

## AGENDA

### ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

**ASSEMBLYMEMBER AL MURATSUCHI, CHAIR**

**TUESDAY, MARCH 18, 2014**

**9 A.M. - STATE CAPITOL ROOM 444**

ITEMS TO BE HEARD		
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## ITEMS TO BE HEARD

### 6110 DEPARTMENT OF EDUCATION

#### ISSUE 1: ANNUAL UPDATE FROM THE FISCAL CRISIS MANAGEMENT ASSISTANCE TEAM (INFORMATION ONLY)

Current law requires the Fiscal Crisis and Management Assistance Team (FCMAT) to provide an annual overview of the overall fiscal health of school districts to the budget Subcommittees.

#### PANELIST:

- Joel Montero, Chief Executive Officer, FCMAT

#### BACKGROUND

AB 1200 (Eastin), Chapter 1213, Statutes of 1991, created an early warning system to help local education agencies (LEAs) avoid fiscal crisis, such as bankruptcy or the need for an emergency loan from the state. AB 1200 expanded the role of county offices of education (COEs) in monitoring school districts and requires that they intervene, under certain circumstances, to ensure districts can meet their financial obligations. The bill was largely in response to the bankruptcy of Richmond School District, and the fiscal troubles of a few other districts that were seeking emergency loans from the state.

The formal review and oversight process, often referred to as the "AB 1200 process" requires the county superintendent to approve the budget and monitor the financial status of each school district and JPA in its jurisdiction. COEs perform a similar function for charter schools and the California Department of Education (CDE) oversees the finances of COEs.

In 2004, AB 2756 (Daucher) further strengthened the fiscal accountability provisions for LEAs. The law made immediate changes to the process county offices use to review district budgets and interim reports. It also called for the state to update the standards and criteria used for the fiscal oversight of LEAs, effective in 2006-07.

#### **Fiscal Crisis and Management Assistance Team (FCMAT)**

AB 1200 also created the Fiscal Crisis Management Assistance Team (FCMAT), recognizing the need for a statewide resource to help monitoring agencies in providing fiscal and management guidance. The purpose of the FCMAT is to help LEAs fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training and other related services. The bill specified that one county office of education would be selected to administer the assistance team. Through a competitive process, the office of the Kern County Superintendent of Schools was selected to administer FCMAT in June 1992.

There are several defined "fiscal crises" that can prompt a county office of education to intervene in a district: a disapproved budget, a qualified or negative interim report or recent actions by a district that could lead to not meeting its financial obligations.

#### **Governor's 2014-15 Budget**

The Governor's 2014-15 Budget provides the same operational support for FCMAT as provided in the current year. Specifically, the budget proposes to provide \$4.8 million Proposition 98 General Fund for FCMAT functions and oversight activities related to K-12 schools. The

Governor's Budget also includes \$570,000 Proposition 98 General Fund for FCMAT to provide support to community colleges.

Beginning in 2013-14, the funding for county fiscal oversight was consolidated into the Local Control Funding Formula (LCFF) for COEs. County offices are still required to review, examine and audit district budgets as well as annually notify districts of qualified or negative budget certifications, however, the state no longer provides a dedicated funding source for this purpose. Under the Governor's proposal, COEs will reach their target funding level in 2014-15.

### Interim Reports and Certification

Current law requires districts to file two interim reports during a fiscal year on the status of the district's financial health. For the first interim report, districts self-certify their budgets to their COE by December 15 for the period ending October 31. COEs are then required to report the certification for all districts in their county to the Superintendent of Public Instruction (SPI) and the State Controller within 75 days after the close of the reporting period (generally by March 1). For the second interim report, districts self-certify their budgets to their COE by March 17 for the period ending January 31. COEs are then required to submit their certification of these results to the SPI and the State Controller within 75 days after the close of the reporting period (generally by June 1).

The interim reports must include a certification of whether or not the LEA is able to meet its financial obligations. The certifications are classified as positive, qualified, or negative.

- A positive certification is assigned when the district will meet its financial obligations for the current and two subsequent fiscal years.
- A qualified certification is assigned when the district may not meet its financial obligations for the current or two subsequent fiscal years.
- A negative certification is assigned when a district will be unable to meet its financial obligations for the remainder of the current year or for the subsequent fiscal year.

### School Fiscal Health Improving

Overall, the financial status of schools in California has improved in recent years. The first interim status report for 2013-14 reported 8 negative certifications and 41 qualified certifications. The number of LEAs with negative or qualified certifications has declined from just a year ago, from 124 in 2012-13 to 49 in 2013-14. The table below shows the LEAs that have received negative or qualified certifications, as reported by the CDE's first interim report for 2013-14 on March 12, 2014.

