

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Kevin McCarty, Chair

MONDAY, MAY 23, 2016

UPON ADJOURNMENT OF FLOOR SESSION - STATE CAPITOL, ROOM 444

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VOTE ONLY ITEMS**6100 DEPARTMENT OF EDUCATION****ISSUE 1: K-12 HIGH SPEED NETWORK**

The Subcommittee heard the K-12 High Speed Network's (HSN) budget on April 26th and held it open. The Governor's budget continues to provide \$8 million in Proposition 98 General Fund for the HSN's operations. The May Revision includes additional trailer bill language requiring the HSN to receive Department of Finance (DOF) approval prior to expending any funding received through subsidies associated with the Broadband Infrastructure Improvement Grant (BIIG) program.

BACKGROUND

The K-12 High Speed Network (HSN), which is administered by the Imperial County Office of Education, manages the internet connection hubs at the 58 county offices of education (COEs). The HSN primarily works with the Corporation for Education Network Initiatives in California (CENIC) in connecting school districts to the HSN. The HSN is also charged with claiming state and federal internet subsidies on behalf of schools. The state has recently charged the HSN with implementing two new initiatives – the Broadband Infrastructure Improvement Grant (BIIG) program and the Technical Assistance and Professional Development Initiative. The 2015 Budget Act provided one-time funding for these initiatives, but did not provide administrative funding for the HSN to manage these projects.

Historically, the HSN has received \$8.3 million in Proposition 98 General Fund annually. However, over time, as the HSN's costs have decreased, they accumulated a high reserve. In 2014-15, the HSN's reserve was \$14.7 million. The 2015-16 budget suspended the HSN's General Fund appropriation, causing them to spend down their reserve. The DOF estimates that the HSN's reserve will be \$4.8 million at the end of 2015-16.

Governor's January Budget

The Governor's January budget provided \$8 million in Proposition 98 General Fund for the HSN's operations. Since the release of the Governor's budget in January, the HSN has identified additional expenditures, including: \$2.6 million to administer BIIG grants and \$1.2 million to replace equipment costs at seven sites.

Governor's May Revision

The Governor's May Revision continues to provide \$8 million for the HSN's operations, but makes changes to the HSN's expenditure authority to allow them to use their reserves for the additional expenses identified by the HSN. Specifically, the May Revision authorizes \$22 million for HSN's expenditures in 2016-17. Of these expenditures, the budget estimates \$10.9 million will be funded through state and federal subsidies, \$8 million in Proposition 98 General Fund and \$3.1 million will be used from the HSN's reserve. The May Revision shifts K-12 HSN funding from reappropriated Proposition 98 savings to the 2014-15 Proposition 98 minimum guarantee.

The May Revision also proposes to require the HSN to submit quarterly reports to the DOF and budget committees of each house of the Legislature on the federal and state subsidies received as a result of the BIIG funding provided in the 2014 and 2015 Budget Acts. In addition, the May Revision includes language requiring the HSN to receive DOF approval prior to expending any of the subsidies received through the BIIG programs. The proposal also requires notification to the Joint Legislative Budget Committee.

LAO Recommendation

The LAO recommends requiring CDE to release state funds to the HSN earlier, which would in turn address the HSN's cash flow issues. The LAO also recommends reducing the HSN's state appropriation by \$1.5 million in 2016-17, resulting in a total reserve level of \$0 for the HSN at the end of 2015-16. The LAO argues that if CDE releases the funding sooner, the HSN does not need to have a reserve. Additionally, the LAO raises concerns with the HSN's administrative costs, which have grown considerably in recent years.

STAFF COMMENTS:

The HSN identified \$3.8 million in additional expenses in 2016-17, including \$2.6 million to administer the BIIG grants and \$1.2 million for equipment upgrades. The Governor's budget proposes the HSN spend down their reserve funding to pay for these costs. According to the DOF, the HSN would have an estimated reserve level of \$1.7 million at the end of 2016-17 under the Governor's proposal. The HSN argues that this level is not sufficient due to their cash flow needs. Specifically, because it takes the CDE six months or more to pass through their General Fund appropriation and the timing of receiving the state and federal subsidies is unpredictable.

Staff recommends the following actions:

- Approve the Governor's proposed funding level for the HSN, including the expenditure authority and technical changes included in the May Revision.
- Approve the May Revision proposal to require the HSN to submit quarterly reports to the DOF and budget committees of each house of the Legislature on the federal and state subsidies received as a result of the BIIG funding.
- Approve the May Revision proposal to require the HSN to receive DOF approval, and notify the Joint Legislative Budget Committee, prior to expending any of the subsidies received through the BIIG programs.
- Adopt the LAO's recommendation to require CDE to release the state funds to the HSN in a timely manner to address their cash flow needs. Specifically, staff recommends adopting placeholder trailer bill language requiring the SPI to apportion the funds appropriated for the HSN in compliance with the following:
 - Three-fourths of the total amount appropriated shall be apportioned by the end of July.
 - One-fourth of the total amount appropriated shall be apportioned by the end of January.

Staff Recommendation: Approve the staff recommendation.

ISSUE 2: FOSTER YOUTH SERVICES COORDINATING PROGRAM

The Subcommittee will consider the Governor's May Revision proposal to revise the funding formula for the Foster Youth Services Coordinating program.

BACKGROUND

AB 854 renamed the Foster Youth Services (FYS) program to the Foster Youth Services Coordinating (FYSC) program and changed the primary function from direct services to coordination. The bill also allowed program funds to be used to support all students in foster care, irrespective of placement. The 2015 Budget Act dedicated \$25 million in additional funding for the FYSC program, in order to expand the program across the state. The bill directed the SPI to develop an allocation formula for all COEs on or before October 31, 2015, which may include additional criteria in the allocation formula but shall apply, at a minimum, the following criteria:

- 1) The number of pupils in foster care in the county.
- 2) The number of school districts in the county.

The SPI was also required to submit the allocation formula to the appropriate policy and fiscal committees of the Legislature and the Department of Finance for review, and the Department of Finance is required to approve the allocation formula within 30 days of submission by the SPI. The allocation formula can be revised annually.

The allocation formula developed for 2015-16 includes a base grant of \$150,000 for each COE participating in the FYSC program and a 50-50 split of remaining funds based on foster youth and school district counts.

