8 grades 6, 7, and 8, and provide a transition from self-contained
9 classroom education at the elementary level to subject-oriented,
10 departmentalized classrooms at the high school level.

11 ~~(2) “Junior high school program” means a departmentalized~~
12 ~~program in which pupils in grades 7, 8, and 9 select classes based~~
13 ~~on subject and move from classroom to classroom during the~~
14 ~~schoolday.~~

15 (e) A school district shall not deny a request for enrollment
16 made pursuant to this section unless space is not available in the
17 selected school or unless the choice would have a negative impact
18 on an existing desegregation plan.

19 (f) The average daily attendance of pupils participating in the
20 enrollment option pursuant to this section and attending the
21 elementary school districts shall be credited to the elementary
22 school district of residence for purposes of determining state
23 apportionments and revenue limits. The average daily attendance
24 of pupils attending the high school district shall be credited to the
25 Santa Cruz High School District.

26 (g) For the 1990–91 fiscal year for the Live Oak Elementary
27 School District and each fiscal year thereafter, and for the 1991–92
28 fiscal year for the Soquel Union Elementary School District and
29 each fiscal year thereafter, the Superintendent shall compute and
30 allocate an amount in addition to the revenue limit for each
31 elementary school district participating in the consortium, equal
32 to the following:

33 (1) Calculate the average of the base revenue limits per unit of
34 average daily attendance of the districts participating in the
35 consortium.

36 (2) From the average base revenue limit calculated in paragraph
37 (1), subtract the base revenue limit of the elementary school district
38 per unit of average daily attendance.

39 (3) If the result in paragraph (2) is a positive number, then
40 multiply the result in paragraph (2) by the average daily attendance

1 of the elementary school district in grades 7 and 8. That amount
2 shall be added to the total revenue limit computed for that district.
3 If the result in paragraph (2) is zero, or less than zero, then no
4 adjustment shall be computed for the district.

5 (h) If the elementary school district ceases to participate in the
6 consortium, the adjustment computed in this section shall no longer
7 be provided to that district.

8 (i) *This section shall remain in effect only until July 1, 2010,*
9 *and, as of January 1, 2011, is repealed, unless a later enacted*
10 *statute, that is enacted before January 1, 2011, deletes or extends*
11 *that date.*