

Date of Hearing: May 6, 2020

ASSEMBLY COMMITTEE ON EDUCATION
Patrick O'Donnell, Chair
AB 2651 (Megan Dahle) – As Introduced February 20, 2020

SUBJECT: School finance: necessary small schools

SUMMARY: Requires the amount of funding appropriated for necessary small schools (NSS) be equal to or greater than the amount of funding calculated for the current or three prior fiscal years. Specifically, **this bill**:

- 1) Requires the Superintendent of Public Instruction (SPI) to compute an amount for each NSS in the school district based upon current fiscal year or any of the three most recent prior fiscal years.
 - a) Requires the SPI to compute, for each qualified school district, for each of the three most recent prior fiscal years the sum of necessary small elementary school allowances for the average daily attendance (ADA) in the fiscal year and the number of full-time teachers and necessary high school allowances for the ADA in the fiscal year and the number of certificated employees.
 - b) Requires that the amount of funding for each qualified school district must be equal to the greater of either of the following:
 - i) For the fiscal year in which the amount of funding is the greatest, the amount of funding calculated for each of the three most recent prior fiscal years the sum of necessary small elementary school allowances for the ADA in the fiscal year and the number of full-time teachers and necessary high school allowances for the ADA in the fiscal year and the number of certificated employees.
 - ii) The sum of necessary small elementary school allowances for the current year ADA and the number of full-time teachers, and necessary small high school allowances for the current year ADA and the number of certificated employees.

EXISTING LAW:

- 1) Requires the SPI to compute, for each school district that meets the specified conditions for NSS in the school district, a funding amount based on the current and prior fiscal year. The amount of funding for each qualified school district shall equal the greater of either of the following:
 - a) The sum of necessary small elementary school allowances for the prior year ADA and the number of full-time teachers, and necessary small high school allowances for the prior year ADA and the number of certificated employees.
 - b) The sum of necessary small elementary school allowances for the current year ADA and the number of full-time teachers, and necessary small high school allowances for the current year ADA and the number of certificated employees. (Education Code (EC) 42280)

- 2) Requires the SPI to make the following computations for each school district, for each NSS:
 - a) For each NSS that has ADA during the fiscal year of less than 25, excluding pupils attending the 7th and 8th grades of a junior high school, and for which school at least one teacher was hired full time, the SPI must compute for the school district fifty-two thousand nine hundred twenty-five dollars (\$52,925).
 - b) For each NSS that has an ADA during the fiscal year of 25 or more and less than 49, excluding pupils attending the 7th and 8th grades of a junior high school, and for which school at least two teachers were hired full time for more than one-half of the days schools were maintained, the SPI must compute for the school district one hundred five thousand eight hundred fifty dollars (\$105,850).
 - c) For each NSS that has an ADA during the fiscal year of 49 or more, but less than 73, excluding pupils attending the 7th and 8th grades of a junior high school, and for which school three teachers were hired full time for more than one-half of the days schools were maintained, the SPI must compute for the school district one hundred fifty-eight thousand seven hundred seventy-five dollars (\$158,775).
 - d) For each NSS that has an ADA during the fiscal year of 73 or more and less than 97, excluding pupils attending the 7th and 8th grades of a junior high school, and for which school four teachers were hired full time for more than one-half of the days schools were maintained, the SPI must compute for the school district two hundred eleven thousand seven hundred dollars (\$211,700). (EC 42282)
- 3) Defines a “necessary small school” as an elementary school with an ADA of less than 97 pupils, excluding pupils attending the 7th and 8th grades of a junior high school, maintained by a school district to which any of the following conditions apply:
 - a) If as many as five pupils residing in a school district with fewer than 2,501 units of second principal apportionment ADA and attending kindergarten and grades 1 to 8, inclusive, excluding pupils attending the 7th and 8th grades of a junior high school, in the elementary school with an ADA of less than 97 pupils would be required to travel more than 10 miles one way from a point on a well-traveled road nearest their home to the nearest other public elementary school.
 - b) If as many as 15 pupils residing in a school district with fewer than 2,501 units of second principal apportionment ADA and attending kindergarten and grades 1 to 8, inclusive, excluding pupils attending the 7th and 8th grades of a junior high school, in the elementary school with an ADA of less than 97 pupils would be required to travel more than five miles one way from a point on a well-traveled road nearest their home to the nearest other public elementary school.
 - c) If as many as 15 pupils residing in a school district with more than 2,500 and fewer than 5,001 units of second principal apportionment ADA and attending kindergarten and grades 1 to 8, inclusive, excluding pupils attending the 7th and 8th grades of a junior high school, in the elementary school with an ADA of less than 97 pupils would be required to travel more than 30 miles one way from a point on a well-traveled road nearest their home to the nearest other public elementary school.

