

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE**

**ASSEMBLYMEMBER AL MURATSUCHI, CHAIR
THURSDAY, MAY 22, 2014
9 A.M. - STATE CAPITOL ROOM 437**

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VOTE ONLY CALENDAR

6110 DEPARTMENT OF EDUCATION

VOTE ONLY ISSUE 1: 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 6110-195-0890, Local Assistance, Improving Teacher Quality (Issues 365, 366, and 367)—It is requested that Schedule (1) of this item be decreased by \$14,613,000 federal Title II funds to align with the available grant award. The Improving Teacher Quality Local Grant Program provides funds to LEAs on a formula basis for professional development activities focused on preparing, training, and recruiting highly qualified teachers.</p> <p>It is also requested that Schedule (2) of this item be increased by \$509,000 \$106,000 federal Title II funds to reflect a \$403,000 increase to the available federal grant award and the availability of \$106,000 in one-time carryover funds. The Improving Teacher Quality-State Level Activities provides funds for the University of California Subject Matter Projects to provide statewide teacher professional development.</p> <p>It is also requested that Schedule (3) of this item be decreased by \$71,000 federal Title II to reflect a \$342,000 reduction to the available federal grant award and the availability of \$271,000 in one-time carryover. The Improving Teacher Quality Higher Education Grants provides funds for teacher professional development in core academic subjects at institutions of higher education.</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 Schedule (2), \$106,000 is provided in one-time carryover for transfer to the University of California and shall be used for the Subject Matter Projects. None of these funds shall be used for additional indirect administrative costs.</p> <p>Of the funds appropriated in Schedule (3), \$271,000 is provided in one-time carryover for the Improving Teacher Quality Higher Education Grants. None of these funds shall be used for additional indirect administrative costs.</p> <p><u>Staff Comments:</u> Staff recommends rejecting the increase in Schedule 2 by \$403,000 to correct a CDE technical error, as noted above.</p> |
|---|---|

Staff recommends approving an additional \$600,000 in available one-time carryover funds for appropriation in a new Schedule 5, Administrator Induction Programs, for purposes of Administrator Induction programs that are approved by the Commission on Teacher Credentialing and add provisional language to conform to this action.

The staff recommendation includes the adoption of this provisional language: Of the funds appropriated in Schedule (5), \$600,000 is provided in one-time carryover funds for purposes of Administrator Induction programs that are approved by the Commission on Teacher Credentialing.

General Fund and other Adjustments

2 **Item 6110-194-0001, Local Assistance, Federal Child Care and Development Fund Provisions (Issue 846)**—It is requested that Provision 1 be amended as follows to require the SDE to seek approval from the Director of Finance and to provide legislative notification prior to incurring expenditures in specified child care programs every other year, consistent with the federal application due date. Currently, the SDE is eligible to apply for a federal grant under the Child Care and Development Program, which includes developing a state expenditure plan, every other year while provisional language requires the SDE to seek Director of Finance approval and provide advanced written notification to the Legislature every year.

“1. Funds in Schedules (1.5)(g), Resource and Referral, (1.5)(k), California Child Care Initiative, (1.5)(l), Quality Improvement, and (1.5)(n), Local Planning Councils, shall be allocated to meet federal requirements to improve the quality of child care and shall be used in accordance with the approved California state plan for the federal Child Care and Development Fund. In years when the state plan is submitted to the U.S. Department of Education for approval, the State Department of Education may expend these funds for these purposes upon approval of the state plan by the Director of Finance and no sooner than 30 days after notification in writing to the committees of each house of the Legislature that consider the State Budget, the State Department of Education may expend these funds for these purposes. No notification is required in years when expenditures are made according to a previously approved state plan.”

