

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

**TUESDAY, FEBRUARY 22, 2022
9:00 AM, STATE CAPITOL - ROOM 126**

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: 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. All are encouraged to watch the hearing from its live stream on the Assembly's website at <https://assembly.ca.gov/todayevents>.

The Capitol will be open for attendance of this hearing. Any member of the public attending a hearing in the Capitol will need to wear a mask at all times while in the building. A moderated telephone line will be available to assist with public participation. To provide public comment, please call:

Toll free-free: 877-692-8957, access code: 131 51 26

OVERVIEW OF THE GOVERNOR'S 2022-23 BUDGET: PROPOSITION 98 AND TK EDUCATION

- I. OPENING REMARKS
- II. GOVERNOR'S 2022-23 BUDGET: PROPOSITION 98
- III. PUBLIC COMMENT

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ITEMS TO BE HEARD

6100 CALIFORNIA DEPARTMENT OF EDUCATION
0950 STATE TREASURER

OVERVIEW

The Governor's 2022-23 January Budget proposes funding for significant new or expanded programs that intend to directly impact student academic performance, wellbeing, and outcomes. This hearing will examine these proposals, and their effectiveness.

ISSUE 1: EXPANDED LEARNING OPPORTUNITY PROGRAM

The January Budget increases the Expanded Learning Opportunity Program funding from \$1.7 billion to \$4.4 billion in on-going Proposition 98 funding for after school and summer options for all students, and proposes a new, one-time \$937 million arts and music supplement.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Lina Grant, Department of Finance
- Michael Alferes, Legislative Analyst's Office
- Michael Funk, California Department of Education
- Mara Wold, Monterey County Office of Education

BACKGROUND

California "Afterschool" Investments

The After School Education and Safety (ASES) Program. ASES is funded by the 2002 voter-approved initiative, Proposition 49. This proposition expanded and renamed the former state Before and After School Learning and Safe Neighborhood Partnerships Program. The ASES Program funds the establishment of local after school education and enrichment programs. These programs are created through partnerships between schools and local community resources to provide literacy, academic enrichment and safe constructive afterschool alternatives for students in transitional kindergarten (TK) through ninth grade. ASES programs must include an educational and literacy element that provides tutoring or homework assistance, as well as an educational enrichment element, physical activity, and a healthy snack or meal. Funding is designed to maintain pre-Prop 49 before and after school program funding, and provide eligibility to all public elementary and middle schools that submit quality applications. Proposition 49 requires a minimum

of \$550 million in annual state funding for after school programs. No more than 1.5 percent of these funds is available to the Department of Education (CDE) for technical assistance, evaluation, and training services. The 2021-22 funding level for the ASES program is \$744,866,000, including \$650 million from Prop. 98 and \$94,866,000 from federal ESSER III one-time funding to support ongoing rate increases at \$10.18 per day. Per statute, CDE awards ASES grants on a competitive, 3-year grant cycle, which provides priority for current grantees.

ASES currently supports 4,231 elementary and middle schools offering afterschool and summer programs to more than 400,000 students daily. According to CDE, in 2020-21 the agency awarded \$213,312,709 in ASES funds for schools serving grades 7 or higher. The current state funding rate for ASES programs is \$10.18 per day. A 30 percent local funding match is required to supplement the state rate, and the program is also authorized to collect family fees for students with a family income above 185 percent of federal poverty.

21st Century Community Learning Centers. The 21st Century program was established by the federal Elementary and Secondary Education Act in 1994, and reauthorized in the federal Every Student Succeeds Act in 2015. The 21st Century Community Learning Centers (CCLC) Program, as described in federal statute, provides opportunities for communities to establish or expand activities that focus on improved academic achievement, enrichment services that reinforce and complement the academic program, and family literacy and related educational development services. Entities eligible to apply for funding include: local educational agencies (LEAs), cities, counties, community-based agencies, other public or private entities (which may include faith-based organizations), or a consortium of two or more such agencies, organizations, or entities. Applicants are required to plan their programs through a collaborative process that includes parents, youth, and representatives of participating schools or local educational agencies, governmental agencies (e.g., cities, counties, parks and recreation departments), community organizations, and the private sector.

California uses 21st CCLC funds to support TK-12 afterschool programs through state statute. TK-8 programs are aligned to ASES standards and high school programs are guided by After School Safety and Enrichment for Teens (ASSETS) statutory standards.

The CDE conducts a competitive grant process for any available 21st CCLC funds. Unlike ASES, 21st CCLC fund cycles are five years in length, and do not necessarily fund the same grantees each cycle.

Currently 21st CCLC programs are funded at a daily rate of \$10.18 per student. The program is authorized to collect family fees for students with a family income above 185 percent of federal poverty, but does not require a local funding match.

\$146 million in annual 21st CCLC funds currently support 721 school sites, serving students TK-12. 374 school sites are funded with both ASES and 21st CCLC funds.

Expanded Learning Opportunities Grant. The revised 2020-21 Budget included \$4.6 billion one-time funding in Expanded Learning Opportunities Grants that was provided to LEAs proportionate to each agency's share of the Local Control Funding Formula allocation. These funds are for local educational agencies to provide supplemental instruction and support to students in TK through grade 12 to address learning loss due to pandemic school closures. Specified uses included extended instructional learning time, accelerated learning strategies, summer school, tutoring or one-on-one support, professional development, and social-emotional wellbeing supports, among others. LEAs have until September 2024 to use these grant funds, which can include afterschool support for learning recovery. No CDE data is yet available on LEA uses for these funds.

The early action trailer bill also provided \$5 million one-time to the Collaborative for Education Excellence (CCEE) to provide statewide technical assistance on expanded learning and learning recovery. The specific support to LEAs can include guidance on the effective use of diagnostic and formative assessments, curricular resources, best practices for contacting and reengaging disengaged students, models for providing supplemental instruction, and models to address student social-emotional needs. Funding was for May 2021 through June 30, 2023.

System of Support for Expanded Learning. The state uses a portion of ASES (1.5% Prop 49) and 21st Century program (5%) allocations (\$16 million in 2020-21) to fund a regional system of support for expanded learning programs. This system of support includes the California Department of Education, 16 county offices of education across 11 regions, and contracted technical assistance providers. The technical assistance provides schools with ongoing support to help them create effective programs. The specific technical assistance activities can include coaching, training, resource brokering, and mentoring. The 2021-22 Budget Act increased the CDE staff capacity for the new universal Expanded Learning system, but did not increase funding for the regional systems of support.

Expanded Learning Opportunities Program

The 2021-22 Budget Act authorized the on-going Expanded Learning Opportunities Program (ELO-P) and provided \$1.8 billion for school districts and charter schools to provide in-person expanded learning time opportunities to students in TK through grade 6. Per statute, "expanded learning" means before school, after school, summer, or intersession learning programs that focus on developing the academic, social, emotional, and physical needs and interests of pupils through hands-on, engaging learning experiences, and complements, but does not replicate, learning activities in the regular school day and school year. The Legislature and Governor have agreed that, subject to future appropriations, the program is intended to grow to provide funding of \$2,500 per unduplicated pupil, and reach a total scale of \$5 billion in annual funding. At full implementation, the program is intended to provide all students with no- or low-cost access to nine hours of developmentally appropriate academics and enrichment activities

per instructional day and for 30 non-school days of summer/intersession days. All local educational agencies, regardless of community demographics, are encouraged to offer free or subsidized services to all students, using a fee schedule that considers family income and ability to pay.

In 2021-22, districts and charter schools with a student body that is equal to or more than 80 percent unduplicated pupils receive \$1,170 per unduplicated student enrolled in TK through grade 6 for ELO-P allowable services. LEAs with concentrations of unduplicated pupils less than 80 percent receive \$672 per unduplicated student enrolled in TK through grade 6, with a minimum apportionment of \$50,000.

In 2021-22, all districts and charter schools must offer expanded learning opportunity programs to all TK through grade 6 students attending classroom-based programs who are unduplicated students (English learners, eligible for free and reduced priced meals and/or foster youth) and must provide access to at least 50 percent of these students. Statute requires that programs provide at least nine hours of combined in-person instructional time and expanded learning opportunities during the school year and for a minimum of 30 non-school days during the summer and/or school intersessions. LEAs are allowed to carry ELO-P funding from the 2021-22 budget year for ELO-P services in the 2022-23 budget year.