Governor's May Revision

The Governor's May Revision proposes to make changes to the funding formula for the FYSC program, beginning in 2016-17. The proposed trailer bill language would require a base grant amount of \$75,000 Proposition 98 General Fund for each COE participating in the FYSC program. The proposal would also require 70 percent of the annual funding allocation to be based on the number of foster youth in the county and 30 percent based on the number of school districts in the county.

STAFF COMMENTS:

According to input provided by COE staff administering FYS programs, the workload associated with the program is largely driven by the number of foster youth being served. Therefore, the DOF, CDE and legislative staff worked together on a revised funding formula weighted more heavily on the number of foster youth being served in each county. Additionally, the revised formula decreased the base grant due to the fact that many of the COEs reported that the staff member administering the FYS program is typically a classified employee, paid at a lower salary than \$150,000.

Staff Recommendation: Approve the May Revision proposal.

ISSUE 3: STUDENT FRIENDLY SERVICES

The Subcommittee heard the Governor's budget proposal to provide \$1 million in one-time Proposition 98 General Fund for the Student Friendly Services college planning website on May 3rd and held it open. The May Revision proposes to provide an additional \$1 million for this purpose, and to make this funding ongoing.

BACKGROUND

The nonprofit California College Guidance Initiative (CCGI) manages a college planning website, also known as Student Friendly Services. The website provides high school counselors, students, and parents with various tools to access information about college planning and financial aid. Students also can create free personal accounts to plan and track their high school course taking and manage their applications for financial aid and college admissions. In addition to these publicly available services, CCGI offers enhanced services to school districts on a subscription basis. For an annual fee, the organization creates individual accounts for all of a subscribing district's students and then inputs, verifies, houses, and shares student transcript data with certain universities. In addition, the organization generates web-based student-level progress reports to help counselors in subscribing districts place students in classes. Subscribing districts also can use the website to predict course demand for classes based on students' needs.

In 2015-16, CCGI received \$1.8 million for the website. Of this amount, \$1 million was Proposition 98 General Fund (\$500,000 ongoing and \$500,000 one-time), \$1.8 million was private funding, and \$100,000 came from the California State University. In addition, 15 school districts paid a combined \$250,000 for enhanced services. Twelve more districts have applied for the services in 2016-17.

Governor's January Budget

The Governor's January budget includes \$1 million in additional one-time Proposition 98 funding for the Student Friendly Services college planning website in 2016-17. The Governor's proposal does not include specific requirements for the funding, but indicates the purpose would be to expand the use of the website for more students and school districts.

Governor's May Revision

The Governor's May Revision proposes to increase the augmentation for the Student Friendly Services website to \$2 million and make the entire \$2 million ongoing. This would bring the total funding level to \$2.5 million in ongoing Proposition 98 General Fund for the website. The CCGI would use the funds to make improvements to the website and enhance the fee-for-services components of the site. The CCGI argues that there is a significant amount of work that goes into preparing districts to be able to apply and receive the website's enhanced services, such as making sure their systems are compatible.

STAFF COMMENTS:

The CCGI's philanthropic funding has declined in recent years, resulting in a deficit in their budget. Additional funding is needed in order to allow the website to operate the open access services for all students, and allow for growth in the subsidized fee-for-service option for districts to provide their students with additional college preparation services. However, CCGI's budget documents indicate that \$1.5 million in ongoing Proposition 98 funding would be sufficient to balance their budget in 2016-17 and the additional \$1 million would be used to build capacity in other regions of the state.

Staff recommends providing an additional \$1 million in ongoing Proposition 98 General Fund and \$1 million in one-time Proposition 98 General Fund in 2016-17. This would provide a total of \$2.5 million (\$1.5 million ongoing and \$1 million one-time) for the Student Friendly Services college planning website. This will allow CCGI to have a balanced budget and provide one-time funding in order for them to expand their enhanced services to other LEAs across the state.

Staff Recommendation: Approve \$1 million in ongoing Proposition 98 General Fund and \$1 million in one-time Proposition 98 General fund for the Student Friendly Services website.

ISSUE 4: FUNDING FOR THE EXPLORATORIUM

The Governor's January budget included a proposal to provide \$3.5 million for the Exploratorium in San Francisco to provide professional development and leadership training in implementing the Next Generation Science Standards and improving instruction in science, technology, engineering and math (STEM) education. The Subcommittee heard this issue on April 26th and held it open.

BACKGROUND

The Exploratorium, located in San Francisco, was founded in 1969 and specializes in interactive exhibits illustrating scientific principles. Although the Exploratorium is primarily a science museum, it also provides resources for math and science teachers. The Exploratorium offers teacher professional development resources including workshops, leadership programs, online courses and digital teaching resources at no cost to participants and additional programming for teacher professional developers at minimal cost. The Exploratorium offers free admission for all California public school teachers and free field trips to all California Title I Schools.

The state has provided some funding to the Exploratorium in the past, including a one-time grant of \$700,000 in 1984, \$500,000 in ongoing funding from 1988-89 through 1990-91, and about \$1.5 million annually from 1997-98 through 2002-03.

Governor's 2016-17 Budget

The Governor's budget adds \$3.5 million to San Francisco Unified School District's LCFF apportionment. The Governor's proposed trailer bill language requires this funding to be made available to the Exploratorium in San Francisco for the purposes of providing professional development and leadership training for education professionals, expanding access to quality STEM education and supporting the implementation of the NGSS.

STAFF COMMENTS:

In the past, the state has dedicated resources to implement newly adopted state standards, including professional development for teachers. The Governor's proposal would help to provide necessary training for teachers in the recently adopted NGSS. Staff recommends approving the Governor's proposal in order to provide the additional resources to teachers related to the NGSS and STEM education.

Staff Recommendation: Approve as budgeted.

ISSUE 5: CDE STATE OPERATIONS

The Subcommittee heard and voted on the CDE's state operations budget on May 3rd. The May Revision included additional funding for the CDE's state operations.