Staff Comments: Staff recommends the following changes to the Governor's proposed April Letter request:
6110-194-0001 Prov. 1

Funds in Schedules (1.5)(g), Resource and Referral, (1.5)(k), California Child Care Initiative, (1.5)(l), Quality Improvement, and (1.5)(n), Local Planning Councils, shall be allocated to meet federal requirements to improve the quality of child care and shall be used in accordance with the approved California state plan for the federal Child Care and Development Fund that is developed pursuant to the requirements under Education Code Section 8206.1.
 Education Code Section 8206.1

8206.1.

(a) The Superintendent shall collaborate with the Secretary of Health and Human Services, with the advice and assistance of the Child Development Programs Advisory Committee, in the development of the state plan required pursuant to the federal Child Care and Development Fund, before submitting or reporting on that plan to the federal Secretary of Health and Human Services.

(b) (1) For purposes of this section, "Child Care and Development Fund" has the same meaning as in Section 98.2 of Title 45 of the Code of Federal Regulations.

(2) For the purposes of this section, "collaborate" means to cooperate with and to consult with.

(c) As required by federal law, the department shall develop an expenditure plan that sets forth the final priorities for child care. The department shall coordinate with the State Department of Social Services, the California Children and Families Commission, and other stakeholders, including the Department of Finance, to develop the Child Care and Development Fund (CCDF) Plan. On or before February 1 of the year that the CCDF Plan is due to the federal government, the department shall release a draft of the plan. The department shall then commence a 30-day comment period that shall include at least one hearing and the opportunity for written comments. By April 1st of the year that the plan is due, the department shall provide the revised CCDF Plan and a description of any changes to the earlier draft to the Director of Finance and the chairs of the fiscal committees of each house of the Legislature.

(1) After the plan is approved by the U.S. Department of Education, the department shall provide to the Department of Finance and the fiscal committees of the Legislature a copy of the final plan and a description of any changes made since submitting the draft plan for review.

(2) Should the annual state budget act require changes to the approved plan, the department shall submit an amended plan to the federal government.

The Governor's May Revision proposes the following funding adjustments:

| Federal Funds Adjustments | |
|----------------------------------|---|
| 1 | <p>Item 6110-193-0890, Local Assistance, Mathematics and Science Partnership Program (Issue 370)—It is requested that this item be increased by \$2 million federal Title II funds to reflect the availability of 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>Of the funds appropriated in this item, \$2,000,000 is provided in one-time carryover funds to support the existing program.</p> <p><u>Staff Comments:</u> Staff recommends approving this May Revision request.</p> |
| | <p>Item 6110-195-0890, Local Assistance, Improving Teacher Quality (Issue 371)—It is requested that Schedule (2) of this item be increased by \$118,000 federal Title II funds to reflect the availability of one-time carryover funds. The Improving Teacher Quality-State Level Activities provides funds for the University of California Subject Matter Projects to provide statewide teacher professional development.</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 Schedule (2), \$118,000 is provided in one-time carryover for transfer to the University of California and shall be used for the Subject Matter Projects. None of these funds shall be used for additional indirect administrative costs.</p> <p><u>Staff Comments:</u> Staff recommends approving this May Revision request.</p> |

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| STAFF COMMENTS: |
|------------------------|

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

Staff Recommendation: Approve all vote only items with changes as noted.

VOTE ONLY ISSUE 2: WORKFORCE INVESTMENT ACT AFFILIATED CHARTER SCHOOLS

The Subcommittee heard and held open the Governor's May Revision proposal on Workforce Investment Act affiliated charter schools on May 20, 2014.

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:

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. Concerns have been raised regarding the potential impact on charter schools that have gone through the approval process and are scheduled to open this summer.

Staff recommends adopting placeholder language to address funding inequities between WIA affiliated charter schools and other adult education programs until a more comprehensive solution is in place.

Staff Recommendation: Adopt placeholder language to address funding inequities for adult students.

6870 CALIFORNIA COMMUNITY COLLEGES

VOTE ONLY ISSUE 3: RIO HONDO COMMUNITY COLLEGE DISTRICT CAPITAL OUTLAY PROPOSAL

A Spring Finance Letter requests \$1.8 million from the 2006 California Community College Capital Outlay Bond Fund for the preliminary plans and working drawings phases of the Rio Hondo College, L Tower Seismic and Code Upgrades project.

