

AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 2 ON EDUCATION FINANCE

Assemblymember Joe Simitian, Chair

TUESDAY, APRIL 22, 2003
STATE CAPITOL, ROOM 444
10:00 AM

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ITEM # 6110 DEPARTMENT OF EDUCATION**ISSUE 1: BASIC AID SCHOOL DISTRICTS**

The issue for the subcommittee to consider is the Governor's budget-year proposal regarding basic aid school districts with local property tax revenues in "excess" of their state guaranteed per pupil revenue limit.

BACKGROUND:

What is a basic aid school district? According to the California Constitution, the state must provide every school district with \$120 per student. For the majority of districts, the state's portion of its general purpose funding (i.e., revenue limit) generally far exceeds the Constitutional minimum of \$120 per student. However, for a small number of school districts, the revenue limit funding requirement is met entirely with local property tax revenues. Even though this occurs, the state still provides funds above the level of the district revenue limit in order to meet the \$120 per student minimum required by the Constitution. These school districts are known as "basic aid." In 2001-02, there were 82 school districts that received "basic aid." According to the LAO, there are two types of basic aid school districts:

- So-Called "Excess" Tax Districts. These districts receive more local property taxes than is needed to fully fund district revenue limits. In 2001-02, there were 60 "excess" tax districts. In 2001-02, there were 82 school districts that received "basic aid."
- "Not Quite" "Excess" Tax Districts. These districts receive slightly less in property tax revenues than is needed to fully fund district revenue limits. In 2001-02, districts received state general purpose funding of \$120 per student – a portion of which came in the form of revenue limit payments and the remainder as basic aid.

2003-04 Budget. The Administration has two proposals for basic aid school districts, one of which is the following:

- **Capturing of "Excess" Property Tax.** The Governor's budget proposes to capture \$126.2 million in "excess" property taxes from basic aid school districts. The Administration projects that basic aid school district "excess" property tax totals \$160 million statewide. However, this proposal attempts to capture approximately 78 percent of it. The Administration further proposes to use the "excess" property tax captured to fund revenue limit growth within the same county as the school district the excess tax was taken from. It costs \$321.5 million statewide to fully fund revenue limit growth for school districts and county offices of education. In other words, the Administration proposes to use local property tax revenues from 60 school districts to fund the state's obligation to the remaining districts.

Currently, if local property taxes exceed the amount of money it takes to fund the revenue limit, school districts keep this "excess" funding and can spend it on programs, priorities that it deems appropriate within K-12 education. Likewise, because this funding originates from local property taxes, it is "general purpose" and discretionary in nature. Therefore, school districts can use it to fund everything from core academic programs to enrichment ones. Also, because these districts have utilized this excess general purpose funding for a number of years, it has been built into their budgets and an abrupt cut of this magnitude would cause

severe fiscal hardship. For example, the LAO estimates that, for some school districts, this proposed reduction would create a disproportionate cut in comparison to the across-the-board reductions proposed by the Governor. Specifically, the LAO estimates that the average excess tax district receives \$1,200 per student in additional general purpose funding. If 78 percent of this funding were recaptured (as proposed by the Governor), it would represent a \$936 reduction in general purpose funding for these districts.

Also, it must be noted that not all basic aid school districts have large amounts of excess property taxes (i.e., "Not Quite" "Excess" Tax Districts). For example, a number of these districts have low revenue limits, which means that the excess property tax simply allows them to reach the statewide revenue limit and nothing more.

Of the 82 basic aid school districts in the state, the Administration estimates that 60 have some amount of "excess" property tax. The following is a summary chart of the characteristics of Basic Aid "Excess Tax" Districts:

A Profile of 60 Basic Aid "Excess Tax" Districts

(2001-02 Data)

	Minimum	Maximum	Median	State Median
District Enrollment	17	21,919	668	1,497
Percent English Language Learner	----	59.0%	5.7%	10.2%
Percent Free / Reduced Price Lunch	----	100.0	10.3	40.7
District Revenue Limit (per student)	\$4,362	\$8,181	\$4,880	\$4,525
District General Purpose Funding (per student)	4,539	19,763	6,526	4,525
"Excess Property Taxes" (per student)	61	13,720	1,727	----

Source: Legislative Analyst Office

COMMENTS:

According to 2001-02 data, the LAO estimates that \$1,200 per student is the average "excess tax" amount for the 60 school districts characterized as "excess tax" districts. (The amount ranged from \$1.60 per student to about \$13,000 per student).

As previously discussed in this Subcommittee, the Administration's proposal raises substantial policy questions for the Subcommittee to consider with respect to the taking of local property tax revenues. The Subcommittee may wish to take action accepting or rejecting the Administration's proposal with respect to the taking of local property tax revenues in order to send a clear signal to the Administration prior to the release of the May Revise.

ISSUE 2: PRELIMINARY DISCUSSION – EARLY ACTION ITEMS

The issue for the Subcommittee to discuss is a list of early action items, which would provide Proposition 98 savings for the 2003-04 fiscal year.

BACKGROUND:

As previously discussed, the Subcommittee has expressed strong support for taking early action on specified reductions in order to provide the education community with concrete information "sooner rather than later" on what programs will be reduced.

At the March 26 meeting, the Subcommittee discussed the following items for early action reductions: 1) Staff Development Days, 2) Deferred Maintenance, and 3) No Cost-of-Living Adjustment (COLA)¹ for either the revenue limit or categorical programs. **However, it did not take formal action on these items.**

Attached is another list of possible early action reductions for the committee to consider and discuss.

COMMENTS:

Budget Staff would note that many of these programs that are being considered for reduction require "early action" simply because of other issues associated with them. For example, the Staff Development Buyout Days and other staff development training programs often take place in the summer. Therefore, given the fact that summer is fast approaching, the Subcommittee's concern about taking action "sooner rather than later" becomes critical for certain programs and may limit reduction alternatives later.

¹ The action of stating that there would not be a COLA does not "count" toward any additional savings because this action is already assumed in the Governor's proposed budget. It would simply be a conforming action by the committee.

ISSUE 3: CALIFORNIA'S ASSESSMENT SYSTEM (INFORMATION ONLY)

The issue for the Subcommittee to consider is the proposed funding for the state's assessment system.

BACKGROUND:

California has a number of major components to its assessment system, the largest being the Standardized Testing and Reporting program (*See Attachment A*). The main components of this system and specific budget year proposals will be discussed separately (**See Below – Issues 3 through 8**). However, the following is a chart that details the Governor's proposals regarding assessment for the budget year.

