

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE****Assemblymember Susan Bonilla, Chair****TUESDAY, MAY 21, 2013****9AM - STATE CAPITOL ROOM 444**

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Vote Only CALENDAR

6110 DEPARTMENT OF EDUCATION

ISSUE 1: DOF APRIL AND MAY LETTERS – VARIOUS STATE OPERATIONS AND LOCAL ASSISTANCE ADJUSTMENTS

The Governor proposes the following adjustments to K-12 state operations (support) and local assistance budget items for the Department of Education in 2013-14. As proposed by the Governor’s May Revise and Department of Finance (DOF) April Letter, these adjustments – as listed below – are considered technical adjustments, mostly to update federal budget appropriation levels so they match the latest estimates and utilize funds consistent with current programs and policies.

	Federal Funds Adjustments
1	<p>Items 6110-001-0001 and 6110-001-0890, Support, Add Carryover Funds for the Public Charter Schools Grant Program (PCSGP) (Issue 437)—It is requested that Item 6110-001-0890 be increased by \$825,000 and that Item 6110-001-0001 be amended to reflect the availability of one-time carryover funds for the PCSGP. The PCSGP provides competitive grant awards of up to \$575,000 to newly approved charter schools for planning and initial implementation. As part of the 2010 federal grant application, the State Department of Education (SDE) agreed to contract for an independent evaluation to measure the effectiveness of the PCSGP and to increase charter school technical assistance. These activities were previously funded by the Budget Acts of 2011 and 2012. However, due to concerns stemming from a reduction in the federal grant award and a change in the SDE contracting process, the SDE was unable to enter into contracts and fulfill its commitments. This request will allow the SDE to fulfill its stated activities from the 2010 federal grant application.</p> <p>It is further requested that provisional language be added to Item 6110-001-0890 as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$825,000 is available on a one-time basis for the State Department of Education to contract for the independent evaluation of the Public Charter Schools Grant Program and for the development of charter school technical assistance contracts.</p>
2	<p>Item 6110-161-0890, Local Assistance, Amend Provisional Language for Special Education Compliance Monitoring (Issue 773)—It is requested that Provision 4 of this item be amended as follows to reflect current federal terminology. With the reauthorization of the federal Individuals with Disabilities Education Act and the development of the State Performance Plan and Annual Performance Report indicators, reference to “key performance indicators” is obsolete.</p> <p>“4. Of the funds appropriated in this item, \$1,420,000 is available for local assistance grants to monitor local educational agency compliance with state and federal laws and regulations governing special education. This funding level is to be used to continue the facilitated reviews and, to the extent consistent with key performance indicators <u>State Performance Plan/Annual Performance Report indicators</u> developed by the State Department of Education, these activities shall focus on local educational agencies identified by the United States Department of Education’s Office of Special Education Programs.”</p>

3	<p>Item 6110-001-0001, Support, Shift State Operations Funding between Schedules (Issue 436)—It is requested that Schedule (2) of Item 6110-001-0001 be decreased by \$959,000 and that Schedule (3) of Item 6110-001-0001 be increased by \$959,000 to accurately reflect program funding. This technical adjustment would address a discrepancy that largely resulted from removing current year one-time funding from the incorrect schedule/program when preparing the Governor’s Budget. This adjustment would have no effect on the total amount budgeted in the item.</p>
4	<p>Items 6110-001-0001 and 6110-001-0890, Support, State Department of Education (SDE), Federal Funds for Supplemental Instructional Materials for Mathematics (Issue 218)—It is requested that Item 6110-001-0890 be increased by \$144,000 federal Title I funds and that Item 6110-001-0001 be amended to reflect the availability of one-time carryover for the SDE to complete a review of supplemental instructional materials for mathematics.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$144,000 is provided in one-time federal Title I carryover funds for the State Department of Education to complete its review of supplemental instructional materials for mathematics.</p>
5	<p>Item 6110-112-0890, Local Assistance, Public Charter Schools Grant Program (PCSGP) (Issue 442)—It is requested that this item be increased by \$1,314,000 Federal Trust Fund to align to the available federal grant award for the PCSGP. The PCSGP awards planning and implementation grants up to \$575,000 to new charter schools as well as grants to disseminate charter school best practices.</p>
6	<p>Item 6110-119-0890, Local Assistance, Federal Title I Neglected and Delinquent Program (Issue 204)—It is requested that this item be decreased by \$168,000 federal Title I, Part D, Neglected and Delinquent Program funds to align to the available federal grant award. This program provides supplemental instruction, including math and literacy activities, to children and youth in state institutions for juveniles and in adult correctional institutions to ensure that these youth make successful transitions to school or employment.</p>
7	<p>Item 6110-125-0890, Local Assistance, Migrant Education Program and English Language Acquisition Program (Issues 205 and 206)—It is requested that Schedule (1) of this item be increased by \$1,924,000 federal Title I Migrant Education Program funds to reflect \$2,196,000 in one-time carryover funds and a decrease of \$272,000 to align to the federal grant award. Local educational agencies (LEAs) use these funds for educational support services to meet the needs of highly-mobile children.</p> <p>It is also requested that Schedule (2) of this item be increased by \$3,833,000 federal Title III English Language Acquisition funds to reflect available one-time carryover funds. LEAs use these funds for services to help students attain English proficiency and meet grade level academic standards. Of this amount, it is requested that \$1.2 million be provided to LEAs who missed the application deadline for Title III subgrants but provided supplemental services to English learners and immigrant students in 2012-13.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (1), \$2,196,000 is provided in one-time federal Title I carryover funds to support the existing program.</p> <p>X. Of the funds appropriated in Schedule (2), \$3,833,000 is provided in one-time federal Title III carryover funds to support the existing program. Of this amount, \$1,200,000 may be used for grants to local school districts for activities conducted in 2012-13.</p>

