



**PPIC**

PUBLIC POLICY  
INSTITUTE OF CALIFORNIA

## Technical Appendices

# Funding California Schools The Revenue Limit System

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# Appendix A. Revenue Limit Calculation and Decomposition

Table A1 lists the components of the revenue limit calculation as computed by CDE, as well as the statewide total funding from each of the components. The descriptions in the table rely heavily on the descriptions provided in Revenues and Revenue Limits.<sup>1</sup> The revenue limit calculation forms may change slightly each year, depending on any legislation. For example, starting in 2005–2006, the Continuation High School Adjustment was eliminated from the revenue limit calculation because that funding was collapsed into the Pupil Retention Block Grant categorical program.

Table A2 summarizes revenue limit funds per ADA as the sum of each of the components. All adjustment dollar amounts are weighted by ADA.

**TABLE A1**  
Components of revenue limit calculation

Line	Description	Number of districts	Statewide total 2005–2006 (\$)
Total base revenue limit	The sum of all districts’ base revenue limit per ADA multiplied by the total funded ADA. A district’s base revenue limit is calculated by taking the sum of the prior year per ADA base revenue limit, any equalization aid or miscellaneous funding authorized by the legislature, and an inflation adjustment.	931 (47 districts are 0) <sup>2</sup>	30,737,112,487
Allowance for necessary small school	An optional alternative hybrid funding formula based on ADA and the number of classrooms. Eligible districts must have fewer than 2,501 ADA and have an elementary school with fewer than 96 ADA and/or a high school with fewer than 286 ADA and meet the “necessary” criterion as described in Education Code 42280.	144	111,454,429
Gain or loss from interdistrict attendance agreements	An adjustment claimed by the district of residence that would otherwise lose more than 25 percent of its Federal Impact Aid. In this instance, the adjustment is the difference between the tuition charged by the district of attendance and the district of residence’s base revenue limit.	0	0
Meals for needy pupils	A positive adjustment for districts that levied the meal for needy pupils permissive override property tax in 1977–1978. It is calculated by multiplying the per pupil meal amount by COLA and the number of free and reduced price meals served. It is a source of unrestricted revenue and does not need to be spent on school nutrition programs.	376	159,035,452
Special revenue limit adjustments	Provides funding to five districts from special legislation. The first compensates Capistrano Unified for an interdistrict attendance agreement with Fallbrook High	5	1,240,464

<sup>1</sup> Goldfinger and Blattner (2005) and Goldfinger and Kubinec (2008).

<sup>2</sup> These districts are either funded entirely through the necessary small school formula or through a combination of NSS and locally funded charters.

TABLE A1 (continued)

Line	Description	Number of districts	Statewide total 2005–2006 (\$)
	School districts about Federal Impact Aid (EC 46610). The second funds the Boys Republic High School in Chino Unified for court ordered pupils (EC 42285.1). AB 552 (Chapter 1076, Statutes of 1991) funds middle schools in Live Oak and Soquel districts. Finally, per Education Code 42283.1, Alum Rock and Hot Springs Elementary districts receive \$50,000 instead of the necessary small school formula funding as long as the schools have no more than 20 and 28 ADA, respectively. In 2005–2006, neither district received funding.		
One-time equalization adjustments	During one of the rounds of equalization in the 1990s, the language in the equalization bill created a one-time total amount of equalization funding rather than the per pupil adjustment in the base revenue limit calculation.	0	0
Miscellaneous revenue limit adjustments	An in-lieu PERS adjustment for San Francisco Unified, which does not offer PERS and has its own retirement system.	1	319,947
All charter district revenue limit adjustment	A negative adjustment for districts that converted all schools into charters and use the revenue limit instead of the charter school block grant funding formula and have higher than statewide average revenue limits and serve pupils who do not reside in the district (EC 47664). It is equal to the difference between the district’s base revenue limit and comparable statewide average revenue limit multiplied by the growth in nonresident ADA. In 2005–2006, there were eight all-charter districts, seven of which used the revenue limit formula, two of which were affected by the adjustment.	2	-15,717
Beginning teacher salary incentive funding	Incentive funding for the two Beginning Teacher Salary programs. The first program provided incentive funding to districts that raised beginning teacher salaries to at least \$32,000 in 1999–2000 (EC 45023.4), and the second program provides funding to districts that raised salaries to at least \$34,000 in 2000–2001 (EC 45023.1). The 1999–2000 incentive funding is calculated by multiplying a COLA-adjusted per ADA amount by the prior year district and ROCP ADA. In 2005–2006, the per ADA amount was \$10.59. The 2000–2001 incentive funding varies by district based on two options available to districts at the time: \$6 per ADA or the amount needed to raise salaries to \$34,000 converted to a per ADA amount. That is then adjusted for COLA and multiplied by the current year district and ROCP ADA. Adult and charter school block grant ADA are excluded. Districts are eligible for continued incentive funding if they maintain the beginning teacher salary level in the prior year. Districts lose funding if they reduce salaries below each program’s minimum.	854	92,514,996
Class size penalties adjustment	A negative adjustment for districts that exceed specified maximum class sizes in grades K–8. Per Education Code 41376, 41378, and 41382, districts lose funded ADA in excess of statutory maximum class sizes for each grade band, ranging from 30–33 pupils. The adjustment is calculated by multiplying this lost ADA by the base revenue limit. This adjustment is separate from the K–3 Class Size Reduction categorical program and its penalties.	10	-371,700

