

August 10, 1994

Rethinking Community School Funding

Executive Summary

Community schools are operated by County Offices of Education (COEs) as alternative instructional placements for about 18,500 pupils in grades 7-12 who, for various reasons, have not been successful in traditional school programs. Pupils referred to community schools by a county probation department—often termed “Type C” pupils—comprise about three-fourths of all community school pupils. The COEs receive a level of funding for Type C pupils, that is about \$1,200 per pupil higher than the average level of funding received by school districts.

Concerns. The basis on which the state should grant the higher Type C funding level has been the subject of legislation and budget control language for several years. There continues to be concern that:

- Fiscal incentives may inappropriately drive the placement of pupils in community schools.
- A substantial number of probation-referred pupils are in community schools because district-level programs for pupils at risk of dropping out have been ineffective.

Community school funding has also surfaced as an issue because community schools figure prominently as alternative placements for expelled pupils in various school safety bills currently under consideration by the Legislature.



Alternative Approaches. The COEs and the State Department of Education (SDE) are currently preparing proposals to reform the way in which COEs claim Type C funding. It appears likely that the Legislature will be asked to consider proposals to either (1) modify the existing funding mechanism by restricting the type of pupil and level of service required to claim the higher level of funding or (2) eliminate the Type C funding mechanism and allocate funds in a new way.

LAO Recommendations. In this paper, we suggest the second approach. Specifically, we recommend that:

- The Type C level of funding no longer be provided to COEs for serving probation-referred pupils (about 94 percent of existing Type C students).
- Funds no longer allocated to COEs through the Type C mechanism be used to fund school district programs for "at-risk" pupils.
- The COEs continue to operate community schools for pupils under state-mandated expulsion.
- School districts be authorized to contract for community school services for at-risk pupils they are unable or unwilling to accommodate.

We believe that this approach would reduce inappropriate fiscal incentives for community school placement, while providing significant fiscal incentives for school districts to serve at-risk pupils.

Background on Community Schools

Community schools are operated by COEs as alternative instructional placements for pupils in grades 7-12. Like other school district alternative programs (for example, continuation high schools), community schools serve pupils who have not been successful in a traditional school setting. These pupils generally share the characteristics and problems of pupils in school district alternative programs, including

poor self-concept, insufficient credits for graduation, habitual truancy, and delinquent and criminal behavior. They are in community schools, however, because they fall into one of the following statutory categories:

- *Type A.* Expelled from a continuation high school, opportunity program, or other school district alternative program, or from a school district regular program, for specified causes (such as assaulting a teacher).
- *Type B.* Referred by a school attendance review board (SARB).
- *Type C.* Referred by the county probation department, and under active community supervision by the probation department or its designee (incarcerated minors receive educational services under a different program), or expelled from a school district for "zero-tolerance" offenses (such as possession of a firearm).
- *Type D.* Homeless children.

The Education Code generally requires that community schools provide an educational program that will enable pupils to continue academic work necessary to graduate from high school. The specific characteristics of community school educational programs, however, vary widely from county to county. In particular, differences exist in (1) the extent to which independent study is used, (2) the amount of time pupils spend in school (the minimum day is 240 minutes), (3) class size, and (4) the type and intensity of supplemental services (counseling and various other social services) purchased for community school participants.

There are three related programs that serve similar populations. These are described below:

Juvenile Court Schools. The COEs are required by law to provide educational programs in secured juvenile detention facilities, such as county juvenile halls and camps. Pupils in these facilities have committed a violation of state or local criminal law that, in the judgment of a juvenile court, is sufficiently serious to require their supervision in

a controlled institutional setting. The COEs may also offer educational programs in group homes and private residential facilities for juveniles, which for funding purposes are considered juvenile court schools.

Continuation Programs. School districts must offer continuation schools or classes to serve pupils who cannot attend a regular high school program for reasons of health, employment, parenting responsibilities, school disciplinary action, or juvenile court proceedings. These programs must provide the necessary academic program for high school graduation, supplemented by independent study, various school-to-work programs, and job placement services.

Opportunity Programs. School districts may offer opportunity programs or classes for pupils in grades 7-9 who are not benefiting from a district's regular educational program because of truancy or discipline problems. These programs provide a setting in which pupils can continue their academic work while resolving their difficulties to the point that they can return to the regular program.

