

Update on School District Finance and Flexibility

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Budget Subcommittee No. 2

On Education Finance

Hon. Susan Bonilla, Chair





Survey Focuses on District Responses to Recent Federal and State Actions

- Our office distributed a survey to all California school districts in fall of 2010 asking about impact of:
 - One-time federal funding.
 - Deferrals.
 - Categorical flexibility.
 - Other flexibility provisions, including mandate suspensions and shorter school year.

- Survey respondents representative of the state, capturing:
 - Responses from 382 districts out of roughly 1,000.
 - Responses from eight of the state's ten largest districts.
 - Roughly 58 percent of the state's average daily attendance (ADA).

Survey Respondents Representative of State

Student Characteristic	Percent of Student Population:		
	Survey Respondents	Total Statewide	Difference
African-American enrollment	7%	7%	—
Asian enrollment	9	9	—
White enrollment	25	27	-2%
Latino enrollment	53	50	3
English Learners	24	24	—
FRPM Participation	59	57	2

FRPM = Free and Reduced-Price Meals program.



Districts Using Federal Funds, Deferrals to Reduce Programmatic Cuts



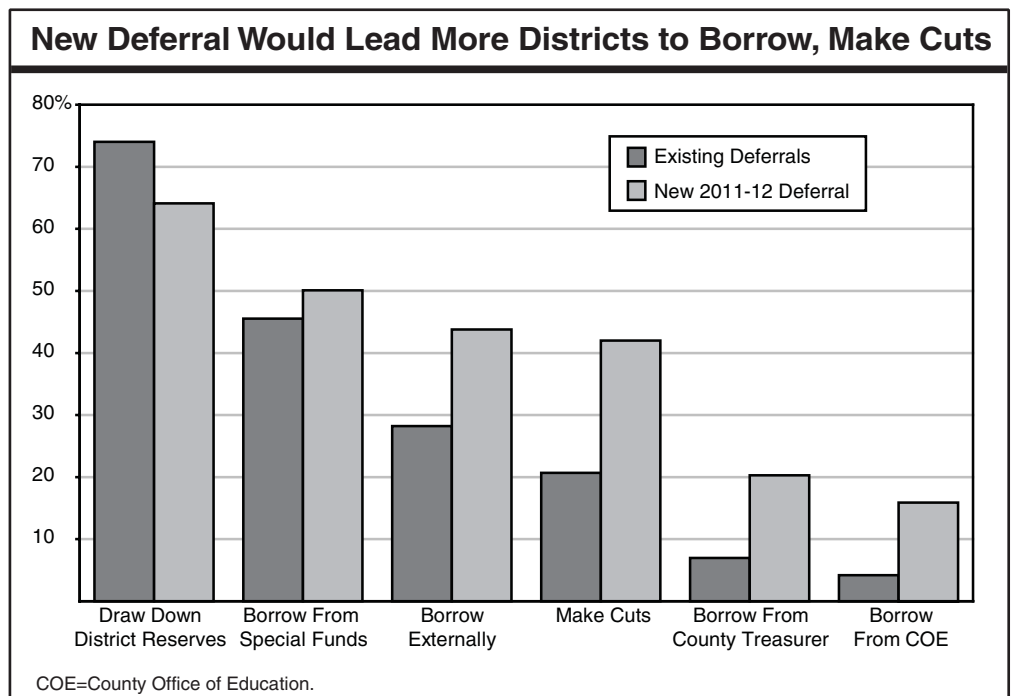
Federal Funds:

- More than 75 percent of districts using both American Recovery and Reinvestment Act (ARRA) and Education Jobs (Ed Jobs) funding to retain teachers.
- Some districts also using federal dollars to backfill cuts to state categorical programs.
- Roughly two-thirds of Ed Jobs funding being reserved for use in 2011-12.



Deferrals:

- Districts mostly start by draining reserves.
- Some districts borrowing.
- Roughly one in five districts now making cuts.
- Roughly half of districts would make cuts in response to a new 2011-12 deferral.