BACKGROUND

The Governor's May Revision includes the following changes to the CDE's state operations:

- 1) **Instructional Quality Commission (IQC).** Provides \$362,000 non-Proposition 98 General Fund to support curriculum framework activities of the IQC. This funding will support the development of the science and health curriculum frameworks in 2016-17.
- 2) **State and Federal Accountability System Support.** Provides \$251,000 non-Proposition 98 General Fund to support 2 existing positions that will continue the development, implementation, and maintenance of the state and federal accountability systems. The funding would be available until June 30, 2019.
- 3) **Shift State Operations Funding Between Schedules.** Shifts \$550 million in non-Proposition 98 General Fund from schedule (3) of this item to schedule (2) of this item. This technical adjustment would correct a scheduling error and more accurately reflect program funding, and would have no effect on the total amount budgeted in this item.
- 4) **Distinguished After School Health Recognition Program Administration.** Redirects \$59,000 in non-Proposition 98 General Fund from support of child care services to the administration of the Distinguished After School Health Recognition Program to accurately reflect program funding.
- 5) **Uniform Complaint Procedure (UCP) Activities.** Provides \$200,000 non-Proposition 98 General Fund a one-time basis to support the SDE's review of UCP appeals related to civil rights, physical education, lactation accommodations, foster and homeless youth rights, and courses without educational content. The California State Auditor is expected to release a report in December 2016 evaluating the current UCP process to determine whether other complaint models may serve the state more effectively. This one-time funding provides SDE with resources for 2016-17 activities. Future funding for UCP activities will be considered after the State Auditor's report is issued.
- 6) **Reversion of Savings from *Cruz v. California* Lawsuit.** Reverts \$1.6 million non-Proposition 98 General Fund provided in the 2014 Budget Act and \$2.9 million non-Proposition 98 General Fund from the 2015 Budget Act to the General Fund. The *Cruz v. California* lawsuit has been settled and the CDE no longer needs the remaining funding for legal defense costs.
- 7) **Career Pathways Trust Program.** Reappropriates \$300,000 of one-time Proposition 98 savings to reflect unspent funds provided for the first round of the Career Pathways Trust Program to be used to support the technical assistance needs of the program in 2016-17.

- 8) **Health Frameworks.** Reappropriates \$135,000 non-Proposition 98 General Fund from the 2015 Budget Act for the CDE to contract with a researcher/writer with expertise in sex trafficking and sexual abuse to draft a section of the Health Framework for consideration by the Instructional Quality Commission.

STAFF COMMENTS:

Staff has no concerns with the proposed May Revision changes.

Staff Recommendation: Approve as budgeted.

ISSUE 6: CONTINUED SUPPORT FOR LCFF IMPLEMENTATION

The Governor's budget includes \$500,000 in Proposition 98 funding for the San Joaquin COE to support the development of the evaluation rubrics and the web-based system for the School Accountability Report Card (SARC). The Subcommittee heard this proposal on March 8th and held it open.

BACKGROUND

The Governor's January budget included two proposals related to further supporting the implementation of the LCFF and state accountability system. These proposals include:

Positions for the State Board to Support LCFF Implementation

The Governor's budget includes \$548,000 in non-Proposition 98 General Fund in 2016-17, \$572,000 in 2017-18 and \$304,000 in 2018-19 for the Office of Planning and Research (OPR) to support the SBE's implementation of the LCFF. The 2013 Budget Act provided \$2 million non-Proposition 98 General Fund to the OPR to support the SBE's implementation of the LCFF by funding two full-time limited term positions and contracted services. The Governor's budget proposal would allow for the SBE to maintain the positions provided in 2013-14 through 2015-16, and fund one additional position for three more years. The positions would support the following activities:

Position 1 - Local Control Funding Formula:

- Oversee the LCAP, Annual Update, and evaluation rubrics development, maintenance, and outreach; monitor WestEd's research and development of the evaluation rubrics content and San Joaquin County Office of Education's (SJCCE) technical infrastructure of the online evaluation rubrics system; support the California Collaborative for Educational Excellence (CCEE); support the work to align with federal requirements.

Position 2 - State Standards, Curriculum Frameworks, Assessment and Accountability:

- Manage the implementation of California's state academic standards (e.g.. Common Core, Next Generation Science Standards, and English Language Development), curriculum frameworks, and state assessments, through the California Assessment of Student Performance and Progress (CAASPP), including Smarter Balanced and the Alternate Assessment, in addition to the English Language Proficiency Assessment for California (ELPAC). Facilitate the relationship among the state standards, frameworks, and assessments within the state's new accountability system and support the work to align with federal requirements.

Position 3 - California's State Accountability System:

- Coordinate the state entities (e.g., CDE, CCEE, and CCEs), stakeholders (e.g., parent and community groups), and other state agencies (e.g.. State Controller's Office) that are responsible for the implementation of the new accountability system based on the framework and implementation work plan (this plan was presented to the SBE at its 2015 November meeting and will be revised over time); support the work to align with federal requirements.

Funding for San Joaquin County Office to Support LCFF Accountability

The Governor's budget includes \$500,000 in Proposition 98 funding annually beginning in 2016-17 through 2018-19 for the San Joaquin COE to support the development of the evaluation rubrics and the web-based system for the School Accountability Report Card (SARC). The trailer bill language directs the Department of Education, subject to approval by the executive director of the State Board of Education, shall enter into a contract with the San Joaquin COE to do the following activities:

- 1) Host, maintain and support the development of the LCFF evaluation rubrics web-based system.
- 2) Maintain and support the web application system for the SARC.

The 2015 Budget Act included \$350,000 in one-time Proposition 98 funding for the Superintendent of Public Instruction to enter into a contract with the San Joaquin COE for this purpose.

STAFF COMMENTS:

This funding will provide continued support to implement the LCFF and state accountability system. Staff recommends approving the Governor's proposals.

Staff Recommendation: Approve as budgeted.

ISSUE 7: STATE SPECIAL SCHOOLS

The Governor's budget includes the following proposals related to the State Special Schools:

- \$4 million in non-Proposition 98 General Fund to address deferred maintenance at the State Special Schools.
- \$1.7 million in non-Proposition 98 General Fund to replace a building used as an activity center for middle school students at the California School for the Deaf in Fremont.

BACKGROUND

The California Department of Education (CDE) operates the State Special Schools (SSS), which include two schools for deaf students, located in Fremont and Riverside, and one school for blind students, located in Fremont. In total, these schools serve about 950 deaf and blind students. Of these students, about half reside in on-site dormitories during the week. Additionally, the CDE operates three diagnostic centers, located in Fremont, Fresno, and Los Angeles. These diagnostic centers help identify students' disabilities and offer corresponding training to families and school districts. For the past few years, the SSS has had an annual support budget of approximately \$90 million (about half from Proposition 98 General Fund and half from non-Proposition 98 General Fund).

