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02/12/10 04:55 PM
RN 10 01801 PAGE 1

An act to add and repeal Chapter 3 (commencing with Section 63060) of Part 35 of Division 4 of Title 2 of the Education Code, relating to education funding.



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23402

02/12/10 04:55 PM
RN 10 01801 PAGE 2

Existing law, as a condition of receiving the categorical education program funds that may be used for any educational purpose, requires school districts and county offices of education, at a regularly scheduled, open, public hearing, to take testimony from the public, discuss, and approve or disapprove the proposed use of funding. Existing law requires a local educational agency to report expenditures, as specified, to indicate the activities for which these funds were expended and requires the department annually to collect and provide this information to the appropriate legislative policy and budget committees and the Department of Finance.

This bill would establish the 3-year Maximum Categorical Education Flexibility Pilot Program in which 3 school districts would be selected to participate. To be eligible for selection, a school district would be required to meet certain preconditions, including developing a plan or initiative to accelerate pupils' progress to proficiency that includes measurable metrics to improve pupil performance, closing the achievement gap, increasing college entrance rates, and increasing career readiness. A school district selected to participate would be required to agree to demonstrate significant progress toward accelerating pupils' progress toward proficiency on California's academic standards over the 3-year pilot project period, a narrowing of the achievement gap in its federally recognized subgroups, fiscal solvency, positive growth on the district API, improvement in its college entrance rate, and an increase in its graduation rate.

The bill would require the Superintendent to apportion to the participating school districts a categorical education block grant based on the funding those school districts received in the 2009-10 fiscal year for specified programs, including the Economic



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23402

02/12/10 04:55 PM
RN 10 01801 PAGE 3

Impact Aid Program, the Class Size Reduction Program, Child Nutrition Programs, and Transportation Programs.

A participating school district would be allowed to use the block grant funds for any purpose related to improving pupil achievement and academic instruction and would be required to implement an open and transparent process that allows public input when discussing and deciding on the expenditure of categorical education block grant funds. A participating school district would be deemed to be in compliance with the program and funding requirements associated with the categorical education programs included in the block grant.

A participating school district would be required to submit an evaluative annual report to the department, the state board, the Governor, and the Legislature and to submit to the department an annual expenditure report.

Note: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.



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23402

02/12/10 04:55 PM
RN 10 01801 PAGE 1

LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: Education funding: maximum categorical education flexibility pilot program.

LEGISLATIVE COUNSEL'S DIGEST

Existing law establishes various categorical education programs and appropriates the funding for those programs in the annual Budget Act. Existing law requires the Superintendent of Public Instruction, for the 2008-09 to 2012-13 fiscal years, inclusive, to apportion from the amount provided in the annual Budget Act for specified categorical education programs an amount based on the same relative proportion that the local educational agency received in the 2008-09 fiscal year for those programs and authorizes school districts, for those fiscal years, to use these funds, with specified exceptions, for any educational purpose, to the extent permitted by federal law. Existing law, for those fiscal years, deems local educational agencies that use these categorical education program funds for any educational purpose to be in compliance with the program and funding requirements of those categorical education programs.



23402

02/12/10 04:55 PM
RN 10 01801 PAGE 2

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. The Legislature finds and declares all of the following:

(a) California school districts are facing immeasurable challenges managing reductions in state funding and need maximum flexibility in the ways they can utilize restricted funding from the state.

(b) The pilot project enacted by this act would give three school districts maximum flexibility by creating a new categorical program block grant that would include all the funding for categorical education programs received by the district and allow that funding to be used for any purpose related to improving pupil achievement and academic instruction.

(c) The pilot project will demonstrate to state policymakers that state money for categorical education programs can be managed more efficiently and effectively by school districts to meet the academic needs of all pupils and result in progress in closing the achievement gap.

(d) Maximum categorical program flexibility will enhance a school district's ability to support academic and career goals for all pupils and provide systematic, differentiated instruction and interventions to accelerate pupils' progress to proficiency.

(e) The pilot program will allow the state to evaluate the benefits of maximum categorical program flexibility and ensure that flexibility, when used correctly, will result in gains in pupil achievement.

SEC. 2. Chapter 3 (commencing with Section 63060) is added to Part 35 of Division 4 of Title 2 of the Education Code, to read:



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23402

02/12/10 04:55 PM
RN 10 01801 PAGE 3

CHAPTER 3. MAXIMUM CATEGORICAL EDUCATION FLEXIBILITY PILOT PROGRAM

63060. The Maximum Categorical Education Flexibility Pilot Program is hereby established. The pilot project shall be implemented during the 2011-12, 2012-13, and 2013-14 fiscal years. The Superintendent shall select three school districts to participate in the pilot project.

63061. In order to be eligible to apply for selection, a school district shall meet the following preconditions:

(a) The school district has a plan or initiative to accelerate pupils' progress to proficiency. The plan shall include measurable metrics to improve pupil performance, close the achievement gap, increase college entrance rates, and increase career readiness.

(b) The governing board of the school district has approved the plan and developed corresponding policies in support of the plan.

(c) The evaluation of the performance of the superintendent of the school district is linked to pupil performance goals.

(d) The school district can demonstrate a pattern of stability between management and the bargaining units.

(e) There is community support for the plan.

63062. A school district selected to participate in the pilot project shall agree to demonstrate all of the following:

(a) Significant progress toward accelerating pupils' progress toward proficiency on California's academic standards over a three-year period.



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23402

02/12/10 04:55 PM
RN 10 01801 PAGE 4

(b) A narrowing of the achievement gap in the district's federally recognized subgroups.

(c) Fiscal solvency.

(d) Positive growth, as measured by the district's API score.

(e) An increase in the district's graduation rate.

(f) Improvement in the district's college entrance rate.

63063. The Superintendent shall apportion to the school districts selected for participation in the pilot project a categorical education block grant that is based on the funding those school districts received in the 2009-10 fiscal year for the budget items listed in paragraph (2) of subdivision (a) of Section 42605 and budget items 6110-111-0001, 6110-119-0001, 6110-128-0001, 6110-130-0001, 6110-158-0001, 6110-166-0001, 6110-196-0001, 6110-201-0001, 6110-202-0001, 6110-203-0001, 6110-220-0001, 6110-224-0001, and 6110-234-0001. The amount of the categorical education block grant shall be adjusted for cost of living and growth in fiscal years that state funding is appropriated for those purposes.

63064. (a) Notwithstanding any other law, a participating school district may use the categorical education block grant funds that it receives pursuant to subdivision (c) for any purpose related to improving pupil achievement and academic instruction.

(b) A participating school district shall implement an open and transparent process that allows public input when discussing and deciding on the expenditure of categorical education block grant funds.

63065. Notwithstanding any other law, for the 2011-12, 2012-13, and 2013-14 fiscal years, a participating school district shall be deemed to be in compliance with



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23402

02/12/10 04:55 PM
RN 10 01801 PAGE 5

the program and funding requirements contained in statutory, regulatory, and provisional language associated with the items listed in subdivision (c) of this section and paragraph (2) of subdivision (a) of Section 42605.

63066. (a) A participating school district shall submit an evaluative annual report to the department, the state board, the Governor, and the Legislature that details the progress made during the immediately prior school year towards the goals set forth in subdivision (c).

(b) A participating school district also shall submit to the department an annual expenditure report.

64067. This section shall become inoperative on July 1, 2014, and, as of January 1, 2015, is repealed, unless a later enacted statute, that becomes operative on or before January 1, 2015, deletes or extends the dates on which it becomes inoperative and is repealed.



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