

AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 2
ON EDUCATION FINANCE

ASSEMBLYMEMBER JOE SIMITIAN, CHAIR

TUESDAY, APRIL 9, 2002
 STATE CAPITOL, ROOM 444
 10:00 A.M.

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ITEM # 6110 STATE DEPARTMENT OF EDUCATION**ISSUE 1: INDEPENDENT STUDY**

The issue for the subcommittee to consider is the Governor's proposal to reduce funding for independent study programs in non-charter schools by 10 percent, including community schools operated by county offices of education.

BACKGROUND:

Governor's proposal. The Governor's budget proposes a 10 percent reduction in funding for independent study programs offered by non-charter schools. The Governor achieves this cut by proposing to count a full day of independent study as nine-tenths of an average daily attendance for purposes of calculating district apportionments. The Governor also proposes the elimination of the higher Type C funding to county offices of education's independent study programs.

Assembly Education Committee action. The Governor's proposed cuts were contained in AB 3005, the Governor's proposed trailer bill to implement the budget. The Assembly Education Committee considered AB 3005 and took action to reject the proposals to cut funding for independent study as part of the trailer bill.

Background on independent study. Independent study is an instructional approach that allows students to receive attendance credit for work completed outside of a traditional classroom setting. It is sometimes used on a short term basis (for example, for students on travel leave, or that need to leave school temporarily due to illness), and sometimes used as a strategy to supplement a traditional schedule, for students that need an individualized approach. Districts also run alternative schools that use independent study as their primary instructional strategy. According to SDE, in 2000-01, enrollment in independent study in traditional schools was 31,684, while enrollment in alternative schools (where 95 percent of students enrolled take their classes through independent study) was 23,772.

Total savings. DOF assumes that the proposal would result in \$45 million in savings: \$25 million from school district apportionments from the 10 percent cut, and approximately \$10 million from county office apportionments from the elimination of Type C funding for independent study.

Amended proposal affects community school type C funding. The Governor amended his original proposal by extending the cut to Type C funding for independent study programs at community schools. Under current law, county office-run community and juvenile court schools receive a significantly higher funding level than school districts for serving high-risk students that have been expelled or are probation-referred (referred to as "type C" funding). The Governor proposes to eliminate this higher funding level for independent study instruction offered by county-run community and court schools, as well as reducing the district-level funding rate by 10 percent for these programs. The Governor also proposes to prohibit county offices from seeking waivers from the State Board for this reduction. DOF estimates savings from this proposal to be approximately \$10 million.

Proposal modeled after recent charter school legislation. In defense of his proposal, the Governor's budget summary cites a law passed last year to reduce funding for independent study programs operated by charter schools. That legislation, Chapter 892, Statutes of 2001 (SB 740, O'Connell), require all charter schools that provide more than 80 percent of their instruction via independent study-type programs, to go before the State Board of Education (SBE) to receive approval for continued funding. The bill also authorizes SBE to cut charters' funding rates for independent study programs up to 10 percent in the first year, but SBE may also elect to leave funding rates in tact. The Governor's proposal for non-charter school independent study programs differs from last year's charter school legislation in that it is an across-the-board cut for which schools cannot go before SBE to ask for a waiver.

COMMENTS:

LAO recommendation: The LAO withholds recommendation on the Governor's proposal, due to a lack of data regarding the actual cost of running quality independent study programs. The LAO also notes that a reduction in funding levels for these programs may cause districts to stop using the method and use traditional methods instead, which would result in a reduction in the expected savings from the proposed cut.

Several years ago, the Legislature passed legislation to try to stem abuses of independent study, by requiring the same teacher-student ratios in independent study programs as in traditional programs, as well as other requirements.

ISSUE 2: ADULT EDUCATION FOR CALWORKS PARTICIPANTS

The issue for the subcommittee to consider is the Governor's proposed elimination of a set-aside designed to help adult education programs and regional occupational centers and programs serve CalWORKs recipients.

BACKGROUND:

The Governor's budget proposes to eliminate \$36 million in Proposition 98 funding for adult education and regional occupational centers and programs (ROC/P's) to serve CalWORKs recipients, leaving \$9.9 million in federal funds for services related to these clients. This funding dates back to the inception of the CalWORKs program, and has two components:

- \$26 million to allow adult education programs and ROC/P's to serve CalWORKs participants without having to displace regular clients served within their enrollment caps. Only adult education programs and ROC/P's that meet or exceed their enrollment caps receive this funding.
- \$10 million for instructional and training supportive services for CalWORKs participants attending adult education programs and ROC/P's. These services are provided through an inter-agency agreement between the Department of Social Services and SDE. The Governor proposes to maintain \$9.9 million in federal funds for remedial education and job training services for CalWORKs participants attending adult education programs and ROC/P's (\$8.7 million in the adult education item and \$1.2 million in the ROC/P item).

The administration proposes to delete this funding because it is no longer needed to meet the state's CalWORKs maintenance of effort requirement under federal law. The administration argues that the above set-asides were originally created, in part, to help the state meet this requirement, and that other increases in CalWORKs mean that the adult education and ROC/P set-asides are no longer needed for this purpose. It also argues that CalWORKs recipients can still receive services from adult education programs and ROC/P's, as long as these programs serve them within their existing enrollment caps. The administration also argues that CalWORKs recipients can access education programs provided by the counties. In addition, DOF argues that there is between \$10 and \$15 million in unused funding from these set-asides, and therefore their elimination will not result in a huge loss in services.

COMMENTS:

Under the Governor's proposal, CalWORKs recipients could still access programs offered by adult education programs and ROC/P's, but programs would have to serve them within their existing caps. For those programs currently using all of their set-aside to serve CalWORKs participants, the Governor's proposal will mean a reduction in available resources to serve the public, meaning a reduction in service levels to either CalWORKs participants or non-

CalWORKs participants, or both. However, it is unclear as to whether programs fully utilize the existing CalWORKs set-asides, or whether the funding goes unused.

ISSUE 3: DOF'S PROPOSED SECTION 28 LETTERS FOR ADDITIONAL CURRENT YEAR EXPENDITURES

The issue for the subcommittee to consider is four Section 28 letters recently submitted by DOF, which the Joint Legislative Budget Committee has asked the budget subcommittees to consider as part of the budget process. At last week's hearing, the subcommittee approved two of these, and asked staff to return with more information regarding the remaining two.

BACKGROUND:

During the past two months, the Department of Finance submitted various Section 28 letters, which are authorized by control Section 28 in the budget to adjust the current year budget as a result of unanticipated federal funds. The Joint Legislative Budget Committee (JLBC) typically considers these letters, and if they do not reject them within 30 days of receipt, the proposed changes go into effect.

In a March 14 letter to DOF, the JLBC raised concerns about five specific Section 28 letters proposing to expend unanticipated federal funds on new purposes. One of the section 28 letters applies to CTC, and is discussed as part of that item. The other four letters are described below. Upon the recommendation of the LAO, the JLBC raises questions about whether the letters meet the criteria for section 28 letters, namely: 1) the funds are unanticipated, and therefore could not be included in the traditional budget process, 2) the funds are available only for a specified purpose, and 3) the funds must be spent in 2001-02, and therefore cannot be included in the budget for 2002-03.

1. **Alternative accountability/assessment (held open)** A letter dated February 13 proposes to use \$1.2 million in one-time federal money for the following: \$690,000 to develop an alternative assessment system for special education students that cannot currently participate in the existing assessment system, even with accommodations; \$288,000 to continue the development of an Alternative Schools Accountability Model for alternative schools, which serve students who are at high risk for behavioral or educational failure, expelled, or wards of the court and \$250,000 to ensure that special education children and students in the Alternative Schools Accountability Model are included in the statewide accountability system. SDE states that the funding is specifically for improving assessment and accountability systems.
2. **Various state operations (approved 4/2/02)** A letter dated February 13 proposes to use \$900,000 in leftover Goals 2000 funds for SDE state operations to administer the Public School Accountability Act evaluation, the English Language Literacy Intensive Program and the Math and Reading Professional Development Program. SDE proposes to use the federal funds to replace a like amount of General Fund appropriated in the 2001-02 budget act for the same purposes.
3. **Program evaluation (approved 4/2/02)** A letter dated February 15 proposes to use \$650,000 in federal IASA carryover to support evaluation of the High Risk First-Time Offenders Program. The proposal would replace General Funds that SDE had to delete as part of its compliance with a statewide order to reduce operating expenses.
4. **High School Reform Grant Program (held open)** A letter dated March 5 proposes \$998,000 in new funding for a new competitive grant program to improve five high schools.

