

Analysis of the Revenue Impact Of School District Consolidations In El Dorado County

SEPTEMBER 10, 2010

Prepared By:

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VICE PRESIDENT**

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DIRECTOR, MANAGEMENT CONSULTING SERVICES**

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Executive Summary

El Dorado County is located in the foothills of the Sierra Nevada Mountains, about 40 miles east of Sacramento. The County’s territory includes its western border, which touches the Central Valley, and its eastern boundary, which reaches to Lake Tahoe. El Dorado County stretches across 90 miles of foothills, valleys, and mountain peaks. It shares its northern border with Placer County and its southern border with Amador County. The El Dorado County Office of Education (EDCOE) provides support to the 15 school districts throughout this region, which serve approximately 29,000 students.

El Dorado County School Districts	
Black Oak Mine Unified	Buckeye Union
Camino Union	El Dorado UHSD
Gold Oak Union	Gold Trail Union
Indian Diggings School District	Lake Tahoe Unified
Latrobe School District	Mother Lode Union
Pioneer Union	Placerville Union
Pollock Pines School District	Rescue Union
Silver Fork School District	--

The EDCOE provides instructional programs, including charter community school, extended day, child development, court schools, special education, and regional occupational programs. In addition, the EDCOE serves districts with the following:

- ✚ Curriculum and Instructional leadership, including staff development, special activity coordination, audio-visual resources, technology training and support
- ✚ Fiscal oversight and business services, including payroll, accounting and budget, print shop, purchasing, risk management and developer fee collection
- ✚ Technology services and support, including mainframe and internet services to district
- ✚ Human Resources, including credentialing services and substitute teacher calling services

Recognizing the need to explore options to promote greater efficiencies in school district operations and to bring additional state aid into the region, the EDCOE contracted with School Services of California, Inc. (SSC) to analyze various options to consolidate the elementary districts within the county.

The analysis was designed to examine many possible district consolidations and determine the additional state funding that would be provided under each combination of districts. Under current law, the state provides additional, ongoing revenue limit aid to newly reorganized school districts in recognition of the differences in personnel costs that usually exist among the districts included in a reorganization. The analysis is not intended to identify a specific consolidation proposal, but rather to present the revenue impacts of many potential configurations.

The SSC analysis evaluated 23 separate district configurations, ranging from consolidations involving two elementary districts to consolidations that encompass all but three of the elementary districts within the county. (This analysis did not include the three smallest districts—Silver Fork School District, Indian Diggings School District, and Latrobe School District.)

The analysis identifies (1) the size of the new district, as measured by average daily attendance (ADA), (2) the “blended” or cost neutral revenue limit, after adjusting for the statewide deficit factor, (3) the increase in state aid (total annual funding, per ADA increase and percent change), and (4) the new revenue limit, after adjusting for the increase in state aid.

Some of the key findings are as follows:

- ✚ The largest percentage increase in state funding accrued to one of the smallest district combinations. The combination of Gold Trail Union and Mother Lode Union provides just under \$1,070,000 in additional state aid, an increase of 9.74%, to serve 1,800 ADA.
- ✚ Two additional small district combinations provided revenue increases above 6%. The combination of Mother Lode Union, Gold Oak Union and Pioneer Union generated a 6.4% increase in revenue limit income, while the combination of Camino Union, Gold Oak Union, Pollock Pines School District, and Pioneer Union yielded a 6% increase.
- ✚ Three large district combinations (defined in this study as serving more than 8,000 ADA) provided at least 5.5% more state revenue limit aid. Each of the three combinations included the two largest elementary districts in the county—Buckeye Union and Rescue Union—and each generated at least \$4 million in new, ongoing funds.
- ✚ Of the 23 district combinations reviewed, 11 generated more than a 5% increase in state aid. The range of this increase for the 11 combinations was \$310 per ADA to almost \$600 per ADA.

The figures in the Analysis and Findings Section summarize all of the computations for each of the 23 school district combinations.

It is important to note that, while the state provides additional, ongoing revenue limit income to facilitate school district consolidations in recognition of the likelihood that there will be

disparities in compensation levels among the staff of the different districts, state law does not require that these funds be used solely for salary and benefit adjustments. Thus, local priorities will determine how these funds should be allocated.

Also, it is important to point out that this analysis did not examine the actual differences in salary and benefit costs should staff be moved to the highest compensation schedule among the districts involved in the consolidation. The state provides additional funding based on differences in average compensation expenditures, but the actual expenditures following a district consolidation may be either higher or lower than the funding provided by the state, depending upon the distribution of staff on the schedule (i.e., the specific placement of staff on the schedule based on years of service and educational levels). This would be a subsequent step in the evaluation of district consolidation options within the county.

Similarly, a more thorough review of other expenditure-related impacts should be completed before any final decision on district consolidation is made. This review could include an examination of opportunities for greater administrative efficiencies, reduction or reassignment of facilities currently serving administrative functions, transportation costs, maintenance and operations savings, and other district expenditures.

The review should also examine the impact of district consolidation on the resulting educational program. A consolidation may present opportunities to expand successful programs to serve more students and to assign staff to school site that best meet their professional strengths.

Proposed district consolidations should also recognize the impact any changes might have on the broader community. State law recognizes “community identity” as an important factor in evaluating reorganization proposals, and any effort to reorganize districts within El Dorado County should take this into consideration, as well.

In summary, this analysis identifies numerous district combinations that could be viable candidates for reorganization within the county on the basis of new revenue generation. Some combinations provide considerably more revenue than others and this analysis may assist educational leaders in the County to narrow the options to be considered. In the end, however, there will be many other factors that should influence any decision on district reorganization, with the revenue impacts being just one.

Introduction and Background

Financial Incentives to Promote District Consolidation

Since the 1950s, state policy makers have encouraged school district unification and consolidation, providing varying levels of increased state aid to facilitate these efforts. In 1950 state law provided five years of increased state funding for local transportation costs that stemmed from unification, including the cost of busses. Per pupil funding levels were also increased on a temporary basis to cover operational costs. As a result, between 1935 and 1994, the number of school districts in California decreased from 3,500 to 1,000.

With the pace of school district consolidations slowing, the Legislature in 1994 enacted Senate Bill 1537 (Chapter 1186, Statutes of 1994), which established the specific procedures for determining a newly reorganized district's blended revenue limit and its revenue limit adjustment (Appendix A and B). While the blended revenue limit is simply the weighed average (as determined by average daily attendance [ADA]) revenue limit of the districts involved in the reorganization, the revenue limit adjustment is an increase to the blended revenue limit. Specifically, the revenue limit adjustment is computed based on the differences in average salaries and benefits for certificated and classified staff of the districts included in the reorganization, again weighted by the ADA of their district employer. The SB 1537 adjustment, unlike the transportation and operations adjustments adopted in the 1950s, is a permanent increase to the blended revenue limit.

Since the enactment of SB 1537, the number of school districts has continued to fall as elementary and high school districts join together to form unified districts and small elementary districts combine to form single larger elementary districts. Currently, there are 334 unified districts statewide, an increase of 29 since the enactment of SB 1537. During this same period, the number of high school districts has fallen from 106 to 83 and the number of elementary districts has fallen from 590 to 547. In total there are 963 school districts statewide.

Declining State Support for K-12 Education

In recent years, state support of K-12 public education has been cut back severely as a result of the recession's effect on state General Fund tax collections. Prior to the onset of the recession, which began in December 2008, General Fund revenues in 2007-08 totaled \$101 billion. For 2009-10, General Fund revenues are forecast to be \$87 billion, a 14% drop from the level just two years ago.

Similarly, state support for K-12 education had declined at an unprecedented rate over the same period. For example, in 2007-08 the statewide average funded revenue limit for elementary districts was \$5,567 per ADA compared to \$5,006 per ADA in 2009-10, a drop of 10%, or \$561 per ADA.

The prospects for 2010-11 offer little hope for improvement. According to the Governor's May Revision for 2010-11, revenue limit funding would be even lower at \$4,988 per ADA for the average elementary school district.