8	<p>Item 6110-134-0890, Local Assistance, Federal Title I Funds for School Improvement Grant Program (Issue 207)—It is requested that Schedule (3) of this item be increased by \$614,000 federal Title I funds to reflect an increase in the federal grant award. SDE awards school improvement grants to LEAs with the persistently lowest-achieving Title I schools to implement evidence-based strategies for improving student achievement.</p>
9	<p>Item 6110-134-0890, Local Assistance, Federal Title I Basic Elementary and Secondary Education Act Program (Issue 208)—It is requested that Schedule (4) of this item be increased by \$23,022,000 federal Title I funds for the Title I Basic Elementary and Secondary Education Act to reflect \$3,298,000 in one-time carryover funds and an increase of \$19,724,000 to align to the federal grant award. LEAs use these funds to support services that assist low-achieving students enrolled in the highest poverty schools.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (4), \$3,298,000 is provided in one-time federal Title I Basic Program carryover funds to support the existing program.</p>
10	<p>Item 6110-134-0890, Local Assistance, Federal Title I Set Aside Funds for LEA Corrective Action Program (Issue 243)—It is requested that Schedule (2) of this item be decreased by \$33,529,000 federal Title I Set Aside funds to align to estimated program costs. It is also requested that Schedule (4) of this item be increased by \$33,529,000 to provide additional funding to LEAs who may be facing reductions due to federal sequestration. The program provides funding for technical assistance to LEAs entering federal Corrective Action. Eighty-six LEAs are expected to be eligible for the program in the budget year, at a cost of approximately \$31 million. The funding requested for the Corrective Action program is based on the Board's past practices.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (4), \$33,529,000 is provided in one-time Title I Set Aside funds for allocation to all Title I local educational agencies and schools using the state's standard distribution methodology for the federal Title I, Part A Basic Program.</p>
11	<p>Item 6110-136-0890, Local Assistance, McKinney-Vento Homeless Children Education Program (Issue 209)—It is requested that Schedule (1) of this item be increased by \$376,000 federal Title I McKinney-Vento Homeless Children Education funds to reflect \$396,000 in one-time carryover funds and a decrease of \$20,000 to align to the federal grant award. LEAs use these funds to provide services to homeless children.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in Schedule (1), \$396,000 is provided in one-time federal Title I funds to support the existing program.</p>
12	<p>Item 6110-156-0890, Local Assistance, Adult Education Program (Issue 270)—It is requested that this item be increased by \$8,644,000 federal Title II funds for the Adult Education Program to reflect \$9.5 million in one-time carryover funds and a decrease of \$856,000 to align to the federal grant award. This program provides resources to support the Adult Basic Education, English as a Second Language, and Adult Secondary Education programs.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$9,500,000 is provided in one-time carryover funds to support the existing program.</p>

13	<p>Item 6110-166-0890, Local Assistance, Vocational Education Program (Issue 271)—It is requested that this item be increased by \$6,595,000 federal Title I funds for the Vocational Education Program to reflect \$6,443,000 in one-time carryover funds and an increase of \$152,000 to align to the federal grant award. This program develops the academic, vocational, and technical skill of students in high school, community colleges, and regional occupational centers and programs.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$6,443,000 is provided in one-time carryover funds to support the existing program.</p>
14	<p>Item 6110-183-0890, Local Assistance, Safe and Drug Free Schools Program (Issue 686)—It is requested that this item be increased by \$17,000 Federal Trust Fund to reflect \$444,000 in one-time carryover funds and a \$427,000 decrease to align to the federal grant award. The Safe and Supportive Schools program supports statewide measurement of school climate and helps participating high schools improve conditions such as school safety, bullying, and substance abuse.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>2. Of the funds appropriated in this item, \$444,000 is provided in one-time carryover funds to support the existing program.</p>
15	<p>Item 6110-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 272)—It is requested that this item be increased by \$2.5 million federal Title II funds to reflect one-time carryover funds. The Mathematics and Science Partnership Program provides competitive grants to partnerships of low-performing schools and institutions of higher education to provide staff development and curriculum support to mathematics and science teachers.</p> <p>It is further requested that provisional language be added as follows to conform to this action:</p> <p>X. Of the funds appropriated in this item, \$2,500,000 is provided in one-time carryover funds to support the existing program.</p>
16	<p>Item 6110-201-0890, Local Assistance, Federal Child Nutrition Program (Issue 688)—It is requested that Schedule (1) of this item be increased by \$372,700,000 Federal Trust Fund due to the anticipated increase in meals served through the Child Nutrition Program. Sponsors of this federal entitlement program include public and private nonprofit schools; local, municipal, county, or tribal governments; residential camps; and private nonprofit organizations.</p>
17	<p>Item 6110-240-0890, Local Assistance, Advanced Placement (AP) Fee Waiver Program (Issue 687)—It is requested that this item be increased by \$1,554,000 Federal Trust Fund to align to the federal grant award. The AP Fee Waiver program reimburses school districts for specified costs of AP, International Baccalaureate, and Cambridge test fees paid on behalf of eligible students. These programs allow students to pursue college-level course work while still in secondary school.</p>

General Fund and Other Adjustments	
18	<p>Items 6110-140-0001, 6110-140-0349, 6110-488, and 6110-602-0001, Local Assistance, Reappropriation for the California Student Information Services (CSIS), Educational Telecommunications Fund (ETF) and Proposition 98 (Issues 684 and 685)—It is requested that Item 6110-140-0349 be decreased by \$48,000 ETF and that Schedule (2) of Item 6110-140-0001 be amended to align the appropriation to available funds for CSIS operations. This decrease in funding is a result of lower than expected apportionment-significant audit findings.</p> <p>It is also requested that Provision 3 of Item 6110-488 be amended, as specified on Attachment I, and non-Budget Act Item 6110-602-0001 be increased to reappropriate \$48,000 in one-time Proposition 98 General Fund savings for CSIS operations to offset the reduction in ETF in Item 6110-140-0001. This amount would be in addition to the one-time funding of \$5,499,000 included in the Governor’s Budget, for a total of \$5,547,000.</p> <p>It is further requested that provisional language in Item 6110-140-0001 be amended as follows to conform to this action:</p> <p>“2. The funds appropriated in Schedule (2) and \$5,499,000 \$5,547,000 reappropriated in Provision 3 of Item 6110-488 for a total of \$5,808,000 shall be for allocation to the Fiscal Crisis and Management Assistance Team for California School Information Services (CSIS), pursuant to the memorandum of understanding with the California Department of Education in support of the California Longitudinal Pupil Achievement Data System (CALPADS).”</p>
19	<p>Item 6110-150-0001, Local Assistance, Proposition 98 American Indian Early Childhood Education Program (Issue 240)—It is requested that this item be decreased by \$1,000 Proposition 98 General Fund to reflect the revised cost-of-living adjustment applied to the American Indian Early Childhood Education Program. This program provides competitive grants for programs that increase academic achievement and self-esteem for American Indian students in pre-kindergarten through grade four.</p> <p>It is further requested that provisional language be amended as follows to conform to this action:</p> <p>“1. Of the funds appropriated in this item, \$9,000 <u>\$8,000</u> is to reflect a cost-of-living adjustment.”</p>
20	<p>Item 6110-151-0001, Local Assistance, Proposition 98 American Indian Education Centers (Issue 241)—It is requested that this item be decreased by \$3,000 Proposition 98 General Fund to reflect the revised cost-of-living adjustment applied to grants for the American Indian Education Centers.</p> <p>It is further requested that provisional language be amended as follows to conform to this action:</p> <p>“1. Of the funds appropriated in this item, \$65,000 <u>\$62,000</u> is to reflect a cost-of-living adjustment.”</p>
21	<p>Item 6110-203-0001, Local Assistance, Proposition 98 Child Nutrition Program (Issue 681)—It is requested that this item be increased by \$1,163,000 Proposition 98 General Fund to reflect the revised estimate of meals served through the state child nutrition program at public school districts and Proposition 98-eligible child care centers and homes. The resulting appropriation would fully fund, at the specified rates, all meals projected to be served in 2013-14.</p> <p>It is further requested that provisional language be amended as follows to conform to this action:</p> <p>“6. The funds appropriated in this item reflect a growth adjustment of -\$2,494,000 <u>-\$1,331,000</u> due to a decrease in the projected number of meals served.”</p>