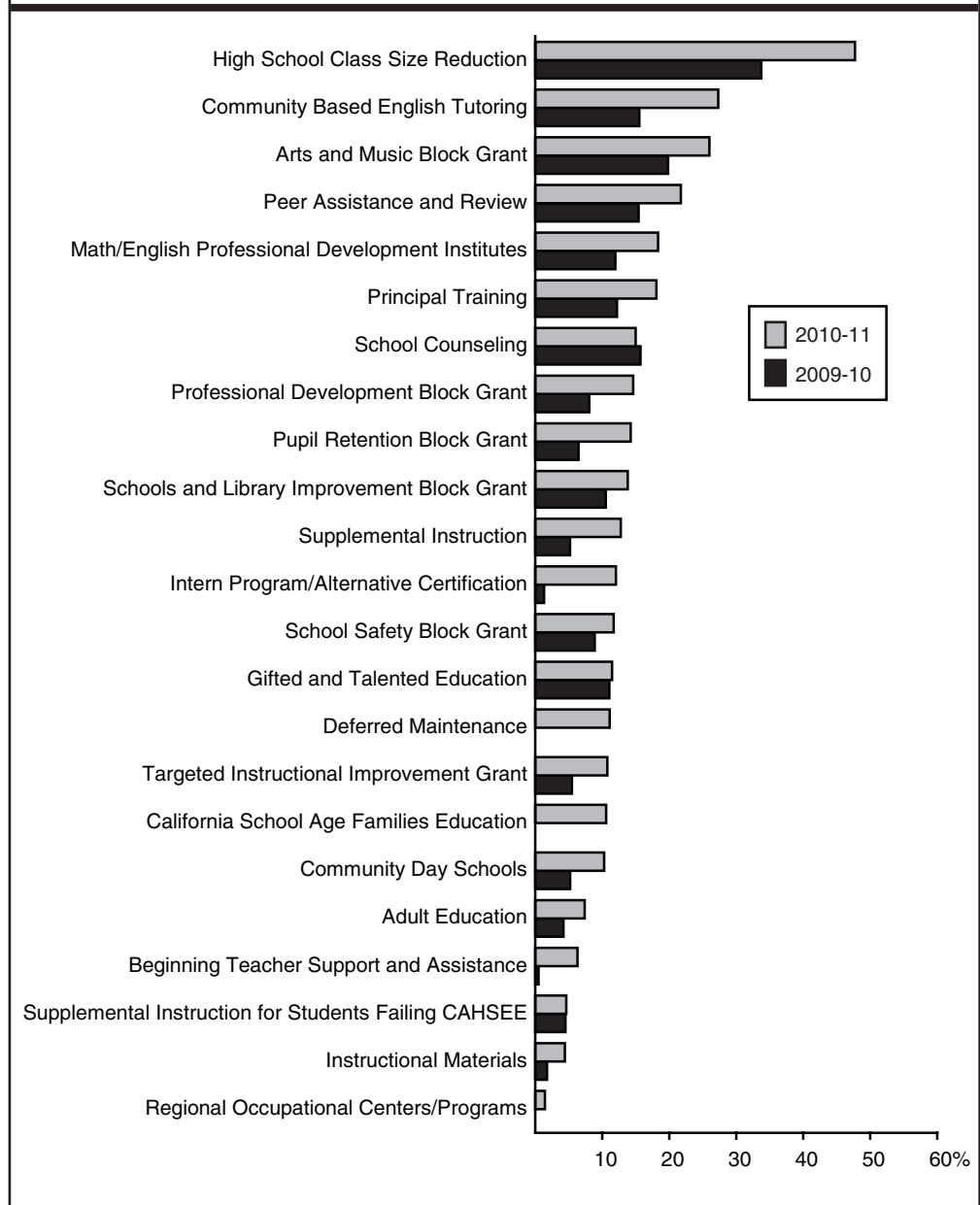
Districts Relying Heavily on Categorical Flexibility

- In 2009, the Legislature cut strings attached to roughly 40 categorical programs and allowed districts to use funds for any educational purpose.
- Vast majority of districts report categorical flexibility makes it easier to develop a strategic plan, devote funding to local education priorities, and balance their budgets.
- Districts taking even greater advantage of categorical flexibility in 2010-11 than 2009-10—diverting funding from, or altogether eliminating, more categorical programs.



