

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

Assemblymember Joe Simitian, Chair

**TUESDAY, APRIL 8, 2003
STATE CAPITOL, ROOM 444
10:00 am**

ITEMS TO BE HEARD

ITEM	DESCRIPTION	PAGE
0558	OFFICE OF THE SECRETARY FOR EDUCATION	2
ISSUE 1	ACADEMIC VOLUNTEER SERVICE MENTOR PROGRAM	2
ISSUE 2	SCHOOL-TO-CAREER PROGRAM	3
ISSUE 3	STATE OPERATIONS	4
6110	DEPARTMENT OF EDUCATION	5
ISSUE 1	SPECIAL EDUCATION	5
ISSUE 2	STATE MANDATES	7
ISSUE 3	AFTER SCHOOL PROGRAMS (PROPOSITION 49)	10
ISSUE 4	21 ST CENTURY LEARNING CENTER PROGRAM (FEDERAL AFTER SCHOOL PROGRAM)	12
ISSUE 5	SUPPLEMENTAL INSTRUCTION	14

ITEM # 0558 OFFICE OF THE SECRETARY FOR EDUCATION**ISSUE 1: ACADEMIC MENTOR VOLUNTEER SERVICE MENTOR PROGRAM**

The issue for the subcommittee to consider is the proposed reduction to the Academic Volunteer Mentor Service Program.

BACKGROUND:

The Academic Mentor Volunteer Service Program was established by SB 1114 (Leonard), Chapter 901, Statutes of 1992; however, it was first funded in 1996. This program's goal is to match every child in need of an academic mentor with a mentor by providing annual, local assistance grants to recruit volunteer mentors to work with at-risk children in the school setting. Mentors provide academic guidance, role modeling and companionship to students who need motivation and encouragement. School sites are selected based on its ability to meet specified programmatic standards.

Since its inception, over 145 school-based mentor programs in California have received funding through this program, with 17,000 mentors serving 15,000-20,000 students each year. Grants are awarded for a term of three years, with a maximum annual grant amount of up to \$125,000 per site. As of 2001-02, there are 28 school districts participating in the program, with a range of funding from \$25,000 to \$100,000 per school site. Many of these districts have multiple school sites participating in this program. According to the Office of the Secretary for Education (OSE), the average cost per student for one mentor is approximately \$500 per student. Therefore, if a school site receives the maximum grant award of \$125,000 per site, this equates to approximately 250 students per school site that are served.

2002-03 mid-year adjustment. The 2002-03 Budget Act allocated \$5.7 million for this program. As part of the mid-year reductions, the Governor proposed a 9 percent across-the-board reduction, or \$618,000, to this program. The Legislature enacted this cut, which reduced the total funding for the program to \$5.082 million.

Budget proposal. The Administration proposes to further reduce this program by an additional 1.3 percent, or \$65,000, in the budget year, which would reduce the total funding to \$5.017 million.

Comment [ctj1]: Check OSE numbers ...

COMMENTS:

The Academic Mentor Volunteer Service program was one of the only categorical across-the-board cuts that the Legislature enacted as part of the mid-year reductions. Furthermore, the Administration does not include this program in its categorical block grant proposal due to the fact that it is administered by the OSE, instead of SDE. The LAO does not include it in any of its block grant proposals either.

LAO comments. It recommends that the Legislature eliminate this program. Specifically, it argues that numerous other State and Federal programs that target at-risk youth provide the same services as this program. The LAO has identified \$749 million in the 2003-04 budget for programs that provide students with academic assistance, enrichment, and positive role models

before and after school and on Saturdays (i.e., the same goals and requirements of the Academic Mentor Volunteer Service program).

ITEM # 0558 OFFICE OF THE SECRETARY FOR EDUCATION

ISSUE 2: SCHOOL-TO-CAREER PROGRAM

The issue for the subcommittee to consider is the proposed elimination of the school-to-career program.