The L Tower is a 48-year-old, five-story building in the city of Whittier. A 2008 evaluation identified the building as a high priority renovation project due to substantial risk to life in case of a seismic event. The renovated building will be used for instructional space and various student support services.

In total, the project is expected to cost \$23 million, which will be covered by bond funds. The Chancellor's Office and Department of Finance have approved this project.

Staff Recommendation: Approve Spring Finance Letter

VOTE ONLY ISSUE 4: COMMUNITY COLLEGE TECHNICAL ADJUSTMENTS

The May Revise includes multiple revenue adjustments.

| Item | Cost | Description |
|---|--|--|
| Eliminate Apportionment Deferrals | \$593 Million Prop 98 General Fund | May Revise eliminates all deferrals but makes changes to payments in 12-13, 13-14 and 14-15 |
| Redevelopment Agency Funds | \$36.2 Million Proposition 98 General Fund | Reflects revised RDA revenues |
| Student Enrollment Fee Revenue | \$24.7 Million Prop 98 General Fund | Reflects decrease in estimated student fee revenue |
| Student Financial Aid Administration and Board Financial Assistance | \$1.5 Million Prop 98 General Fund | Adjustments consistent with revised estimates of waived fees. Includes Budget Bill Language change |
| Education Protection Account Revenues for Net Excess Tax Districts | -\$464,000 Prop 98 General Fund | Decrease to reflect revised estimates of Prop 30 revenue for net excess tax districts |
| Education Protection Account Revenues | -\$22.8 Million Prop 98 General Fund | Decrease to reflect increased estimates of offsetting Prop 30 revenues |
| Clean Energy Job Creation Fund Revenue | -\$1.5 million Job Creation Fund | Decrease to reflect Prop 39 revenue estimates, also includes language to allow longer encumbrance period |
| Mandated Programs Block Grant | -\$345,000 Proposition 98 General Fund | Decrease to align block grant with revised FTES |

Staff Recommendation: Approve the Adjustments and Associated Language Changes

VOTE ONLY ISSUE 5: NURSING FACULTY SUNSET EXTENSION

State law generally requires that any community college faculty who teaches at least 67% of a full load of courses during a semester be hired as full-time faculty. SB 1309 (Scott), Chapter 837, Statutes of 2006, created an exemption to this law for clinical nursing staff, with a sunset date of June 30, 2014.

The exemption was created to allow nurses overseeing nursing students in clinical rotations to remain employed as a nurse while also working as adjunct faculty. Nursing rotations are typically 12-hour shifts, with clinical rotations lasting between 6-18 weeks. To meet the state law, most community college clinical nursing programs would have to hire full-time faculty, which is difficult to do, or use more than one part-time faculty for one course, which is a detriment to both the student and the hospital. SB 1309 sought to give flexibility to this specific type of nursing program.

Several community college nursing programs have asked that the sunset date of this statute be extended to allow for legislation next year that would either make this flexibility provision permanent or extend the sunset for a longer period of time. Trailer bill language would extend the sunset to Dec. 31, 2015.

Staff has contacted the Department of Finance and the Chancellor's Office about this proposed sunset extension, and neither has expressed concerns.

Staff Recommendation: Approve Trailer Bill Language Extending Nursing Faculty Sunset Date until Dec. 31, 2015.

VOTE ONLY ISSUE 6: INCREASE LEASE REVENUE BOND PAYMENT

The May Revise includes a request to increase repayment of California Lease Revenue Bonds 1996 Series A Bonds by \$1.1 million Proposition 98 General Fund to make final payments on a building in the Los Angeles Community College District. The district's Southwest College Lecture Lab Building Phase 1 has been unoccupied since 2010 due to a hazardous mold issue. The building was constructed using lease revenue bonds. In order to allow the district to tear the building down and replace it using local funds, the state must pay off the lease revenue bonds.

