

# Analysis of the Revenue Impact of School District Consolidations In Nevada County

FEBRUARY 17, 2011

Prepared By:

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VICE PRESIDENT

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## Executive Summary

Nevada County (County) is located in the foothills of the Sierra Nevada Mountains, about 60 miles northeast of Sacramento. The County’s territory includes its western border, which touches Yuba County, and its eastern boundary, which reaches to Washoe County in Nevada. The County stretches across 974 square miles of foothills, valleys, and mountain peaks. It shares its northern border with Sierra County and its southern border with Placer County. The Nevada County Superintendent of Schools (NCSOS) provides support to the ten school districts throughout this region, which serve approximately 12,400 students.

Nevada County School Districts	
Chicago Park School District	Pleasant Ridge Union School District
Clear Creek School District	Pleasant Valley School District
Grass Valley School District	Ready Springs Union School District
Nevada City School District	Twin Ridges School District
Nevada Joint Union High School District	Union Hill School District

The NCSOS provides instructional programs, including charter school, community day school, child development, special education, foster youth, independent living programs, and Indian education programs. In addition, the NCSOS serves districts with the following:

- ✚ Curriculum and Instructional leadership, including staff development, special activity coordination, and technology training and support
- ✚ Fiscal oversight and business services, including payroll, accounting and budget, purchasing, risk management, and facilities
- ✚ Technology services and support
- ✚ Human Resources, including credentialing services and other support

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

The analysis was designed to examine numerous district consolidations and unifications options 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 22 separate district configurations, ranging from consolidations involving all nine elementary districts to consolidations that encompass all nine elementary school districts and the high school district. Furthermore, the analysis included several configurations in which specific school sites were transferred to neighboring districts.

This 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 five district unification options considered yielded revenue increases ranging from 7.12% to 10% (the statutory limit)
- ✚ Consolidating all nine elementary districts would result in a single elementary district of just under 6,100 ADA, but essentially no higher level of revenue limit funding than is currently provided for the nine individual districts
- ✚ Consolidating Grass Valley, Chicago Park and Union Hill would result in a single elementary district serving approximately 2,470 ADA and yield a 7.9% increase in revenue limit funding, or slightly more than \$920,000
- ✚ Consolidating the four districts in the western region of the County—Clear Creek, Pleasant Valley, Pleasant Ridge, and Ready Springs—would result in a single elementary district serving approximately 2,430 ADA and result in an increase in revenue limit funding of just more than \$820,000, or a 7.12% increase
- ✚ Consolidating the two eastern elementary districts—Twin Ridges and Nevada City—would encompass the largest geographic area and serve just under 1,200 ADA, but would yield a small increase in funding of approximately \$85,200, or a 1.49% gain

The figures in the Analysis and Findings Section summarize all of the computations for each of the 22 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 or unification. 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 reorganization 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 sites that best meet their professional strengths.

Proposed district consolidations or unifications 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 the 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.

## ***State Board of Education's Ten Reorganization Criteria***

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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 committee on district organization, the county superintendent of schools, and other local agencies. In addition, the State Board of Education (SBE) provides a crucial oversight role, reviewing the proposed reorganization against ten reorganization criteria specified by the Legislature [Education Code Section (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. *SBE'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).

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## ***Introduction and Background***

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### ***Financial Incentives to Promote District Consolidation***

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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 (SB) 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 weighted-average (as determined by 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 districts 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*

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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 2010-11, General Fund revenues, which include higher receipts due to temporary tax increases, are forecast to be \$90 billion, an 11% drop from the level just three years ago.

Similarly, state support for K-12 education has declined at an unprecedented rate over the same period. For example, in 2007-08 the statewide average funded revenue limit for unified districts was \$5,821 per ADA compared to \$5,239 per ADA in 2010-11, a drop of 10%, or \$582 per ADA.

The prospects for 2011-12 offer little hope for improvement. According to the Governor's Budget Proposal, revenue limit funding would drop \$19 per ADA in 2011-12, provided voters approve a five-year extension of temporary taxes that are set to expire in 2010-11. If the voters reject the extension of the temporary taxes, K-12 education funding under Proposition 98 would drop \$2 billion and school districts could face an additional \$330 per ADA reduction, if funding is cut to the minimum Proposition 98 guarantee level.

Because the broader state and national economies have shown little improvement, with the state unemployment rate hovering at 12.5% as of January 2011, 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 rise.