**2002-03 and 2003-04 Funding for State Assessments
General Fund (Proposition 98) and Federal Funds**

(in millions)

Program	2002-03		2003-04	Change from 2002-03 Revised
	Budget Act	Revised		
STAR Program ^a	\$65.9	\$65.9	\$64.4	-\$1.5
California High School Exit Exam	18.3	18.3	21.2	2.9
Golden State Exams	15.4	7.4	5.9	-1.5
Test Development	11.7	7.6	5.5	-2.1
California English Language Development Test	12.0	12.0	18.5	6.5
NCLB ^b Longitudinal Database	6.9	6.9	6.9	---
Assessment Review and Reporting	3.9	3.9	3.9	---
Unspecified	1.8	1.8	---	-1.8
Assessment Data Collection	1.8	1.8	1.8	---
Alternative Schools Accountability Model	1.4	1.4	0.8	-0.7
Physical Performance Test ^c	1.2	1.2	1.1	-0.1
Assessments in Career Education	0.9	0.9	---	-0.9
Students with Disabilities	0.5	0.5	0.5	---
TOTALS^d	\$141.8	\$129.7	\$130.5	\$0.8

Source: Legislative Analyst Office

^aStandardized Testing and Reporting Program

^bNo Child Left Behind Act of 2001 (federal law)

^cFunding budgeted as state mandate.

^dTotals may not add due to rounding.

ISSUE 4: ASSESSMENTS IN CAREER EDUCATION

The issue for the Subcommittee to consider is the proposed elimination of the Assessments in Career Education (ACE) program.

BACKGROUND:

The ACE program, patterned after the well-established Golden State Examination program, is designed to recognize students who demonstrate outstanding achievement on rigorous examinations in selected career technical areas. These are voluntary assessments designed for students in grades 7-12. In 2001, the State Department of Education (SDE) offered examination in the following subject areas:

- Agricultural Core
- Computer Science and Information Systems
- Health Care, Level I
- Food Services and Hospitality
- Technology Core (Industrial and Technology Education)

A committee of teachers, industry representatives, college and university professors, and other related specialists develop the test questions and tasks for each examination. ACE examinations are reviewed and field-tested to ensure that the test content reflects the industry-approved model curriculum standards for each career area. The tests also undergo thorough content, community, and technical reviews to ensure that the tests provide reliable and valid results and are accessible to all students, avoid biased or offensive content, and protect the privacy of students and their families.

2002-03 Budget Act. The budget contained a total of \$871,000 for the administration of the ACE program.

2002-03 Mid-year adjustment. As part of the 2002-03 mid-year reductions, the Legislature suspended the entire ACE program, which realized a total savings of \$871,000. These assessments are not administered until May. Therefore, the entire amount allocated for the program could be reduced.

2003-04 Proposed Budget. The Administration has proposed elimination of the ACE program, which would save the state a total of \$871,000.

COMMENTS:

Budget staff notes that the ACE program is not a part of the state's accountability system. Likewise, the Legislature and many education advocates have recently discussed the need for the state to reduce testing and the elimination of this assessment program would be a move to accomplish this goal. While career technical education is an important area, this reduction would simply be a continuation of the Legislature's mid-year action.

Also, it must be noted that there is not a direct statutory authority associated with the ACE program. Some individuals feel that it is an extension of the Golden State Examination

Program. Therefore, if the entire funding for this program would be deleted, there would be some question as to whether or not this action would be "elimination" or "deletion" of the ACE program.

LAO comments. The LAO agreed with the Governor's recommendation to eliminate this assessment program. It argues that these assessments are not representative of the vocational education curriculum and it is the same test used each year. Also, data indicates that there is a declining participation rate.

ISSUE 5: GOLDEN STATE EXAMINATIONS

The issue for the Subcommittee to consider is the proposed elimination of the History-Social Science, Science, and foreign language portions of the Golden State Examination (GSE) program.

BACKGROUND:

The GSE program was added by SB 813 (Hart), Statutes of 1983 and is voluntary for students in grades 7-12. According to SDE, there are a total of approximately 1.6 million students statewide that participate in the GSE program.

These assessments are end-of-course exams. There are thirteen specific tests: three math, two English/language arts, three social science, four science, and one Spanish. The exams are voluntary and currently, one of the Math exams and the Grade 11 English/language arts exam are integrated into the California Standards Tests. Students who perform well on these exams can qualify for the Golden State Seal Merit Diploma. In order to be eligible for this diploma, a student must achieve high honors, honors, or recognition on at least six GSEs. The state has awarded 22,000 Golden State Seal Merit Diplomas since the program began in 1997.

In 2001, SB 233 (Alpert), Chapter 722, Statutes of 2001 required that SDE integrate the GSEs into the California Standards Tests (CSTs). As of January 2003, reading/literature, written composition, and high school mathematics have been integrated and students wishing to take these exams simply take the test as an augmentation to the CSTs. The California State University System (CSU) plans to start using the results from these three tests for placement purposes in 2003-04. Furthermore, Chapter 722 requires that State Board of Education, in consultation with CSU, contract for a study to determine if the GSEs meet the same psychometric standards of nationally accepted examinations used for determining college placement, credit, or admission.

2002-03 Budget Act. There was a total of \$15.4 million allocated for the administration of the GSE program.

2002-03 Mid-year adjustment. As part of its mid-year reductions, the Legislature cut the GSE program by \$8 million, or 52 percent. Therefore, there is \$7.4 million remaining for the current year.

2003-04 Budget proposal. The Governor proposes to further reduce the GSE program by an additional \$1.5 million, or 20 percent. Therefore, the total proposed funding for this assessment program is \$5.9 million. This reduction would result in the elimination of the social science,

science, and Spanish portions of the program. Essentially, only the three exams related to the CSTs and CSU for placement would be continued.

COMMENTS:

Budget staff notes that the Legislature made a significant reduction to this program in the current year. Furthermore, this is an assessment that is not a part of the state's accountability system and its reduction, elimination, or suspension would further reduce testing at the high school level.

If the Legislature chose to "suspend" the program, it would save an additional \$5.9 million in the budget year and because the GSE program contains statutory authority associated with its implementation, the program would remain in law, just simply not funded. However, "elimination" of GSE would imply that the statutes associated with this assessment program would be deleted as well.

