

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE****ASSEMBLYMEMBER SUSAN BONILLA, CHAIR****TUESDAY, MARCH 19, 2013
9 A.M. - STATE CAPITOL ROOM 444**

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ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION 6870 CALIFORNIA COMMUNITY COLLEGES

ISSUE 1: GOVERNOR'S 2013-14 BUDGET PROPOSAL: PROPOSITION 39

The Governor's Budget proposes to:

- 1) Count all revenues generated from Proposition 39 toward calculation of the Proposition 98 minimum guarantee.
- 2) Allocate all associated energy-related funding to schools and community college districts.

The primary issue for this Subcommittee to consider is the treatment of Proposition 39 revenues in calculating the Proposition 98 minimum guarantee.

PANELISTS

- Department of Finance
- Legislative Analyst's Office
- California Department of Education
- California Community Colleges Chancellor's Office

BACKGROUND

Proposition 39, passed by the voters in November 2012, requires most multistate businesses to determine their California taxable income using a single sales factor method, which has the effect of increasing state corporate tax revenue. The administration projects that Proposition 39 will increase state revenue by \$440 million in 2012–13 and \$900 million in 2013–14.

Proposition 39 also establishes a new state fund, the Clean Energy Job Creation Fund, to support projects intended to improve energy efficiency and expand the use of alternative energy. The Clean Energy Job Creation Fund is supported by some of the new revenue raised by moving to a mandatory single sales factor. Specifically, the text of the proposition states:

"The sum of five hundred fifty million dollars (\$550,000,000) shall be transferred from the General Fund to the Job Creation Fund in fiscal years 2013–14, 2014–15, 2015–16, 2016–17, and 2017–18. Moneys in the fund shall be available for appropriation for the

purpose of funding projects that create jobs in California improving energy efficiency and expanding clean energy generation"

Department of Finance and the Legislative Analyst's Office disagree over Proposition 98 calculations. Proposition 39 generates corporate tax revenue that is counted as part of the General Fund. According to the Department of Finance, unless expressly excluded, proceeds from taxes deposited in the General Fund are used in the calculation of Proposition 98. Therefore, the Governor's budget includes all revenue raised by Proposition 39 in the calculation of the Proposition 98 minimum guarantee. This treatment has the effect of increasing the minimum guarantee by \$426 million in 2012-13 and \$520 million in 2013-14.

Conversely, according to the LAO, the Governor's treatment of these revenues is "a serious departure from our longstanding view, which we developed over many years with guidance from Legislative Counsel, of how revenues are to be treated for the purposes of Proposition 98." Further, the LAO contends that this treatment is "directly contrary to what the voters were told in the official voter guide as to how the revenues would be treated." (Note that the LAO prepares the analysis for the official voter guide).

According to the LAO, revenues are to be excluded from the Proposition 98 calculation if the Legislature cannot use them for general purposes, typically due to restrictions created by a voter approved initiative or constitutional amendment. The LAO argues that the Governor's approach could lead to "greater manipulation of the minimum guarantee" by opening the door to all types of accounting shifts. "The state could, for example, require that all sales tax revenues be deposited directly into a special fund rather than the General Fund, thereby excluding the revenues from the Proposition 98 calculation." Under the LAO interpretation, the minimum guarantee would be roughly \$260 million lower in 2013–14 than the Governor's budget.

Governor's proposal provides all energy-related funding to schools. The Governor proposes to allocate all Proposition 39 energy-related funding over the next five years exclusively to school and community college districts (\$450 million in 2013-14 and an estimated \$550 million annually for the next four years). For 2013–14, the Governor's budget proposes to provide school districts with \$400.5 million and community college districts with \$49.5 million. The Governor proposes to classify this spending as Proposition 98 expenditures that count toward meeting the minimum guarantee.

The Governor's proposed trailer bill language would allocate these funds on a per student basis. According to the LAO, in 2013–14, school districts and community college districts would receive \$67 and \$45 per student, respectively. The trailer bill language further directs the California Department of Education (CDE) and Chancellor's Office to issue guidelines for prioritizing the use of the funds. The CDE and the Chancellor's Office could consult with CEC and CPUC in developing these guidelines. Upon project completion, school districts and community college districts would report their project expenditure information to CDE and the Chancellor's Office, respectively.