Enrollment and Funding

Figure 1 shows statewide enrollment totals for community schools and related programs for the five-year period 1988-89 through 1993-94. It shows that Type C pupils account for the substantial majority—78 percent in 1993-94—of community school enrollment. It shows that community school enrollment has grown at a much greater rate than total K-12 enrollment. Moreover, community school enrollment growth has significantly outpaced enrollment growth in related programs (juvenile court and continuation schools).

Figure 1

**Community Schools and Related Programs
Average Daily Attendance (ADA)
1988-89 Through 1993-94**

	1988-89	1993-94	Average Annual Growth
Community schools ADA	9,271	18,439	14.7%
Type A and B	(1,353)	(3,883)	(23.5)
Type C	(7,918)	(14,347)	(12.6)
Type D	—	(209)	NA
Juvenile court schools ADA	14,055	16,506	3.3%
Continuation schools ADA	43,064	48,800	2.5%
K-12 ADA (Proposition 98)	4,492,113	5,127,018	2.7%

Community school average daily attendance (ADA) is funded at one of two levels, depending on pupil characteristics and the setting in which educational programs are provided.

Type C Revenue Limit. The COEs receive this level of funding for pupils served in juvenile court schools and for Type C community school pupils. In 1993-94, this amount varied by county from \$5,110 to \$8,165 per pupil. Average per-pupil funding for Type C pupils in most counties—40 of the 48 that offer community school programs—is in the range of \$5,200 to \$5,500. One county's average level of Type C funding falls below this range, while the average funding level in seven counties exceeds \$5,500. We estimate that statewide spending for Type C community school pupils totaled about \$78 million in 1993-94. The 1994 Budget Act caps 1994-95 spending for Type C pupils, not including those under state-mandated expulsion, at \$88.5 million. The revenue limit county offices receive for community school pupils will be reduced across the board ("deficited") as necessary to keep spending within the cap.

Home District's Revenue Limit. All other community school pupils (Type A, B, and D pupils) receive the revenue limit of the home district. The statewide average school district revenue limit was about

\$3,170 per pupil in 1993-94. Assuming that these pupils are funded at this average amount per pupil, we estimate that total funding in 1993-94 was about \$12 million. The COE staff advise that they could not afford to operate community schools if all community school pupils were funded at this level. In effect, community school services for Type A, B, and D pupils are subsidized by the higher per-pupil amount received for Type C pupils.

Issues

During the past year, we visited community school programs in several counties. In the course of these visits, and in our discussions of community schools with the SDE, we became aware of several issues regarding the funding of community schools and the programs they provide. These issues fall primarily into three major categories:

- Should additional restrictions be placed on the type of pupil eligible for the Type C funding level?
- What level of service should be required to justify the Type C funding level?
- What role should community schools play among the variety of school district and COE programs that serve pupils who have dropped out or are deemed at risk of dropping out of a regular school district instructional program?

We discuss these issues below:

Should Additional Restrictions Be Placed on the Type of Pupils Eligible for the Type C Funding Level?

The variation in type of pupil and educational program funded at the Type C level makes it very difficult to characterize or summarize community school programs on a statewide level. Based on our site visits to community schools and our discussions with directors of these programs, however, it appears that community schools generally

serve two major types of pupils: (1) juvenile offenders and pupils under mandatory expulsion and (2) pupils who have dropped out or who are at risk of dropping out.

Juvenile Offenders. The first category includes pupils who are (1) wards of the juvenile court (Section 602 of the Welfare and Institutions Code [WIC]) and are actively and directly supervised in the community—in lieu of incarceration—by the county probation department or (2) under mandatory expulsion for a serious offense (Subsections (a) and (b) of Section 48915 of the Education Code). They are considered temporarily unable to benefit from the regular or alternative instructional programs of a school district, or are deemed to require more intensive supervision than is generally available in district programs because of the risk they pose to other pupils.

Dropouts. The second category includes pupils who have dropped out or are deemed at risk of dropping out because of discipline problems and/or habitual truancy. Depending on local arrangements, these pupils are referred to the COEs by the county probation department as “status offenders” (Section 601 of the WIC) or as subject to “informal probation” (Section 654 of the WIC). They have not, however, committed an offense that is deemed by the county probation office to require either an appearance before a juvenile court judge or regular meetings with a probation officer. In most of the programs we observed, their contact with a probation officer was minimal or nonexistent after their initial referral.

