

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE****ASSEMBLYMEMBER AL MURATSUCHI, CHAIR****TUESDAY, MAY 20TH, 2014****9 A.M. - STATE CAPITOL ROOM 444**

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VOTE ONLY CALENDAR**6110 DEPARTMENT OF EDUCATION**

VOTE ONLY ISSUE 1: VARIOUS TRAILER BILL CHANGES

The Governor's January education trailer bills propose the following technical and clarifying changes:

Education Omnibus Trailer Bill

- 1.) Repeals the County School Service Fund Contingency Account, which was created to reimburse County Superintendents for certain travel expenses. This separate carve out is not needed due to the flexibility of the Local Control Funding Formula (LCFF) for County Offices of Education (COEs).
- 2.) Suspends the statutory split between K-12 schools, community colleges and other state agencies. This statutory split has been suspended annually since 1992-93 in order to provide the Legislature with the flexibility to prioritize Proposition 98 expenditures within K-14 education.
- 3.) Eliminates references to repealed sections in the education code related to mental health services. AB 114, Chapter 43, Statutes of 2011, repealed Education Code Section 56331 and shifted the responsibility of providing educationally related mental health services from county mental health agencies to school districts.
- 4.) Clarifies the entity responsible for paying for the Standards-Based Test in Spanish (STS) for English learners and students participating in dual immersion classes, until a new primary language assessment is operational. These changes make clear that the administration of this test for English learners is funded by the state. Local educational agencies (LEAs) can administer the STS to non-English learners in dual immersion classes at their own expense. These changes are consistent with the intent of AB 484 (Bonilla), Chapter 489, Statutes of 2013.
- 5.) Extends the encumbrance period of the \$10 million provided in the 2013 Budget Act for the California Collaborative on Educational Excellence until June 30, 2015. This will allow the CDE sufficient time to enter into a contract with a fiscal agent for the Collaborative this fiscal year.
- 6.) Adjusts special education apportionments in 2014-15, if RDA revenues are greater or lesser than the estimated \$10.9 million. This adjustment will provide a mechanism for backfilling or reducing the special education apportionment depending on RDA revenues. This language has been used for the past two years.

LCFF Trailer Bill

- 1.) Clarifies that homeless students served by a County Office of Education (COE) shall generate LCFF funding at the largest (in terms of ADA) non-basic aid district serving the student's grade level. This change will ensure that basic aid districts (who are not receiving additional state funding for these students) are not responsible for providing local property tax dollars to the COE.
- 2.) Requires charter schools to report to the CDE of their physical location no later than November 30th each year. This will provide CDE the information necessary in calculating a district's concentration grant prior to the First Principal (P-1) Apportionment on February 20th.
- 3.) Establishes a point-in-time for calculations for revenue limits, charter grants, necessary small schools, LCFF gap funding percentage, and a charter school's physical location. This will ensure that LCFF calculations will not be affected by future ADA changes.
- 4.) Removes one-time redevelopment agency (RDA) revenue from the basic aid fair share calculation applied to categorical programs. This change will ensure that no district receives less than it did in 2012-13.
- 5.) Removes invalid references to the Charter School Block Grant, which was consolidated into the LCFF and clarifies how ADA is calculated for charter schools.
- 6.) Clarifies that all charter districts can receive declining enrollment funding under the LCFF, rather than under the former Charter School Block Grant.
- 7.) Conforms existing COE instructional day and minute requirements and penalties to those for districts. According to the LAO, this proposal clarifies that instructional minute requirements imposed on COEs prior to the adoption of the LCFF remain in effect.
- 8.) Repeals a unique revenue limit funding adjustment for two districts that receive federal Impact Aid. Impact Aid is provided to districts to offset the local property tax revenue lost from federally owned land, such as military bases. The proposed trailer bill language will allow these two districts to continue to receive federal Impact Aid, while including the former revenue limit adjustment in the district's LCFF funding.
- 9.) Allows juvenile court students served at a county program charter to generate the COE LCFF rate, consistent with the intent of the LCFF.
- 10.) Clarifies that a charter school located in a basic aid district cannot receive in-lieu property tax payments in excess of their entitlement.
- 11.) Simplifies the gap funding calculation by allowing for the in-lieu property taxes transferred from basic aid districts to countywide charter schools to be based on the 2012-13 countywide average in-lieu property tax per unit of ADA (adjusted annually for COLA). Authorizes CDE to use a districts prior year basic aid designation in these calculations.
- 12.) Allows county charter programs to seek in-lieu payments from the district for students not covered by the county rate, similar to COEs.

- 13.) Requires the State Superintendent to perform the duties related to approving a Local Control Accountability Plan (LCAP) for counties with jurisdiction over a single district, such as San Francisco. This is consistent with the process for reviewing and approving a budget for these districts.

- 14.) Provides a one-time hold harmless for out-of-state tuition costs for 2014-15. This is in recognition that some districts entered into out-of-state tuition contracts prior to the passage of the LCFF. Following the 2014-15 fiscal year, districts and COEs will be responsible for covering any additional costs for students attending schools out of state using their LCFF funds.

STAFF COMMENTS:

No concerns have been raised with the proposed technical and clarifying changes in this issue. Staff recommends approving these changes as proposed in the Governor's January education omnibus and LCFF trailer bills.

VOTE ONLY ISSUE 2: DOF APRIL LETTERS AND MAY REVISION ADJUSTMENTS

The Governor proposes the following changes to the January Budget through the following Department of Finance (DOF) April Letter Requests:

Federal Funds Adjustment	
1	<p>Item 6110-001-0890, State Operations, Migrant Education Program Review (Issue 275)—It is requested that Item 6110-001-0890 be increased by \$1,121,000 federal Title I funds and that Item 6110-001-0001 be amended to reflect the availability of the one-time funds for the SDE to complete a review of the Migrant Education Program. The federal Office of Migrant Education is requesting the SDE conduct this review and is providing the funds for this purpose.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>Of the funds appropriated in this item, \$1,121,000 is provided in one-time federal Title I funds for the State Department of Education to complete a review of the Migrant Education Program.</p> <p>Staff Comments: No concerns have been raised with this issue. Staff recommends approving the DOF April Letter request.</p>
General Fund and Other Adjustments	
2	<p>Item 6110-170-0001, Local Assistance, Career Technical Education (CTE) Program (Issue 360)—It is requested that this item be amended by increasing reimbursements by \$800,000 to reflect one-time reimbursement carryover funds for the CTE Program. Specifically, \$400,000 would allow for the completion of three projects that could not be completed in the current year due to contract delays, \$200,000 would fund a contract for an evaluation of the pilot Linked Learning Program, and \$200,000 would be allocated to existing participants of the pilot Linked Learning Program.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>Of the funds appropriated in this item, \$800,000 reflects one-time reimbursement carryover funds. Specifically, \$400,000 is to complete unfinished projects of the Leadership Development Institutes, the New Teacher Workshops, and the Career Technical Student Organizations, \$200,000 is to contract for an evaluation of the pilot Linked Learning Program, and \$200,000 is for grants to the existing participants of the pilot Linked Learning Program.</p> <p>Staff Comments: The CDE requested \$800,000 in one-time reimbursement carryover in order to complete four CDE administered projects, including \$400,000 in one-time contract costs in order to provide a report to the Legislature on the Linked Learning Pilot Program.</p> <p>AB 790 (Furutani), Chapter 616, Statutes of 2011, established the Linked Learning Pilot Program to be administered by CDE for the purposes of implementing</p>