#### Negative Certifications

Number	County	Local Educational Agency	Total Budget (\$ in millions)
1	Glenn	Orland Joint Unified	17.5
2	Los Angeles	Acton-Agua Dulce Unified	11.8
3	Los Angeles	El Rancho Unified	75.5
4	Los Angeles	Inglewood Unified	118.3
5	San Diego	San Ysidro Elementary	45.3
6	Sonoma	Cotati-Rohnert Park Unified	50.9
7	Sonoma	Windsor Unified	41.5
8	Stanislaus	Denair Unified	9.2

## Qualified Certifications

Number	County	Local Educational Agency	Total Budget (\$ in millions)
1	Alameda	Oakland Unified	422.6
2	Calaveras	Calaveras Unified	28.4
3	Contra Costa	Mt. Diablo Unified	299.1
4	Fresno	Westside Elementary	2.9
5	Humboldt	Eureka City Schools	37.7
6	Imperial	Calexico Unified	88.3
7	Kern	El Tejon Unified	8.1
8	Kern	Semitropic Elementary	3.2
9	Los Angeles	Los Angeles Unified	6,154.9
10	Los Angeles	Montebello Unified	261.6
11	Los Angeles	Wilsona Elementary	11.2
12	Madera	Chawanakee Unified	9.3
13	Madera	Yosemite Unified	16.4
14	Mendocino	Anderson Valley Unified	7.1
15	Mendocino	Willits Unified	15.1
16	Orange	Capistrano Unified	375.5
17	Orange	Fullerton Joint Union High	134.2
18	Orange	Santa Ana Unified	490.6
19	Placer	Placer Hills Union Elementary	5.5
20	Riverside	Coachella Valley Unified	184.3
21	Riverside	Palo Verde Unified	30.8
22	Sacramento	Center Joint Unified	382.3
23	Sacramento	Galt Joint Union High	19.8
24	Sacramento	Sacramento City Unified	414.8
25	Sacramento	San Juan Unified	340.0
26	San Bernardino	Adelanto Elementary	63.5
27	San Bernardino	Rim of the World Unified	36.0
28	San Bernardino	Upland Unified	88.1
29	San Bernardino	Yucaipa-Calimesa Joint Unified	39.8
30	San Diego	Alpine Union Elementary	15.1
31	San Diego	Ramona City Unified	47.1
32	San Diego	San Diego Unified	1,140.3
33	San Luis Obispo	Paso Robles Joint Unified	57.8
34	San Luis Obispo	Shandon Joint Unified	3.7
35	Santa Barbara	Los Olivos Elementary	2.4
36	Santa Cruz	Santa Cruz City Elementary	68.1
37	Santa Cruz	Santa Cruz City High	*
38	Sonoma	Forestville Union Elementary	3.8
39	Stanislaus	Riverbank Unified	24.0
40	Tulare	Citrus South Tule Elementary	.5
41	Ventura	Ojai Unified	23.1

\* Santa Cruz City Elementary and Santa Cruz City High School Districts are two districts with joint administration and fiscal reporting. The amount shown in the column is the combined total.

Source: California Department of Education

### Emergency Loans

In most cases the assistance provided by county offices of education and FCMAT under the AB 1200 process is sufficient to pull LEAs out of immediate financial trouble. The option of last resort for LEAs that have insufficient funds is to request an emergency loan from the state. This is often the result of years of deficit spending and budgetary issues.

An emergency loan, or emergency appropriation, can be provided by the state through the legislative process. Accepting a state loan is not without consequence, however. The SPI assumes all legal rights, duties, and powers of the district governing board and an administrator is appointed to the district. Several conditions must be met before control is returned to the district. State loans are typically set up for repayment over 20 years and state control remains over the school district until the loan is fully repaid. The state loan is sized to accommodate the anticipated shortfall in cash that the district will need during the life of the loan in order to meet its obligations. In addition, all of the costs of ensuring a fiscal recovery are the responsibility of the district and are added to the amount of the state loan. Therefore, a state loan will be much larger than what the district would otherwise need to borrow locally if it had been able to solve its own fiscal crisis.

Since 1991 the state has provided nine districts with emergency loans. Most recently, SB 533 (Wright), Chapter 325, Statutes of 2012 authorized \$29 million (General Fund) for an emergency loan to the Inglewood Unified School District (IUSD). The bill also authorized the school district to augment the emergency apportionment with an additional \$26 million through the California Infrastructure and Economic Development Bank (I-Bank).

