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Categorical Funding for New and Existing Schools

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Current Allocation Rules. In establishing the categorical flex item (which removes the requirements associated with about 40 state-funded categorical programs), the state:

- “Locked in” each district’s and charter school’s funding based on their 2008-09 allocations.
- Allowed new schools to apply for funding, as long as enrollment was not redirected from another school within the district.



Funding for New Schools: A Number of Implementation Problems.

- No obvious way to determine if a “new” school is serving “redirected” enrollment.
- Unclear whether new schools need to apply separately for each of the 40 flexed categorical programs.
- Awkward to require new schools to adhere to all program rules when all other schools are exempt from them.
- Unclear whether California Department of Education would need to monitor new schools to ensure compliance when not monitoring all other schools.



Funding for Existing Schools: Locking in Funding Results in Two Policy Problems.

- Growing districts unable to receive more funding, whereas declining-enrollment districts essentially receive funds for students they no longer serve. This results in growing districts getting lower and lower per pupil rates while declining districts get higher and higher per pupil funding rates.
- Potential funding cliff for declining-enrollment districts when flexibility rules expire and many programs revert to funding based on student counts.

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- ☒ **Governor.** Proposes to provide \$11 million in one-time funds to “back-fund” new schools created in 2008-09 and 2009-10, as well as \$15 million in ongoing funds for schools created since 2008-09. Does not address underlying implementation or policy issues, leaving proposal largely unworkable.
- ☒ **Assembly.** Rejected \$11 million one-time funds, approved \$15 million ongoing.
- ☒ **Senate.** Provides same dollar amounts as Governor but adopts “hold harmless” per pupil funding policy. Specifically:
 - For existing districts, calculated each district’s current per pupil rate. Each district would be held harmless at a per pupil level, but its annual funding total would increase or decrease based on changes in number of students. Because of declining districts, we estimate this would yield about \$60 million in savings for 2010-11.
 - For new charter schools, adjust in-lieu categorical block grant rate to include all flexed programs (\$300 per pupil). Estimate cost of about \$11 million in 2009-10 and \$15 million in 2010-11.
- ☒ **Recommend Adopting Senate Action.** Would yield current-year cost of \$11 million (for charter schools created in 2009-10) and net budget-year savings of about \$45 million. Would address underlying problems for both new and existing schools. From a program perspective, would treat new schools same as existing schools.