	<p>districtwide Linked Learning pathways. Funding for Linked Learning programs is provided through a combination of state and private funds. The state originally did not provide funding for AB 790. However, in October 2013, CDE provided \$2 million in one-time funding from the CTE Pathways Initiative funding. As a requirement in AB 790, CDE is required to develop a report to the Legislature that explores the feasibility of establishing and expanding linked learning in California. CDE estimates a one-time contract cost of \$400,000 in order to collect sufficient data, analyze and prepare the legislative report as required by statute. The DOF April Letter provides \$200,000 for this purpose and proposes distributing the remaining \$200,000 to existing grant participants.</p> <p>Distributing \$200,000 to the existing participants of the pilot Linked Learning Program would not have a significant impact on these programs given the small amount. However, this additional funding could significantly improve the quality of the evaluation of the pilot program and provide the Legislature with valuable information on the linked learning instructional model. Given the Legislature's interest in linked learning, staff recommends providing a total of \$400,000 in carryover for the evaluation of the Linked Learning Program.</p> <p>Staff recommends the following changes to the proposed provisional language:</p> <p>Of the funds appropriated in this item, \$800,000 reflects one-time reimbursement carryover funds. Specifically, \$400,000 is to complete unfinished projects of the Leadership Development Institutes, the New Teacher Workshops, and the Career Technical Student Organizations, <u>and \$200,000</u> \$400,000 is to contract for an evaluation of the pilot Linked Learning Program, and \$200,000 is for grants to the existing participants of the pilot Linked Learning Program.</p>
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The Governor's May Revision proposes the following funding adjustments:

Federal Funds Adjustments	
1	<p>Child and Adult Care Food Program (Issue 604)—It is requested that provisional language be added to specify that \$174,000 of existing Federal Trust Fund and 2 existing positions are available to coordinate training and provide technical assistance to Child and Adult Care Food Program agencies regarding requirements of the federal Healthy, Hunger-Free Kids Act of 2010. Additional funding is not being requested because the SDE has existing funding authority to accommodate this workload.</p> <p>It is requested that provisional language be added as follows to conform to this action:</p> <p>Of the funds appropriated in this item, \$174,000 is provided until June 30, 2016, to support 2 existing positions that will coordinate training and provide technical assistance to Child and Adult Care Food Program agencies regarding requirements of the federal Healthy, Hunger-Free Kids Act of 2010.</p>
2	<p>Child Nutrition Administrative Reviews (Issue 605)—It is requested that provisional language be added as follows to specify that \$1,335,000 of existing Federal Trust Fund and 15 existing positions are available to address increased child nutrition program administrative review workload as required by the federal Healthy, Hunger-Free Kids Act of 2010. Specifically, the United States Department of Food and Agriculture redesigned the administrative review process and increased the review cycle of school food authorities from</p>

five-years to every three years. Additional resources are not being requested because the SDE has existing funding authority and vacant positions to accommodate this workload.

It is requested that provisional language be added as follows to conform to this action:

Of the funds appropriated in this item, \$1,335,000 Federal Trust Fund and 15 existing positions are provided to support increased administrative reviews of school food authorities.

General Fund and Other Adjustments

3 **Items 6110-005-0001 and 6110-006-0001, Support, Special Education (Issue 127)**—It is requested that Provision 1 of Item 6110-006-0001 be deleted and provisional language be added to Item 6110-005-0001 to allow the State Controller’s Office (Controller) to transfer reimbursement funds. Reimbursement authority related to the amount school districts are charged for the excess cost of educating students at the State Special Schools was transferred to Item 6110-005-0001 in the 2013 Budget Act. However, language that authorizes the Controller to transfer funds from the school districts to the State Special Schools remains in Item 6110-006-0001.

It is requested that provisional language be added to Item 6110-005-0001 as follows to conform to this action:

Provisions:
 On or before September 15 of each year, the superintendent of each State Special School shall report to each school district the number of pupils from that district who are attending a State Special school and the estimated payment due on behalf of the district for those pupils pursuant to Section 59300 of the Education Code. The Controller shall withhold from the State School Fund ~~in the first principal apportionment of that fiscal year~~ the amount due from each school district, as reported to the Controller by the Superintendent of Public Instruction. The amount withheld shall be transferred from the State School Fund to this item. The Superintendent of Public Instruction is authorized to adjust the estimated payments required after the close of the fiscal year by reporting to the Controller the information needed to make the adjustment. The payments by the Controller that result from this year-end adjustment shall be applied to current year.

It is also requested that provisional language be amended in Item 6110-006-0001 as follows to conform to this action:

“Provisions:
 1. ~~On or before September 15 of each year, the superintendent of each State Special School shall report to each school district the number of pupils from that district who are attending a State Special school and the estimated payment due on behalf of the district for those pupils pursuant to Section 59300 of the Education Code. The Controller shall withhold from the State School Fund in the first principal apportionment of that fiscal year the amount due from each school district, as reported to the Controller by the Superintendent of Public Instruction. The amount withheld shall be transferred from the State School Fund to this item. The Superintendent of Public Instruction is authorized to adjust the estimated payments required after the close of the fiscal year by reporting to the Controller the information needed to make the adjustment. The payments by the Controller that result from this yearend adjustment shall be applied to current year.”~~

Staff Comments: Staff recommends a technical change to this issue as noted above. CDE requested this change because the Controller may need to make the funding adjustment

	later in the year, based on when they receive data.
4	Item 6110-102-0231, Local Assistance, Tobacco-Use Prevention Education Program (Issue 611) —It is requested that this item be decreased by \$1,313,000 Health Education Account to reflect declining revenue estimates from the Cigarette and Tobacco Products Surtax Fund (Proposition 99). These funds are used for health education efforts aimed at the prevention and reduction of tobacco use. Activities may include tobacco-specific student instruction, reinforcement activities, special events, and cessation programs for students.
5	Items 6110-139-8080, 6110-639-0001 and 6110-698-8080, Proposition 39 (Issues 771, 773, 774, and 775) —It is requested that Item 6110-139-8080 be decreased by \$9 million Clean Energy Job Creation Fund to reflect decreased projected revenues in 2014-15 tied to the corporate tax changes enacted by Proposition 39. It is also requested that provisional language be added to Item 6110-139-8080 to extend the encumbrance period for Clean Energy Job Creation funds through 2017-18, as follows: The funds appropriated in this item shall be available for encumbrance or expenditure until June 30, 2018.
6	Item 6110-492, Reappropriation, Extend Proposition 39 Encumbrance Period (Issue 760) —It is requested that Item 6110-492 be added to reappropriate the unencumbered balance of Clean Energy Job Creation Funds through 2017-18 to allow local educational agencies adequate time to implement energy efficiency projects as follows: 6110-492—Reappropriation, Department of Education. The unencumbered balance in the following citation is repappropriated for the purposes provided for in the appropriation and shall be available for encumbrance or expenditure until June 30, 2018: 8080—Clean Energy Job Creation Fund (1) Item 6110-139-8080, Budget Act of 2013, (Ch. 20, Stats. 2013).