TABLE A1 (continued)

Line	Description	Number of districts	Statewide total 2005–2006 (\$)
Deficit factor	Deficit factors are applied when the appropriation is insufficient based on the funding formulas specified by law. It is equal to the percentage by funds calculated by statute are funded. In 2005–2006, base revenue limits and all revenue limit adjustments above were reduced by 0.892 percent (1-0.99108).	978	0.99108
Unemployment insurance revenue	Reimburses districts for any increase in costs related to rate increases for unemployment insurance (UI) since 1975–1976. The UI adjustment is calculated by subtracting the 1975–1976 UI expenditures from the current year total UI expenditures. It cannot be negative.	974	135,234,982
Longer day/year penalty	A negative adjustment for districts that failed to meet the minimum instructional time (EC 46200(b)) in the prior year and were not granted a waiver by SBE. The longer day/year standards set by SB 813 (Chapter 498, Statutes of 1983) also provided additional funding that was permanently folded into the base revenue limit. The adjustment is proportional to the amount of time the district falls short. See Education Code sections 46201, 46202, and 46206.	2	-573,043
Excess rocp reserves penalty	A negative adjustment equal to ROCPs’ net ending balances in excess of 15 percent of the prior year ROCP expenditures for operation, as required by Education Code 52321. The net ending balance excludes capital outlay balances accumulated through Education Code 52312 and 52317. ROCPs may request a waiver from SBE.	0	0
Pers adjustment	Recaptures any savings resulting from a lower employer contribution rate to the Public Employees’ Retirement System (PERS) than the 1981–1982 rate of 13.02 percent. The PERS adjustment was originally designed as a one-time savings when the rate fell by 1 percent in 1982–1983, but it has become a permanent revenue limit adjustment.	974	-188,402,648
Pers safety adjustment	Differs from the PERS adjustment in that it applies only to districts that have sworn police officers and a separate contract with PERS for this purpose. Also, if the PERS Safety rate is greater than 13.02 percent, this adjustment is positive to reflect the additional cost to districts.	9	7,054,500
SB 319 50 percent adjustment	A one-time adjustment by SB 319 (Chapter 355, Statutes of 2005) for the 2005–2006 fiscal year only that revised the revenue limit funding of a unified school district for ADA attending a charter school established prior to July 1, 2005.	90	9,899,950
Local revenue	Local revenues are used to offset state aid from the General Fund. The majority of local revenues are local property taxes; however, it also includes supplemental secured roll taxes, timber yield taxes, applicable excess ERAF, and 50 percent of in lieu taxes on mineral royalties and bonuses. In-lieu property taxes owed to charter schools within district boundaries are excluded.	978	-10,888,796,128
Charter school general purpose block grant offset	An accounting adjustment for unified district conversion charter schools so that charter conversion is fiscally neutral. This negative adjustment was created by SB 319 (Chapter 355, Statutes of 2005).	90	-426,150,509

TABLE A1 (continued)

Line	Description	Number of districts	Statewide total 2005–2006 (\$)
Total state aid (including County Office Transfer)	Funding from the state General Fund to meet the revenue limit entitlement. Equals the sum of the base revenue limit, all adjustments, some of which are negative, and the negative of local revenues. State aid cannot be less than \$0.	899	19,736,752,624
Excess tax amount	If a district receives no state aid because the local revenues exceed the revenue limit entitlement, the district retains the excess taxes and is typically called a basic aid or excess tax district. Excess taxes are unrestricted general purpose funds.	79	264,618,680