Because the broader state and national economies have shown little improvement, with the state unemployment rate hovering at 12.3% as of July 2010, the forecast is for weak revenue growth for the next several years. Consequently, school districts must plan for little, if any, new revenues from the state, even though local expenditures for employee compensation, benefits, materials and supplies, utilities, and other operational costs will continue to grow.

In this environment, a well designed district reorganization plan may be one of the few options available to local educational agencies (LEAs) to secure additional, ongoing revenues to support educational programs. In addition, consolidations offer opportunities to secure greater operational efficiencies, as some administrative activities may be shared or consolidated and duplicative functions eliminated. Taken together, the new revenues provided by the state and the operational savings that follow from economies of scale may provide the opportunity to maintain educational programs that might otherwise have to be eliminated due to budget cuts or expand effective programs to serve more students.

El Dorado County Office of Education Study

It is in this context that the El Dorado County Office of Education (EDCOE) requested School Service of California, Inc. to analyze various configurations of school district consolidations with El Dorado County. Unlike prior studies conducted by SSC which focused on a previously defined consolidation or unification proposal, the study sought to examine many different arrangements of district consolidation.

This study examines the consolidation of multiple arrangements of elementary districts within the county. The new hypothetical arrangements were not constrained other than that the districts had to be contiguous. As a result, the study examined consolidations that formed large districts of more than 8,000 ADA, smaller consolidations of less than 2,500 ADA, and geographic arrangements that clustered districts depending upon their relationship to the two major highways running through the county—Highway 50 (east/west) and Highway 49 (north/south).

The table below shows the three-letter symbol used to represent each elementary district in the analysis that follows.

Figure 1: El Dorado County Elementary School Districts

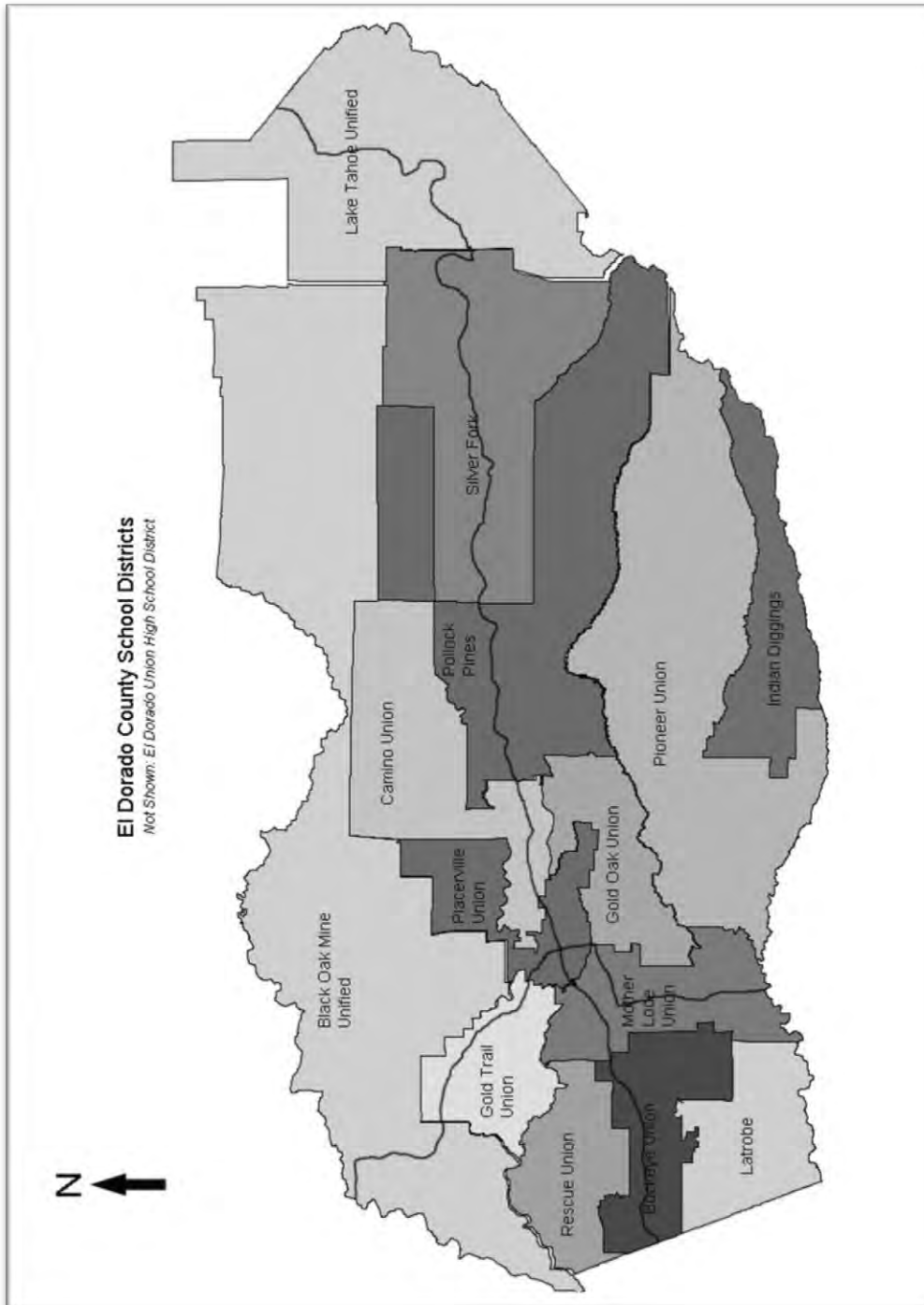
District	Symbol
Buckeye Union School District	BUC
Camino Union School District	CAM
Gold Oak Union School District	GOK
Gold Trail Union School District	GTL
Indian Diggings School District	IND
Latrobe School District	LAT
Mother Lode Union School District	MLD
Pioneer Union School District	PIO
Placerville Union School District	PLA
Pollock Pines School District	PLP
Rescue Union School District	RES
Silver Fork School District	SLF

To perform the analysis, we relied on data provided by EDCOE, including information for each school district regarding average daily attendance, base revenue limits, salary and benefit costs for certificated employees, salary and benefit costs for classified employees, and the number of employees in each group. Figure 2 displays the baseline data provided by EDCOE.

Figure 2: Baseline School District Data for Fiscal Year 2009-10

District	Symbol	ADA	Funded Base Revenue Limit	Certificated Employees		Classified Employees	
				Total Salary & Benefits	FTE	Total Salary & Benefits	FTE
Buckeye	BUC	4,595.84	\$ 4,994.71	\$ 20,051,524	229.05	6,604,812	116.40
Camino	CAM	406.47	\$ 4,985.29	\$ 1,757,655	23.45	853,497	17.67
Gold Oak	GOK	560.41	\$ 4,980.34	\$ 2,482,379	30.48	1,007,812	17.77
Gold Trail	GTL	518.63	\$ 4,978.92	\$ 2,233,560	24.01	1,035,447	19.67
Indian Diggings	IND	21.94	\$ 5,853.36	\$ 223,706	2.00	76,652	1.69
Latrobe	LAT	170.00	\$ 5,147.81	\$ 1,017,741	12.56	432,552	10.00
Mother Lode	MLD	1,281.10	\$ 4,979.34	\$ 5,812,537	69.62	2,338,737	52.11
Pioneer	PIO	376.16	\$ 4,999.49	\$ 1,721,947	22.30	804,265	15.04
Placerville	PLA	1,156.02	\$ 4,987.29	\$ 4,866,133	61.20	2,322,037	43.03
Pollock Pines	PLP	676.60	\$ 4,989.41	\$ 3,312,195	40.41	1,573,724	32.33
Rescue	RES	3,980.97	\$ 4,969.58	\$ 17,009,521	206.06	5,445,796	109.54
Silver Fork	SLF	14.10	\$ 6,037.88	\$ 105,487	2.50	65,523	2.75

Figure 3: El Dorado County School Districts



Under current law, a newly reorganized district's revenue limit is based on the revenue limits of the districts included in the reorganization. Because the reorganization effort can take several years from initial planning to implementation, the revenue impact must be estimated from

current data. Figure 2 summarizes the key data elements used to estimate the revenue impacts of the various consolidation options developed in this study.