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 to expand effective programs to serve more students.

## *Nevada County Superintendent of Schools Study*

It is in this context that the NCSOS requested SSC to analyze various configurations of school district consolidations and unifications within the County. Unlike prior studies conducted by SSC, which focused on a previously defined consolidation or unification proposal, this study sought to examine many different district configurations.

This study examines 22 specific school district consolidation or unification arrangements within the County. The new hypothetical arrangements were not constrained other than that the districts had to be contiguous. The study examined (1) logical elementary combinations, (2) unification options, and (3) geographic arrangements.

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

**Figure 1: Nevada County School Districts**

District	Symbol
Chicago Park School District	CHP
Clear Creek School District	CLC
Grass Valley School District	GRV
Nevada City School District	NVC
Nevada Joint Union High School District	NJU
Pleasant Ridge Union School District	PLR
Pleasant Valley School District	PLV
Ready Springs Union School District	RDS
Twin Ridges School District	TWR
Union Hill School District	UNH

To perform the analysis, we relied on data provided by NCSOS, including information for each school district regarding ADA, 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 NCSOS.

**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
Chicago Park	CHP	136.88	\$4,727.63	\$627,474	8.00	\$238,696	5.20
Clear Creek	CLC	149.23	\$4,808.54	\$629,166	8.40	\$281,331	6.00
Grass Valley	GRV	1,612.48	\$4,745.75	\$6,832,789	86.45	\$2,755,123	70.20
Nevada City (BA)	NVC	1,094.40	\$4,731.51	\$5,552,936	66.00	\$1,819,491	47.00
Pleasant Ridge	PLR	1,512.39	\$4,725.11	\$7,994,828	87.30	\$1,911,976	38.40
Pleasant Valley	PLV	507.50	\$4,808.18	\$2,450,780	29.60	\$911,226	15.90
Ready Springs (BA)	RDS	257.03	\$4,733.30	\$954,742	13.50	\$346,985	9.40
Twin Ridges (BA)	TWR	93.83	\$5,930.32	\$629,934	8.50	\$530,806	11.00
Union Hill	UNH	717.49	\$4,723.93	\$3,061,777	37.00	\$803,031	17.00
Nevada Joint Union High School District	NJU	3,492.64	\$5,746.21	\$19,000,135	189.40	\$6,234,044	115.80

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 ten school districts in the County range in size from Nevada Joint Union High School District at 3,492 ADA to Twin Ridges School District at 93 ADA.