Governor's 2016-17 Budget

The Governor's budget includes a total of \$91.8 million in funding for the SSS. Of this amount, \$54.3 million is Proposition 98 General Fund and \$37.5 is non-Proposition 98 General Fund. The Governor proposes no changes to the SSS's ongoing budget, but proposes one-time funding for two capital outlay projects, outlined below.

Deferred Maintenance. The Governor's budget provides \$4 million in non-Proposition 98 General Fund to address deferred maintenance projects at the SSS. Prior to allocating the funds, the DOF is required to provide a list of projects for the SSS to the Joint Legislative Budget Committee 30 days prior to allocating any funds. This proposal is part of the Governor's larger deferred maintenance proposal, which includes a total of \$500 million for deferred maintenance for various state departments, identified in Control Section 6.10 of the Budget Bill.

New Middle School Activity Center. The Governor's budget includes \$1.7 million in non-Proposition 98 General Fund to build a new middle school activity center at the California School for the Deaf (CSD) in Fremont. Project activities would include removing the old modular building and constructing a new 2,160 square foot building on a permanent foundation, including new walkways, fencing, accessible parking, manhole and storm drain inlets, and renovated landscaping. The project would consist of a large game room, video viewing area, concession snack bar, bathrooms, storage, refrigerator and freezers, data equipment cabinet, and patio area with barbeque. This is the same proposal the administration made and the Legislature rejected last year.

LAO Recommendation

Regarding the Governor's deferred maintenance proposal, the LAO points out that addressing these concerns now, could prevent more costly repairs in the future. However, the LAO recommends the Legislature require the administration to commit to a list of specific projects prior to adopting the budget, in order for the Legislature to review the specific projects. Consistent with the action it took in 2015-16, the LAO also recommends the Legislature adopt language ensuring the SSS use the \$4 million in one-time funds in addition to, and not instead of, the level of ongoing funding CDE already dedicates towards SSS maintenance. Such language would ensure the additional funding results in further progress towards reducing the maintenance backlog.

The LAO recommends rejecting the Governor's proposal to build a new middle school activity center at the CSD in Fremont. The LAO argues that the activity center is not vital to the school's core instructional program. While the closing of the old activity center has limited extracurricular opportunities for about 60 residential middle school students, the LAO believes other state capital and maintenance projects are higher priorities. The LAO recommends the Legislature repurpose the \$1.7 million for high-priority maintenance projects, either at the SSS or at other state departments

STAFF COMMENTS:

Deferred Maintenance. The CDE has identified a backlog of maintenance projects at the SSS totaling approximately \$17 million. Therefore, providing \$4 million in one-time funding toward addressing this backlog is a smart investment and will save the state more costly repairs in the future. This proposal is part of the larger deferred maintenance proposal, which will be voted on in Subcommittee #4 on May 23rd.

Staff recommends adding provisional language to Item 6100-005-0001 specifying that the state special schools continue to use \$1.8 million of their existing operational funds for deferred maintenance projects. The SSS have done this for the past two years and this will help address the deferred maintenance backlog.

New Middle School Activity Center. Due to the concerns raised by the LAO and Subcommittee Members, staff recommends rejecting this proposal.

Staff Recommendation:

- Adopt provisional language to Item 6100-005-0001 specifying that the state special schools continue to use \$1.8 million of their existing operational funds for deferred maintenance projects.
 - Reject the Governor's proposal to provide \$1.7 million in non-Proposition 98 General Fund to build a new middle school activity center at the California School for the Deaf (CSD) in Fremont.
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ISSUE 8: MULTI-TIERED SYSTEMS OF SUPPORT

On May 3rd the Subcommittee heard an update on the \$10 million provided in the 2015-16 budget for academic and behavioral support and the Governor's 2016-17 budget proposal to provide \$30 million in additional funding for this purpose.

BACKGROUND

The 2015 California Statewide Special Education Task Force Report made a number of recommendations for improving the effectiveness of not only special education, but the education system as a whole. The vision of the Task Force is that general education and special education will work together seamlessly as one system, which is carefully designed to address the needs of all students. One of the task force recommendations included implementing a Multi-tiered System of Support (MTSS) for students who struggle either academically or behaviorally. MTSS is an integrated, comprehensive framework that focuses on the common core state standards (CCSS), core instruction, differentiated learning, student-centered learning, individualized student needs, and the alignment of systems necessary for all students' academic, behavioral, and social success. The idea is that these systems would serve as an alternative to identifying struggling students for special education or addressing behavioral issues through disciplinary action.

The 2015-16 budget provided \$10 million in one-time Proposition 98 funding for the CDE to award one or two county office(s) of education (COEs) to provide technical assistance and to develop and disseminate statewide resources that encourage and assist LEAs in implementing these new systems of support. The 2015-16 trailer bill required the selected COE(s) to identify strategies for implementing these systems, develop materials, and provide technical assistance and professional development to LEAs interested in implementing academic and behavioral supports. Specifically, these systems of support can include: positive behavior interventions and support, restorative justice, bullying prevention, social and emotional learning, trauma-informed practice, and cultural competency.

The CDE received seven applications from COEs and recently selected the Orange County Office of Education (OCOE) to administer this program. The OCOE intends to use \$2.5 million of the \$10 million to provide subgrants to LEAs to implement academic and behavioral support programs. The OCOE proposes to use the remaining \$7.5 million mainly on developing and disseminating resources, technical assistance and training for LEAs.

Governor's January Budget

The Governor's budget dedicates an additional \$30 million in one-time Proposition 98 funding for the OCOE to support LEAs in implementing MTSS and other academic and behavioral support systems. The administration envisions that the additional \$30 million will allow for the OCOE to provide more subgrants for LEAs to implement these systems of support.

Governor's May Revision

The May Revision includes trailer bill language directing the SPI and the State Board of Education, in consultation with the OCOE, to develop criteria for how the OCOE will allocate the additional \$30 million.

STAFF COMMENTS

MTSS focuses on core instruction, differentiated learning, and the alignment of systems necessary for a student's academic, behavioral, and social success. The \$10 million provided in the 2015-16 budget was intended to help prevent students from entering special education programs by providing resources and technical assistance for LEAs to implement various systems of support. The Governor's proposal to provide an additional \$30 million will build on this investment.