CDE State Operations. The Governor's budget proposes to provide CDE with one permanent position (\$109,000) to help implement and oversee the Proposition 39 program. The Governor proposes no additional positions for the California Community College (CCC) Chancellor's Office for the administration of Proposition 39.

LAO Alternative. Consistent with their view of how revenues are to be treated for the purposes of calculating the minimum guarantee, the LAO recommends the Legislature exclude from the Proposition 98 calculation all Proposition 39 revenues required to be used on energy-related projects. This approach would reduce the minimum guarantee by roughly \$260 million. In addition, the LAO recommends the Legislature reclassify the \$450 million to be spent on energy-related projects as a non-Proposition 98 expenditure. The LAO contends that this proposal would "result in an additional \$190 million in operational funding" for K-14 schools.

STAFF COMMENTS/QUESTIONS

Minimum guarantee would decrease under LAO proposal. Staff notes that while it is accurate that K-14 schools would no longer have to spend \$450 million specifically on energy-related projects under the LAO proposal, their proposal results in a net loss of \$260 million under Proposition 98. Additionally, moving the \$450 million for energy projects from Proposition 98 to the non-98 General Fund side of the budget would result in increased costs of \$190 million (non-98) and could result in reduced spending on non-Proposition 98 General Fund programs.

Other issues to consider. According to the text of the initiative, the objectives of Proposition 39 include:

- Create good-paying energy efficiency and clean energy jobs in California.
- Put Californians to work repairing and updating schools and public buildings to improve their energy efficiency and make other clean energy improvements that create jobs and save energy and money.
- Promote the creation of new private sector jobs improving the energy efficiency of commercial and residential buildings.
- Achieve the maximum amount of job creation and energy benefits with available funds.
- Supplement, complement, and leverage existing energy efficiency and clean energy programs to create increased economic and energy benefits for California in coordination with the California Energy Commission and the California Public Utilities Commission.

Many of these issues fall under the jurisdiction of Subcommittee 3 on Resources and Transportation and as such, that Subcommittee plans to hear various Proposition 39 implementation issues on April 24, 2013.

In addition to the Governor's budget proposal, there are two Legislative proposals pending on proposed implementation of Proposition 39:

- AB 39 (Skinner/Pérez), pending in the Assembly Natural Resources Committee, requires the Energy Commission to administer grants, loans, and other financial assistance to K-12 public schools, for projects that create jobs in CA by reducing energy demand and consumption. The bill would also continuously appropriate a portion of the funding to the Energy Commission for the purposes of administering funds, and sets forth criteria for prioritizing projects. The bill further requires money, upon appropriation by the Legislature, to be used for public-private partnerships.
- SB 39 (De Leon/Steinberg), pending in the Senate, establishes the Clean Energy Employment and Student Advancement Act of 2013 and requires the Office of Public School Construction (OPSC) to establish a school district assistance program to distribute grants, on a competitive basis, for energy efficiency upgrade projects pursuant to CA Clean Energy Jobs Act.

Suggested Questions:

- 1) Should Proposition 39 revenues be included in the calculation of Proposition 98?
- 2) What are the benefits/trade-offs of providing this funding on a per pupil basis?
- 3) Is the Administration's proposal consistent with the intent of Proposition 39?

Staff Recommendation: Hold Open

ISSUE 2: GOVERNOR'S 2013-14 PROPOSAL: ADULT EDUCATION REALIGNMENT

The issue for the Subcommittee to consider is the Governor's proposal to shift funding and responsibility for providing adult education programs to the California Community College system. The proposal would provide \$300 million in Proposition 98 funding to community colleges for adult education and \$15.7 million to community colleges for apprenticeship programs. The proposal also would eliminate the requirement that school districts provide adult education and consolidate associated annual funding (\$635 million Proposition 98) into the Governor's proposed K-12 funding formula.

PANELISTS

- Department of Finance
- Legislative Analyst's Office
- California Community Colleges Chancellor's Office
- California Department of Education

BACKGROUND

Adult Education programs in California have existed for nearly 150 years. The primary purpose of adult education is to provide adults with basic knowledge and skills they need to participate in society and the workplace. Adult education programs serve a variety of students and purposes including; assistance in gaining proficiency in reading, writing and mathematics to succeed in collegiate coursework, assistance with passing the oral and written exams for U.S. Citizenship, earning a high school diploma; job training, English language courses and literacy classes for immigrant and native English speakers. State law also allows adult education to serve various other purposes, including enrichment classes such as parenting techniques or classes for seniors to help them stay active. In all, 10 instruction areas are funded.