Beginning in 2022-23, districts and charter schools with a student body that is equal to or more than 80 percent unduplicated pupils must offer the program to all TK through grade 6 students in classroom-based settings and provide access to any students whose parent or guardian requests their placement in a program. LEAs with less than 80 percent concentrations of unduplicated pupils maintain the same program requirements as 2021-22.

CDE guidance has allowed ASES and 21st CCLC funds to be blended with Expanded Learning grants and ELO-P to create streamlined expanded learning opportunities. For example, unduplicated students who are counted towards ASES program funding are allowed to be counted towards the Expanded Learning Opportunities Program requirements, and funds provided through the Expanded Learning Opportunities Program are allowed to be used for the local match in ASES. However, ASES and 21st CCLC are funded at the school site level, while the Expanded Learning Opportunities Program funds are allocated to local educational agencies, with a priority for school sites in the LEA's lowest income communities while maximizing the number of schools and neighborhoods with expanded learning opportunities programs across their attendance area.

ELO-P quality standards and the program plan guide are aligned to ASES statute, however, ELO-P does not require a local funding match or competitive application process. The most significant programmatic difference is that the ELO-P teacher to child ratio for TK and kindergarten is 1:10, while ASES and 21st CCLC allows 1:20.

According to CDE, 539 school districts that received ELO-P funding in 2021-22 did not have a history of receiving ASES or 21stCCLC funding.

Governor's 2022-23 Budget

The January Budget increases the Expanded Learning Opportunity Program funding from \$1 billion on-going and \$800 million one-time Proposition 98 to \$4.4 billion in on-going Proposition 98 funding for after school and summer options for all students.

According to the DOF, the \$3.4 billion increase in funding will allow the ELO Program to reach the \$2,500 per student funding statutory goal for LEAs with 75 percent concentrations of poverty or greater. The proposal would also lower the universal offering requirement threshold from 80 percent poverty LEAs to 75 percent poverty LEAs, impacting a total of 1 million students who are living in poverty or dual-language learners.

All other LEAs would receive an increase in their per-unduplicated pupil funding to \$2,027 each year. These LEAs, below 75 percent concentrations of poverty, would maintain the existing requirement to offer the ELO-P program to all unduplicated students and provide access to at least 50 percent of their unduplicated population.

In addition to the \$3.4 billion in on-going increases proposed for the ELO-P, the January Budget proposes \$937 million in one-time Proposition 98 funding for LEAs to supplement funding for arts and music education in ELO-P programs.

According to DOF, the arts education funds could support instruction and training, supplies, materials, and art educational partnership programs, for instruction in: dance, media arts, music, theatre, and visual arts, including folk art, painting, sculpture, photograph, and craft arts, creative expression including graphic arts and design, computer coding, animation, music composition and ensembles, and script writing, costume design, film and video.

The January Budget also extends the grace period for the ELO-P access requirements, so that local educational agencies would not be required to offer the programs at scale until 2023-24. The proposal defines prorated penalties for local educational agencies that fail to offer or provide access to Expanded Learning Opportunities Programs based on the number of students not offered or provided access, or failure to provide access for the required number of days or hours.

Finally, the Budget maintains the 2021-22 Budget Act reimbursement rate increases for ASES and 21stCCLC, with \$148.7 million ongoing Proposition 98 funding.

LAO Comments

Expanded Learning Programs Can Have Several Benefits for Students and Families. Increasing access to expanded learning programs can be beneficial to students and communities for a variety of reasons. Research suggests that expanded learning programs with academic enrichment opportunities can increase student engagement and attendance. These programs also provide opportunities for students to receive additional academic support and engage in other enriching activities outside of the traditional

classroom setting. Expanded learning programs also can make it easier for schools to provide non-academic supports and other wraparound services, such as health services and behavioral health counseling, as is common with the community schools model. Expanded learning programs can also offer a safe and enriching place for students while parents or guardians are at work or otherwise unable to provide care.

Additional comments:

- Staffing Shortages Could Make Scaling Up Programs Difficult.
- Long-Term Expectations of Program Are Unclear.
- Long-Term ELOP Rate Likely Sufficient to Run Program.
- Funding Per Participating Student Would Be More Generous for Lower-Poverty Districts.
- \$50,000 Minimum May Not Be Sufficient for a Baseline Program.
- No Clear Rationale for Such a Large Amount of One-Time Funding
- At Full Implementation, ELOP Funding Could Be Duplicative of ASES and 21st Century Program Funding.

Enact Uniform Rate Structure Focused on Providing Access to EL/LI Students. We recommend the Legislature provide a uniform rate per EL/LI student and require districts to provide access to all EL/LI students interested in the program. This approach would allow districts to better plan and build out their programs. By focusing the requirements and funding around EL/LI students, we think our recommendations will ensure the students with the greatest need for expanded learning opportunities have guaranteed access to these programs, regardless of which district they attend. In the long run, we recommend the state shift to a funding model based on student participation in the program. This will ensure state funding is targeted to districts whose students have the greatest need for the program. We also recommend increasing minimum grant amounts from \$50,000 to \$75,000 to reflect the higher number of hours ELOP is required to operate compared with ASES.

Reject One-Time Arts and Music Funding. As mentioned previously, districts are likely to have substantial unspent funds from 2021-22 and 2022-23 that could be used for one-time expenses. If the Legislature were to adopt the proposal, we would recommend removing the restrictions that 75 percent of funds be specifically used for arts and music.

Consider Providing Funding for Technical Assistance. Given the number of schools that will be creating or expanding programs over the next few years, increasing access to technical assistance could help districts implement quality expanded learning programs and meet program requirements by 2023-24. We recommend setting aside a portion of ELOP funding to expand the Statewide System of Support for Expanded Learning. One option would be to set aside \$15 million—effectively doubling the existing system of support. Scaling up the level of technical assistance may be difficult to do in a short

amount of time. The Legislature could provide funding initially and revisit the amount next year depending on the level of demand for assistance.

Consider Ways to Align Other Expanded Learning Programs With ELOP. Given ELOP may, in some cases, be duplicative of ASES and the 21st Century program, the Legislature may want to consider modifying these programs in light of ELOP expansion. The Legislature would need to carefully craft these changes given its limited control of these programs. (The Legislature could modify programmatic aspects of ASES with a two-thirds vote, but could not shift funding into ELOP without approval of the voters. The 21st Century program is governed by federal rules.) Even with these restrictions, the Legislature has several options for improving alignment of its programs. Given that ELOP is primarily intended to serve elementary schools, one option would be to shift ASES and 21st Century program funding to be used exclusively for middle and high schools. Another option would be to direct ASES and 21st Century program funding to provide a higher level of funding per student in schools with the highest need. This approach could be used to provide higher levels of service or other wraparound supports for students in higher-poverty schools.

STAFF COMMENTS & QUESTIONS

In response to the pandemic, and its clear impacts on student wellbeing and learning, the state and federal government have provided local education agencies with billions in one-time and now ongoing funding, intended to serve student needs beyond the school day and facilitate learning recovery and social connectivity.

Local education leaders are struggling with the enormity of pandemic response. The Expanded Learning Opportunities Program is intended to be one transformation investment in student engagement and learning recovery—germane to pandemic response as well as long-term policy goals for student outcomes—but in the midst of nationwide staffing shortages, health-task burnout, and general exhaustion, many LEAs are struggling to see how to leverage ELO-P funding as an asset.

In this second year of program planning, implementation, and investment, it will be imperative to identify and strengthen key design elements for the program to support student outcomes and access: data and accountability, funding formulas, program standards, and system supports. These design elements should be sensitive to the pandemic environment in which schools and students are, but also focus on long-term student engagement and learning

Questions

Is the Administration's final funding goal for the ELO-P initiative still \$5 billion? What will that final goal look like, programmatically and for the program funding rates?

Is \$2,500 an adequate state investment rate, per student, for the program? Is it financially viable for a 75% poverty LEA to meet ELO-P service targets and quality standards with this funding level? For LEAs at 90% poverty?

Is \$2,000 an adequate state investment rate for an LEA at 74% poverty to meet ELO-P service targets and quality standards? For LEAs at 50% poverty?

The \$2,500 rate equates to roughly an \$11.90 daily rate, compared to the ASES rate of \$10.18. Should ASES and 21stCCLC program rates be updated for parity? Should all the programs receive a statutory COLA to support stability and integration over time?