SDE states that the funding can be used over a three-year period, with the required match increasing each year. SDE states that it hopes to receive expenditure authority for the entire amount in the current year, in order to minimize the match requirements. (The LAO claims that there is no match requirement.)

COMMENTS:

Subcommittee action to date: Last week the subcommittee took action to approve letters #2 and 3 above. It asked staff to return with information regarding letters #1 and 4, above, and the extent to which they address the following questions:

- Were the funds truly unanticipated, or are they unexpended funds that could have been anticipated and incorporated into the budget?
- Does the funding have to be spent in the current year? What are the consequences of not spending it in the current year? If the funding does not need to be spent in the current year, can the expenditure wait until the beginning of the next fiscal year?
- If the proposal is not one-time in nature, does the January proposed budget contain funds for the budget-year costs of the initiative? If not, why not?
- Are the funds for a specific purpose or are they discretionary?
- Does the proposal involve a major initiative or policy decision that should be considered in a public hearing as part of the budget and legislative process anyway?

Staff follow-up: In response to the subcommittees questions regarding letter #1, SDE notes that it needs authority to spend the federal funds in the current year on the alternative assessment tool (for special education students that cannot take statewide tests) and the alternative accountability system (for schools serving high-risk students), because the federal government requires California to develop these systems by November, 2003. It notes that these systems were required under the old IASA law, and that the federal government has threatened to impose stiff sanctions upon states that don't comply with the provisions in the old law.

Regarding letter #3, SDE notes that it received these funds last September, after it had applied for a federal grant. It concedes that there is no required state match, and that the original reason it cited in its letter for needing the money in the current year (to avoid an increase in the state match requirement in out years) is not valid. However, it notes that the federal government requires that the state spend the funding by October, 2004, and that if it has to wait until July to receive the funding (if the subcommittee denies the Section 28 letter and puts the funding in the 2002-03 budget), the timeline for distributing the money will be compressed by a couple of months.

LAO recommendation. The LAO initiated the concerns with the above Section 28 letters, noting that they are being used as "an alternative budget process," which is specifically prohibited in Section 28.

ISSUE 4: INSTRUCTIONAL MATERIALS

The issue for the subcommittee to consider is the Governor's proposal to reform the state's instructional materials programs. The subcommittee heard this issue at its March 19 and April 2, 2002 hearings and held the issue open, pending the results of a staff working group.

BACKGROUND:

The Governor proposes to consolidate five different ongoing textbook and library materials programs into one ongoing block grant and three one-time amounts, for a total funding level of \$625 million, a 3 percent increase over the funding level in last year's budget of \$606 million. The details of the proposal will be contained in AB 1781 (Hertzberg), which will be considered by the Assembly Education Committee.

The corresponding funding for this proposal is contained in the budget bill for the budget year (2002-03). Specifically, the funding for the new Instructional materials Block Grant is from ongoing Proposition 98 funding that counts towards the 2002-03 Proposition 98 guarantee. Funding for three new and one-time instructional materials and equipment set-asides is from the Proposition 98 reversion account, which is made up of unused prior-year Proposition 98 appropriations. The Governor proposes in AB 1781 to include annual appropriations for the new Instructional Materials Block Grant for the fiscal years 2003-04 through 2006-07.

Existing programs proposed for consolidation. The Governor proposes to consolidate the following existing programs into the new block grant:

1. Existing textbook programs, including:

- The Schiff-Bustamante Instructional Materials fund, which provides funding to purchase standards-aligned instructional materials for grades K-12. This program was created in 1998, and provided four annual installments of \$250 million each for standards-aligned instructional materials. The program sunsets in the current year.
- The Instructional Materials Fund for grades K-8 and the Instructional Materials Fund for grades 9-12, which districts can use to purchase both state-adopted materials and non-adopted materials.

2. Existing library materials programs, including:

- The California Public School Library Act of 1998, which provides per-pupil block grants to school districts to pay for school library books, equipment and library automation. Districts must submit library plans to obtain funds.
- The K-4 Classroom Library program, which provides funding to purchase non-textbook fiction and nonfiction books and periodicals for *classroom* libraries in grades K-4.

New Programs. The Governor proposes a total of \$625 million for four different pots related to instructional materials and equipment. These include

- \$250 million for a new ongoing Instructional Materials Block Grant, as specified in AB 1781. The proposed language for this new block grant would require districts to first use this funding to ensure that each pupil has a standards-aligned textbook in each core curriculum area, after which districts would use the funding for a list of other instructional materials uses, including school and classroom library materials. The Governor proposes to gradually increase the funding level for this block grant over the next four years up to the current total funding level for textbooks and library materials.
- \$200 million for Reading/Language Arts textbooks -- The language corresponding to this appropriation would allow districts to spend this funding on any instructional materials, but districts must certify that they will purchase a standards-aligned Reading/Language Arts textbook for each pupil by the beginning of the 2002 school year, in order to receive this funding. Last year's budget contained no appropriation for this specific purpose, although it contained a similar funding level for districts to purchase any type of standards-aligned materials.
- \$100 million for school libraries in grades K-12 or for classroom libraries in grades K-4 -- Funding would be distributed on an equal amount per pupil in grades K-12. This funding level is approximately \$75 million less than provided in last year's budget for these purposes.
- \$75 million for science laboratory equipment to provide standards-based instruction in science -- Funding would be distributed on an equal amount per pupil in grades 7-12. Last year's budget contained no appropriation for this purpose.

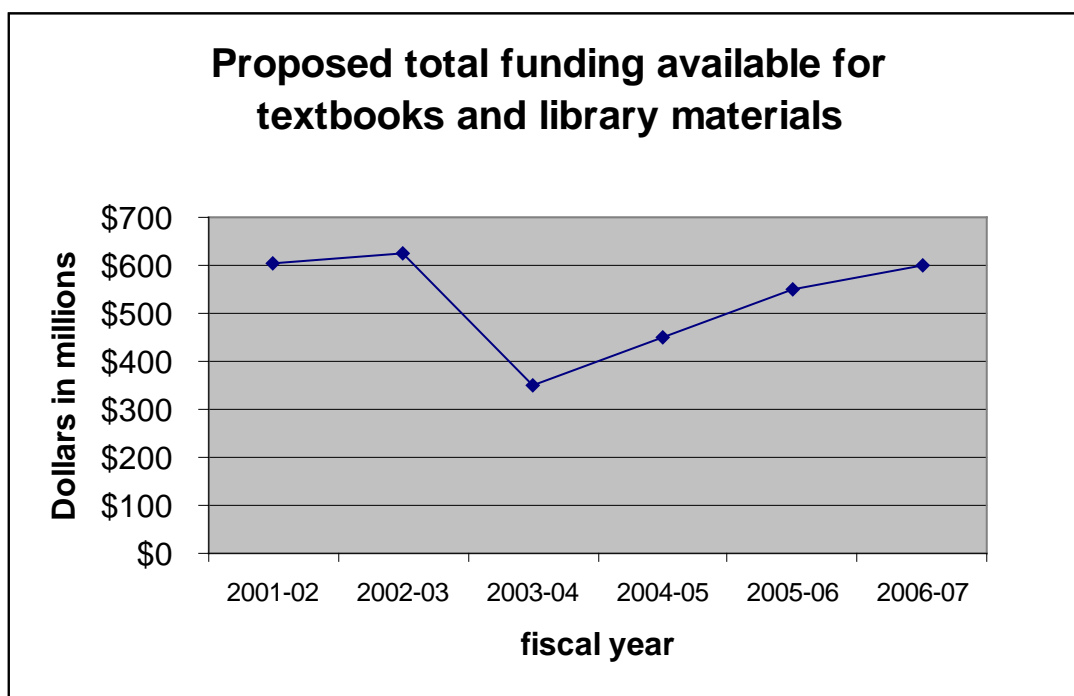
Funding for existing and proposed new programs is summarized in the following table:

**Governor's proposed textbook consolidation and proposed funding levels
(\$ in millions)**

Program	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Schiff-Bustamante Instructional Materials Fund	\$250.00					
K-8 Instructional Materials Fund	137.00					
9-12 Instructional Materials Fund	35.80					
K-12 Library Materials	158.50					
K-4 Classroom Materials	25.00					
K-12 Instructional Materials Block Grant		\$250	\$350	\$450	\$550	\$600
One-Time Supplement for Reading/Language Arts Materials		200*				
One-Time Supplement for K-12 Library and K-4 Classroom Library Materials		100*				
One-Time Program for Science Lab Equipment		75*				
Total funding for instructional and library materials	\$606.30	\$625	\$350	\$450	\$550	\$600

* The Governor proposes to use reversion account funds for these purposes.