<b>Emergency Loans to School Districts Since 1991</b>					
<i>(Dollars in Millions)</i>					
<b>School District</b>	<b>Year of Legislation</b>	<b>Current State Involvement</b>	<b>Total Loan Amount</b>	<b>Interest Rate on Loan<sup>a</sup></b>	<b>Pay-Off Date of Loan</b>
Inglewood	2012	Administrator	\$55	2.31%	November 2033
King City Joint Union High <sup>b</sup>	2009	Administrator	\$13.0	5.44	October 2028
Vallejo City Unified	2004	Trustee	60.0	1.50	January 2024
Oakland Unified	2003	Trustee	100.0	1.78	January 2023
West Fresno Elementary	2003	None	1.3	1.93	December 2010
Emery Unified	2001	None	1.3	4.19	June 2011
Compton Unified	1993	None	20.0	4.39	June 2001
Coachella Valley Unified	1992	None	7.3	5.34	December 2001
West Contra Costa Unified	1991	None	29.0	1.53	January 2018

<sup>a</sup> For districts with multiple loans and multiple interest rates, reflects interest rate on largest loan.  
<sup>b</sup> Has since changed its name to South Monterey County Joint Union High.

### SUGGESTED QUESTIONS:

- What are the major factors that have caused districts to become insolvent and seek emergency loans?
- How has the LCFF and LCAP changed FCMAT's functions and role in supporting LEAs?
- What interaction, if any, will FCMAT have with the California Collaborative for Educational Excellence (CCEE) once it is developed?
- How has declining enrollment impacted LEAs' ability to budget?

**ISSUE 2: IMPLEMENTATION OF THE COMMON CORE STATE STANDARDS  
(INFORMATION ONLY)**

The Subcommittee will hear an update on the implementation of the Common Core State Standards (CCSS) and how LEAs are using funds provided through the Common Core Implementation Block Grant.

**PANELISTS:**

- Edgar Cabral, Legislative Analyst's Office
- Monique Ramos, Department of Education
- Jillian Kisse, Department of Finance

**BACKGROUND**

Academic content standards describe what students should be learning in a particular subject area at each grade level. The State Board of Education (SBE) is responsible for adopting academic content standards in California. California first adopted standards in English language arts and math in 1997. A year later the state adopted standards in science and history-social science. Since then, California has adopted standards in various other subjects, such as English language development, physical education and career technical education.

The Common Core State Standards (CCSS) are nationally developed content standards for English language arts and math that were created in 2010. SB X5 1 (Steinberg), Chapter 2, Statutes of 2010, created the Academic Content Standards Commission to review and make recommendations to the SBE on the CCSS. Following the recommendation of the commission, the SBE adopted the CCSS in August 2010. California is one of 46 states that adopted the CCSS. These new standards are designed to better prepare students for college and career by increasing student collaboration, fluency in technology, critical thinking, and communication skills.

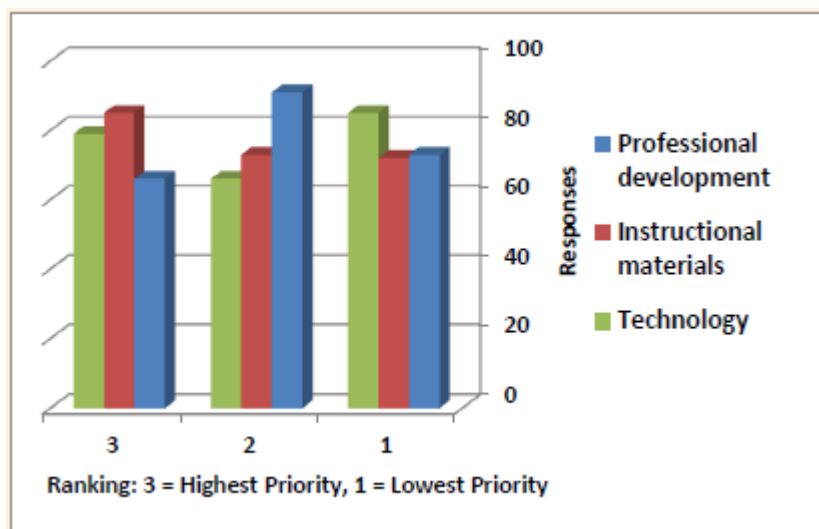
Due to the recession and the deep cuts that schools have endured in recent years, many districts have not yet fully implemented the CCSS. The 2013-14 budget helped to address this by providing \$1.25 billion in one time funding to LEAs for implementation of the CCSS. This equates to approximately \$201 per student. The purpose of the funding is to support LEAs in transitioning to the new standards and can be used for professional development, instructional materials and technology. The funding was distributed on a per-pupil basis and can be used through the 2014-15 fiscal year. LEAs are required to develop a proposal for how they plan to spend the funds, which must be presented in a public meeting. LEAs must also report their expenditures to the CDE by July 1, 2015.