Districts Relying Heavily on Categorical Flexibility *(Continued)*

More Districts Discontinuing Flexed Categorical Programs



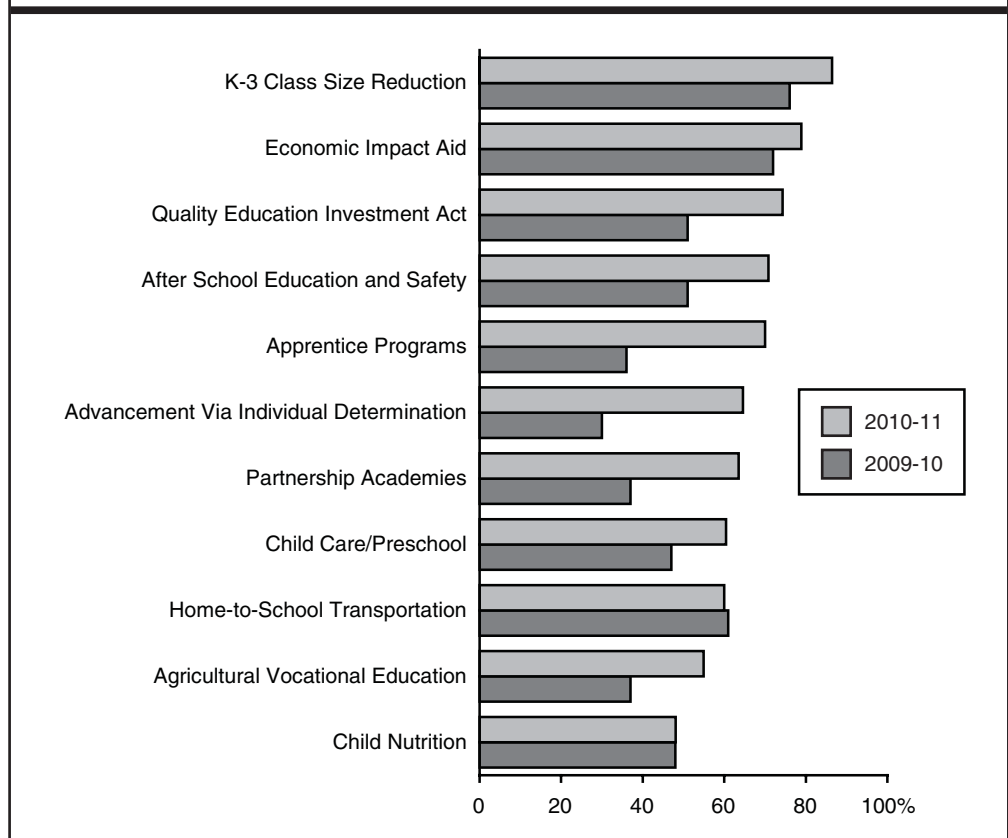


Districts Also Relying Heavily on Other Flexibility Provisions, Desire More Flexibility

- ☑ Increasing percentage of districts relying on other flexibility provisions, including:
 - Reducing length of school year (57 percent of districts in 2010-11).
 - Increasing class sizes (elementary classes have increased on average from 21 to 25).
 - Instituting furlough days (51 percent of districts in 2010-11).
 - Reducing health benefits/contributions (17 percent in 2010-11).

- ☑ Majority of districts want strings cut for most remaining stand-alone categorical programs as well as K-12 mandates.

Even More Districts Seeking “Much More” Flexibility Over Most Standalone Categorical Programs





Recommend Expanding Flexibility In Short Term, Making Lasting Changes to K-12 Finance System

LAO Recommendations

Increase Flexibility in Short Term

- ✓ Remove strings tied to K-3 Class Size Reduction and Home-to-School Transportation
- ✓ Remove strings from After School Education and Safety program by repealing Proposition 49
- ✓ Link flex funding to students
- ✓ Eliminate certain mandated education activities
- ✓ Ease restrictions on contracting out for noninstructional services
- ✓ Ease restrictions regarding pay rates and priority for substitute teaching positions

Improve K-12 Finance System Moving Forward

- ✓ Consolidate virtually all K-12 funding into revenue limits and a few block grants moving forward

Align State Operations With New Finance System

- ✓ Minimize California Department of Education's (CDE) focus on compliance monitoring
- ✓ Refocus CDE mission on data, accountability, and dissemination of best practices