SDE comments. SDE notes that this spring, a portion of the GSEs (as noted above) will be piloted to determine whether or not they fulfill the placement requirements by the CSU. This pilot contains 25,000 students. Furthermore, the Department states that 300,000 students (of the 1.6 million total that take the GSE) take the mathematics and English/language arts tests. Therefore, SDE argues that the \$5.9 million proposed by the Governor should remain in the budget in order to continue the work toward integration of these tests as placement tools at CSUS.

LAO comments. It recommends the "discontinuation" of the GSEs, which would result in \$5.9 million in savings, for the following reasons:

- Tests are voluntary and not part of the accountability system. Either state or federal law does not require the GSEs. In addition, they are not included in the Academic Performance Index (API).
- Other tests are available to show high achievement. These tests are duplicative of other tests that recognize high achievement. The CSTs include two performance levels that indicate above-grade level performance-performance and advanced. In addition, students can take Advanced Placement Exams in many of the same subjects offered on the GSEs. Advanced placement tests are often used for placement and college credit at a number of higher education institutions statewide.

In reference to the issue of using GSEs as placement tools for CSU, the LAO argues that "the test will only be taken by a small proportion of students. Other students will still need to take a separate placement test. Therefore, it is not imperative that the GSEs be provided for this purpose."

ISSUE 6: STANDARDIZED TESTING AND REPORTING (STAR) PROGRAM

The issue for the Subcommittee to consider is the proposed funding for the STAR program, including the proposed reduction for test development.

BACKGROUND:

SB 376 (Alpert), Chapter 828, Statutes 1997 established the Standardized Testing and Reporting Program, which helps measure how well students are learning basic academic skills. All students in grades 2 through 11 must take the designated STAR tests. Students learning English and students in special education programs are included. Only a student who's Individual Education Plans specifically exempts them from the tests and students with written parent requests to exempt them do not take the STAR tests.

Currently, the STAR program consists of the following three elements:

- Nationally norm referenced test – California Achievement Test-6 (CAT/6), is designed to measure California children's achievement in basic skills compared to other children in the nation;
- The California Standards Tests (CSTs); which measure a student's individual performance on the various state-adopted content standards;
- Primary language test - Spanish Assessment of Basic Education (SABE/2).

Reauthorization of STAR program. SB 233 (Alpert), Chapter 722, Statutes of 2002, reauthorized the STAR testing program until 2005 and made the following substantive changes to the program:

- Made standards-based tests independent of the NRT.
- Expressed intent to shorten the length of the NRT.
- Deleted the social science NRT for grades 9-11.
- Required continuation of the science NRT for grades 9-11 until the state develops a general standards-based test in science for these grades.

Overall, Chapter 722 significantly reduced the NRT's emphasis in the STAR program and shifted it to the CSTs; the chart below demonstrates this change:

Changes in Norm Referenced Tests

	2002 STANFORD 9	2003 CAT/6
Length of Test	Long form.	Short form.
English language arts tests	Separate tests for reading, vocabulary, reading comprehension, and language	Single test combining reading and language.
Mathematics tests	Separate math procedures and math problem solving tests for each grade 2-8, math tests for grades 9-11.	Single math test for each grade 2-11.
Social Science	Required for grades 9-11.	Not included

Science	Required for grades 9-11.	Required for grades 9-11.
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Source: Legislative Analyst Office

Furthermore, by reducing the emphasis on the NRT, the natural result is that the STAR program primarily consists of the CSTs. Also, since the STAR tests are the basis for the Academic Performance Index (API), it is important to note that, beginning in 2003, the NRT (i.e., CAT/6) will now comprise only 12 percent of English language arts (ELA) and 8 percent of math scores for the calculation of the API for elementary and middle schools, in comparison to 24 percent for ELA and 36 percent in 2002 (See Elementary and Middle School Chart Below). Furthermore, at the high school level, beginning in 2003, the NRT will represent only 6 percent of ELA and 3 percent each of math and science (See High School Chart Below). Whereas, the CSTs will compose 35 percent of ELA scores and 18 percent of math scores. Therefore, the API will primarily be calculated based on the California Standards Tests at all grade levels – elementary, middle, and high school.

Increasing Role of Standards-Based Tests in the API^a – Elementary and Middle Schools

Content Area	2001	2002 Growth API		2003 Growth API	
	Growth API	NRT ^a	NRT ^a	NRT ^a	CST ^a
English language arts	60%	24%	36%	12%	48%
Math	40	40	--b	8	32
TOTALS	100%	64%	36%	20%	80%

Source: Legislative Analyst Office

^aAPI = Academic Performance Index. The norm-referenced test (NRT) for 2001 and 2002 was the Stanford 9. The NRT for 2003 is the CAT/6. CST = California Standards Test.

^bTest not included in API.

Increasing Role of Standards-Based Tests in the API^a – High Schools

Content Area	2001	2002 Growth API		2003 Growth API		
	Growth API	NRT ^a	NRT ^a	NRT ^a	CST ^a	CAHSEE ^a
English language arts	40%	16%	24%	6%	35%	10%
Math	20	20	--b	3	18	5
Science	20	20	--b	3	--b	--b
Social Science	20	20	--b	--b	20	--b
TOTALS	100%	76%	24%	12%	73%	15%

Source: Legislative Analyst Office

^aAPI = Academic Performance Index. The norm-referenced test (NRT) for 2001 and 2002 was the Stanford 9. The NRT for 2003 is the CAT/6. CST = California Standards Test and CAHSEE = California High School Exit Exam.

^bTest not available for particular subject or not included in API.

No Child Left Behind Act of 2001. This is reauthorization of the Elementary, Secondary Education Act (ESEA). The federal law requires all states receiving federal funds to implement reading and math assessments in grades 3-8 and once during grades 10-12 beginning in the 2005-06 school year. Also, by the 2007-08 school year, all students must be assessed in science at least once in the elementary, middle, and high school years. All of these assessments must be aligned with state academic content standards, must produce results that are comparable from year to year, and must demonstrate whether students are meeting the state standards and the results must be reported widely.

The federal law does not provide for a norm-referenced test requirement. This is unique to California. The state is expected to be in full compliance with the majority of these assessment requirements. For those that it is not (i.e., science), it is currently taking steps to be in full compliance.

2002-03 Budget Act. There was a total of \$65.9 million allocated for the implementation of the STAR program. The Legislature did not make any mid-year reductions to this program.

2003-04 Budget year. The Administration proposes to provide \$64.4 million for the STAR program. This represents a \$1.5 million reduction from the 2002-03 Budget Act, as revised. (The Legislature did not reduce the STAR program as part of the mid-year adjustments).