Existing law permits COEs to claim Type C funding for pupils in this category because of the initial referral by the county probation department. These pupils, however, are not substantially different in character—at risk because of chronic discipline or attendance problems—from those served in many school districts through opportunity or continuation programs, or from those served in community schools as Type A pupils (expelled from district alternative programs). Pupils served in district alternative programs and Type A pupils, however, are funded at a significantly lower level than Type C pupils. This inconsistency raises the issue of whether COEs should be able to claim

the higher level of funding solely on the basis of involvement by a probation officer.

What Levels of Service Should Be Required to Justify the Type C Funding Level?

Under existing law, the minimum instructional day for community schools is four hours, about two hours shorter than the instructional day offered by most high schools. Thus, for Type C pupils, the state provides more funding per pupil, but requires less instructional time. This apparent inconsistency is at least partially explained when the higher per-pupil costs of the smaller class sizes offered by community schools are taken into account.

Another service level concern is the extent to which some community school programs are serving a substantial proportion of their Type C pupils through independent study mode. In such cases, the state is providing the *higher* level, Type C funding for *less* teacher contact time under independent study. This seems inappropriate given that the discipline and attendance problems exhibited by Type C pupils appear to call for *more intensive* supervision, rather than the less intensive supervision provided under independent study. The education professionals we spoke with on our site visits, however, pointed out that some flexibility to offer a community school independent study program is needed to accommodate pupils whose work and family obligations make a regular classroom schedule impractical.

In response to these concerns, county office staff pointed out that some of the enhanced funding provided by the Type C revenue limit is used for services that would be funded by school districts through categorical programs, including aid for home-to-school transportation and aid for economically disadvantaged pupils. This is because COEs are not eligible to receive categorical funding. Moreover, county offices generally must use a portion of Type C funding to lease classroom facilities because, unlike school districts, they may not acquire instructional facilities through the sale of general obligation bonds.

What Role Should Community Schools Play in Dropout Prevention?

During our site visits, as the similarities between some Type C pupils and pupils in less expensive district alternative programs were identified, we began to ask such questions as:

- Why are these pupils in community schools instead of school district alternative programs?
- Is there anything about community schools that makes them consistently more effective?
- Why should community schools cost the state so much more per pupil than alternative district placements for these pupils?

The answers we received from our visits and discussions with people in the field suggest that:

- At-risk pupils come to be served in community schools because of the fiscal incentive provided by the Type C level of funding and because of weaknesses in school district alternative programs.
- Monies currently devoted to community school Type C funding could be better spent on improving the effectiveness of school district efforts to intervene early on behalf of pupils identified as at risk.

For example, we were told on many occasions that school districts either do not provide alternative programs or provide programs that are not effective. We heard from community school and school district staff that many districts do not operate opportunity programs because the level of per-pupil funding is not sufficient to make them an effective tool for helping at-risk pupils. We heard from community school staff, and in one case from a representative of a large urban school district, that continuation schools are often not effective for pupils who are unsuccessful in a regular school district program. We were also told that the effectiveness of SARBs varies widely across the state. The SARBs are intended to be a mechanism for coordinating school and

community programs to serve children with chronic school attendance and discipline problems. We also talked with community school pupils, who in many cases had previously attended one or more district alternative programs. We heard consistently that they were not motivated to succeed in alternative programs, but that staff in community schools took greater interest in them as individuals, encouraged them, and held them accountable.

Based on these observations, it appears that school district alternative programs could be doing a better job of intervening on behalf of pupils identified as at risk, before a community school placement becomes necessary. It is unfortunate that school districts are not doing a better job, because school district alternative programs can more cost effectively conduct dropout prevention programs than community schools. The same level of funding currently devoted to Type C pupils in community schools could accomplish more for the same pupils in school district programs because funds would not need to be diverted to provide facilities or services already supported through categorical programs.

This cost-effectiveness argument may not apply to small school districts which may not have sufficient numbers of at-risk pupils to make a stand-alone program fiscally viable. Moreover, we recognize that some school districts may not currently consider dropout prevention a high priority. Consequently, it is important for any community school reform effort to (1) provide incentives for school districts to improve their dropout prevention efforts and (2) provide flexibility for county offices to provide dropout prevention programs—community schools or something else—where school district programs are not fiscally viable or continue to be ineffective.