Enrollment. Currently, both school districts and community colleges offer adult education courses. There are currently about 300 adult schools run by school districts, and all of the state's 112 community colleges offer some kind of adult education program. The LAO estimates that more than 1.5 million students, or 550,000 Full-Time Equivalent (FTE) students, were enrolled in adult education programs in 2009-10. Of these students, 34 percent attended adult schools run by school districts and 66 percent attended community college programs.

Adult Schools' Funding and Current Programs. In 2007-08, the state provided school districts with \$753.7 million (Proposition 98) total in the adult education categorical program, at a rate of \$2,465 per student. Due to the state's budget crisis, starting in 2009, the Legislature reduced this funding by 20 percent, lowering it to \$635 million. The state also removed the categorical program requirements and allowed school districts to use adult education funding for any educational purpose.

The LAO estimates that school districts may now only be using 40 to 50 percent of adult education funding for adult education programs. A self-reported survey taken by the Department of Education showed that 37 of the state's school districts have closed their adult schools.

Adult education programs also receive some federal funds, including \$88 million in Workforce Investment Act II funds and \$7 million through the Federal Perkins Program in 2012-13.

Adult schools can charge fees for many courses, including vocational courses and ESL and citizenship courses, with statute only stating that fees cannot exceed the amount it costs adult schools to offer the course.

Community College Funding. State funding for community college adult education programs is complex. Community colleges can offer adult education courses as either credit or noncredit, and funding for each type of instruction is different. Credit courses receive state funding of \$4,565 per FTE; noncredit courses receive \$2,745 per FTE. Only about 14 percent of adult education students are enrolled in noncredit community college courses; and they are concentrated in six districts (Rancho Santiago, San Francisco, San Diego, North Orange, Mount San Antonio and Los Angeles.)

Community colleges also receive some federal funding, and receive \$65.5 million in federal Perkins Program funds in 2012-13.

Fees are charged for credit adult education classes at community colleges, at the same rate that other credit classes charge: \$46 per unit. Community colleges are not allowed to charge fees for noncredit classes. The LAO table below displays the differing fees for various adult education programs.

Figure 5

The State Has Multiple Fee Policies for Adult Education

	Adult Schools	CCC Noncredit	CCC Credit
English as a second language	Fee permitted (varies)	No fee permitted	\$46/unit
Citizenship	Fee permitted (varies)	No fee permitted	N/A
Elementary and secondary education	No fee permitted	No fee permitted	\$46/unit
Vocational education	Fee permitted (varies)	No fee permitted	\$46/unit
Other (such as health and safety)	Fee permitted (varies)	No fee permitted	\$46/unit

The LAO estimates that a total of \$2.1 billion was spent on adult education in 2011-12, of which \$1.7 billion supported community college programs and \$400 million supported adult schools.

Apprenticeship Programs. Both the K-12 system and the community college system have apprenticeship programs. In 2012-13, school districts received \$15.7 million (Proposition 98) through the apprenticeship categorical program, which supports about 22,000 students in job-training programs for employment in areas such as construction and firefighting. Beginning in 2009, this program was subject to a 20 percent reduction

that applied to most K-12 categorical programs but the program was not made flexible. Community colleges receive \$7.2 million for their apprenticeship categorical; although that categorical is currently flexible, allowing community colleges to spend that funding on any purpose.

Concerns about the current system. In a December 2012 report, the LAO raised several concerns with the current adult education system, including:

- Unclear responsibilities. Despite lawsuits and some attempts by the state to clarify roles, both school districts and community colleges are charged with providing adult education, but it is not the priority for either system.
- Mission is too broad. The LAO argues that some categories of adult education, such as home economics or programs for older adults, are not in line with the state's highest educational priorities.
- No clear rationale for credit vs noncredit at community colleges. No state law or community college regulations establish minimum levels for credit coursework in math, English or ESL, so it is unclear why some community college programs would be credit or noncredit. The LAO notes that some colleges may offer credit programs due to the higher state funding for credit classes, and the ability to charge a fee.
- Inconsistency across the system. Depending on whether adult schools charge fees, or whether community colleges offer credit or noncredit classes, students may face markedly different costs to take the same program in neighboring districts. Additionally, instructors in the systems face differing minimum qualifications even if they teach a somewhat similar course.