BACKGROUND:

The School-to-Career Program was established by AB 1873 (Wiggins) Chapter 793, 2000. This program is a formal collaboration among the Secretary for Education, the State Department of Education, and the Chancellor's Office of the California Community Colleges and the Health and Human Services Agency, for the purpose of administering a grant program to local entities who met specified requirements. For example, activities include internships at web design companies, classes on architectural design, training with apprenticeship programs, and volunteer programs at local conservation organizations and fire departments.

Comment [ctj2]: Check this out with labor to make sure they are okay with apprenticeships.

Initially, the Governor provided \$2 million to the Office of the Secretary for Education (OSE) to fund local partnerships established throughout California to deliver the school-to-career programs. Funding was awarded to nine partnerships.

2002-03 mid-year budget adjustment. The 2002-03 Budget Act allocated \$2.0 million for this program. As part of the mid-year budget reductions, the Legislature accepted the Governor's \$216,000 across-the-board reduction, which represents a 10.8 percent cut to the program. Therefore, there is \$1.7 million remaining for the school-to-career program.

Budget proposal. The Governor is proposing to eliminate this program in the budget year by deleting the remaining \$1.7 million.

COMMENTS:

The School-to-Career program was one of the only categorical across-the-board cuts that the Legislature enacted as part of the mid-year reductions. Furthermore, the LAO agrees with the Governor's proposal to eliminate the program.

ITEM # 0558 OFFICE OF THE SECRETARY FOR EDUCATION

ISSUE 3: STATE OPERATIONS

The issue for the subcommittee to consider is the state operations budget for OSE.

BACKGROUND:

During Governor Pete Wilson's administration of the 1990's, he appointed the first Child Development and Education Secretary. However, OSE has never been established in statute.

2002-03 Budget Act. In the 2002-03 Budget Act, the OSE received \$2.29 million General Fund (GF) for its state operations, which equals funding for 30 positions.

2002-03 mid-year reduction. As part of the 2002-03 mid-year reductions, the Governor proposed a \$122,000 reduction, which the Legislature enacted. This resulted in a reduction of 0.05 percent, or two positions. Therefore, the OSE's final 2002-03 budget, as revised is \$2.16 million.

Budget proposal. The Administration is proposing to reduce the state operations for OSE by an additional 23.6 percent, or \$532,000 GF, which equals eight positions from the current \$2.25 million level. This proposal would leave the final budget for OSE at \$1.7 million.

COMMENTS:

Since 2001-02, OSE has experienced a 17.2 percent reduction, or \$468,000, reduction in its state operations (as of the enactment of SB 18 X1 (Chesbro), First Extraordinary Session, Statutes of 2003). The budget proposal would bring the total reduction to \$1 million, or 37 percent, since 2001-02. This equals a cut of 10 positions. According to OSE, it is currently attempting to find less expensive office space and implementing other cost savings measures.

ITEM # 6110 DEPARTMENT OF EDUCATION**ISSUE 1: SPECIAL EDUCATION**

The issues for the subcommittee to consider are 1) the maintenance of effort requirement for special education and 2) the availability of new federal special education funds and the options for its use.

BACKGROUND:

The proposed 2003-04 budget provides a total of \$2.66 billion in GF money for special education. This represents a \$52.1 million, or 1.9 percent, reduction from the 2002-03 Budget Act, as revised. The state provides funding for special education from three sources (1) General Fund, (2) local property taxes, and (3) federal funds. As of 2001, there are 1.4 million special education students enrolled in California public schools.¹

Maintenance of effort requirement (MOE). Under federal law, the state is required to adhere to a MOE, which mandates that, as a condition of receiving federal funds, the state cannot decrease its funding from the prior year level. For the purposes of the MOE, the state's funding level is defined as the money from the GF and local property tax.

Current year MOE issue. As part of the 2002-03 mid-year reductions, the Legislature deferred the second principal apportionment payment of \$1.1 billion from June 2003 to July 2003. Part of this payment is \$214 million in special education funding. Since the deferral effectively allows the state to count 2002-03 special education funding toward the budget year, for purposes of calculating the Proposition 98 minimum guarantee, both the LAO and Department of Finance (DOF) are concerned about whether or not the federal government will view this action by the state as not providing the same level of special education funding it did in 2002-03 compared to 2001-02 (i.e., MOE issue).