Other Issues

In addition to the major issues addressed above, we note two others that should be addressed in the course of community school reform.

Type C Funding per Pupil Varies Widely Among Counties. As discussed above, most COEs received between \$5,200 and \$5,500 per Type C pupil. One county receives slightly less, and seven receive up to \$2,300 per pupil more. These differences between counties are related to pre-Proposition 13 decisions about the level of local funds devoted to juvenile court schools, or—in sparsely populated counties—the number of juveniles who happened to be incarcerated at the time when the base level of per-pupil spending was determined. They bear no apparent relationship to economies of scale or program features.

Type C Funding Illegally Claimed. We visited community school programs in which Type C funding was claimed for pupils who were under county office supervision for only one or two periods per day—less than the four-hour minimum day—and in regular school district classes for the remainder of the day. This and other questionable practices are currently under review by SDE and Department of Finance (DOF) auditors.

Options and Recommendations

In our view, there are two basic approaches for addressing the funding issues discussed above:

- Preserve the existing community school funding mechanism, but place more restrictions on the type of pupil and the level of service for which Type C funding may be claimed.
- Try a different funding mechanism that provides at least the same statewide total amount of funding, but relies on the judgment of local education experts to determine the type of pupil served and the type of service provided. Hold local education agencies accountable by allocating funds, in part, on the basis of improved outcomes—lower dropout rates or improved attendance, for example.

Figure 2 summarizes these issues and shows how each could be addressed under the two basic approaches.

Figure 2

Type C Funding Issues and Options

Issue	Funding Approach	
	Modify Existing Funding Mechanism	Eliminate Type C Funding Mechanism (Allocate Existing Funds in a New Way)
Inappropriate Fiscal Incentives		
Based on nominal involvement of a probation officer, COEs may claim a higher level of funding than school districts for serving pupils at risk of dropping out.	More tightly restrict the type of problem behavior and/or level of supervision by the probation department that allow county offices to claim Type C funding for a pupil.	Largely abandon the use of pupil characteristics as the basis of enhanced funding. Instead, distribute the amount of Type C funding on the basis of total K-12 enrollment and some measurement of need. Let local education agencies decide whom to serve and how.
Level of Service May Not Justify Higher Revenue Limit		
<ul style="list-style-type: none"> • Minimum day is shorter than for regular school district programs. • Too much independent study. 	Increase the level of service required to generate Type C funding—lengthen the minimum day, eliminate or limit independent study for Type C pupils.	Allow local education agencies considerable flexibility in how service is delivered and ensure accountability through outcome-based funding incentives and criteria.
District-Level Interventions Could Be Improved		
		Shift most funds from community schools to school district programs for at-risk pupils. Establish performance-based funding incentives for districts. Require participating districts to: <ul style="list-style-type: none"> • Operate or actively participate in an effective school attendance review board. • Provide special staff development programs for teachers serving at-risk pupils.
ADA Illegally Claimed		
	Program audit—sanction by requiring repayment for inappropriately claimed ADA.	Program audit—sanction by requiring repayment for inappropriately claimed ADA.
Funding Variations		
Level of Type C funding per pupil varies widely among counties.	Equalize per-pupil funding over time.	Equalize per-pupil funding over time.

We recommend that the Legislature take the second approach. This would involve adopting a categorical funding mechanism that (1) breaks the link between probation and enhanced funding; (2) gives local education agencies significant discretion over who is served, how, and in what settings; and (3) provides a fiscal incentive to school districts to improve dropout prevention programs. Our recommendations assume that no new funding will be available for community schools or dropout prevention programs. As a result, there would be a significant redistribution of funds between counties and within counties (from COEs to school districts).

Specifically, we recommend that:

- The COEs receive an augmented revenue limit (similar to the Type C level of funding) only for pupils whose expulsion is mandated by state law and for whom a district alternative placement is not available or prohibited by state law.
- The Legislature reallocate from county offices to school districts the funds that would otherwise have been used to fund probation-referred pupils at the Type C level. We suggest that these funds be combined with funds from existing categorical programs for at-risk pupils, to fund a consolidated categorical program that supports dropout prevention and school safety programs.
- These changes be phased in over a period of three years, to permit COEs to accommodate enrollment reductions with a minimum of disruption.

These recommendations are discussed in more detail below.