**How are LEAs spending common core funding?**

Since the Legislature did not require LEAs to submit their expenditure plans prior to spending the one-time funds, it is difficult to know exactly how districts are using the funds. At the November 2013 SBE meeting, representatives from the California County Superintendents Educational Services Association (CCSESA) presented results of a survey they conducted on how LEAs planned to spend the one-time funding provided for implementing the CCSS. Of the 818 school districts that responded (representing about 83 percent of students), most districts planned to spend the one-time funding fairly evenly across technology, professional

development and instructional materials. Only 10 percent indicated that they would spend 75 percent or more on technology and even fewer said they would spend that much on professional development or instructional materials.

More recently, the Association of California School Administrators (ACSA) surveyed its members regarding their use of the Common Core Implementation Block Grant funding. ACSA received 232 responses, including 222 school districts and 10 COEs (representing 24 percent of students). This survey also revealed that LEAs plan to use the one-time funding in all three areas (technology, professional development and instructional materials). The chart below shows that when asked how LEAs would spend these funds in priority order, instructional materials was the most common first priority, followed by professional development and then technology.



Source: Association of California School Administrators

### What are the needs of LEAs in implementing the CCSS?

**Professional Development.** According to the survey done by CCSESA, a majority of school administrators have received training on the CCSS in English language arts (71 percent) and math (68 percent), but a smaller number of teachers have received the necessary training (42 percent in English language arts and 39 percent in math).

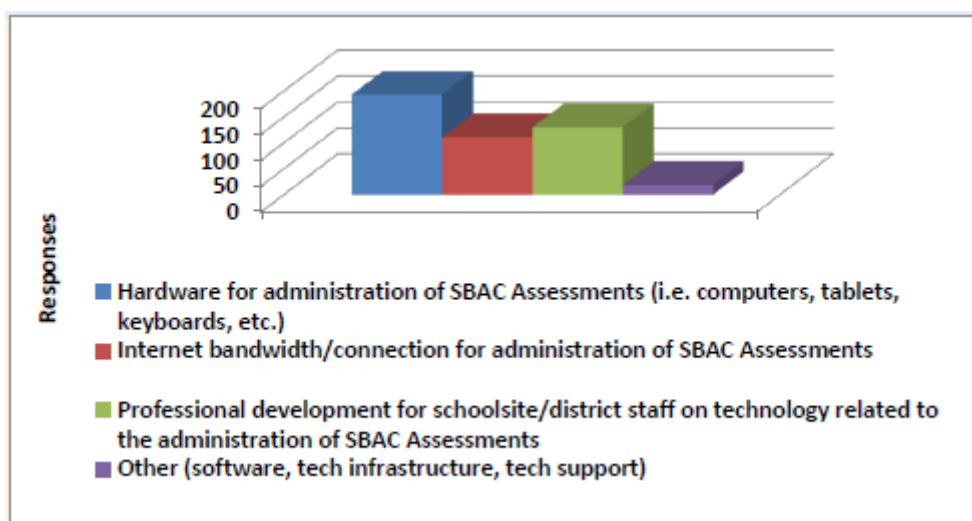
Prior to the 2008-09 fiscal year, the state provided dedicated funding for professional development through various categorical programs totaling approximately \$450 million, including the Professional Development Block (\$274 million) and other programs. In 2008-09, due to budget cuts, the Legislature provided LEAs with "categorical flexibility" for many categorical programs (including professional development), meaning that LEAs could use the categorical funding for any educational purpose. The 2013-14 budget consolidated most categorical programs into the base funding within the LCFF.

**Instructional Materials.** The CCSESA survey found that about 60 percent of districts anticipate using the one-time common core funding to purchase instructional materials in math over the next 18 months, while only one-third said they would purchase instructional materials in English language arts. This is due to the fact that the SBE has adopted a list of standards aligned instructional materials in math, but these materials for English language arts will not be adopted until November 2015.