Budget year MOE issue. Setting aside the issue of the \$214 million deferral in special education funding, DOF states that for the 2003-04, there is a \$49.5 million MOE issue for the budget year (See Table Below). Of this amount, \$21.0 million represents funding that the Governor allocated to "pay off" the mid-year across-the-board cut to special education that it proposed as part of the mid-year reductions. **However, since the Legislature rejected all across-the-board reductions, including the one to special education, the \$21.0 million remains in the Governor's proposed budget as unallocated funds.**

Issue	Funding ^a
2003-04 Budget Year MOE	\$28.5
Unallocated funding ^a	21.0
Total	\$49.5

^aIn millions

^bUnallocated funds due to Legislature's rejection of across-the-board reduction to special education.

¹ 2001, California State Department of Education Statistics

If the Legislature uses the \$21.0 million in unallocated funds for special education funding, the MOE issue for the budget year is reduced to \$28.5 million.

Federal funds and increases. The 2003-04 Budget allocates \$914.9 million in federal funds for special education. Of this amount, DOF estimated that \$115 million would represent new federal funding, based on initial estimates of the federal government's proposed budget. However, due to the federal government's final action on the budget, California is expected to receive an additional \$151 million (instead of \$115 million) in federal money. The difference between the Governor's budget estimate and actual federal action is \$36 million. **Therefore, there is \$36 million in additional federal money that the state will have beyond the Governor's initial estimates.**

COMMENTS:

What is the penalty for not meeting the federal MOE requirement? According to DOF, the federal government can withhold a portion of special education. The portion withheld is equal to the amount of funding associated with the MOE. For example, California's MOE issue for the budget year is \$49.5 million. If the state fails to deal with this problem and the federal government decides that the state violates the MOE requirement, **it can only withhold \$49.5 million in special education, not the entire amount. Therefore, the penalty can only be up to the exact same amount as the amount in "violation."**

LAO comments. The LAO recommends that the Legislature use the \$21 million in unallocated funds to offset a portion of the budget year MOE requirement. Likewise, it encourages the State Department of Education (SDE) to seek a waiver from the federal government regarding the MOE requirement. Specifically, it states, "California would appear to have a case for a waiver. The budget proposes to fully fund the projected need for special education funding (although without a cost-of-living adjustment), which would assure the federal government that student services as identified in each student plan would be provided.

Also, the LAO strongly recommends that the Legislature pay off the \$214 million in special education funding that is part of the \$1.1 billion second principal apportionment payment deferral that it enacted as part of the mid-year budget reductions. It proposes that the Legislature use a portion of the projected "overappropriation" of Proposition 98 (i.e., \$632 million for the budget year) to pay off this deferral.²

DOF comments. The Department concurs with the LAO's suggestions to use the \$21 million in unallocated funding to offset the MOE budget year issue. Regarding the \$214 million special education deferral for the current year, it believes that the federal government may not raise a MOE issue regarding the deferral for one year. ***However, if the \$214 million is continually deferred, as indicated by the Legislature, then the federal government will probably consider it a MOE issue.***

SDE comments. SDE confirms that it has "preliminary conversations" with the federal government on the issue of seeking a MOE waiver. However, nothing formal has been sent. Likewise, it does report that several states have requested a MOE waiver. The Department also

² This "overappropriation" is due to the LAO's estimate of the minimum Proposition 98 guarantee being higher in both the current year and the budget year. Therefore, this amount is automatically built back into the base of Proposition 98 base and available for expenditure.

notes that in the history of the Individuals with Disabilities Education Act, there has not been a waiver granted.

Reauthorization of Individuals with Disabilities Education Act (IDEA). During this congressional session, the federal government is expected to reauthorize IDEA. This will have a significant impact on the state's compliance with all issues related to special education, including accountability and testing requirements under No Child Left Behind Act of 2002. Also, IDEA was last re-authorized in 1997, which applied new mandates to services provided to special education students.