GOVERNOR'S PROPOSAL

The Governor's 2013-14 Budget proposes to eliminate the adult education categorical program for school districts and fold the current level of funding (\$635 million) into the proposed K-12 funding formula. School districts would no longer be required to offer adult education courses, although they could continue operating them using general purpose funds.

The proposal also provides \$300 million in new Proposition 98 funding for community colleges through a new adult education categorical program within the community college budget. The Chancellor's Office would determine a per-student rate for the program, and funds would be distributed based on total number of students served in the prior fiscal year. Trailer bill language would allow community colleges to operate adult education programs or contract with school districts to operate programs.

In addition, the Governor proposes through trailer bill language to eliminate two of the three types of community college apportionment funding by ending specific references to noncredit and enhanced noncredit funding formulas. This would impact approximately \$200 million in current noncredit funding, although the funding would

remain in the community college system. Thus, all funding in community colleges would be at the credit rate.

The proposal also would shift funding from the school districts' apprenticeship categorical program into a new community college categorical program, providing \$15.7 million to community colleges.

Finally, the proposal reduces the number of adult education instruction areas that would be funded, as the chart indicates.

Current Adult Education Programs	Proposed Adult Education Programs
Elementary and Secondary Education	Elementary and Secondary Education
Vocational Education	Vocational Training
English as a Second Language	English as a Second Language
Immigrant Education (citizenship and workforce preparation)	Citizenship
Apprenticeship	Apprenticeship (Separate Funding Stream)
Adults with Disabilities	Adults with Disabilities
Health and Safety	
Home Economics	
Older Adults	
Parenting	

STAFF COMMENTS/QUESTIONS

The Governor's proposal is a major policy shift, impacting a critical education system in the state. While it is clear that the current system has multiple problems, key questions in evaluating this proposed change are:

- Would the Governor's plan serve more students?
- Would the Governor's plan improve the quality of adult education in California?
- Would the Governor's plan provide adult education services at a lower cost?

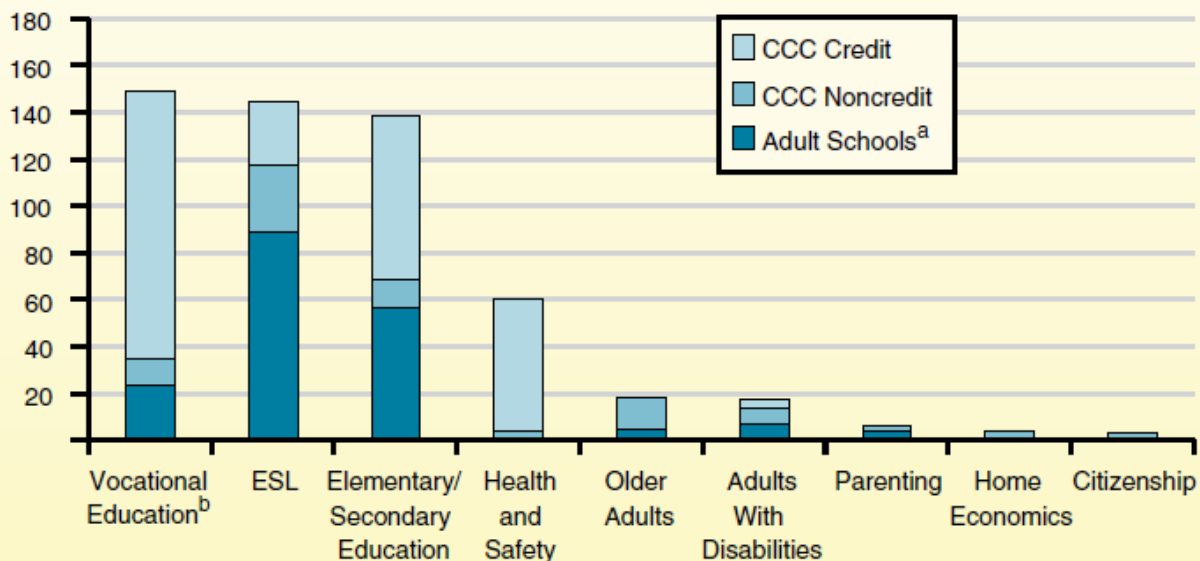
The answers to these questions are unclear, although the LAO notes the Governor's proposal might serve fewer students. Below are concerns regarding the Governor's proposal and a brief description of an alternative LAO proposal.