Prior to categorical flexibility, the Legislature also provided dedicated funding for instructional materials through the Instructional Materials Block Grant (\$416 million). This funding was also made flexible beginning in the 2008-09 fiscal year and ultimately consolidated into the LCFF.

Technology. Implementation of the CCSS includes incorporating technology into the classroom. Additionally, students will begin taking new state assessments aligned to the CCSS in English language arts and math this spring. These new assessments will be taken online using a computer or tablet. Therefore, school districts must have the technology to administer the assessments within the testing window.

According to the survey conducted by ACSA, participating districts reported using at least a portion of their funding on technology, including hardware, internet bandwidth and professional development related to technology. The chart below shows that the most common technology related expenditure for LEAs was purchasing hardware.



Source: Association of California School Administrators

Not only do schools need to purchase the necessary hardware, but they also need sufficient internet speed in order to accommodate the growing number of devices. The new computer based tests require 20,000 bits per second per testing device, meaning that schools will need more than a T-1 connection speed to test 100 students at a time, assuming no other use of the network. This could present challenges for districts that do not have sufficient bandwidth, requiring them to administer the tests to smaller groups of students at a time or upgrade their internet connection speed.

The California K-12 High Speed Network (K12HSN) is an infrastructure project funded within the CDE. The primary goal of the K12HSN is to connect schools, districts and COEs with adequate high-speed bandwidth. According to data collected by the K12HSN, 892 school sites reported having a T-1 connection speed or less. An additional 685 schools have not reported their current bandwidth. The estimated cost to increase the connectivity level for all schools to a minimum speed of 100 Megabytes per second (Mbps) would be approximately \$709 million. This estimate includes those schools that have not reported their current bandwidth.



Current Bandwidth	Sites	Estimated Cost to Install Fiber and Achieve a Minimum of 100 Mbps
<= T-1	892	\$210,710,000
>T-1 <10 Mbps	1,113	\$139,125,000
>=10 Mbps<10 Mbps	2,907	\$363,375,000
Unreported	685	\$85,625,000
<b>TOTAL</b>	<b>5,597</b>	<b>\$708,835,000</b>

\*Data from California K-12 High Speed Network

#### STAFF COMMENTS/QUESTIONS

According to the CDE, the estimated cost for districts to fully implement the CCSS is approximately \$3 billion. Specifically, this estimate includes professional development for approximately 300,000 educators (284,000 teachers, 100,000 paraprofessionals and 23,000 administrators), one new textbook per student in each subject area (English and math) and an 8:1 student-to-computer ratio. This cost estimate does not include other technology costs, such as infrastructure, software and IT support.

The Governor's January Budget does not include additional funding for schools to implement the CCSS. Due to the need that still exists in fully implementing the CCSS, the Subcommittee may wish to consider providing additional one-time funding for this purpose.

#### Suggested Questions:

- Does the Administration believe that \$1.25 billion is sufficient for LEAs to fully implement the Common Core State Standards? Is the Governor considering providing additional funding for this purpose in the future?
- What amount of funding is needed for LEAs to fully transition to the new standards? Should funding for this purpose be allocated on a per-pupil basis?
- Since the Common Core Implementation Block Grant was allocated per pupil, what has been the impact on small school districts in implementing the Common Core State Standards?
- Does CDE believe that providing additional funding for common core implementation is more important than paying down deferrals?

**ISSUE 3: GOVERNOR'S 2014-15 PROPOSAL: CALIFORNIA ASSESSMENT OF STUDENT PERFORMANCE AND PROGRESS (CAASPP)**

The Subcommittee will consider the funding level needed to implement California's new student assessment program. The Governor's Budget provides an increase of \$52 million for student assessments in 2014-15.

**PANELISTS:**

- Jill Kisse, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Monique Ramos, Department of Education

**BACKGROUND****Smarter Balanced Assessment Consortium (SBAC)**

In addition to the CCSS, California and 22 other states joined the Smarter Balanced Assessment Consortium (SBAC) in 2011. The SBAC is a national consortium that is developing new student assessments in English language arts and math, aligned to the CCSS. The SBAC received federal funding through the Race to the Top Assessment Program in order to develop the assessments and conduct field tests this spring. The tests will be fully operational in the 2014-15 school year.

The SBAC assessments will be much different than the previous assessments. These new tests will be computer based, and some sections will be computer adaptive, meaning that the level of difficulty of each question is based on how the student answered the previous question. Unlike the previous tests in English language arts and math, which only included multiple choice questions, the SBAC assessments will include various question types including written responses and an essay. A paper-pencil version of the SBAC assessments will be available for up to three years, however there is no paper pencil version for the field test in 2013-14.