This request simply speeds up the final two payments on these bonds, and will save the state \$34,000 in interest payments, to allow the district to use its own funds to replace this building. Staff has no concerns.

Staff Recommendation: Approve the May Revise Request

VOTE ONLY ISSUE 7: CHANCELLOR'S OFFICE MOVING EXPENSES

Based on a Department of General Services review and the expiration of its current lease, the Chancellor's Office will be moving at the end of the year to a different floor of its current location. The move is to a smaller space and will reduce rent payments.

However, the Chancellor's Office is anticipating one-time moving costs. Because the decision to move is recent, the Governor's Budget and May Revise do not include any appropriation to support these costs. Staff suggests inserting this language into the budget bill item supporting the Chancellor's Office administrative costs:

- *Notwithstanding any other provision of law, upon determination of the amount of funding necessary for the California Community Colleges Chancellor's office to cover costs associated with moving expenses during the 2014-15 fiscal year, the Director of Finance may augment this item by up to \$1.0 million. Within 30 days of any augmentation effectuated pursuant to this provision, the Department of Finance shall report to the Joint Legislative Budget Committee on the amount augmented and the specific purposes for which the augmentation is being made.*

Staff Recommendation: Amend the Budget Bill to Allow Appropriation for Potential Moving Costs for the Chancellor's Office

6110 DEPARTMENT OF EDUCATION
5180 DEPARTMENT OF SOCIAL SERVICES

VOTE ONLY ISSUE 8: CHILD CARE ADJUSTMENTS

The May Revise includes multiple adjustments to the state child care budget based on caseload and federal funding changes.

| Item | Funding | Description |
|---|-----------------------------------|---|
| CalWORKs Child Care Caseload Funding | \$14.6 Million General Fund | Reflects revised cost estimates for CalWORKs Stage 2 (-\$15,617,000) and Stage 3 Child Care (\$30,245,000). This adjustment reflects a higher projected cost per case in Stages 2 and 3 than at Governor's Budget, as well as decreased caseload in Stage 2 and increased caseload in Stage 3 |
| Non-Prop 98 Child Care | \$481,000 General Fund | Reflects a revised growth adjustment based on 0-4 year old population |
| Federal Child Care Funds | \$24.4 Million Federal Trust Fund | Increase of \$7,102,000 in one-time funds from prior years and increase of \$17,323,000 in ongoing federal funds. Proposed language also increases amount on a one-time basis for CalWORKs Stage 3 child care to \$27.8 million |
| Excess Authority for Child Care Programs | -\$15.9 General Fund | Removes excess authority associated with federal sequestration. The 2013 Budget Act included this funding to backfill an anticipated sequester of federal child care funds that did not occur |
| State Preschool | \$356,000 Prop 98 General Fund | Reflects revised growth adjustment based on 0-4 year old population. |
| Race to the Top Early Learning Challenge Grant Local Assistance | \$1.7 Million RTT-ELC Grant | Reflects changes in indirect cost rates and grant carryover available from 2013-14 for the RTT-ELC grant |
| Race to the Top Early | \$3.2 Million RTT-ELC Grant | Reflects changes in indirect |

| | | |
|--|--|---|
| Learning Challenge Grant State Operations | | cost rates and grant carryover available from 2013-14 for the RTT-ELC grant |
|--|--|---|

Staff Recommendation: Approve the Adjustments

ITEMS TO BE HEARD

6110 DEPARTMENT OF EDUCATION

ISSUE 1: STANDARDIZED ACCOUNT CODE STRUCTURE AND LCFF TRANSPARENCY

The Subcommittee will consider the Governor's May Revision proposal to reappropriate funds for LCFF fiscal oversight and the Standardized Account Code Structure. The Subcommittee will also discuss options for increasing transparency of LCFF funding.