- Test Development Reduction. The Administration also proposes to reduce test development by \$2.1 million in the budget year. The State Department of Education (SDE) utilizes this funding to "fine tune" tests within the STAR program (i.e., item replacement, etc.).

COMMENTS:

During the mid-year budget adjustment discussions, Budget Staff notes that the committee did discuss the elimination of the CAT / 6 (i.e., NRT), as a possible budget savings item. Even though the Subcommittee did not take this action, there are many individuals in the education community who argue that because the majority of the API is calculated based on the CSTs, there is not a need for the CAT/6, the nationally normed test. Furthermore, the 2003 administration of the STAR program is the first one that will contain the new NRT (i.e., the CAT/6). Previous administrations used the SAT-9. Therefore, if the Legislature did decide to eliminate the NRT from the STAR program, taking this action now would be appropriate.

DOF comments. On the reduction to Test Development, it believes that the remaining funding is adequate for SDE to complete its assessment-related work.

SDE comments. The Department states that the reduction in Test Development will result in less "items" (i.e., questions) being replaced on the STAR tests. It is not clear how many less items, but every year SDE does do "item replacement" with both the NRT and the CSTs.

LAO comments. It makes three specific recommendations related to assessments, which will be discussed in Issue 8 below.

ISSUE 7: CALIFORNIA ENGLISH LANGUAGE DEVELOPMENT TEST (CELDT)

The issue for the Subcommittee to consider is the proposed funding for the CELDT, including the proposed federal augmentation.

BACKGROUND:

AB 748 (Escutia), Chapter 936, Statutes of 1998, required the development of a statewide test for English language development to be used to:

- 1) Identify pupils who are limited English proficient (LEP);
- 2) Determine the level of English proficiency for LEP pupils; and
- 3) Assess the progress of LEP pupils in acquiring listening, reading, and writing skills in English.

The purpose of the CELDT is to identify new students who are English Learners in kindergarten through grade 12, to determine their level of English proficiency, and to annually assess their progress toward becoming fluent English proficient.

This legislation also required the State Board of Education to approve standards for English language development for English learners (ELs). Districts are required to use the CELDT to identify ELs and to annually administer the CELDT to ELs until they are designated as Fluent English Proficient.

No Child Left Behind Act of 2001. This is the reauthorization of ESEA. Federal law now requires states to annually assess ELs regarding their English language proficiency. Therefore, California's development and use of the CELDT is expected to be in compliance with the new federal law. Up until the development of the CELDT, there was no uniform, statewide tool available to parents and policy makers to evaluate students' progress in learning English.

2002-03 Budget Act, as revised. There was a total of \$12.0 million allocated for the implementation of the CELDT. *The Legislature did not make any mid-year reductions to this program.*

2003-04 Budget proposal. The Administration proposes to provide \$18.5 million for the implementation of CELDT. Of this amount, \$7.1 million is federal Title VI funding, \$5 million represents an additional cost for the contract, and \$1.5 million is allocated to pay for the \$5 per pupil reimbursement cost for approximately 300,000 pupils who take this test.

The Department of Finance (DOF) has also proposed budget bill language that requires the State Board of Education to annually establish the amount of funding to be appropriated to school districts for the CELDT and that this amount is not valid unless approved by DOF. This language first appeared in the 2000 Budget Act.

COMMENTS:

Does the funding level cover the district's administrative costs? Currently, the state provides \$5 per test to pay for the local costs of administering this test. Originally, the rate was

\$1.50 per test. However, the Legislature and Governor agreed to the \$3.50 per test augmentation in the 2002-03 Budget Act. Even though this rate was increased, many school districts argue that because of the CELDT's oral component, its costs are much higher than either the STAR tests or the California High School Exit Exam because each of these tests does not contain an oral part.

Likewise, since the initial administration of this test, it has been modified to address local concerns about time, administration procedures etc. Each time the test is modified, local school districts must retrain their teachers, administrators, and classified staff regarding the new requirements and procedures. Currently, the state does not provide any direct funding to school districts to train their staffs on the implementation of this test. Given the fact that there are 1.6 million ELs in California and their ability to gain English proficiency is a critical piece to not only our success as a state, but in its progress toward a comprehensive assessment and accountability system, and now for our compliance with federal law, should not the state provide our schools with the necessary tools and resources to administer this test in a valid and reliable manner? Also, because of the low reimbursement rate, many local districts argue that they must take funding from categorical funds specific to ELs to offset the costs associated with the CELDT.

ISSUE 8: CALIFORNIA HIGH SCHOOL EXIT EXAM (CAHSEE)

The issue for the Subcommittee to consider is the proposed funding for the CAHSEE, including the use of federal funding for workbooks.

BACKGROUND:

SB 2 (O'Connell), Chapter 1, First Extraordinary Session, Statutes of 1999, established the California High School Exit Exam (CAHSEE), with the primary purpose to significantly improve pupil achievement in public high schools and to ensure that pupils who graduate from public high schools can demonstrate grade level competency in reading, writing, and mathematics. The CAHSEE has two parts:

- 1) *English-language arts (ELA)*, which addresses state content standards through grade 10. In reading, this includes vocabulary, decoding, comprehension, and analysis of information and literary texts. In writing, this covers writing strategies, applications, and the conventions of English (e.g. grammar, spelling, and punctuation).
- 2) *Mathematics*, which addresses state standards in grades 6 and 7 and Algebra I. The exam includes statistics, data analysis and probability, number sense, measurement and geometry, mathematical reasoning, and algebra. Students are also asked to demonstrate a strong foundation in computation and arithmetic, including working with decimals, fractions, and percents.

Students must retake the examination until the ELA and mathematics parts are passed. However, students may retake only those parts not previously passed. The first opportunity students have to take the CAHSEE is in the spring of grade 10. Students who do not pass the CAHSEE during this administration have up to seven additional opportunities to pass the test. With three test cycles per year (i.e., July/September, November/January, and March/May), the CAHSEE can be offered up to three times to any given student in each of grades 11 and 12. Students may have one additional opportunity to pass the CAHSEE after the completion of grade 12.

2002-03 Budget Act, as revised. The budget allocated \$18.3 million for the implementation of the CAHSEE. *The Legislature did not make any mid-year reductions to this program.*

2003-04 Budget proposal. The Administration proposes to provide \$21.2 million, or a \$2.9 million increase, for the CAHSEE. The \$2.9 million increase represents additional funding in order to pay for school district apportionments and CAHSEE workbooks for an additional 367,000 students taking the test (See Below). Under current law, beginning in the 2003-04 school year, all students must pass this exam in order to receive a diploma.