ISSUE 2: STATE MANDATES

The issue for the subcommittee to consider is the proposed funding for K-12 mandates, including the Administration's proposal to defer \$870 million in K-12 mandate claims.

BACKGROUND:

In 1979, California voters approved Proposition 4 (The Gann Limit). An essential component of this measure generally requires the state to reimburse local agencies for costs incurred in carrying out new programs or higher level services mandated by the state. The Commission on State Mandates (i.e., Commission) is responsible for determining whether a statute creates a state-reimbursable mandate. If the Commission determines that a statute is a mandate, it develops an estimate of the statewide cost of the mandate.

Mid-year budget adjustments. As part of the current year budget reductions, the Legislature deferred \$122 million in remaining K-12 mandates in the 2002-03 Budget Act. It was silent on the issue of when this deferral will be paid back.

Budget proposal. The Administration has the following two proposals regarding state mandates:

- 1) The proposed budget includes \$110 million for 36 K-12 mandates. This amount represents a 12 percent across-the-board reduction. Likewise, this allocation does not represent the total amount of funding for on-going mandate claims, which the Administration estimates to be approximately \$260 million. Instead, the Governor has chosen to fund specified mandates (See Table Below).

Proposed K-12 Mandates Funded in 2003-04 Budget

Mandate	Amount of Funding
Annual Parent Notification	\$4,384.0
Caregiver Affidavits	348.0
Pupil Suspension – district employee reports	1.0
Intradistrict Attendance	1.0
Interdistrict Attendance	1.0
Interdistrict Transfer – parent's employment	1.0
Mandate Reimbursement process	1.0
Graduation Requirements	12,504.0

Notification Truancy	7,174.0
Pupil Expulsions/Expulsion Appeals	2,183.0
Open Meetings Acts	3,055.0
Pupil Exclusions	349.0
Charter Schools	538.0
Investment Reports	141.0
PERS Death Benefits	694.0
AIDS Prevention Instruction	2,805.0
Collective Bargaining	36,465.0
Pupil Classroom Suspension: counseling	1,614.0
Physical Performance Tests	1,058.0
Pupil Health Screenings	2,890.0
Juvenile Court Notices II	302.0
Removal of Chemicals	1,172.0
Law Enforcement Agency Notifications	1,358.0
Immunization Records	3,099.0
Habitual Truants	1.0
Collective Bargaining Agreement Disclosures	244.0
Expulsion Transcripts	26.0
Pupil Suspensions: Parents Classroom Visits	916.0
Notification to Teachers of Public Expulsion	2,567.0
Scoliosis Screening	2,017.0
Unused Sick Leave Credit	2,871.0
School Accountability Report Cards	1,903.0
Emergency Procedures	12,801.0
American Course Govt. Document	181.0
Pupil Residency Verification and Appeals	197.0
Criminal Background Checks	4,579.0
TOTAL	110,441.0

- 2) Deferral of \$870 million in K-12 mandate claims. The majority of this amount represents prior year mandate expenses (See Table Below).

Components of the \$870 million Mandate Deferral in the 2003-04 Budget

(in millions)	
Component	
Prior-year Deficiencies as reported by State Controller's Office in May 2002	\$ 565.3
New Mandates: Prior Year Costs	215.3
New Mandates: Budget Year Costs	41.4
Interest on unpaid mandates to date	48.6
TOTAL	\$ 870.6

Source: Legislative Analyst Office

COMMENTS:

Mandate reform? The practice of deferring K-12 mandates is not new. For the past several years, both the Legislature and the Administration have proposed this practice, which is why the deferral costs, including interest, continue to rise. There is also the issue of ongoing mandate costs and "new" mandates that are in the pipeline. For example, the State Commission on Mandates is expected to decide the mandate claim for the initial Standardized Testing and Reporting Program (STAR). This is expected to be an enormous cost and it should be noted that these initial claims are only based on the STAR program when it only had the norm-referenced test in it. The later STAR claims will include the Norm-Referenced tests, the California Standards Tests, and the High School Exit Exam.

