

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: July 17, 2007  
POSITION: Oppose

BILL NUMBER: SB 667  
AUTHOR: D. Hollingsworth

**BILL SUMMARY: Valley Center-Pauma USD: Necessary Small School Funding**

This bill would allow an elementary school of a school district that consolidated in the 2000-01 fiscal year to receive necessary small school (NSS) funding, provided that the school satisfies the criteria for designation as a NSS and that the school district's average daily attendance (ADA) does not exceed 5,000. This bill would essentially apply only to the Palomar Mountain Elementary School in the Valley Center-Pauma Unified School District.

**FISCAL SUMMARY**

Compared to current law, this bill would result in increased Proposition 98 General Fund costs of approximately \$60,000 annually, depending on the actual ADA of the school. This bill would also result in a Proposition 98 General Fund cost pressure in the millions of dollars for the state to fund NSS funding exceptions for other school districts that have less than 5,000 ADA.

**SUMMARY OF CHANGES**

Amendments to this bill, since our analysis of the original version, are minor and do not alter our position. The original version of this bill would have specifically authorized the Palomar Mountain Elementary School in the Valley Center-Pauma Unified School District to receive necessary small school funding, provided that the school's average daily attendance did not exceed 100.

**COMMENTS**

Finance opposes this bill as it would undermine the purpose of current law and create a significant Proposition 98 General Fund cost pressure for the state to make additional exceptions to NSS funding qualification requirements.

During the reorganization process, the State Board of Education determined that the unification of the Valley Center Union Elementary and Pauma Elementary school districts would not cause a substantial negative effect on the fiscal status of the new district. While Finance recognizes the district's financial hardships in light of declining enrollment, permitting exceptions to the district enrollment cap for NSS school funding would increase pressure to allow similar exemptions for other districts, thereby exposing the state to significant Proposition 98 General Fund costs.

Finance notes that the Valley Center-Pauma Unified School District's ADA is almost twice the NSS statutory enrollment cap. The State Department of Education reports that over 130 districts had ADA totals between 2,500 and 5,000 in 2006-07.

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Analyst/Principal (0352) B. Taylor	Date	Program Budget Manager Jeannie Oropeza	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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

D. Hollingsworth

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SB 667

**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. Districts may request an exemption to the mileage provision if the roads are unusually treacherous or considered impassable for at least two weeks out of the school year.

This bill would allow an elementary school of a school district that consolidated in the 2001-02 fiscal year to receive NSS funding, provided that the school satisfies the criteria for designation as a NSS and that the school district's ADA does not exceed 5,000.

This bill would essentially apply only to the Palomar Mountain Elementary School in the Valley Center-Pauma Unified School District. Prior to the unification of the Valley Center Union Elementary and Pauma Elementary school districts in 2000-01, Palomar Mountain Elementary qualified for NSS funding. Since the Valley Center-Pauma Unified School District's ADA is greater than 2,501 (the district's ADA was 4,330 in 2006-07), the school is no longer eligible for NSS funding. The author's office advises that the district has considered closing the school due to district-wide financial constraints resulting from declining enrollment.

**B. Fiscal Analysis**

Compared to current law, this bill would result in increased Proposition 98 General Fund costs of approximately \$60,000 annually, depending on the actual ADA of the school. For 2006-07, standard revenue limit funding for Palomar Mountain Elementary School is roughly \$60,000 (\$5,971 base revenue limit per 10 ADA). This exception would allow the district to receive about \$120,000 (not including possible add-on funding) for the school.

This bill would also result in a Proposition 98 General Fund cost pressure in the millions of dollars for the state to fund NSS funding exceptions for other districts. The Valley Center-Pauma Unified School District's ADA is almost twice the NSS statutory enrollment cap. The State Department of Education reports that over 130 districts had ADA totals between 2,500 and 5,000 in 2006-07.

Code/Department Agency or Revenue Type	SO LA CO RV	(Fiscal Impact by Fiscal Year)							Fund Code
		PROP 98	FC	2007-2008		2008-2009		2009-2010	
				FC	FC	FC	FC		
6110/Dept of Educ	LA	Yes	C		\$60 C		\$60 C	\$60	0001
6110/Dept of Educ	LA	Yes			Cost pressure in the millions of dollars				0001