22	<p>Item 6110-203-0001, Local Assistance, Proposition 98 Child Nutrition Program (Issue 682)—It is requested that provisional language be amended to reflect the reimbursement rates for meals served through the state child nutrition program at public school districts and Proposition 98-eligible child care centers and homes. The rate received by schools is currently specified in statute, which must be amended when a cost-of-living adjustment is provided. Trailer bill language proposed in the Governor’s Budget would require that rates be referenced in Budget Bill language instead, where they will be updated to conform to the rates used to arrive at the appropriation for estimated meals to be served.</p> <p>It is requested that provisional language be amended as follows to conform to this action:</p> <p>“2. Funds designated for child nutrition programs in this item shall be allocated in accordance with Section 49536 of the Education Code; however, the using the following rates: \$0.2229 per meal for meals served in schools and \$0.1660 per meal for meals served in child care centers and homes. The allocation shall be based not on all meals served, but on the number of meals that are served and that qualify as free or reduced-price meals in accordance with Sections 49501, 49550, and 49552 of the Education Code.”</p>
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STAFF COMMENTS

No concerns have been raised with any of the proposed actions in this issue. DOF will inform the Subcommittee of any technical adjustments that may need to be made prior to adoption.

Control Section 8.56. The May Revision proposes to include a new control section 8.56 in the budget bill that would allow DOF to reduce federal appropriations and associated positions related to federal government sequestration or other related federal reductions. This control section applies to all areas of the budget but most of the impact would be in the areas of education and health. Many of the items in this vote only section would be subject to this control section.

According to DOF, while the federal sequester has started for the federal 2013 fiscal year, many details are still unknown. Given the uncertainty of the exact program reductions and the interaction between federal fiscal years and the state fiscal years, DOF is proposing to use Control Section 8.56 to provide flexibility to decrease spending authority and associated positions resulting from the sequester and any other related federal actions once the details are determined. This section would be used in lieu of control sections 8.50 and 28.00 which pertain to unanticipated federal fund adjustments.

It is not clear why this additional control section is necessary given that the Legislature has the ability to make adjustments to the budget through the Legislative session which is not scheduled to adjourn until September 13th. Staff recommends the Legislature hold off on approving this language and revisit the issue prior to adjournment of session.

Items to Be Heard

6110 DEPARTMENT OF EDUCATION

ISSUE 1: CDE STATE OPERATIONS

The issue for the Subcommittee to consider is the Governor's proposed adjustments for California Department of Education headquarters. These proposed adjustments primarily involve staffing increases in 2013-14 to implement several statutes enacted in 2012. Additionally, there are a number of state operations requests that the CDE submitted to the DOF that were not approved which the Subcommittee may wish to consider.

PANELISTS

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

BACKGROUND

Funding and authorized positions for the California Department of Education are summarized by the table below.

California Department of Education Authorized Positions and State Operations Funding			
			Proposed
	2011-12	2012-13	2013-14
Authorized Positions			
Headquarters	1,486.80	1,469.30	1,470.30
State Special Schools	1,008.40	948.10	948.10
Total	2,495.20	2,417.40	2,418.40
Funding			
CDE Headquarters			
General Fund	39,853,000	40,569,000	41,536,000
Federal Fund	150,187,000	160,893,000	158,031,000
Other (Restricted)	31,632,000	31,565,000	31,652,000
Total	221,672,000	233,027,000	231,219,000
Percent General Fund	18%	17%	18%
Percent Federal	68%	69%	68%
CDE State Special Schools			
Proposition 98 GF	47,497,000	47,249,000	49,430,000
Non-Proposition 98 GF	41,345,000	40,046,000	42,950,000
Federal Fund	0	0	0
Other	10,395,000	12,217,000	10,475,000
Total	99,237,000	99,512,000	102,855,000
CDE Headquarters & State Special Schools			
General Fund	128,695,000	127,864,000	133,916,000
Federal Fund	150,187,000	160,893,000	158,031,000
Other	42,027,000	43,782,000	42,127,000
Total	320,909,000	332,539,000	334,074,000

Except for 2013-14, data are current-year estimates (middle column) from the Governor's Budget. This chart does not reflect additional May Revision proposals.

Most CDE staff are employed at the department's headquarters in Sacramento to administer state education programs and provide program support to local educational agencies. Remaining staff are employed at the State Special Schools (including State Diagnostic Centers) that provide direct instruction and support services to attending students.

Recent Budget Reductions for Department State Operations. The Department of Education has experienced a variety of reductions to state operations – staffing and operating expenses -- since 2008-09. Most of these reductions are ongoing. In addition, the department is currently experiencing employee furloughs, although these furloughs are not

currently proposed to continue for state agencies in 2013-14. In total, CDE has experienced over \$20 million in ongoing cuts and over \$9 million in one-time reductions, specifically:

- **State Operations Reductions Beginning in 2009-10.** An Executive Order was issued by Governor Schwarzenegger to all state agencies effective in 2009-10 implementing a reduction equivalent to a three day per month furlough. Agencies headed by Constitutional Officers – such as CDE -- were exempt from the Executive Order, but received an equivalent reduction to their State Operations funding beginning in 2009-10. This veto resulted in a permanent reduction of \$17.4 million (across all fund sources), which the CDE mitigated through workload reductions associated with Categorical Flexibility. While other departments were restored when the three-day-per-month furloughs were lifted, the CDE was not restored.
- **Additional Staff Reductions Associated with Categorical Flexibility Beginning in 2010-11.** SBX3 4 (Chapter 12; Third Extraordinary Session, Statutes 2009) granted LEAs the authority to use funding received for approximately 40 categorical programs for any educational purpose for a five year period beginning in 2008-09 and ending in 2012-13. (Subsequent legislation extended this flexibility through 2014-15.) This “categorical flexibility” freed LEAs from certain programmatic and fiscal restrictions and thus, to some degree the CDE’s role in monitoring and providing technical assistance for programs falling under categorical flexibility was eliminated. In 2010-11, as a result of categorical flexibility, state operations funding for the CDE was reduced by \$2.6 million (General Fund) and 22 positions.