The SBAC assessments will provide cumulative assessment results at the end of each school year in order to meet statewide assessment needs, as well as formative and interim assessment tools that will be made available to local school districts. These additional assessments can be customized to provide feedback to teachers and students on an individual students' academic progress throughout the year. Currently districts can purchase interim assessments at their own expense, if they choose to.

**California Assessment of Student Performance and Progress (CAASPP)**

AB 484 (Bonilla), Chapter 489, Statutes of 2013, made major changes to the state's student assessment system. This bill replaced the Standardized Testing and Reporting (STAR) program, with the California Assessment of Student Performance and Progress (CAASPP) program. As part of the CAASPP program, the bill implemented the new SBAC assessments aligned to the CCSS. All students will take the field test, or practice test, in English language arts and math this spring and the full test beginning in the 2014-15 school year.

Chapter 489 also made the following changes to the state's assessment system:

- Eliminates second grade assessments for statewide purposes. The SBAC will provide assessments for students in English language arts and math in grades 3-8 and 11 (as required by federal law).
- Continues to assess students in science in grades 5, 8 and 10 until a new assessment aligned to the Next Generation Science Standards (NGSS) is developed.
- Maintains the California Alternative Performance Assessment (CAPA) for students with severe cognitive disabilities for grades 2-11 until a replacement assessment is developed.
- Maintains the voluntary Early Assessment Program (EAP) for 11th graders, which provides feedback for students and higher education segments on college readiness.
- Requires the Superintendent of Public Instruction (SPI) to develop new assessments in languages other than English that are aligned to the CCSS to be administered in the 2016-17 school year. Until then, LEAs can voluntarily administer the current primary language assessment at no additional cost to the LEA.
- Requires the SPI to consult with stakeholders and submit recommendations to the SBE by March 1, 2016 regarding expanding the assessment system to include other subject areas, such as history-social science, technology, visual and performing arts, and other subject areas deemed appropriate.
- Authorizes the SPI, with State Board approval, to not produce an Academic Performance Index (API) for the 2013-2014 and 2014-2015 school years due to the lack of individual student data in 2013-14.
- Includes interim and formative assessment tools in English language arts and math that will be provided at no additional cost to districts.

Because the field test in 2013-14 is primarily meant to test the quality of the test questions, or provide a "test of the test," individual student scores will not be reported. Therefore, California will not have test scores for state and federal accountability purposes in 2013-14. After the passage of AB 484 (Bonilla) last fall, the SBE submitted a waiver to the U.S. Secretary of Education Arnie Duncan to be excused from federal accountability measures for the 2013-14 school year. Secretary Duncan had previously announced willingness to allow states not to "double test" those students participating in the SBAC field test (20 percent of students in the state), however, he originally opposed granting a waiver for all students and threatened to withhold federal funds from California. Ultimately, the U.S. Department of Education granted the waiver submitted by the SBE on March 7, 2014.

**Governor's 2014-15 Budget**

The Governor's 2014-15 Budget provides a total of \$149 million for student assessments (\$129 million from Proposition 98 General Fund and \$21 million from federal funds). This is an increase of \$52 million in state and federal funds from 2013-14. However, due to a decline in federal funds, Proposition 98 General Fund support under the Governor's Budget would grow by \$56 million in 2014-15.

The estimated annual cost of the new SBAC assessments (\$24 per student) is significantly higher than the cost of the previous assessments in English language arts and math (\$15 per student). This increase in cost is largely due to the higher cost of administering the new assessments. The Governor's Budget includes \$77 million in Proposition 98 General Fund for the new SBAC assessments, which includes \$67.5 million in estimated contract costs. The state will go out to bid on a contract for administering, scoring and reporting the new assessments. The exact costs will depend on the cost of the new contract, which will be negotiated between the SBE and a vendor. Originally, the SBE was expected to release a Request for Submission (RFS) this spring. However, the CDE has recently indicated that this may be delayed until the fall.

The Governor's Budget includes \$9.6 million for SBAC-managed services for ongoing costs of the system, including ongoing research and adding new test items. For the SBAC-managed services, SBAC typically charges states \$9.55 per student to provide these services. Because California has so many students, the SBAC capped the number of students at one million.

The Governor's Budget also provides \$13.6 million in Proposition 98 General Fund to develop three new assessments. The Governor provides \$7.6 million to develop a new English proficiency assessment aligned to the new English Language Development (ELD) standards for English learners, \$4 million to develop a new science assessment aligned to the Next Generation Science Standards (NGSS), and \$2 million to develop a new English language arts assessment in languages other than English.