Proposed funding levels in out years. Although the Governor proposes to continue the existing funding level in the budget year, he proposes total funding to decrease the following year and gradually build back up to the current funding level, via the appropriations in AB 1781. The Governor proposes total funding for instructional materials at \$350 million in 2003-04, increasing this amount by roughly \$100 million each year for a total of \$600 million by 2006-07. The graph below demonstrates total state funding levels for instructional and library materials over the next five years, as proposed by the Governor.



According to the Governor's office, the proposed funding levels in out years are timed to coincide with state textbook adoption cycles. (For grades K-8, school districts are only allowed to use their state funding to purchase instructional materials that have been approved by the State Board.) For example, the State Board of Education recently approved new textbooks that are aligned to the state English and Language Arts standards. The Governor anticipates that districts will need funding to purchase these new textbooks, and provides this funding on a one-time basis. However, in January of 2003, the State Board is expected to adopt foreign language and other textbooks, for which the Governor is anticipating less demand and therefore lower local costs, and he correspondingly reduces state funding levels. The schedule for the Board's major approvals of different instructional materials is listed below:

- **January, 2001** -- Mathematics (standards-aligned)
- **January, 2002** -- Reading/Language Arts/English Language Development (standards-aligned)
- **January, 2003** -- Foreign language
- **January, 2004** -- Health

- **January, 2005** -- History - Social Science (standards-aligned)
- **January, 2006** -- Science (standards-aligned)
- **January, 2007** -- Mathematics (standards-aligned)
- **January, 2008** -- Reading/Language Arts (standards-aligned)

COMMENTS:

Results of staff working group. At last week's hearing, the subcommittee chair verbally presented a proposal to: Approve \$100 million for school libraries, with the intent that it be ongoing; express intent to policy committee to sustain current statute regarding school library funds, but allow schools to use instructional materials block grant funds for K-4 classroom libraries; and adjust the language corresponding to the Reading/Language Arts \$200 million set-aside to provide more flexibility to school districts, so that they would have time to pilot textbooks before purchase. The chair asked staff of DOF, SDE, OSE and Assembly Budget to work on the language regarding the \$200 million set-aside, which staff will present at today's hearing.

Should budget year set-asides be part of the block grant? The subcommittee heard this issue at its last hearing, and took action to re-establish the line-item for school libraries, at \$158 million. It held open the other pots of funding proposed by the Governor. The subcommittee may wish to consider whether the specific pots for Reading/Language Arts and science lab equipment are necessary, or whether they can be rolled into the general instructional materials block grant, with language in the accompanying bill that allows funding to be used for these purposes.

Requirements for reading/language arts instructional materials funding are restrictive. The budget contains control language regarding the \$200 million set-aside for Reading/Language Arts instructional materials. This language allows school districts to spend the funding on instructional materials in general, but only if they certify that they will purchase a standards-based Reading/Language Arts textbook by the beginning of the 2002 school year (e.g., by July, 2002 in the case of year-round schools). There are several problems with this language, among them:

- The date for purchasing Reading/Language Arts textbooks may not allow school districts to pilot textbooks before they purchase them, because the State Board of Education approved new instructional materials aligned to the Reading/Language Arts standards in January of this year. Under normal circumstances, school districts pilot instructional materials from different publishers for up to a year before purchasing them. Piloting is very important because it allows school districts to try materials from different publishers to determine which materials best fits its needs.
- The timeline conflicts with legislation passed last year that requires school districts to use state instructional materials funding (Schiff-Bustamante) to purchase standards-aligned materials within two years of the State Board of Education's approval of such materials (SB 786 (Scott)). In the case of Reading/Language Arts materials, since the Board only

approved these materials in January, the law would give school districts until 2004 to purchase the materials, and the Governor's proposed language significantly shortens that timeline.

Less flexibility for districts in the budget year, but more in out years. In the budget year, while total funding level for textbooks is the same, the composition of the money provided is different, with ongoing money being replaced with one-time money, and the one-time money being earmarked for specific things. The proposed set-asides would reduce the flexibility that districts currently have under the existing programs. In out years, district flexibility will be greater but total funding will be less, up until the 2006-07 fiscal year, when total funding will finally reach the current-year level.

Money specifically earmarked for library materials will disappear. The Governor proposes to eliminate the current programs that provide ongoing funding specifically for school and classroom libraries. Although his proposed block grant could be used to purchase library materials, the corresponding language requires that districts give first priority to purchase standards-aligned instructional materials for every student in all core curriculum areas. Given that the cost of purchasing these materials may be more than that provided in the block grant, it is conceivable that districts would be required to use all the block grant money for instructional materials, leaving none available for library materials.

LAO Recommendation. The LAO supports the Governor's idea of block granting existing programs into a larger pot of money that provides more flexibility to school districts. However, it argues that the proposed set-asides for the budget year are not consistent with the overall idea of block granting, because they are for specific purposes that may not be aligned to school districts' needs. Therefore, it recommends that the subcommittee redirect the entire \$625 million proposed for materials into a larger Academic Improvement Block Grant totaling \$1.5 billion. It also recommends against advance appropriations in upcoming years, arguing that it is too difficult to predict districts' future funding needs for instructional materials so far in advance.

Are out-year appropriations appropriate? The LAO raises questions about the wisdom of appropriating money four years in advance, without any assurances regarding state revenues or school districts needs.

**ISSUE 5: NO CHILD LEFT BEHIND ACT PROGRAM REQUIREMENTS
(INFORMATION ONLY)**

The issue for the subcommittee to consider is the requirements of the new federal No Child Left Behind Act, and the timeline for the state's implementation of those requirements.

BACKGROUND:

Federal reauthorization of ESEA: No Child Left Behind Act. Congress recently approved the No Child Left Behind Act, which reauthorizes the federal Elementary and Secondary Education Act, the longstanding federal law that assists schools serving poor children. It contains a number of major policy changes and increased accountability, as well as increases in funding, of which California is expected to receive \$800 million (most of which will be passed on to school districts as local assistance). (The Governor did not include \$700 million of this increased funding in the January budget proposal, due to the late approval of the federal budget. These funds are discussed below.) However, the state must submit an implementation plan for the new law by May 28 of this year.

The LAO notes that the requirements under the new federal law are different from California's existing accountability system, in the following two major ways: 1) the state focuses on improving average performance while the federal law requires improvement of all students, and 2) the state programs are voluntary and provide supplemental funding, whereas the Title I interventions are required of any school receiving Title I money.

The new requirements include the following:

- **Standards and assessments.** States must administer standards-aligned assessments in Reading/Language Arts, Mathematics and Science in certain grades. California has already developed assessments to meet this requirement, for the most part.
- **Testing for English learners.** States must annually assess English learners as to their proficiency in English. California is already in compliance with this new requirement, as it has already developed the California English Language Development Test and requires annual assessment of English learners.
- **Accountability -- 12-year proficiency goal for all students.** States must establish a proficiency target in math and Reading/Language Arts, and a goal to have *all* students reach that target in 12 years. It must also establish an accountability system to hold schools accountable for meeting annual yearly progress toward this 12-year goal. This is a departure from the previous law, under which states were held accountable for the aggregate progress of students. Under the new law, if a state does not make its annual yearly progress target after two years, the school is deemed to be a "school improvement" school, and must begin an intervention/sanction process. The required intervention timeline is outlined in issue #2, below.
- **Accountability for English learners, special education students.** The new law requires schools to show progress toward annual goals, by subgroups, and in particular two subgroups not currently considered in California's accountability system: special education students and English learners. It is unclear whether this new requirement will necessitate a

statewide definition of English learner or perhaps statewide criteria for determining when a student is proficient in English.