However, the issue related to mandates is not simply a matter of the amount the state owes, regardless if they are ongoing or new ones. Instead, many individuals argue that the state mandate claim system needs to be reformed. Specifically, individuals argue that if the state continually defers education mandates anyway, then why are they still in statute? Why haven't they been repealed? The matter of repealing education mandates is not simply a fiscal issue, but a policy one as well, which requires serious consideration by the Legislature and Administration in the immediate future.

LAO comments and proposal. According to the LAO, historically, the amount of funding allocated for education mandates has been under-funded. It estimates that the state owes over \$1.0 billion in education mandate claims. Specifically, it points out that the proposed deferral of \$870 million does not include funding for ongoing mandate costs or current year mandate deficiencies.

Also, the LAO states that the average amount claimed by school districts for all education mandates was \$29 per average-daily-attendance (ADA) per year from 1998-99 through 2000-01. However, the amount claimed varies from district to district. For example, about 88 percent of districts claimed zero to \$50 per ADA per year, but a few districts claimed over \$300 per ADA.

Specifically, it recommends that the Legislature increase the total funding for K-12 mandates in the budget year by \$100 million (in addition to the Governor's proposal of \$110 million). Therefore, the total funding for K-12 mandates would be \$210 million. Furthermore, the LAO proposes to allocate this funding in the following manner: 1) \$199 million for K-12 mandates, which would be included in the proposed Core Services Block Grant and 2) \$10 million for allocation to county offices of education for mandates (this funding would be *separate* from the block grant). School districts *must first use their block grant funds* to cover costs associated with mandate claims. The funding for mandates would be distributed to districts (via the block grant) based on an ADA basis. If you use the \$199 million funding level (LAO proposal), it would be \$33.65 per pupil.

The LAO believes that the following benefits would occur from including mandates in a block grant:

- School districts would have an incentive to meet the requirements of the mandates in a more cost-effective manner. This means that more funds can be devoted to direct pupil services.

- Eliminates incentives to maximize claims, a process that contributes to the high amount of state costs.
- School district's administrative costs would decrease because there would not be a need to track etc. for the claiming process.

ISSUE 3: AFTER SCHOOL PROGRAMS (PROPOSITION 49)

The issue before the subcommittee to consider is after school programs and the changes made to state law as a result of the passage of Proposition 49.

BACKGROUND:

The Before / After School Learning and Safe Neighborhoods Partnership Program (B/ASLSNPP). SB 1756 (Lockyer), Chapter 320 / AB 1428 (Ortiz), Chapter 319 / AB 2284 (Torlakson), Chapter 318, Statutes of 1998 established the after school portion of the program, which provides local after school enrichment programs at participating school sites. It provides academic and literacy support and safe, constructive alternatives for students in kindergarten through 9th grades. The grant program required that the operating partners provide a 50 percent cash or in-kind match. Also, priority for receiving funding is given to schools where a minimum of 50 percent of the pupils in elementary, middle and junior high schools are eligible for the free or reduced-cost meals through the federal school lunch program. The reimbursement rates for the after school component are up to \$5 per-day per-student, with the large schools receiving up to \$75 per-student above a specified number of students at the school site.

AB 6 (Cardenas), Chapter 545, Statutes of 2001, established the before school component to the original program. The reimbursement rates for this portion of the program are \$3.33 per day per pupil for a two-hour program and a maximum of \$16.65 per pupil per week, if the program serves pupils in middle and junior high school.

The table below summarizes the funding allocations, total grants awarded, and the total number of students served for the life of the program.

Before/After School Learning and Safe Neighborhoods Partnership Program

Total Grants ^a	1998-99	1999-00	2000-01	Total Grants
Total Grants Awarded	99	57	82	238
Total # of School Participating ^b	658	305	409	1,372
Number of Elementary Schools	500	213	319	1,032
Number of Elementary Students Served	43,549	19,203	21,162	83,914
Number of Middle Schools	158	92	89	339
Number of Middle Schools Served	18,855	11,778	14,322	44,955

Source: State Department of Education
^aBefore and After School programs combined

^bSome schools may be counted twice, if they applied for a before school program in a different funding cycle than their original after school application.