STAFF COMMENTS:

Staff recommends approving all vote only items, with the suggested changes as noted.

VOTE ONLY ISSUE 3: CHARTER SCHOOL OVERSIGHT

On April 22, 2014, the Subcommittee heard and held open the Governor's trailer bill language to allow the State Board of Education (SBE) to designate its oversight authority for a charter school approved by the SBE to any LEA.

The SBE authorizes charter schools whose petitions originally were rejected at the local level but approved by the SBE on appeal. Existing law allows SBE to delegate its oversight responsibilities for any school it has authorized to a consenting LEA in the county where the school is located. The SBE, however, has historically declined to exercise this authority and instead delegated all of its oversight responsibilities to the CDE.

Governor's 2014-15 Budget

The Governor's proposed trailer bill language allows the SBE to delegate their oversight responsibilities to any LEA in the state, with the exception of another charter school. The proposal retains the SBE's ability to continue delegating oversight responsibilities to the CDE.

LAO Recommendation

LAO recommends the Legislature adopt the proposed trailer bill language to allow the SBE to delegate oversight to any LEA. According to the LAO, for charter schools located in smaller counties, the options for delegating oversight within the county may be very limited. By allowing SBE to delegate oversight to a capable school district or other COE, the proposal would improve the prospects of quality oversight.

STAFF COMMENTS:

The Administration proposed the same trailer bill language last year. The Subcommittee rejected the proposal in order to send this issue to Conference Committee. The proposal was ultimately rejected in Conference Committee due to a lack of a budget nexus.

Staff notes that this is largely a policy proposal with little budgetary impact. Policy issues to consider include:

- Is this change necessary? The SBE currently has the authority to delegate its oversight of a statewide charter school to the county in which the charter is located but the SBE has not exercised this option.
- Are LEAs located far away from the charter school best equipped to oversee those schools?
- Will this proposal result in one or a few LEA overseeing all charter schools approved by the SBE?

Due to the unknown impact of this proposal on charter school oversight, staff recommends rejecting this proposal.

VOTE ONLY ISSUE 4: CONTINUOUS APPROPRIATION FOR LCFF

On March 4, 2014, the Subcommittee heard and held open the Governor's proposed trailer bill language to set in statute a specific percentage of Proposition 98 funding to be dedicated toward the LCFF, until the formula is fully implemented.

Under current law, the prior year LCFF amounts are continuously appropriated, meaning that even without an approved state budget, school districts will continue to receive the same amount that they received in the prior year. This is similar to the way that revenue limits worked under the previous funding formula. Having a continuous appropriation was especially important during the years when California was perpetually late in passing a budget (prior to the passage of Proposition 25 in 2010).

The Governor's Budget proposes a different type of continuous appropriation. The Governor's proposal would set in statute a specific percentage of annual Proposition 98 funding to be automatically dedicated to the LCFF each year. Specifically, the Governor proposes to provide 76-percent of the total Proposition 98 guarantee for LCFF purposes in 2014-15, and 79-percent in 2015-16 and in subsequent years until the LCFF is fully implemented. Once full implementation of LCFF is reached, the Legislature would retain discretion over Proposition 98 expenditures. According to the LAO, approximately 86-percent of K-12 Proposition 98 funding was provided through the LCFF in 2013-14.

The May Revision proposes additional technical changes to the LCFF continuous appropriation proposal. These changes include:

- Allows the CDE to use the DOF May Revision estimates of Proposition 98 for purposes of advance apportionments.
- In the event that LCFF funds are insufficient, prorated funding would be applied to the LCFF implementation funding. This would ensure that no LEA would receive less than they did the year before.

LAO Recommendation

The LAO has raised concerns with this proposal due to the fact that it would restrict the Legislature's discretion to appropriate funding and make key budget decisions. Given this loss of authority, the LAO recommends the Legislature reject this proposal.

STAFF COMMENTS:

Staff agrees with the LAO's concerns with the Governor's proposal. Although dedicating the majority of Proposition 98 funding for the LCFF has merit, the Legislature should retain its authority to make spending decisions through the budget process each year. Under this proposal the Legislature would be limited in creating new programs or augmenting existing programs outside the LCFF.

In addition, it is unknown when school districts and charter schools will reach full implementation of the LCFF. The Administration estimates full implementation will be reached in 2020-21. However, this is largely dependent on revenues. The Subcommittee should consider the potential long-term implications of this proposal.

VOTE ONLY ISSUE 5: CALIFORNIA ASSESSMENT OF STUDENT PERFORMANCE AND PROGRESS (CAASPP)

The Subcommittee heard the Governor's January Budget proposals related to student assessments on March 18, 2014 and held the issue open.

Governor's January Budget

The Governor's January Budget provided 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 January Budget also provided \$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)**

New ELA and Math Assessments	
Administration and reporting	\$67.5
SBAC–managed services ^a	9.6
Subtotal	(\$77.0)
Development of New Assessments	
English language development	\$7.6
Next Generation Science Standards	4.0
Primary languages other than English	2.0
Subtotal	(\$13.6)
Ongoing Assessments	
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)
Total State–Level Contract Costs	\$125.9
^a 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.

English Language Proficiency Assessment for California (ELPAC)

The Governor's January Budget provided \$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).

Governor's May Revision

The May Revision includes a decrease of \$1.9 million Proposition 98 General Fund for student assessments due to various technical changes, including:

- Decrease of \$883,000 due to anticipated savings from the California English Language Development Test contract to offset Proposition 98 General Fund provided to develop the English Language Proficiency Assessments for California.
- Decrease of \$889,000 to conform to an increase in federal Title VI funds for student assessments.
- Decrease of \$150,000 to reflect a decrease in funds needed to score and report the 2014 test administration.

With these changes, the Governor's budget proposes a total increase of \$54 million in Proposition 98 General Fund for student assessments.

English Language Proficiency Assessment for California (ELPAC)

The May Revision includes an increase of \$1.2 million in federal Title VI one-time carryover funds toward developing the new ELPAC. These funds are available due to the current English Language Development Test contract savings in the 2013-14 fiscal year. This one-time carryover is necessary in order to meet the additional costs identified by the CDE through an alignment study. 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.

The May Revision also proposes provisional language requiring the CDE to submit an implementation timeline and cost estimates for the development of the ELPAC by September 1, 2014.

Overall LAO Recommendation

The LAO believes that the higher costs associated with the new assessments seem reasonable considering the different structure of the new exams. 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.