DOF has also proposed budget bill language that requires the State Board of Education to annually establish the amount of funding to be appropriated to school districts for the CAHSEE and that this amount is not valid unless approved by DOF. This language first appeared in the 2000 Budget Act.

- *CAHSEE Workbook Augmentation.* The Governor proposes to allocate \$1.8 million in federal Title VI (Flexibility in Assessment) funds to print and distribute workbooks for an

additional 367,000 tenth grade students expected to take this test. These workbooks are used to help students prepare for the CAHSEE.

No Child Left Behind Act of 2001. As previously stated, this law is the reauthorization of the ESEA. The federal law requires that all states must have a reading and math assessment for grades 10-12. In order to comply with this law, the State Board of Education (SBE) is moving in the direction of utilizing the CAHSEE to comply with this assessment requirement. There still needs to be work completed in order for the CAHSEE to fulfill the high school assessment requirement for the federal law. These discussions will continue as the state moves forward to comply with the new federal law.

COMMENTS:

CAHSEE study. AB 1609 (Calderon), Chapter 716, Statutes of 2001, required the State Department of Education to contract for an independent study to determine the state's readiness in requiring the passage of the CAHSEE as a condition of receiving a diploma of graduation and a condition of graduation from high school. This requirement affects the graduating class of 2004. Likewise, Chapter 716 allows the SBE to delay this requirement if it is found that pupils have had an insufficient opportunity to learn. SBE is required to make this decision by August 1, 2003.

Prior to Chapter 716, state law required the SPI to contract for an independent multi-year evaluation of the CAHSEE exam based upon field tests and actual administrations of the exam. The Human Resources Research Organization (HumRRO) was awarded the evaluation contract. In their first year report, submitted in July of 2000, the HumRRO evaluators recommended that full implementation of the exam should be postponed "by one or two years" so that the test would not be required for graduation until June of 2005 or 2006 (instead of 2004). HumRRO suggested that such a delay would give the state more time to develop and validate the test and also make it more likely that the first class to take the exam for "high stakes" would have had adequate opportunity to learn the subject matter of the test, including Algebra. However, the SBE chose not to delay the exam.

Also, it should be noted that even if the SBE decides that the CAHSEE is not required for graduation, the state would still need to administer the test, particularly if the Board is considering using it to fulfill the federal high school, assessment requirements.

ISSUE 9: LEGISLATIVE ANALYST OFFICE – ASSESSMENT PROPOSALS

The issue for the Subcommittee to consider is the three Legislative Analyst (LAO) assessment proposals, which will provide savings in the 2003-04-budget year.

BACKGROUND:

The following is a description of the LAO's assessment proposals for the budget year.

➤ **Eliminate a Portion of the Norm-referenced Test (CAT/6), total savings of \$10 million.**

The LAO recommends eliminating the CAT/6 for all grades, except grades 4 and 8. It argues this action for reasons:

- 1) California Standards Tests (CSTs) and the CAT/6 measure duplicative subjects. Specifically, the LAO states that currently students in grades 2-11 take both the CAT/6 (norm-referenced test) and CSTs (standards-based tests) as part of the STAR program, which covers duplicative subjects. For example, pupils take tests in English language arts, mathematics, and science under both assessments. According to the LAO, "while the length of the norm-referenced test has decreased in the past year (See Issue 5), duplicative testing still results in higher costs and decreased instructional time."
- 2) CSTs should be the focus of the school assessment and accountability system. The LAO states that initially, the Legislature authorized the norm-referenced test (NRT) as a "transition strategy" until rigorous academic content standards and their associated tests could be developed and proven reliable and valid for administration and use in the state's accountability system. Furthermore, with the reauthorization of the STAR program in 2001, the Legislature moved to de-emphasize the NRT in the assessment and accountability systems and focus on the CSTs.
- 3) No Child Left Behind Act of 2001 focuses on standards-based assessments. The new federal law requires assessments and accountability systems to use standards-based assessments.
- 4) State should send a uniform message to teachers and students that emphasizes the academic content and performance standards. The LAO argues that the state should send a clear and concise message to both students and students on the importance of the academic content standards. The state has spent significant funding and resources to train teachers to teach these standards, to buy instructional materials aligned to these standards, and to develop assessments aligned to them. Therefore, by decreasing the emphasis on the NRT, it argues that the state would solidify its commitment to the academic content standards.

Most importantly, the LAO proposal would retain the CAT/6 for grades 4 and 8, which would still allow a comparison with the Federal Assessment of Educational Progress (NAEP). The federal No Child Left Behind Act requires that beginning in 2002-03, states are required to participate in 4th and 8th grade NAEP reading and mathematics assessments. Both subjects will be tested in the same year, with one year off between assessments. All states and school districts must agree to participate in the 4th and 8th grade reading and math

assessments to receive federal funding. The federal government will pay the full cost of administering the state NAEP. Therefore, if California still used the NRT for the same grades, it would have an assessment comparison against the NAEP. **This will enable teachers, parents and administrators to still gauge how California's students are doing compared to other students in the same grade in the nation, without administering the NRT at all grade levels.**

- **Eliminate Primary Language Test Requirement, total savings \$1.6 million.** Under the STAR program, school districts are required to test English Learners (ELs) in grades 2-11 in their primary language if they have been enrolled in a California public school for less than 12 months. Also, school districts are allowed to administer a primary language test to pupils enrolled for longer than 12 months. The State Board of Education has designated the Spanish Assessment of Basic Education (SABE/2) to fulfill this requirement for Spanish speaking students, which represent 83 percent of all ELs in California. The SABE/2 measures student achievement in reading, language, mathematics, and spelling. This is a norm-referenced test.