The trailer bill language proposed at the May Revision directs the SPI and State Board to develop criteria for allocating this funding. Staff recommends the Legislature provide further direction on how this funding should be allocated, either through the trailer bill or other legislation. Specifically, staff recommends specifying a minimum amount that should be allocated to LEAs to implement programs within the MTSS framework.

Staff Recommendation: Approve the Governor's proposed funding level; adopt placeholder trailer bill language.

ISSUE 9: K-12 MAY REVISION CHANGES

The Governor proposes several minor or technical changes in May Revision, outlined below.

6100	Department of Education	Staff Recommendation:
	Federal Funds Adjustments	
1	<p>Public Charter Schools Grant Program (PCSGP). The May Revision includes language to allow CDE to use up to \$34.5 million in federal carryover for the Charter School Startup Grant Program. The CDE awards planning and implementation grants up to \$575,000 to new charter schools.</p>	<p>Approve as budgeted. CDE has reported only \$22 million is available at this time.</p>
2	<p>Student Assessment Program. The May Revision proposes to increase funding for the Student Assessment Program by \$153,000 federal Title VI funds to align to the federal grant award and decrease the amount of Proposition 98 General Fund by the same amount. Federal funds for state assessments are provided for costs associated with the development and administration of the California Assessment of Student Performance and Progress, and the English Language Development Test.</p> <p>The May Revision also proposes trailer bill language that specifies legislative intent that the CDE ensure, where feasible, that California computer-based assessments utilize the assessment delivery system infrastructure and hosting platform outlined in the Smarter Balanced Technical Hosting Solution and that assessments, to the extent possible, will be developed to operate on existing infrastructure and include other requirements.</p>	<p>Approve as budgeted. This adjustment allows CDE to use additional federal funds available for assessment purposes, freeing up Proposition 98 General Fund.</p> <p>Approve trailer bill language to be refined as needed.</p>
3	<p>English Language Acquisition. The May Revision provides \$1.2 million in federal Title III carryover from state level activities to be redirected to local assistance for allocation to applicable local educational agencies (LEAs). The English Language Acquisition program provides services to help students attain English proficiency and meet grade level academic standards.</p> <p>The CDE submitted a BCP this spring to use \$1.2 million in Title III carryover funding for two purposes: 1) develop a video professional development series on the new English Language Development (ELD) standards, and 2) update their guidance document, "Improving Education for English</p>	<p>Reject the May Revision proposal and instead provide \$1.2 million in Title III carryover for CDE to 1) develop a video professional development series on the new ELD standards, and 2) update their guidance document, "Improving Education for English Learners: Research-Based</p>

	Learners: Research-Based Approaches” to reflect the new ELD standards. The request was not included in the May Revision.	Approaches” to reflect the new ELD standards. Allow CDE to use the funding over three years.
4	Improving Teacher Quality. The Governor's proposes to reduce schedule (1) of this item by \$4,837,000 federal Title II, Part A funds, to align to the federal grant award. The May revision further requests to increase schedule (4) of this item by \$126,000 in federal Title II, Part A Part B carryover funds to complete professional development activities for private schools as required by federal law. These activities have been delayed in the current year due to a change in the contractor.	Approve as requested with a technical correction to amend BBL language requested by DOF to specify that carryover in schedule (4) is from federal Title II, Part B.
5	National School Lunch Program Equipment Assistance Grants. The May Revision proposes to use \$3.7 million in Federal Trust Funds to reflect the availability of one-time funds to provide grants for food service equipment. Qualifying LEAs receiving funding may purchase equipment to serve healthier meals, meet nutritional standards, and improve food safety.	Approve as budgeted. Technical adjustment to reflect available federal funds.
General Fund and Other Adjustments		
6	Tobacco-Use Prevention Education Program. The May Revision requests that Schedule (1) of Item 6100 101 0231 be increased by \$190,000 Health Education Account and Schedule (1) of Item 6100-102-0231 be increased by \$568,000 Health Education Account to reflect increased revenue estimates for the Cigarette and Tobacco Products Surtax Fund (Proposition 99). These funds are used for health education efforts aimed at preventing and reducing tobacco use. Activities may include tobacco-specific student instruction, reinforcement activities, special events, and cessation programs for students.	Approve as budgeted. Technical adjustment to align with increased revenue estimates.
7	Special Education. The May Revision requests that item 6100-161-001 be increased by \$15,702,000 Proposition 98 General Fund. This adjustment includes: (1) an increase of \$36,138,000 to reflect decreased offsetting property tax revenues; (2) a decrease of \$3,209,000 to reflect reduced estimates of growth in average daily attendance; and (3) a decrease of \$17,227,000 to reflect a decrease in the cost of living adjustment.	Approve as budgeted. Conform to Proposition 98 package.
8	Proposition 98 Child Nutrition Program. The May Revision makes adjustments to the Child Nutrition	Approve as budgeted. Conform to Proposition

	Program, including 1) a decrease of \$757,000 Proposition 98 General Fund to reflect the revised cost-of-living adjustment applied to the per-meal reimbursement rates for the state child nutrition program at public school districts, county offices of education, and Proposition 98-eligible child care centers and homes, and 2) a decrease of \$2.377 million Proposition 98 General Fund to reflect the revised estimate of meals served through the state child nutrition program. The resulting appropriation would fully fund, at the specified rates, all meals projected to be served in 2016-17.	98 package.
9	Increase Mandate Block Grant Funding. The May Revision includes an additional \$131,000 Proposition 98 General Fund to align mandate block grant funding with revised average daily attendance estimates. This additional funding is required to maintain statutory block grant funding rates assuming 100 percent program participation.	Approve as budgeted.
10	Shift Funding for the Career Technical Education Incentive Grant. The May Revision shifts \$60 million one-time Proposition 98 General Fund to reflect funding for the CTE Incentive Grant Program from funding that counts towards the 2015-16 Proposition 98 minimum guarantee to the 2016-17 Proposition 98 minimum guarantee. As a result, proposed trailer bill legislation from the Governor's Budget is unnecessary and is being deleted.	Approve as budgeted. Technical change does not impact the amount provided for the CTE Incentive Grant program.
11	Career Technical Education Incentive Grant Match Review. The Administration proposes trailer bill legislation to allow the State Superintendent of Public Instruction to annually review the career technical education program expenditures of grant recipients, for purposes of verifying that the dollar-for-dollar match requirement of the California Career Technical Education Incentive Grant Program was met. If the match requirement was not met, the language directs the Superintendent to reduce the following year's grant allocation in an amount equal to the unmet portion of the match requirement.	Approve trailer bill language, to be refined as needed.
12	Funding for Out-of-Home Care Program for Special Education. The Administration proposes trailer bill legislation to reflect anticipated changes in funding for the Out-of-Home Care program for foster students with exceptional needs receiving special education services, pursuant to Chapter 773, Statutes of 2015 (AB 403).	Approve trailer bill language, to be refined as needed.