The reorganization statutes specify that the data used to compute the new district's revenue limit shall be based on data two prior years from the effective date of implementation (E.C. 35735[a]). Therefore, the baseline data in Figure 2 would be applicable for a district reorganization that would become effective in 2011-12. Similarly, a 2012-13 implementation would rely on data from 2010-11. The baseline computations are then adjusted for statewide policy changes during the intervening years, including cost-of-living adjustments (COLAs), revenue limit deficits, and equalization aid (if provided).

Figure 2 shows that in 2009-10, the 12 elementary school districts in El Dorado county range in size from Buckeye Union School District at 4,596 ADA to Indian Diggings School District at 22 ADA and Silver Fork School District at 14 ADA. Excluding the two smallest districts, the average size of the remaining ten elementary districts in the county is about 1,370 ADA.

The figure also displays the funded base revenue limits for the districts in 2009-10. It is important to note that in recent years state support for K-12 education has actually declined on a per ADA basis, as revenue shortfalls have forced reductions in all state programs. For K-12 school districts, commencing in 2008-09, deficits have again been imposed on revenue limits. In that year, the Legislature imposed a deficit factor of 7.844%. For 2009-10, the deficit factor was increased to 18.355%, resulting in the cumulative loss of COLAs for both years (5.66% for 2008-09 and 4.25% for 2009-10) and real cuts to the revenue limit for both years, as well (2.315% in 2008-09 and 7.936% for 2009-10). The Governor has proposed to continue the 18.355% deficit factor into 2010-11.

Finally, the figure displays the total salary and benefit expenditures for both certificated and classified full-time equivalents (FTEs). These expenditures and position totals correspond roughly with the size of the district as measured by ADA.

Analysis and Findings

This section presents the revenue impacts of consolidating various elementary school districts within El Dorado County. The analysis follows current law provisions governing the recalculation of the revenue limit, utilizing data provided by EDCOE for 2009-10. In total the revenue impacts for 23 district combinations were computed.

The district combinations are summarized in four figures—(1) small district combinations whose total ADA is less than 2,000, (2) large district combinations whose total ADA exceeds 8,000, (5) geographic combinations that generally reflect the grouping of districts either north, south, east or west of the two major highways that bisect the county (Highway 49 and Highway 50), and (4) district combinations that yield a revenue limit increase of at least 5% above the fiscally neutral blended revenue limit.

Each of the four figures display the following characteristics associated with the consolidation of districts in El Dorado County:

- ✚ The ADA of the new district
- ✚ The blended base revenue limit
- ✚ The increase in state funding (total increase, per ADA increase and percent change)
- ✚ The resulting new base revenue limit

ADA of New District—The ADA of the new district is the sum of the 2009-10 Second Principle Apportionment ADA for each district in the consolidation.

Blended Base Revenue Limit—The blended base revenue limit is a function of the base revenue limits of all districts in the consolidation. The base revenue limits are weighted by ADA to ensure that there is no financial advantage due to a member of the consolidation possessing a high base revenue limit. Please note that the blended base revenue limit has been adjusted to reflect the 18.355% deficit factor imposed in 2009-10. In other words, these figures represent the funding level that the would have been received by the proposed districts, after taking into account the cut in K-12 general apportionment aid imposed by the Legislature.

State Funded Increase to Level-Up Salaries—To address the salary and benefit cost difference among the districts in the consolidation, current law specifically provides an extra increment of funding in order to facilitate the combinations of staffs onto a single salary schedule. This adjustment is based on average compensation levels for certificated and classified personnel and weighted on the basis of the ADA of the districts involved of the consolidations. (Note: Current

law does not require that these additional funds be used solely for salary and benefit cost adjustments.)

New Base Revenue Limit—The new base revenue limit is the sum of the blended revenue limit and the additional dollars from the state for salaries converted to a per ADA basis. Like the blended base revenue limit, this figure has been adjusted for the 18.355% deficit factor.

Small District Consolidations

Figure 4 displays six consolidations of school districts which yield less than 1,800 ADA, with the district combinations ranked by size, smallest to largest. For the most part, these combinations are of the sparsely populated districts south of Highway 50 and east of Highway 49. The average increase in revenue limit funding for the five combinations presented is 5.06%.

Of the six scenarios, the consolidation of Gold Trail Union and Mother Lode Union yields the highest percentage increase in state funding of 9.74%, or about \$594 per ADA, and a funded base revenue limit of \$5,573.16. This combination would provide about \$1,070,000 in new funds to the district.

Figure 4: Small District Consolidations

Districts in Consolidation	Size/ ADA	Blended Base Revenue Limit *	State Funded Increase			New Base Revenue Limit *
			Total	Per ADA	% Change	
GOK + PIO + IND	959	\$5,007.84	\$161,767.08	\$168.77	2.75%	\$5,176.61
CAM + GOK	967	\$4,982.42	\$300,764.73	\$311.07	5.10%	\$5,293.49
PIO + PLP	1,053	\$4,993.01	\$261,096.61	\$248.01	4.06%	\$5,241.02
PLP + CAM	1,083	\$4,987.86	\$171,127.19	\$158.00	2.59%	\$5,145.87
GOK + PLP	1,237	\$4,985.30	\$275,480.42	\$222.70	3.65%	\$5,208.00
GTL + MLO	1,800	\$4,979.22	\$1,068,926.13	\$593.94	9.74%	\$5,573.16

* Deficit by 18.355%.

The smallest district combination—Gold Oak Union, Pioneer Union and Indian Diggings—also resulted in the smallest increase in funding above the blended revenue limit. This district combination would serve 959 ADA, with a funding increase of 2.75%, or \$169 per ADA. New, ongoing funding for this combination would be just under \$162,000.

Pursuant to E.C. Sections 42280 et seq., only districts with 2,500 or fewer ADA are eligible for necessary small school (NSS) funding. Therefore, if school districts that currently receive funding based on the NSS formula are combined into a district whose ADA exceeds 2,500, the benefit of the NSS funding adjustment would be lost.

Large District Consolidations

Figure 5 displays 11 combinations of school districts which yield more than 8,000 ADA, with the combinations listed smallest to largest. These combinations exclude the three smallest districts in the county—Indian Diggings, Latrobe, and Silver Fork. The average increase in revenue limit funding for the 11 large district combinations is 5.1%, providing an increase of about \$252 per ADA.

The district combination that appears as the last entry on Figure 5 includes all of the elementary districts in the county, except for the three noted above. This combination results in a total ADA of 13,552 and it also results in the largest increase in funding. This combination increases funding by almost \$4.8 million annually, or 5.79%, above the cost neutral blended revenue limit. The increase in the funded revenue limit under this combination would be \$353 per ADA, bringing the funded revenue limit to \$5,337.