STAFF COMMENTS:

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. Staff recommends approving the Governor's proposed budget for student assessments. This includes an increase of \$54 million in Proposition 98 General Fund from 2013-14.

Staff also recommends adopting the LAO recommendation to include 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.

English Language Proficiency Assessment for California (ELPAC)

The CDE anticipates going out to bid for a contractor to develop the ELPAC this summer and will likely award a contract in the fall. Staff recommends the following technical changes to the Administration's provisional language:

The State Department of Education shall submit to the Department of Finance **and the fiscal and education policy committees of the Legislature** an implementation timeline with activities and associated cost estimates regarding the development of the English Language Proficiency Assessments for California by **September October** 1, 2014.

VOTE ONLY ISSUE 6: CALIFORNIA DEPARTMENT OF EDUCATION: STATE OPERATIONS

The Subcommittee heard the Governor's January budget proposals related to CDE's state operations on April 29, 2014.

The Governor's January and May Revision proposals include the following funding and positions for CDE's state operations:

- 1.) **Additional Positions for New Student Assessment System.** The Governor's January Budget provided \$482,000 (non-Proposition 98 General Fund) for CDE to implement and manage the new assessment system. This included \$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 to hire two consultants with expertise in technology based student assessments. Funding for these two consultants 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 Governor's May Revision provides an additional \$444,000 (non-Proposition 98 General Fund) in order to support the two program consultants at a higher classification. The May Revision also proposes to convert the two limited-term positions from two-years to three-years.

The CDE has requested to convert the two limited-term positions provided for implementing the new assessment system into permanent positions. 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.

Staff Comments: Staff recommends approving the Governor's January and May proposals to provide a total of \$926,000 General Fund to implement the new student assessment system. However, staff recommends providing permanent positions in order to integrate the new assessment data into CALPADS and manage ongoing CALPADS assessment needs. Staff believes that much of this workload would continue on an ongoing basis, such as continued CALPADS maintenance and coordination for enhancements, modifications and reporting due to continued changes to the Smarter Balanced Technical Hosting Solutions and CALPADS systems.

Additionally, staff notes that additional assessments are likely to be incorporated into the student assessment system over a long period of time. In addition to the new science and primary language assessments that will be developed, AB 484 (Bonilla), Chapter 489, Statutes of 2013, required the Superintendent of Public Instruction (SPI) to, no later than March 1, 2016, to submit to the SBE recommendations on expanding the new student assessment system to include additional assessments, such as history-social science, technology, visual and performing arts, and other subjects. Given that these assessments would then have to be developed, field tested and implemented (and funded), the new assessment system will continue to evolve on an ongoing basis.

- 2.) **New Position for Charter School Appeals.** The Governor's January Budget and April Letter request provides \$115,000 (non-Proposition 98 General Fund) for one ongoing position to support activities associated with charter school appeals. The California Education Code provides that the SBE may authorize a charter school petition originally denied at that district and/or county level. The SBE has delegated its authority to the CDE to review and analyze charter petitions on appeal. This position will support the mandated activities required when reviewing a charter school appeals.

The CDE originally requested \$345,000 and 3 positions to review and analyze charter school appeals. However, the Administration is proposing to provide one position and \$115,000 based on the number of appeals expected in 2014-15.

Staff Comments: Staff recommends approving the Governor's January Budget and April Letter request to provide \$115,000 for one position to support charter school appeals within CDE.

- 3.) **Additional Data Collection Workload Due to LCFF.** The Governor's Budget includes \$240,000 (non-Proposition 98 General Fund) for 2 limited-term (two-year) positions to support the implementation of the LCFF, such as providing unduplicated student counts, matching foster data received from the Department of Social Services (DSS), and meeting foster youth requirements. Of this amount, \$25,000 is available for an interagency agreement with DSS, upon approval of the DOF. The DOF indicated that the positions were provided on a limited-term basis because they anticipate much of the workload would be streamlined as CDE develops a process for matching data and importing data from DSS.

The CDE argues that at least some of this work would be ongoing; therefore providing limited-term positions would be problematic. The LAO agrees that some activities will be required on an ongoing basis, such as ensuring data quality, troubleshooting data issues and submitting a report to the Legislature and Governor every two years. The LAO recommends the Legislature provide CDE with one new position and \$120,000 on an ongoing basis for the additional workload related to LCFF and foster youth data.

Staff Comments: Staff agrees that workload could be alleviated over time, however, some activities would continue on an ongoing basis. Staff recommends providing \$240,000 for one permanent position and one limited-term (two-year) position to support CDE's workload related to LCFF and foster youth data. This recommendation is consistent with the Senate's action.

- 4.) **Increased Pupil Fee Appeals Workload.** The Governor's Budget includes \$114,000 for one position in order to support the additional workload required by AB 1575 (Lara), Chapter 776, Statutes of 2012. This bill statutorily prohibited LEAs from imposing pupil fees and established a local complaint process if a person believes an improper fee has been charged and a right to appeal to the CDE. As a result, the CDE has received a significant increase in pupil fee appeals. The CDE argues that this additional workload cannot be absorbed, therefore additional support is needed in order to comply with this legislation.

Staff Comments: Staff recommends approving the Governor's budget proposal to include \$114,000 for one position to support additional workload related to pupil fee appeals.

- 5.) **Temporary Staff to Align English Language Development Standards.** The Governor's Budget also provides \$321,000 in one-time non-Proposition 98 General Fund to complete the work outlined in AB 899 (Weber), Chapter 709, Statutes of 2013. This bill required the CDE to link the ELD Standards with the academic content standards for mathematics and science by August 1, 2015.

The CDE is requesting an additional \$172,000 in one-time non-Proposition 98 General Fund to support temporary staff in order to complete the necessary activities to link the ELD Standards to the content standards for math and science. These activities include coordinating stakeholder meetings and public hearings, developing request for proposals and overseeing contracts. Although, the DOF agrees that there is additional workload associated with managing the modification of the ELD standards, the request was denied with the expectation that the CDE will absorb this cost within their existing temporary help funding. The CDE argues that because the staff that would be temporarily assigned to this work are currently funded with Title III federal funds, General Fund is necessary to support the work required by AB 899.

Staff Comments: Staff recommends approving the Governor's January Budget proposal to provide \$321,000 in one-time General Fund in order to link the ELD Standards with the academic content standards for math and science.

- 6.) **Continuation of Positions Provided in 2013-14.** The Governor's Budget proposes to annualize a number of positions provided in the 2013-14 budget. These positions include:

- \$347,000 (non-Proposition 98 General Fund) for 3 limited-term positions to support the Career Pathways Trust grant program established through AB 86 (Committee on Budget), Chapter 48, Statutes of 2013. These positions expire on June 30, 2016.

Staff Comments: Staff recommends approving these 3 limited-term positions as proposed in the Governor's Budget.

- \$1.14 million (non-Proposition 98 General Fund) for 8 ongoing positions to support the LCFF accountability system and \$852,000 (non-Proposition 98 General Fund) for 6 ongoing positions to support the administration of the LCFF, including calculating apportionment and fiscal oversight.