The amount of funding may not be appropriate. The proposal provides \$300 million to community colleges to provide most, if not all, of the state's adult education programs. In 2007-08, the K-12 system received \$753.7 million for their adult education categorical. The Administration states that it settled on \$300 million because it believes that is the current amount the K-12 system is likely spending on adult schools. However, it is unclear if that is the ideal amount of funding, particularly if community colleges face start-up costs in creating new programs.

The funding formula does not address need. The proposal would distribute funding to community colleges based on total Full Time Equivalent Students. This would simply distribute most funding to the state's largest colleges and not take into account actual adult education programs at community colleges or direct funding to regions most in need of more adult education programs.

Eliminating non-credit funding and enhanced non-credit funding is a major change. Non-credit courses have a long history at community colleges and are a part of many colleges' mission to serve their entire community. Eliminating this funding category and distributing the new adult education funding based solely on credit Full Time Equivalent Student (FTES) would disadvantage those colleges that currently have large non-credit programs. The LAO notes that about \$200 million in community college funding goes for non-credit courses. Enhanced non-credit funding rates were added by the Legislature relatively recently – 2006 – to encourage career development and college preparation courses. Enhanced non-credit funding rates (\$3,232 per FTE) are higher than non-credit rates (\$2,745.) It is unclear why adding an adult education categorical would necessitate the elimination of these funding rates, which have been key pieces of community college funding.

It is unclear if community colleges could or would offer the same type of adult education programs currently offered in the K-12 system. In general, adult schools in the K-12 system are focused on English as a Second Language (ESL) and elementary and secondary education programs, such as literacy and high school diploma programs. Some K-12 systems offer innovative ESL classes that allow parents to take classes at the same site as their children. Community colleges offer more vocational education programs and their elementary and secondary education programs are often focused on remedial math and English courses for students seeking a college degree. The LAO chart below show the number of FTES in 2009-10 in different adult education programs at community colleges and adult schools.



^a Totals for adult schools are somewhat understated because not all schools reported enrollment data for 2009-10.

^b Based on LAO assessment of which credit vocational courses reflect adult education. Totals include apprenticeship. ESL = English as a second language.

Should the Governor's proposal be enacted, it is unclear if community colleges would make changes to offer the same types of programs that the K-12 system had been offering, or continue with more of the types of programs they currently offer. This could be a particular problem if the proposal erodes ESL and citizenship classes just as the federal government is considering immigration reform, which could increase demand for these classes throughout California.

The proposal offers no details on how community colleges could contract with K-12 adult schools. While trailer bill language allows community colleges to contract for services with adult schools, no details are provided for issues such as appropriate rates or faculty requirements. This could lead to wildly differing contracts throughout the state.

No data requirements. The proposal does not include any reporting or data requirements, which would limit the public's ability to determine how many adult education students were being served, or outcomes associated with specific programs.

Apprenticeship shift could disrupt long-standing programs. Apprenticeship programs allow employers to provide on-the-job training to apprentices (and pay their wages and benefits) and enter into partnerships with individual educational providers for formal classroom instruction. Many such programs have existed in the K-12 system for years. Though trailer bill language would allow school districts to continue operating apprenticeship programs, the administration has not determined whether they would be eligible to access categorical program funds. To the extent school districts were excluded from this funding, the Governor would effectively limit the options that

employers have to enter into such agreements. It is unclear why this would be advantageous to either employers or students.

LAO alternative. The LAO supports the Governor's proposal to limit adult education to six instructional areas instead of 10, but provides a far different overall recommendation. The LAO's recommendations include:

- Continue adult education in both the K-12 and community college systems, and restore the K-12 adult education categorical program;
- Provide \$300 million for the K-12 adult education categorical program and provide adult schools with the same non-credit funding rate as community colleges currently receive;
- Develop clearer definitions of credit and noncredit instruction at community colleges and continue non-credit funding rate;
- Resolve inconsistencies between the systems regarding faculty qualifications, student fees and student placement tests;
- Reject the transfer of apprenticeship funds to community colleges;
- Begin collecting consistent data from adult schools and community colleges to improve understanding of the programs;
- And develop a program that would distribute funds in the future based on regional adult education needs, allowing the K-12 and community colleges in an area to work together to increase and improve services.