Figure 5: Large District Consolidations

Districts in Consolidation	Size/ ADA	Blended Base Revenue Limit *	State Funded Increase			New Base Revenue Limit *
			Total	Per ADA	% Change	
RES + MLO + GOK + PIO + PLP + CAM + PLA	8,438	\$4,977.89	\$849,251.77	\$100.65	1.65%	\$5,078.53
BUC + RES	8,577	\$4,983.05	\$1,799,340.82	\$209.79	3.44%	\$5,192.84
RES + MLO + GOK + PIO + PLP + CAM + GTL + PLA	8,956	\$4,977.95	\$849,251.77	\$94.82	1.56%	\$5,072.77
BUC + MLO + GOK + PIO + PLP + CAM + PLA	9,053	\$4,990.08	\$2,907,308.02	\$321.16	5.25%	\$5,311.23
RES + BUC + GTL	9,095	\$4,982.81	\$1,879,843.80	\$206.68	3.39%	\$5,189.49
BUC + MLO + GOK + PIO + PLP + CAM + GTL + PLA	9,571	\$4,989.47	\$2,987,811.01	\$312.17	5.11%	\$5,301.64
BUC + MLO + RES	9,858	\$4,982.56	\$2,699,953.84	\$273.89	4.49%	\$5,256.45
BUC + MLO + RES + GTL	10,377	\$4,982.38	\$2,780,456.82	\$267.96	4.39%	\$5,250.34
BUC + RES + MLO + PLA +GTL	11,533	\$4,982.87	\$3,391,843.26	\$294.11	4.82%	\$5,276.98
BUC + MLO + GOK + PIO + PLP + CAM + RES	11,878	\$4,983.48	\$4,095,262.41	\$344.79	5.65%	\$5,328.27
BUC + MLO + GOK + PIO + PLP + CAM + RES + GTL + PLA	13,552	\$4,983.63	\$4,787,151.82	\$353.24	5.79%	\$5,336.87
*Deficited by 18.355%						

The district combination which yields the second highest percentage increase in state funding is generated by Buckeye Union, Mother Lode Union, Gold Oak Union, Pioneer Union, Pollock Pines, Camino Union, and Rescue Union, providing an increase of 5.65%. This district combination will serve 11,878 ADA and generate a new funding of \$345 per ADA, yielding a total funding increase of just under \$4.1 million.

The combination of the two largest districts in the county—Buckeye Union and Rescue Union—generates about \$210 per ADA, a 3.44% increase over the blended revenue limit. This district would serve 8,577 ADA with a total of \$1.8 million in new, ongoing funding.

The two other district combinations under 9,000 ADA (Rescue, Mother Lode, Gold Oak, Pioneer, Pollock Pines, Camino and Placer; and Rescue, Mother Lode, Gold Oak, Pioneer, Pollock Pines, Camino, Gold Trail and Placer) both yield small increases of under 2%. Both provide about \$850,000 in new income.

Geographic Consolidations

Figure 6 displays seven consolidations that are generally clustered either north or south of Highway 50 or east or west of Highway 49 in El Dorado County. Mother Lode Union, Gold Oak Union, and Pioneer Union reside in the southern section of the county. All schools sites within these three districts except for Indian Creek School are located south of Highway 50. The figure shows that the consolidation of Mother Lode Union, Gold Oak Union, and Pioneer Union generates the highest percentage increase in state funding of 6.40%, or \$391 per ADA, and a funded base revenue limit of \$5,373.80. This increase would provide the new district roughly \$867,000 in new funds to serve 2,218 ADA.

Figure 6: Geographic Consolidations

Districts in Consolidation	Size/ ADA	Blended Base Revenue Limit *	State Funded Increase			New Base Revenue Limit *
			Total	Per ADA	% Change	
CAM + GOK	967	\$4,982.42	\$300,764.73	\$311.07	5.10%	\$5,293.49
GOK + PLP	1,237	\$4,985.30	\$275,480.42	\$222.70	3.65%	\$5,208.00
CAM + PLA	1,562	\$4,986.77	\$206,668.18	\$132.27	2.17%	\$5,119.04
MLO + GOK + PIO	2,218	\$4,983.01	\$866,634.11	\$390.79	6.40%	\$5,373.80
MLO + PLA	2,437	\$4,983.11	\$715,954.13	\$293.77	4.81%	\$5,276.88
RES + GTL	4,500	\$4,970.66	\$0.00	\$0.00	0.00%	\$4,970.66
MLO + BUC + GOK	6,437	\$4,990.40	\$1,086,893.88	\$168.84	2.76%	\$5,159.24

*Deficited by 18.355%

The combination of Camino and Gold Oak would provide the second greatest increase among these seven consolidations, increasing revenue 5.1%, \$311 per ADA. The small district would generate about \$300,000 in new funds to serve 967 ADA.

We would note that the consolidation of Rescue Union and Gold Trail Union, which are located on the western end of the county, yields no additional state dollars. This is because Gold Trail Union's average salaries per FTE for both certificated and classified were higher than Rescue Union's; however, Gold Trail Union's ADA did not meet the requirement of accounting for at least 25% of the total ADA of the two districts combined. Therefore, no additional dollars would be provided by the state to level up compensation costs between the two districts.

Consolidations with Greater Than 5% Increase

Of the 23 district combinations previously presented, Figure 7 displays the consolidations that result in additional state funding of more than 5%. Note that state law limits the increase to 10% of the blended revenue limit [E.C. 35735.1(a)(4)(A)]. There are 11 combinations that meet or exceed this threshold and the figure displays these result with the combination yielding the largest percentage increase listed first.

Figure 7: Consolidations with Greater Than 5% Increase

Districts in Consolidation	Size/ ADA	Blended Base Revenue Limit *	State Funded Increase			New Base Revenue Limit *
			Total	Per ADA	% Change	
GTL + MLO	1,800	\$4,979.22	\$1,068,926.13	\$593.94	9.74%	\$5,573.16
MLO + GOK + PIO	2,218	\$4,983.01	\$866,634.11	\$390.79	6.40%	\$5,373.80
CAM + GOK + PIO + PLP	2,020	\$4,987.94	\$742,821.97	\$367.80	6.02%	\$5,355.74
BUC + MLO + GOK + PIO + PLP + CAM + PLA + RES	13,034	\$4,983.82	\$4,706,648.84	\$361.12	5.92%	\$5,344.93
BUC + MLO + GOK + PIO + PLP + CAM + RES + GTL + PLA	13,552	\$4,983.63	\$4,787,151.82	\$353.24	5.79%	\$5,336.87
BUC + MLO + GOK + PIO + PLP + CAM + RES	11,878	\$4,983.48	\$4,095,262.41	\$344.79	5.65%	\$5,328.27
CAM + GOK + PIO	1,343	\$4,987.20	\$443,479.93	\$330.21	5.41%	\$5,317.41
BUC + MLO + GOK + PIO + PLP + CAM + PLA	9,053	\$4,990.08	\$2,907,308.02	\$321.16	5.25%	\$5,311.23
BUC + MLO + GOK + PIO + PLP + CAM + GTL + PLA	9,571	\$4,989.47	\$2,987,811.01	\$312.17	5.11%	\$5,301.64
CAM + GOK	967	\$4,982.42	\$300,764.73	\$311.07	5.10%	\$5,293.49
MLO + GTL + CAM + PLA	3,362	\$4,982.73	\$1,041,462.84	\$309.75	5.08%	\$5,292.48

*Deficited by 18.355%

The figure shows that the top three combinations are of small districts with ADA totaling less than 2,500. These three are followed by three large district combinations, each of which includes both Buckeye Union and Rescue Union. The large district combinations account for almost all of the students within the county.

In addition to their highest finish in Figure 4—Small District Consolidations—the combination of Gold Trail Union and Mother Lode Union yields the greatest increase of all 23 combinations. This combination provides a 9.74% increase, or \$594 per ADA, which totals almost \$1,070,000 in new funds for the relatively small district.

Mother Lode Union, Gold Oak Union, and Pioneer Union represent the consolidation with the second highest increase of 6.40%, which provides almost \$870,000 in a new funds to serve just over 2,200 ADA. The funded base revenue limit would be \$5,373.80.

Election Requirements

In general state law governing district reorganization requires that the reorganization proposal be submitted to a vote of the residents in the territory of the districts affected by the reorganization. Certain exceptions to the vote requirement are made, however, for the transfer of uninhabited territory, provided the governing boards of the districts consent to the transfer (E.C. 35709).

For the majority of unifications and district consolidations an election is required (E.C. 35710). The education code specifies that upon receipt of a reorganization petition, the county committee on school district organization shall evaluate the proposal against the ten criteria listed in E.C. 35753 (e.g., district size, community identity, racial or ethnic discrimination or segregation, educational program, etc.). If the petition substantially meets these criteria, the county committee is to notify the county superintendent of schools who in turn shall call an election in the territory of the districts as determined by the county committee.