The CDE is requesting an additional \$247,000 (non-Proposition 98 General Fund) to cover higher salaries for the newly created LCFF and LCAP positions provided in 2013-14. CDE argues that they have begun to hire staff at higher salary ranges due to the level of expertise required for this work. According to CDE, the staff that has been hired thus far was previously in federally funded positions. Therefore, CDE will be unable to find relief by backfilling the vacated positions at a lower level because the savings would be attributed to federal funds. Without this funding augmentation, CDE argues that they will not be able to fill all the positions provided.

Typically, positions are funded at the mid-step level. The Administration and LAO argue that approving this proposal would set a precedent that goes against the state's traditional budgeting practices.

Staff Comments: Staff recommends approving the positions in the Governor's Budget to support the LCFF and LCAP administration. Staff also recommends providing the additional \$247,000 General Fund to cover the higher salaries for these positions. Although this would go against common budgeting practice, staff believes that these particular positions should be fully funded to allow CDE to hire the high-level, experienced staff necessary for this important work in order to ensure successful implementation of the LCFF and LCAP.

7.) **Federal Fund Adjustments.** The Governor's January Budget and May Revision proposals include the following federal funds adjustments:

- Shifts \$501,000 and 3 positions for the Federal Migrant Education Program from local assistance to CDE's state operations.
- Approves the CDE's request to dedicate \$1.047 million in federal Race to the Top-Early Learning Challenge Supplemental Grant funding for three positions dedicated to administering the grant and ensuring CDE is in compliance with all the grant requirements.

Staff Comments: No concerns have been raised with these two requests. Staff recommends approving the Governor's proposals.

8.) **Additional Positions in May Revision.** The Governor's May Revision includes one permanent and two (three-year) limited term positions in order to implement a free and reduced price meal direct certification process with Medicaid (Medi-Cal) data. The U.S. Department of Agriculture (USDA) has solicited participation from states to participate in the Medi-Cal demonstration project, which would exempt states from current federal regulations that restricts the use of Medi-Cal data for direct certification. It is anticipated that California will be selected to participate in the demonstration project. Using a direct certification process to determine free and reduced-price meal eligibility would benefit students and schools by reducing paperwork, and likely result in more accurate Local Control Funding Formula (LCFF) estimates. Additional funding is not being requested because the SDE has existing funding authority to accommodate this workload. The positions are contingent upon California being selected by the United States Department of Agriculture to participate in the direct certification demonstration project.

The CDE requested three permanent positions because if California is selected to participate, the demonstration project is an ongoing project.

Staff Comments: Staff recommends approving the Governor's May Revision proposal to provide one permanent and two (three-year) limited term positions if selected to participate in the USDA demonstration project to use a direct certification process to determine free and reduced-price meal eligibility. After implementation of this project, staff recommends reviewing the workload associated with this project and provide ongoing positions, if needed.

STAFF COMMENTS:

Staff recommends the Subcommittee approve the following positions and funding within CDE's state operations:

1.) Approve the Governor's proposal to provide \$926,000 General Fund to support CDE in implementing the new student assessment system. Staff recommends providing permanent positions, instead of two (three-year) limited term positions, in order to integrate the new assessment data into CALPADS and manage ongoing CALPADS assessment needs.

- 2.) Approve the Governor's January Budget and April Letter request to provide \$115,000 for one position to support charter school appeals within CDE.
- 3.) Provide \$240,000 for one permanent position and one limited-term (two-year) position to support CDE's workload related to LCFF and foster youth data, consistent with the Senate's action.
- 4.) Approve the Governor's budget proposal to include \$114,000 for one position to support additional workload related to pupil fee appeals.
- 5.) Approve the Governor's budget proposal to provide \$321,000 in one-time General Fund in order to link the ELD Standards with the academic content standards for math and science.
- 6.) Approve the Governor's proposal to provide \$347,000 for three limited-term positions to support the Career Pathways Trust grant program, as provided through the 2013-14 budget and approve the Governor's proposal to provide \$1.14 million General Fund for 8 ongoing positions to support the LCFF accountability system and \$852,000 General Fund for 6 ongoing positions to support the administration of the LCFF. Additionally, staff recommends providing an additional \$247,000 General Fund to cover the higher salaries for these positions.
- 7.) Approve the Governor's proposal to shift \$501,000 and 3 positions for the Federal Migrant Education Program from local assistance to CDE's state operations and approve the Governor's proposal to provide \$1.047 million in federal Race to the Top-Early Learning Challenge Supplemental Grant funding for three positions dedicated to administering the grant.
- 8.) Approve the Governor's May Revision proposal to provide one permanent and two (three-year) limited term positions if selected to participate in the USDA demonstration project to use a direct certification process to determine free and reduced-price meal eligibility.

Staff notes the following CDE requests not addressed in the Governor's May Revision:

General Fund Support for English Learner State Activities. The California Department of Education (CDE) is requesting \$514,000 General Fund state operations to support CDE positions performing state required activities. These positions are currently funded with federal Title III dollars and the CDE is required to change their funding source to address a federal monitoring finding of non-compliance. In April 2013, the U.S. Department of Education questioned in their monitoring review the appropriateness of funding some positions within the CDE with Title III funds. Currently, some CDE staff, whose salary is paid 100 percent by Title III, have responsibilities for programs required by state law including: (1) Seal of Biliteracy, (2) English Language Development (ELD) Implementation, (3) state required monitoring for English learner programs such as Structured English Immersion, English Language Mainstream and Alternative Programs for English learners, (4) legislative bill analysis, (5) State Board of Education (SBE) duties, budget, and unit administration.

According to the CDE, approval of this request is instrumental in the resolution of this federal finding. Absent appropriate funding, the CDE will not be able to make changes to current staff funding allocations to ensure Title III funds are not funding state required activities.

Currently the CDE has 1.3 positions within the English Learner Support Division funded by the General Fund. All other positions are funded through federal Title III funds. According to the CDE, California could lose a portion of Title III funding as soon as 2015-16, for failure to address the 2013 Federal Monitoring finding.

Staff recommends holding this issue open in order to further consider this request.

Foster Youth Student Support

On April 29, 2014, the Subcommittee also discussed providing additional support for foster youth within the CDE's state operations. There has been significant progress made in recent years in addressing the needs of foster youth students. The LCFF recognizes the fact that additional resources are necessary in order to improve outcomes for this student population. The Local Control Accountability Plans (LCAPs) also require LEAs to identify how they are going to improve the outcomes of this subgroup. Additionally, the CDE is now required to inform school districts of their students that are in foster care on a weekly basis.

With these new policy changes, comes more responsibility for CDE to support LEAs in implementing these changes. The CDE reported a total of one staff person dedicated to foster youth issues. Although foster youth make up a small percentage of the student population, it is essential that they are receiving the state-level support needed in order to implement these new policies effectively, and ultimately improve outcomes for these students.