Over the two year period, the CDE experienced a reduction of 62 positions and \$20 million (all funds) in funding.

- **Operational Efficiency Reductions Beginning in 2011-12.** The Department of Education received an “operation efficiency” reduction of \$3.369 million (General Fund) pursuant to Control Section 3.91 of the 2011-12 budget act. Operation efficiency reductions were applied to all state agency budgets and constitute ongoing cuts. The Department was required to submit an operation efficiency reduction plan to the Department of Finance to implement the reduction. The Department’s plan included a \$1.5 million (4.3 percent) reduction for the State Special Schools in 2011-12.
- **Staff Furloughs in 2012-13 and Selected Prior Years.** CDE received a department-wide reduction of \$9.18 million (all funds) as a result of one day per month Personal Leave Program (PLP) for all employees (including \$3.39 million for the State Special Schools) in 2012-13. The Governor does not propose to continue the PLP program for state agencies in 2013-14. CDE received a similar PLP reduction that began in November 2010 and extended through October 2011 and was equivalent to a \$11.023 million reduction (all funds).

Per the Department, the impact of state imposed PLP on CDE’s State Operations has resulted in delayed response time to the field and stakeholder groups as well as delays in the department’s internal administrative processes. As also noted in an LAO report regarding the impact of furloughs for state agencies, the CDE reports that the department

has seen an increase in leave balances resulting from employees taking one day off per month that could otherwise be charged to accrued leave balances.

Governor's Budget. The Governor's January 10 budget and May Revision proposes the following adjustments for the Department of Education:

General Fund (Non-Proposition 98) Adjustments:

- 1) **Energy Efficiency Program Authorized by Proposition 39 (January Budget).** Requests **\$109,000** in General Fund (Non-98) and **1.0 position** to implement an Energy Efficiency Program for the K-12 schools. The Energy Efficiency Program is authorized by Proposition 39 – as approved by statewide voters in November 2012. The Governor's May Revision proposes to provide \$413 million for K-12 schools and \$51 million for community colleges beginning in 2013-14. ***Staff Comments:*** *This funding and position will conform to action taken on Proposition 39.*
- 2) **Revision of Academic Performance Index (January Budget).** Requests **\$217,000** in state General Fund and **2.0 positions** to redesign the state's Academic Performance Index (API). This redesign will include a broader measure of school outcomes and success by including additional indicators in the API in addition to assessment results pursuant to SB 1458/Steinberg (Chapter 577, Statutes of 2012) in 2013-14. The bill will require the development of new student performance measures -- such as college going rates and career outcomes -- as well as new sources of data.
- 3) **Pupil Fee Complaint Process (January Budget).** Requests **\$109,000** in State General Fund and **1.0 position** to implement the requirements of AB 1575/Lara (Chapter 776, Statutes of 2012) beginning in 2013-14. This measure authorizes a complaint of noncompliance with the prohibition against pupil fees to be filed with the principal of a school under the existing Uniform Complaint Procedures process and authorizes a complainant who is not satisfied with the decision of the school to appeal the decision to the CDE. The bill further requires CDE, commencing in 2014-15 and every three years thereafter, to develop and distribute guidance regarding pupil fees and make it available on its Internet Web site.
- 4) **Instructional Quality Commission (May Revise - Issue 242).** Requests an increase of **\$233,000** in one-time General fund to support the activities of the Instructional Quality Commission (IQC) in 2013-14. According to the May Revision, in August 2010, the State Board of Education (SBE) adopted content standards in mathematics and English language arts based on the Common Core State Standards developed by national organizations. Since then the CDE and SBE have been authorized by statute to conduct specific activities related to the new standards. The IQC advises the SBE on standards, curriculum frameworks, and instructional materials. In 2013-14, the IQC is required to complete reviews of curriculum frameworks for English language arts and mathematics.

The CDE originally requested \$290,000 in ongoing General Funds to support these activities. According to the Department of Finance (DOF), although one-time funding is being proposed for the activities required of the IQC in 2013-14, DOF will work with the CDE and SBE when developing the 2014-15 Governor's Budget to evaluate the funding needs of the IQC in 2014-15 and future years.

Staff Comments: Staff notes that statute provides specific timelines for development of Common Core Curriculum Frameworks for Mathematics and English Language Arts. As such, staff recommends the Subcommittee adopt the following amendments to the DOF proposed provisional language for item 6110-001-0001:

X. Of the funds appropriated in this item, \$233,000 is available in one-time funds ~~to support activities of the Instructional Quality Commission for the 2013-14 fiscal year~~ **for the Instructional Quality Commission to support activities necessary to meet the deadlines required pursuant to Section 60207 of the Education Code for development of Common Core Curriculum Frameworks for Mathematics and English Language Arts.**

Other Fund Adjustments:

- 1) **Fee Reimbursements for Adoption of Instructional Materials for Mathematics (January Budget).** Requests **\$350,000** in fee reimbursement authority to cover the costs of a new statewide mathematics instructional materials adoption beginning in 2012-13 and continuing through 2013-14 pursuant to AB 1246/Brownley (Chapter 668, Statutes of 2012). The 2008-09 budget suspended all statewide instructional materials adoptions due to the state budget shortfall. In 2009-10, \$705,000 in state General Fund support for the state Instructional Materials Commission was eliminated through a budget veto. AB 1246 authorizes a new statewide mathematics adoption and authorizes the state to assess a one-time fee payment from participating publishers and manufacturers to offset the costs of this adoption process.

STAFF COMMENTS

Staff has identified two additional CDE state operations requests not approved by DOF that the Subcommittee may wish to consider.

- 1) **Parent Notification Translations.** The CDE requested **\$225,000** in ongoing federal Title III state operations for parent notification templates. According to CDE, state and federal laws place responsibilities upon schools and other educational agencies regarding written communication with parents, including the translation of parental notices, forms, and reports. Local use of state-translated templates helps schools to reduce costs and duplication of effort, and encourages better dissemination of information to parents throughout the state.