- d) If topographical or other conditions exist in a school district that would impose unusual hardships if the specified number of miles were required to be traveled, or if during the fiscal year the roads that would be traveled have been impassable for more than an average of two weeks per year for the preceding five years, the governing board of the school district may, on or before April 1, request the SPI, in writing, for an exemption from these requirements or for a reduction in the miles required. The request must be accompanied by a statement of the conditions upon which the request is based, giving the information in a form required by the SPI. The SPI must cause an investigation to be made, and must either grant the request to the extent he or she deems necessary, or deny the request.
 - e) Defines “other public elementary school” as a public school, including a charter school, that serves kindergarten or any of grades 1 to 8, inclusive, excluding grades 7 and 8 of a junior high school. (EC 42283)
- 4) Requires the SPI to make a specified computation selected with regard only to the number of certificated employees employed or ADA, whichever provides the lesser amount for each school district with fewer than 2,501 units of ADA, on account of each necessary small high school.
- a) Defines a “certificated employee” to mean an equivalent full-time position of an individual holding a credential authorizing service and providing service in any of grades 9 to 12, inclusive, in any secondary school. Any fraction of an equivalent full-time position remaining after all equivalent full-time positions for certificated employees within the school district have been calculated shall be deemed to be a full-time position. (EC 42284)
- 5) Defines a necessary small high school as a high school with an ADA of less than 287 pupils that meets any of the following conditions:
- a) The high school had an ADA of less than 96 pupils in grades 9 to 12, inclusive, during the preceding fiscal year and is more than 15 miles by well-traveled road from the nearest other public high school and either 90 percent of the pupils would be required to travel 20 miles or 25 percent of the pupils would be required to travel 30 miles one way from a point on a well-traveled road nearest their homes to the nearest other public high school.
 - b) The high school had an average daily attendance of 96 pupils or more and less than 144 pupils in grades 9 to 12, inclusive, during the preceding fiscal year and is more than 10 miles by well-traveled road from the nearest other public high school and either 90 percent of the pupils would be required to travel 18 miles or 25 percent of the pupils would be required to travel 25 miles one way from a point on a well-traveled road nearest their homes to the nearest other public high school.
 - c) The high school had an average daily attendance of 144 pupils or more and less than 192 pupils in grades 9 to 12, inclusive, during the preceding fiscal year and is more than 7 1/2 miles by well-traveled road from the nearest other public high school and either 90 percent of the pupils would be required to travel 15 miles or 25 percent of the pupils would be required to travel 20 miles one way from a point on a well-traveled road nearest their homes to the nearest other public high school.

- d) The high school had an average daily attendance of 192 pupils or more and less than 287 pupils in grades 9 to 12, inclusive, during the preceding fiscal year and is more than 5 miles by well-traveled road from the nearest other public high school and either 90 percent of the pupils would be required to travel 10 miles or 25 percent of the pupils would be required to travel 15 miles to the nearest other public high school.
- e) Topographical or other conditions exist in the school district that would impose unusual hardships on the pupils if the number of miles specified in paragraph (1), (2), (3), or (4) were required to be traveled. In these cases, the Superintendent may, when requested, and after investigation, grant exceptions from the distance requirements.
- f) A necessary small high school also includes either of the following:
 - i) A high school maintained by a school district for the exclusive purpose of educating juvenile hall pupils or pupils with exceptional needs.
 - ii) A high school maintained by a unified school district as the only comprehensive high school if the high school has an average daily attendance of less than 287 pupils and the school district has 50 or fewer pupils per square mile of school district territory, as measured by the number of pupils residing in the school district.
 - iii) A necessary small high school does not include a continuation school.
 - iv) Defines “other public high school” as a public school, including a charter school that serves any of grades 9 to 12, inclusive. (EC 42285)