- **Highly-qualified teachers.** The new law requires that all teachers in California (not just schools receiving Title I funds) be "highly qualified" by December 31, 2005, in order for California to receive Title I funds. In addition, all Title I teachers hired on or after July 1, 2002 must be "highly qualified." (Charter schools are exempt from this requirement.) The law requires states to establish annual measurable objectives to achieve this goal by the deadline.
- **Qualified paraprofessionals.** The law also requires all Title I paraprofessional hired after the beginning of this calendar year to have either completed two years of higher education study, or have an associates degree, or have completed a formal assessment. Within four years, all existing Title I paraprofessionals will have to have completed one of the above requirements. These requirements apply to all paraprofessionals, except for translators and those hired for parental involvement purposes.
- **Supplemental instruction to students in failing schools.** The new law requires schools that have failed to meet state progress benchmarks for three years to offer tutoring other supplemental instruction to its students, using at least 20 percent of its Title I grant. Schools must also provide transportation to students to access the services. The law allows schools to use any state-approved vendor (public, private, or non-profit) to offer the tutoring. The approval of allowable vendors will substantially increase SDE's workload, given that it will have to review applications from prospective vendors and monitor their performance on an ongoing basis.
- **Transportation to schools of choice in failing schools.** The new law requires schools that have failed to meet state progress benchmarks for two consecutive years to a) develop a school improvement plan, b) use 10 percent of their Title I funds for professional development focused on school improvement, and c) provide students with option to transfer to any other school in the school district (if space is available) and pay the transportation costs.

COMMENTS:

State plan due by May, federal regulations released in June. The law requires each state's education agency to develop and submit a plan to begin implementing the new requirements, by May 28 of this year. SDE plans to submit a plan to the State Board of Education, for approval, at its next meeting, scheduled for April 24-25. Federal guidelines require California to commit to implementing the required components, but apparently allow the state to refine its strategy in a supplemental plan, due in May, 2003. The timeline for development of this plan is very short, given that the new law was only approved a few months ago. In addition, the federal government will not issue regulations related to this new law until June, after the state plan is due. (Some regulations are not scheduled to be released until even later in the year.) There is no formal mechanism for the Legislature to participate in the development of the plan. However, the Legislature must appropriate the money that corresponds to the new law in the budget. SDE is expected to provide an update on the development of the plan at today's hearing.

LAO recommendation. The LAO recommends that the Legislature align the state's accountability to the new federal system, to avoid a situation under which schools would be held to two sets of accountability standards. The LAO believes that alignment would require the state to change the API so that it reflects the number of students in a school that meet the annual yearly progress target toward the twelve-year "proficiency" goal.

Defining "proficiency." The LAO notes that the State Board of Education recently defined proficiency levels for the state language arts assessment. As shown in the table below, provided by the LAO, around one-third of all students perform "below basic" or "far below basic." It cautions that if the state sets the 12-year proficiency definition too high, the state will have to intervene in many, many schools, yet if it sets the bar too low, schools may not be motivated to improve.

Student Achievement on California Standards Test—Language Arts				
	Grade 4		Grade 8	
Level	All Students	Economically Disadvantaged	All Students	Economically Disadvantaged
Advanced	11%	3%	9%	2%
Proficient	22	13	23	12
Basic	33	35	35	35
Below Basic	21	30	19	28
Far Below Basic	13	20	14	23

Update on California's compliance with previous law. California is currently out-of-compliance with the former Improving American's Schools Act, as are many states. SDE believes that the few outstanding issues can be resolved shortly.

Data collection requirements. The LAO notes that the new federal law requires states to track high school graduation rates. The state currently does not track individual students and therefore cannot collect accurate graduation rates. The 2000-01 budget provided the Office of the Secretary for Education with \$500,000 to contract for a study to determine how the state should collect data on 1) graduation rates, 2) student and teacher attendance rates, and 3) other potential academic indicators to include in the API. The study is expected to be completed shortly.

ISSUE 6: FEDERAL TITLE I -- INCREASED FUNDING FOR BASIC PROGRAM

The issue for the subcommittee to consider is an increase in federal Title I basic program funding, including a 2% set-aside for state-level activities related to school improvement.

BACKGROUND:

Overall increase. The federal budget includes a substantial increase in the Title I basic grant, which is a long-standing federal funding source that schools use for a variety of purposes related to improving student achievement and meeting the needs of economically-disadvantaged children. This increase, as with most increases in federal funds, is not included in the January budget, due to the late timing of the federal budget. The Governor's budget only reflects a total increase of \$60 million for Title I. The increase is summarized in the table below. Most of the funding under this program is distributed to school districts and county offices on a poverty-based formula.

Program	\$(millions)		Formula or competitive ?	Max for state ops.		Other state-level activities		
	CY	BY		%	Amt.*	%	Amt.*	Purposes
Title I - basic grant	\$1186	\$1454	Formula	1	\$14.5	2	\$29.1	School improvement

* \$ in millions

Set-aside for state-level activities. The new law requires states to allocate 2% of their basic grant allotment to school districts for their school improvement activities. This is a new set-aside. There is some disagreement as to whether states can spend more than this amount.

State operations. The federal law increases SDE's responsibilities in the areas of required technical assistance to struggling schools and various forms of intervention in schools that have not made sufficient progress. In particular, the new federal law requires schools that have not met annual yearly progress goals for three consecutive years to offer students supplemental instruction through tutoring or after school programs, which may be offered by public or private providers, as long as they are approved by SDE. School districts will be required to administer the contracts with the providers. However, SDE must approve providers that districts can contract with, as well as monitor them. These new requirements will impose new oversight responsibilities on SDE, which they will need to perform annually.

The new federal law allows states to set aside up to 1% of their total Title I basic grant for related state operations activities. The increase in California's total expected grant will translate to an increase of \$7.32 million in federal funds available for state operations related to implement this program.

COMMENTS:

Funds not in January budget. The Governor does not include any of the increased federal funds (except for part of the special education funds) in the January budget, due to the fact that the federal appropriations bill containing the increase was passed too late to be included in January. Therefore, DOF intends to include a plan for spending these funds in the May Revise.

Given the limited time that the subcommittee will have to consider May Revise, and the large number of changes it is expected to contain, the subcommittee should consider developing an expenditure plan or priorities for the expenditure of the increased federal funds over which California has some discretion, before the May Revise.

LAO recommendation to use set-aside for assistance and intervention teams. The LAO recommends that the subcommittee spend the \$29.1 million set-aside (as well as the \$29 million available for assessment, see issue #7) to help schools pay for the costs of school assistance and intervention teams that were authorized under AB 961 (Steinberg) for schools that are faced with sanctions under the state accountability system. This proposal is consistent with the federal requirements for the use of the funds, and would the state implement its own accountability system.

The LAO also recommends that the state utilize the 5% amount (\$1.5 million) allowable from this set-aside for related state operations to establish and train the intervention teams.

Other expenditure options for the required 2% set-aside for state-level school improvement activities might include: parental involvement programs, targeted professional development, technical assistance to help schools develop and implement improvement plans (for Title I programs, as well as the state accountability programs),

Many Title I schools would fall under intervention timeline immediately. The LAO notes that the state had identified schools in need of improvement under the old federal law, and that the clock does not start over for those schools under the new federal law, even though the new federal law has different intervention timelines (outlined in the table below, provided by the LAO). That is, some schools will begin the next school year having not made progress toward state benchmarks for two to five years, requiring them to conform to the intervention and improvement requirements of the new law (requiring the state to intervene in some cases).

Intervention Timeline for Federal Title I Accountability
Failed to make Annual Yearly Progress (AYP) for two consecutive years.
<ul style="list-style-type: none"> ▪ Develop two-year improvement plan. ▪ Use 10 percent of Title I funds for professional development focused on school improvement. ▪ Provide students with option to transfer to any other school in the school district (if space is available) and pay the transportation costs.
Failed to make AYP for three consecutive years.
<ul style="list-style-type: none"> ▪ Students permitted to use Title I funds to obtain tutoring/after school program from SDE approved public or private provider.
Corrective Action—failed to make AYP for four consecutive years.
<ul style="list-style-type: none"> ▪ School district must take one of the following actions—replace responsible staff, implement new curriculum, significantly decrease management authority at school level, appoint external expert to advise school, extend school day or school year, or restructure the internal organizational structure of the school.
Sanctions failed to make AYP for five consecutive years.
<ul style="list-style-type: none"> ▪ Immediately prepare a plan, and do one of the following options within one year: ▪ Reopen school as charter school. ▪ Replace most of the school staff. ▪ Hire private management company to operate school. ▪ Turn the operation over to SDE. ▪ Other major restructuring.