After receiving the notification from the county committee, the county superintendent of schools has 35 days to call an election, which is to be conducted at the next available regular election (E.C. 35710.51).

State law, however, also grants the State Board of Education (SBE) broad waiver authority over non-apportionment related provisions of the Education Code, including sections governing the reorganization of school districts (E.C. 33051). In fact, state law directs the SBE to approve “any and all requests for waivers” except in those cases in which the board specifically finds any of the following:

- ✦ The educational needs of the pupils are not adequately addressed
- ✦ A program which includes a school site council would be affected and the school site council did not approve the request
- ✦ The appropriate councils or advisory committees did not have an adequate opportunity to review the request and the request does not include a written summary of the councils’ or advisory committees’ objections
- ✦ Pupil or school personnel protections are jeopardized
- ✦ Guarantees of parental involvement are jeopardized
- ✦ Substantial increases in state costs would occur, or
- ✦ The exclusive representative of employees was not a participant in the development of the waiver

Based on its authority under E.C. 33051, the SBE in recent years has granted several requests to waive the election requirements pertaining to school district reorganizations. According to staff of the Department of Education, a key element in determining whether the request will be granted is the level of local opposition, if any, to the reorganization and request to waive the election requirement.

Staff indicate that it is not necessary that the waiver request be free of any local opposition in order to secure SBE approval. Instead, the SBE will weigh the local interests in moving forward with the reorganization against the need for an election. Supplemental materials to the waiver request could include the local districts' board agenda item in which the resolution seeking the SBE waiver is approved and minutes or transcripts of community meetings, including the board hearing, in which the waiver is discussed.

State Board of Education's Ten Reorganization Criteria

In addition to fiscal considerations, district reorganizations must also focus on the educational program, the integration of communities, facility requirements, and other considerations. State law assigns the responsibility for ensuring that the broad interests of the community are met to the local school boards, the county community on district organization, the county superintendent of schools, and other local agencies. In addition, the SBE provides a crucial oversight roll, reviewing the proposed reorganization against ten reorganization criteria specified by the Legislature [E.C. 35753(a)].

The SBE is authorized to approve a proposed reorganization, provided that the SBE finds that the proposal “substantially” meets the ten specified criteria. The board has broad discretion in determining whether each criterion is met. (Note: There are nine specified criteria, with the tenth being any other criterion deemed important and adopted by regulation by the board.)

The following are the SBE’s ten reorganization criteria:

1. *Adequate District Size.* The reorganized districts will be adequate in terms of number of pupils enrolled.
2. *Community Identity.* The districts are each organized on the basis of a substantial community identity.
3. *Division of Property.* The proposal will result in an equitable division of property and facilities of the original district or districts.
4. *Racial or Ethnic Discrimination or Segregation.* The reorganization of the districts will preserve each affected district's ability to educate students in an integrated environment and will not promote racial or ethnic discrimination or segregation.
5. *State Costs.* Any increase in costs to the state as a result of the proposed reorganization will be insignificant and otherwise incidental to the reorganization.
6. *Educational Program.* The proposed reorganization will continue to promote sound education performance and will not significantly disrupt the educational programs in the districts affected by the proposed reorganization.
7. *School Facilities.* Any increase in school facilities costs, as a result of the proposed reorganization, will be insignificant and otherwise incidental to the reorganization.
8. *Property Values.* The proposed reorganization is primarily designed for purposes other than to significantly increase property values.

9. *Fiscal Management.* The proposed reorganization will continue to promote sound fiscal management and not cause a substantial negative effect on the fiscal status of the proposed district or any existing district affected by the proposed reorganization.
10. *State Board of Education's Criteria.* Any other criteria that the SBE may, by regulation, prescribe.

State law recognizes that not all of the criteria may be applicable to the proposed reorganization or that the criteria may be met as a practical matter. In addition, local circumstances prevailing at the time of the proposed reorganization may result in “an exceptional situation sufficient to justify approval of the proposals” by the SBE [(E.C. 35753(b)]. Therefore, a reorganization proposal may ultimately secure approval of the SBE even if it does not meet threshold of the literal requirements of E.C. 35753(a).

El Dorado County Enrollment

According to the “2009 California Public K-12 Graded Enrollment Projections Tables” published by the Department of Finance (DOF), for the period of 2005 to 2010, El Dorado County’s year-to-year enrollment trend has been volatile, experiencing several years of declines followed by a few years of growth. However, for the past five years, K-12 enrollment throughout the county has increased slightly at 0.3%.

The DOF reported in its 2013-14 California Public K-12 Graded Enrollment Projection by County Ranked by Size, Numeric, and Percent Change since 2008-09, that it expects K-12 enrollment in El Dorado County to grow by 4% by the end of fiscal year 2013-14. While seemingly weak, this projection is significantly higher than the projection for enrollment growth statewide, which the DOF estimates at 0.4% for the same period.

El Dorado County is surrounded by Placer County on its northern side, Sacramento County on its western side, with Amador and Alpine completing the south and southeast side of the County. The County is surrounded by both fast growing and declining enrollment counties. The DOF projections indicate that through 2013-14 K-12 enrollment in Placer County is expected to grow 13.7%, followed by Alpine County at 6.2%. Enrollment in Sacramento County is expected to increase a just 2.7% and Amador County is expected to see enrollments decline 1.8% over this period.

School districts are the only public agencies in California that are funded based upon the population they serve. City and county municipalities, as well as special districts, do not receive more or less income because of a change in their population; only public schools have a variable in total funding based upon population. As a consequence, a district with growth in enrollment will have growth in its total revenue limit income from one school year to the next. A district that declines in population, however, will decline in its overall income.

The importance of ADA is twofold: ADA drives a district’s revenue limit income, and more importantly, each day a student is in school is one more day of instruction, leading that student closer to reaching his/her educational goals.

Next Steps

The focus of this study was to evaluate many combinations of school districts within the county and to compute the potential increase in ongoing, general purpose funding for each combination. Under current law, a newly reorganized school district composed of several previously existing school districts would have its revenue limit based on (1) the weighted average of the revenue limits of the existing districts, plus (2) an adjustment based on the differences in average salary and benefit costs of the districts' employees. It is this second adjustment that provides new funds to the district.

Revenue Impacts

The SSC analysis evaluated 23 separate district configurations, ranging from consolidations involving two elementary districts to consolidations that encompass all but three of the smallest districts within the county. Some of the major findings were:

- ✦ The largest percentage increase in state funding accrued to one of the smallest district combinations; the combination of Gold Trail Union, and Mother Lode Union provides just under \$1,070,000 in additional state aid, an increase of 9.74%, to serve 1,800 ADA
- ✦ Two additional small district combinations provided revenue increases above 6%. The combination of Mother Lode Union, Gold Oak Union and Pioneer Union generated a 6.4% increase in revenue limit income, while the combination of Camino Union, Gold Oak Union, Pollock Pines School District, and Pioneer Union yielded a 6% increase
- ✦ Three large district combinations (defined in this study as serving more than 8,000 ADA) provided at least 5.5% more state revenue limit aid; each of the three combinations included the two largest elementary districts in the county—Buckeye Union and Rescue Union—and each generated at least \$4 million in new, ongoing funds
- ✦ Of the 23 district combinations reviewed, 11 generated more than a 5% increase in state aid; the range of this increase for the 11 combinations was \$310 per ADA to almost \$600 per ADA

The figures in the Analysis and Findings Section summarize all of the computations for each of the 23 school district combinations.

Other Factors to Consider

In addition to the increase in revenues that could be available under certain district consolidation options, there are other considerations that should influence any reorganization proposal. Chief among these considerations would be the educational program to be offered to students in the newly constituted district. District consolidations may present opportunities to expand effective educational programs to more students, as coordination and communication improves under a single district administration. In addition, a consolidation of several districts may provide greater opportunities for staff to be assigned to school sites that best meet their professional strengths and take full advantage of their areas of expertise.