The chart on the following page shows the total contract costs proposed in the Governor's proposal. In addition to these costs, the state also provides districts with apportionments in order to cover the costs for school districts to administer the tests. The apportionment rate varies by test (\$2.52 to \$5.00 per student) for an estimated \$23.5 million in 2014-15.

**Contract Costs for Student Assessments  
2014-15 (In Millions)**

<b>New ELA and Math Assessments</b>	
Administration and reporting	\$67.5
SBAC–managed services <sup>a</sup>	9.6
Subtotal	(\$77.0)
<b>Development of New Assessments</b>	
English language development	\$7.6
Next Generation Science Standards	4.0
Primary languages other than English	2.0
Subtotal	(\$13.6)
<b>Ongoing Assessments</b>	
California High School Exit Exam	\$11.4
Prior–year testing costs	8.3
California English Language Development Test	7.4
Cost of other assessments	6.1
Assessment review and reporting	2.1
Subtotal	(\$35.4)
<b>Total State–Level Contract Costs</b>	<b>\$125.9</b>
<sup>a</sup> SBAC will provide ongoing support of the assessment, including developing additional test items and conducting additional research.	
ELA = English–language arts and SBAC = Smarter Balanced Assessment Consortium.	

Source: Legislative Analyst's Office

Under the Governor's proposal, all funding provided for the new assessment system and new test development is contingent upon DOF review of the contracts approved by the SBE.

The LAO recommends the Legislature adopt the Governor's proposal to make assessment funding contingent upon Department of Finance review of contract materials. This would ensure that the amount of funding provided in the budget is aligned with actual contract costs. The LAO also recommends the Legislature adopt additional language requiring the vendors of the state's SBAC contract to meet with legislative staff and DOF staff on an annual basis to review components and costs of the contract. Such an approach would provide additional oversight of contract costs. The Legislature adopted similar language in 2010-11 and 2011-12.

**Additional positions provided for the CDE**

The Governor's Budget provides \$482,000 (non-Proposition 98 General Fund) for two new positions and two existing positions in order for CDE to implement and manage the new assessment system. This includes \$250,000 for two limited term (two-year) positions in order to integrate the new assessment data into the California Longitudinal Pupil Achievement Data System (CALPADS). The other \$232,000 is provided for the CDE to hire two experts in technology based student assessments. Funding for these two existing positions is contingent upon the Department of Finance (DOF) approving a spending plan that justifies the need for additional positions. All four positions are contingent upon the CDE submitting a Feasibility Study Report (FSR) to the DOF, which validates the need for the additional positions.

The CDE is requesting to convert the two limited-term positions provided in the Governor's Budget for implementing the new assessment system into permanent positions and reclassify

one of the positions to a higher classification with the associated General Fund cost of \$41,000. The CDE argues that implementation of the new assessment system will require ongoing modifications to CALPADS in order to maintain student assessment data. Additionally, interfacing the new assessments with CALPADS will require experienced staff. The CDE argues that it will be difficult to attract highly qualified candidates for a limited-term position.

The CDE is also requesting \$432,000 General Fund in additional personnel cost in order to reclassify the two program consultants provided in the Governor's Budget. The CDE argues that these positions should be calculated at top step funding because they will oversee a "highly complex" information technology project that will require knowledgeable and experienced personnel.

The LAO recommends the Legislature review the required FSRs and associated documentation prior to approving any new positions for the CDE.

### **Overall LAO Recommendations**

The LAO believes that the higher costs associated with the new assessments appear to be reasonable considering that the new exams will be more expensive to grade and they provide additional assessment tools. The LAO also notes that though providing formative and interim assessment tools will increase state costs, this may create overall efficiencies given that many districts currently purchase these assessment tools on their own.

The LAO recommends considering using the 11<sup>th</sup> grade SBAC exam instead of the High School Exit Exam. The LAO also suggests giving priority to teachers when hiring individuals to score the SBAC exams in order to provide a quality professional development opportunity for teachers and other instructional staff.

### **STAFF COMMENTS/QUESTIONS**

The cost of the new SBAC assessments is significantly higher than the previous assessments in English language arts and math. However, the new tests will provide students and teachers with better feedback and will better prepare students for college and a career. Because the new assessments will be taken online, and some sections of the test will be computer adaptive, this will provide students and teachers with a better understanding of what students know. The interim and formative assessment tools will also assist teachers in assessing how students are learning throughout the year.