PANELISTS:

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

BACKGROUND

Standardized Account Code Structure (SACS)

In the 1990s the California Department of Education (CDE) began implementing a new way for school districts to report their revenues and expenditures. As of the 2003-04 school year, all districts use the Standardized Account Code Structure (SACS) in their reporting.

SACS specifies a uniform, comprehensive list of accounts that all districts statewide must use for their financial data collection and reporting. The goal of SACS is to improve the ability of policymakers, educators, and the public to analyze where districts' money comes from and how it is spent, and also to improve the scope, accuracy, and comparability of data from one district to the next. In addition to a robust set of required account codes that districts must include in reports to the state, SACS has optional codes that districts can use to create more detailed reports, including school-level reports if they desire.

With the implementation of the new Local Control Funding Formula (LCFF), LEAs are charged with tracking the LCFF dollars they receive and ensure that expenditures accurately match the proposed spending plan reflected in their Local Control Accountability Plans (LCAP). Concerns have been raised regarding the transparency in tracking LCFF dollars, both on the revenue and expenditure side. Currently, no plan or process has been identified by CDE, or the State Board of Education (SBE), to include more specific LCFF accounting codes within the SACS. Specifically, the CDE could require districts to differentiate between LCFF supplemental and concentration funding from LCFF base funding. Currently, LEAs can create their own optional reporting codes within SACS for tracking specific LCFF funding.

Governor's May Revision

The May Revision requests \$227,000 in one-time General Fund to be reappropriated to support the apportionment and fiscal oversight of funding allocated under the LCFF. Funding was provided in 2013-14 pursuant to Chapter 357, Statutes of 2013 (SB 97), for the purpose of reprogramming apportionment software to align with requirements of LCFF. However, some of this work will need to be completed in 2014-15.

The May Revision also requests that \$2.5 million in one-time General Fund be reappropriated to support the SACS replacement project. Funding was appropriated in the 2013 Budget Act for this purpose, subject to approval of a special project report by the Department of Technology and the Department of Finance. However, the report will not be completed before the end of the fiscal year.

STAFF COMMENTS/ QUESTIONS:

Staff recommends approving the Governor's May Revision proposals to reappropriate \$227,000 General Fund for apportionment and fiscal oversight of the LCFF and \$2.5 million General Fund for the SACS replacement project. Staff also recommends adopting placeholder trailer bill language for purposes of providing increased transparency and information about school funding provided through the LCFF. The language would require CDE to create a uniform SACS resource code differentiating the LCFF supplemental and concentration funding from the LCFF base funding.

Suggested Questions:

- Does the Administration support providing more transparency in tracking LEA's LCFF funding?
- What are the barriers for the CDE in increasing transparency of LCFF funds?

Staff Recommendation: Approve the Governor's May Revision proposal to reappropriate \$227,000 General Fund for apportionment and fiscal oversight of the LCFF and \$2.5 million General Fund for the SACS replacement project.

Adopt placeholder trailer bill language to require that the School Accounting Manual be revised to ensure that LEAs uniformly identify and report LCFF apportionments by base entitlements and supplemental and concentration grant funding.

**6110 DEPARTMENT OF EDUCATION
6879 CALIFORNIA COMMUNITY COLLEGES****ISSUE 2: PROPOSITION 98 PACKAGE**

The issue for the Subcommittee to consider is the total Proposition 98 funding level provided to K-14 schools in the 2014-15 Budget Act.

PANELISTS:

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

BACKGROUND**Overall Proposition 98 Adjustments**

The attached spreadsheet provides detail of the Subcommittee's overall Proposition 98 funding plan. The Subcommittee's alternative to the Governor's Budget makes the following adjustments:

- Assumes LAO revenue projections which provide a revised funding level of \$58.6 billion for the current year and \$63.1 billion for the budget year.
- Provides \$1.25 billion in one-time funding for the Common Core Implementation Block Grant, for purposes of professional development, instructional materials and technology upgrades.
- Dedicates \$384 million to reestablish the Regional Occupational Centers and Programs categorical program outside the LCFF, in order to maintain regionally appropriate career technical education (CTE) in California's high schools. Maintains the LCFF high school grade span adjustment. Includes placeholder trailer bill language to improve CTE accountability measurements and maintenance of effort requirements.
- Provides \$313 million to pay down the K-14 education mandates backlog, further reducing the "wall of debt" owed to schools.
- Provides \$205 million for the State Preschool Program in order to provide 20,000 new preschool slots, increase preschool provider rates by 10 percent, and eliminate preschool family fees.