Bringing together several school districts into a single district should also consider the interests of the community at large. Are there certain geographic, land use, cultural, or other factors that might shape the community? Are there historical factors that need to be considered that would help build community identity? These and other non-fiscal considerations should be a part of the discussions to reorganize the districts within the county.

Members of the community and education leaders throughout the county will have to engage these issues as part of any initial exploration of district consolidation options. The ten criteria for evaluating reorganization proposals specified in the Education Code provides a good starting point for this discussion.

Expenditure Issues

Once the local community or communities have narrowed the options to a specific consolidation proposal or proposals, a more detailed analysis of the fiscal impact would be in order. This analysis would examine the budgets of the specific districts involved in the consolidation. A detailed expenditure analysis would include the cost of moving the existing staff to a single salary schedule, although current law does not require that this necessarily follow from a district reorganization. The highest salary schedule among the districts involved in the consolidations is often used as the schedule for the newly formed district. Employees whose current compensation exceeds the compensation specified on the schedule could see their compensation frozen, while others could experience an increase if their current compensation falls short of the amount paid under the more generous schedule.

The expenditure analysis could also examine the potential for administrative savings following a consolidation, as some functions may be duplicative after the merging of the districts. Opportunities to achieve administrative savings, however, will be dependent upon the staffing levels prior to the consolidation and how efficiently the districts had been operating. In some cases, administrative functions could be understaffed prior to a consolidation, and the consolidation could provide opportunities for improved oversight and administration, rather than expenditure reductions.

It is important to note that E.C. 45121 provides for certain protections for classified employees. Specifically, nonmanagement classified employees are provided a two-year guarantee of continued employment at the same salary and benefit level for school district unifications. Therefore, a new unified district would not be able to eliminate classified positions to achieve savings during the initial years of the reorganization; however, options for long-term savings should not be overlooked. The options under consideration in El Dorado County, however, involve only elementary school districts and, therefore, this two-year employment protection would not apply.

Like the potential to achieve administrative savings related to personnel expenditures, a district consolidation could present opportunities to reduce facility costs or reassign certain facilities for other purposes, including instructional services. These options would be dependent upon the location, age, and current configuration of the administrative structures.

Finally, the expenditure analysis could include a detailed forecast of enrollment for the reorganized district. These forecasts would assist administrators in planning for the number of students that the district would have to serve and the expected level of future revenues that would be available to meet the staffing and facility costs.

Summary

In summary, the next steps in the consideration of consolidating school districts within the county would be (1) to involve the broader community in the discussions of district consolidation, (2) specifically define one or several consolidation options, taking into consideration the revenue impacts identified in this report, as well as other criteria deemed important to the community, and (3) evaluate the potential impact on expenditures within the proposed district, including personnel costs, facilities, transportation, and other expenditures.

Appendix A: ***Fiscal Implications of School District Reorganization***

Note: This Appendix is an updated version of a chapter in the California Department of Education's "School District Reorganization Handbook," originally written by Paul Goldfinger.

Introduction

Given the state's troubled fiscal outlook, many school administrators are exploring every possible option for reducing expenditures and increasing revenues. One option that holds the potential of accomplishing both goals—reducing duplicative expenditures and increasing state aid—is school district consolidation. By consolidating school districts, it is often possible to reduce expenditures through the elimination of duplicative services. Also, state law provides an increase in total revenue limit for a district that has consolidated in recognition of the need to have a common salary and benefit schedule for all of the employees of the new district.

OVERVIEW OF REVENUE LIMIT CHANGES

When districts reorganize—whether through unification, unionization, annexation, or transfer of territory¹—the revenue limit for the newly reorganized district is calculated in two steps: (1) the blending of base revenue limits of the component districts and (2) the calculation of an adjustment for salary and benefit differentials. The blending of the base revenue limits of the former component districts uses a weighted average approach that is revenue neutral and does not yield any increased funding to the new district.

It is only the adjustment for salary and benefit differentials that yields new revenues. The calculation of this adjustment starts with the determination of the average cost of certificated salaries and benefits per full-time equivalent employee (FTE) and then identifies the cost of increasing the certificated employees in the component districts with low average costs up to the level of the district with the highest average costs. A second, parallel calculation is performed for classified employees. The sum of these changes for both certificated and classified employees, divided by the total ADA for the newly reorganized district, is added to the new district's base revenue limit.

¹ Unification is the formation of a new K-12 district from elementary and high school districts, while unionization is the formation of a new district from districts of the same level—elementary, high school, or unified. Annexation is when one district is merged into another district that continues to operate. The impact of the transfer of a 7th/8th-grade program from an elementary district to a high school district (or vice versa) is covered through a different provision of law, and is discussed separately later in this chapter.

This revenue limit increase for salaries and benefits is the only increased funding for a newly reorganized district. Special education funding is now calculated based only on the ADA for a special education local plan area (SELPA) as a whole, not for an individual district, and is not affected by district reorganization.² And all other state categorical funding for a newly reorganized district is calculated on a revenue neutral basis. For those categorical programs that are funded on a per-pupil (or per-ADA) basis, such as instructional materials, the funding for a newly reorganized district is based upon the sum of the enrollment from its component districts. And for those categorical programs where funding in one year is based on the funding in the prior year, such as state aid for transportation, the funding for a newly reorganized district is simply based on the sum of the funding for the component districts.

REVENUE LIMIT INCREASE VERSUS COST INCREASE

It is important to understand that the calculation of the revenue limit increase for salaries and benefits is not directly related to the actual cost increase that a newly reorganized district may incur when moving to a common salary and benefit schedule—for two reasons. First, a reorganized district may negotiate any salary schedule and benefit package; that is, there is no legal requirement that the newly reorganized district use the highest salary schedule of its component districts, even though the salary/benefit add-on is based on the cost to “level up” to the highest-cost agency. And, second, the additional revenue limit funding is based on a calculation involving the average costs per FTE of salaries and benefits for all certificated employees—and all classified employees—not on the actual cost of shifting employees to a common salary and benefit schedule.

To make this latter point clear, consider two examples involving the unification of two school districts. As a first example, if both districts had identical salary and benefit schedules, but one district had more senior staff than the other, the district with more senior staff would have a higher average cost for salaries and benefits per FTE. Even though there would be no cost of moving to a common salary schedule, the revenue limit calculation would, nevertheless, result in additional funding because of the difference in average costs.

As a second example, suppose that these two districts had different salary and benefit schedules, but the district with the lower schedule had a higher level of seniority and its average cost per FTE turned out to be exactly the same as the other district. Although there would be a cost of moving the lower-paid employees to the higher salary schedule, the revenue limit calculation would result in no additional funding for salaries and benefits, simply because the average cost per FTE was identical. Districts facing a scenario of similar costs per FTE—and which would therefore receive little extra funding from the revenue limit calculations—should consider delaying a reorganization until the difference in average costs per FTE is greater.

² The only exception would be in the unusual case where a school district reorganization results in a change in SELPA configuration. But under state law, any SELPA reorganization must be fiscally neutral.

Although these two examples highlight the inconsistency between the revenue limit calculation and the cost of moving to a common salary and benefit schedule, as a practical matter the additional revenue limit funding is usually close to the amount needed to move all employees to the highest schedule.

Another point is that the calculation of the revised revenue limit is based on data for the component districts two years prior to the effective date of the reorganization. For example, for a reorganization that will become effective in 2011-12, the calculations shall be based upon revenue limits, ADA, and salary and benefit costs per FTE in 2009-10. The use of data two years prior to the effective date of the reorganization is intended to use “known” data and data that cannot be manipulated by making salary or benefit changes just before the effective date of the reorganization.

BLENDED BASE REVENUE LIMIT

The first step in calculating the base revenue limit for the newly reorganized district is the calculation of the blended base revenue limit. In simplest terms, this calculation is equal to the total base revenue limit for all the component districts divided by the total ADA for the newly reorganized district.

WEIGHTED AVERAGE CALCULATION

Example 1 is for a reorganization that becomes effective in 2011-12 and which uses 2009-10 data for the revenue limit calculation.