What does DOF expect to be the local funding share for LEAs receiving the ELO-P concentration grant allocation? For LEAs receiving the ELO-P supplemental grant allocation?

Should all LEAs be expected to “offer” a program to all students, regardless of income? Does statute support inclusion?

What is being done to further integrate/align and/or complement this program with existing ASES & 21st Century programs beyond 2021-22 Budget Act?

What LEAs have begun implementation? What non-pandemic barriers to expansion have emerged?

Is state and regional support capacity sufficient in the short-term to sunrise a universal program in all LEAs? Would doubling the ASES system of support be sufficient?

Why is the one-time arts funding limited to ELO-P programs, and are they a necessary set-aside?

Staff Recommendation: Hold Open.

ISSUE 2: SCHOOL NUTRITION & MEAL INFRASTRUCTURE

The 2022-23 January Budget increases school nutrition funding for kitchen and service infrastructure by \$450 million one-time for kitchen and equipment, and \$3 million for meal start-up grants. The Governor's Budget also estimates \$650 million for ongoing funding for the new universal meal program, authorized in the 2021-22 Budget Act.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Alex Shoap, Department of Finance
- Amy Li, Legislative Analyst's Office
- Kim Frinzell, California Department of Education

BACKGROUND

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, will be required to apply for the program by June 30, 2022.

Prior to the 2021-22 Budget Act's universal provisions, all LEAs were required to provide nutritionally adequate meals on each school day, to students who are eligible for free and reduced price (FRP) meals under California's education code. The CDE administers school meal programs overseen by the United States Department of Agriculture (USDA).

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 (\$28,550 for a family of three in 2021-22). 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.

The federal and state nutrition programs then reimburse schools based on the number of meals they serve. For example, in 2019-20, school districts that participated in the federal National School Lunch Program generally received \$3.50 per free lunch, \$3.10 per

reduced-price lunch, and 41 cents per paid lunch. (Some schools, representing a small share of public school students, do not participate in the National School Lunch Program.) The state program provided an additional 24 cents per free or reduced-price breakfast or lunch. Federal reimbursement rates are adjusted annually for inflation.

Under the state's new Universal Meal program, beginning in the 2022-23 school year, the state will cover the cost of a meal up to the combined state and free federal rate, resulting in all meals generating the same total reimbursement for schools. For example, based on the 2021-22 rates, a school would receive a total reimbursement of \$3.74 for a lunch served to a student eligible for free lunch—with \$3.50 from federal funds and 24 cents from state funds. The school would also receive \$3.74 for a lunch served to a student who is not eligible for FRP meals—with 41 cents from federal funds and \$3.33 from state funds.

The National School Lunch Program. The National School Lunch Program (NSLP) is a federally funded program that assists schools and other agencies in providing nutritious lunches to children at reasonable prices. In addition to financial assistance, the program provides donated commodity foods to help reduce lunch program costs. The NSLP is operated on a reimbursement basis, with agencies paid on the number of meals served. Agencies that participate in the program are reimbursed from two sources: the USDA and the State of California. The National School Lunch Program (NSLP) also offers reimbursement to schools serving nutritious snacks to children participating in after-school care programs. Prior to the COVID-19 Pandemic, in School Year 2019–20, of the approximate 1,365 School Nutrition Program Operators (10,222 school sites),

School Breakfast Program. The School Breakfast Program (SBP) is a federally funded USDA program which assists schools and other agencies in providing nutritious breakfasts to children at reasonable prices. Similar to the National School Lunch program, the School Breakfast Program must be open to all enrolled children. Under federal law, if a child already qualifies for FRP lunches, then the child would also qualify for free or reduced-price breakfasts. The School Breakfast Program is operated on a reimbursement basis, with agencies paid on the number of meals served multiplied by the appropriate reimbursement rate. School sites may qualify for higher reimbursement rates if they are designated to be in severe need (if, two years prior, 40 percent or more of the lunches served at the site were FRP).

Summer Food Service Program. The Summer Food Service Program (SFSP) is a U.S. Department of Agriculture (USDA) federally funded program that reimburses sponsors for administrative and operational costs to provide meals for children 18 years of age and younger during periods when they are out of school for fifteen (15) or more consecutive school days. Sponsors may operate the SFSP at one or more sites, which are the actual locations where meals are served and children eat in a supervised setting. Eligible sites are those that serve children in low-income areas or those that serve specific groups of low-income children. Sponsors must provide documentation that proposed sites meet the

income eligibility criteria required by law. There are three common types of sites: open sites, camps (residential and nonresidential), and closed enrolled sites. Open sites are meal sites where meals are available to any child from the community. Open sites are located in needy areas where 50 percent or more of the children residing in the area are eligible for FRP school meals, enrollment in a program is not required. Meals are made available to all children in the area on a first-come, first-serve basis. Camp sites are those that offer regularly scheduled food service along with organized activities for enrolled residential or day campers.

Seamless Summer Option. School Food Authorities (SFA) follow the same meal service rules and claiming procedures used during the regular school year. Meals served are reimbursed at the NSLP and/or SBP “free” rates. Eligibility Under federal USDA school meal programs, all school-aged children in income-eligible households are eligible for school meal benefits regardless of a child’s immigration status.

COVID-19 Related Changes. During the current pandemic, the USDA has issued nationwide waivers that extend currently through June 30, 2022, to allow non-congregate feeding and meal service time flexibility during the school year, consistent with flexibilities typically allowable under summer meal programs. In response to the concerns that LEAs’ nutrition programs were struggling to cover costs, the 2020-21 budget provided \$192 million in one-time Federal Elementary and Secondary Schools Emergency Relief for LEA school meal reimbursements during summer break and COVID-19 school closures through August 30, 2020, at a rate of up to an additional 75 cents per meal. It also allowed state reimbursement funds from 2019-20 to be used for disaster relief for LEAs who did, or attempted to, serve student meals during the school closure period. The USDA also released a special emergency reimbursement fund in 2020.

Community Eligibility Provision. The Community Eligibility Provision (CEP) was implemented by the Healthy, Hunger-Free Kids Act of 2010. The CEP allows high-poverty schools to eliminate the administrative burden of school meal applications and still serve breakfast and lunch at no charge to all students. Schools that have implemented the CEP have experienced striking increases in school meal participation, and many reported improved attendance. The CDE highly encourages participation in the CEP for a school or group of schools with student FRP meal eligibility over 40 percent, and can include directly certified children. CDE estimates that 1,185 LEAs (over 7,000 school sites) are currently eligible for CEP, and there are over 500 LEAs that are currently operating under CEP and a similar universal provision. Under the new universal school meal statute, all schools eligible for the Community Eligibility Provision will be required to apply for the program by June 30, 2022.

Meal Form Collection. Identification of children for free and reduced price meals is also important as the data is used as a proxy for low income in the state’s school funding formula, the Local Control Funding Formula (LCFF) and generates additional education funding for students identified as “low income.” According to CDE, many LEAs include

meal application forms with their registration packets for parents or have opted to utilize an online meal application form that can be completed by parents on their smartphones. LEAs utilizing these best practices have reported an increase in the rate of return on these forms.

There are over 500 LEAs that are currently operating a federal meal provision such as Community Eligibility Provision, and federal regulations do not allow these LEAs to collect meal application forms. These LEAs utilize an LCFF alternative income form that has streamlined requirements compared to the federal NSLP forms. Many LEAs have built these alternative income forms into the registration process for their students to ensure high return rates.

2021-22 Budget Act Oversight

The 2021-22 Budget Act appropriated \$150 million one-time Proposition 98 General Fund to provide training for school food service workers to promote healthier and more nutritious meals (\$30 million), and grants for kitchen infrastructure upgrades (\$120 million).

According to CDE, 1,116 LEAs were eligible to receive funding allocations, and as of January 2022, 940 LEAs registered for the noncompetitive funding, with over 80% opting for both equipment and training funds:

- 792 LEAs applied for both Kitchen Infrastructure Funds and Training Funds (84.3 percent of applicants)
- 147 LEAs applied for Kitchen Funds only (15.6 percent)
- One LEA applied for only Training Funds

The total \$30 million Training funds allocation was awarded to 793 eligible LEAs, with \$28.4 million was then awarded proportionately based on meals served, and the average training award was approximately \$30,000 per LEA. The most frequently selected and eligible training topics were 1) food safety (722 LEAs), 2) food preparation (597 LEAs), 3) equipment training (582 LEAs), 4) food waste management and reduction (564 LEAs), and 5) scratch cooking (437 LEAs).