The Subcommittee asked the CDE to provide more information on the need for support for foster youth. Subsequently, CDE has requested \$135,732 General Fund for one position to support the following duties related to foster youth:

- Providing technical assistance (TA) to all LEAs. Currently CDE staff primarily work with the 54 counties that receive the Foster Youth Services (FYS) Program grants.
- Communicating internally with data management within the CDE, providing program information to inform the data gathering process.
- Providing TA to LEAs and county offices of education to support new weekly data requirement.
- Developing and maintaining a toolkit of best practices to support ongoing TA.
- Providing TA with regard to mobility, immediate school registration, immunization requirements, special education, juvenile justice, and increased communication with foster youth liaisons, in order to improve the educational outcomes of foster youth.
- Working with grantees and stakeholders to build infrastructure for service delivery and accountability specific to FYS.

Staff recommends holding this issue open to further consider this request.

VOTE ONLY ISSUE 7: SCHOOL FACILITIES AND THE EMERGENCY REPAIR PROGRAM

The Governor's 2014-15 Budget summary proposes to examine the future of school facilities funding, including "what role, if any, the state should play in the future of school facilities funding." The Governor highlights a number of problems with the current system for funding school facility needs, including that the current program is overly complex, does not incentivize efficiency, provides a competitive advantage to districts with staff dedicated to manage facilities, and does not allow for adequate local control. The Governor proposes creating a system that will provide schools with the resources they need to address facility needs, without relying on state debt issuance.

Transfer of Bond Authority

The Governor's Budget proposes to transfer the remaining bond authority from four targeted bond funds to the New Construction and Modernization programs. These four programs include: the Overcrowding Relief Grant, Career Technical Education, Seismic Mitigation, and the High Performance Incentive Grant. The Governor's January Budget estimated that the remaining bond authority for these programs would total \$211 million. Under the proposal, any remaining bond authority on June 30, 2014 would be redirected and divided evenly between the New Construction and Modernization programs. Any funds that revert to these four targeted programs after this date also would be transferred and split between the two programs.

As shown in the chart on the following page, the amount of bond authority in these programs has changed since the Governor's January Budget. As of March 2014, the total amount of bond authority available in these four programs is approximately \$204 million, instead of \$211 million. These numbers will continue to change as funding is awarded by OPSC or if funding is reverted back to the program.

Governor's Proposal for School Facilities Program				
<i>(In Millions)</i>				
	Original Bond Authority^a	Remaining Bond Authority^b	Governor's Proposal	Program Status
Modernization	\$3,300	—	Receive half of bond authority transferred from other programs.	\$405 million in applications submitted beyond bond authority.
New construction	1,700	—	Receive half of bond authority transferred from other programs.	\$422 million in applications submitted beyond bond authority.
Overcrowded schools	1,000	\$16	Transfer remaining bond authority to new construction and modernization.	Applications on file with OPSC for most of remaining bond authority but funding not yet disbursed. OPSC adopting new regulations that likely would speed up disbursements.
Career technical education	500	4	Transfer remaining bond authority to new construction and modernization.	Applications on file with OPSC for most of remaining bond authority but funding not yet disbursed. OPSC adopting new regulations that likely would speed up disbursements.
Charter facilities	500	95	None.	OPSC currently accepting new applications from April 1, 2014 to May 30, 2014.
Seismic mitigation ^c	200	151	Transfer remaining bond authority to new construction and modernization.	Applications pending at OPSC totaling about \$32 million. An additional \$104 million in applications pending at DSA.
Energy efficient facilities	100	33	Transfer remaining bond authority to new construction and modernization.	This program is a supplemental grant, to be used with other programs.
Joint use	30	—	None.	
Totals	\$7,330	\$298		

^a From Proposition 1D (2006).
^b As of March 26, 2014.
^c Seismic mitigation is a subprogram of the new construction program.
 OPSC = Office of Public School Construction and DSA = Division of State Architect.

Source: Legislative Analyst's Office

The Governor's Budget does not propose to shift bond authority from the Charter School Facility program. This program has \$95 million in remaining bond authority.

The LAO recommends approving the Governor's proposal with two modifications. First, the LAO recommends delaying the transfer of remaining bond authority from the four targeted school facility programs by six months. This would allow OPSC to award more funding for pending projects. Second, the LAO recommends the Legislature also transfer the remaining bond authority in the Charter School Facility program to the New Construction and Modernization programs. This would be consistent with the Governor's approach to better match state resources with local facility needs.

Emergency Repair Program

The Emergency Repair Program (ERP) was established through the Williams v. California settlement. The Williams v. California lawsuit, originally filed in 2000, charged that the state had failed to give thousands of children the basic tools necessary for their education, including "inadequate, unsafe, and unhealthful facilities." The 2004 settlement included increased accountability measures, extra financial support, and other help for low-performing schools. The state agreed to provide \$800 million for critical repair of facilities in future years for the state's lowest-performing schools. These low-performing schools were defined as those that were in the bottom three deciles of the 2006 Base Academic Performance Index (API) rankings. Thus far, the state has contributed a total of \$338 million for the ERP, and has not provided any new funding since 2008-09.

The Governor's January Budget provided \$188.1 million in one-time Proposition 98 General Fund to the ERP in 2014-15. The funds would be made available for districts that submitted applications and were approved for ERP funding in 2008. New funding is disbursed to districts in the order in which they were originally submitted and approved. Over 100 districts have approved ERP projects on file at over 700 school sites. These projects include emergency repairs such as replacing heating and air conditioning systems, plumbing, electrical and repairing roofs. Many of these projects may have already been completed, however the Office of Public School Construction does not have the authority to survey districts about the status of their projects and whether they have completed these projects since the time the applications were approved.

As part of his plan to pay down the "wall of debt," the Governor proposes providing \$188 million in 2014-15 and \$274 million in 2015-16 in order to retire the state's remaining ERP obligation.

The May Revision proposes to transfer additional one-time funding for ERP in 2014-15. The proposal would transfer \$436,000 from the Building Aid Funds to the ERP. These funds have historically been used to fund the Deferred Maintenance Program, which was consolidated into the LCFF. The Governor's January and May proposals would result in a total one-time payment of \$188.5 million for ERP.

STAFF COMMENTS:

Regarding the transfer of bond authority, staff recommends delaying the transfer of remaining bond authority from the four targeted school facility programs by six months, consistent with the LAO's recommendation. This will allow OPSC more time to award funding for projects that are close to being funded. Staff recommends not transferring bond authority for the Charter School Facility program, consistent with the Governor's proposal. Staff agrees that charter schools have unique facility funding challenges because they cannot pass local bonds and are not eligible for the New Construction and Modernization programs.

Regarding the ERP, staff recommends approving the Governor's January and May proposals to provide \$188.5 million in one-time funding for the ERP. This funding will help meet the state's outstanding obligation under the Williams settlement.

ITEMS TO BE HEARD

ISSUE 1: MAY REVISION PROPOSAL: ONE-TIME FUNDING FOR TECHNOLOGY INFRASTRUCTURE

The Subcommittee will consider the Governor's May Revision proposal to provide \$26.7 million in Proposition 98 funds to improve internet connectivity and infrastructure in California's K-12 schools.

