

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 27, 2010
POSITION: Oppose

BILL NUMBER: AB 2366
AUTHOR: J. Brownley
RELATED BILLS: AB 851 (Brownley, 2009)

BILL SUMMARY: Education Finance: Revenue Limits

This bill would delay the consolidation of the Meals for Needy Pupils Program and the Beginning Teacher Salary revenue limit "add-ons" from the 2010-11 fiscal year to the 2013-14 fiscal year.

FISCAL SUMMARY

This bill would create one-time Proposition 98 General Fund costs of approximately \$102.6 million (approximately \$34.2 million per year for fiscal years 2010-11, 2011-12, and 2012-13, which is the difference from the actual 2007-08 programmatic costs and the 2010-11 estimated programmatic costs assuming the programs were to remain stand alone revenue limit "add-ons") in 2010-11, 2011-12 and 2012-13. In addition, this bill would create unknown additional costs for local educational agencies to calculate potential funding the districts would receive through the Meals for Needy Pupils and Beginning Teacher Salary programs. There would be minor, but absorbable General Fund costs for the State Department of Education to collect the additional local fiscal information.

COMMENTS

The Department of Finance is opposed to this bill for the following reasons:

- This bill would delay the consolidation of the current Meals for Needy Pupils and Beginning Teacher Salary Incentive "add-ons", which would create Proposition 98 General Fund costs of approximately \$102.6 million. These increased costs are not advisable at a time of significant General Fund constraint.
This bill would increase the administrative workload for local educational agencies and the State Department of Education to track additional programmatic and fiscal information.

Education Code Sections 42241.2 and 49550 authorize some school districts to receive extra general purpose funds based on the number of pupils in the school district that receive free or reduced-price lunches, resulting in estimated Proposition 98 General Fund costs of approximately \$218 million in 2010-11. Prior to the enactment of Proposition 13, many school districts enacted local permissive override taxes to help offset the cost of providing a food service program to pupils qualifying for free and reduced-price lunches. Upon enactment of Proposition 13, these districts had the option to have equivalent amounts funded by the State separately or rolled into their revenue limits. About 375 districts kept the funding separate, while the remainder rolled these amounts into their base revenue limits. Districts that did not have local permissive override taxes for these meal programs when Proposition 13 passed do not receive the additional funding.

Chapter 374 of the Statutes of 2009 (AB 851, Brownley) consolidated the Meals for Needy Pupils and Beginning Teacher Salary Programs into one base revenue limit adjustment at the 2007-08 funding level (adjusted annually for growth and Cost-of-Living Adjustments beginning in 2010-11). Current law provides

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Department Deputy Director Date

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

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that revenue limit funding for K-12 School Districts is based on a per pupil base revenue limit multiplied by Average Daily Attendance (ADA). The base revenue limit for school districts is then calculated by taking the prior year amount and adjusting it to take into account cost of living increases when provided and any other adjustments, such as an adjustment implementing funding for necessary small schools. Existing law also provides that K-12 revenue limit funding be further adjusted as specified in statute for individual programs or district characteristics. These adjustments are collectively referred to as revenue limit add-ons.

It our understanding that the intent of this bill is to delay the consolidation of the Meals for Needy Pupils into base revenue limits due to the economic recession, which has increased the number of eligible pupils receiving subsidized meals. However, we note that school districts are not required to use funds received from the Meals for Needy Pupils Program to provide meals to needy pupils and may use the funds for other purposes as long as the school district provides meals for eligible pupils using various other eligible fund sources. Delaying the implementation of AB 851 would require an increase in Proposition 98 General Fund for school district revenue limit apportionments.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)								Fund Code
	LA	(Dollars in Thousands)								
	CO RV	PROP 98	FC	2010-2011	FC	2011-2012	FC	2012-2013		
6110/Dept of Educ	LA	Yes	C	\$34,200	C	\$34,200		--	0001	
6110/Dept of Educ	SO	No		-----	No/Minor	Fiscal Impact	-----		0001	