Currently, the translations effort is based on the CDE receiving carryover authority. This request would provide the CDE with a permanent funding stream, making the parameters for the project and ongoing work clear, regular, and dependable. Expenditures for these activities have ranged in prior years from \$382,000 to \$130,000. CDE anticipates additional workload related to implementation of Common Core.

- 2) **Interstate Commission on Educational Opportunity for Military Children (Interstate Commission).** The CDE requests **\$71,000** in ongoing General Fund for state operations for the annual assessment required by the Interstate Commission. The Commission's purpose is to administer the Interstate Compact which provides for the uniform treatment of military children transferring between school districts and states.

AB 343, (Saldana), Chapter 237, Statutes of 2009 made California an official signatory to the Compact and obligated California to abide by the provisions of the Compact. AB 2202 (Block), Chapter 402, Statutes of 2012 authorized the Superintendent of Public Instruction (SPI) to convene a task force to review and make recommendations about the Compact and report to the Legislature.

According to CDE, full participation in the Commission has been severely restricted due to the inability to obtain funding to pay for the state's annual assessment. CDE, as a result, was delinquent in paying the assessment in 2010 and 2011 and sued. The suit was ultimately dismissed. Ongoing funding for this purpose would avoid the potential for additional litigation.

ISSUE 2: OPEN ISSUES: CHARTER SCHOOLS: TRANSFER ADMINISTRATION OF THE CHARTER SCHOOL FACILITY GRANT PROGRAM AND THE CHARTER SCHOOL REVOLVING LOAN FUND

The issue for the Subcommittee to consider is the shift of administration of the charter school facility grant program (CSFGP) and the charter school revolving loan fund (CSRLF) from the Department of Education (CDE) to the Charter School Finance Authority (CSFA) and proposed modifications per the May Revision letter.

BACKGROUND

California School Finance Authority (CSFA). The CSFA was created in 1985 to oversee the statewide system for the sale of revenue bonds to reconstruct, remodel or replace existing school buildings, acquire new school sites and buildings to be made available to public school districts (K-12) and community colleges, and to assist school districts by providing access to financing for working capital and capital improvements. Over the last 25 years, the CSFA has developed a number of school facilities financing programs and most recently is focused on assisting charter schools to meet their facility needs. The CSFA is a three-member board comprised of the State Treasurer, the Superintendent of Public Instruction, and the Director of the DOF, and is administered within the Office of the State Treasurer.

Program Transfers. The Governor's January budget proposed to shift administration of the charter school facility grant program (CSFGP) and the charter school revolving loan fund (CSRLF) from the Department of Education (CDE) to the Charter School Finance Authority (CSFA).

According to the LAO, the CSFGP and CSRLF are similar to four other programs currently administered by CSFA that provide loans or facility support to charter schools. The CSFGP and the State Charter School Facility Incentive Grants program are especially similar, and coordination of the two programs is necessary given the existing combined funding cap. Given CSFA's successful experience running similar programs, the agency appears capable of administering the two additional programs. For these reasons, the LAO recommended adopting the Governor's proposal to transfer the CSFGP and CSRLF from CDE to CSFA.

On April 16th, the Subcommittee approved the Governor's proposal to shift responsibility for the CSFGP and the CSRLF from CDE to CSFA and the transfer of \$92 million in Proposition 98 funding from the CDE for the CFSA to reflect the CSFGP shift.

The Governor also proposed to shift \$175,000 in ongoing General Fund (Non-98) and 2.0 positions from CDE to CSFA to support the transfer of both programs starting in 2013-14. The Subcommittee rejected this transfer and directed staff to work with DOF, LAO, CDE and CSFA to determine appropriate staffing levels for CSFA to administer both programs so that the Subcommittee can consider this issue at May Revise.

May Revise Proposal:

Add One-Time Funding to Facilitate Charter School Program Transfer (Issue 001)—It is requested that Item 0985-001-0001 be increased by \$105,000 General Fund on a one-time basis to facilitate the transfer of the Charter School Facility Grant Program (CSFGP) and the Charter School Revolving Loan Program (CSRLP) from the State Department of Education to the California School Finance Authority (CSFA). Specifically, it is requested that Schedules (1) and (2) of this item be increased by \$15,000 and \$90,000, respectively, for administrative support and consulting services that would allow the CSFA to review the existing revolving loan portfolio and to implement loan underwriting criteria.

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

X. Of the funds appropriated in Schedules (1) and (2), up to \$105,000 is available for consulting services that are necessary to facilitate the transfer of the Charter School Facility Grant Program and the Charter School Revolving Loan Program to the California School Finance Authority.

The Administration also proposes to revise the Governor's Budget trailer bill legislation related to the transfer of the CSFGP and the CSRLP. Specifically, the Administration proposes: (1) to allow the CSFA to apportion fiscal year 2013-14 CSFGP funding by October 15 rather than August 31 as currently proposed; and (2) to establish the CSFA as the senior creditor beginning in 2013-14. The proposed statutory amendments would provide the CSFA with adequate lead-time to implement the CSFGP and senior creditor status for any audit recovery efforts beginning in 2013-14.

STAFF COMMENTS

On April 16 the Subcommittee took action to:

- 1) Approve the Governor's proposal to transfer the Charter Schools Facilities Grant program and the Charter School Revolving Loan Program from the CDE to the California School Finance Authority.
- 2) Reject the transfer of 2 positions from CDE to CSFA and allow CDE to retain positions. Direct staff to work with DOF, LAO, CDE and CSFA to determine appropriate staffing levels for CSFA to administer both programs so that the Subcommittee can consider this issue at May Revise.

Further evaluation of CDE state operations has revealed that CDE currently has a total of 23 positions in the charter school division. Seven of these positions are vacant. The proposed transfer of 2 positions and \$175,000 could be accommodated given these vacancies.

ISSUE 3: OPEN ISSUES: CHARTER SCHOOLS: EXPANSION OF THE CHARTER SCHOOL FACILITY GRANT PROGRAM TO CHARTER SCHOOLS WITH NON-CLASSROOM BASED INSTRUCTION

The Subcommittee heard and held open the Governor's proposed trailer bill language to allow non-classroom ADA to generate funding (\$750 per ADA) at the same rate as classroom ADA under the Charter School Facility Grant Program, but limit funding for non-classroom-based schools to the portions of their facilities used for instruction or instructional support.

BACKGROUND

Current law prohibits grants for nonclassroom-based charters. LAO believes that due to significant increases in funding for the CSFGP over the last few years, available funding exceeds the amount requested by eligible schools. Further, although non-classroom based programs may have fewer facility needs than traditional classroom-based programs, many of these schools have facility costs. Given these costs, the LAO believes the Governor's proposal to allow some of them to access facility funding is reasonable.