**TABLE A2**  
**Revenue limit funds decomposition**

<b>Decomposition category</b>	<b>Description</b>	<b>Number of districts</b>	<b>Average adjustment 2005–2006 (\$/ADA)</b>
Base revenue limit	Deficited total base revenue limit.	978	5,184
Declining enrollment adjustment	Difference in funded and actual regular district ADA, multiplied by the base revenue limit, divided by PPIC ADA.	545	111
Necessary small school adjustment	Difference between the NSS adjustment per NSS ADA and the base revenue limit, multiplied by the proportion of NSS students to PPIC ADA. Includes the special adjustments related to NSS funding.	144	453
Locally funded charter school adjustment	Difference between the general purpose block grant per locally funded charter ADA and the base revenue limit, multiplied by the proportion of charter ADA to PPIC ADA.	113	2
Unemployment insurance adjustment	UI adjustment divided by PPIC ADA.	974	23
All other adjustments	Sum of all adjustments listed divided by PPIC ADA. Includes: Gain or Loss from Interdistrict Attendance Agreements, Meals for Needy Pupils, Special Revenue Limit Adjustments not captured elsewhere, One-Time Equalization Adjustments, Miscellaneous Revenue Limit Adjustments, All Charter District Revenue Limit Adjustment, Beginning Teacher Salary Incentive Funding, Class Size Penalties Adjustment, Longer Day/Year Penalty, Excess ROCP Reserves Penalty, PERS Adjustment, PERS Safety Adjustment, SB 319 50 percent Adjustment Charter School General Purpose Block Grant Offset, the county office transfer, and Basic Aid Choice/Court-Ordered Voluntary Pupil Transfer.	976	11
Excess taxes	Excess taxes divided by PPIC ADA. Includes Basic Aid Supplement Charter School Adjustment and other 50 percent of miscellaneous revenue.	208	153
Revenue limit entitlement	Sum of all components.	978	5,341

## Appendix B. Data and Methods

The data included in this paper were allocated through the Principal Apportionment administered by the California Department of Education (CDE). The data are all for 2005–2006, the latest audited and certified data available from CDE. The data include 978 districts and 213 locally funded charter schools that received funding in 2005–2006. These data are publicly available through CDE’s website for each district by going to the fiscal exhibits for the 2007–2008 principal apportionment and selecting 2005–2006 for the period, school district for the entity, school district revenue limit for the program, and then the county and district of interest.<sup>3</sup> The charter school block grant funding and other funding included in this analysis but not part of revenue limits is also available in the fiscal exhibits on CDE’s website.

The accompanying report reorganizes the revenue limit entitlement calculation by decomposing it into seven components. Some of these components include other unrestricted, general purpose funds that are not technically part of the revenue limit entitlement. Each component is measured in dollars per student. CDE determines the number of students in each district by its average daily attendance (ADA). The measure used in the accompanying report differs from the measure typically used by CDE. This appendix provides more information regarding the reorganization and decomposition of the revenue limit entitlement to yield revenue limit funds per ADA used in the report. Additionally, this appendix explains the measure of ADA used in the report and how that measure differs from the one used by CDE.

### Decomposing Revenue Limit Funds

The following describes how each component of revenue limit funds per ADA was calculated, using the ADA and revenue limit calculation sheets and files provided by CDE for fiscal year 2005–2006.

- dada\_01: Current year actual ADA in all district-operated schools, except necessary small schools and locally funded charter schools. Does not include students funded through district revenue limit who are educated in County Office schools and whose education is financed through the county office transfer. Includes the ADA from all-charter districts funded through the revenue limit system. Also, this ADA includes district responsibility students in NPS and NPS/LCI facilities.<sup>4</sup>
- dada\_02: Total funded ADA in district-operated schools, as above, but adjusted for the higher of this year or prior year ADA.<sup>5</sup>
- dada\_03: Funded resident ADA in unified school district charter schools (0018)<sup>6</sup>
- dada\_04: Current year actual ADA in necessary small schools (0011)<sup>7</sup>
- dada\_05: Current year actual ADA in locally funded charter schools.<sup>8</sup>

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<sup>3</sup> The data are available at <http://ias.cde.ca.gov/apportionment/ias.aspx?schoolyearid=2007&RptType=P2&CertType=Non>.

<sup>4</sup> ADA calculation sheet: A12 + A15 + A-16 + B-1 + B-2 + B-3 + B-4 + B-5

<sup>5</sup> ADA calculation sheet: A-13 + greater of (A-14 and A-15) + B-1 + B-2 + B-3 + B-4 + B-5

<sup>6</sup> ADA calculation sheet A-18: Elementary and high school districts differ only in that charter school ADA is not included in the initial step and the CS block grant is not deducted at the end.