In 2001-02, the state administered the SABE/2 to about 7 percent of the state's 1.6 million ELs. According to the LAO, this small number is because most schools do not administer the test to pupils beyond the required first year. Also, because only small subsets of ELs take the test, the results cannot be extrapolated to all ELs. Furthermore, it argues that this test should be eliminated for the following reasons:

- 1) School Districts use other tests for placement and monitoring purposes. The LAO argues that local districts often use other primary language tests to monitor and place their EL students.
 - 2) SABE/2 is not consistent with the state's emphasis on English language development. Since the passage of Proposition 227, which requires that all students learn English by being taught in English. (It still allows primary language instruction with a parental waiver). The LAO argues that due to the instructional changes that the proposition made for EL students, there is not a need for the state to require certain EL pupils to be tested in Spanish.
 - 3) SABE/2 is not aligned to state standards, as required by the federal law. The No Child Left Behind Act requires that assessments must be aligned to the state academic content standards. The federal law does allow states to develop a primary language test that is aligned to its academic content standards. However, at this time, the State Board of Education has chosen not to do this.
- **Eliminate the Golden State Exam (GSEs), total savings of \$5.9 million.** The LAO argues that since the Legislature eliminated the majority of the GSEs as part of the mid-year adjustments, it should permanently eliminate the assessments, for the following reasons:
 - 1) Tests are voluntary and not part of the accountability system. The LAO states that either state or federal law does not require the GSEs. Also, they are not currently included in the API.
 - 2) Other tests are available to show high achievement. According to the LAO, these assessments are duplicative of other tests that recognize high achievement, such as the Advanced Placement Tests.

See Issue 4 above for further discussion on each of these issues.

- **Eliminate the Physical Fitness Test Mandate, total savings of \$1.1 million.** AB 265 (Alpert), Chapter 975, Statutes of 1995, mandated a physical fitness test in grades 5, 7, and 9. The state uses the Fitnessgram, which measures six major health-related areas of physical fitness. Also, the state requires physical education for all students in grades 1 and 9, plus one additional year in high school. Students in grades 1-7 are required to have 200 minutes of physical education 10 days, and students in grades 7 and 12 are required to have 400 minutes every 10 days.

The LAO states that “physical fitness is important, but it believes that the state should make the physical fitness test optional to reduce the number of assessments mandated, reduce the testing burden, and increase instructional time.” It also notes that this action does not affect the requirements for physical education instruction.

COMMENTS:

DOF comments on the elimination of the NRT. The Administration is not supportive of this proposal. Specifically, it believes that the information that the NRT provides is valuable to parents because they like to know how their student is performing in comparison to other students nationally. Likewise, they argue that it is in the state’s best interest to have this knowledge as well.

SDE comments on the elimination of the NRT. The Department does state that the CAT/6 (norm-referenced test) is now mostly given in a “survey” form, meaning that it does not provide as detailed individual student information as it did in prior years. Also, it notes that Jack O’Connell, the Superintendent of Public Instruction, has discussed the need to reduce testing, particularly at the high school level and this proposal would accomplish this.

Elimination of the primary language assessment. Budget staff notes that the issue of primary language testing has and continues to be extremely controversial in California, particularly since the passage of Proposition 227 in 1998. However, when the state established the STAR program, it made it a point to require a primary language test for EL pupils enrolled in grades two through eleven for less than a year in the state. Research suggests that the ability to measure an English learner’s primary language skills in reading, language, math, and spelling is critical to understanding his or her content knowledge. This information would be extremely valuable in instructional placement decisions because a school would have a more clear understanding, beyond language proficiency, of a student’s content knowledge and can place him or her accordingly.

Furthermore, Title I requires that students with limited English proficiency be provided with “reasonable accommodations on assessments administered to such students. . . including to the extent practicable, assessments in the language and form most likely to yield accurate data on what such students know and can do in academic content areas, until such students have achieved English language proficiency.” The difference between the federal law and California law is that the federal government is proposing that states develop a primary language test aligned to a state’s academic content standards. Currently, the SBE has chosen not to develop primary language tests, as recommended by federal law. However, there is educational merit to developing primary language tests that are aligned to California academic content standards.

There are over 166,000 students in California receiving "alternative programs" or primary language instruction via parental waiver, as allowed under Proposition 227. A standards-aligned primary language test would allow parents, students, teachers, and the state to accurately measure a student's achievement in conjunction with their primary language instruction; therefore, the state would hold these programs accountable for their instruction.

Without a primary language assessment that is directly aligned to the state's academic content standards, the state would be wise to continue administering the SABE/2 because it measures basic skills in a primary language. This assessment along with the CELDT, which measures language proficiency, provides a more comprehensive picture of an English learner's abilities and will aid in placement decisions.

ISSUE 10: IMMEDIATE INTERVENTION / UNDERPERFORMING SCHOOLS PROGRAM (II/USP)

The issue for the Subcommittee to consider is the proposed reduction to II/USP.

BACKGROUND:

SB 1 (Alpert), Chapter 3, First Extraordinary Session, Statutes of 1999, established II/USP, which provides state and federal support for school-wide reform efforts at low-performing schools. In their first year in the program, participating schools are provided \$50,000 planning grants to develop a comprehensive school reform plan. As part of the planning phase, the schools must hire qualified external evaluators to assist in developing the reform plans. Once a school's plan is approved by the State Board of Education (SBE), the school receives annual implementation grants of up to \$200 per enrolled student. Schools will receive the implementation grants for two years, and may be granted a third year of funding by SBE if they continue to meet their Academic Performance Index (API) growth targets or "significant growth," as defined by SBE. SBE can decide to impose sanctions after either the second or third year of funding for schools that continue to struggle. The first cohort will reach the end of its two-year implementation grant in July 2002 and approximately 22 schools are in the early stages of the school sanction process.

2002-03 Budget Act. The 2002-03 Budget Act allocated \$184.6 million for the implementation of the program, which serve approximately 1,031 schools, at \$200 per student.

2002-03 Mid-year adjustment. As part of the mid-year reductions, the Governor proposed a \$20 million, or 10.8 percent across-the-board cut, to II/USP. The Legislature rejected this reduction. Instead, it decided to "realign," on a one-time basis, the timing of funding with actual expenditures of the program. Currently, the state provides the final 20 percent of current year II/USP funding, approximately \$38.6 million, in September, which is the budget year. Essentially, this action allowed the state to pay for the September 2003 payment with 2003-04 budget year. Proposition 98 funds instead of the 2002-03 funds and schools are not expected to experience any hardship due to this action.

- Department of Finance (DOF) Section 26 Letter. In February 2003, DOF submitted a letter to the Joint Legislative Budget Committee requesting a transfer of \$13.0 million from the High Priority Schools Grant Program (HPSGP) to II/USP because without this transfer, II/USP would have had insufficient funds to fully fund participating Cohort 1 schools that are

eligible for an additional year of funding, as authorized under HPSGP. The Committee approved this transfer, which the final total was \$5.6 million not \$13.0 million. Therefore, II/USP received an additional \$5.6 million in the current year.