PANELISTS:

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

BACKGROUND

The 2013-14 budget provided \$1.25 billion in one-time funding to LEAs for implementing the Common Core State Standards (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.

On March 18, 2014 the Subcommittee heard an update on the implementation of the Common Core State Standards (CCSS) and how LEAs are utilizing the funds provided through the Common Core Implementation Block Grant. Surveys completed by the California County Superintendents Educational Services Association (CCSESA) and the Association of California School Administrators (ACSA) revealed that the majority of LEAs planned to use the one-time funding in all three areas (technology, professional development and instructional materials).

Governor's May Revision

The May Revision did not provide additional one-time funding for the Common Core Implementation Block Grant. However, the May Revision did provide \$26.7 million in reappropriated Proposition 98 funds for the K 12 High Speed Network to help schools in securing internet connectivity and infrastructure in order to implement the new computer based assessments aligned to the common core. This one-time funding would be used to conduct a statewide report of school's internet connectivity needs by March 1, 2015 and create a grant program to improve internet connectivity in K-12 schools. The grants would be distributed by the K-12 High Speed Network, in consultation with the California Department of Education (CDE) and State Board of Education (SBE) based on an assessment of need using the data provided in the report. The CDE, with approval of the Executive Director of the SBE, could distribute grants for critical projects prior to the issuance of the report.

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	\$120,710,000
>T-1 <10 Mbps	1,113	\$139,125,000
>=10 Mbps<10 Mbps	2,907	\$363,375,000
Unreported	685	\$85,625,000
TOTAL	5,597	\$708,835,000

*Data from California K-12 High Speed Network

LAO Recommendation

The LAO recommends authorizing the proposed assessment but modifying the reporting language to align more closely with requirements and costs associated with administering the new computer-based tests. In addition, the LAO recommends withholding action on creating the grant program until the assessment is complete. The LAO argues that the grant proposal raises concerns because it allows grants to be awarded to schools before (1) the assessment is complete and (2) criteria for awarding funds are developed. Moreover, the grant proposal does not specify how funds are to be used and whether funds could be used to supplant other sources of funding.

STAFF COMMENTS/ QUESTIONS:

According to the CDE, the estimated cost for districts to fully implement the CCSS is approximately \$3.1 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 May Revision is a step in the right direction in addressing our schools technology infrastructure needs. Although \$26.7 million is not sufficient to meet the needs of all LEAs in this area, it will provide the state with more information on what the needs are and help address some urgent and critical needs.

Suggested Questions:

- Does the Administration anticipate providing additional funding for internet connectivity in the future, following the proposed report on technology infrastructure needs?
- Is the CDE aware of critical technology infrastructure needs preventing LEAs from taking the Smarter Balanced field test this spring?

ISSUE 2: MAY REVISION PROPOSAL: INSTRUCTIONAL MATERIALS FOR THE VISUALLY IMPAIRED

The Subcommittee will hear the Governor's May Revision proposal for providing instructional materials to the visually impaired.

PANELISTS:

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

BACKGROUND

The 2013-14 budget consolidated the majority of the state's categorical programs with the discretionary revenue limit funding to create the more simplified Local Control Funding Formula (LCFF). Under the new LCFF, the State Instructional Materials Fund (IMF) was defunded, eliminating the authority of the State Board of Education (SBE) to encumber some of these funds to provide accessible instructional materials for visually impaired students.

The Governor's January Budget proposed trailer bill language to allow the CDE to assess a fee on LEAs that choose to acquire accessible instructional materials for the visually impaired from the CDE. The CDE was charged with determining the amount of the fee charged to LEAs. The Subcommittee heard and held open this proposal on April 29, 2014.

The Governor's May Revision proposes to provide CDE with federal special education funding in order to maintain a centralized clearinghouse of accessible instructional materials for LEAs. The Governor's proposal provides \$3 million in ongoing and \$1.5 million in one-time federal Individuals with Disabilities Education Act (IDEA) funds to support this program within CDE. This proposal will shift federal IDEA funds from local assistance entitlements to state-level activities. The one-time investment of \$1.5 million is to transcribe and emboss recently adopted mathematics instructional materials. The CDE anticipates additional one-time costs in future years as additional instructional materials are adopted.

LAO Recommendation

The LAO agrees that federal IDEA funds would be a more appropriate source of funding for this program in 2014-15. The LAO believes that LEAs should bear some of the costs for this program in future years. The LAO recommends that the CDE develop a fee schedule for charging LEAs to access instructional materials for the blind and beginning in 2015-16, fund these materials with a combination of state-level IDEA funds and fee revenue from districts.

STAFF COMMENTS/ QUESTIONS:

Staff raised a number of concerns with the Governor's January Budget proposal, including:

- **Timing.** The Governor's proposed trailer bill language would go into effect in 2014-15. This is not enough time for the CDE to implement a new fee structure.
- **Access.** The proposal would essentially make the centralized clearinghouse for instructional materials optional for LEAs. Without the necessary funding incentives, this proposal could create inequities in access to these instructional materials across the state.
- **Cost.** This proposal would shift the cost of these instructional materials entirely to the LEAs. Although funding from the IMF was rolled into the LCFF, many districts have yet to be restored to their pre-recession funding levels.

Staff notes that the May Revision proposal addresses the concerns raised above. Staff recommends approving the following language, which represents technical adjustments to the Governor's May proposal:

6110-161-0890

Decrease amount in Schedule (1) by \$4,500,000

Increase amount in Schedule (2) by \$3,861,000

Add Provision:

Of the funds appropriated in Schedule (2), up to \$3,861,000 in federal Individuals with Disabilities Education Act (20 U.S.C. Sec 1400) et. Seq.) funds shall be available for the State Department of Education to provide accessible instructional materials to local educational agencies.

6110-001-0890

Increase amount by \$639,000

Add Provision:

Of the funds appropriated in this item, up to \$639,000 in federal Individuals with Disabilities Education Act (20 U.S.C. Sec 1400) et. Seq.) funds shall be available to the State Department of Education for warehouse costs related to providing accessible instructional materials to local educational agencies.

Suggested Questions:

- Will this proposal ensure uniform access to instructional materials for the visually impaired across the state?
- What is the impact on LEAs in shifting federal IDEA funds from local assistance to the CDE's state level activities?

ISSUE 3: MAY REVISION PROPOSAL: K-12 MANDATES

The Governor's May Revision proposes to add three additional mandates into the K-12 mandates block grant. These mandates include:

- Parental Involvement
- Williams Case Implementation
- Developer Fees

PANELISTS:

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

BACKGROUND

The Commission on State Mandates (CSM) recently approved statewide cost estimates for seven new education mandates. Six of these mandates apply to K-12 schools, one applies to only community colleges, and one applies to both K-12 schools and community colleges. The chart below outlines the seven new mandates with cost estimates adopted by the CSM.