Of the total \$120 million Kitchen Infrastructure allocation, \$23.5 million dollars were allocated to 939 LEAs for the \$25,000 base funding allocation. The remaining \$96.5 million was then awarded to schools having at least 50 percent free and reduced price (FRP) meal participation and proportionately by number of FRP eligible students. The average equipment award was approximately \$125,000. LEAs requesting the kitchen infrastructure funds primarily plan to use the money for purchases of cooking equipment, service equipment and refrigeration and storage, with almost 90% of respondents selecting these three items.

Governor's 2022-23 Budget

\$596 Million Augmentation to Fund Universal Meals Implementation. The January Budget estimates \$596 million in additional, on-going Proposition 98 funding would cover the increased state share to reimburse the cost of reduce-priced and paid meals up to the combined state and federal reimbursement for free meals. Including the \$54 million provided in the 2021-22 budget, the state would provide a total augmentation of \$650 million to implement the new state universal meals requirement.

Second Round of Kitchen Infrastructure and Training Grants. The Governor's budget provides \$450 million one-time Proposition 98 for additional school kitchen infrastructure grants available through June 30, 2025. LEAs would be required to report how this funding was used to improve or expand their nutrition program by June 30, 2025. The funding would be allocated in three ways: 1) A \$100,000 base grant for every LEA for kitchen infrastructure upgrades and staff training; 2) An FRP meal Student Grant, with half of non-base funding would be allocated to LEAs where at least 30 percent of students are FRP meal-eligible. Funds would be distributed proportionally based on an LEA's population of students that qualify for FRP meals. As with the base grant, these funds could be used for kitchen infrastructure upgrades and staff training; 3) A Scratch Cooking Grant, allocated to LEAs based on the number of meals served in October 2022 and could be used for facility improvements and equipment upgrades to increase scratch and speed scratch cooking. To receive this funding, LEAs would have to attest that, beginning in 2023-24, at least 40 percent of meals served will be prepared using scratch and speed scratch cooking methods. The administration deems the \$450 million for kitchen upgrades to be excluded from the State Appropriations Limit.

Breakfast and Summer Meal Start-Up and Expansion Grants. The Governor's budget also includes \$3 billion in additional funding for school breakfast and summer meal start-up and expansion grants. This proposal is intended to support universal meals implementation.

LAO Comments

New State Universal Meals Requirement Will Impact Districts Differently. Implementing universal meals will result in a statewide increase in the number of daily meals served. The magnitude of this change, however, will vary by district. Some districts—especially those not currently offering breakfast and/or lunch and those with mostly higher-income students paying full price for meals— will likely see student participation increase, as all students can now receive two school meals for free. These schools might need to increase capacity and modify their nutrition program. For example, districts serving significantly more meals will have to manage higher volumes of food at any given time and could benefit from additional food storage and kitchen equipment upgrades. Universal meals will have less impact on districts that already serve breakfast and lunch to most of their students for free or reduced price.

Remaining Need for Infrastructure Upgrades Is Unclear. Although implementing universal meals will require some upgrades, the state currently does not have a clear sense of the total cost of kitchen infrastructure upgrades associated with universal meals. The 2021-22 budget already provided \$150 million for kitchen infrastructure upgrades and staff training and could have addressed many of the needs associated with universal meals. Trailer legislation for the first round of funding requires LEAs to report on the outcomes of those funds by June 30, 2023.

Proposal Does Not Target Districts Likely to Significantly Expand Under Universal Meals. The administration intends all of the kitchen infrastructure and training funding to increase capacity to meet the state universal meals requirements. Neither of the proposed formulas for allocating the funding beyond the base grants, however, would target funding to districts needing to either establish or significantly expand their school nutrition programs to meet the universal meals requirement. Rather, one of the proposed formulas excludes LEAs where less than 30 percent of students are FRPM-eligible—a group that is among the most likely to need significant increased capacity to meet the new requirements.

Additional Funding for Scratch Cooking Could Be Premature. Although encouraging more scratch cooking likely has merit, school nutrition programs have to manage various challenges in the near term, including the implementation of universal meals, addressing staffing shortages resulting from the pandemic, and managing increased costs for food and equipment due to inflation. Furthermore, the state lacks comprehensive data on the kitchen infrastructure upgrades and staffing costs associated with scratch cooking. For these reasons, we believe additional funding for scratch cooking to be premature at this time, but could be revisited in future years.

STAFF COMMENTS & QUESTIONS

Adequate meal funding. According to the CDE, the \$650 million funding increase is estimated based on pre-pandemic, 2018-19 meal service patterns. Based on current data, CDE estimates costs may be as high at \$708 million in the 2022-23 school year, or lower due to declining enrollment trends. Predicting the twin demands of LEAs and students for a new two meal “offering” requirement is almost impossible. All near-term data is impacted by programmatic disruptions during the prior year, attendance chaos during the fall and winter of 2021, enormous declines in enrollment, and a temporary federal waiver for one universal free meal in the school year.

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.

State meal rate adequacy. Per the LAO's comment, the January Budget leverages large amounts of one-time Proposition 98 funding for kitchen infrastructure and training support that appears disconnected from the urgent needs of universal meal implementation in the Budget Year. The state's 24 cent per FRP meal rate, and new correlating \$3.33 universal meal rate may be inadequate in the near-term to support LEAs with launching the new two meals requirement and student demand for free meals. The state may want to consider a one-time supplement to the meal reimbursement rate to offset implementation costs.

Breakfast infrastructure. According to CDE, in 2019-20, there were 118 LEAs that represented 829 school sites in California that participated in the National School Lunch Program but did not participate in the School Breakfast Program. School sites that have not historically participated in the School Breakfast Program have cited staffing costs, lack of adequate facilities, and low participation among their student populations as the primary reasons for why they choose not to participate in the School Breakfast Program. Based on a Nationwide Food Research and Action Center study in School Year 2019-20, the School Breakfast Program served only 58.4 percent of FRP-eligible students for every 100 who participated in the National School Lunch Program.

Historically, LEAs not offering breakfast cited numerous reasons, including a lack of facilities and an insufficient reimbursement rate to support a breakfast program at school site with low student demand for subsidized meals.

According to CDE, the January Budget \$3 million proposal reflects the amount of funds that were requested by LEAs in the 2020 School Breakfast and Summer Meal Grants that CDE was not able to award due to a lack of funds for this grant. To be eligible to receive these funds, LEAs must have student population with at least 20 percent of students eligible for free or reduced-price meals. In addition, these funds are not limited to school breakfast and are also intended to support the expansion of summer meal programs. The existing grant design restricts funds to 10 school sites at each LEA with a maximum funding level of \$15,000 per school site. Because the \$3 million does not reflect the new start-up requirements that will be caused by the Universal Meal Program, the state may want to consider significantly more funds to meet possible needs and demand at up to 829 school sites.

Expanded Learning Opportunities Program. As covered in the prior issue, the new Expanded Learning Opportunities Program, requires 9 hours of "open campus" time and services for students, including meal time. It is unclear to what extent LEAs will leverage this program to expand meal times and offerings for students, or how these programs may impact meal demand.

Questions

- Have LEAs expressed concerns or barriers with the new universal meal statute implementation?

- Is the Universal Meal program adequately funded to support standards and demand? At state level? At local level?
- At what magnitude has pandemic-related shortages cost school meal programs?
- Are there LEA best practices for meal eligibility form collection? How can this be supported to prevent loss of federal reimbursements?
- Is the \$3 million in meal start-up funds sufficient to address barriers for remaining LEAs that do not serve breakfast?
- Why did 176 eligible LEAs not register for the kitchen infrastructure and training grants?
- How are LEAs utilizing the school breakfast and snack program as part of the new ELOP standard for nine hours of on-campus opportunities?

Staff Recommendation: Hold Open.