Proposition 49 – program requirements. In 2002, California voters passed Proposition 49, the After School Education and Safety Program. This initiative renamed the B/ASLSNPP program to the After School Education and Safety Program and made the following changes to the existing program, *which took effect on January 1, 2003*:

- Emphasizes universal eligibility; expands eligibility for schools beyond high poverty schools, with lower funding levels (\$50,000 for elementary; \$75,000 for junior high/middle schools).
- Allows programs to operate at locations other than a school site (i.e., Boys and Girls Club, recreation center in the neighborhood, etc.).
- Changes the funding priority, to the following:
 - **Priority 1:** Current B/ASLSNPP grantees maintain funding level received in Fiscal Year 2003-2004.
 - **Priority 2:** Universal grants available to all schools that submit quality applications (elementary schools eligible for minimum grant of \$50,000 and middle schools eligible for minimum grant of \$75,000).
 - **Priority 3:** Applications for new grants may receive funding beyond minimum if proposing to serve schools where a majority of students receive free or reduced-cost meals.
 - **Priority 4:** Once all qualified applicants have received funds, would also allow funding for:
 - Large school adjustments;
 - Before school component programs.
- Local law enforcement agencies must be included in program planning as a part of the local collaborative.
- Computer training, fine arts and physical fitness are added as possible enrichment components.
- Programs may be in locations other than school sites if they meet the same standards as school sites and if and safe transportation is provided.

Proposition 49 funding formula. The following key funding requirements for the After School Education and Safety Program:

- Beginning in 2004-05, it requires a specific funding level for after school programs, which can be up to \$550 million and would depend on the *growth in the General Fund outside of Proposition 98*.
- Future funding for this program would be “automatic” (i.e., it would not require legislative action). Also, the Legislature cannot amend this provision of the statute.
- The Legislature can appropriate funding above the statutory requirement.
- Beginning in 2004-05, the State Department of Education (SDE) is allowed to spend up to 1.5 percent of these funds for program evaluation, training, implementation, and development.

2002-03 Budget Act. The 2002-03 Budget Act allocated \$121.5 million for the B/ASLSNPP.

2002-03 mid-year adjustment. As part of the mid-year cuts, the Legislature reduced the B/ASLSNPP by \$8.3 million, due to lower than expected participation rates (SB 18 X1, First Extraordinary Session, Statutes of 2003). As a result, there is \$113.2 million in the 2002-03 Budget Act, as revised, for allocation for this program. Furthermore, according to SDE, this reduction did not result in a decline in individual grantee funding or services.

Budget Proposal. The Governor proposes to allocate \$107.2 million for the After School Education and Safety Program (i.e., old program with Proposition 49 additions). This represents a \$6.0 million, or 5.6 percent, reduction to the program. Therefore, if the budget proposal is enacted, *the total reduction to after school programs (including current year) will be \$14.3 million.*

The Administration does not propose to include the After School Education and Safety Program in its proposed block grant due to the issues associated with the initiative.

COMMENTS:

LAO and DOF comments. Both entities agree that the funding "trigger" associated with the passage of Proposition 49 will not begin until approximately the 2006-07 fiscal year. This is due to the recent decline in non-Proposition 98 General Fund revenues.

SDE comments. According to the department, the proposed \$6.0 million, or 5.6 percent, cut in addition to the \$8.3 million current year reduction will result in some form of direct reduction in program service.

ISSUE 4: 21ST CENTURY COMMUNITY LEARNING CENTERS

This issue for the subcommittee to consider is the increase in federal funding for the 21st Century Community Learning Centers and budget bill requirements associated with the program.

BACKGROUND:

The No Child Left Behind Act of 2001, signed into law on January 8, 2002, authorizes the California State Department of Education (SDE) to administer the California 21st Century Community Learning Centers program. In 2002, SB 1478 of 2002 (McPherson) and AB 1984 of 2002 (Steinberg) further define the program. It provides five-year grant funding to establish or expand after school programs that provide students, particularly students who attend schools in need of improvement, with academic enrichment opportunities and supportive additional services necessary to help the students meet state and local standards in the core content

areas. **It is important to note that this program is not a part of the After School Education and Safety Program.**

Federal requirements. As stated in federal law, the expressed purpose of the program is to provide opportunities for communities to establish or expand activities that focus on: 1) improved academic achievement, 2) enrichment services that reinforce and complement the academic program, and 3) family literacy and related educational development services. Entities eligible to apply for funding includes: local educational agencies, cities, counties, community-based organizations, other public or private entities (which may include faith-based organizations), or a consortium of two or more of such agencies, organizations, or entities.