The LAO is concerned, however, that the Governor's proposal to distinguish between instructional and non-instructional space would complicate the application process. Existing rules do not require CDE staff to make these distinctions when a classroom-based charter school applies for funding. Under the Governor's proposal, however, staff would need to determine which portions of a facility were related to instruction or instructional support. In some cases, this definition is open to varying interpretations. It is unclear, for example, whether a principal's office or multipurpose room would qualify as space for instructional support. Making an accurate determination likely would require non-classroom-based charter schools to submit additional documentation and could delay processing of these applications.

Given the LAO concerns, the LAO recommends other options to consider:

- Allow non-classroom-based schools to receive funding for all of their facility space but at a lower rate based on the average facility spending reported by non-classroom based charter schools in 2011-12 (\$425 per ADA). Although this approach would not account for the differences in instructional programs or facilities needs across different types of non-classroom based charter schools, the state currently lacks the data to determine appropriate funding rates for each school.
- Require non-classroom based charter schools applying for CSFGP funds to provide additional information regarding their instructional programs, such as the type of instructional approach and the share of classroom instruction that occurs at the school site. Such data, along with the expenditure data schools must submit to obtain CSFGP funding, would allow the state to assess whether the non-classroom based funding rate could be modified moving forward to better reflect the facility needs of different non-classroom based schools.

STAFF COMMENTS/QUESTIONS

AB 948 (Olsen), pending in the Assembly Appropriations Committee, allowed non-classroom-based schools to receive funding for all of their facility space but at a lower rate than the LAO proposed (\$375 per ADA). This is half of the rate for classroom based facilities. This provision was ultimately struck in Assembly Education Committee because of concerns that the bill would allow a non-classroom-based charter school to receive funds for all pupils regardless of the amount of time spent in a facility and regardless of how much of the facility is actually being used for instructional purposes.

Given the concerns raised in Assembly Education Committee and the complexity of the issue, staff recommends the Subcommittee reject this proposal.

ISSUE 4: OPEN ISSUES: CHARTER SCHOOLS: MODIFY FUNDING DETERMINATION FOR CHARTER SCHOOL NON-CLASSROOM BASED INSTRUCTION

The Subcommittee heard and held open the Governor's proposed trailer bill language to change the current funding determination process for charter schools offering non-classroom based instruction.

BACKGROUND

Both traditional schools and charter schools can offer non-classroom based instruction. Non-classroom based instruction encompasses homeschooling and various forms of independent study, including computer-based instruction using software modules and teacher-directed distance learning. Non-classroom based schools tend to serve somewhat different students from those found in other schools—that is, students seeking personalized instruction and a pace tailored to their needs.

Funding Determinations. In 2001, the state passed SB 740, Chapter 892, Statutes of 2001 due to concerns over profiteering and misuse of funds in charter schools offering non-classroom based instruction. One of the primary goals of the legislation was to strengthen oversight of these schools.

The legislation required the State Board of Education (SBE) to establish a system for determining the appropriate funding level for non-classroom based charter schools. In order for a charter school to receive 100 percent average daily attendance (ADA), the charter school must meet the following conditions:

- Ensure the charter school's pupils are engaged in educational activities required of those pupils, and the pupils are under the immediate supervision and control of an employee of the charter school who is authorized to provide instruction to the pupils.
- Provide at least 80 percent of the instructional time at the school site.
- The charter school-site must be a facility that is used principally for classroom instruction.
- The charter school requires its pupils to be in attendance at the school site at least 80 percent of the minimum instructional time required for pupils.

Under current law and regulations, most non-classroom based charter schools are required to submit funding determinations to the SBE every two years. (Non-classroom based charter schools with an Academic Performance Index rank of 6 or higher are required to submit funding determinations every five years.)

According to CDE, a total of 210 charter schools are operating under funding determinations in 2012-13. Of the 210 non-classroom based charter schools, only 11 schools receive less than full funding.

	2010-11	2011-12	2012-13
Non-Classroom Based Charter Schools – Funded & Non-Funded ADA	Student ADA	Student ADA	Student ADA
Reported ADA	--	109,989	114,986
Funded ADA	--	107,090	112,191
ADA Not Funded	2,781	2,899	2,795
<i>Number of non-classroom based charter schools</i>	213	216	210
<i>Charter schools funded at 100 percent</i>	200	205	199
<i>Charter schools funded at less than 100 percent</i>	13	11	11

A non-classroom-based charter school may request the SBE to consider "mitigating circumstances" when making a funding determination. Charter schools typically apply for mitigating circumstances when they are unable to meet the threshold established for certificated staff salaries or instruction-related expenses. The SBE may accept the mitigating circumstances and provide a higher funding level than the school otherwise would receive. Common mitigating factors considered by SBE include one-time facility expenses, extraordinary special education costs, or restricted grants that cannot be spent on certificated staff or instruction and related activities.

Governor's Proposal. The Governor proposes trailer bill language to modify the annual funding determination process for non-classroom-based instruction by limiting it to the first and third years of operation for charter schools that maintain specific minimum standards. Thereafter, charter schools would not be required to submit further funding determinations unless one of the following conditions exists:

- 1) The charter school receives a notice to cure for financial issues.
- 2) The charter school receives an intent to revoke the charter.
- 3) The charter school receives an apportionment significant audit exception.
- 4) The charter school initiates a request for an additional funding determination for the purpose of seeking a change to its current funding level.

CDE comments. The CDE generally agrees that there is room for improvement in the current process however they have concerns with the Governor's proposal. Specifically, CDE is concerned that they would not be notified when any of the triggers are activated that would require a charter school to submit a funding determination. Further, CDE has concerns around the audit appeals process, which can take years. A funding determination would not be submitted until after the appeal process, which could lead to a charter receiving an inflated funding rate.

LAO recommendations. The LAO expressed concerns with both the existing funding determination process and the Governor's proposed changes. The LAO recommends the Legislature continue the funding determination process but with several modifications:

- Eliminate the requirement that at least 40 percent of state and federal revenue be spent on certificated staff salary and benefits as well as the student-teacher ratio requirement.
- Retain the existing requirement for spending on instruction and related services.
- Provide general guidelines for the types of mitigating circumstances that would be accepted by SBE, such as unanticipated non-instructional costs, major one-time costs for technology or infrastructure, and funds set aside to protect the school from possible midyear budget reductions. Specify how those circumstances would affect the calculations used to determine the charter school's funding level.
- Establish graduated funding reductions, such that a charter's funding reduction is proportional to the extent the spending threshold is missed.
- Retain the requirements that schools receive a new funding determination every two to five years.

