

**AGENDA**

**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2**

**ON EDUCATION FINANCE**

**ASSEMBLYMEMBER KEVIN McCARTY, CHAIR**

**TUESDAY, APRIL 11, 2023**

**9:00 A.M. – STATE CAPITOL, ROOM 447**

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*We encourage the public to provide written testimony before the hearing. Please send your written testimony to: [BudgetSub2@asm.ca.gov](mailto:BudgetSub2@asm.ca.gov). Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.*

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**THE GOVERNOR’S 2023-24 JANUARY BUDGET  
PREK-12 EDUCATION & STUDENT OUTCOMES PROPOSALS**

<b>ITEMS TO BE HEARD</b>		
<b>ITEM</b>	<b>DESCRIPTION</b>	
<b>6100</b>	<b>CALIFORNIA DEPARTMENT OF EDUCATION</b>	
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## ITEMS TO BE HEARD

### 6100 CALIFORNIA DEPARTMENT OF EDUCATION

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#### ISSUE 1: COLLABORATIVE FOR EDUCATION EXCELLENCE & SYSTEM OF SUPPORT

The following panel will provide an update on the California Collaborative for Education Excellence and the State System of Support for local education agencies, as well as review January Budget proposals regarding the State System of Support.

#### PANEL

- Lina Grant, Department of Finance (DOF)
- Sara Cortez, Legislative Analyst's Office (LAO)
- William McGee, California Department of Education (CDE)
- Chris Hartley, CA Collaborative for Education Excellence (CCEE)

#### BACKGROUND

#### California Collaborative for Educational Excellence

The California Collaborative for Educational Excellence (CCEE) was established in the 2013-14 Budget Act – as part of the Local Control Funding Formula (LCFF) package – to advise and assist school districts, charter schools, and county offices of education to achieve student outcome goals in their local plans under the LCFF. The Marin County Office of Education serves as its fiscal agent, and the CCEE is governed by a board representing the perspectives of the Governor, California Legislature, teachers, district and county superintendents, and the State Superintendent of Public Instruction.

Under the purview of its Governing Board, the CCEE is the state's role in the System of Support for school improvement, responsible for advising and assisting local educational agencies with achieving the goals set forth in their Local Accountability Plans (LCAPs), identifying areas in need of improvement and strengthening instructional practices through technical assistance, and providing intensive intervention for school districts receiving emergency apportionments. The CCEE provides direct technical assistance and systemic instructional reviews for school districts that are referred to the CCEE by the county superintendent, or the State Superintendent, and for school districts that have emergency loan apportionments.

**Direct Technical Assistance.** Currently, the CCEE is providing direct technical assistance to four school districts that have been identified and referred for intensive intervention through the state system of support, and two school districts that have received recent emergency apportionments. The CCEE is currently engaged with 21 county offices of education to determine if 30 identified school districts would necessitate

direct technical assistance from the CCEE, and anticipate that there will be formal referrals for three to five school districts for support from the state system of support and/or direct technical assistance from the CCEE.

**State Role in System of Support.** The CCEE assists geographic lead agencies and other lead agencies within the State System of Support, which can include the facilitation of technical assistance between county offices of education and school districts and county office of education-focused professional learning networks, or staff and resource development to help deliver technical assistance.

The CCEE administers several recently-funded one-time initiatives within the System of Support:

**Community Engagement Initiative**

Extended and increased by the 2022-23 Budget Act to: 1) Increase and enhance engagement of pupils, families, and communities, 2) Expand the use of CEI's metrics to create a common definition and clear standards for engagement, 3) Develop a training series and resources on meaningful pupil, family, and community engagement, 4) Increase capacity of the CCEE and the CEI lead agencies to improve alignment with the State System of Support (SSOS).

**21CSLA**

Created by the 2019-20 Budget Act, CCEE and CDE shall participate in selecting grantees, determining the allocation of funding, and managing and directing grantees to ensure that grant activities are provided consistent with the statewide system of support and evaluate the effectiveness of the initiative.

**Learning Acceleration Systems Grant (LASG)**

Authorized by the 2021-22 Budget Act for pandemic response, authorizes the CCEE to lead the Learning Acceleration System Grant and Independent Evaluation for the purpose of providing support to LEAs to maximize positive pupil outcomes and most effectively use learning recovery funds.

**IEP Template Panel of Experts**

Statute requires the CCEE to convene a panel of experts to refine the Individualized Education Program (IEP) template.

**High-Quality Online Instructional Material Evaluation**

The 2021-22 Budget Act requires CCEE partners with CDE to select program lead by Dec 15, 2021, and shall enter into a contract with a nonprofit entity to evaluate and make recommendations on the effectiveness of the online repository and resources developed to submit a report that is due on or before October 1, 2024.

