

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 2, 2008
POSITION: Oppose

BILL NUMBER: SB 1139
AUTHOR: D. Cox

BILL SUMMARY: Necessary Small Schools: Calveras and Kings Canyon USD

This bill would provide Railroad Flat Elementary School in the Calaveras Unified School District and Dunlap High School in the Kings Canyon Unified School District with necessary small school (NSS) funding. NSS funding for each of these schools would continue until the statute becomes inoperative on July 1, 2018 or if any of the following occurs before then: (1) the ADA for Railroad Flat Elementary School exceeds 100; (2) the ADA for the Calaveras Unified School District exceeds 5,000; or (3) the ADA for Dunlap High School exceeds 100.

FISCAL SUMMARY

Compared to current law, this bill would result in increased Proposition 98 General Fund costs of approximately \$116,000 annually (see fiscal analysis for calculation detail).

COMMENTS

Finance is opposed to this bill for the following reasons:

- This bill is inconsistent with current law and would create a Proposition 98 General Fund cost pressure of \$116,000.
In both cases the districts have ADA that is well over the statutory cap of 2,501 for NSS funding (3,404 ADA in Calaveras Unified School District and 8,805 ADA in Kings Canyon Unified School District as of 2007-08 P1). Therefore, Finance maintains that the district should have sufficient flexibility to establish school and class sizes that avert the need for enhanced funding.
This bill could also lead to similar treatment for many other districts of similar size. By allowing a district so far above the current NSS cap to receive a funding exemption, this bill creates pressure to significantly raise the cap or provide exemptions to the approximately 230 districts with enrollment between the existing cap of 2,500 and 9,000. Thus, passage of this bill would result in a funding pressure of several million dollars, annually.
Current law already provides for exemptions from NSS funding requirements for districts that meet specified conditions. One of the conditions pertains to topographical hardships. The author of this bill notes that the Railroad Flat Elementary School is geographically isolated; however, there is no mention as to whether or not the Railroad Flat Elementary School has made any effort to request an exemption from NSS funding requirements from the Superintendent of Public Instruction.

Analyst/Principal Date Program Budget Manager Date
(0342) T. Todd Jeannie Oropeza

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

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**ANALYSIS****A. Programmatic Analysis**

Current law (EC §42280 et al.) provides eligible school districts with enhanced funding for NSS. To qualify as a NSS, a school must meet the following criteria: (1) be an elementary school with 96 or less ADA, or a high school with 286 or less ADA; (2) have a specified number of pupils that must travel more than certain mileage limits; and (3) reside in a district with an ADA of less than 2,501.

For districts that maintain two or more schools, current law provides exemptions for elementary schools to receive NSS funding, if they meet specific conditions. Specifically, an elementary school must meet any of the following conditions for exemption: (1) if as many as five pupils residing in the district have to travel 10 miles one way, (2) if as many as 15 pupils residing in the district have to travel five miles one way, or (3) if topographical or other conditions exist in a district which would impose unusual hardships if the number of miles specified in (1) and (2) were required to be traveled or if the roads being traveled have been impassable for more than an average of two weeks per year for the preceding five years.

According to the bill's author, the Railroad Flat Elementary School is a geographically isolated school removed from the rest of the district. Due to the remoteness of the school, operational costs are exceptionally higher than in schools located in more accessible areas of the county. Since the Calaveras Unified School District's ADA is greater than 2,501 (the district's ADA was 3,404 as of 2007-08 P1), the elementary school would not be eligible for NSS funding under current law. We note that the increased amount of funding gained by the exemption granted in this bill is \$10,000 (\$503,000 estimated NSS allowance for 2007-08 minus \$493,000 estimated current law funding for 2007-08).

According to the Kings Canyon Unified School District, students who complete their K-8 education at Dunlap Elementary School must travel long distances (90-minute bus ride each way) to attend a high school in the San Joaquin Valley or continue their education through independent study. The author's office advises that the revenue limit funding generated by the expected enrollment of 60 pupils would not be sufficient to support the new high school. Since the Kings Canyon Unified School District's ADA is greater than 2,501 (the district's ADA was 8,805 as of 2007-08 P1), the new high school would not be eligible for NSS funding under current law.

**B. Fiscal Analysis**

For 2007-08, standard revenue limit funding for 85 ADA (2007-08 total enrollment for Railroad Flat Elementary School) within the Calaveras Unified School District would be roughly \$493,000 (\$5,800 base revenue limit @ 85 ADA). This exception would allow the district to receive \$503,000 (\$481,200 in 2006-07 NSS allowance multiplied by the 2007-08 COLA of 4.53 percent) in NSS funding for the school.

For 2007-08, standard revenue limit funding for 60 ADA (expected enrollment for the Dunlap High School) within the Kings Canyon Unified School District would be approximately \$348,000 (\$5,800 base revenue limit @ 60 ADA). This exception would allow the district to receive \$454,000 (\$433,980 in 2006-07 NSS allowance multiplied by the 2007-08 COLA of 4.53 percent) in NSS funding for the school.

The total difference in funding between current law and the proposed change in this bill would create a Proposition 98 General Fund cost pressure of \$116,000 annually.

**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**

**AUTHOR**

**AMENDMENT DATE**

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code
	LA	(Dollars in Thousands)								
	CO	PROP								
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010		
6110/Dept of Educ	LA	Yes		--	C	\$116	C	\$116		0001