Given that most aspects of the funding determination process are contained in SBE regulations, the LAO recommends the Legislature change state law and direct SBE to adopt new conforming regulations.

STAFF COMMENTS

The Subcommittee expressed some concerns with the LAO proposal, specifically around the proposed changes to the existing teacher payroll and student-teacher ratio requirements.

CDE continues to work with stakeholders to develop a process that simplifies current law but addresses issues to maintain oversight and fiscal accountability over non-classroom based charter schools.

Staff recommends the Subcommittee reject this proposal with the intent to move the issue to Conference Committee to allow more time for an alternative to be developed.

ISSUE 5: OPEN ISSUES: CHARTER SCHOOLS: SALE OF SURPLUS PROPERTY

The Subcommittee heard and held open the Governor's proposal to extend for five years provisions of current law that requires school districts with surplus property to sell those resources first to charter schools before selling those assets to other entities or disposing of them. The Governor also proposes to permanently extend rules that provide exceptions on the use of proceeds from the sale of surplus property.

BACKGROUND

If a school district has surplus property, the local governing board can vote to sell or lease the property through a competitive bidding process. Before using this process, however, the district must offer to sell or lease the property to certain types of entities, including agencies interested in sponsoring low-income housing, local parks and recreation districts, and city and county governments. In most cases, the school district may sell or lease the property to these entities at current market value.

The 2012-13 Budget Act included trailer bill language to require that school districts offer charter schools the option to purchase or lease surplus property designed for instruction or instructional support prior to offering the property to other agencies or soliciting competitive bids. As described below, the price of the sale or lease is subject to certain caps and can be significantly below market value.

- If the property is sold, the sale price cannot exceed the price paid by the district to acquire the property, adjusted for inflation and the cost of any construction that has occurred. This price, however, must be at least 25 percent of the property's current market value.
- If the property is leased, the annual lease rate cannot exceed 5 percent of the price that would apply if the property were purchased.

Under either a sale or lease agreement, the charter school must use the property exclusively for instructional activities or support for at least five years. After five years, the law provides no further restrictions on the usage or sale of the property. These sale and lease provisions are operative only from July 1, 2012 through June 30, 2013.

Regardless of which entity purchases or leases surplus property, a school district can use the proceeds of the transaction only for certain purposes. State law generally requires that school districts deposit the proceeds in a restricted capital outlay or maintenance fund. Surplus property proceeds can be used for one-time general operating expenses, however, under certain conditions. Specifically, if a school district and the State Allocation Board agree that the district (1) has no major deferred maintenance requirements and (2) does not anticipate new construction within the next ten years, then the district may use surplus property proceeds for any one-time general operating expense. In this case, the district forfeits its eligibility for new construction and modernization funding through the School Facility Program (SFP) for at least five years.

In 2009, the Legislature allowed school districts to use the proceeds from the sale of the property for one-time general operating expenses without forfeiting eligibility for new construction and modernization funds through the SFP. Instead, districts forfeit any future hardship funding through the SFP up to the amount of the proceeds used for one-time general operating expenses. In addition, districts forfeit eligibility for hardship funds awarded through the state's Deferred Maintenance Program (DMP) for five years. These exceptions regarding property purchased with local funds are scheduled to expire on January 1, 2014.

Governor's Budget. The Governor's budget includes two provisions related to the sale and lease of surplus property, and the use of proceeds from these sales, as follows:

- 1) Extends Requirement to Offer Surplus Property to Charter Schools for Five Years. The Governor proposes to extend for an additional five years the requirement that school districts give charter schools first call on purchase or lease of surplus property. Under current law, this requirement is operative through June 30, 2013. The Governor's proposal would sunset on June 30, 2018.
- 2) Permanently Extends Exceptions for Use of Proceeds From Locally Purchased Property Sales. The Governor proposes to eliminate the January 1, 2014 expiration date on the rules pertaining to the sale of surplus property financed entirely with local funds. As a result, districts would continue to be able to use proceeds from the sale of these properties for one-time operating expenses permanently without forfeiting eligibility for new construction or modernization funding through the School Facilities Program. Districts would continue to forfeit eligibility for hardship funding through the School Facilities Program and Deferred Maintenance Programs.

LAO Comments. The LAO recommends that the Legislature adopt the Governor's proposal to provide charter schools first call on surplus property, but with some modifications. Specifically, the LAO recommends that the state:

- Require the charter school to use the purchased or leased property for instructional activities or support.
- Require that before the property may be sold or used for any other purpose, it must be offered for sale or lease to the school district that provided the property, followed by any interested charter schools. Require that if one of these interested charter schools obtains the property, it is likewise bound by these terms. (If the school district and other charter schools decline the offer to purchase or lease, the property could be sold or leased to another entity or used for any purpose.)
- Limit the price paid by a school district to reacquire property it provided to a charter school to the price paid by the charter school, adjusted for inflation and the cost of any construction that has occurred (or 5 percent of this amount for an annual lease). Establish similar limits if the property is sold or leased to another charter school.
- Require charter schools to use proceeds from the sale or lease of surplus property for capital outlay or maintenance costs (with the same exceptions as provided to school districts).

- Require charter schools to maintain Field Act compliance for all buildings obtained from a school district that are compliant on the date the charter school takes possession.

The LAO recommends that the Legislature reject the Governor's proposal to make permanent certain rules regarding the use of proceeds from the sale of surplus property purchased entirely with local funds. Districts still would be allowed, under existing law, to sell surplus property and use the proceeds for one-time general purposes. Districts would have to consider this option carefully, however, since they would forfeit their eligibility for state construction and modernization funds for at least five years. In the LAO's view, this higher stakes trade-off better protects the state from providing future facility funding to a school district that has recently sold property and used the proceeds for non-facility purposes.

ISSUE 6: OPEN ISSUES: CHARTER SCHOOLS: COUNTY-WIDE BENEFIT CHARTERS AND STATE BOARD OVERSIGHT OF CHARTERS

The issues for the Subcommittee to consider are:

- 1) The Governor's proposal to allow county-wide benefit charter petitions to designate multiple sites as individual schools for purposes of compliance monitoring, data reporting and collection, student performance data, oversight and apportionment.
- 2) Allow the State Board of Education -- by mutual agreement -- to delegate its oversight responsibilities for a charter school it has approved to any local educational agency.