The steps used in the blending calculation using 2009-10 data are as follows:

- Step 1:** For each affected district, multiply the district’s 2009-10 base revenue limit by the number of 2009-10 ADA. If a district is wholly included in the newly reorganized district, then this calculation will be based on the district’s revenue limit ADA (i.e., the greater of current or prior-year ADA). If only a portion of a district is to be included in the reorganization, the law stipulates that the county superintendent is to make the determination of the number of ADA that will be included in the proposed school district. For instance, in Example 1, only part of the high school district is unifying with three of its feeder elementary districts and the balance of the high school district will continue to exist. As indicated in this example, 1,200 of the high school district’s 3,000 ADA will become part of the newly unified district, equal to 40% of the district’s ADA.
- Step 2:** Add the sum of the amounts determined in Step 1 for each affected school district to obtain the total base revenue limit for the component districts.

Step 3: Divide the sum determined in Step 2 by the total ADA in the newly reorganized school district. The total ADA used here is equal to the sum of the ADA of the component districts used in Step 1.

The result of Step 3 is the blended base revenue limit per ADA for the newly reorganized district.

This example shows that the weighted average calculation is revenue neutral since it yields the same total base revenue limit as for the sum of the component districts. That is, as shown in the calculation at the end of Example 1, the blended base revenue limit of \$6,574.34 per ADA times the 3,800 ADA of the newly reorganized district yields the same total revenue limit as the sum of the base revenue limits for the component districts (to within a small round-off error).

SALARY AND BENEFIT ADJUSTMENTS

The second part of the revenue limit calculation for a newly reorganized district is the calculation of the adjustments for the salary and benefit differentials. As discussed earlier, this calculation is based solely on the difference in average costs per FTE, and not on the cost increase that a district may incur in shifting to a common salary and benefit schedule.

**EXAMPLE 1 : BLENDED BASE REVENUE LIMIT USING 2009-10 DATA—
 FOR A REORGANIZATION EFFECTIVE 2011-12**

District	2009-10 Base Revenue Limit per ADA (A)	2009-10 Revenue Limit ADA (B)	Affected ADA (C)	Percent of District in Reorganization (D) = (C) / (B)	Computed Total Base Revenue Limit (E) = (A) x (C)
Elementary District #1	\$6,180	900	900	100%	\$5,562,000
Elementary District #2	\$6,175	1,500	1,500	100%	\$9,262,500
Elementary District #3	\$6,210	200	200	100%	\$1,242,000
High School District #1	\$7,430	3,000	1,200	40%	\$8,916,000
Totals			3,800		\$24,982,500

Blended Base Revenue Limit per ADA = \$24,982,500 divided by 3,800 affected ADA = \$6,574.34
 Check: \$6,574.34 times 3,800 = \$24,982,500 (or the same amount to within a \$2 round-off error)

AVERAGE SALARIES AND BENEFITS PER FTE

The first step in computing the salary and benefit adjustments is the determination of the average costs of all salaries and benefits per FTE for certificated staff and the corresponding amount for classified staff. The components of this calculation are as follows:

- ✦ Determine the total for salaries and benefits for all certificated employees for each affected district, including both part-time and full-time employees³. Perform a similar calculation for classified employees.
- ✦ Divide the total certificated salaries and benefits by the number of certificated FTE and divide the total classified salaries and benefits by the number of classified FTE.

Note that this calculation includes all certificated staff—teachers, counselors, administrators, etc.—in the certificated calculation and all classified staff—from aides to associate superintendent for business (if a classified employee)—in the classified calculation.

HIGHEST AVERAGE COST PER FTE AND 25% STANDARD

The next step in computing the salary and benefit adjustments is to determine the highest average certificated (and highest average classified) cost per FTE among the component districts. Part of this determination, as required by state law, is the additional condition that only those component districts with 25% or more of the total ADA of the reorganized district are eligible to be considered as having the highest average cost used as the target to “level up” the other districts. This provision avoids the situation where a small district with high salary/benefit costs becomes the “level up” target for all of the other districts.

Prior to 1998, as a result of what many people considered to be a technical error in law, districts with less than 25% of the total ADA of the reorganized district were not only prohibited from being the “level up” target, but also were completely excluded from the “level up” calculation. After state law was amended in 1998, districts with less than 25% of the total ADA are still excluded from being the “level up” target, as noted above, but all districts, regardless of size, are included in the “level up” calculation.

10% CAP ON SALARY AND BENEFIT ADJUSTMENTS

Statutory law also stipulates that the amount of the add-on for salary and benefits adjustments per ADA cannot exceed 10% of the blended base revenue limit per ADA (ref. Education Code Section 35735.1(a) (4) (A).

³ Collecting the data for both total expenditures and FTE counts for certificated and classified staff is often the hardest part of these calculations. The section below titled “Collecting Salary, Benefit, and FTE Data” gives guidelines for where to look (and not look) for this data.

State law specifies that the resultant base revenue limit per unit of ADA for the newly reorganized district cannot exceed the amount set forth in the proposal for reorganization that was approved by the State Board of Education (ref. Education Code Section 35735.1(c)). However, this Code section goes on to state that the Superintendent of Public Instruction may make technical adjustments to the calculation of the new base revenue limit, “if necessary to cause those apportionments to be consistent with this section,” without further State Board of Education action. That is, even though the data used for the reorganization calculations are from the second year prior to the effective date of the reorganization, the State Board of Education generally approves a reorganization proposal before that second prior year is over. As a result, the data presented to the State Board of Education is typically still estimated data, and the calculations must be updated when actual data is finalized. Thus, approval of a reorganization proposal by the State Board of Education is no guarantee of any specific revenue limit level.

BRINGING THE NEW BASE REVENUE LIMIT UP TO DATE

Since the calculation of the base revenue limit for the reorganized district is performed using data for the second year prior to the effective date of the reorganization, it is necessary to bring it up to date by adjusting it for:

The inflation increases that the reorganized district would have received for the fiscal year prior to the reorganization and for the fiscal year of the reorganization.

Any other adjustments to the base revenue limit that the reorganized district would have been eligible to receive had it been reorganized two years earlier. For example, if equalization aid is funded in the effective year of the reorganization or the prior year, the newly reorganized district would be eligible for the funded level of equalization aid in that year based on its recomputed base revenue limit. However, the actual level of equalization aid received by the component districts in the year prior to the reorganization would not be used.

DEFICITS

In 2008-09, school districts were dealt another challenge in the form of a deficit equal to 7.844%. In 2009-10, the deficit was increased to 18.355%. A reorganized district’s new base revenue limit is subject to the deficit factor in effect at that time.

Appendix B:

California Education Codes, Computation of Revenue Limits

California Education Code Chapter 4. Reorganization of School Districts Article 3. Contents of Plans and Recommendations

35735. (a) Each proposal for the reorganization of school districts shall include a computation of the base revenue limit per unit of average daily attendance for the districts. That computation shall be an integral part of the proposal and shall not be considered separately from the proposal. The computation of the base revenue limit for the newly organized school districts shall be based on the current information available for each affected school district for the second principal apportionment period for the fiscal year two years prior to the fiscal year in which the reorganization is to become effective. The computation of any adjustments for employee salaries and benefits shall be based on information from the fiscal year two years prior to the fiscal year in which the reorganization is to become effective. For the purposes of this article "affected school district" means a school district affected by a reorganization because all or a portion of its average daily attendance is to be included in the newly organized school districts.

(b) The county superintendent of schools shall compute the base revenue limit per unit of average daily attendance pursuant to Section 35735.1 for a school district involved in an action to reorganize and in an action to transfer territory.

(c) The State Department of Education shall use information provided pursuant to subdivision (a) by the county superintendent of schools in each county that has a school district affected by an action to unify or by an appeal of a transfer of territory to compute the base revenue limit per unit of average daily attendance for a newly organized school district pursuant to Section 35735.1.

(d) This section shall not apply to any reorganization proposal approved by the State Board of Education prior to January 1, 1995.