It is clear that the current adult education system has deficiencies. The categorical program in the K-12 system has been severely reduced as many school districts have shifted funding to other services. The LAO has noted many other systemic problems, including differing funding and fee structures for similar programs around the state.

However, it is not clear that the Governor's proposal will result in better services, and it may actually harm existing and successful programs. The proposal has added instability to an already unstable system, as some school districts have reacted to the proposal by considering layoff notices for adult school employees.

The Administration has indicated it is aware of concerns regarding its proposal and appears willing to develop a refined plan. The Subcommittee may wish to reject the Governor's current proposal and urge the Administration to submit a new plan later this spring.

Staff Recommendation: Reject the Governor's Adult Education Proposal

6110 DEPARTMENT OF EDUCATION**ISSUE 3: GOVERNOR'S 2013-14 BUDGET PROPOSAL: TECHNOLOGY BASED INSTRUCTION**

The issue for the Subcommittee to consider is the Governor's proposed trailer bill language to modify statute related to synchronous online education and independent study and create a new process for funding asynchronous online education.

PANELISTS

- Department of Finance
- Legislative Analyst's Office
- California Department of Education

BACKGROUND

California schools are funded on the basis of average daily attendance (ADA), based on the average amount of time a pupil attends class under the immediate supervision of a certificated employee. This is also sometimes referred to as "seat time".

Local Education Agencies (LEAs) are able to provide online courses to pupils and generate full ADA in the following ways:

- 1) Provide online instruction in a classroom setting under the immediate supervision of a certificated employee.
- 2) Through a part-time independent study (IS) program (i.e., the pupil may be taking regular classroom courses and one or two IS program courses online) or a full-time IS program. If a pupil is enrolled full-time in an IS program, he or she is required to produce a work product, which is assessed by a certificated employee of the district.
- 3) By meeting the minimum instructional requirement and taking an online course. Under this scenario, the pupil is generating full ADA for meeting the minimum instructional requirement and the pupil is taking the online course in addition to meeting minimum requirements.
- 4) Through enrollment in a charter school, which has less strict accounting and attendance requirements for its pupils.
- 5) Starting in 2015-16, pupils in grades 9-12 that are under the immediate supervision and control of a certificated employee of the school district or county office of education who is delivering synchronous, online instruction will also generate ADA for revenue limit funding purposes.

Governor's Proposal. The Governor's Budget proposes trailer bill language that modifies existing law related to the provision of synchronous online education and independent study, and provides a new mechanism for funding asynchronous education.

Synchronous Online Education. Synchronous, online courses create a virtual classroom by allowing for direct, real-time interactions between pupils and teachers. Last year, AB 644 (Blumenfield), Chapter 579 allowed for this type of online instruction to generate ADA for purposes of revenue limit funding (rather than through independent study). The Governor's proposed trailer bill language would make changes to this law as follows:

- Explicitly authorizes charter schools to offer synchronous online courses
- Eliminates pupil/teacher ratios
- Allows statewide testing results for online pupils to be disaggregated for the purpose of comparing to regular classroom courses
- Requires governing boards to approve synchronous courses as being as rigorous as a classroom-based course, and meet or exceed all relevant state content standards
- Renames "synchronous online instruction" to "technology based synchronous instruction"
- Moves the implementation date up from 2015-16 to 2013-14 and deletes the sunset date of July 1, 2019.

Asynchronous Online Education. This type of course allows the teacher and pupil to be online at different times. Currently, districts offering asynchronous online education must claim ADA through the independent study process. According to the Administration, "independent study programs, while providing freedom from the traditional classroom-based setting, still mandate the same pupil-to-teacher ratios as regular classroom instruction and focus heavily on process compliance with independent study agreements, which are contracts with students that govern the goals and expectations for this type of instruction."

The Governor's proposed trailer bill would create a new mechanism for allowing pupils to generate ADA for asynchronous technology-based education by allowing LEAs to offer courses through "a streamlined and outcome-focused independent study agreement." The proposal requires student to show "satisfactory educational progress". This can include a number of things such as testing, completion of assignments, working groups or other "indicators" that the student is learning concepts. Ultimately, this "progress" would be defined at the local school board level.