### **Reading Instruction and Intervention Evaluation**

The 2021-22 Budget Act requires CCEE shall collaborate with CDE to administer a process to select LEA; CCEE, in consultation with CDE, shall evaluate the professional learning opportunities offered or funded pursuant to this section for their effectiveness, and may require reporting from grantees to complete this evaluation.

### **Early Literacy Block Grant**

The 2020-21 Budget Act specifies that CDE and CCEE shall select a county office of education (COE) to serve as the expert lead in literacy, consistent with Section 52073.1 of the Education Code by December 1, 2020. Funding is available over a 3-year term to establish the expert lead in literacy within the statewide system of support.

### **State System of Support**

The State System of Support provides technical assistance to LEAs struggling with meeting their LCAP and outcomes goals. In addition to the CCEE and CDE, the State System of Support includes a network of local educational agencies and state initiatives, consisting of the Geographic, SELPA, System Improvement, and Content Lead agencies that function to serve the needs of county offices of education and school districts they serve and provides three levels of support to local educational agencies (LEAs) and schools.

The first level, general assistance, is made up of resources and assistance that are available to all LEAs and schools. The second level of assistance, known as differentiated assistance (DA), is targeted support that is available to LEAs that meet the eligibility requirements set by the State Board of Education. The third level of support, Intensive Intervention, may be provided to LEAs that are identified as having persistent performance issues and a lack of improvement over four consecutive years.

County offices of education receive funding to provide assistance to school districts that are identified for differentiated assistance. All county offices of education with one or more districts eligible for differentiated assistance receive a base of \$200,000 in additional LCFF state aid. In addition to the base amount, county offices of education generate additional funds based on the total number and size of the districts identified for differentiated assistance in their jurisdiction. This funding is allocated based on a three-year average of eligible districts.

Currently, a school district or county office of education is identified for differentiated assistance if they have at least one lowest performing pupil subgroup in two or more priority areas. In 2022, 628 school districts and county offices of education were identified for differentiated assistance, and the most common student group for which these local educational agencies were identified is students with disabilities. In 2022-23, county offices of education received \$70 million to provide differentiated assistance to its school districts.

For more background on the System of Support and the CCEE activities, please see Appendix A.

**The Governor’s 2023-24 January Budget**

**Makes Changes to Differentiated Assistance and System of Support.** The Governor’s budget proposes significant modifications to differentiated assistance:

**Proposed Changes to the System of Support**

Current Requirements		Proposed Changes
Duration of differentiated assistance	Eligibility for assistance is determined annually, based on most recent data.	Once eligible, assistance is provided for at least two years, even if improvement occurs after one year.
Differentiated assistance activities	Can include a review of performance data to identify effective, evidence-based programs or practices to address any areas of weakness.	Also can include review of most recent LCAP.
Role of geographic leads	Geographic leads support COEs in providing differentiated assistance.	Geographic leads must provide assistance to a district if in differentiated assistance for three or more years based on the same subgroup.
Assistance from CCEE	Eligible for assistance from CCEE if requested by the COE.	Automatically referred to CCEE if identified for differentiated assistance in three of four years for three or more student groups.
Release of School Dashboard data	No specific statutory requirement. Data used to identify districts for differentiated assistance is typically released by the end of the calendar year.	Data must be released by December 1 in 2023. Deadline slowly moved up, such that in 2026 data must be released by October 15.

LCAP = Local Control and Accountability Plan; COEs = county offices of education; and CCEE = California Collaborative for Educational Excellence.

Source: LAO

The January Budget does not include any additional funds for these System of Support changes, however DOF has shared that additional funding for the proposed two-year duration for Differentiated Assistance will be in the May Revision.

Additionally, the proposed trailer bill would require that a school district or County Office that does not submit data to the California Longitudinal Pupil Achievement Data System (CALPADS) be referred for differentiated assistance automatically, and codifies that data regarding educator qualifications should be reviewed when a school district is looking at their performance data to identify strengths and weaknesses when receiving assistance.

**Reviewing the LCAP as part of differentiated assistance.** Allows, as part of a local educational agency’s differentiated assistance provided by a county office of education, a review of the LCAP be done in its identified goals, actions, and services.

**Intermediary between differentiated assistance and intensive intervention.** Creates an additional step within the levels of the system of support between differentiated assistance (which requires one or more student groups to be lowest-performing in two priority areas) and receiving assistance from CCEE (which requires three or more student groups eligible for differentiated assistance in three of four years). The proposed change would require the assistance of the geographic lead when a local educational agency is eligible for differentiated assistance for 3 or more years, even if it is only for one student group.

Additionally, it requires the geographic lead to evaluate if an expert lead is necessary to improve the effectiveness of the technical assistance being provided.