- Eliminates all payment deferrals owed to schools and community colleges by the end of 2014-15, consistent with the Governor's Budget.
- Increases funding for LCFF implementation by \$153 million above the Governor's proposed \$4.5 billion, further closing the LCFF funding gap.
- Allocates \$28 million in Proposition 39 funds for the Energy Conservation Assistance Act (ECAA) revolving loan program for schools and community colleges for energy projects, subsequently reducing the K-12 energy efficiency grants by \$28 million.
- Dedicates \$4.9 million for the Specialized Secondary Programs and \$4.1 million for the Agricultural Education Incentive Grants outside of the LCFF.
- Provides a 0.85 percent COLA for categorical programs outside the LCFF, including Foster Youth Services, American Indian Centers, American Indian Early Childhood Education, Special Education, and Child Nutrition, consistent with the Governor's Budget.

Community College Actions

The Subcommittee's Community College plan supports the Governor's proposals for enrollment growth and student success funding, and provides additional support for colleges and students. The plan:

- Supports 2.75% enrollment growth per the Governor's May Revise and adopts placeholder trailer bill language directing the Chancellor's Office to develop a new enrollment growth formula for 2015-16;
- Provides \$200 million for the Student Success and Support Program per the Governor's Budget, including \$100 million to be funded based on college's Student Equity Plans. Adopts placeholder trailer bill language to establish the plans in statute, require periodic reports back to the Legislature on how the funding is being used and outcomes related to the funding, and encourages the use of evidence-based approaches to basic skills education.
- Rejects the Governor's Budget proposal to allow 25% of the funds in the Basic Skills, CalWORKS, and EOPS categoricals to be used for other purposes.
- Increases the cost-of-living adjustment from .85% per the May Revise to 1.7%.
- Approves the Governor's Budget proposal to authorize nine new positions at the Chancellor's Office to oversee the Student Success initiative. The positions will augment the Technology, Research and Information Systems Division (3 positions), the Academic Affairs Division (2 positions), the Student Services Division (2 positions), the Finance and Facilities Planning Division (1 position) and the Workforce and Economic Development Division (1 position). In addition, approves funding of \$2.5 million to be used for local assistance but amends the budget bill language to require the funds be used to support community college experts and the Fiscal Crisis and Management Assistance Team.

- Approves the May Revise proposal to increase the reimbursement rate for Career Development and College Preparation courses (enhanced non-credit) to equal the rate of credit courses beginning in 2015-16. Adds language to the proposed trailer bill language requiring the LAO to report to the Legislature by March 1, 2016 on the impacts of this change.
- Provides \$34 Million in one-time 2013-14 Proposition 98 General Funds to address education mandates backlog for community college districts.
- Approves \$25 million in Proposition 98 General Fund to increase the number of full-time faculty.
- Augments funding for the Physical Plant and Instructional Support categorical by \$51.3 million Proposition 98 General Fund over the May Revise. Also eliminates the local match in this categorical per the May Revise, and adds budget bill language allowing districts flexibility in spending this funding on instructional materials or deferred maintenance.
- Increases funding for other critical categorical programs, including the Disabled Students Program, EOPS, the Apprenticeship programs, part-time faculty office hours and basic skills. Conforms to Senate Subcommittee No. 1 action to create a program for foster care students within EOPS.
- Increases the Economic and Workforce Development program by \$10 million over the May Revise proposal for an increase of \$60 million above current funding level, and adds reporting language requiring the Chancellor's Office to report to the Legislature by March 1 on the uses of the additional funds and recommendations on how to measure outcomes associated with this additional funding as well as how to provide appropriate funding for career technical education programs going forward.
- Includes placeholder trailer bill language conforming to Senate Subcommittee No. 1's action on May 20 regarding San Francisco City College. The language would provide stabilization funding for up to three years to allow the college to deal with declining enrollment due to accreditation issues.