**Figure 3: Nevada County School Districts**

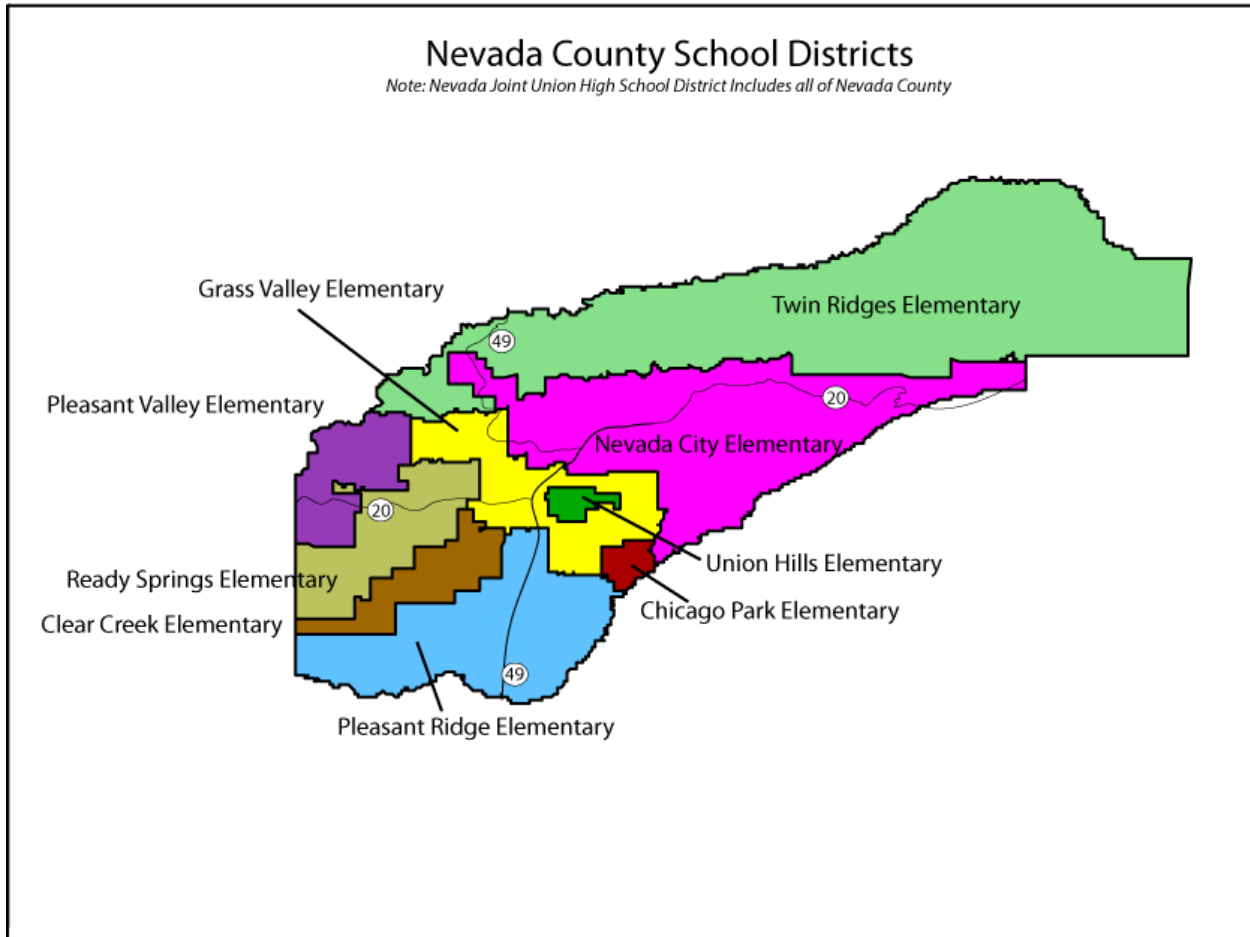


Figure 2 also displays the funded base revenue limits for the districts in 2009-10. It is important to note that in recent years state support for K-12 education has actually declined on a per ADA basis, as revenue shortfalls have forced reductions in all state programs. For K-12 school districts, commencing 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 continued the 17.963% deficit factor into 2010-11 and proposes a deficit factor of 19.608% for 2011-12.

Finally, Figure 2 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*

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This section presents the revenue impacts of consolidating various school districts within the County. The analysis follows current law provisions governing the recalculation of the revenue limit, utilizing data provided by NCSOS for 2009-10. In total the revenue impacts for 22 district combinations were computed.

The district combinations are presented in three tables: (1) logical elementary combinations, (2) unification options, and (3) geographic arrangements.

Each of the three figures display the following characteristics associated with the consolidation of districts in the 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 Principal Apportionment (P-2) 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 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 staff 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 in 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.

### *Logical Elementary Combinations*

Figure 4 displays ten reorganization options that are logical elementary combinations. From this analysis, dividing the nine elementary districts into two new districts – one that includes all of the elementary districts except Pleasant Valley and Ready Springs and another that includes Pleasant Valley and Ready Springs alone—generates the greatest overall revenue gain. The combination of all elementary districts except Pleasant Valley and Ready Springs (5,317 ADA) yields the maximum 10% increase in new funding, or just over \$2.5 million, and the combination of Pleasant Valley and Ready Springs alone (765 ADA) generates \$355,000 in new funds, a 9.7% gain.

On the other hand, combining all nine elementary districts into one elementary district provides only \$241,000 in additional state funding, a 0.83% gain, to serve a district of 6,081 ADA.

**Figure 4: Logical Elementary Combinations**

Districts Combinations	Size/ ADA	Blended Base Revenue Limit *	State Funded Increase			New Base Revenue Limit *
			Total	Per ADA	% Change	
All Elementary Districts	6,081	\$4,759.57	\$240,763.99	\$39.59	0.83%	\$4,799.17
All Elementary Districts excluding PLV + RDS	5,317	\$4,756.20	\$2,528,731.07	\$475.62	10.00%	\$5,231.82
PLV + RDS	765	\$4,783.01	\$354,739.44	\$464.00	9.70%	\$5,247.00
NVC + TWR	1,188	\$4,826.17	\$85,216.85	\$71.72	1.49%	\$4,897.89
NVC + Washington School (TWR)	1,106	\$4,744.51	\$10,898.46	\$9.85	0.21%	\$4,754.36
CHP + UNH	854	\$4,724.52	\$41,468.85	\$48.54	1.03%	\$4,773.06
CHP + GRV + UNH	2,467	\$4,738.40	\$923,403.09	\$374.32	7.90%	\$5,112.73
CLC + PLR	1,662	\$4,732.60	\$157,510.51	\$94.79	2.00%	\$4,827.39
GRV + UNH	2,330	\$4,739.03	\$881,934.24	\$378.52	7.99%	\$5,117.55
GRV + CHP	1,749	\$4,744.34	\$4,825.73	\$2.76	0.06%	\$4,747.09