FISCAL EFFECT: Unknown

COMMENTS:

Need for the bill. According to the author, “AB 2651 is a timely bill that will help stabilize funding for our smallest, most rural school districts that have been the hardest hit by the COVID-19 pandemic. California’s smallest schools are categorized as NSS, and they are funded differently given the unique challenges they face such as low student enrollment, inadequate financial resources, mixed grade levels of students in classrooms, and difficulty recruiting qualified teachers. NSS funding is calculated based on ADA. Current law allows a NSS to base their ADA on the prior or current year ADA in order to provide a buffer of funding in the event they experience an unexpected drop in their ADA from year to year. However, the current one year buffer for calculating ADA has proven insufficient to protect funding that is necessary to ensure these schools stay open. For example, one of these schools could lose a few students over the course of two years due to natural attrition, resulting in over a \$50,000 cut in that school’s funding. This has detrimental consequences for these schools, as many of their costs are fixed regardless of ADA fluctuation.

This problem has become especially apparent in the struggle against the COVID-19 pandemic. With students across the state transitioning to the new normal of distance learning, parents adjusting to the model of home-based learning, and schools trying to staunch the financial bleeding caused by the pandemic, AB 2651 couldn’t come at a better time. AB 2651 extends the current buffer allowed a NSS from one year to the best of the three prior years when calculating

their ADA. This will provide more flexibility and security to ensure NSS receive the funding they need to continue serving students in small, rural areas.”

California School District NSS. School District NSS provides funding for eligible school districts that have fewer than 2,501 or 5,001 units of ADA, as specified, with qualifying schools that serve a small population of students and are geographically isolated that elect to participate in the program. For the 2019-20 P-1 apportionment calculation, just over 100 school districts qualified for and elected to receive NSS funding. NSS funding is provided in lieu of the Local Control Funding Formula (LCFF) Base Grant funding (see below). The NSS allowance is based on the combination of ADA, and the number of full-time teachers for elementary schools or the number of full-time equivalent certificated employees for high schools, whichever provides the lesser amount. The NSS allowance is equal to the greater of 1) the current year computation, or 2) the prior year computation. ADA is included for purposes of supplemental and concentration grant calculations.

This bill proposes that the NSS allowance must equal the greater of either of the following: 1) the current year calculation, or 2) the fiscal year in which the amount of funding computed was the greatest in the three prior years.

Local Control Funding Formula. The LCFF was established in the 2013-14 fiscal year to address the achievement gap by providing more equitable funding among LEAs, by providing a higher level of funding to LEAs that enroll larger numbers of unduplicated pupils so they could provide those pupils with additional services and support. For school districts, funded ADA is equal to the greater of current or prior year ADA.

The LCFF consists of a base grant of the following amounts in 2019-20:

- \$8,503 for grades K-3, which includes a 10.4% grade span adjustment for class size reduction;
- \$7,818 for grades 4-6;
- \$8,050 for grades 7-8; and
- \$9,572 for grades 9-12, which includes a 2.6% grade span adjustment for college and career readiness.

In addition to the base grant, school districts and charter schools also receive funding for each enrolled pupil who is either an English learner, low income (as determined by eligibility for free- or reduced-price meals), or in foster care. These are referred to as "unduplicated" pupils, because pupils who fall into more than one of these categories are counted only once for LCFF purposes. Districts and charter schools receive an additional 20% of the base grant amount for each unduplicated pupil.