ISSUE 3: INFRASTRUCTURE PROPOSALS: GREEN SCHOOL TRANSPORTATION & CHARTER FACILITY MAINTENANCE

The January Budget proposes \$1.5 billion in one-time Proposition 98 funds for green school transportation infrastructure, and \$30 million on-going Proposition 98 for charter school lease facility deferred maintenance and capital improvements.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Lina Grant, Department of Finance
- Jennifer Kaku, Department of Finance
- Ken Kappahn, Legislative Analyst's Office
- Michael Alferes, Legislative Analyst's Office
- Juan Mireles, California Department of Education
- Katrina Johantgen, State Treasurer's Office

BACKGROUND**School Buses & School Transportation**

The federal government periodically collects information about school transportation and other travel information through the National Household Travel Survey. According to the 2017 version of the survey, most students in California travel to school in private automobiles. Only about 9 percent of students receive transportation on school buses. A comparison with the previous version of the survey indicates that school bus ridership has declined over time.

In California, state law does not require districts to transport students from home to school. However, federal law requires districts to provide transportation to students with disabilities, students attending federally sanctioned schools, and homeless students. State law also allows LEAs to charge student fees for transportation. CDE estimates that 21,000 iconic, yellow school buses are currently in operation statewide.

Home to School Transportation Categorical Program. When the state adopted the local control funding formula (LCFF), it retained the Home-to-School Transportation (HTST) program as a separate funding stream, and froze LEA allocations at the 2012-13 levels at \$496 million annually. Since then, local educational agencies have funded their transportation costs out of both the HTST funding pot and their unrestricted funds, in addition to some federal funds.

According to the LAO, in 2019-20, local educational agencies spent approximately \$1.8 billion on home-to-school transportation. The LCFF add-on related to transportation covers approximately 28 percent of transportation expenditures at the state level, with the remaining costs covered primarily by a district's unrestricted funds. On the district-level,

the extent to which the LCFF add-on covers pupil transportation costs varies widely, and depends on the district's growth since 2012-13, whether its transportation program grew since 2012-13, and other varying factors.

Green School Buses

Prior to the 2021-22 Budget Act, no fewer than 10 programs and seven different agencies have administered electric bus programs, for which LEAs are or were eligible. This does not include the school bus replacement program and Home to School Transportation categorical programs for LEAs, which were folded into LCFF base calculations, or various locally developed programs such as the Fresno County local sales tax program that funds school bus replacement.

Previous Funding for School Bus Replacement in California

Amounts Through August 2021 (In Millions)

Program ^a	Administrator	Amount Allocated ^b	Period	Projects Funded			
				Electric Buses	Other Buses	Infrastructure	Retrofits
Lower-Emission School Bus Program	Various ^c	\$310	Since 2001		X		X
AB 923 (vehicle registration surcharge for emission reductions)	Local air districts	237	Since 2008	X	X	X	X
Clean Truck and Bus Vouchers (HVIP)	CALSTART ^d	89	Since 2010	X	X		
School Bus Replacement Program	CEC	75	Since 2019 ^e	X			
Volkswagen Environmental Mitigation Trust	SJVAPCD	65	Since 2018	X			
Small School District and County Office of Education Bus Replacement Program	CDE	64	Since 2000 ^f		X		X
Rural School Bus Pilot Project	NCUAQMD	62	Since 2016 ^e	X	X	X	
Community Air Protection Incentives	Local air districts	56	Since 2017	X	X	X	
Clean Mobility in Schools Pilot Project	CARB	25	Since 2018	X		X	
Clean Transportation Program	CEC	21	Since 2012		X	X	
Carl Moyer Program and State Reserve	Local air districts	16	Since 1998	X	X	X	
Federal Diesel Emissions Reduction Act	U.S. EPA	15	Since 2008	X	X		X
Sacramento Regional Zero-Emission School Bus Deployment Project	SMAQMD	15	Since 2017 ^e	X		X	
Supplemental Environmental Projects for School Buses	CARB	5	Since 2012		X		X
Totals		\$1,054					

^aExcludes new state program established by the June 2021 budget plan and new federal program established in November 2021. These programs have not yet allocated any funding.

^bAmounts reflect estimates by CARB except for Small School District and County Office of Education Bus Replacement Program.

^cVarious iterations of this program have been managed by CARB, local air districts, and SJVAPCD.

^dCALSTART is a national nonprofit organization focused on clean transportation.

^eProgram funds fully allocated and additional allocations not expected

Source: Legislative Analyst's Office

2021-22 Budget Plan Created New Program to Fund Electric School Buses. The new program has two components. The first component is administered by CARB and will provide \$400 million for districts to replace 1,000 older buses with electric buses. The second component is administered by the California Energy Commission and will provide \$50 million for charging infrastructure to support these buses. The 2021-22 budget plan provided an initial allocation of \$150 million from non-Proposition 98 General Fund (\$130 million for buses and nearly \$20 million for infrastructure). The state is planning to provide the remaining \$300 million (non-Proposition 98 General Fund) over the next two years. This program supersedes the Rural School Bus Pilot Project but will retain some elements of that program, including priority for small and rural areas and the requirement to scrap the buses being replaced. CARB and the California Energy Commission are currently developing the application procedures and other program guidelines. The authorizing legislation allows the program to fund any type of zero-emission school bus, but battery powered electric buses are the only technology currently available to meet this requirement.

Federal Infrastructure Bill Included School Bus Replacement Funding. The federal Infrastructure Investment and Jobs Act, enacted in November 2021, contains \$5 billion for school bus replacement grants. The U.S. EPA will allocate the funding in installments of \$1 billion per year for the next five years. The law sets aside half of the annual amount for electric school buses. The other half is available for any type of bus powered by alternative fuels, including electric, CNG, and propane buses.

Additionally, in 2018, the California Air Resources Board (CARB) mandated that California transit bus fleets must be zero-emission by 2040. Starting in 2029, mass transit agencies in California will be required to purchase battery electric or fuel cell electric transit buses for their fleets. To help local agencies meet this mandate, the Department of General Services established three statewide contracts with electric bus manufacturers with preset pricing, and these contracts are available for use by local agencies who can then purchase the buses with local, state, and/or federal funds.

Charter School Facility Leasing

The Charter School Facility Grant Program (CSFG) was established in 2002 by SB 740 (O'Connell), to offset the unique facility leasing costs of charter schools. Funding under statute is allowable for lease costs and lease facility capital improvement. In the 2013-14 Budget Act, the CSFG program's administration was transferred from CDE to the Charter School Finance Authority (Authority), in the State Treasurer's Office. The CSFG provides annual grants to offset annual on-going facility costs for charter schools serving a high percentage of students eligible for free or reduced-price meals (FRPM) or for charter schools located within a public elementary school boundary that serves a similar demographic for FRPMs.

Prior to the 2016-17 Funding Round, the CSFG was typically undersubscribed, which resulted in the Authority not awarding the entire annual apportionment. Subsequently, the California Department of Finance (DOF) implemented a programmatic change, and reduced the FRPM program eligibility threshold for charter schools from 70% FRPM to

55% FRPM. Since this change went into effect, the number of Program applicants, along with the percentage of funding disbursed has steadily risen. The chart below provides historical information related to Program apportionments, amounts awarded to schools, the number of applicants as well as the percentage of funding disbursed to schools.