The chart on the following page indicates the highlights of the community college package.

| Proposed Augmentations for Community Colleges 2014-15 (In Millions) | | | | |
|---|-----------------------------|-----------------------|------------------|--|
| Issues | 2014-15 Admin May Revise | Proposed Augmentation | 2014-15 Total | Comment |
| Categorical Programs | | | | |
| Academic Senate | \$0.5 | \$0.5 | \$1.0 | Double program funding to enhance work on articulation with CSU |
| Apprenticeship (community colleges) | \$7.2 | \$8.0 | \$15.2 | Restore to 2008-09 level and allow for hourly rate increase |
| Apprenticeship (school districts) | \$15.7 | \$5.0 | \$20.7 | Restore to 2007-08 level and allow for hourly rate increase |
| CalWORKs student services | \$34.5 | \$15.0 | \$49.5 | Restore to 2007-08 level and codify BBL |
| Campus child care support | \$3.4 | \$3.4 | \$6.8 | Restore to 2007-08 level |
| Disabled Students Program | \$84.2 | \$50.0 | \$134.2 | Restore to 2007-08 level |
| Economic and Workforce Development | \$72.9 | \$10.0 | \$82.9 | Additional funding for CTE |
| EOPS | \$88.6 | \$18.0 | \$106.6 | Restore to 2007-08 level BBL |
| Part-time Faculty Office Hours | \$3.5 | \$6.5 | \$10.0 | Support for part-time faculty office hours |
| Physical Plant and Instructional Support | \$148.0 | \$51.3 | \$199.3 | Allow for flexibility to use for deferred maintenance or instructional equip |
| Foster and Kinship Care Education | \$5.3 | \$1.0 | \$6.3 | Make up for eroding program funds |
| Student Success for Basic Skills Students | \$20.0 | \$5.0 | \$25.0 | \$3 million for professional development (support acceleration) |
| Other Appropriations | | | | |
| Full-Time Faculty | | \$25.0 | \$25.0 | Plus BBL |
| COLA | \$47.3 | \$47.3 | \$94.6 | Double COLA to 1.7% |
| Total Augmentation 2014-15 | | \$246.0 | | |
| 2013-14 | | | | |
| Paydown Mandates | | \$34 | | |
| Total Augmentation 2013-14 | | \$34 | | |

STAFF COMMENTS:

Staff recommends approving the Proposition 98 package.

Staff also recommends adopting the Governor's proposed May Revision reversions, with the following technical changes:

6110-488-Reappropriation, Department of Education. Notwithstanding any other provision of law, the balances from the following items are available for reappropriation for the purposes specified in Provisions 1 to 4 6:
0001-General Fund

(22) ~~\$15,000~~ ~~64,000~~ 15,000 or whatever greater or lesser amount of the unexpended balance of the amount appropriated for Supplemental Instruction, Low STAR, Grades 2-6, for the purposes of Section 37252.8 of the Education Code in Schedule (3) of Item 6110-104-0001 of the Budget Act of 2011 (Ch. 33, Stats. 2011), as amended by Section 50 Chapter 7 of the Statutes of 2011.

(23) ~~\$64,000~~ ~~15,000~~ 64,000 or whatever greater or lesser amount of the unexpended balance of the amount appropriated for Supplemental Instruction, Core Academic, K-12, for the purposes of Section 37253 of the Education Code in Schedule (4) of Item 6110-104-0001 of the Budget Act of 2011 (Ch. 33, Stats. 2011), as amended by Section 50 Chapter 7 of the Statutes of 2011.