The concentration grant is provided to districts and charter schools that have a significant concentration of unduplicated pupils. The concentration grant takes effect whenever the enrollment of unduplicated pupils exceeds 55% of total enrollment. The amount received is one-half of the district or charter school's total base grant multiplied by the amount by which the district's enrollment of unduplicated pupils exceeds 55%. For example, if a district's total base

grant is \$1 million and its unduplicated pupils enrollment is 70% of total enrollment, then its concentration grant would be \$500,000 (one-half of its base grant of \$1 million) times 15% (70% minus 55%), or \$75,000.

2019–20 NSS Funding Bands for the School District NSS Allowance for the LCFF Entitlement. The amounts below reflect funding levels used in the LCFF Entitlement calculation.

Necessary Small Elementary Schools, EC Section 42282:

Number of Teacher(s)	Average Daily Attendance	Funding Amount Includes 2019-20 COLA (3.26%)
1	1 to 24	\$163,900
2	25 to 48	\$327,800
3	49 to 72	\$491,700
4	73 to 96	\$655,600

Necessary Small High Schools, EC Section 42284:

Number of Certificated Employee(s)	Average Daily Attendance	Funding Amount Includes 2019-20 COLA (3.26%)
1	1 to 19	\$133,045
2	1 to 19	\$266,090
3	1 to 19	\$591,360
4	20 to 38	\$724,405
5	39 to 57	\$857,450
6	58 to 71	\$990,495
7	72 to 86	\$1,123,540
8	87 to 100	\$1,256,585
9	101 to 114	\$1,389,630
10	115 to 129	\$1,522,675
11	130 to 143	\$1,655,720
12	144 to 171	\$1,788,765

13	172 to 210	\$1,921,810
14	211 to 248	\$2,054,855
15	249 to 286	\$2,187,900

Note: fractional ADA units of 0.5 and above are rounded up, and those below 0.5 are rounded down.

California small schools and school districts. California's nearly 1,000 school districts vary greatly in size, and the state has an exceptional number of small districts. Almost three-quarters of all California school districts have fewer than 5,000 ADA. However, together these small districts represent approximately 15 percent of total ADA in the state.

According to a 2011 report from the Legislative Analysts' Office, *How Small Is Too Small? An Analysis of School District Consolidation*, "...while small districts tend to spend more on overhead costs and have slightly lower student achievement compared to midsize districts, the differences are not large. We find that the operational demands and limitations of being *very* small, however, are substantial. Specifically, compared to larger districts, very small districts tend to dedicate a significantly bigger share of their budgets to covering overhead costs and a smaller share to instructional staff and leaders. Moreover, very small districts are more difficult to hold accountable for student outcomes because their small enrollments do not yield statistically significant results. This is also a problem for very small schools."

Recommended Committee Amendment. *Staff recommends that the bill be amended* as follows: the NSS allowance must equal the greater of either of the following: 1) the current year calculation, or 2) the fiscal year in which the amount of funding computed was the greatest in the two prior years. The recommended committee amendment changes the number of years included in a NSS computation from four (current + three prior) to three (current + two prior).

Related legislation. SB 1321 (Monning), Chapter 664, Statutes of 2018, expands eligibility for the necessary small schools funding allowance to include specified schools in districts with ADA of up to 5,000.

AB 1808 (Committee on Budget), Chapter 32, Statutes of 2018, deleted the provision requiring the SPI to add the specified amount to the county LCFF for purposes of necessary small high schools. Commencing with the 2018–19 fiscal year, requires the SPI to add a specified amount to the annual apportionment to each county superintendent of schools as part of the county LCFF. Repealed the provision that included as a necessary small high school as high school maintained by a COE for the exclusive purpose of educating foster youth.

SB 1221 (Hancock), Chapter 370, Statutes of 2014, modifies various requirements for participation in the 21st Century Community Learning Centers (21st CCLC) program and the After School Education and Safety program, including providing funding for transportation if a program is operated at a schoolsite located in an area that has a population density of less than 11 persons per square mile.

REGISTERED SUPPORT / OPPOSITION:

Support

None on file

Opposition

None on file

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