**Referral to the California Collaborative for Educational Excellence.** Requires that local educational agencies that meet certain criteria for assistance are automatically referred to the California Collaborative for Educational Excellence. Also clarifies the fee-for-service authority for services provided outside of differentiated assistance or direct technical assistance.

**School Dashboard Data Posting.** Finally, it establishes deadlines for when School Dashboard data is publicly available.

**Equity Leads.** The Governor's Budget proposes that the Department of Education and the California Collaborative for Educational Excellence select two to four county offices of education or consortia of county offices of education as equity leads to operate within the state systems of support. The selected equity leads would partner and support the work of local educational agencies in analyzing, identifying, and implementing actions and services that address disparities, including racial disparities, and prioritize working with schools that receive equity multiplier funding.

The Governor's Budget includes placeholder funding for equity leads, which would be determined at a later date.

### LAO Comments

**Requiring Greater Involvement of Geographic Leads and CCEE Is an Improvement Over the Current Practice.** The Governor's budget proposes notable improvements to the system of support by specifying when a district is to receive support from its geographic lead or CCEE. Current law does not specify when other system of support entities are to provide additional assistance or support for districts who have been in differentiated assistance for many years and continue to have low-performing subgroups. The administration's proposed changes help ensure LEAs receive support from other entities involved in the system, which is particularly important in cases where little to no improvement has occurred.

**Clarify Type of Support Geographic Leads Will Provide.** To ensure the assistance provided is well targeted and builds on the LEA's previous work, we recommend further defining the type of support geographic leads will provide to LEAs when in differentiated assistance for three or more years. Specifically, we recommend requiring their assistance be more intensive compared to differentiated assistance provided by the COE. For example, assistance could focus on supporting LEAs to develop a strategy for closing achievement gaps and implementing strategies addressing the specific needs of low-performing subgroups. This support should take into consideration the strategies the LEAs already have implemented.

**Role of Equity Lead Is Duplicative of Other Agencies.** The administration indicates the equity leads would support LEAs by analyzing programs, identifying barriers, and implementing actions that address the needs of all students. These activities are very similar to the support COEs, geographic leads, and CCEE already provide through

differentiated assistance. While equity leads have the added task of providing support that addresses racial disparities, we question how this support will be different or more effective than other assistance provided through system of support entities. Focusing on racial disparities should be a central part of differentiated assistance since many districts are identified for having performance issues among specific racial groups. If the Legislature adopts the Governor's proposal to create equity leads, we recommend the state have a clearer and narrower objective for these entities. This will ensure that the support equity leads provide is not duplicative of other entities within the system of support. For example, the Legislature could specify the equity lead is tasked with providing training to COEs to ensure equity is at the center of differentiated assistance and incorporated into all improvement initiatives. We also recommend the Legislature clarify that all the entities within the system of support (not just the equity leads) should be supporting districts in addressing its racial disparities.

<b>STAFF COMMENTS</b>
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**Questions:**

- Why are charters not included to the LCAP revisions for TA and DA? They are included in mid-year LCAP review TBL.
- Equity Leads: how are these "leads" not duplicative of other geographic leads and subject-area leads in supporting struggling LEAs? Are equity leads intended to be more school-site improvements oriented?
- Should the proposed role of the Equity Leads be integrated into every County Office of Education's approach to differentiated assistance? ie, examine needs of students, academics, and campus culture through the lens of student subgroups and community-specific needs?
- If Equity Leads were to address a gap in the System of Support, what should that look like? For example, is the use of actionable data, by subgroup, school site, and grade an adequate part of existing geo-lead tools?
- What is the estimated annual cost for this Equity Leads?

**ISSUE 2: LCFF EQUITY MULTIPLIER & LCAP PROPOSALS**

This panel will review January Budget proposals for an LCFF Equity Multiplier and corresponding changes to the Local Control and Accountability Plans.

**PANEL**

- Lina Grant, Department of Finance (DOF)
- Michael Alferes, Legislative Analyst's Office (LAO)
- Blake Johnson, California Department of Education (CDE)

**BACKGROUND****Local Control and Accountability Plan (LCAP)**

The Local Control and Accountability Plan (LCAP) is a three-year plan, updated annually, that provides transparency and alignment between the local educational agency's education goals and priorities with its financial resources. To ensure accountability for LCFF funds, the state requires that all local educational agencies adopt an LCAP every three years in a public hearing and annually update it on or before July 1.

The LCAP must include locally-determined goals for each school year for all pupil subgroups in support of the eight state educational priorities for school districts (for county offices of education there are ten state priorities), as well as any additional local priorities. These goals are then required to be further defined in the LCAP with specific actions.