Higher Revenue Limit for Mandatory Expulsions Only

We recommend that the Legislature enact legislation to specify that COEs may claim a higher revenue limit—the Type C level of funding—only for pupils who are expelled by a school district as a requirement of state law. Thus, COEs would no longer claim Type C funding for pupils under probation—about 94 percent of existing Type C pu-

pils. We make this recommendation to ensure that COEs receive sufficient funds to carry out state mandates to serve pupils who have been expelled from districts for behavior specified in existing or pending "zero-tolerance" legislation.

As described below, we recommend that COEs still be permitted to serve probation-supervised pupils—as well as Type A, B, and D pupils—in a community school setting. Under our recommendation, however, enhanced services for these pupils would no longer be directly funded by the state, but would be supported through reimbursement of the COEs by the pupils' home districts on a contract basis.

Consolidate Funding of Programs for At-Risk Pupils

Under the above recommendation, Type C funding would no longer be provided by the state for community school pupils who are probation-supervised offenders or at-risk pupils—pupils who have dropped out, or appear to be on a course that will lead to dropping out. Moreover, to the extent that COEs use enhanced funding of Type C pupils to subsidize services for other community school pupils they might find it difficult to continue serving Type A, B, and D pupils in a community school setting. In order to give school districts and COEs incentives to continue to serve the pupils currently served in community schools, and to ensure that they are served either by their districts or a COE, we recommend that the Legislature:

- Give the district of residence the option of (1) serving these pupils in an appropriate district program or (2) reimbursing COEs for the cost of serving them in a community school.
- Incorporate the funds no longer required to support the Type C revenue limit into a consolidated categorical program that will give districts more incentive and flexibility to improve programs for pupils who are at risk of dropping out of high school or middle school.

In another publication—*Reform of Categorical Education Programs* (April 1993)—we recommended that the Legislature consolidate into one local assistance program five existing categorical programs that

serve pupils at risk of dropping out, in order to give school districts more flexibility in serving these pupils. The funds no longer allocated through the Type C mechanism would be an appropriate addition to this proposed program. Consolidation of this program with the other five would provide districts about \$235 million to fund supplemental services for at-risk pupils. These funds could be allocated to districts on the basis of enrollment and dropout rate or other indicators of need. Moreover, we recommend that school districts, as a condition of receiving funds under this program:

- Operate a SARB or have active representation on an effective county SARB.
- Provide special staff development programs for teachers serving at-risk pupils.

We suggest that districts be given broad latitude over use of the funds, thereby permitting each district to use the service delivery models that best meet the needs of its pupils. Districts would be able to contract with a county office that provides a community school program, establish or enhance continuation or opportunity programs, or do something else. Success of local programs—and districts' ongoing level of funding under the at-risk block grant—could be determined by improvements in dropout prevention, increased reintegration of pupils who have already dropped out, improvements in attendance, and reductions in the percentage of pupils who complete twelfth grade without sufficient course credits to graduate.

Other Changes

In response to the other concerns noted earlier, we recommend the following:

- *Funding Variations.* We recommend that the Type C revenue limit—to the extent that it continues to be used as a community school funding mechanism—be equalized over a three-year period. We suggest that, after that period, no COE receive a Type C revenue limit outside of a cost-of-living-adjustment (COLA)-adjusted range of \$5,200 to \$5,500, the range in which

most counties' average Type C revenue limit currently falls. Moreover, we suggest that the Type C COLA be calculated in the same manner as school district revenue limit COLAs. This would result in a gradual narrowing of the range of Type C revenue limits around the statewide average.

- *Illegally Claimed ADA.* We support SDE and DOF efforts to require, through audit procedures, county offices to repay funds received for pupils inappropriately claimed as Type C.

Conclusion

In summary, we propose that the state provide the Type C level of funding only for pupils under state-mandated expulsion. No cap on the level of funding for these pupils would be necessary, because COEs have no direct influence on the actions taken by school districts to expel these pupils. Therefore, the likelihood that pupils would be designated as Type C mainly for fiscal reasons would be reduced. Although the state would no longer apportion funds to COEs to serve probation-supervised pupils or pupils at risk of dropping out, the state would provide significant incentives for school districts to serve at-risk pupils by (1) increasing district resources available for this purpose, (2) increasing district flexibility in using these resources, and (3) requiring districts to reimburse COEs when their pupils are served in COE community schools.