As a result, with the "realignment" and the additional money transferred to the program (DOF Section 26 Letter), there is a total of \$151.6 million remaining for II/USP in the 2002-03 Budget Act, as revised

2003-04 Budget year. The Governor proposes \$104.6 million for II/USP. This represents a \$80 million decrease, or 43 percent, from the 2002-03 Budget Act; however, it is only a \$60 million reduction from the 2002-03 Budget Act, as revised. This reduction (from the 2002-03 Budget Act) can be attributed to the following:

- 1) \$20 million in continued savings due to the proposed continuation of the 10.8 percent across-the-board reduction, as originally proposed as part of the mid-year adjustment (*which the Legislature rejected in the mid-year*) ; and
- 2) \$60 million in savings that occur as schools exit the program.

COMMENTS:

Budget Staff points out that this program serves schools ranked in deciles 1-5 of the API; therefore, it does not necessarily serve the state's lowest performing schools (i.e., those ranked in deciles 1 and 2 of the API). Furthermore, in early 2003, the SBE decided to implement school sanctions, in the form of state intervention teams, at approximately 22 schools because they did not meet their API growth target or make "significant growth" (at least one point, as defined by SBE) for two consecutive years. Of these 22 schools, 12, or 50 percent, are schools that are ranked in deciles 3-5 of the API. Furthermore, schools that have made "significant" growth, as determined by SBE, receive funding for an additional year. Therefore, the state continues to provide funding to schools that are making progress.

ISSUE 11: HIGH PRIORITY SCHOOLS GRANT PROGRAM (HPSGP)

The issue for the Subcommittee to consider is the budget year proposal regarding HPSGP, including funding for an additional 86 schools.

BACKGROUND:

2002-03 Budget Act. The 2002-03 Budget Act allocated \$217 million for the implementation of the program. Of this amount \$20 million represents funding for an additional 86 schools. Therefore, there was expected to be a total of 648 schools served, at \$400 per student.

2002-03 Mid-year adjustment. As part of the mid-year reductions, the Governor proposed a \$21.8 million, or 10.8 percent across-the-board cut, to HPSGP. The Legislature rejected this reduction. Instead, it decided to "realign," on a one-time basis, the timing of funding with actual expenditures of the program. Currently, the state provides the final 20 percent of current year HPSGP funding, approximately \$37.4 million, in September, which is the budget year. Essentially, this action allowed the state to pay for the September 2003 payment with 2003-04 budget year, Proposition 98 funds instead of the 2002-03 funds and schools are not expected to experience any hardship due to this action.

- Department of Finance (DOF) Section 26 Letter. In February 2003, DOF submitted a letter to the Joint Legislative Budget Committee requesting a transfer of \$13.0 million from HPSGP to II/USP because without this transfer, II/USP would have had insufficient funds to fully fund participating Cohort 1 schools that are eligible for an additional year of funding, as authorized under HPSGP. The Committee approved this transfer, which the final total was \$5.6 million not \$13.0 million that was taken from this program.

Therefore, with the "realignment" and the additional money transferred out of the program (DOF Section 26 Letter), there is a total of \$174.0 million remaining for HPSGP in the 2002-03 Budget Act, as revised.

2003-04 Budget year. The Governor proposes \$178.4 million for HPSGP. This represents a \$36.6 million decrease, or 16 percent, from the 2002-03 Budget Act; however, it is an \$4.4 million increase from the 2002-03 Budget Act, as revised. This Governor's reduction (from the 2002-03 Budget Act) can be attributed to the following:

- 1) \$21.8 million in continued savings due to the proposed continuation of the 10.8 percent across-the-board reduction adjustment (*which the Legislature rejected in the mid-year*), as originally proposed as part of the mid-year adjustment; and
- 2) \$16.8 million in savings that occur as schools exit the program.

Additional 86 schools eligible for HPSGP. Of the \$217 million allocated in the 2002-03 Budget Act, \$20 million is allocated according to the following priorities (via budget bill language):

- First priority: Provided for implementation grants to schools in the first decile of the 2001 API that applied for HPSGP, but were not funded due to lack of funding;

- Second priority: Required to be for planning and implementation grants for schools in the first decile of the 2001 API that have not previously received a HPSGP grant for planning and implementation. Under this priority, schools must complete both planning and first year implementation in the 2002-03 fiscal year; and
- Third priority: Required to be for planning grants to schools in the second decile of the 2001 API.

Also, in this budget bill language, the Legislature expressed intent that “any school that receives a planning grant for the HPSGP shall also be provided an implementation grant at the earliest possible opportunity.”

In Fall 2002, the State Department of Education (SDE) determined that 86 additional decile 1 and 2 schools were eligible to receive this \$20 million (plus some additional funds that were available as a result of some II/USP and HPSGP schools choosing to apply for a federal program). At the April 2002 State Board of Education (SBE) meeting, SDE was prepared to recommend a pro-rata per pupil rate of \$33.33 per pupil for these 86 schools. According to SDE, state law allows for a pro-rata allocation and given the fact that there are only 2 months left in this fiscal year, it believed that this course of action was appropriate. However, the issue was pulled from the April 2002 SBE meeting and no action has been taken on the allocation for these 86 schools. **Therefore, at this time, none of these 86 schools have received funding from this program.**

COMMENTS:

DOF comments. According to the Administration, when the original HPSGP program was developed in 2001, it did not agree to the funding of an additional cohort of schools (i.e., 86 additional schools due to the \$20 million allocated in the 2002-03 Budget Act). The \$20 million in additional funding was intended to be similar to an expansion of the first cohort of schools (i.e., 562) because the original funding for the program was not enough to fully fund all the schools in the first decile of the API, as the Legislature intended.

Therefore, the Administration contends that there is only one cohort of HPSGP. Furthermore, it argues that no matter when these additional 86 schools receive their funding, they should be subject to the same timeline and sanction requirements as the original 562 schools. *This means that regardless of when they receive their funding, these 86 schools would be subject to sanctions the same time as the original 562 schools that received their funding earlier in the year. For example, if the 86 schools did not receive their full funding (not a pro-rata share) until September 2003, they would only have approximately 27 months to improve whereas the original 582 schools would have the full 36 months or three years.* According to the Administration, by not having all of these schools on the same “timeline,” this is setting a precedent for different school sanction schedules, which implies a second cohort of HSPGP, which it states that the Governor never agreed to.

Besides the “timeline” issue, Budget Staff is aware that DOF is proposing to only fund 46 of the 86 schools that are eligible for the \$20 million in additional funding. At this time, it is unclear whether this proposal will be presented at the Subcommittee hearing or in the Administration’s May Revise proposal.