Legislative measures. The following legislation, as referenced above, provides the statutory guidance regarding the implementation of this program.

- AB 1984 (Steinberg), Chapter 1025, Statutes of 2002, establishes the 21st Century High School After School Safety Enrichment for Teens, which requires that a minimum of 10 high school after school programs be established to serve pupils in grades 9-12. Requires the program to include an academic assistance and enrichment activity component.
- SB 1478 (McPherson), Chapter 1036, Statutes of 2002, allocates funds appropriated in the 2002-03 Budget Act for this program in the following manner:
 - 1) \$1,000,000 to the State Department of Education for purposes of providing technical assistance, evaluation, and training services related to the 21st Century Community Learning Centers program;
 - 2) Up to \$3,500,000 to programs serving middle and elementary school pupils for the purpose of providing equal access to, and participation in, community learning center programs, as specified;
 - 3) Up to \$1,000,000 for direct grants for providing family literacy services to specified school sites; and
 - 4) \$2,500,000 to be allocated on a priority basis for grants to community learning center programs, serving high school pupils and middle and elementary pupils (i.e., AB 1984, Chapter 1036, Statutes of 2002).

2002-03 Budget Act. The 2002-03 Budget Act contains \$40.8 million in federal funds for the 21st Century Community Learning Centers Program. The specific allocations and requirements associated with this program are outlined in Chapters 1025 and 1036, Statutes of 2002, respectively.

Federal increase. For the 2003-04 fiscal year, California is expected to receive an additional \$36 million in federal funds for this program. Therefore, the total amount available for the 21st Century Community Learning Centers will be approximately \$76.8 million in the budget year.

Budget bill language. In the 2003-04 Budget, the Administration proposes language to do the following:

- 1) Requires SDE to provide a report to the Department of Finance (DOF) and the LAO by October 15, 2003, on the initial progress of each grantee receiving funding for the 21st

Century Community Learning Centers program. It requires specified elements to be included in this report.

- 2) Requires SDE to provide DOF a report, no later than October 15, 2003, on the requests and awards of direct grants for this program, as specified in statute.

COMMENTS:

During last year's budget negotiations, the Legislature ensured that the federal funding associated with this program was utilized to maintain the integrity of the federal programmatic requirements associated with this program. Specifically, it did not want to "merge" this program with the State After School Safety and Education program (previously known as the Before/After School Learning and Safe Neighborhoods Partnership program). One of the important pieces was to ensure a specific funding stream for direct grants for programs to provide family literacy services.

Prior to the passage of the No Child Left Behind Act of 2001 (NCLB), the federal government did have a 21st Century Community Learning Centers program, which operated separately from the state's after school program because *it was directly administered by the federal government*. Many individuals argued that this federal program provided more programmatic flexibility and was meant to offer more services than simply an after school program. Therefore, when NCLB became effective and required that the program be administered by the state, many individuals argued that it was imperative that the programmatic and fiscal elements of the 21st Century Community Learning Centers program be maintained and not merged with the state program. The Legislature agreed and enacted the current program, which is separate from the After School Safety and Education program.

ISSUE 5: SUPPLEMENTAL INSTRUCTION

This issue for the subcommittee to consider is the across-the-board reduction to supplemental instruction programs.

BACKGROUND:

SB 1683 (Escutia, Chapter 72) of 2000 reorganized summer school law under which school districts may claim state funding (currently \$3.38 per pupil/hours) for supplemental instruction delivered before or after school, on Saturdays, or during the summer or inter-session.