The new assessments aligned to the CCSS will be more challenging for students. Not only will students be required to answer different question types and demonstrate more critical thinking skills, but the new assessments will also require students to have basic computer skills. Administering online assessments for the first time will certainly present a number of challenges for schools as well as individual students during implementation. However, students will benefit from this change in the long term as they become more computer literate and better prepared for the 21<sup>st</sup> century workforce.

Overall, staff agrees with the Governor's proposal to provide additional funding for student assessments. However, the Subcommittee may wish to hold this item open pending any updated contract costs and more information on when the SBE will go out for bid on a contract for administering the SBAC assessments.

Suggested Questions:

- Are districts ready to administer the new computer based assessments? What problems or issues has CDE heard so far?
- What are the potential cost savings for districts that will no longer need to purchase interim and formative assessment tools on their own?
- How can teachers use the interim and formative assessment tools to better instruction and improve outcomes?
- When will CDE know the final contract costs for administering the new SBAC assessments? Have the costs for SBAC's ongoing services been finalized?
- Can the CDE successfully implement the new assessment system with the positions and funding proposed by the Governor?

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**Staff Recommendation: Hold open.**

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**ISSUE 4: GOVERNOR'S 2014-15 PROPOSAL: ENGLISH LANGUAGE PROFICIENCY ASSESSMENT FOR CALIFORNIA (ELPAC)**

The Subcommittee will consider the funding level necessary to develop a new assessment for English learners aligned to the new English Language Development (ELD) standards.

**PANELISTS:**

- Jill Kisse, Department of Finance
- Edgar Cabral, Legislative Analyst's Office
- Monique Ramos, Department of Education

**BACKGROUND**

In 1999 the state adopted English language development (ELD) standards for English learners. Shortly after, the state developed an assessment to determine English proficiency aligned to these standards. The California English Language Development Test (CELDT) is used to determine if incoming students should be classified as an English learner and to measure the progress of English learners in subsequent years.

AB 124 (Fuentes), Chapter 605, Statutes of 2011, required the SPI and the SBE to work together to update and adopt new ELD standards aligned with the CCSS. The SBE approved the new ELD standards in November 2012. Additionally, SB 201 (Liu), Chapter 478, Statutes of 2013, required the SPI to update the CELDT with the new English Language Proficiency Assessment for California (ELPAC) aligned to 2012 ELD standards.

**Governor's 2014-15 Budget**

The Governor's 2014-15 Budget provides \$7.55 million for the CDE to develop a new assessment aligned to the new ELD standards. The CDE plans to develop a shorter initial test for determining English learner classification and a longer summative assessment to determine English proficiency at the end of the year.

The activities and estimated costs in 2014-15 include:

- Develop a new initial screen test, which includes writing and piloting new test questions and training for scoring new test questions (\$4.25 million).
- Develop test questions for a new summative assessment, conduct content reviews and pilot new test questions in Spring 2015 (\$3.3 million).

The CDE originally provided cost estimates that are consistent with what was provided in the Governor's Budget. However, CDE now estimates that the cost to develop the ELPAC is \$9.1 million, instead of \$7.55 million. CDE conducted an alignment study this fall and found that more test items will need to be aligned than originally estimated, resulting in higher costs.



**STAFF COMMENTS/QUESTIONS**

According to CDE, it takes approximately three years to write, pilot, field test and build reliable assessments. Given this timeline, if the necessary funding is provided, the new ELPAC is expected to replace the CELDT by the 2017-18 school year. If funding for this purpose is not provided in the 2014-15 budget, the CDE would not have sufficient resources to complete this work, and the timeline for administering a new English proficiency assessment would likely be extended.

In April 2013, a federal monitoring unit found that California's CELDT test is not aligned with the 2012 ELD standards. The U.S. Department of Education cited the CDE as being out of compliance with federal law and requested a plan with a timeline for aligning the state's assessment for English learners with the ELD standards. In order for California to become in compliance with state and federal law, new funding for this purpose is necessary.

Due to the updated cost estimate provided by the CDE, staff recommends holding this issue open in order to further review this information.

**Suggested Questions:**

- Is California at risk of losing federal funding if progress toward developing a new English proficiency assessment aligned to the new ELD standards is not made?
- Has the CDE provided the U.S. Department of Education with a plan for aligning California's English language proficiency assessment with the new standards?
- Does the Administration agree with CDE's revised cost estimates for developing a new English proficiency assessment?

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**Staff Recommendation: Hold open.**

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