<i>History of Apportionments, Awards, and Distribution Allocation for the Charter School Facility Grant Program</i>				
Fiscal Year	State Budget Appropriation	Funds Awarded	Percentage of State Budget Appropriation Disbursed	School Awardees
2011-2012*	\$76,509,000	\$5,166,452	6.75%	43
2012-2013*	\$92,031,000	\$37,525,209	40.77%	261
2013-2014	\$92,031,000	\$65,575,245	71.25%	318
2014-2015	\$92,031,000	\$74,902,988	81.39%	331
2015-2016	\$112,031,000	\$89,969,742	80.31%	372
2016-2017	\$112,031,000	\$98,667,899	88.07%	396
2017-2018	\$133,177,000	\$133,177,000	100.00%	418
2018-2019	\$136,786,000	\$136,786,000	100.00%	415
2019-2020	\$136,786,000	\$136,786,000	100.00%	426
<i>* Program under CDE administration; upon program transfer, the Authority issued \$42,691,661 in awards to schools that had applied through CDE</i>				

Source: Office of State Treasurer

In the 2019-20 Funding Round (the latest public Authority report), the Authority awarded funds to 426 of the 437 eligible awardees. There were 17 additional applicants deemed ineligible; of these schools, 10, were ineligible due to FRPM below 55% and all 10 lacked admission preference. Five applicants were ineligible due to expired charter petitions, one applicant was ineligible due to a lack of good standing and the remaining ineligible applicants did not clear vetting for conflicts of interest. Five of the 17 ineligible schools had two factors causing ineligibility though all were ineligible due to not meeting the FRPM threshold. A majority of applicants, 359 or 82%, had a pupil population with an FRPM percentage of at least 55%. 18%, or 77 applicants, relied on a local elementary school's FRPM percentage to receive funding. This is an increase from 2018-19, as 335 applicants, or 81%, had a pupil population with a percentage of at least 55%, and 80 applicants, or 19%, relied on a local elementary schools FRPM percentage to receive funding. The average award would have been \$321,417.12 if the Authority had the funding to provide 100% of lease/rent based awards. This is a 24 percent increase for the lease/rent based awards issued in 2018-19 and this is a 7 percent decrease in total award from 2018-19 - when total other costs were included. Due to the oversubscription, the Authority pro-rated lease/rent awards at 96%, which resulted in an average award amount

of \$308,560.44. This is a 19% increase from lease/rent based awards in 2018-19, and about a 2% increase with pro-rated other costs, i.e. the type of awards sent out in 2018-19.

2019-20 was the first time SB740 was oversubscribed to the point where rent/lease-based awards left no pro-rated funds available for other facility related costs. During the 2018-19 funding round around 277 applicants submitted other costs, requesting a total of \$37,362,321 or about \$90,685 per applicant. A majority of these applicants, 272, are also applicants for 2019-20 Funding Round and were not able to submit other costs due to the oversubscription.

This program receives a statutory COLA.

State Special Schools Facilities

The California Department of Education provides oversight and support to three State Special Schools and three Diagnostic Centers in California. These include: California School for the Deaf in Fremont, California School for the Deaf in Riverside, California School for the Blind, and Diagnostic Centers located in Fremont, Fresno, and Los Angeles. The schools provide comprehensive educational programs composed of academic, extracurricular, and residential activities for students with auditory and/or visual impairments. The diagnostic centers provide assessment services for students in special education with complex educational needs, along with professional learning and technical assistance support for educators and community partners. The Fremont Campus consist of: California School for the Deaf, Fremont; the California School for the Blind, Fremont; and Diagnostic Center Northern California (DCNC).

The 2021-22 Budget included \$8.5 million General Fund for a topographical study and the preliminary plans phase for the State Special Schools. Total projects costs are estimated to be \$114,806,000 General Fund. The Governor's 5-Year Infrastructure Plan includes \$155.8 million General Fund at the State Special Schools, including \$49.5 million for three projects to address aged infrastructure at the Riverside School for the Deaf. These projects include: (1) Transportation, facilities, and warehouse, (2) Central Services Complex, and (3) Auditorium and theater. Design is expected be completed late 2023 and the construction duration for this project is estimated to be 36 months.

The Governor's 2022-23 Budget

New \$1.5 Billion Grant Program to Fund Electric School Buses. The January Budget proposal would appropriate \$1.5 billion in one-time Proposition 98 funding and would establish a new competitive grant program at CDE for districts to replace nonelectric school buses with electric buses. LEAs would receive priority if they (1) have high concentrations of low-income students and English learners, (2) propose replacing the oldest buses, (3) have 2,500 or fewer students, or (4) are located in rural areas. The individual grants would start at \$500,000 for the replacement of one bus. The proposal would require recipients to use at least 90 percent of their grant for purchasing the electric bus and related infrastructure, such as charging stations. The remaining 10 percent would be an allowance for any school transportation expenditure, including supplies, hiring

incentives, training, administrative costs, infrastructure, and spending on other buses. The proposal also would require recipients to scrap their old buses within a year of receiving their new buses. The administration estimates this funding would allow districts to replace 3,000 older buses with electric buses.

This proposal is part of a larger zero-emission vehicle package put forth by the Administration that costs \$6.1 billion (General Fund and other sources), of which \$4.2 billion will go to CARB and the CEC targeted for heavy-duty zero-emission technology advancement, and other priorities. Additionally, \$383 million in federal funds will be administered by the California State Transportation Agency.

Other CDE School Bus Proposals. The January Budget indicates that a workgroup would be convened to streamline bus driver requirements during the spring budget process, and that it would consider potential streamlining changes to the bus driver certification process at the May Revision. The Governor's Budget also proposes \$1.1 million one-time General Fund to modernize two of the four aging buses owned by the Department of Education for its instructor training program and replace them with electric buses, as well as charging stations, and \$201,000 General Fund ongoing for two existing but un-funded positions at the California Department of Education.

Charter School Leased Facilities Maintenance. The January Budget includes an increase of \$30 million ongoing Proposition 98 for the Charter School Facility Grant program to support total charter demand for both lease and capital improvement costs for leased facilities.

California School for the Deaf, Fremont. The January Budget includes \$7.5 million General Fund for the working drawings phase of the project that consist of renovation of the 43-year old student residential housing buildings, eighteen at the California School for the Deaf-Fremont (CSDF) and eight the California School for the Blind (CSB), as well as improvements to utilities and path of travel routes.

LAO Comments

District Will Need to Replace a Significant Number of Buses in Coming Years. Districts own a significant number of buses that they will need to replace in coming years. Available data suggest that more than 4,000 buses (almost one-quarter of all district buses) are more than 20 years old. These buses are already operating beyond the typical lifespan of a school bus. (Industry sources often assume a lifespan of 12 to 15 years for school buses operated on a regular basis.) Even if these older buses are well maintained and used only as spares, districts generally will have to replace them before 2035 to meet the seat belt requirement. Retrofitting an older bus with seat belts generally is not possible because it involves working on the frame of the bus. Bus frames are designed to dissipate strong forces and modifications potentially could affect their performance in a collision.

Recent Programs Funding School Bus Replacement Have Been Oversubscribed. Recent school bus replacement programs have received more applications than they could fund. The School Bus Replacement Program administered by the California Energy

Commission received requests for 1,549 electric buses from 196 districts. The \$75 million available for the program funded 236 buses for 63 districts. The Volkswagen Environmental Mitigation Trust received requests for nearly 500 electric buses and the \$65 million available for the first round of applications allowed it to fund approximately 80 buses. The Rural School Bus Pilot Project received requests for nearly 600 electric and nonelectric buses and the \$62 million available allowed it to fund approximately 180 buses.

Adopt Modified Version of Governor's Proposal. The Governor's proposal would allow the state to use one-time funding to support school transportation service that many students and districts find beneficial. The potential benefits of electric buses, including lower levels of pollution, reduced GHG emissions, and decreased operating costs, could last for many years. The up-front costs for an electric bus and its charging station are more than twice the cost of a diesel bus, and state grants likely would accelerate the adoption of electric buses. Some aspects of the proposal, however, could be improved. In the remainder of this section, we recommend several modifications to (1) achieve greater reductions in pollution, (2) allow more districts to use the program, (3) improve fiscal incentives, and (4) adjust funding based on district interest.

Prioritize Replacement of the Oldest Buses. Whereas the Governor proposes four criteria that would give districts priority for funding, we recommend modifying the proposal so that it prioritizes replacing the oldest buses first. This modification would increase the potential reductions in air pollution by focusing the program on replacing buses manufactured under less stringent emission standards. Under this approach, the state could retain other considerations (such as preference for rural schools or schools with high numbers of low-income students) as secondary factors.

Allow Funding for Other Types of Buses When Electric Buses Are Not Feasible. Under the Governor's proposal, some districts might continue to operate older buses emitting higher levels of pollution because electric buses are not viable replacements. We recommend modifying the Governor's proposal to allow funding for nonelectric buses in some cases. One option would be to allow rural districts to receive funding to replace a specified percentage of their fleets with nonelectric school buses. The state could allow additional nonelectric buses for these districts (or urban districts) based on their individual circumstances. One previous program, for example, allowed districts to purchase nonelectric buses if they could provide information about their routes and a consultation with an electric bus dealer demonstrating that electric buses would be infeasible. Funding a nonelectric bus might not reduce GHG emissions significantly, but could provide significant reductions in local pollutants like nitrogen oxides and particulate matter.