<sup>7</sup> ADA calculation sheet A-11

<sup>8</sup> For locally funded charters in unified districts, the sum across those charters of B1+B3+B5+B7+C1+C3+C5+C7 from *Charter School Block Grant Funding Unified*. For locally funded charter schools in elementary and high school districts, the sum across those charters of A1+A4+A7+A10 from the *Charter School Block Grant Funding EHS*.

dada\_06: Funded ADA in county office schools funded through the district revenue limit.<sup>9</sup> Examples include community schools and special day classes.

dada\_07: Current year ADA for Basic Aid Choice<sup>10</sup>

dada\_cap: ADA adjustments for Fallbrook Union High and Capistrano Unified

dada\_08: This is total actual ADA in district-operated schools.<sup>11</sup>

drl\_base: Revenue limit base rate, \$/ADA (0024)<sup>12</sup>

drl\_d: Deficit factor (0281)<sup>13</sup>

drl\_nss: Necessary small schools addition to revenue limit, \$ (0489)<sup>14</sup>

drl\_lfbg: Block grant for locally funded charter schools in district.<sup>15</sup>

drl\_csbg: Charter Schools Block Grant in Unified Districts, \$ (0293)<sup>16</sup>

drl\_cot: County Office Schools Transfer, \$ (-0458)<sup>17</sup>

drl\_bac: Basic Aid Choice Transfer, \$ (0266)<sup>18</sup>

drl\_cap: Capistrano Special Adjustment

drl\_01: Adjustments to revenue limit, \$<sup>19</sup>

drl\_ui: The unemployment insurance adjustment, \$ (0060)<sup>20</sup>

drl\_02: Total local revenue, not including excess taxes, \$ (0126 + 0545)<sup>21</sup>

drl\_et: Excess taxes and Basic Aid Charter adjustment and miscellaneous local revenue, \$ (-0545 + 0493 + 0588)<sup>22</sup>

drl\_drl: Adjusted revenue limit entitlement plus locally funded charter school block grant, \$. Hereafter, referred to as the RL entitlement.

drl\_drlada: Adjusted RL entitlement, \$/ADA<sup>23</sup>

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<sup>9</sup> ADA calculation sheet sum of B-6 through B-12

<sup>10</sup> Sum of ADA taken from the funding exhibits on CDE website

<sup>11</sup> Sum of dada\_01, dada\_04, dada\_05, dada\_07, and dada\_cap

<sup>12</sup> Revenue Limit calculation sheet A-1

<sup>13</sup> Revenue Limit calculation sheet C-2

<sup>14</sup> Revenue Limit calculation sheet B-2

<sup>15</sup> For locally funded charters in unified districts, sum of D1 for those charters from *Charter School Block Grant Funding Unified* calculation sheets. For locally funded charters in elementary and high school districts, sum of A13 for those charters from *Charter School Block Grant Funding EHS* calculation sheets.

<sup>16</sup> Revenue Limit calculation sheet E-3 for unified districts. Set this equal to zero for elementary and high school districts.

<sup>17</sup> Negative of County Office Transfer E-1

<sup>18</sup> Principal Apportionment Summary A-12 (or sum of funding exhibits)

<sup>19</sup> Revenue Limit calculation sheet (B-4 + B-5 + B-6 + B-7 + B-8 - B-9 + B-10 - B-11)\*C-2 - D-2 - D-3 - D-4 + D-5 + D-6

<sup>20</sup> Revenue Limit calculation sheet D-1

<sup>21</sup> Revenue Limit calculation sheet E-2 + E-4 (since local revenue here includes excess taxes, which are (-)). Also includes the Basic Aid Charter incentive funding, which can be found in the funding exhibits or in the *Principal Apportionment Summary A-13*.

<sup>22</sup> Negative of Revenue Limit calculation sheet F-1 + School District Local Revenue A-2 + Principal Apportionment Summary A-13

<sup>23</sup> drl\_drl/dada\_06

The formula for RL entitlement is:

$$\text{drl\_drl} = [\text{drl\_base} * (\text{dada\_02} + \text{dada\_03} + \text{dada\_06}) + \text{drl\_nss}] * \text{drl\_d} + \text{drl\_01} + \text{drl\_ui} - \text{drl\_csbg} - \text{drl\_cot} + \text{drl\_lfbg} + \text{drl\_bac} + \text{drl\_cap}$$

$$\text{drl\_drl} = [\text{drl\_base} * (\text{dada\_01} + (\text{dada\_02} - \text{dada\_01}) + \text{dada\_03} + \text{dada\_06}) + \text{drl\_nss}] * \text{drl\_d} + \text{drl\_01} + \text{drl\_ui} - \text{drl\_csbg} - \text{drl\_cot} + \text{drl\_lfbg} + \text{drl\_bac} + \text{drl\_cap}$$

$$\text{drl\_drl} = \text{drl\_base} * \text{drl\_d} * [\text{dada\_08} - \text{dada\_04} - \text{dada\_05} - \text{dada\_07} - \text{dada\_cap} + (\text{dada\_02} - \text{dada\_01}) + \text{dada\_03} + \text{dada\_06}] + \text{drl\_nss} * \text{drl\_d} + \text{drl\_01} + \text{drl\_ui} - \text{drl\_csbg} - \text{drl\_cot} + \text{drl\_lfbg} + \text{drl\_bac} + \text{drl\_cap}$$