\* Deficient by 18.355%.

Reorganizing the Nevada City School District to include Washington School, which is currently in the Twin Ridges School District, would result in the second smallest increase in funding above the blended revenue limit. This district configuration would serve 1,106 ADA, with a funding

increase of 0.21%, or \$10 per ADA. New, ongoing funding for this combination would be just under \$11,000.

Figure 4 also displays several district combinations that attempt to address the geographic anomaly created by the nesting of the Union Hill School District within the Grass Valley School District. This unique feature within the County constrains the options to consolidate Union Hill with other districts because state law requires that consolidations or unifications involve contiguous districts. Therefore, even though it might be a logical combination, the consolidation of Union Hill and Chicago Park would not be allowed because these two districts are not contiguous. As such, any combination that involves Union Hill School District would also have to include Grass Valley School District.

Figure 4 shows that Union Hill School District when combined with either Grass Valley School District alone or with Grass Valley School District and Chicago Park School District yields an increase in state aid of almost 8%. The combination of Union Hill School District and Grass Valley School District generates an addition \$882,000 to serve a district of 2,330. Adding the small district of Chicago Park to this combination generates \$923,000 in new income, a 7.9% increase, to serve 2,467 total ADA.

On the other hand, combining Grass Valley School District and Chicago Park School District but leaving Union Hill School District as an independent district within the boundaries of the newly formed district would generate essentially no additional state aid.

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

## *Unification Options*

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Figure 5 displays six district unification options. These options include the Nevada Joint Union High School District and various combinations of feeder elementary districts. Of the six combinations considered, three result in the maximum state funding increase of 10%, while the other three generate roughly 7% in new funds.

Combining all ten districts in the County into a single unified school district would result in a \$4.9 million increase in ongoing state aid (i.e., the 10% maximum revenue limit adjustment) to serve a total ADA of 9,574. This translates into an increase in the funded base revenue limit of \$512 per ADA, bringing the adjusted base revenue limit up to \$5,631 per ADA, after applying the deficit factor.

**Figure 5: Unification Options**

Districts Combinations	Size/ ADA	Blended Base Revenue Limit *	State Funded Increase			New Base Revenue Limit *
			Total	Per ADA	% Change	
All Elementary Districts + NJU	9,574	\$5,119.51	\$4,901,349.86	\$511.95	10.00%	\$5,631.46
GRV + CHP + UNH + NJU	5,959	\$5,329.04	\$3,175,836.05	\$532.90	10.00%	\$5,861.94
GRV + NJU	5,105	\$5,430.21	\$2,772,186.95	\$543.02	10.00%	\$5,973.23
CLC + PLV + PLR +NJU + RDS	5,919	\$5,337.23	\$2,250,560.24	\$380.24	7.12%	\$5,717.47
NJU + NVC+ TWR	4,681	\$5,512.66	\$2,062,892.30	\$440.71	7.99%	\$5,953.37
PLR + Bear River H.S. (NJUHSD)	2,655	\$5,164.63	\$918,161.30	\$345.77	6.70%	\$5,510.41

\* Deficit by 18.355%.

The second largest unification to be analyzed involved Nevada Joint Union High School District and the County’s centrally located elementary districts of Grass Valley, Chicago Park, and Union Hill. This combination would serve 5,959 ADA and like the all-district combination would generate the maximum increase in revenue limit income of 10%, or \$533 per ADA, yielding a total funding increase of just under \$3.2 million. Similarly, the combination of Grass Valley School District and Nevada Joint Union High School District also generated the maximum 10% increase in state aid.