As noted in the table above, provided by the LAO, many schools will be required to offer supplemental instruction or tutoring, and some may require state intervention. It notes that SDE has identified as many as 18 schools that could face Title I sanctions in the fall of 2002. SDE may need additional funding to help it meet the federal intervention requirements for these schools.

SDE proposal. SDE will be available at today's hearing to discuss its proposal for the required 2% (\$29 million) set-aside for school improvement activities. It will also be available to discuss any new state operations needs it will have as a result of the federal changes.

Low-performing high schools. SDE will also be available to discuss its proposal to set aside \$10 million in federal Title V Innovative Program funding for a competitive grant program for low-performing high schools to restructure their instructional delivery system. (The proposed funding source for this proposal is not part of the expected increase in funding from the federal government, but the purpose is related to the school improvement purposes of Title I.)

ISSUE 7: FEDERAL TITLE I -- INCREASED FUNDING IN NEW READING FIRST PROGRAM

The issue for the subcommittee to consider is a new federal competitive grant program to improve reading in grades K-3.

BACKGROUND:

Overall increase. The federal budget includes \$133 million in funding for a new competitive grant program to improve reading in grades K-3. Up to 80% of the state's total grant award must be used for competitive grants. This program replaces the former federal Reading Excellence Program, but is funded at a higher level. The new program is expected to run for six years. (The old program will continue to exist in California for up to two more years.)

The federal law specifies general criteria for distributing the grants to school districts: states must give priority to districts that have more than 15% of the attending families below the poverty line, and they must distribute funds to districts based on the number of children in grades K-3 who are below grade level in reading. Districts can only give funds to schools that both have the highest number of K-3 students reading below grade level and are low-performing as defined by the federal accountability system.

Allowable local uses. Federal law allows grant recipients to use funding for any of the following purposes: reading assessments, implementing reading programs for special populations (children with reading difficulties, special education students, students at risk of being referred to special education, English learners), procuring and implementing related instructional materials (including education technology), providing related professional development to teachers of grades K-3 and teachers of grades K-12 for special education, evaluating programs, reporting required data and promoting reading and library programs.

Federal Reading First State Grant: Amounts for California

Program	\$ (millions)		Formula or competitive ?	Max for state ops.		Other state-level activities **		
	CY	BY		%	Amt.*	%	Amt.*	Purposes
Reading First State Grants	\$0	\$133	Competitive	2	\$2.66	13	\$17.3	School improvement
						5	\$6.7	Technical assistance

* \$ in millions

** State-level percentages are maximum allowable.

Options for spending set-aside for state-level professional development activities. The new law allows the state to spend up to 13% (\$17.3 million) of its total state grant for state-level professional development activities targeting schools that receive the competitive grants. These activities include:

- Developing and implementing a professional development program focused on reading.
- Strengthening and enhancing teacher training courses for prospective teachers planning to teach in grades K-3.

- Making recommendations on how the state licensure and certification standards in the area of reading might be improved.

Options for technical assistance. The state law states to spend up to 5% (\$6.7 million) of its total state grant for technical assistance, including assistance to districts in selecting reading instruction programs, selecting reading assessments, identifying professional development providers, and providing expanded opportunities to students to receive reading assistance from alternative providers.

State operations. The law allows the state to use up to 2% (\$2.66 million) for state operations related to administering the new grants, including planning, administration, reporting, and evaluation of the effectiveness of grant recipients' programs.

COMMENTS:

SDE proposal. SDE estimates providing competitive grants to approximately 500 schools. It estimates that it will need additional staff to administer and evaluate the program, as well \$500,000 for a statewide evaluation. It proposes to spend \$13.2 million of the \$17.3 million allowable under the professional development set-aside to create regional professional development centers to provide instruction on scientifically-based reading instructional strategies and the use of reading assessments. It also proposes to spend \$500,000 to support the Center for the Improvement of Reading Instruction operated by CSU. (The program was formerly supported by Goals 2000 funding). It also proposes \$5.5 million to support technical assistance centers. (DOF is considering this proposal for inclusion in its May Revise.)

ISSUE 8: FEDERAL TITLE II -- STATE GRANTS FOR IMPROVING TEACHER QUALITY
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The issue for the subcommittee to consider is a new federal professional development program. The subcommittee heard this issue at last week's hearing, and asked for follow-up information.

BACKGROUND:

Federal funds and changes related to professional development. Title II of ESEA contains funding for professional development. Among the changes in federal law is the consolidation of two existing professional development programs, the Class Size Reduction Program (school districts can spend the funding on class size reduction or professional development) and the Eisenhower Professional Development State Grants, into a new program, State Grants for Improving Teacher Quality. The net change in funding is expected to be an increase of approximately \$105 million, or 46 percent, as summarized in the table below. In addition, California is expected to receive an increase of about \$30 million to encourage the use of education technology in instruction (this program has traditionally been grouped with larger professional development initiatives.)

Federal Title II -- Preparing, Training, and Recruiting High Quality Teachers and Principals: California's share (dollars in millions)

Federal programs -- Title II (professional development)	2001 appropriation	2002 appropriation	Change
Class Size Reduction	174.7	0	-174.7
Eisenhower Professional Development State Grants	53.7	0	-53.7
State Grants for Improving Teacher Quality	0	333.5	333.5
<u>Sub-total -- general professional development</u>	<u>228.4</u>	<u>333.5</u>	<u>105.1</u>
Education technology state grants	55.9	85.5	29.6
Total -- Title II programs	284.3	419	134.5

In addition, the federal law contains a number of new requirements and other professional development set-asides, including:

- **Highly-qualified teachers in four years.** The new law requires that all teachers in California (not just schools receiving Title I funds) be "highly qualified"¹ by December 31, 2005, in order for California to receive Title I funds. In addition, all Title I teachers hired on or after July 1, 2002 must be "highly qualified". (Charter schools are exempt from this requirement.) The law requires states to establish annual measurable objectives to achieve this goal by the deadline. Districts receiving funding under the new State Grants for Improving Teacher Quality must meet these annual objectives, or face state intervention.
- **Qualified paraprofessionals in four years.** All Title I paraprofessionals hired after the beginning of this calendar year must have either completed two years of higher education study, or have an associates degree, or have completed a formal assessment.

¹ "Highly qualified" is to be defined by individual states, but could conceivably be defined in California as credentialed, in which case California would be far from compliance with federal law.

Within four years, all existing Title I paraprofessionals will have to have completed one of the above requirements. These requirements apply to all paraprofessionals, except for translators and those hired for parental involvement purposes.

- **Professional development.** School districts receiving Title I funds must spend at least 5 percent of their Title I Part A grant to help teachers become credentialed. This is a new requirement, and will provide approximately \$69 million in new funds to districts for this purpose, presumably to help the state meet the requirement to have all teachers be credentialed in four years.
- **Professional development for K-3 reading.** The federal law creates a new Title I program called the Student Reading Skills Improvement Grants, to support success in reading in grades K-3. Total funding for this program is \$133 million, and the law allows states to use up to 13 percent (\$17.3 million) of this for state-directed professional development related to the program.

Federal requirements and options for spending the new Title II funds. The new funding has various requirements and set-asides, as summarized below.

1. State Grants for Improving Teacher Quality -- (\$334 million total)

Local assistance:

- 95 percent must distributed on a formula basis (80 percent based on poverty, 20 percent based on population), and districts can spend the funds on the following purposes: a) recruitment and retention of highly qualified teachers, paraprofessionals, and principals, b) professional development and c) improving the quality of the teaching force. Districts that receive this money must make progress toward the goal of having only highly qualified teachers by the end of 2005. If a district fails to make progress after three years, the state is required to enter into an agreement on the use of its funds.
- 2.5 percent of local assistance funds must be distributed through competitive grants to local partnerships (including universities) to provide professional development and technical assistance.