(e) Any costs incurred by the county superintendent of schools in preparing reports pursuant to this section or Section 35735.1 or 35735.2 may be billed to the affected school districts on a proportionate basis.

35735.1. (a) The base revenue limit per unit of average daily attendance for newly organized school districts shall be equal to the total of the amount of blended revenue limit per unit of average daily attendance of the affected school districts computed pursuant to paragraph (1), the amount based on salaries and benefits of classified employees computed pursuant to paragraph (2), the amount based on salaries and benefits of certificated employees calculated pursuant to paragraph (3), and the amount of the inflation adjustment calculated pursuant to paragraph (4). The following computations shall be made to determine the base revenue limit per unit of average daily attendance for the newly organized school districts:

(1) Perform the following computation to arrive at the blended revenue limit:

(A) Based on the current information available for each affected school district for the second principal apportionment period for the fiscal year, two years prior to the fiscal year in which the

reorganization is to become effective, multiply the base revenue limit per unit of average daily attendance for that school district by the number of units of average daily attendance for that school district that the county superintendent of schools determines will be included in the proposed school district.

(B) Add the amounts calculated pursuant to subparagraph (A).

(2) For each affected school district in the newly organized school districts, the following computation shall be made to determine the amount to be included in the base revenue limit per unit of average daily attendance for the newly organized school districts that is based on the salaries and benefits of full-time equivalent classified employees:

(A) For each of those school districts, make the following computation to arrive at the highest average amount expended for salaries and benefits for classified full-time employees by the districts:

(i) Add the amount of all salaries and benefits for classified employees of the district, including both part-time and full-time employees.

(ii) Divide the amount computed in clause (i) by the total number of full-time equivalent classified employees in the district.

(B) Among those school districts that will make up 25 percent or more of the average daily attendance of the resulting newly organized school district, compare the amounts determined for each of those school districts pursuant to subparagraph (A) and identify the highest average amount expended for salaries and benefits for classified employees.

(C) For each of the school districts with salaries and benefits that are below the highest average amount identified in subparagraph (B) and that are included, in whole or in part, in the newly organized district, subtract the amount determined for the district pursuant to subparagraph (A) from the amount identified pursuant to subparagraph (B).

(D) For each of those school districts, multiply the amount determined for the district pursuant to subparagraph (C) by the number of full-time equivalent classified employees employed by the district, and then multiply by the percentage of the district's average daily attendance to be included in the new district.

(E) Add the amounts computed for each school district pursuant to subparagraph (D).

(3) For each affected school district in the newly organized school districts, the following computation shall be made to determine the amount to be included in the base revenue limit per unit of average daily attendance for the newly organized school districts that is based on the salaries and benefits of full-time equivalent certificated employees:

(A) For each of those school districts, make the following computation to determine the highest average amount expended for salaries and benefits for certificated full-time employees:

(i) Add the amount of all salaries and benefits for certificated employees, including both part-time and full-time employees.

(ii) Divide the amount determined in clause (i) by the total number of full-time equivalent certificated employees in the district.

(B) Among those school districts that will make up 25 percent or more of the average daily attendance of the resulting newly organized school district, compare the amounts determined for each school district pursuant to subparagraph (A) and identify the highest average amount expended for salaries and benefits for certificated employees.

(C) For each of the school districts with salaries and benefits that are below the highest average amount identified in subparagraph (B) and that are included, in whole or in part, in the newly

organized school district, subtract the amount determined for the district pursuant to subparagraph (A) from the amount identified pursuant to subparagraph (B).

(D) For each of those school districts, multiply the amount determined for the district pursuant to subparagraph (C) by the number of full-time equivalent certificated employees of the school district, and then multiply by the percentage of the district's average daily attendance to be included in the new district.

(E) Add the amount calculated for each school district identified pursuant to subparagraph (D).

(4) The base revenue limit per unit of average daily attendance shall be adjusted for inflation as follows:

(A) Add the amounts determined pursuant to subparagraph (B) of paragraph (1), subparagraph (E) of paragraph (2), and subparagraph (E) of paragraph (3), and divide that sum by the number of units of average daily attendance in the newly organized school districts. The amount determined pursuant to this subparagraph shall not exceed 110 percent of the blended revenue limit per unit of average daily attendance calculated pursuant to paragraph (1).

(B) (i) Increase the amount determined pursuant to subparagraph (A) by the amount of the inflation adjustment calculated and used for apportionment purposes pursuant to Section 42238.1 for the fiscal year immediately preceding the year in which the reorganization becomes effective.

(ii) With respect to a school district that unifies effective July 1, 1997, and that has an average daily attendance in the 1996-97 fiscal year of more than 1,500 units, increase the amount determined pursuant to subparagraph (A) by an amount calculated as follows:

(I) For each component district of the newly unified district, multiply the amount of revenue limit equalization aid per unit of average daily attendance determined pursuant to Sections 42238.41, 42238.42, and 42238.43, or any other sections of law, for the 1996-97 fiscal year by the 1996-97 second principal apportionment units of average daily attendance determined pursuant to Section 42238.5 for that component district.

(II) Add the results for all component districts, and divide this amount by the sum of the 1996-97 second principal apportionment units of average daily attendance determined pursuant to Section 42238.5 for all component districts.

(C) Increase the amount determined pursuant to subparagraph (B) by the amount of the inflation adjustment calculated and used for apportionment purposes pursuant to Section 42238.1 for the fiscal year in which the reorganization becomes effective for all purposes.

(D) Increase the amount determined pursuant to subparagraph (C) by any other adjustments to the base revenue limit per unit of average daily attendance that the newly organized school districts would have been eligible to receive had they been reorganized in the fiscal year two years prior to the year in which the reorganization becomes effective for all purposes.

(b) The amount determined pursuant to subparagraph (D) of paragraph (4) of subdivision (a) shall be the base revenue limit per unit of average daily attendance for the newly organized school districts.

(c) The base revenue limit per unit of average daily attendance for the newly organized school district shall not be greater than the amount set forth in the proposal for reorganization that is approved by the state board. The Superintendent may make adjustments to base revenue limit apportionments to a newly organized school district, if necessary to cause those apportionments to be consistent with this section.

(d) If the territorial jurisdiction of any school district was revised pursuant to a unification, consolidation, or other reorganization, occurring on or before July 1, 1989, that resulted in a

school district having a larger territorial jurisdiction than the original school district prior to the reorganization, and a reorganization of school districts occurs on or after the effective date of the act that added this subdivision that results in a school district having a territorial jurisdiction that is substantially the same, as determined by the state board, as the territorial jurisdiction of that original school district prior to the most recent reorganization occurring on or before July 1, 1989, the revenue limit of the school district resulting from the subsequent reorganization shall be the same, notwithstanding subdivision (b), as the revenue limit that was determined for the original school district prior to the most recent reorganization occurring on or before July 1, 1989.

(e) The average daily attendance of a newly organized school district, for purposes of subdivision (d) of Section 42238, shall be the average daily attendance that is attributable to the area reorganized for the fiscal year two years prior to the fiscal year in which the new district becomes effective for all purposes.

(f) For purposes of computing average daily attendance pursuant to subdivision (d) of Section 42238 for each school district that exists prior to the reorganization and whose average daily attendance is directly affected by the reorganization, the following calculation shall apply for the fiscal year two years prior to the fiscal year in which the newly reorganized school district becomes effective:

(1) Divide the 1982-83 fiscal year average daily attendance, computed pursuant to subdivision (d) of Section 42238, by the total average daily attendance of the district pursuant to Section 42238.5.

(2) Multiply the percentage computed pursuant to paragraph (1) by the total average daily attendance of the district calculated pursuant to Section 42238.5, excluding the average daily attendance of pupils attributable to the area reorganized.

(g) This section shall not apply to any reorganization proposal approved by the state board prior to January 1, 1995.

(h) Notwithstanding any other provision of law, this section shall not be subject to waiver by the state board pursuant to Section 33050 or by the Superintendent.