A unified district that includes Nevada Joint Union High School District and the western elementary districts (Clear Creek, Pleasant Valley, Pleasant Ridge, and Ready Springs) yields an increase in revenue limit income of 7.12% (\$2.25 million) to serve 5,919 ADA, while a unification involving the high school district and the two eastern elementary districts (Nevada City and Twin Ridges) results in a 7.99% revenue increase (\$2.1 million) to serve a district of 4,681 ADA.

The reorganization of the Pleasant Ridge Union School District to include Bear River High School, which is currently in the Nevada Joint Union High School District would serve 2,655 ADA, with a funding increase of 6.7%, or \$345.77 per ADA. The new ongoing funding for this combination is just under \$920,000.



## Geographic Consolidations

Figure 6 displays six consolidations that are generally clustered either north or south of Highway 20 or east or west of Highway 49 in the County. These configurations reflect combining districts in the western region of the County (for example Clear Creek, Pleasant Valley Pleasant Ridge, and Ready Springs) or the central region including Grass Valley and its neighboring districts.

Figure 6 shows that the consolidation of Chicago Park School District, Grass Valley School District, Pleasant Ridge School District, and Union Hill School District generates the maximum percentage increase in state funding of 10%, or \$1.9 million, to serve a new district of 3,979 ADA. This consolidation would increase the funded base revenue limit by \$473 to \$5,206.68 per ADA.

**Figure 6: Geographic Consolidations**

Districts Combinations	Size/ ADA	Blended Base Revenue Limit *	State Funded Increase			New Base Revenue Limit *
			Total	Per ADA	% Change	
CHP + GRV + PLR + UNH	3,979	\$4,733.35	\$1,883,512.90	\$473.33	10.00%	\$5,206.68
CLC + PLV + PLR + RDS	2,426	\$4,748.48	\$820,084.83	\$338.02	7.12%	\$5,086.50
CLC + PLV + RDS	914	\$4,787.18	\$437,433.09	\$478.72	10.00%	\$5,265.89
CLC + PLR + RDS	1,919	\$4,732.69	\$560,132.76	\$291.94	6.17%	\$5,024.63
CLC + PLR	1,662	\$4,732.60	\$157,510.51	\$94.79	2.00%	\$4,827.39
CLC + RDS	406	\$4,760.94	\$150,185.23	\$369.68	7.76%	\$5,130.62

\* Deficit by 18.355%.

The small district combination of Clear Creek School District, Pleasant Valley School District, and Ready Springs School District also provides the maximum 10% increase in state aid, generating almost \$440,000 in new funds to serve 914 ADA.

We would note that the consolidation of Clear Creek School District and Pleasant Ridge Union School District, which are located on the southern end of the County, yields only 2% increase in additional state dollars.

Lastly, we would note that any newly formed district from these geographic arrangements could have significant transportation implications due to the school locations.

## *Election Requirements*

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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 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.

## *Nevada County Enrollment*

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According to the “2010 California Public K-12 Graded Enrollment Projections Tables” published by the Department of Finance (DOF), the County has experienced a year-to-year enrollment decline averaging 0.10% from 2005 to 2010. The DOF data excludes charter schools.

The DOF also reported that it expects K-12 enrollment in the County to decline by 5% by the end of fiscal year 2013-14. This decline compares to the projected increase in statewide K-12 enrollment of 0.7% for the same period.

The County is surrounded by Sierra County on its northern side, Yuba County on its western side, with Sutter and Placer Counties completing the south and southeast side. It is surrounded by growing-enrollment counties. The DOF projections indicate that through 2013-14 K-12 enrollment in Sutter County is expected to grow 14.6%, followed by Placer County at 13.7%. Enrollment in Sierra County is expected to increase just 5.7% and Yuba County is expected to see enrollments increase 4.1% 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 experiencing enrollment growth will also receive a corresponding increase in its total revenue limit income. On the other hand, a district whose enrollment is falling must cope with the associated loss in revenue limit 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.

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## *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.

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## *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 nonfiscal 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.

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## *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 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. This employment protection, however, does not apply to district consolidations that involve the same type of district (e.g., elementary districts alone).

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*

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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***

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*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***

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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 territory<sup>1</sup>—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.

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<sup>1</sup> 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 7<sup>th</sup>/8<sup>th</sup>-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.<sup>2</sup> 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.

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<sup>2</sup> 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
<b>Totals</b>			<b>3,800</b>		<b>\$24,982,500</b>

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 employees<sup>3</sup>. 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)).

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<sup>3</sup> 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**

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### **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.