The LCAP must also include budgeted expenditures that support implementation of each specific action that is included in the LCAP, and the specific expenditures and actions that support increased or improved services for unduplicated pupils that meet the minimum proportionality requirement. If the local educational agency is identified for additional assistance for the same pupil subgroup for three or more consecutive years, or if the local educational agency includes a school that receives the two lowest performance levels on all but one of the state indicators even though the district-wide data may have a higher performance level, they must include a goal in the LCAP to improve the identified pupil subgroup's performance. In adopting the LCAP, local educational agencies must consult with parents, students, teachers, and other school employees.

For more background on the LCFF and LCAP, please see the LAO overview in Appendix B.

## **The Governor's 2023-24 January Budget**

**Creates an LCFF Equity Multiplier.** The January Budget proposes \$300 million, ongoing Prop 98 for a school-site targeted add-on to the LCFF formula. This funding will be allocated to LEAs based on enrollment at high-poverty schools. Specifically, LEAs will receive funding for elementary and middle schools where 90 percent or more students qualify for free meals under the federal requirements for the National School Lunch Program, and for high schools where 85 percent or more of their students qualify for free meals.

Equity Multiplier funding would be based on prior-year enrollment, with minimum annual school site allocations of \$50,000. LEAs must use this funding for services and supports that “directly benefit” the school sites that generate the funding. Beginning in 2024-25, the state would apply the same annual cost-of-living adjustment provided to other TK-12 education programs. Trailer bill language specifies equity multiplier funding must be used to supplement, not supplant, the funding already provided to eligible school sites.

According to the LAO, using federal Every Student Succeeds Act (ESSA) data as a proxy, approximately two-thirds of equity multiplier schools were identified with certainty as having a low-performing pupil subgroup, with the remaining schools either being non-traditional or not having met the ESSA criteria (the Department of Finance notes that they likely have a low-performing student subgroup on at least one indicator, but was not captured by the ESSA data).

**Makes Several Changes to LCAPs and Adoption Process.** The Governor proposes several changes to the content of LCAPs and their adoption process. The proposals are described in the LAO table below. These changes are intended to bring greater attention to equity multiplier schools, low-performing schools and subgroups, and to connect the LCAP with activities in differentiated assistance.

## Proposed Changes to LCAPs

Category	Current Requirements	Proposed New Requirements
LCAP updates	Adopt an LCAP every three years in a public hearing and update annually on or before July 1.	Present a midyear report on the LCAP to the governing board, no later than February 28. Report must include a midyear update for metrics identified in the current LCAP and midyear expenditure and implementation data on all actions identified in the LCAP.
Goals	<p>Develop a goal specific to a student subgroup if the district or COE has been in differentiated assistance for three or more consecutive years based on that student subgroup.</p> <p>Develop a goal specific to a school site if, for two consecutive years, (1) the school received the two lowest performance levels on all but one of the applicable state indicators on the California School Dashboard and (2) the performance level of the LEA is at least one performance level higher on all of those indicators.</p>	<p>Replace current requirements for specific goals with focused goals. Develop focused goals for: (1) schools receiving equity multiplier funding; (2) schools that received the lowest performance level based on one or more state indicators; and (3) student subgroups that received the lowest performance level based on one or more state indicators, either LEA-wide or at a school.</p> <p>Focused goals for equity multiplier schools must be specific to improving performance for low performing student subgroups and addressing any issues with teacher credentialing and preparation.</p>
Actions	Review progress towards meeting goals specified in LCAPs. Assess the effectiveness of actions taken and describe any changes to actions as a result of the review and assessment.	Change actions that have not been effective towards meeting their intended goal over a three year period.
LEA-wide actions	Provide additional justification for allocating supplemental and concentration grant funding on a districtwide, charterwide, or countywide basis. Must show that funding is used to improve or increase services for students.	Identify one or more specific metrics to monitor the intended outcome of actions and budgeted expenditures at the districtwide, charterwide, and countywide level.
Summary of differentiated assistance	None.	Include summary of differentiated assistance activities in LCAP.

LCAPs = Local Control and Accountability Plans and LEA = local education agency.

Source: LAO

The Governor’s Budget also proposes to include long-term English learners as a separate pupil subgroup within the state’s public school performance accountability program.

Specifically, the Governor’s Budget proposes the following changes to the LCAP:

- Replaces “goals” for the lowest performing subgroups with “focused goals.”
- Requires local educational agencies that have (1) a school that receives the lowest performance level on at least one indicator, (2) a pupil subgroup with the local educational agency that receives the lowest performance level on at least one indicator, or (3) a pupil subgroup within a school that receives the lowest performance level on at least one indicator, to include “focused goals” in its LCAP that is specific to the area of need and only speaks to new or modified actions to support improvement.
- If the local educational agency includes a school that receives equity multiplier funding under the Governor’s proposal, the LCAP must include focused goals for that school that addresses (1) any underlying issues in the credentialing and subject matter preparation of the school’s teachers, and (2) any student group that receives the lowest performance level on at least one state indicator.
- Requires the local educational agencies to provide an update on its LCAP, including information for all available mid-year outcome data and mid-year expenditure and implementation data, by February 28 of every year.
- Requires a change to actions that are not effective.