Rewrite as:

$$\begin{aligned} \text{drl\_drl} &= \text{drl\_base} * \text{drl\_d} * \text{dada\_08} \\ &+ (\text{drl\_base} * \text{drl\_d}) * (\text{dada\_02} - \text{dada\_01}) \\ &+ [(\text{drl\_base} * \text{drl\_d}) - (\text{drl\_csbg} / \text{dada\_03})] * \text{dada\_03} \\ &+ [(\text{drl\_base} * \text{drl\_d}) - (\text{drl\_cot} / \text{dada\_06})] * \text{dada\_06} \\ &+ [(\text{drl\_nss} * \text{drl\_d} / \text{dada\_04}) - (\text{drl\_base} * \text{drl\_d})] * \text{dada\_04} \\ &+ [(\text{drl\_lfbg} / \text{dada\_05}) - (\text{drl\_base} * \text{drl\_d})] * \text{dada\_05} \\ &+ [(\text{drl\_bac} / \text{dada\_07}) - (\text{drl\_base} * \text{drl\_d})] * \text{dada\_07} \\ &+ [\text{drl\_cap} / \text{dada\_cap}) - (\text{drl\_base} * \text{drl\_d})] * \text{dada\_cap} \\ &+ \text{drl\_01} \\ &+ \text{drl\_ui} \end{aligned}$$

Then revenue limit entitlement per ADA is drl\_drl/dada\_08:

$$\begin{aligned} \text{drl\_drlada} &= \text{drl\_base} * \text{drl\_d} \\ &+ [(\text{drl\_base} * \text{drl\_d}) * (\text{dada\_02} - \text{dada\_01})] / \text{dada\_08} \\ &+ [(\text{drl\_base} * \text{drl\_d}) - (\text{drl\_csbg} / \text{dada\_03})] * (\text{dada\_03} / \text{dada\_08}) \\ &+ [(\text{drl\_base} * \text{drl\_d}) - (\text{drl\_cot} / \text{dada\_06})] * (\text{dada\_06} / \text{dada\_08}) \\ &+ [(\text{drl\_nss} * \text{drl\_d} / \text{dada\_04}) - (\text{drl\_base} * \text{drl\_d})] * (\text{dada\_04} / \text{dada\_08}) \\ &+ [(\text{drl\_lfbg} / \text{dada\_05}) - (\text{drl\_base} * \text{drl\_d})] * (\text{dada\_05} / \text{dada\_08}) \\ &+ [(\text{drl\_bac} / \text{dada\_07}) - (\text{drl\_base} * \text{drl\_d})] * (\text{dada\_07} / \text{dada\_08}) \\ &+ [\text{drl\_cap} / \text{dada\_cap}) - (\text{drl\_base} * \text{drl\_d})] * (\text{dada\_cap} / \text{dada\_08}) \\ &+ \text{drl\_01} / \text{dada\_08} \\ &+ \text{drl\_ui} / \text{dada08} \end{aligned}$$

We have decomposed the revenue limit entitlement per ADA into six parts:

1. Base revenue limit (before adjustments):  
 $drl\_drl01 = drl\_base * drl\_d$
2. Adjustments due to decline in regular district enrollment, excluding NSS:  
 $drl\_drl02 = drl\_base * drl\_d * (dada\_02 - dada\_01) / dada\_08$
3. Adjustment due to necessary small schools:  
 $drl\_drl03 = [(drl\_nss * drl\_d / dada\_04) - (drl\_base * drl\_d)] * (dada\_04 / dada\_08)$
4. Adjustment due to locally funded charter school block grant:  
 $drl\_drl04 = [(drl\_lfbg / dada\_05) - (drl\_base * drl\_d)] * (dada\_05 / dada\_08)$
5. Unemployment Insurance Adjustment:  
 $drl\_drl05 = drl\_ui / dada\_08$
6. All other adjustments:  
 $drl\_drl06 = drl\_01 / dada\_08$   
 $+ [drl\_base * drl\_d - (drl\_csbg / dada\_03)] * (dada\_03 / dada\_08)$   
 $+ [drl\_base * drl\_d - (drl\_cot / dada\_06)] * (dada\_06 / dada\_08)$   
 $+ [(drl\_bac / dada\_07) - (drl\_base * drl\_d)] * (dada\_07 / dada\_08)$   
 $+ [(drl\_cap / dada\_cap) - (drl\_base * drl\_d)] * (dada\_cap / dada\_08)$

Total revenue limit funds per ADA are then the sum of these six revenue sources and excess taxes per ADA:

$$drl\_drl08 = (drl\_et / dada\_08).$$

In addition, we report certain factors that are helpful in thinking about these revenue sources:

1. Percentage decline in enrollment (zero if no decline)  
 $(dada\_02 - dada\_01) / dada\_08$
2. Percentage of actual students in necessary small schools.  
 $dada\_04 / dada\_08$
3. Percentage of actual students in locally funded charter schools  
 $dada\_05 / dada\_08$
4. Percentage of entitlement coming from local revenue sources  
 $drl\_02 / drl\_drl$

## Average Daily Attendance

In order to arrive at the total base revenue limit, the state multiplies the base revenue limit per unit of average daily attendance (ADA) by the district's funded revenue limit ADA. A district's funded ADA is most simply described as the greater of current year and prior year ADA. For the total base revenue limit calculation, the revenue limit ADA is quite complex and includes only specific types of ADA: regular district students; students attending all charter districts funded under revenue limit formula; unified district students attending a charter school funded by the block grant formula; district students attending community day schools, nonpublic schools (NPS) and licensed children's institutions (LCI); and students

who are transferred to the county office of education (COE) to attend special day class, county community day school, NPS, or LCIs. The revenue limit ADA counts the greater of current or prior year for the regular district students and resident all charter district students only. The other types of ADA are only counted at the current year.

There are several periods during which ADA is reported to the state. Most ADA is counted in the spring at the second Principal Apportionment (P-2). Special population ADA is typically counted at the end or after the fiscal year at the annual apportionment or annual extended period, since many of these programs are year-round.

The first step is calculating the prior year revenue limit ADA, which is not the funded ADA from the prior year. Rather, it equals the prior year P-2 ADA adjusted for changes that occurred during or between the two years, such as a student transferring from a regular school to a charter school, gains or losses from territory changes, changes in necessary small school status, and any audit findings. That count is then compared to the current year ADA, which excludes charter school and necessary small school ADA. The greater of the two ADA counts is then adjusted for other types of ADA to arrive at the funded ADA.

The first adjustment is for unified districts with charter schools funded through the charter school general purpose block grant; these districts must add current year resident student charter ADA to the regular district ADA count. This adjustment is a result of legislation intended to make unified charters fiscally neutral.<sup>24</sup>

The second series of adjustments involve ADA counts for students with special needs. These include students placed in NPS, LCIs, and community day school as well as students who attend special day or community day classes at the county office of education or whose NPS or LCI placements are the county's responsibility. The current year ADA counts are added to the regular ADA to arrive at the total funded revenue limit ADA. It is important to note that the county ADA credited to the district in these adjustments and the base funding that accompanies it will be transferred to the COE after the total revenue limit is calculated. For accounting purposes, these students are counted and funded here, and then later subtracted in the Principal Apportionment.

For the seven all-charter districts that choose revenue limits over the charter school general purpose block grant (*Education Code 42238*), the regular ADA count includes the greater of current or prior year resident ADA and current year nonresident ADA. These districts must then add the NPS, LCI, Community Day School, and county office transfer ADA to arrive at the total funded ADA.

The ADA measure included in the accompanying report counts only those ADA that attend district schools, including locally funded charter schools and necessary small schools, or ADA that are the district's responsibility, such as district community day school, NPS, and LCI placements not transferred to the county.

This concept of ADA is important for several reasons. The first is that it allows us to then calculate the additional (or lower) per-pupil funding from our broad decompositions. This concept of ADA also takes into account transfers or other accounting issues that occur outside of the revenue limit calculation. Funding for the county office transfer is included in the actual state aid calculation because those students are counted in

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<sup>24</sup> SB 319 (Chapter 355, Statutes of 2005) funds resident charter schools in unified districts using the district's revenue limit instead of the charter school block grant. This mitigates any fiscal incentives for unified districts to convert its schools to charters (the charter school block grant formula typically provides more funding per pupil in grades 9-12 than the average revenue limit for unified districts). SB 191 (Chapter 305, Statutes of 2009) repeals this provision. Conversion charter schools in unified districts will now receive funding through the charter school block grant formula instead of revenue limits.

the district total funded ADA. However, when calculating the exact apportionment for each district, the state later subtracts the county office transfer. By excluding them from our ADA count, we can see if there are any transaction costs in this connection between district and COE revenues.

Finally, there are some special cases, where ADA gets funded at one district but actually attends another. One example is the Fallbrook High School and Capistrano Unified districts' special revenue limit adjustment. The report's ADA measure, which only counts actual ADA, allows us to calculate the bonus received through this special legislation to one of the districts. There are similar situations for basic aid districts that take nonresident pupils. More details about these special circumstances and adjustments were included in Table A1 and the accompanying [data set \(http://www.ppic.org/main/dataSet.asp?i=1000\)](http://www.ppic.org/main/dataSet.asp?i=1000).

The reported measure of ADA totaled 5,759,446 compared to CDE's funded ADA of 5,879,940 in 2005–2006. On average, the reported measure of ADA is 123 units less than the funded ADA of the district, although this difference varies by district type and size. Table B1 displays the mean ADA in various categories of ADA by district size and type and the sources of differences between the PPIC measure and the revenue limit ADA measure used by CDE to calculate the total base revenue limit.