Specifically, it reorganized categories for elementary grades remedial supplemental instruction as follows:

- School districts may receive supplemental instruction reimbursement for up to five percent of their grade 2 - 6 enrollment. Pupils in those grades must be identified as having an academic deficiency in reading, writing or mathematics based on the results of the Standardized Testing and Reporting testing (STAR).

- As of January 1, 2003, pupils in grades 2 - 6 who are "at risk" of not being promoted to the next grade may receive supplemental instruction but reimbursement must be accommodated within the 5 percent cap along with pupils in the first category.

Prior to January 1, this category of (remedial) supplemental instruction was not capped.

- Pupils in grades 2 - 6 who are actually retained in a grade may receive supplemental instruction without limit on state reimbursement.

Why was a cap imposed? When SB 1683 was being considered, the DOF was concerned that uncapping remedial summer school for the elementary grades would lead to fiscal disaster as districts claimed millions of dollars worth of supplemental instruction hours. In the event that appropriated funds proved insufficient to meet demand, the Superintendent of Public Instruction was instructed to use available balances in various appropriations for supplemental instruction before requesting additional funds to meet any shortfall. As additional insurance, the uncapped category of "at risk" pupils was scheduled to be recapped after two years, thereby requiring the enactment of a second set of "capped" sections to replace the uncapped sections.

The predicted deficit never materialized. An improved reimbursement rate (currently \$3.38 per pupil hour) and removal of the cap has led to steady growth in the utilization of supplemental instruction for at risk pupils. Last year, for the first time, the SPI was required to use at least one balance available in another category of supplemental instruction in order to fully reimburse claims for at risk pupils, but no net deficit occurred.

Legislative measures. In 2002, the Legislature passed AB 2160 (Simitian) and SB 1671 (Escutia), which proposed to allow the supplemental instruction program for pupils in grades 2-6 who are "at-risk" of retention to continue to operate without a "cap" on reimbursements. The Governor vetoed both of these measures, with the following message: "Elimination of the cap would limit the State's flexibility to establish fiscal and policy priorities for future years. Given the existing economic uncertainty currently facing California, retaining the maximum flexibility is necessary."

Currently, two bills, AB 52 (Simitian) and SB 19 (Escutia), have been proposed that would delete the "cap" requirements regarding reimbursements for the supplemental programs serving pupils in grades 2-6 who are at-risk of retention. Both of these bills are moving through the legislative process.

2002-03 Budget Act. There is \$449.8 million total allocation for supplemental instruction. Of this amount, it is allocated in the following manner:

- \$171.1 million for pupils enrolled in grades 7-12 in need of remedial instruction.
- \$49.7 million for pupils in grades 2-9, who are at-risk of retention.
- \$18.0 million for students in grades 2-6, who are identified as having low STAR scores.
- \$211.0 million for students in grades K-12 who receive core supplemental instruction services.

2002-03 mid-year adjustment. As part of the mid-year cuts, the Legislature reduced supplemental instruction by a total of \$75.0 million. Of this amount, \$50 million represented prior year savings and \$25 million represented a current year reduction. Therefore, there is a

total of \$424.8 million remaining for supplemental instruction in the 2002-03 Budget Act, as revised.

According to SDE, the current year cut of \$25 million would not represent a reduction in the number of students served. To ensure that this would not occur, the Legislature added budget control language to allow SDE to transfer funding, with proper notice, between the different program allocations.

Budget proposal. The Administration proposes to reduce supplemental instruction by a \$12.9 million, or 3 percent, from the revised allocation in the 2002-03 Budget Act. This number represents the difference from the prior year "uncapped" amount of funding for the program serving at-risk students to an estimate of the current year's proposed "capped" amount of funding for the same program.

Likewise, the Governor's **does not** propose to include the supplemental instruction programs in the block grant proposal.

COMMENTS:

LAO comments. The LAO proposes to include the at-risk supplemental instruction programs in its Compensatory Education Block Grant. It feels that since these programs serve "at-risk" students it belongs in this proposed block grant. Likewise, the remaining "core" supplemental instruction programs (i.e., low scores on STAR tests) are proposed to be included in the Core Services Block Grant.