13	<p>Reasonable Reimbursement Methodology (RRM). The Administration proposed trailer bill legislation at the Governor's Budget requiring a RRM, based wholly or partly on claimed cost data, to be developed with claimed costs that have been audited by the State Controller's Office (SCO). The Administration proposes to amend the trailer bill legislation to require the SCO to audit a representative sample of claimed costs used to develop an RRM.</p>	<p>Approve placeholder trailer bill language to be refined as necessary.</p>
14	<p>Special Education Redevelopment Agency Revenue Backfill. The Administration proposes trailer bill legislation to provide a Proposition 98 General Fund backfill for special education programs if redevelopment agency revenues distributed to local educational agencies for special education are less than estimated in the 2016 Budget Act. This trailer bill language was inadvertently left out of the 2016-17 Governor's Budget trailer bill legislation.</p>	<p>Approve trailer bill language, to be refined as needed.</p>
15	<p>Special Education Adjustment for Property Tax Revenue. The Administration proposes trailer bill legislation to appropriate up to \$28.5 million Proposition 98 General Fund to backfill an expected special education property tax shortfall in 2015-16. These funds will be available only if the amount of local proceeds of property taxes for special education reported as of the second principal apportionment and certified pursuant to Education Code section 41339 are less than the estimated local property taxes for special education that were included in the 2015 Budget Act.</p>	<p>Approve trailer bill language, to be refined as needed.</p>
16	<p>California School Information Services (CSIS). The May Revision proposes trailer bill legislation to appropriate \$6.6 million Proposition 98 General Fund for CSIS operational activities. The May Revision provides CSIS the same amount of funding as the Governor's Budget; however, the May Revision shifts CSIS funding from reappropriated Proposition 98 savings to the 2014-15 Proposition 98 minimum guarantee.</p>	<p>Approve trailer bill language to be refined as needed.</p>

Staff Recommendation: Approve the staff recommendations.

6100 DEPARTMENT OF EDUCATION
0985 CALIFORNIA SCHOOL FINANCE AUTHORITY

ISSUE 10: CHARTER SCHOOL STARTUP GRANT PROPOSAL

The Subcommittee heard the Governor's proposal to provide \$20 million in one-time Proposition 98 General Fund for charter school startup grants on May 3rd and held it open. The May Revision proposes to shift this grant program from the CDE to the California School Finance Authority (CSFA) and provides \$50,000 in one-time General Fund to support the program at the CSFA.

BACKGROUND

Since 1995, California has received federal funding from the Public Charter Schools Program. In 2010 the state received a five-year allocation for this program totaling \$232.4 million. Under this program, grantees can receive planning funds and implementation funds, with a maximum award of \$575,000 per recipient. The CDE is responsible for reviewing applications and determining if applicants meet the federal eligibility requirements. California applied for the federal grant again last year, but was not selected.

The Governor's January budget included \$20 million in one-time Proposition 98 funding to provide startup grants for charter schools, due to the lack of federal grant funds. The proposal would provide new charter schools with grants of up to \$575,000, similar to the federal program. A charter school could apply for a grant prior to being authorized; however, funding would not be provided until the charter school was authorized. The Governor's proposal would give priority to charter schools located in low-income areas and in counties with few existing charter schools. Trailer bill language specifies that grantees can use the funding in their first and second year of operation for any one-time startup costs. Unlike the federal grant program, the Governor's proposal does not exclude any startup costs.

Governor's May Revision

The May Revision shifts the Charter School Startup Grant program and funding from the CDE to the CSFA and provides \$50,000 in one-time General Fund to support the administration and implementation of the program. The May Revision proposes other changes to the trailer bill language to further clarify the programs administrative processes and programmatic eligibility.

STAFF COMMENTS:

The CDE has reported a carryover balance in the federal program of approximately \$22 million. Additionally, the U.S. Department of Education plans to award another round of grants later this year. Staff recommends rejecting the Governor's proposal to provide \$20 million in one-time funding for charter school startup grants. Instead, staff recommends CDE use the federal carryover balance in 2016-17 and revisit this issue next year, if California does not receive a grant in the next round of federal funding.

Staff Recommendation: Reject the Governor's January and May Revision proposal.

ISSUE 11: CALIFORNIA SCHOOL FINANCE AUTHORITY WORKLOAD

The May Revision proposes to provide \$134,000 General Fund to provide one position for the CSFA to address workload associated with the Charter School Facility Grant Program.

The May Revision also proposes to provide \$230,000 Federal Trust Fund to support two positions at the CSFA to address workload associated with the State Charter School Facilities Incentive Grants Program.

BACKGROUND

The CSFA was created in 1985 to finance educational facilities and provide school districts and community college districts access to working capital. Since its inception, the Authority has developed a number of school facilities financing programs and most recently is focused on assisting charter schools to meet their facility needs.

Governor's May Revision

The May Revision proposes to provide \$134,000 General Fund to provide one position for the CSFA to address workload associated with the Charter School Facility Grant Program. The program provides grants to charter schools for rent and lease expenditures subject to eligibility criteria. The administration argues that there is significant demand for this program and the CSFA currently has only 2 dedicated staff for this program.

The May Revision also proposes to provide \$230,000 Federal Trust Fund to support two positions at the CSFA to address workload associated with increased participation in the State Charter School Facilities Incentive Grants Program. The program provides grant funding to charter schools for the cost of rent, leases, or construction. The administration argues that this program is grossly understaffed with only one dedicated analyst to administer this complex \$150 million program.

STAFF COMMENTS:

Staff has no concerns with the Governor's May Revision proposals related to the CSFA workload.

Staff Recommendation: Approve as budgeted.

