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AMENDED IN SENATE JULY 23, 2009

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CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 8

Introduced by Assembly Member Brownley
(Coauthor: Assembly Member Smyth)
(Coauthors: Senators Hancock and Romero)

December 1, 2008

An act to amend and repeal Section 42238.21 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.

(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. 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 provides that the revenue limit for the Newport-Mesa Unified School District for the 1996–97 fiscal year, and future fiscal years, shall not include specified funds allocated to that district the receipt of which were delayed due to bankruptcy filed by the County of Orange.

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

1 and making it difficult for local educators to respond to the needs
2 of their pupils. Fewer paperwork requirements and more flexibility
3 in allocating resources are cited by school principals as two of the
4 most important factors in improving pupil outcomes.

5 (e) Many schools and districts lack the proper tools or capacity
6 to ensure that money is spent on the most effective programs and
7 practices. Research consistently finds that successful schools use
8 data to inform teaching practices and innovation. However,
9 California schools and districts vary widely in their use of data
10 and in their capacity to use data to improve pupil performance.

11 (f) Ensuring that money is spent efficiently and effectively
12 requires a ~~full~~ *complete* understanding of how money is allocated
13 by school districts and spent within schools. However, California
14 does not collect financial data that is useful for determining the
15 effectiveness of resources at the state, district, or school levels.

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

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

22 (2) Establish simpler formulas for allocating funding to each
23 local educational agency.

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

32 (4) Support accountability by increasing the transparency of
33 state funding mechanisms and of expenditure decisions at the local
34 level.

35 (5) Improve the reporting of financial data so that programmatic
36 investments can be linked to programs that increase pupil
37 achievement.

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

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

3 SEC. 2. Section 41054 is added to the Education Code, to read:
4 41054. (a) The Director of Finance and the Legislative Analyst
5 shall convene a working group to make findings and
6 recommendations to the Legislature and the Governor regarding
7 the implementation of a restructured California school finance
8 system as set forth in subdivision (b).

9 (1) In addition to the Department of Finance and the Legislative
10 Analyst, the working group shall be composed of representatives
11 of the Governor, representatives of the Superintendent of Public
12 Instruction, and majority and minority staff of the appropriate
13 policy and fiscal committees of the Assembly and Senate.

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

17 (3) In its deliberations, the working group shall consider and
18 give appropriate weight to the sequence of recent research, findings,
19 and recommendations beginning with the Getting Down to Facts
20 Project and leading to the report of the Governor’s Committee on
21 Education Excellence and other subsequent research papers and
22 reports, and shall draw upon, rather than repeat, those efforts.

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

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

28 (A) Simple formulas for allocating funding to each local
29 educational agency.

30 (B) Rational and equitable allocation of funding so that the
31 revenues received by each local educational agency reflect the cost
32 of educating pupils with varying needs in varying environments,
33 including, but not necessarily limited to, pupils in poverty and
34 English learners.

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

37 (D) Support for accountability by providing transparency of
38 state revenue allocation rules as well as expenditure decisions at
39 the local level.

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

3 (F) Allocation of consistent additional resources to school
4 districts and county offices of education on the basis of exogenous
5 characteristics of the local educational agency and its pupils that
6 research has shown clearly affect the costs of educating pupils.

7 (G) Recognition of the financial consequences of growth or
8 decline in the number of pupils served.

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

10 (2) A means of transitioning from the current school funding
11 structure to the new structure or structures identified pursuant to
12 paragraph (1), only as increased funding becomes available in
13 future years. In particular, the findings and recommendations shall
14 address:

15 (A) The conditions that should be in place before a transition
16 begins.

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

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

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

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

28 (3) The policy and fiscal implications of the alternative funding
29 structure or structures identified pursuant to paragraph (1). In
30 particular, the findings and recommendations shall address all of
31 the following:

32 (A) Costs associated with implementing new school funding
33 structures.

34 (B) Trade offs inherent among the characteristics set forth in
35 paragraph (1).

36 (C) Equity considerations.

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

39 (E) Governance considerations.

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

6 (5) An evaluation mechanism to facilitate continuous
 7 improvement, maximum transparency, and accountability of the
 8 primary funding structures, as well as a consistent process to
 9 evaluate the effectiveness of any specific programs that are funded
 10 separately.

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

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

17 SEC. 3. Section 42238.21 of the Education Code is amended
 18 to read:

19 42238.21. (a) Notwithstanding any other provision of law, for
 20 the purposes of this article, the revenue limit for the Newport-Mesa
 21 Unified School District for the 1996–97 fiscal year, and future
 22 fiscal years, shall not include any amounts that should have been
 23 allocated to the Newport-Mesa Unified School District in the
 24 1994–95 fiscal year but that were not received by the district until
 25 the 1996–97 fiscal year, and future fiscal years, due to the
 26 bankruptcy proceedings initiated on December 6, 1994, by the
 27 County of Orange by its filing of a voluntary Chapter 9 petition
 28 in United States Bankruptcy Court, Case No. SA 94-22273-JR.
 29 These amounts shall not be included in the revenue limit
 30 computations for the 1996–97 fiscal year, and future fiscal years,
 31 but these amounts shall be treated as being received by the
 32 Newport-Mesa Unified School District in the 1994–95 fiscal year,
 33 the 1995–96 fiscal year, or both.

34 (b) This section shall remain in effect only until July 1, 2010,
 35 and, as of January 1, 2011 is repealed, unless a later enacted statute
 36 that is enacted before January 1, 2011, deletes or extends that date.

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