Staff Recommendation: Approve the Proposition 98 package.

**6110 DEPARTMENT OF EDUCATION
5180 DEPARTMENT OF SOCIAL SERVICES****ISSUE 3: ASSEMBLY EARLY EDUCATION PLAN**

The Subcommittee will consider adopting the Assembly Early Education Plan.

PANELISTS:

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

BACKGROUND

The State offers an array of early education programs that serve more than 340,000 children in California. At its March 11 hearing on Early Childhood Education, the Subcommittee discussed numerous concerns with the current system:

Access to child care remains far below pre-recession levels. The number of state-subsidized child care slots remains about 110,000 less than it was in 2007-08, as the state has reduced spending in this area by more than \$1 billion.

The low rates paid to providers hinder families' access to child care, limit quality, increase staff turnover and threaten many providers' long-term viability. There are two main categories of rate reimbursement for providers: The Standard Reimbursement Rate, which is paid to agencies, such as child care centers and preschools, that contract directly with the Department of Education, has not been increased since 2007. The Regional Market Rate, which is used for programs paid through vouchers, is based on a 2004 market survey. These low rates hinder providers' ability to deliver stable, quality services.

Family fees and eligibility limits continue to threaten access. The state began charging a fee for part-day preschool in 2012-13. About 5 percent of the total enrollment withdrew from preschool and an additional 2,757 children did not enroll in the program after their parents were informed of the fee, just in the first six months of implementation. Family fees also are charged for other non-CalWORKS programs.

Additionally, the State Median Income (SMI) is used to decide whether a family is eligible for subsidized child care. Current policy allows families earning up to 70 percent of the SMI to qualify for child care. The SMI has not been adjusted since 2007; budget language has frozen the SMI each year since then. Freezing the SMI prevents more families from being eligible for child care. Currently a family of three loses eligibility for child care if they earn more than \$42,216 annually; a family of four must earn under \$46,896 annually to qualify.

Elimination of state nutrition funding dis-incentivizes nutritional meals. In 2012, the Governor vetoed out of the budget bill \$10.1 million from the child nutrition supplemental program, which provided a small state subsidy to child care providers who participated in the federal Child and Adult Care Food Program. The state had provided about 16 cents per meal to providers who participated in the federal program, which

provides federal funding to encourage nutritional meals. The state continues to provide this supplemental funding for K-12 schools, but child care providers no longer receive the funding, which has strained child providers' ability to provide healthy meals.

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| STAFF COMMENT |
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The Subcommittee could consider adopting the following Early Childhood Education Plan, which would add 47,000 early education slots in various programs, significantly increase provider rates, and address nutrition and quality concerns.

| Action | Description | General Fund Cost | Proposition 98 Cost |
|--|--|------------------------|----------------------|
| Add 47,000 new Early Education Slots | 20,000 new part-day preschool slots with Head Start wrap-around services; 15,000 new part-day preschool slots; 12,000 new General Child Care and voucher slots | \$112 Million | \$140 Million |
| Increase the State Reimbursement Rate for General Child Care Centers and Part-Day Preschool | Increase rates by 10%; also increase multiplier for infant/toddler care from 1.7 to 2 | \$50 Million | \$50 Million |
| Increase the Regional Market Rate | Increase rate by 10% in every county | \$40 Million | |
| Increase Family Eligibility | Use Current 70 percent of SMI child development programs, Increase Preschool Eligibility Amounts by 25 percent and Eliminate Preschool Family Fees | | \$15 Million |
| Improve Provider Quality | \$15 million for provider training administered by Resource and Referral Networks; \$7.5 million to support training coordinated by Local Child Care Planning Councils | \$22.5 Million | |
| Reinstate state stipend for nutrition | Reinstate \$.16 per meal for providers participating in federal Child and Adult Care Food Program | \$10 Million | |
| Total | | \$234.5 Million | \$205 Million |

Staff Recommendation: Approve the Assembly Early Childhood Education Proposal.