- Requires actions that are not effective over a three-year period to be changed to a new or strengthened approach, and include an explanation of the reasons for a lack of progress.
- Includes technical or differentiated assistance information in the LCAP. Requires local educational agencies to provide information related to any technical or differentiated assistance it may be receiving in its LCAP as a condition of LCAP approval by the county office of education or the State Superintendent.

The January Budget also proposes to repeal an alternative LCFF ADA calculation for LEAs with state-funded migrant housing.

### **LAO Comments**

**More Attention to School Sites and Subgroups Is Warranted.** Initial studies evaluating the effectiveness of LCFF have shown evidence that additional funding has led to improvements in student outcomes for districts that received greater shares of supplemental and concentration funding. These districtwide improvements, however, did not necessarily result in the same levels of improvement for the lowest-performing schools or subgroups within districts with relatively high shares of EL/LI students. Furthermore, a 2021 Public Policy Institute of California report found that statewide only about 55 percent of supplemental and concentration grant funding was used at specific school sites that generated the funding. (Some of the remaining funding could have been used for districtwide activities that benefits those schools.) This is consistent with broader education research that documents disparities in spending across school sites. High-poverty schools are more likely to have less experienced, lower-paid staff, which often offsets the additional targeted spending that districts provide to these schools.

**Additional Funding Is Not the Key Issue, Recommend Rejecting Funding Increase.** We estimate that the \$300 million for the equity multiplier would be allocated to about 800 school sites, with an average of about \$860 per student. This compares with an estimated \$13 billion and roughly \$3,400 per student the state provides per EL/LI student through supplemental and concentration grant funding districts and charter schools will receive in 2022-23. Of the roughly 800 school sites that we estimate will qualify for the equity multiplier, 98 percent are in LEAs that receive concentration grant funding through LCFF. LEAs already are expected to use their supplemental and concentration grant funding to target high-poverty schools. It is not clear how the additional funding from the equity multiplier would address any specific issues that cannot be addressed with supplemental and concentration funding. For these reasons, we recommend rejecting the additional funding increase. As we discuss below, the Legislature can take action that increases transparency and ensures existing LCFF funding is targeted to the highest need schools and student subgroups.

**Recommend Greater Transparency to Ensure Existing Funding Actually Targets the Highest-Need Schools.** Rather than provide more funding, we recommend the Legislature consider options to provide greater transparency regarding how funding is spent across schools. This would help the state determine if districts are targeting schools with the greatest need. Tracking spending at the school level, however, can be quite burdensome and difficult to standardize across school districts. Given most school funding is spent on staff salaries and benefits, we recommend the state instead require LEAs to publicly report for each of their schools the (1) share of teachers that are fully credentialed and properly assigned, (2) share of teachers with less than three years of experience, and (3) student-to-teacher ratio. The state could also require similar reporting for other school staff, such as counselors, psychologists, and aides. This information would give the public and the state a good sense of how funding is spread across schools. We also would recommend that any LEAs with low-performing schools be required to review the disparities in staffing levels and experience across the LEA and take actions to address them.

**Recommend Minor Modifications to Proposed LCAP Changes.** We find the Governor’s proposed LCAP changes would help encourage LEAs to bring greater attention to lower-performing schools and subgroups. In particular, the proposed focused goals required for low-performing schools and subgroups would bring greater attention to actions that would help students with the greatest needs. Additionally, requiring LEAs to review the effectiveness of their actions over a three-year period is aligned with the three-year LCAP process and can help ensure LEAs are making changes when actions do not have their intended effects. We recommend the Legislature adopt the proposed changes, with a few modifications.

#### STAFF COMMENTS & QUESTIONS

##### Equity Multiplier

**Why Poverty Only?** The Equity Multiplier formula does not take Dashboard performance into consideration – is it possible to provide a tighter link between the funding low-performing group outcomes in the formula’s purpose, outside LCAP?

**Is the Amount Impactful?** The minimum grant is \$50,000 annually, with many sites estimated to receive less than \$100,000 annually under the proposal. According to the LAO the proposal now provides an average of about \$860 per student, compared with roughly \$3,400 per student the state provides per EL/LI student through supplemental and concentration grant funding, above the base grant. Is this amount of funding sufficient to make any impact on student performance?