New Mandates

With Cost Estimate Adopted by CSM as of February 1, 2014

Mandate	Start Date of Reimbursement Period	CSM Estimated Annual Cost Statewide
Parental Involvement Program	7/1/2002	\$125,268
<i>Williams</i> Case Implementation	9/29/2004	106,183
Uniform Complaint Procedures	7/1/2002	34,751
Developer Fees	7/1/2001	34,209
Public Contracts	7/1/2001	32,932
Community College Construction	7/1/2001	22,519
Charter Schools IV	1/1/2003	4,261

*Community College Construction applies only to community colleges. Public Contracts applies to both schools and community colleges. All other mandates apply only to schools.
 *CSM = Commission on State Mandates.

Source: Legislative Analyst's Office

The Governor's January Budget addressed four of these mandates. The Governor proposed, and the Subcommittee approved, adding the following K-14 mandates to the mandates block grants for schools and community colleges:

- Uniform Complaint Procedures (K-12 schools only)
- Charter Schools IV (K-12 schools only)
- Public Contracts (K-12 schools and community colleges)

The Subcommittee also approved the Governor's January budget proposal to repeal the Community College Construction Mandate, which applies only to community colleges.

The Governor's May Revision proposes to add three new mandates to the K-12 mandates block grant. These mandates include:

1.) Parental Involvement. Beginning in 1990, the Legislature enacted several laws requiring schools to assume a number of activities to increase parent involvement. The CSM found that the following activities were determined to be new state mandates:

- Requiring schools to adopt a parental involvement policy that provides how parents will contribute to their child's education. Schools are required to consult with parents and are only required to adopt the policy once.
- Allowing parents to observe their child's class and view non-standardized test questions upon request.
- Requiring schools to notify non-English speaking parents of certain parental rights, such as their right to observe their child's classroom, meet with their child's teacher and access their child's school records.

Under the new accountability system adopted last year, LEAs are required to adopt a Local Control Accountability Plan (LCAP), specifying the goals and actions an LEA plans to take in meeting the eight state priority areas. One of the eight state priority areas includes parental involvement. Also, districts are required to submit their proposed LCAP to a parent advisory committee for feedback. Districts with high concentrations of English learner students must also provide their proposed plan to a separate parent committee made up of parents of English learners. Districts must also hold two public hearings before adopting their LCAP.

The LAO recommends the Legislature repeal the parental involvement mandate because these mandated activities are unnecessary due to the LCAP process. The LAO argues that the LCAP process has several advantages over the parental involvement mandates because the LCAP process requires districts to respond to parent concerns, update the LCAP annually, identify the most effective actions to promote parental involvement, and identify the most effective way to notify parents of their rights.

2.) Williams Case Implementation. From 2004 to 2007, the Legislature passed a series of new laws in response to the *Williams v. State of California* settlement, which created new responsibilities for school districts and COEs related to teacher assignment, instructional materials and school facilities. The CSM found that the following activities were determined to be new state mandates:

- Requiring schools to address complaints in three areas: teacher misassignments and vacancies, inadequate instructional materials, and inadequate school facilities.
- Requiring districts and COEs to report additional information on the School Accountability Report Card (SARC), including data on teacher misassignment, availability of instructional materials, and maintenance of school facilities.
- Requiring state compliance audits to include information on the three areas mentioned above.
- Requiring the COEs to review certain issues raised within a district's audit and determine whether these issues have been addressed.
- Requiring districts to provide the COE with any study or report that contains evidence that the district is in fiscal distress.

The LAO recommends repealing most of these mandated activities (with the exception of Williams-related complaints). The LAO argues that many of these requirements overlap with the new Local Control Accountability Plan process and could be repealed.

3.) Developer Fees. State law authorizes local governments, including schools, to levy developer fees in order to offset costs that result from new construction. School districts are required to notify the city or county of overcrowding and report if a developer fee is levied. The CSM found these requirements on school districts to be a reimbursable state mandate.

The LAO recommends repealing this mandate because school districts already have a strong incentive to notify their city or county about overcrowding.

The Governor's May Revision proposal provides no additional funding to the mandates block grant. The Governor also includes \$1,000 for claims for each of these three new mandates as well as two existing mandates already included in the K-12 block grant (Graduation Requirements and Student Records).

STAFF COMMENTS/QUESTIONS:

Staff agrees with the Governor's approach to add these three new mandates (Parental Involvement, Williams Case Implementation, and Developer Fees) into the K-12 mandates block grant. Staff also agrees that these mandated activities require minimal additional workload and should be added to the block grant without including additional funding.

Staff recommends approving the Governor's proposal to add three additional mandates into the K-12 mandates block grant as well as providing \$1,000 for claims for each of these three new mandates as well as two existing mandates already included in the K-12 block grant (Graduation Requirements and Student Records)

Suggested Questions:

- Does the Administration agree that some of the mandated activities under the Parental Involvement and Williams Case Implementation Mandates are duplicative with the new LCAP requirements?

**ISSUE 4: MAY REVISION PROPOSAL: WORKFORCE INVESTMENT ACT
AFFILIATED CHARTER SCHOOLS**

The Subcommittee will consider the Governor's new May Revision proposal to suspend the creation of new Workforce Investment Act affiliated charter schools commencing in the 2014-15 fiscal year.

PANELISTS:

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

BACKGROUND

Currently, federal Workforce Investment Act (WIA) affiliated charter schools can claim LCFF funding for adult students, which no other LEA can claim. There are currently approximately 60 WIA affiliated charter schools that are receiving the higher LCFF funding rate for adult students.

The Governor's May Revision proposes trailer bill language to suspend LEAs from establishing new federal WIA affiliated charter schools, commencing in 2014-15, until a more comprehensive adult education plan can be developed. This proposal does not affect federal WIA affiliated charter schools in existence prior to the 2014-15 school year. The Administration will be proposing a larger Adult Education proposal next year, but argues that this proposal is necessary in order to prevent additional charter schools from taking advantage of this increased funding.

LAO Recommendation

The LAO proposes an alternative approach to addressing this issue. The LAO recommends adopting alternative language stating that all charter schools, regardless of start date, that serve students older than the statutory age limit shall be funded for those students at the new adult education consortium rate, rather than the LCFF rate, commencing in 2015-16. The LAO argues that this proposal would (1) treat charter schools similarly, regardless of their original start date, and (2) avoid transition issues associated with changing state policy in 2014-15, and (3) help establish a common set of funding rules for all adult education providers, consistent with the goal the Legislature established last year with AB 86.

STAFF COMMENTS/QUESTIONS:

Staff agrees with the Administration's intent with this proposal. The current system provides inequitable funding for adult students and should be addressed along with the broader conversation of funding Adult Education. Staff also agrees that current WIA affiliated charters should not be disrupted until a more comprehensive plan is in place. Because this is a new proposal and the impacts are not fully known yet, staff recommends holding this issue open for further consideration.

Suggested Questions:

- Will this proposal prevent current WIA affiliated charters from expanding and opening additional schools?
- What are the LAO's concerns with the Governor's proposal?