

ASSEMBLY BILL

No. 18

Introduced by Assembly Member Brownley

December 6, 2010

An act to add Section 41055 to, and to add and repeal Section 41054 of, the Education Code, relating to education finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 18, as introduced, Brownley. School-based financial reporting system.

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 require the Superintendent of Public Instruction, on or before December 1, 2012, to make recommendations to the Legislature and the Governor regarding prescribed topics relating to the statutory and regulatory changes that would be necessary to support the development, implementation, and use of comprehensive school-level financial data. These provisions would be repealed on December 1, 2015. The bill would require the Superintendent, on or before July 1, 2012, to make all ministerial changes that are necessary to support the future reporting of school-level financial data by local educational agencies, as specified. The bill also would require the Superintendent, on or before July 1, 2012, and annually thereafter, to

notify the superintendent of each school district and county office of education, and the administrator of each charter school, of specified items relating to tracking and reporting school-level financial data.

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, bureaucratic, report-driven, and burdensome
16 system of categorical programs. Disparities in school and district
17 revenues are substantial and are not aligned to pupil or educator
18 needs.

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

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

31 (f) Ensuring that money is spent efficiently and effectively
32 requires a complete understanding of how money is allocated by

1 school districts and spent within schools. However, California
2 does not collect financial data that is useful for determining the
3 effectiveness of resources at the state, district, or school levels.

4 (g) California is currently facing lawsuits which claim that the
5 state's system for funding public education is deficient. One lawsuit
6 claims that the system is unconstitutional in that it fails to provide
7 all pupils with equal access to the required educational program,
8 while a second lawsuit seeks to have the state take the individual
9 educational needs of each pupil into consideration when it makes
10 funding decisions pursuant to the system.

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

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

17 (2) Establish simpler pupil-based formulas for allocating funding
18 to each local educational agency that provide base funding along
19 with an amount that is tied to the specific needs of the pupils in
20 the local educational agency and the costs of educating those
21 pupils.

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

30 (4) Support accountability and local flexibility by increasing
31 the transparency of state funding mechanisms and of expenditure
32 decisions at the local level, and by facilitating the equitable
33 allocation of funds across schools within each school district in a
34 manner that reflects the specific needs of the pupils in those schools
35 and the costs of educating those pupils.

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

39 (6) Support continuous improvement by requiring periodic
40 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) On or before December 1, 2012, the Superintendent
5 shall make recommendations to the Legislature and the Governor
6 concerning statutory and regulatory changes that would be
7 necessary to support the development, implementation, and use
8 of comprehensive school-level financial data that would be used
9 to produce all of the following:

10 (1) Simple to use, transparent, and informative school-level
11 financial reports showing both the source of school-level revenue
12 and the expenditures made by each school.

13 (2) In-depth analyses of school-level financial data including,
14 but not necessarily limited to, analyses by fund source, function,
15 program, and object.

16 (3) Comparisons of financial data across schools, both within
17 the district and outside of the district, and over time.

18 (4) Linkages between school-level financial, demographic,
19 programmatic, and academic achievement data so as to facilitate
20 program and policy evaluation.

21 (5) A comprehensive means for the education community,
22 policymakers, researchers, and the public to easily access
23 information about all aspects of the performance of each school
24 in the state.

25 (b) The Superintendent’s recommendations made pursuant to
26 subdivision (a) shall focus on all changes that are necessary to
27 support the future reporting of school-level financial data by local
28 educational agencies and to support the comprehensive uses
29 described in subdivision (a). These recommendations shall address,
30 but not necessarily be limited to:

31 (1) Modifications to the School Accountability Report Card.

32 (2) Changes to existing data collections or the implementation
33 of new data collections.

34 (3) Changes to the state’s Education Information System,
35 especially to facilitate the linking of school financial, demographic,
36 and pupil program data.

37 (4) Changes to the state’s hardware and software support or
38 capacity, or other information technology needs that would be
39 necessary to support publicly available school-level data analysis

1 and evaluative tools, as well as publicly available school-level
2 reports.

3 (c) It is the intent of the Legislature that the Superintendent, in
4 making the recommendations pursuant to this section, shall do
5 both of the following:

6 (1) Build upon previous research, reports, evaluations, audits,
7 and studies.

8 (2) Develop the recommendations in consultation with
9 policymakers, members of the education community, members of
10 the public, and other stakeholders.

11 (d) (1) A report to be submitted pursuant to subdivision (a) shall
12 be submitted in compliance with Section 9795 of the Government
13 Code.

14 (2) Pursuant to Section 10231.5 of the Government Code, this
15 section is repealed on December 1, 2015.

16 SEC. 3. Section 41055 is added to the Education Code, to read:

17 41055. (a) On or before July 1, 2012, the Superintendent shall
18 make all ministerial changes that are necessary to support the future
19 reporting of school-level financial data reporting by local
20 educational agencies. These changes shall include, but are not
21 limited to, all of the following:

22 (1) Modifications to the standardized account code structure.

23 (2) Modifications to the California School Accounting Manual.

24 (3) Modifications to financial regulations imposed upon or other
25 instructions provided to school districts, county offices of
26 education, or charter schools.

27 (b) On or before July 1, 2012, and annually thereafter, the
28 Superintendent shall notify the superintendent of each school
29 district and county office of education, and the administrator of
30 each charter school, of both of the following:

31 (1) The capacity for the tracking and reporting of school-level
32 financial data using the standardized account code structure
33 developed by the department and used for the purpose of financial
34 accounting and reporting in public schools and districts.

35 (2) Directions for using the standardized account code structure
36 to track and report school-level financial data.

37 (c) The notification made pursuant to subdivision (b) shall be
38 updated as necessary each year to include any changes that result
39 from the recommendations made by the Superintendent pursuant

- 1 to Section 41054, and any ministerial changes made by the
- 2 Superintendent pursuant to subdivision (a).

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