The difference between the funded and reported ADA is largest for small elementary districts at 7.4 percent. This difference is largely driven by NSS ADA that is not counted in funded ADA but included in the reported measure. A similar trend emerges for small high school and unified districts. Declining enrollment and county office transfer ADA explain why the reported measure is smaller than funded ADA for all large districts and medium high school and unified districts. That ADA is counted in the revenue limit calculation, but excluded from the reported measure. For large unified districts, the difference is even greater due to resident charter school ADA included in the funded count. On average, large unified districts' funded ADA includes 644 resident charter students. We exclude that ADA and only count locally funded charter ADA, which is 204, on average, for large unified districts.

Finally, the "other" ADA includes two types of ADA. The first is the ADA associated with the Basic Aid Choice/Court-Ordered Voluntary Pupil Transfer, which compensates basic aid districts for the costs of nonresident students, students who do not generate increases in revenue limit entitlements in a basic aid district. These ADA are not included in the funded measure, yet they attend district schools, which is why they are counted in the reported measure. The second group of "other" ADA are students who are counted in Fallbrook Union High's funded ADA but attend school in Capistrano Unified. The reported measure subtracts this ADA from Fallbrook and adds it to Capistrano. This accounts for the negative mean for medium high school districts and relatively large mean for large unified districts.

**TABLE B1**  
**Mean average daily attendance measures by district type and size, 2005–2006**

Size and type of district		Number of districts	Mean funded ADA	Mean PPIC ADA	Excluded in PPIC ADA			Included in PPIC ADA			Mean difference	Percent difference (%)
					Mean declining enrollment ADA	Mean unified charter resident ADA	Mean county office transfer ADA	Mean NSS ADA	Mean locally funded charter ADA	Mean other ADA		
Elementary	Small (0–250)	191	95	103	4	0	1	11	0	1	8	7.4
	Medium (251–1,500)	182	643	654	16	0	4	2	28	1	11	1.7
	Large (1,501+)	184	5,574	5,532	82	0	26	0	64	2	-42	-0.8
High school	Small (0–1,500)	26	718	736	10	0	8	29	7	0	18	2.4
	Medium (1,501–6,000)	29	3,310	3,291	26	0	37	0	47	-3	-19	-0.6
	Large (6,001+)	31	14,402	14,363	27	0	89	0	77	0	-40	-0.3
Unified	Small (0–3,000)	129	1,236	1,282	23	6	12	73	13	1	46	3.6
	Medium (3,001–10,000)	98	6,090	5,996	54	73	41	0	74	0	-94	-1.6
	Large (10,001+)	108	31,498	30,464	461	664	122	5	204	5	-1034	-3.4
All districts		978	6,012	5,889	81	81	29	13	53	1	-123	-2.1

# Appendix C. Base Funding Alternative Simulation Results

In the accompanying revenue limit report, the cost of implementing a base funding alternative ranges from \$14.8 million to \$1.3 billion. This appendix presents three scenarios that produced those cost estimates. The cost estimates vary depending on the method by which districts are held harmless, and the treatment of excess taxes.

In each of the scenarios, all revenue limit adjustments are included in the current funding available to finance the alternative. Including them in the analysis models the effect of folding revenue limit adjustments into the base revenue limit, a common aspect of school finance reform proposals. Excluding revenue limit adjustments from the analysis models a new system in which revenue limit adjustments are preserved and still provide additional funding (or subtract funding) beyond the new base alternative.

There are two methods by which districts can be held harmless in the scenarios. The first is at the grade level. For each grade band, a district’s revenue limit is compared to the charter school block grant rate for that grade band. If the revenue limit exceeds the charter school block grant rate, the revenue limit funding applies to that grade level. This method of holding districts harmless is typically more expensive than the second method.

The second method only holds districts’ overall funding harmless. Under this method, the charter school block grant rates are multiplied by the applicable ADA to achieve a total funding level for the district. If that total funding level is lower than what the district currently receives, it retains its current funding. If districts are not held harmless by one or both methods, they may lose funding relative to the status quo.

The final consideration in the scenarios is the treatment of excess taxes. One of the scenarios collects and redistributes excess taxes to help offset increases in funding in other districts. By default, districts cannot be held harmless when this occurs.

## Scenario Results

Table C1 reports the cost of implementing three alternative base funding scenarios. The scenarios were selected to represent a variety of policy options to provide a large range in implementation cost.