BACKGROUND

Most charter schools in California are authorized and monitored by the school district in which they reside and are prohibited from operating outside the jurisdiction of that district. If a charter school organization is able to demonstrate that it cannot accomplish its educational mission if limited to a single district, however, it may apply for recognition as a countywide or statewide charter school. Countywide charter schools are authorized by a county office of education (COE) and may operate anywhere within the boundaries of that county. Statewide charter schools are authorized by the State Board of Education (SBE) and may operate anywhere within the state. Currently, there are 28 countywide charter schools and 3 statewide charter schools.

Statewide and Countywide charters currently tracked differently. When a charter school submits a petition to SBE to operate as a statewide charter school, it must specify the sites where student instruction will take place. Existing SBE regulations require the school to consist initially of at least two sites (additional sites may be added later with approval of SBE). Although all of the sites are managed by a single agency, each site is tracked separately by the state. Each site, for example, receives a separate ranking for state and federal accountability purposes, is monitored individually by SBE, and can apply individually for various state and federal programs. The 3 statewide charter schools have a total of 14 separately tracked sites.

In contrast to statewide charter schools, the sites operated by a countywide charter school are not tracked separately. When a school submits a petition to a COE to operate as a countywide charter school, it still must describe the locations where instruction will occur. The information from each site, however, is aggregated and tracked as a single school. A countywide charter school, for example, receives a single score for state and federal accountability purposes and can apply only as one entity for various state and federal programs. The number of individual sites at the 28 countywide charter schools is not tracked by the state.

Fiscal Implications for Individual and Collective Tracking. The distinction between individual and collective tracking of site information has fiscal implications for two programs that provide funding for new charter schools: the Public Charter School Grant Program (PCSGP) and the Charter School Revolving Loan Fund (CSRLF). The PCSGP is a federal initiative that provides startup grants to charter schools on a per-school basis. A statewide charter school

whose sites are considered separate schools can submit a funding application for each school, while a countywide charter school recognized as one school—even with multiple sites—can submit only one application.

The CSRLF is a pool of state funds that provide low-interest loans to new charter schools and, like the PCSGP, establishes eligibility on a per-school basis. The distinction between individual and collective tracking is less important for other types of state funding, such as base general purpose funding, because these funds are awarded on a *per-student* basis.

SBE Oversight Responsibility. In addition to authorizing all statewide charter schools, SBE also authorizes 19 charter schools whose petitions originally were rejected at the local level but approved by SBE on appeal. (Although authorized by SBE, these charter schools must operate within the jurisdiction of the school district or COE that initially reviewed the school's petition.) Existing law allows SBE to delegate its oversight responsibilities for any school it has authorized to a consenting local educational agency (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 California Department of Education (CDE).

Governor's Budget proposes the following:

- 1) Trailer bill language to allow county-wide benefit charter petitions to designate multiple sites as individual schools for purposes of compliance monitoring, data reporting and collection, student performance data, oversight, and apportionment. Per the Governor, this language would allow county-wide benefit charter schools with multiple sites to be treated the same as state-wide benefit charter schools with regard to designation of individual schools.
- 2) Trailer bill language to allow SBE to delegate the oversight responsibilities of any charter school it has authorized to any consenting LEA in the state, even if it is not located within the county where the school is located. (The SBE would retain the discretion to continue delegating oversight to CDE.)

LAO Comments. The LAO makes the following recommendations for the Subcommittee to consider:

- 1) LAO recommends the Legislature adopt the proposed trailer bill language to allow Countywide Charters Schools to Establish Tracking of Individual Sites. According to the LAO, although countywide charter schools are operated by a single entity, individual sites may serve different grade spans or student populations. Different sites also could be more or less effective than other sites. As such, a countywide charter school may want each site to be tracked separately for funding and accountability purposes. Although certain countywide charter schools could receive additional funding from PCSGP or CSRLF due to the proposal, the LAO thinks this is reasonable given that start-up costs are typically incurred on a per-site basis. Since PCSGP is federally funded and CSRLF consists of a fixed pool of state funds, additional funding applications are unlikely to increase state General Fund costs.

- 2) LAO recommends the Legislature adopt the proposed trailer bill language to allow 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. In addition, given oversight is currently managed by CDE—which is located a considerable distance from some of the schools it oversees—the entity selected as the oversight authority under the Governor’s proposal likely would be located closer to the charter school.

CDE concerns.

- 1) County-wide charter changes. The CDE is strongly opposed to the Governor's proposal to allow county-wide benefit charter petitions to designate multiple sites as individual schools. According to the CDE:
- It is a significant policy shift to treat individual sites as separate entities for all purposes. Statewide benefit charters are inherently different than county wide charters— they are small in number of sites, they are spread throughout the state, they are regulated by and recognized by the SBE and are bound by specific regulations that impose restrictions through regulation.
 - While there are not many countywide schools, this will increase cost pressures; circumvent the cap on the number of new schools each year; and increase workload to: track and fund separate sites, manage the creation and movement of sites for numbering and accountability, and obtain separate funding information at the site level, recover overpayments from sites that close or move, etc.
 - There are a number of district approved charters that currently operate multiple sites. This proposal will create a pressure or expectation that they should be allowed to be recognized separately as well, which will exacerbate the problems listed above.
 - If there is a desire to be treated separately at the local level, they should submit separate petitions.

Allowing a charter school at its discretion to establish individual sites within one petition would also require CDE to establish multiple codes throughout the year for accountability and funding purposes. Furthermore, the number and location of these schools could change at the will of the charter. The proposal also lacks clarity as to whether the sites are to be treated as schools for other purposes, e.g. open by a certain date, subject to separate funding allocations, subject to audit, etc. CDE has also raised various fiscal tracking issues, for example, it could become difficult to keep track of the multiple site payments.

- 2) SBE oversight delegation. According to the CDE, it is not clear why this change is necessary. The SBE currently has the authority to delegate it's oversight of a statewide charter school to the county in which the charter is located but the SBE has

not exercised this option. CDE also notes that delegation could create a funding problem for state-level oversight, which is based on fees collected from charters. Further, CDE suggests a technical change to clarify that authority cannot be delegated to another charter school, but rather must be a school district or COE.

Pending Legislation. AB 445 (Chavez), pending in the Assembly Education Committee, is substantially similar to the Governor's proposal related to SBE oversight in that it authorizes the State Board of Education (SBE), by mutual consent, to designate its supervisory and oversight responsibilities for a charter school it has approved to any local educational agency (LEA). The bill was put over at the author's request.

STAFF COMMENTS

CDE is continuing to work on this issue to craft a possible alternative to the Governor's proposal. CDE would like this issue to move to Conference Committee to continue to work through the issues.