State operations. States can use up to 1 percent of the total (\$3.3 million) for state administrative activities.

State-level activities. States must use the remainder (at least 1.5 percent, or \$5 million, depending on the amount used for state operations), for any of the following: reforming certification, support for teachers and administrators, technical assistance and program evaluation.

2. Education technology state grants -- (\$86 million total)

Local Assistance. (All recipients must use at least 25 percent of their grant for education technology professional development.) At least 95 percent must be distributed as follows:

- 50 percent based on a poverty-related formula.

- 50 percent as competitive grants.

State-Level Activities. Maximum of 5 percent (\$4.3 million) for any of the following: technical assistance, supporting public-private partnerships, promoting access to education technology by special education students and English learners, developing performance measures and evaluation and collaboration with other states.

COMMENTS:

The subcommittee heard this issue at its April 2 hearing and asked the following questions:

- How can the state and locals best leverage these new funds to meet the new federal requirement that all teachers and paraprofessionals be highly qualified within four years? (Can locals spend Title II funds on alternative credentialing programs for their uncredentialed teachers?)
- How much discretion does the state have in defining "highly qualified teacher?" In defining "qualified paraprofessional?" Does the administration plan to include these definitions in the plan it will submit next month?
- What are the consequences for the state if it does not meet the 4-year goal of having a "highly qualified teacher" and in every classroom?
- Can and should the state align the federal funds with its existing professional development programs, to limit the confusion and administrative burden at the local level?
- Can the state earmark the education technology local assistance funds for elementary schools, to complement the long-standing state programs that exist for high schools?
- What is the state currently doing to evaluate professional development programs and will the federal changes require a greater effort?

Options for spending state set-aside for improving teacher quality funds. Options for these funds might include: on-line subject-matter training, expanding distance-learning professional development, and expanding existing regional recruitment centers.

Options for spending Education Technology Grants. Options for ear-marking local assistance funding for the education technology component might include: Increasing funding for the digital high school program, creating a digital middle school program, evaluating education technology programs, expanding regional centers that provide technical assistance regarding education technology programs (CTAP's).

SDE proposal. SDE proposes an increase in state operations funding to help it administer the new education technology funding. For the professional development money, it proposes the development of a Teacher Quality Index to measure districts' progress toward the federal goal of having a highly qualified teacher in every classroom by 2005.

ISSUE 9: FEDERAL TITLE III -- INCREASED FUNDING IN NEW PROGRAM FOR ENGLISH LEARNERS

The issue for the subcommittee to consider is a new federal program to assist English learners and immigrant students in attaining English proficiency and meeting state academic content standards.

BACKGROUND:

Overall increase. California is expected to receive \$115 million in funding for a new program, the English Language Acquisition, Language Enhancement and Academic Achievement Act. This program replaces two former federal programs, the Emergency Immigrant Education Program and the former Title VII Bilingual Education Grants, which were administered directly by the federal government to school districts across the country. Funding is distributed nationwide based on the number of English learners (80% of the formula) and the number of immigrant children (20%). The federal government will continue to fund the former Title VII Bilingual Education grants until they expire. As these grants expire more money is expected to be available for California.

States must distribute at least 95% of their reward as local assistance to local districts. States are required to distribute local assistance funding to districts that submit satisfactory program plans, on a formula basis based on English learner population. However, states may also reserve up to 15% of their total grant amount to provide grants to school districts that have experienced significant increases in immigrant students. Schools receiving funding under this provision must spend it on specified activities to enhance instructional opportunities for immigrant children and youth, including family literacy.

Accountability system for English learners. This new program requires states to establish accountability benchmarks specifically for English learners, and requires state intervention in schools that fail to meet those benchmarks. The annual measurable achievement objectives that states are required to develop must measure English learner's attainment of English proficiency as well as academic content standards, and must include:

- annual increases in the percentage of children making progress learning English,
- annual increases in the number of students attaining English proficiency as determined by an English language development assessment tool and
- the statewide adequate yearly progress definition used for all students to measure progress toward meeting math and reading proficiency levels.

Intervention timeline. This new program requires school districts receiving funding to make progress toward the annual measurable objectives. School districts that fail to meet these objectives for two consecutive years must develop an improvement plan specific to English learners. States are required to provide technical assistance to these schools in developing their improvement plans, including professional development strategies. For districts that fail to meet these objectives for four consecutive years, states are required to do the following:

- Require the district to modify its curriculum and program of instruction.

- Determine whether the district should continue to receive funds from the program.
- Require the districts to replace personnel relevant to the districts' failure to meet the annual measurable objectives.

Federal Language Acquisition Grants: Amounts for California

Program	\$ (millions)		Formula or competitive ?	Max for state ops.		Other state-level activities **		
	CY	BY		%	Amt.*	%	Amt.*	Purposes
Language Acquisition Grants	0	\$115	Formula	3	\$3.5	5	\$5.75	Technical assistance, evaluation, rewards
Immigrant Education	\$32	0	Formula	N/a	N/a	N/a	N/a	N/A

* \$ in millions

** States must distribute at least 95% of their grant as local assistance. The total for both state operations and state-level activities must not exceed 5%. Of the 5%, states may set-aside two-third of this amount for state operations.

Required local plans and uses. In order to receive a grant, districts must submit a plan regarding proposed expenditures and how they plan to achieve annual measurable objectives, as well as promoting parental and community participation. Districts must spend funding on the following:

- High quality language instruction education, and
- Professional development for teachers and administrators regarding the use of instructional strategies for English learners.

The law also allows districts to use funds for a variety of activities, including family literacy programs, parental outreach and acquisition of instructional materials.

Options for spending set-aside for state-level activities. The new law allows the state to spend up to 5% (\$5.75 million) of its total state grant for on state-level activities and state operations. Allowable state-level activities, include professional development activities, planning and evaluation, technical assistance, and providing recognition (including financial rewards) to grantees that have exceeded their annual measurable objectives.

State operations. The law allows the state to 2/3 of the 5% state-level and state operations maximum for state operations (\$2.66 million) related to administering the new grants, including planning, administration, reporting, and evaluation of the effectiveness of grant recipients' programs. This program is a new program for SDE to administer, and as such will require additional administrative support to administer. In addition, the federal law requires the state to provide technical assistance to school districts that fail to meet English learner benchmarks, and requires state intervention in failing districts. These requirements will also require administrative support.

COMMENTS:

SDE proposal. SDE requests \$4.2 million for state operations and state-level activities required by this program. SDE proposes this funding for additional staff to administer the program, technical assistance and professional development (including a train the trainer program).

Comite funding. SDE also requests \$1.5 million in federal funds to support 15 position and travel related costs to help SDE comply with a court order issued in the Comite de Padres v. Superintendent of Public Instruction, State Board of Education case. The court order requires SDE to significantly increase its efforts in monitoring school districts' implementation of English learner programs.

LAO recommendation. The LAO recommends using \$2.1 million of this funding to pay for additional district apportionments for the English Language Development Test, and save a corresponding amount of General Fund. The Governor's budget proposes a General Fund increase of this amount to pay for an increase in the number of expected test-takers of the California English Language Development Test (CELDT).

**ISSUE 10: FEDERAL TITLE IV -- NEW 21ST CENTURY LEARNING CENTERS
AFTER SCHOOL PROGRAM**

The issue for the subcommittee to consider is new federal funding for after-school programs.

BACKGROUND:

California is expected to receive \$41 million in new funding for competitive after school grants under the 21st Century Learning Centers program. The 21st Century Learning Centers Program is an existing program that was formerly administered directly by the federal government. Many school districts in California have received grants directly from the federal government under this program, and those currently receiving grants will continue to receive funding until their grants expire. As of next year, states will now administer new grants.

California currently has a state after school grant program, the California Before and After School Learning and Safe Neighborhoods Partnerships Program, for which the Governor proposes an increase of \$67.5 million over the current-year funding level. (\$30 million of this increase is paid for out of a childcare reform proposal that the Governor has now modified.) A preliminary evaluation of the program indicates that student participation in these programs can have positive impacts on student achievement, attendance, attitudes and behavior.

