
SENATE COMMITTEE ON EDUCATION

Senator Benjamin Allen, Chair

2017 - 2018 Regular

Bill No:	SB 1203	Hearing Date:	April 4, 2018
Author:	Berryhill		
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Urgency:	No	Fiscal:	Yes
Consultant:	Ian Johnson		

Subject: Pupil attendance: school districts of choice

SUMMARY

This bill increases the funding that basic aid school districts receive for student transfers under the School District of Choice program from 25 percent to 70 percent of the home district's base grant under the Local Control Funding Formula.

BACKGROUND

Existing law, until July 1, 2023, establishes the District of Choice program as follows:

- 1) Authorizes the governing board of a school district to operate as a school district of choice and accept student transfers from school districts of residence, as prescribed. Upon electing to operate as a school district of choice, the governing board must, by resolution, determine and adopt the number of transfers it is willing to accept. The school district of choice must ensure that pupils are selected through an unbiased process without considering a pupil's academic or athletic performance, physical condition, proficiency in English, or family income.
- 2) Requires school districts of choice to determine transfer approvals by a random drawing held in public at a regularly scheduled meeting of the school district governing board if the number of transfer applications exceeds the number of transfers the board is willing to accept.
- 3) Specifies that school districts of choice are subject to annual financial and performance audit requirements.
- 4) Requires school districts of choice to post application information on their Internet Web sites, make all communications regarding transfer opportunities available in multiple languages, and register by July 1, 2018 with both the Superintendent of Public Instruction and their county board of education.
- 5) Prohibits a school district of choice from denying a pupil transfer based on the cost to educate exceeding the amount of state aid received. However, school districts of choice may deny pupil transfers if the transfer would require the district to create a new program or would displace a current student, except that the transfer of a special needs pupil or an English learner is prohibited.

- 6) Specifies that school districts of choice must give attendance priority first to children in attendance in that district, second to pupils eligible for free or reduced-price meals, and third to children of military personnel.
- 7) Allows a school district of residence with an average daily attendance (ADA) greater than 50,000 to limit the number of pupils transferring out each year to one percent of its current year estimated ADA.
- 8) Allows a school district of residence with an ADA of 50,000 or less to limit the number of pupils transferring out to either three percent of its current year estimated average daily attendance or 10 percent of its ADA for the duration of the program.
- 9) Allows a school district of residence to prohibit a student transfer if the governing board of the district determines that the transfer would negatively impact a court-ordered or voluntary desegregation plan, or the district's racial and ethnic balance.
- 10) Requires transfer applications to be submitted to the school district of choice before January 1 of the school year preceding the school year for which the pupil is requesting to be transferred, except upon agreement of the school districts of residence and choice or for students whose parent or guardian is enlisted in the military and was relocated less than 90 days before applying for transfer.
- 11) Prescribes the deadlines by which the governing board of a school district of choice must notify parents in writing whether applications have been accepted, rejected, or placed on a waiting list.
- 12) Specifies that the ADA for pupils admitted by a school district of choice shall be credited to that school district, including state aid for categorical programs. For basic aid school districts of choice, the apportionment of state funds for ADA shall be 25 percent of the school district's Local Control Funding Formula base grant.
- 13) Requires school districts of choice to report an accounting of all transfer requests made and the disposition of those requests to the governing board at a regularly scheduled meeting.
- 14) Requires the Superintendent of Public Instruction to do all of the following:
 - a) Maintain a list of the school districts of choice in the state.
 - b) Collect specified information from each school district of choice without creating a new field in the California Longitudinal Pupil Achievement Data System.
 - c) Post specified information collected on the department's Internet Web site.
 - d) Post a single list of all school choice programs on the department's Internet Web site.

- e) Annually make all of the following information available to the Legislature, the Department of Finance, and the Legislative Analyst's Office:
 - i. The number and characteristics of pupils who use the school district of choice option pursuant to this article.
 - ii. Assessment scores of school districts of choice and school districts of residence.
 - iii. The graduation rates of school districts of residence and school districts of choice.
 - iv. The enrollment of school districts of residence and school districts of choice for the previous five years.
 - v. The fiscal health of school districts of residence and school districts of choice.
 - vi. Whether a school district of residence has exceeded transfer limits.
 - vii. The number of pupils provided with transportation services.
- 15) Requires the Legislative Analyst to conduct a comprehensive evaluation of the program and prepare recommendations regarding an extension. The evaluation must incorporate the data described above and be submitted to the Legislature and to the Department of Finance by January 31, 2021.

ANALYSIS

This bill increases the funding that basic aid school districts receive for student transfers under the School District of Choice program from 25 percent to 70 percent of the home district's base grant under the Local Control Funding Formula (LCFF).