ISSUE 12: DIVISION OF STATE ARCHITECT SCHOOL CONSTRUCTION PLAN REVIEW

The May Revision proposes trailer bill language to increase the minimum project cost threshold for school and community college construction project to be reviewed by the Division of State Architect (DSA).

BACKGROUND

The Department of General Services, within the DSA, is charged with reviewing construction projects for compliance with the California Building Standards Code. Plan review and construction oversight focus on school and community college districts' new construction and alteration projects.

Governor's May Revision

The Governor's May Revision proposes trailer bill language to increase the minimum project cost threshold for school and community college construction project to be reviewed by the DSA. This proposal would increase the minimum project cost threshold from \$42,218 to \$100,000 for structural projects, and from \$168,187 to \$225,000 for non-structural projects.

The administration argues that this change is needed in order to reduce the review time at the DSA. Currently, the DSA typically takes between two and six months to review projects, which can be problematic for school districts, since they usually have tight timeframes for completing reconstruction projects (generally in the summer, when students are not in school). According to DSA, approximately 25 percent of all projects submitted are under \$100,000. By increasing the threshold, the intent is to refocus existing state resources towards larger and more substantive projects in order to cut down the turnaround time for school districts. The Administration also notes that the minimum project cost also includes the cost of labor and materials. Therefore, the Administration argues that \$100,000 is still a relatively small project.

STAFF COMMENTS:

Staff has no concerns with the Administration's proposed trailer bill language.

Staff Recommendation: Approve trailer bill language to be refined as needed.

6360 COMMISSION ON TEACHER CREDENTIALING**ISSUE 13: REAPPROPRIATION FOR TEACHER MISCONDUCT CASES**

The May Revision includes \$2.5 million in reappropriation of one-time Teacher Credentials Fund carryover for representation costs for the Office of the Attorney General in educator discipline cases.

BACKGROUND

The CTC is charged with enforcing professional conduct standards and monitors the conduct of credential applicants and holders. The CTC has the authority to discipline applicants or holders for misconduct, and cases that are not resolved at the CTC may be referred to the Office of the Attorney General for an administrative hearing. Since 2011-12, the CTC's caseload for teacher misconduct cases has increased considerably. This increase is likely due to bad publicity for certain districts on their handling of misconduct cases. This has led to a sizable backlog in teacher misconduct cases.

Additionally, a 2011 BSA audit found that the CTC revealed weaknesses in the educator discipline process and made a number of recommendations to address the backlog. The CTC has since implemented all the BSA's recommendations. However, the number of open cases has remained fairly consistent over the past three years, at about 2,300-2,600 at any given time. This is well below the 4,629 cases that were open in January 2010.

In order to address the backlog, the 2015-16 budget included an increase in credentialing fees. The \$5 million in revenue generated by this is used to support additional legal staff for the Attorney General's office. However, little progress has been made in shrinking the backlog. The CTC and Attorney General's office anticipate this number will begin to decrease near the end of the current fiscal year as the Attorney General's office ramps up its efforts in this area.

Governor's May Revision

The Governor's May Revision provides an additional \$2.4 million in reappropriation of one-time Teacher Credentials Fund carryover for the Attorney General's office to address the backlog in educator discipline cases.

STAFF COMMENTS:

Staff recommends approving the May Revision proposal in order to help address the backlog of teacher misconduct cases in a timely manner.

Staff Recommendation: Approve as budgeted.

ITEMS TO BE HEARD

6100 DEPARTMENT OF EDUCATION

ISSUE 1: MATH READINESS CHALLENGE GRANT PROPOSAL

The Subcommittee will hear the Governor's proposal to provide \$6.4 million in one-time federal carryover for competitive grants to regional partnerships to develop math courses for high school seniors and train teachers.

PANELISTS

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

BACKGROUND

The Governor's January budget proposed using \$3.1 million in one-time federal Title II carryover for competitive grants for regional partnerships to develop math courses for high school senior and provide professional development for teachers on these courses. The intent of the proposal is to encourage students to take four years of math in high school to better prepare them for college and reduce the remediation rate at the California State University (CSU). The Governor's April letter identified an additional \$3.2 million in one-time federal carryover for this proposal, for a total of \$6.4 million.

The Governor's May Revision includes a number of changes to the trailer bill language outlining the Math Readiness Challenge Grant. These changes include:

- **Changes the number of grants and the grant amounts.** The January budget proposal provided 11 smaller grants, and of those grantees selected three larger grants. The May Revision proposal awards grants of \$1.3 million to five regional partnerships.
- **Expands the use of the grant funding.** The trailer bill language allows grant funding to be used to provide "experiences" to better prepare high school seniors for college-level math. This could include senior year course development or other activities such as tutoring.
- **Creates a grant award committee.** The committee would include a representative from CDE, CSU, and the California Mathematics Project. The proposal requires the committee to consult with the State Board of education on awarding grants.

The January and May proposal requires grantees to share new course materials and information about their practices with other state entities.

LAO Recommendation

The LAO raised several concerns with the Governor's January proposal that the May Revision proposal does not address. Neither proposal includes 1) a plan to encourage adoption of a senior year math course across the state, 2) includes a plan for providing professional development of teachers statewide, 3) requires a commitment from grantees that they would teach a fourth year math course, or 4) links grant funding to activities. The LAO recommends providing funding to each interested CSU campus, including additional details in applications, and establishing statewide training for teachers. The LAO also recommends using the additional carryover funding identified to train more teachers in delivering senior year math courses and allow partnerships to wait to implement the course in their district until teachers have received training.

STAFF COMMENTS:

Staff agrees with the intent of this proposal, which is to encourage high school students to take math in their senior year to better prepare them for college and decrease their chances of needing remediation. Staff recommends approving the Governor's Math Readiness Challenge Grant proposal and make changes to the proposed trailer bill language as needed.

Staff Recommendation: Approve the Governor's proposal; refine trailer bill language as needed.

ISSUE 2: SACS REPLACEMENT PROJECT

The Subcommittee will hear the Governor's May Revision proposal to replace the Standardized Account Code Structure (SACS) system.

PANELISTS

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

BACKGROUND

School districts, COEs, and some charter schools are required annually to submit specified financial data to the state. The Standardized Account Code Structure (SACS) is the system the state uses for collecting and reporting this data. The CDE uses data collected through SACS to comply with federal reporting requirements, provide data to the public on K-12 revenues and expenditures, and conduct fiscal oversight of COEs.