State operations and state-level set-asides. The federal law allows states to use up to 2% of their state grants for state operations activities related to administering the grants. Given that this is a new program for SDE to administer, it will need additional support to adequately administer it. The federal law also allows states to spend up to 3% of their state grants for state-level activities, including evaluation, training and technical assistance.

COMMENTS:

SDE proposal. SDE is requesting \$1 million in state operations support to perform the additional workload associated with the new program. It also proposes \$1 million to provide technical assistance at the level currently provided to state grantees, and to conduct a statewide evaluation of the program. (Technical assistance for this program will be integrated with technical assistance for the state program, which is provided through regional technical assistance centers.)

ISSUE 11: FEDERAL TITLE VI: STATE ASSESSMENT FUNDING

The issue for the subcommittee to consider is federal funding that is available for state assessment activities.

BACKGROUND:

Options for spending assessment funding. The state is expected to receive \$28.9 million in new federal funding for the purpose of developing the assessments and standards required by the No Child Left Behind Act. Given that California has, for the most part, developed all of the requisite assessments and standards, the state has more discretion over this funding. Allowable expenses include:

- 1) developing standards and assessments not required by federal law,
- 2) developing or improving assessments of English language proficiency (now required under federal law),
- 3) ensuring the validity and reliability of state tests,
- 4) aligning assessments with the state's academic content standards,
- 5) carrying out professional development aligned with the state standards,
- 6) expanding accommodations available to English learners and special education students and
- 7) disseminating information on student achievement and school performance to parents and the community, including the development of information and reporting systems designed to identify best practices, or assist in linking records of student achievement, length of enrollment and graduation over time.

COMMENTS:

SDE proposal. SDE proposes the following uses for the federal assessment funding:

- \$6 million for a longitudinal student-level database involving individual student identifiers, which SDE believes will be necessary in order to meet the accountability requirements in the new federal law. The state's current database system, CSIS, which is still in development, does not contain individual student identifiers. However, the federal law requires states to ensure that *every student* meets proficiency targets, and that states hold school districts accountable for ensuring this. SDE's proposal would transition CSIS to a system based on individual student identifiers.
- \$1.4 million for development of and technical assistance related to the alternative schools accountability model, which is for alternative schools serving at-risk students.
- \$780,000 for support and technical assistance to improve the participation of special education students in state assessments.

- \$3 million to develop an alternative assessment system for special education students who cannot take the High School Exit Exam, even with accommodations.
- \$800,000 to develop and implement the standards-based science tests for students in grade 5.
- \$2.86 million for workbooks for students and parents to increase awareness and understanding of state standards and tests.
- \$1 million to develop a web-site targeted at parents to inform them of state standards and tests.
- \$2 million in additional support for the state STAR test.
- \$5.6 million to increase the reimbursement rate for the California English Language Development Test (CELDT) to \$5 per student. (Current rate is \$1.50.) See below.
- \$500,000 for a pilot program to develop a computer-based version of the CELDT.
- \$500,000 to develop additional test items for the CELDT.
- \$2.3 million to develop training materials for teachers to help them use assessment data to improve instruction.
- \$300,000 to try to simplify districts' assessment-related administration, to improve the accuracy of demographic information.
- \$920,000 and sever positions to provide support for the existing workload.
- \$420,000 to support the new accountability requirements in the federal law.

Subcommittee action on CELDT rate. SDE proposes to use some of the federal funding to increase the reimbursement rate for the CELDT to \$5 per student. Last year the subcommittee took action to provide \$2.25 million to districts for one-time costs associated with the first year's administration of the CELDT, to supplement the \$1.50 per test taker provided to school districts for administering the test. The subcommittee took this action in response to concerns by school districts that the cost of administration is many times the rate provided by the state. Districts argued that the insufficient support by the state requires districts to pay for the test administration out of programs for English learners, thereby reducing the amount of resources at the local level to provide instructional support to English learners. (Unfortunately, the Governor vetoed this augmentation, but cited his support for the test.)

LAO recommendation. The LAO recommends that the state seek a waiver from the federal government, to allow the state to pool this funding with the 2% Title I school improvement funding (\$29.1 million) that the state must use for school improvement activities, for a total of \$55.6 million in available funding. It recommends using this funding to help districts that face sanctions to pay for the cost of school assistance and intervention teams. AB 961 (Steinberg) of last year changed statute the existing statewide accountability system to allow schools facing

sanctions for low performance to contract with school assistance and intervention teams to provide intensive support and expertise to implement school reform. The LAO also recommends using \$2.1 million of this funding to pay for growth and COLA for the STAR test, resulting in an equal amount of GF savings.

ISSUE 12: K-3 CLASS SIZE REDUCTION (INFORMATION ONLY)

The issue for the subcommittee to consider is the state Class Size Reduction Program and associated implementation issues.

BACKGROUND:

The Governor's budget proposes \$1.66 billion to support the K-3 Class Size Reduction Program. The program provides incentive payments to school districts to maintain class sizes in grades K-3 at a maximum of 20 students per class. Incentive funding is based on the number of K-3 students enrolled in a class of no more than 20 students. The program dates back to 1996, when the Legislature passed SB 1777, a reform measure aimed at cutting class size in the early school grades from what had been an average of 29 students to a maximum of 20.

The program is voluntary; school districts that chose to participate in 2000-01 received about \$850 for each K-3 student enrolled in a class of 20 or fewer students. (The per capita amount has risen annually since the program's inception.) The CSR program was inspired by an experiment conducted in Tennessee from 1985 to 1990 known as the Tennessee STAR (Student/Teacher Achievement Ratio) project. This experimental program produced relatively large achievement gains for all students, and the gains for low-income and minority students were almost twice as large as the gains for other students. However, at the time that California initiated its class size reduction program, there were two major factors in California that differed from circumstances in Tennessee when it conducted its class size reduction pilot: a) a shortage of qualified teachers, and b) a shortage of facilities.

COMMENTS:

Statewide evaluation. The following is an excerpt from a statewide evaluation of the class size reduction program, conducted by the CSR Research Consortium, which is composed of major California research organizations working in partnership on a four-year, comprehensive study to evaluate the implementation and impact of California's class size reduction initiative under a contract with the California Department of Education. The evaluation is legislatively mandated and based on a research plan adopted by the State Board of Education.

"What we found in the third year of our evaluation is that CSR had been essentially fully implemented in grades K-3 by 2000-01, and that there were no longer differences in school/district participation in the program related to student demographic characteristics. For the most part, resources (including facilities and funds) continue to be reallocated away from other programs to support the implementation of CSR, and in most districts, the cost of CSR still exceeded the reimbursement received from the state.

The decline in teacher qualifications that occurred in the program's early years has slowed or stopped. In 2000-01, approximately 85 percent of K-3 teachers were fully credentialed. Similarly, the difference in teacher qualifications between schools serving the most and those serving the fewest low-income students¹ leveled off after having grown dramatically during the program's first three years.

But the gap in teacher credentialing in low- versus high-income schools persisted. In 2000-01, about 96 percent of K-3 teachers in schools serving the fewest low-income students were fully credentialed, whereas the corresponding figure in schools serving the most low-income students was 79 percent.

Statewide, the average achievement scores of students in all elementary grades have increased annually since the Standardized Testing and Reporting (STAR) testing program began in 1997-98. However, the statewide pattern of score increase in the elementary grades does not match the statewide pattern of exposure to CSR, so no strong relationship can be inferred between achievement and CSR. In addition, California was implementing a number of significant new programs at the same time CSR was being implemented, and it is impossible to attribute changes in achievement scores to any single cause. It also is difficult to say how much of the gain in achievement test scores is real and how much reflects inflation in scores brought about by teachers learning to "teach to" a new test. This kind of inflation is often observed with the introduction of new high stakes test such as the STAR test adopted in California in 1996-97. Finally, CSR does not appear to have affected the rates at which students are identified as needing special education, or the percentage of special education students who are taught in special day classes. "

Implementation issues. Anecdotal evidence and recent press stories suggest that some school districts may be having difficulty sustaining their class size reduction programs, due a combination of high, growing costs for the program and the generally tough fiscal situation that districts find themselves in. The subcommittee may wish to ask school districts the extent to which these concerns are merited and what, if anything, the state might do to ensure the viability of the class size reduction program.