**Directly Benefit Schoolsites?** What does it mean to directly benefit a school site? And should the funds also directly benefit underperforming subgroups? Is the LCAP overlay enough to assure this?

**Evidence-based Interventions.** Should the directly benefit definition include evidence that the funding would be impactful, based on evidence-based practice or research?

### **LCAP Changes**

**How to define “effective?”** What measure of progress or growth should be considered effective? How can practice prevent intervention whiplash at the LEA level?

**Should poverty trigger different LCAP standards?** Under the Administration’s proposal, Equity Multiplier schools would have enhanced LCAP planning and reporting requirements for their teacher assignments. Should this requirement apply based on performance?

**Is the LCAP the new SARC?** Has the LCAP, through intention to cover the multi-faceted nature of student wellbeing and performance, become too complicated to be a communication tool? A focused tool for improvement?

The Administration’s proposals for the Equity Multiplier and LCAP are linked in the January Budget, however in light of lower May Revision revenues, the Assembly must contemplate the benefit of the accountability provisions without new, ongoing funds available.

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**Staff Recommendation: Hold Open.**

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**ISSUE 3: SPECIAL EDUCATION**

This panel will review January Budget proposals impacting special education.

**PANEL**

- Liz Mai, Department of Finance (DOF)
- Sara Cortez, Legislative Analyst's Office (LAO)
- Heather Calomese, California Department of Education (CDE)

**BACKGROUND****Special Education**

“Special education” describes the specialized supports and services that schools provide for students with disabilities under the provisions of the federal Individuals with Disabilities Education Act (IDEA) and state law. IDEA also covers supports and services for children from birth through age two, which is not covered in this agenda. At age 3, or once a child enters the public school system, the school district of residence provides both education services and eligible special education supports and services for identified disabilities that would otherwise hinder a child from receiving a “free and appropriate public education.” Once a child enters the public school system, the child is eligible to receive services through age 21.

Through regional centers and school districts, the state also operates a child-find system to identify children for evaluation for early intervention and special education eligibility. To determine a child’s eligibility for special education, schools must conduct a formal evaluation process within a prescribed timeline. If it is determined that a child is an eligible student with disabilities, a team including special education staff, school staff, parents, and other appropriate personnel meet to develop an individualized education program (IEP) to define the additional special education supports and services the school will provide. Each student’s IEP differs based on his or her unique needs.

For more background on California’s special education systems, please see the LAO report in Appendix C.

**Special Education Local Plan Areas (SELPA)**

State and Federal special education funding is distributed regionally through 134 Special Education Local Plan Areas (SELPA) to school districts and charter schools in the state. Most SELPA are collaborative consortia of nearby districts and charter schools, although some large districts have formed their own single district SELPA, while five SELPA consist of only charter schools.

California relies primarily on a “census–based” funding methodology that allocates special education funds to SELPAs based on the total number of students attending, regardless of students’ disability status. This funding model, often referred to as the AB 602 formula, after the implementing legislation (Chapter 854, Statutes of 1997), implicitly assumes that students with disabilities and associated special education costs are relatively equally distributed among the general student population and across the state. The ADA used to calculate the AB 602 formula is based on enrollment in grades kindergarten through grade 12 (including transitional kindergarten).

Various state and federal special education categorical funding totals nearly \$7 billion annually. The amount of per–pupil funding each SELPA receives varies based on historical factors. The 2022-23 budget increased the base rates for special education to \$820 per student, totaling approximately \$500 million ongoing Proposition 98 General Fund, and modified the calculations to be based on the local educational agency level rather than the SELPA level. The budget package also included modifications to the attendance calculations for the special education base funding formula. Rather than using the highest year of SELPA-level attendance across three years, the modified formula uses the highest year of attendance across three years for each respective SELPA member. SELPAs allocate base funding to each of their members, as well as retain a portion for SELPA-level costs, such as administrative costs or programs that benefit SELPA members.

After receiving its allocation, each SELPA develops a local plan for how to allocate funds to the school districts and charter schools in its region based on how it has chosen to organize special education services for students with disabilities.

California’s model for serving special education services reflects that school districts first use their general purpose, LCFF funds to meet the needs of all students, including those with disabilities, and then use a combination of state and federal special education funding and other local general purpose funds to cover the costs of additional services students with disabilities may need. While it is difficult to measure the amount of additional resources school districts provide from other areas of their budget for special education, according to a report by the Legislative Analyst’s Office, state and federal funding cover approximately one-third of the additional cost of special education, with school districts covering the remaining costs from other fund sources. In recent years, the costs of special education have risen due to schools identifying higher numbers of students with disabilities, and similar to general education, due to rising salary and benefit costs for teachers of special education students.