The state designed the existing SACS system in the mid-1990s. This system is now outdated and has a number of resulting problems. Most notably, not all of the SACS software components are supported by current operating systems. For example, the SACS software is not compatible with recent versions of Windows. This problem, in turn, results in LEAs having to undertake unwieldy workarounds and do certain data processes manually. CDE also indicates that SACS no longer is compliant with the state's information technology and security standards.

CDE proposed a replacement SACS system to address these issues, and had an approved Feasibility Study Report in 2011 estimating costs of \$5.9 million. In 2014, CDE submitted a special project report that shows total project costs of \$21.2 million based on updated data needs and complexity. Subsequent refinements to the project lowered the cost to \$19.4 million. The 2015-16 budget act included an installment of \$12.2 million to fund the project, however in the summer of 2015, CDE notified the Joint Legislative Budget Committee that it was terminating funding for the project, citing concerns about the ability to identify ongoing funding for system operations and maintenance.

The Governor's January budget included \$7.2 million (\$3.6 million non-Proposition 98 funding and \$3.6 million federal carryover) for upgrading SACS. Since the Governor's January budget, CDE submitted an alternative proposal for funding the SACS replacement project.

Governor's May Revision

The May Revision replaces the January proposal with \$3 million in Proposition 98 funding for CDE to contract with a COE, which in turn would contract with a vendor to replace SACS. The project would therefore no longer be required to go through the CDT's review and oversight process. The May Revision includes trailer bill language specifying that the funding only be made available for expenditure upon approval of the Department of Finance with 30 day notice to the Joint Legislative Budget Committee.

LAO Recommendation

The LAO recommends rejecting the Governor's May Revision proposal and instead direct CDE to work with the Department of Technology to progress through initial stages of state review process. The LAO recommends the agencies report to the Legislature in the summer, with the intent to fund the project next year.

STAFF COMMENTS:

The Governor's proposal only includes an initial \$3 million for the SACS replacement project. The total cost for the project will not be known until CDE contracts with a COE for this project.

Staff Recommendation: Approve as budgeted, including technical adjustments. Refine trailer bill language as needed.

ISSUE 3: SCHOOL FACILITY EMERGENCY REPAIR REVOLVING LOAN PROGRAM

The Subcommittee will hear the Governor's May Revision proposal to provide \$100 million to create a new K-12 School Facility Emergency Repair Revolving Loan Program.

PANELISTS

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

BACKGROUND

The Governor's May Revision dedicates \$100 million in one-time Proposition 98 General Fund to create a new K-12 School Facility Emergency Repair Revolving Loan Program to provide bridge loans to school districts to address imminent emergency health and safety facilities repairs. To qualify, schools would need to demonstrate that they have closed their facilities for one week or longer, an outside agency has deemed the facility unsafe for occupation, have no extra facilities, and have exhausted all available state and local resources.

School districts that receive a loan through this program would have the option of paying the loan off in full without interest within one year or the SPI can structure a longer-term low interest loan of up to 20 years. As loans are repaid, funds would go back into the fund and be available for emergency repairs at other school sites.

LAO Recommendation

The LAO recommends rejecting the Governor's proposal to create a new revolving loan program to address emergency facility issues because it is redundant with the state's existing Facility Hardship Grant Program.

STAFF COMMENTS:

Staff questions the use of Proposition 98 funds for purposes of facilities and recommends considering the larger issue of school facilities, pending the outcome of the school facilities bond measure in November.

Staff Recommendation: Reject the May Revision proposal.

6360 COMMISSION ON TEACHER CREDENTIALING**ISSUE 4: TEACHER WORKFORCE PROPOSALS**

The Subcommittee will hear two proposals included in the Governor's May Revision aimed at addressing the state's teacher shortage.

PANELISTS

- Department of Finance
- Legislative Analyst's Office
- Commission on Teacher Credentialing

BACKGROUND

School districts across the state are facing teacher shortages. The number of credentials issued to new teachers is at a historic low, while school districts are expanding programs and restoring positions eliminated during the recession.

Governor's May Revision

The Governor's May Revision includes two proposals aimed at addressing the teacher shortage. These proposals include:

Integrated Teacher Credential Programs. The May Revision provides \$10 million in one-time non-Proposition 98 General Fund for grants to California postsecondary institutions to develop or improve four-year integrated teacher credential programs. This funding would go to the Commission on Teacher Credentialing (CTC) to award 20 two-year or 40 one-year grants, or any combination. The grant awards would be \$250,000 each to institutions of higher education to develop a four-year credentialing program. Programs issuing credentials in designated shortage areas would receive priority. Additionally, as a condition of receiving a grant, a postsecondary institution must provide outcome data for at least three years after receiving the grant.

Teacher Recruitment Center. The May Revision dedicates \$2.5 million in one-time Proposition 98 General Fund to create the California Center on Teaching Careers to strengthen statewide recruitment of individuals into the teaching profession. The Commission on Teacher Credentialing would competitively select a LEA to conduct a multi-year statewide teacher recruitment campaign. The proposal outlines the duties of the California Center on Teaching Careers could include, but are not limited to:

- Developing and distributing effective recruitment publications
- Developing, modifying and distributing effective recruitment publications
- Providing information to prospective teachers regarding requirement for obtaining a teaching credential
- Providing information to prospective teachers regarding admission and enrollment into conventional and alternative teacher preparation programs, including institutions that provide and integrated four-year preparation program

- Providing information regarding financial aid and loan assistance programs
- Create or expand a referral database for qualified teachers seeking employment
- Developing and conducting outreach to fill existing teacher shortage areas

The proposal also requires the CTC to conduct an evaluation and report to the DOF and the Legislature on the outcomes of the California Center on Teaching Careers on or before January 1, 2020.

LAO Recommendations

The LAO recommends rejecting the proposal related to the integrated teacher credential program because the LAO believes the barriers to expanding integrated programs will likely not be overcome by allocating one-time grants.

The LAO recommends approving the Governor's proposed funding level for the California Center on Teaching Careers, but recommends requiring recruitment efforts to be focused on longstanding teacher shortage areas.

STAFF COMMENTS:

Staff recommends approving the Governor's proposed funding levels for these two proposals, and direct staff to refine trailer bill language as needed.

Staff Recommendation: Approve as budgeted; refine trailer bill language as needed.