ITEM #6360 COMMISSION ON TEACHER CREDENTIALING**ISSUE 1: SECTION 28 LETTERS TO AMEND CURRENT YEAR BUDGET**

The issue for the subcommittee to consider are two proposed Section 28 letters to appropriate federal funds in the current year.

BACKGROUND:

In the past couple of months, DOF submitted two Section 28 letters, which are authorized by control Section 28 in the budget to adjust the current year budget as a result of unanticipated federal funds. The Joint Legislative Budget Committee (JLBC) typically considers these letters, and if they do not reject them within 30 days of receipt, the proposed changes go into effect. The two letters are described below:

- 1) A February 13 letter proposes to use \$2.7 million in federal Title II funds (mostly carryover) to:
 - (a) Contract for the development of a teaching performance assessment (\$1.3 million)
 - (b) Provide planning grants to higher education institutions that do early implementation of the new state teaching preparation standards, and
 - (c) Other activities related to implementation of the new state teaching preparation standards.
- 2) A March 26 letter proposes to use \$229,000 in federal Transition to Teaching funds for the first-year cost of a three-year program to allow 400 emergency-permit teachers in Oakland and San Diego to participate in the Intern or the Pre-Intern Program.

In a March 14 letter to DOF, the JLBC raised concerns about the February 13 letter and four others relating to SDE (see above). The JLBC questioned whether the letter meets the criteria of the Section 28 process, namely:

- 1) The funds are unanticipated, and therefore could not be included in the traditional budget process,
- 2) The funds are available only for a specified purpose, and
- 3) The funds must be spent in 2001-02, and therefore cannot be included in the budget for 2002-03.

COMMENTS:

LAO recommendation: The LAO recommends that the above letters be considered as part of the budget deliberations, to ensure that the Section 28 process does not become "an alternative budget process." CTC believes that without a current year appropriation of funds for the teacher performance assessment system, the development of the system will fall behind.

Staff notes that the January proposed budget contains no funding for the ongoing costs of the teacher performance assessment and the other activities listed in the February 13 letter. If the subcommittee approves this letter, staff recommends that the ongoing costs be included in the budget bill for the 2002-03 year, in lieu of another Section 28 letter next year.

ISSUE 2: PROPOSED REDUCTIONS TO ALTERNATIVE CREDENTIALING PROGRAMS

The issue for the subcommittee to consider is the Governor's proposed reductions to several local assistance programs administered by CTC.

BACKGROUND:

The Governor's budget proposes the following reductions to local assistance programs administered by CTC.

Proposed Reductions to CTC-administered programs				
(Dollars in Millions)				
	2001-02 Budget	2002-03 Proposed Budget	Change from 2001-02	
			Amount	Percent
Internship Program	\$31.8	\$25.6	-\$6.2	-19%
Pre-Intern Teaching Program	11.8	11.8	0	0
Paraprofessional Teacher Training Program	11.5	7.5	-4.0	-35
California Mathematics Initiative For Teaching	1.6	1.0	-0.6	-37
Total	56.7	45.9	-10.8	-19%

Two of the above programs are alternative credentialing programs and provide an alternative to traditional credentialing programs at higher education institutions. They help teachers who would otherwise be teaching on emergency permits receive the training they need to help obtain a credential:

- 1) The Internship Program allows participants to receive on-site training as a part of their credential curriculum. The proposed reduction reflects past participation levels.
- 2) The pre-intern program provides subject-matter test preparation as well as basic training for uncredentialed teachers who have not demonstrated subject matter competency. The Governor proposes to maintain the current funding level for this program, but the program has traditionally been oversubscribed.

Current law allows CTC to transfer funds from the Internship Program to the Pre-intern program, which CTC has done in past years, due to lower-than-expected participation in the Internship Program and higher-than-expected participation in the Pre-intern program. The proposed reduction to the Internship Program will therefore reduce the amount of funds available for the pre-intern program, by approximately \$8.8 million less than the estimated expenditure level in 2001-02.

The Governor also proposes a \$4 million reduction (35 percent) to the paraprofessional program, which provides scholarships and other support to instructional aides, to help them complete college coursework and eventually obtain a credential. Program participants who become teachers have a high retention rate. With the proposed reduction, CTC estimates that it

could continue supporting the existing 2,400 participants, but could not afford to support new participants.

The Governor also proposes to reduce the California Mathematics Initiative by \$600,000, or 37 percent. This program provides financial assistance to help participants obtain a single-subject credential in mathematics. The program has been underutilized.

COMMENTS:

LAO recommendation. The LAO recommends that these programs be rolled into their proposed professional development block grant. It notes that under its block grant proposal, the number of participants in alternative credentialing programs would not be limited by the appropriation levels in the budget, because districts could choose to use their professional development allotment for alternative credentialing.

Alternative credentialing programs important for meeting federal goal. If California is to meet the four-year goal of having only highly qualified teachers, it will need to expand the number of uncredentialed teachers participating in alternative credentialing programs. The proposed cuts in these programs may work against that effort. However, districts can use the new federal State Grants for Improving Teacher Quality to support alternative credentialing programs, which can help alleviate the proposed cuts to existing programs.

ISSUE 3: OVERSIGHT -- CTC RESPONSE TO SUPPLEMENTAL REPORT LANGUAGE

The issue for the subcommittee to consider is CTC's response to supplemental report language requesting information on its efforts to improve customer service, including credential processing time.

BACKGROUND:

Three years ago, the Legislature provided funding for a management study to examine CTC's credential processing systems, in an attempt to identify efficiencies and help it improve its processing time. The CTC has worked to implement the study's recommendations. Specifically, the budget has provided millions of dollars in funding in recent year to support the Teacher Credentialing Service Improvement Project.

Last year, the subcommittee adopted supplemental report language requesting information on its efforts to do the following: (CTC's provided an initial response by the December deadline, and provided supplemental responses to staff, as indicated)

- Reduce its average credential processing time.
- Implement the Teacher Credentialing Service Improvement Project
- Identify higher education institutions that continue to submit a large number of credential applications with errors.
- Align its information system with DOF and streamline its fingerprinting process.
- Reduce the frequency of customers' complaints and applicants' efforts in submitting credentialing applications.
- Develop performance measures and track performance outcomes.
- Develop, conduct and release the results of a meaningful survey of out-of-state applicants, first-time applicants, and renewal applicants that would assess their attitudes regarding:
 - The requirements for obtaining a preliminary teaching credential, professional clear credential, and renewal credential.
 - The quality of preparation they received from their teacher education program (recent credential applicants only).
 - The level of customer service CTC provided throughout the credentialing process.

COMMENTS:

CTC will present their response to the above requests at the hearing.

ISSUE 4: LAO PROPOSAL TO ELIMINATE THE FEE WAIVER FOR FIRST-TIME CREDENTIAL APPLICANTS.

The issue for the subcommittee to consider is the LAO's proposal to eliminate the fee waiver for first-time credential applicants, for savings of \$1.6 million.

BACKGROUND:

The Governor's budget includes \$1.6 million to backfill lost revenue due to a policy of waiving the \$55 application fee for first-time teacher credential applicants. The Governor initiated this policy during the 1999-2000 fiscal year and the budget has continued funding to pay it since that time. Funding to pay for this initiative is non-Proposition 98 General Fund.

When initiating this policy, the Governor stated his intent to attempt to address the teacher shortage by making it easier to become a teacher.

COMMENTS:

The LAO recommends eliminating this program, due to a lack of evidence that this program helps address the teacher shortage. It notes that there is no evidence that the \$55 fee is a barrier to becoming a teacher, especially given the substantial expenses that a person incurs before applying for a credential. It also notes that the budget contains funding for several teacher recruitment and retention programs, as well as financial assistance programs for aspiring teachers.

If the subcommittee wishes to continue a fee waiver program, it recommends that it adopt a program for financially needy students.

ISSUE 5: DOF LETTER TO AMEND JANUARY BUDGET.

The issue for the subcommittee to consider is a letter from DOF amending the January budget.

BACKGROUND:

In a March 29 letter, DOF proposes to add \$386,000 in federal grants to CTC's budget for the Transition to Teaching Program. The program will allow 400 emergency-permit teachers in Oakland and San Diego to participate in the Intern or the Pre-Intern Program. This proposal is consistent with a Section 28 letter mentioned in Issue 1, which would provide \$229,000 in federal funds for the same purpose in the current year.