### **Other Recent Budget Actions**

The 2020-21 budget created a new special education funding formula, commencing with the 2020-21 fiscal year, that provides SELPAs with the greater of \$625 per average daily attendance or the per ADA rate the SELPA received in 2019-20, and applies a cost-of-living-adjustment (COLA) in future years to the statewide base rate. The budget also provided an additional \$645 million in ongoing Proposition 98 funds for special education. Of this, \$545 million increased the statewide base rate for special education funding and

\$100 million was provided to increase per pupil rates to support students with low incidence disabilities.

The 2021-22 budget included several investments for special education, including: \$397 million to increase base special education funding rates for all Special Education Local Plan Areas (SELPA), \$450 million in one-time Proposition 98 funds to SELPAs for purposes of providing learning recovery support pupils, and \$100 million one-time Proposition 98 funds for alternative dispute resolution.

In addition, the AB 602 formula increases, the 2022-23 budget also consolidated and increased the amount available for special education extraordinary cost pools, and allocated Educationally Related Mental Health Services funding directly to local educational agencies rather than to SELPAs.

### **The Governor's 2023-24 January Budget**

The Governor's Budget proposes statutory changes to special education funding and transparency, including:

**SELPA Funding Cap.** The January Budget proposes to limit the amount of additional funding that Special Education Local Plan Areas (SELPA) are allowed to retain before allocating special education base funding to their member local educational agencies. This amount would be calculated by applying the 2022-23 funding level that SELPAs provided their member local educational agencies annually, with a cost-of-living-adjustment.

**Single-LEA SELPAs.** The January Budget extends the existing moratorium on the creation of new single-district SELPAs by two years from June 30, 2024 to June 30, 2026.

**SELPA Plan Centralization.** The January Budget would also require the California Department of Education to post each SELPA's annual local plan, including their governance, budget and service plans, on the CDE website.

### **LAO Comments**

**Recommend Rejecting Proposal.** We recommend rejecting the Governor's proposal as it could be unworkable for some SELPAs. For SELPAs with declining attendance, the proposal would require them to reduce the amount they set aside for SELPA-level services. SELPAs with declining attendance that already set aside relatively small shares of funding for SELPA-level services would not be able to comply with the requirements of the language, even if they allocated all of their funding directly to SELPA members. We also question the rationale for this proposal and whether it would provide more stability for SELPA members, as the administration intends. We think a more direct way of providing stability is to avoid adding new requirements, especially since this proposal comes after a year of significant special education financing reform and planning efforts are underway to comply with these reforms.

**STAFF COMMENTS & QUESTIONS**

**Overhead, Regional Direct Services, and LEA Direct Services.** It appears the Administration's intent, in TBL to require SELPAs to fund their LEAs at their 2022-23 levels adjusted for COLA, is to provide a clear and predictable funding pass-through for LEA special education funding. As noted by the LAO, declining enrollment could make this requirement impossible in out years. Further, the proposal would cap regional services, potentially creating an incentive to limit prudent economies of scale.

**Centralized Data Benefit?** The proposal to centralize SELPA plans, while innocuous, raises further questions: if SELPA plans are already required to use a state template and be posted online locally, what purpose does this expensive proposal serve? Would a transparency and analysis goal be better served with an electronic reporting template, to allow CDE to aggregate data, as well as display?

**Questions:**

- Are regional direct services intended to be a part of the cap? Or just administrative costs?
- Is there a benefit to a more aggregated version of SELPA plan reports to CDE?

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**Staff Recommendation: Hold Open.**

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**ISSUE 4: UNIVERSAL MEALS & KITCHEN PROPOSAL**

This panel will review implementation of the new Universal School Meals initiative, and the January Budget proposal for the Kitchen Infrastructure Grant.

**PANEL**

- Alex Shoap, Department of Finance (DOF)
- Sara Cortez, Legislative Analyst's Office (LAO)
- Kim Frinzel, California Department of Education (CDE)

**BACKGROUND****Universal Meals**

Beginning in the 2022-23 school year, under the state's new Universal Meal program, all public schools will be required to provide two free meals per day to any student who requests a meal, regardless of income eligibility. All schools eligible for the Community Eligibility Provision (CEP), the federal universal meals provision, were required to apply for the program by June 30, 2022.

Under federal law, student eligibility for free and reduced price meals is determined by family income levels. The free guidelines are 130 percent of the Federal poverty guidelines, and the reduced price guidelines are 185 percent of the Federal poverty guidelines. LEAs may identify eligible children in a few different ways. They must notify all families of free and reduced price meals and provide applications for families to complete. In addition, LEAs may directly certify student eligibility by using information from other means-tested programs, including Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families or by determining that a child is eligible due to identification as homeless, runaway, migrant, or foster child, or enrollment in federal Head Start or comparable state program. LEAs must provide households with notification of direct certification or provide an application.