Eliminate Proposed Allowance for Other Transportation Expenditures. We recommend the Legislature eliminate the portion of the grant providing funding for costs not directly related to the bus or its infrastructure. Eliminating this allowance would create parity with other bus replacement programs and avoid creating incentives for districts to forego those programs. Given that the proposed grants would cover the entire cost of the

bus and charging station, we think the state could expect districts to pay for other costs out of their local budgets.

Provide Smaller Amount Initially and Adjust Future Funding Based on Demand. Whereas the Governor proposes to provide \$1.5 billion for the program immediately, we recommend the Legislature plan to allocate funding over multiple years and begin with a smaller amount. This approach would allow the state to adjust future funding based on district interest and the progress the state makes toward its goals for replacing older buses and reducing emissions. One way to implement this recommendation would be to plan for a three-year program and provide an initial allocation of \$500 million in year one. To help determine funding amounts for the subsequent two years, the Legislature could require CDE to track and report data on the number of applications received and funded, as well as data on the age of the buses being replaced. Alternatively, if the Legislature decides to provide an immediate allocation closer to the \$1.5 billion proposed by the Governor, it might want to expand the program to ensure it can allocate the full amount to interested districts. The nearby box outlines a potential option, focusing on grants for expanding district fleets. To the extent the Legislature makes changes to the timing or amounts for the Governor's proposal, it would need to account for the changes in capital outlay spending as part of its plan for addressing the state appropriations limit.

STAFF COMMENTS & QUESTIONS

- If the prior deferred maintenance and school bus replacement funds were folded into the LCFF base, what is the argument that a new categorical is needed for each program?

Green School Buses

- If the program goal is clean air, not increased student transportation, is Proposition 98 funding appropriate?
- Is the proliferation of school bus replacement funding and various local and state agencies going to confuse LEA efforts to shift into cleaner transportation models? Should the state consolidate bus replacement initiatives?

Charter Facilities

- Should public funds renovate privately-owned property?

Concerns have been raised about the use of public funds for charter school leased facilities, given that these facilities can be held by private interests. In one example, a 2017 FCMAT audit of the Tri-Valley Learning Corporation (TVLC) exposed that TVLC had issued 2012 Series A bonds totaling \$27.5 million through the California School Finance Authority to finance the Livermore Valley Charter School and Livermore Valley Charter Preparatory School (as well as other detailed bond sources in the audit). TVLC then filed for Chapter 11 Bankruptcy protection on November 8, 2016. The FCMAT report notes, "this report focuses on the ability of the former TVLC executive director, Batchelor, to

influence and control major financial transactions from which he personally benefitted to purchase real estate for his private tuition-based schools by issuing tax-exempt bonds. The bonds were issued in a series of complex and creative bond financing structures intended for the acquisition of public charter school facilities that ultimately provided the financing necessary to secure real estate now owned by private investors of a limited liability company for which he is the manager.”

A 2017 report titled *Spending Blind*, published by In the Public Interest (a research and policy center), describes deficiencies with the current regulations that have allowed millions of dollars to be vested in private limited liability companies and charter management organizations (CMOs) by funneling the funds through public charter schools and eventually converting those dollars into private real estate holdings.

These egregious examples underline the importance of protecting the use of Proposition 98 funding for public goods in the education system. Should the CSFG program have the same restrictions as the Office of Public School Construction’s charter facility program, and restrict capital improvements to public agency-held title?

Staff Recommendation: Hold Open.

ISSUE 4: EARLY LITERACY

The January Budget supports a new early literacy initiative including:

- \$500 million one-time Proposition 98 funding over five years for intensive interventions including literacy coaching.
- \$200 million one-time for multi-lingual libraries.
- \$10 million for the Department of Public Health and First 5 of California.
- \$2 million for early identification tools in California State Preschool Programs (CSPP) and Transitional Kindergarten (TK).
- \$60 million for early identification professional support in CSPP.

This hearing will cover the \$700 million in literacy proposals at the California Department of Education. The Early Identification and other agency proposals will be heard at a later hearing.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Michelle Valdivia, Department of Finance
- Alex Shoap, Department of Finance
- Amy Li, Legislative Analyst's Office
- Sarah Neville Morgan, California Department of Education
- Jackie Wong, First 5 California

BACKGROUND

Research on literacy draws a clear connection between literacy acquisition at certain ages, and its implications for success in learning and life outcomes. Specifically, students who aren't reading at grade level by the third grade will struggle to catch up throughout their education careers, and have lower graduation rates, higher incarceration rates, and lower lifetime incomes and health outcomes.

During the 2018-19 school year, only 48.5% of California students in grade three tested at grade level or above in English language arts on the standardized state assessment. The California School Dashboard shows this achievement gap is stark by grade 3 for students of color, dual-language learners, foster youth, students living in poverty or without stable housing, and students with disabilities.

In conjunction with establishing LCFF in 2013-14, the state adopted a new system of accountability for school districts that includes a focus on English language arts achievement. Under the current system, each district is required to adopt an annual

strategic plan known as a Local Control and Accountability Plan (LCAP). In the LCAP, districts must establish performance targets in state priority areas and identify actions to achieve these targets for all students and student subgroups, including English learners and low-income students. In developing their LCAP, districts must seek feedback from school employees, students, and parents. The California School Dashboard reports school and district performance based on measures aligned with the state priority areas. One state priority area focuses on student academic achievement as measured by test scores on state reading, math, and (for English learners) English language proficiency assessments. A district that is identified as low performing based on the school dashboard is to receive targeted support from its county office of education (COE). In providing technical support, COEs sometimes consult with other regional and state partners known as lead agencies. In fall 2019, 201 school districts (out of approximately 1,000) were identified as having poor academic achievement for one or more student subgroup.

Comprehensive State Literacy Plan. In 2019, the California Department of Education (CDE) was awarded \$37.5 million through the federal Comprehensive Literacy State Development (CLSD) grant program, to create the California Comprehensive State Literacy Plan. The purpose of the State Literacy Plan is to align and integrate state literacy initiatives, content standards, and state guidance documents to support teachers of students birth through grade twelve. It is not meant to establish new guidance on literacy curriculum or instruction. This plan supports continuous improvement of state and local literacy programs by:

- Connecting essential literacy guidance from state guidance documents to support comprehensive and integrated implementation of high-quality literacy programs at state and local levels.
- Focusing on the age/grade band goals for literacy achievement established by the CA CCSS in ELA/Literacy and the ELA/ELD Framework.
- Reporting current disaggregated literacy achievement data and literacy needs assessment results to all stakeholders to evaluate the outcomes the current system is producing.
- Using the continuous improvement process to identify statewide literacy priorities, solidify state-level activities for the Comprehensive State Literacy Development (CLSD) grant, and serve as a model for local literacy plans.

After months of development and revisions based on stakeholder feedback, the State Board of Education adopted the final California Comprehensive State Literacy on March 17, 2021.

Early Literacy Support Block Grant. In response to a state Superior Court settlement for *Ella T. vs the State of California*, the 2020-21 Budget Act included \$50 million to establish the Early Literacy Support Block (ELSB) Grant Program. The ELSB Grant Program requires the California Department of Education (CDE) to award funds to local educational agencies (LEAs) with the 75 schools that have the highest percentage of

students in grade three scoring at the lowest achievement standard level on the State Summative English Language Arts (ELA) assessment. The CDE received \$3 million of this sum to offset its costs associated with activities required to administer the program, including funds to establish an Expert Lead in Literacy within the California Statewide System of Support (SoS). The Expert Lead in Literacy must be a county office of education (COE), selected by the CDE in partnership with the California Collaborative for Educational Excellence (CCEE), to support grantees to build statewide professional learning networks and provide technical assistance to increase statewide capacity in implementing effective literacy instruction. The Expert Lead in Literacy shall demonstrate abilities and expertise developing, implementing, and supporting other LEAs and their schools with literacy instruction and support programs, particularly focused on literacy in early grades (kindergarten, which includes transitional kindergarten, and grades one through three). The Expert Lead in Literacy shall also demonstrate expertise in the four categories of programs and services: access to high-quality literacy teaching, support for literacy learning, pupil supports, and family and community supports.

The CDE and the CCEE selected the Sacramento County Office of Education through a competitive grant process to serve as the Expert Lead in Literacy as a part of the California Statewide SoS.