Independent Study. The Governor also proposes budget trailer bill language to recast the independent study program to match the proposed asynchronous technology-based proposal. This includes deleting pupil/teacher ratios, explicitly allowing charter schools to offer independent study, and allowing for electronic written agreements that outline periodic contact with the student and expectations for determining "satisfactory educational progress".

STAFF COMMENTS/QUESTIONS

CDE concerns. The California Department of Education has several concerns with the Governor's proposal.

Synchronous online education:

- 1) Implementation timeline. The CDE is concerned with implementing these changes starting in 2013-14 and prefer delayed implementation (existing law starts implementation in 2015-16).
- 2) Inclusion of charter schools. CDE is concerned that students in charter schools could generate full ADA for students that participate in just one class. Further, it is not clear if participation in synchronous online education is considered classroom or non-classroom based instruction. To the extent it is considered non-classroom based, it conflicts with Title 5, which requires Independent Study attendance accounting to be used for non-classroom based instruction. There are also concerns with pupil residency and claiming apportionment funding.

Asynchronous online education:

- 3) There is no provision for establishing a time value for the purposes of configuring students minimum day for compliance with compulsory education as well as how to calculate ADA.
- 4) Allows traditional schools to enroll anyone, regardless of age.
- 5) Allows traditional and charter schools to generate perfect attendance for pupils enrolled in even just one asynchronous technology based class. An extreme example is enrolling all kids in technology based PE and letting them play on their wii for an hour.
- 6) Similar concerns with charter schools and synchronous education.

Online Classroom Pilot. AB 885 (Daucher, Chapter 801, Statutes of 2002), established the Online Classroom Pilot. This bill allowed the use of an asynchronous, interactive curriculum. The pilot program addressed the need to provide expanded educational opportunities for pupils attending schools with limited educational offerings; the need to provide access to advanced placement courses where none are available; and the need to provide quality educational access in courses for hard-to-staff subject

areas. The pilot program sunset in 2007, and according to a Senate Education analysis, "only cursory evaluative information was provided; not a thorough analysis which would assist in decision making for renewing or expanding the pilot."

Prior Related Legislation. Proposals similar to the Governors have been introduced over the last few years through various policy bills. Prior legislation includes:

- AB 853 (Blumenfield, 2011) would authorize, commencing in the 2012-13 fiscal year, local education agencies to claim attendance counting toward average daily attendance (ADA) for apportionment purposes through online synchronous and asynchronous instruction. The bill was ultimately gut and amended to deal with the issue of shark fins.
- AB 2027 (Blumenfield, 2010) was substantially similar to AB 853. This bill was held in the Senate Appropriations Committee.
- AB 837 (Torlakson, 2009) established that a school district or COE, beginning with 2010-11, may claim ADA on the basis of a pupil's attendance at a class or classes in the classroom-based setting on that day, for the purpose of learning online. This measure was held on the Assembly Appropriations suspense file.
- AB 2457 (Walters, 2008) extended the OCP program until 2012; the bill was held on the Assembly Appropriations suspense file.

Current legislation. Staff is aware of at least one measure, AB 342 (Blumenfield), currently pending in the Assembly Education Committee, that will be amended to create a similar process for allowing pupils to generate ADA for asynchronous technology-based education.

Other comments. Analysis of the various bills mentioned above have raised questions over how this change in accounting would work under the current funding system. Under California's current school finance system, the fundamental principal for allocation of funding is the value of instructional time. The state measures this principal through the ADA attendance system, including the ability of the pupil to be under the direct supervision (via a line of sight) of a certificated employee.

Under the Governor's proposal, the instructional time or day requirements would be locally determined. A district would also determine how attendance is counted. This is a fundamental shift in from the way funding is currently allocated and raises various accountability concerns. Should the Superintendent be required to first adopt rules and regulations for the purpose of verifying pupil identification and calculating ADA for these classes?

While the Governor's proposal attempts to shift from an "input" based system to an "output" based system, it is not clear whether the state currently has an adequate accountability system in place to measure these outcomes.

Given the numerous policy questions that have been raised over this proposal and given that a bill is currently moving through the process, the Subcommittee may wish to consider allowing these issues to proceed through a policy bill rather than through the budget process.

Staff Recommendation: Hold Open