**2022-23 Budget for Universal Meals Implementation.** The 2021-22 budget package required that, beginning in 2022-23, schools provide two free meals per school day to any student requesting a meal. The 2022-23 budget package included a \$596 million ongoing increase for this purpose. The funding is intended to cover the increased state costs to reimburse reduce-priced and paid meals at the same rate as free meals. In tandem with the \$54 million ongoing provided in the 2021-22 budget, the 2022-23 budget includes a total of \$650 million to implement the new state universal meals requirement.

The budget also included \$612 million ongoing to increase the state's reimbursement rate for school meals to 89.5 cents per meal—a 63 cent increase. The increased rate is intended to backfill for the expiration of federal COVID-19 universal meal program that allowed a higher federal meal rate (The flexibilities expired June 30, 2022).

**Kitchen Infrastructure Grants.** The 2021-22 and 2022-23 budget packages provided a total of \$720 million one time for local education agencies (LEAs)—school districts, charter schools, and COEs—to upgrade their kitchen infrastructure and increase school capacity to prepare fresh meals on-site. To be eligible for funds, LEAs must attest that at least 40 percent of reimbursable meals will be freshly prepared on-site by 2023-24. Each eligible LEA may receive a base grant of \$100,000 and the remaining funds will be distributed based on the number of reimbursable meals the LEA served in October 2021. The base grant and half of the funds distributed on a per-meal basis must be spent on specified activities, such as cooking equipment, service equipment, refrigeration, training, and compensation. The LEA may spend the remaining funds on facility improvements and other equipment upgrades.

By June 30, 2025, LEAs are to report to CDE how they used funding to improve the quality of school meals, increase participation in the subsidized school meal program, and increase capacity for freshly prepared on-site meals.

**School Meal Quality Funds.** The budget also included \$100 million one-time that LEAs can use for a variety of purposes related to school meals. Specifically, LEAs can use funds to (1) purchase California-grown or produced foods that are sustainably grown, whole, or minimally processed; (2) purchase plant-based or restricted diet meals; and/or (3) freshly prepare meals on-site. Each eligible LEA may receive a base grant of \$50,000. Half of the remaining funds will be distributed based on the number of reimbursable meals the LEA served in October 2021. The other half of the remaining funds will be distributed proportionally to LEAs based on the number of students eligible for free or reduced-price meals.

### **The Governor's 2023-24 January Budget**

The Governor's budget proposes redirecting \$15 million of the 2022-23 kitchen infrastructure funding away from the full range of allowable kitchen expenditures, to instead provide grants to LEAs to purchase or install commercial dishwashers. The proposal is intended to reduce single-use plastic in nutrition programs. LEAs that opt into these funds could receive up to \$40,000 per kitchen on a school site.

If adopted, the \$15 million appropriation would be reduced from existing LEA award calculations.

January Budget trailer bill would also make technical changes to statutory references for the universal meals program.

### **LAO Comments**

**Recommend Rejecting Proposal.** Given LEAs can already use 2022-23 kitchen infrastructure funds to purchase and install commercial dishwashers, we find the proposed modifications are unnecessary. We recommend the Legislature reject the proposal and allow LEAs to determine what upgrades their kitchens need rather than setting aside funds for one specific purpose. We further question whether providing funding for commercial dishwashers is an effective way to achieve the administration's goal of reducing single-use plastic. Many alternatives exist for LEAs to reduce single-use

plastic in school nutrition programs. For examples, rather than using single-use plastic trays to serve food, an LEA could instead use compostable trays. If the Legislature is interested in reducing single-use plastic, it could direct CDE to provide guidance to LEAs on effective strategies for reducing single-use plastic in school nutrition programs.

#### STAFF COMMENTS & QUESTIONS

**Adequate meal funding.** According to the CDE, the meal funding increase is estimated based on pre-pandemic, 2018-19 meal service patterns. Based on current data, CDE estimates costs may be as higher than Budget Act. Because the state's share of the meal reimbursement is designed as a fixed pot of funds, rather than a per-meal entitlement for LEAs, it is crucial that estimates for the state-level funding to be adequate, or even over-appropriated. If the funding level is insufficient for actual service levels in 2022-23, LEAs would receive a lower, pro-rated, reimbursement rate.

#### Questions

- Is the Universal Meal program adequately funded to support standards and demand? At state level? At local level?
- How are LEAs utilizing the school breakfast and snack program as part of the new ELOP standard for nine hours of on-campus opportunities?
- Why is existing eligibility for dishwashers under the Kitchen Infrastructure Grant insufficient for the Administration?

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**Staff Recommendation: Hold Open.**

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