STAFF COMMENTS

- 1) ***Need for the bill.*** According to the author, "Pass-through funding for transfer students to Basic Aid Districts participating in the District of Choice Program was reduced from 70 percent of the LCFF Base Grant to 25 percent of the Base Grant in last summer's Education Omnibus Trailer Bill (AB 99, Section 37, Ed Code Sec. 48310). This reduction will push districts out of the program, reducing parental choice at the same time as potentially increasing state costs. SB 1203 proposes to re-bench the pass-through to 70 percent, which would require statutory action.

It is quite difficult, if not impossible, to determine the costs or savings that might result from passage of SB 1203; it depends on how the reduced pass-through rate (from 70 percent to 25 percent) affects Basic Aid District participation in the District of Choice program. If participation remains unchanged and no Basic Aid Districts eliminate or reduce their participation, the lower pass-through would save the state almost 65 percent of the amount currently being sent to Basic Aid

districts in pass-through dollars. If the new rates push Basic Aid Districts out of the program altogether and the District of Choice transfers now have to return to their LCFF-funded districts of residence, this would increase the cost to the state over current pass-through amounts by anywhere from about 43 percent to 71 percent to 143 percent, depending on whether the students qualify for LCFF Supplemental Grants, and whether or not their district of residence qualifies for Concentration Grants. Using data from the LAO for 2018, and making some conservative assumptions (that the unduplicated count percentages of the transfer students from LCFF are 55% from Concentration Grant-eligible districts and 25% from Concentration Grant-eligible districts), we estimate that the fiscal impact of SB 1203 would range from a cost of about \$2.5 million to a savings of about \$3 million.

However, we may already be seeing the impact of the reduced passthrough rate. According to LAO data, three of the 21 Basic Aid districts that participated in the District of Choice program in 2015 are no longer participating in 2018. The one district (Midway ESD) that joined the program after 2015 is already looking to sharply reduce the number of transfers through consolidating grades into combination classes, thereby reducing empty seats available for transfer students. Not even accounting for the program growth that took place between 2015 and 2017, overall participation in the DoC program by Basic Aid Districts that participated in 2015 has decreased in the Current Year by one-twelfth – from 911 to 832 – below 2015 levels, and this is in spite of the fact that the funding reduction took place after the deadline to reduce certificated staff for the current school year. It is probable that absent the passage of SB 1203 this erosion will continue to the point where the proposed legislation would result in actual savings, perhaps in the millions of dollars annually.”

- 2) ***History of the program.*** The District of Choice program was created in the early 1990s amidst statewide efforts to increase student academic choice. At the time, supporters argued that choice would improve public education by encouraging schools to be more responsive to community needs, and there was growing concern over the possibility of a private school voucher system being created. In response, the following three measures were passed: (1) the Charter Schools Act of 1992, (2) increased intradistrict transfer options, and (3) increased interdistrict transfer options, with the District of Choice program being the least restrictive.

The District of Choice program began as a five-year pilot, with the first student transfers taking effect in the 1995-96 academic year. The state extended the program for five more years in 1999, followed by additional extensions in 2004, 2007, 2009, and 2015. As part of the most recent reauthorization, the 2017-18 budget extended the program for another six years and made several changes to the program, addressing longstanding equity, transparency, and accountability concerns.

- 3) ***Legislative Analyst Office Program Evaluation.*** The Legislative Analyst Office 2016 report, “Evaluation of the School District of Choice Program” included the following summary: “A state law adopted in 1993 allows students to transfer to school districts that have deemed themselves Districts of Choice. Two main

features distinguish this program from other interdistrict transfer laws. First, Districts of Choice must agree to accept interested students regardless of their academic abilities or personal characteristics. Second, interested students generally do not need to seek permission from their home districts. With the program scheduled to sunset on July 1, 2017, the state now faces a key decision about whether to reauthorize it. This report responds to a legislative requirement that we evaluate the program and provide recommendations concerning its future.” The report included the following major findings:

- a) *State Has 47 Districts of Choice Serving 10,000 Transfer Students.* Participating districts represent 5 percent of all districts in the state and participating transfer students represent 0.2 percent of statewide enrollment. Participating districts include a number of small districts located throughout the state as well as several large districts located near the eastern edge of Los Angeles County. Five large districts serve nearly 80 percent of all participating transfer students.
- b) *Transfer Students Have Varied Demographic Backgrounds.* We found that 27 percent of participating transfer students come from low-income families. We also found that transfer students are 35 percent white, 32 percent Hispanic or Latino, 24 percent Asian, and 9 percent other groups. These percentages are similar to the average for all students attending Districts of Choice. Transfer students are, however, less likely to be low income or Hispanic than the students attending their home districts.
- c) *The Program Provides Transfer Students With Additional Educational Options.* Students often participate in the District of Choice program to pursue academic opportunities unavailable in their home districts. The most common opportunities sought by transfer students are college preparatory programs (such as the International Baccalaureate program), academies with a thematic focus (such as science or language immersion), and schools with a specific instructional philosophy (such as project-based learning). Other students transfer because they are seeking a fresh start at a new school or because they want to attend a school that is more conveniently located.
- d) *Almost All Students Transfer to Districts With Higher Test Scores.* The average District of Choice has test scores well above the state average, whereas the average home district has test scores slightly below the state average. Available data show that more than 90 percent of students transfer to districts with higher test scores than their home districts.
- e) *Home Districts Often Respond by Improving Their Instructional Offerings.* Most of the home districts we interviewed had responded to the program by taking steps to gain greater clarity about the priorities of their communities and by implementing new educational programs. Most home districts also had improved their test scores over time. Districts reported that their efforts usually resulted in at least some reduction in the number of students seeking to transfer out.

- f) *Program Oversight Has Been Limited by a Lack of Data and Flaws in the Audit Procedure.* Though the law requires Districts of Choice to produce annual reports containing information about the number and characteristics of their transfer students, the state has never collected these reports. In addition, the audit requirement the state added to the program in 2009 has been implemented inconsistently and contains no mechanism to address any compliance problems.

Lastly, the report recommended to: (1) reauthorize the program for another five years, (2) repeal the cumulative transfer cap, (3) assign the California Department of Education specific administrative responsibilities, (4) implement a new oversight mechanism, and (5) improve local communication.

- 4) ***Recently Adopted Program Reforms.*** As part of the 2017-18 state budget negotiations, the Legislature reauthorized the District of Choice program until July 1, 2023, and reformed the program as follows:
 - a) Require school districts of choice to accept all pupils who apply until the school is at maximum capacity.
 - b) Prohibit school districts of choice from basing transfer decisions on a pupil's physical condition, proficiency in English, and family income.
 - c) Specify that school districts of choice are subject to annual financial and performance audit requirements.
 - d) Require school districts of choice to post application information, including transfer process deadlines, on their Internet Web sites, and make all communications available in multiple languages.
 - e) Require school districts of choice to register with both the Superintendent of Public Instruction and their local county board of education.
 - f) Add pupils eligible for free or reduced-price meals to the list of pupil transfers that get special priority.
 - g) Requires school districts of choice to notify parents in writing when a transfer request is rejected, and notify the school district of residence in writing when a transfer request is approved.
 - h) Reduce the amount of funding that basic aid school districts receive for student transfers from 70 percent to 25 percent of the district's base grant under the Local Control Funding Formula.
 - i) Require school districts of choice to make public announcements regarding its schools, programs, policies, and procedures, including transportation services.

- j) Require the Superintendent of Public Instruction to collect and post on the department's Internet Web site specified information from school districts of choice.
- k) Require the Legislative Analyst Office (LAO) to evaluate the program and provide recommendations to the Legislature and Department of Finance by January 31, 2021.

Given that this program was discussed during the 2017 Conference Committee process, the Committee may wish to consider whether this bill undermines last year's negotiations between the Senate, Assembly, and Administration that settled on the reforms outlined above. Further, it may be premature to pursue additional program reforms at this time, given that the LAO is required to provide an evaluation of this program, including recommendations, by January 31, 2021.

- 5) ***Basic Aid School Districts of Choice.*** Under the Local Control Funding Formula (LCFF), school districts are funded based on student attendance. When a student transfers, the home district no longer generates funding for that student and the District of Choice begins generating the associated funding. For basic aid school districts—those with property tax revenue exceeding their LCFF allotment—the District of Choice program funding is allocated as follows:
- a) For students transferring from a non-basic aid district to a basic aid district of choice, the basic aid district of choice receives 25 percent of the LCFF base funding that student would have generated for the home district.
 - b) For students transferring between basic aid school districts, no funding is exchanged.

Because basic aid school districts of choice do not receive a state funding allowance for students who transfer through other means (e.g. interdistrict permits or parental employment transfers), the District of Choice program is the most fiscally advantageous option afforded to them. This may be why basic aid school districts make up roughly half of the participants in the District of Choice program, even though they make up just 10 percent of school districts in the state.

SUPPORT

Geyserville Unified School District
 Kenwood School District
 Mendocino Unified School District
 Pine Ridge Elementary School District
 Round Valley Joint Elementary School District
 Shoreline Unified School District

OPPOSITION

None received

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