**TABLE C1**  
Results from three alternative base funding scenarios

	Held harmless grade level	Held harmless total funding	Redistributes excess taxes	Cost (\$ thousands)
Scenario 1	No	No	Yes	-14,790
Scenario 2	No	Yes	No	524,991
Scenario 3	Yes	Yes	No	1,336,638

In the first scenario, districts are not held harmless. Under this scenario, districts would only be entitled to the funding calculated using the charter school block grant formula; districts currently allocated funding above that level would lose that excess. Excess taxes in this scenario are collected and redistributed in order to meet the entitlements under the charter school block grant formula. Funding districts under this scenario would result in a statewide savings of approximately \$15 million relative to the 2005–2006 status quo.

In the second scenario, districts are held harmless to the total revenue limit funding under the status quo. This scenario models the effect of folding in all revenue limit adjustments and bringing all districts up to a minimum funding level guaranteed by the charter school block grant. Districts with excess taxes retain those revenues. Its total cost is approximately \$525 million.

The last scenario is the most costly at approximately \$1.3 billion. In this scenario, districts are held harmless by both grade level and total funding. Districts in this scenario also retain any current levels of excess taxes.

The following section will further explore Scenario 2.

## Analysis of Scenario 2

Given the current funding disparities by district type and size, the distribution of additional revenue under a new base funding alternative is unlikely to be equal. Scenario 2 presents a modest change to revenue limit funding, similar to the proposal by the Governor’s Committee on Education Excellence.<sup>25</sup> In this scenario, each unit of ADA within specific grade bands is funded at a certain rate. The scenario uses the charter school block grant rates from 2005–2006: \$4,970 per ADA in grades K–3, \$5,040 per ADA in grades 4–6, \$5,182 per ADA in grades 7–8, and \$6,019 per ADA in grades 9–12.

ADA for regular district schools is not currently collected by grade level. In modeling the scenarios, the percentage of enrollment by each grade band was applied to a district’s total ADA. That grade band ADA estimate was multiplied by the applicable charter school block grant rate and those total funding levels were summed to generate a total base funding level. That total base funding level was then compared to a district’s current revenue limit funding. If the total base funding level exceeds a district’s current funding, that district retains the new base funding. If the total base funding is less than current funding, the district retains its current revenue limit funding. Districts with excess taxes retain those excess taxes in Scenario 2, although they may be used to offset any increased funding resulting from the new funding rates.

Under Scenario 2, 44 percent of all districts serving 76 percent of all statewide ADA would see a modest increase in per-pupil funding (Table C2). The total estimated additional revenue necessary under this model is approximately \$525 million.<sup>26</sup>

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<sup>25</sup> Governor’s Committee on Education Excellence, *Students First: Renewing Hope for California’s Future*, 2007.

<sup>26</sup> In this scenario, 27 excess tax districts would see an increase in base funding relative to their current revenue limit entitlement. Approximately \$11 million of that increase is offset by those districts’ excess taxes. Twenty-five of the 27 excess tax districts remain excess tax districts under the base funding alternative, while two districts would no longer be excess tax districts because the base funding alternative is higher than their current funding level, including excess taxes.

**TABLE C2**  
**Effect and cost of base funding alternative by district type and size**

Size and type of district		Number of districts	Percent of districts with additional funding (%)	Mean additional funding (\$/ADA)	Interquartile range (\$/ADA)	Range (\$/ADA)	Total additional revenue (\$)
Elementary	Small (0–250)	191	12.0	100	87	265	378,997
	Medium (251–1,500)	182	43.4	86	83	198	4,236,140
	Large (1,501+)	184	54.3	91	84	198	51,626,490
High school	Small (0–1,500)	26	19.2	59	27	131	274,542
	Medium (1,501–6,000)	29	44.8	89	90	120	3,655,662
	Large (6,001+)	31	45.2	69	57	153	13,333,863
Unified	Small (0–3,000)	129	19.4	130	132	302	6,761,353
	Medium (3,001–10,000)	98	81.6	171	129	336	82,680,563
	Large (10,001+)	108	84.3	122	191	368	362,043,181
All districts		978	44.0	120	149	368	524,990,792

Under this base funding alternative, some districts benefit more than others. Over 84 percent of large unified districts would see an average increase of \$122 per ADA (Table C2). Medium unified districts would see the largest increase in funding per student at \$171 per ADA. Fewer elementary and high school districts would experience increases, and the magnitude of the increases is smaller. For example, less than half of large high school districts would receive higher revenues, and for those that do receive increases, the average increase is \$69 per ADA, much less than the \$171 per ADA average at medium unified districts. These trends reflect the current disparities in revenue limit funding, where small and high school districts have larger revenue limit funds per ADA than large elementary, medium unified, and large unified districts.

Every district’s total additional funding and total additional funding per ADA is available in the accompanying [data set “Base Funding Alternative”](http://www.ppic.org/main/dataSet.asp?i=1000) (<http://www.ppic.org/main/dataSet.asp?i=1000>).

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