The Governor's 2022-23 Budget

The January Budget proposes a total of \$700 million in one-time Proposition 98 funding to support various early literacy initiatives, and another proposal through the Department of Public Health and First 5 California.

Literacy Coaches. The January Budget proposes \$475 million in non-competitive, one-time funding over three years for eligible schools to hire and train literacy coaches and reading specialists who, in turn, would implement school literacy programs, mentor teachers, and provide targeted reading interventions to students. The funding would be provided to school districts, charter schools, and COEs, for each school site where at least 95 percent of students in TK through grade 6 are English learners or low income. The administration estimates about 1,000 schools would be eligible (out of about 10,000 statewide). Each eligible school would generate a base grant of \$300,000, with remaining funding distributed based on enrollment in Transitional Kindergarten through grade six. The LEAs for schools receiving funding would be required to provide a 50-cent match for each \$1 received in state grant funding. By June 30, 2026, LEAs would have to report to the California Department of Education (CDE) how funding was used to prepare and employ literacy coaches, the impact these coaches had on student literacy, the plans to continue funding for these coaches after the grant period, and other metrics as determined by CDE.

Statewide Literacy Coach Training. In addition to funding proposed for LEAs to train their literacy coaches, the Governor's budget includes \$25 million in one-time funding, available over three years, for a designated LEA to provide statewide training for all

literacy coaches and reading specialists. CDE would be required to select the LEA based on criteria established by the department, with priority for LEAs with demonstrated success of improving student literacy.

Multilingual Books for School and Classroom Libraries. The January Budget also includes \$200 million in one-time Proposition 98 funding for eligible schools to expand their school and classroom libraries to include more culturally relevant books in English or other languages used in students' homes. To be eligible for funding, schools must: (1) have at least 80 percent low-income students; (2) have at least 15 percent English learners; and (3) serve students in State Preschool, Transitional Kindergarten, and/or first through third grade. The administration estimates there are about 2,000 eligible schools. LEAs would receive a minimum grant of \$100,000 for each eligible school. Funding would be available through 2022-23. By September 30, 2023, LEAs receiving funding would have to report to CDE how funds were used to establish or expand student access to multilingual texts.

LAO Comments

Proposals Could Have Limited Impact. Schools can already fund the proposed activities using existing local general purpose funding and significant one-time federal relief funding. The 2021-22 budget also provided \$1.1 billion in additional ongoing funding to many of the low-income districts targeted by the proposals specifically to hire more staff, including literacy coaches. We also have concerns about the effectiveness of the literacy coach proposal, including the funding not being targeted to the lowest performing schools, may supplant funding for existing literacy coaches, and could result in hiring inexperienced coaches due to current staffing shortages. The impact of funding for multilingual books is unclear and would not directly improve or result in effective instruction, which would benefit students most.

Recommend Rejecting Proposals, but Offer Modifications if Approved. For these reasons, we recommend the Legislature reject these proposals. Should the Legislature be interested in funding the literacy proposals, it could (1) extend the time line of the grant funding for literacy coaches from three to five years, (2) clarify that funds for literacy coaches are intended to supplement rather than supplant existing spending, and (3) target funding from both proposals to schools identified as low performing for student achievement as identified under the state's accountability system.

STAFF COMMENTS & QUESTIONS

In addition to research on the importance of reading at grade level in the third grade, and the clear body of evidence on preschool, research has identified opportunity gaps even prior to preschool that can lead to children in lower-income families performing below their peers—known as the 30 million word gap. This word gap is the difference, based on family income, in verbal interactions between toddlers and caring adults that stimulate

brain development in these key early years. Numerous initiatives to boost child-adult interactions in the first three years are based on this science.

A growing body of evidence also suggests that parents' education, particularly mothers' education, significantly impacts children's academic performance. Researchers funded by the National Institutes of Health concluded that programs to boost the academic achievement of children from low income neighborhoods might be more successful if they also provided adult literacy education to parents. The researchers based this conclusion on their finding that a mother's reading skill is the greatest determinant of her children's future academic success, outweighing other factors, such as neighborhood and family income.

Many early literacy initiatives employ a two-generational approach to literacy, as well as a focus on evidence-based prevention and interventions with children through the third grade.

The state's settlement language for the Early Literacy Support Block (ELSB) Grant Program makes numerous references to evidence based and standards-aligned criteria that should provide a reference point for further state investments in the same area, including expanded learning and school climate strategies, family supports, and family literacy.

Questions:

How are these proposals acting on the California Comprehensive State Literacy Plan?

How can this literacy initiative better leverage the existing investments in adult education, early childhood education, and the Early Literacy Support Block Grant?

Based on the importance of reading at grade level by 3rd grade, should the state's investments focus birth to second grade?

Is there a broader investment in instructional materials that meet school needs at this time? Is there a need for more flexibility or specificity for defining "books?"

Staff Recommendation: Hold Open.

ISSUE 5: CURRICULA

The January Budget provides an increase of \$14 million one-time Proposition 98 to support county offices of education in developing model curricula, and an increase of \$246,000 one-time non-Proposition 98 General Fund for the Instructional Quality Commission to continue its work on curriculum frameworks.

PANEL

The following individuals will participate virtually in the discussion of this issue:

- Michelle Valdivia, Department of Finance
- Amy Li, Legislative Analyst's Office
- Cheryl Cotton, California Department of Education

BACKGROUND

State model curricula. Model curricula are curricula developed by the state on a specific topic or area of study. Use of model curricula by schools is voluntary. The curricula are made available on the CDE website and include guides for instruction and sample lessons for different grade levels aligned with state content standards. Currently available model curricula on the CDE website are the César E. Chávez Model Curriculum and the Human Rights and Genocide Model Curriculum. In March of 2021, the SBE approved the Ethnic Studies Model Curriculum.

Statute requires the State Board of Education (SBE) and IQC to develop and approve four additional model curricula: AB 738 (Limon), Chapter 614, Statutes of 2017, requires the development of a model curriculum in Native American studies by December 31, 2021. The implementation of this bill is subject to the receipt of grants, donations or other financial support from private or public sources.

SB 895 (Nguyen), Chapter 686, Statutes of 2018, requires the IQC to develop and submit to the SBE by December 31, 2022, and requires the SBE to adopt, modify, or revise, by March 31, 2023, three separate model curricula related to the Vietnamese American refugee experience, the Cambodian genocide and Hmong history and cultural studies. The implementation of this bill also is subject to the receipt of grants, donations or other financial support from private or public sources.

New High School Graduation Requirement. AB 101 (Medina), Chapter 661, Statutes of 2021, requires students, commencing with the graduating class of 2029-30, to complete a one semester course in ethnic studies that meets specified requirements, in order to receive a high school diploma, and requires, commencing with the 2025–26 school year, that local educational agencies (LEAs) and charter schools serving students

in grades 9 through 12 offer at least a one semester course in ethnic studies. The 2021-22 Budget Act also included \$50 million one-time for Ethnic Studies curricula implementation, subject to legislation, which was triggered by AB 101.

The 2021-22 final Budget Act included authority for the CDE use the \$1,200,000 in appropriated funds to enter into a contract with a county office of education or a consortium of county offices of education for the purpose of developing model curricula related to (A) the Vietnamese American refugee experience, (B) the Cambodian genocide, (C) Hmong history and cultural studies, and (D) Native American studies, as required in statute. According to the SBE, San Diego County Office of Education and Humboldt County Office of Education have both been awarded funding for the Native American Model Curriculum. Orange County Department of Education, working in partnership with Santa Clara County Office of Education, has been awarded the funding for the Vietnamese American refugee experience, Cambodian genocide and Hmong history model curriculum.

The Governor's 2022-23 Budget

The January Budget provides \$14 million one-time Proposition 98 to support county offices of educations in developing model curricula related to the Vietnamese American refugee experience, the Cambodian genocide, Hmong history and cultural studies, and Native American studies, and an increase of \$246,000 one-time non-Proposition 98 General Fund for the Instructional Quality Commission (IQC) to continue its work on curriculum frameworks.

STAFF QUESTIONS

Are there further implementation supports needed, in preparation for the 2029-30 Ethnic Studies graduation requirement?

Are there any additional outstanding, statutorily authorized curricula development initiatives not fully funded?

What is the standards/frameworks/curricula adoption schedule for all statutory curricula areas? Is there a regular schedule to refresh all subjects?

Staff Recommendation: Hold Open.