Also, DOF has indicated that it does not intend to provide any more than the Governor's proposed funding level of \$178.4 million for this program, irrespective of the number of schools it serves.

SDE comments. The Department has expressed concerns regarding the Administration's proposal related to the additional schools and their timelines. It feels that this is a substantive policy issue that must be discussed before a decision is made.

LAO comments. The LAO agrees with SDE concerning the issues related to the timeline and that this is a policy issue that merits serious consideration by the Legislature. Also, concerning the proposed pro-rata funding for the additional 86 schools, it does note that this approach would provide approximately \$23 million in savings for the current year, which would aid in the reducing Proposition 98 spending level to the minimum for the current year. It also notes that this savings could be applied to this program in the budget year.

Budget staff comments. Staff notes that when the Legislature established the HSPGP program, it intended to fully fund the schools ranked in the first decile of the API. However, due to budget constraints, there was not enough funding available. Therefore, in the 2002-03 Budget Act, it allocated \$20 million to complete the funding of the first decile and the other priorities, as specified above. Furthermore, since SDE determined that the \$20 million (plus additional funding left over from some eligible II/USP, HSPGP schools choosing to apply for federal funds) fully funds 86 additional schools, the Legislature has been totally committed to ensuring that these schools receive this full funding.

The Administration's "one cohort" distinction is particularly important when determining the "timeline" of the schools and how this relates to the sanction schedule. Currently, the original 562 schools (i.e., first cohort) have received their funding and are already on a "timeline schedule," which is three years of funding and then school sanctions would be determined based on their performance etc. Under DOF's comments related to "one cohort," these additional 86 schools that are eligible for funding would need to be subject to the first cohort timeline. *This means that regardless of when they receive their funding, these 86 schools would be subject to sanctions the same time as the original 562 schools that received their funding earlier in the year.* This proposal is a substantive policy change from the Legislature's original intent of the program, including the addition of the \$20 million.

Also, if these additional 86 schools received funding in the current year, there is current budget bill language that requires these schools to "complete both planning and first year implementation in the 2002-03 fiscal year." **Therefore, if these schools receive funding in the 2002-03 fiscal year, they are required to spend all of it before the end of June, even if they only receive it at the beginning of June. This issue must be addressed before any funding is allocated for these schools in the current fiscal year.**

Universe of Eligible Schools for HPSGP

	2002-03	2003-04
Cohort 1 ^a	562	493 ^c
Additional Eligible Schools ^b	86	86
Total	648	579

^aSchools that were eligible under first allocation for program; they have already received funding for the first year.

^bSchools eligible for funding under the \$20 million (plus additional funding due to some II/USP and HPSGP schools deciding to participate under federal program).

^cRepresents deletion of II/USP Cohort 1 schools that were eligible for additional year of funding under HPSGP.

ISSUE 12: FEDERAL FUNDS

The issue for the Subcommittee to consider is the estimated increase in federal funds that the state is expected to receive.

BACKGROUND:

Early indications from the proposed federal government budget indicate that California is expected to receive an increase of approximately \$370.3 million in federal funds², the majority of which is for the implementation of the federal No Child Left Behind Act of 2001 (NCLB). This increase is not final because the State Department of Education is still attempting to rectify final numbers with the U.S. Department of Education. The Governor's office indicates that it plans to include the full amount of federal funds in the May Revise. Currently, the Governor's budget only provides a rough estimate of federal funds for these programs.

Given the policy implications of NCLB and the increased state administrative responsibilities that correspond to them, it would be in the Legislature's best interests to consider these funds before the May Revise in order to maximize the amount of time it has to consider various options.

The chart below summarizes the major federal programs in which California receives funding.

Title I -- Basic Grants	Aids disadvantaged students meet academic content and performance standards. Funding is distributed as a basic grant that is distributed on a poverty-based formula. There are a number of requirements that the state must meet in order to receive this funding (see below).
Title I Reading First	This is funding for competitive grants to improve reading in grades K-3. The 2002-03 Budget Act made this funding pursuant to legislation (see below).
Title II -- Improving	This program is an expansion of the old Eisenhower Professional

² This figure is based on February 2003 estimates from the State Department of Education and represents the change from the Governor's 2003-04 Budget estimates for federal funding.

Teacher Quality (formerly Eisenhower Prof. Devpt.)	Development Program.
Special Education	This funding is to provide programs for special education students.
Title II - Education Technology	Provide funding, pursuant to SB 192 (O'Connell), Statutes of 2002, for grades 4-8 to assist eligible districts to utilize technology to enhance teaching and to promote learning. Grantees will be expected to use funding to implement a research-based program, to evaluate its effectiveness, and to report the results semiannually to the CDE.
Title III -- Language Acquisition	This program is to ensure that all limited English proficient (LEP) students, referred to as English learners in California, attain English proficiency, develop high levels of academic attainment in English, and meet the same challenging state academic standards as all other students. Subgrants are awarded to eligible local educational agencies based on the number of LEP students enrolled.
Title IV -- 21 st Century Federal After School Funding	Provides funding for after school and other community programs, as specified. These funds are allocated pursuant to legislation.
Title VI -- Assessment Funding	This is funding intended to help states develop the tests and data systems required by the new law.

The table below summarizes the increase in federal education funds that California is expected to receive in the 2003-04 fiscal year for selected programs.

Proposed Federal Funding for Selected State Formula-Allocated Programs for California (dollars in millions)³

Program	2003 proposed budget ^a	2003 estimate ^b	Change from 2003 proposed budget
ESEA Title I --grants to local education agencies	\$1,449.4	\$1,650.2	\$200.8
ESEA Title I – Reading First state grants	131.6	146.6	15.0
ESEA Title I – Comprehensive School Reform	39.7	40.2	0.5
State Grants for Improving Teacher Quality ^c	320.8	343.1	22.3
21 st Century Community Learning Centers	40.8	76.2	35.4
Education Technology State Grants	83.0	89.3	6.3
ESEA Title VI - state assessments	27.6	30.6	3.0
Language Acquisition Sate Grants (Title III)	111.4	138.9	27.5
Special Education	914.9	974.4	59.5
TOTAL	\$3,119.2	\$3,489.5	\$370.3

Source: State Department of Education

^a Governor's 2003-4 Proposed Budget, which includes an estimate in federal funds.

^b February 2003 estimate in the actual amount of federal funds California will receive.

^cClass Size Reduction and Eisenhower Professional Development Grants have now become the State Grants for Improving Teacher Quality the Class Size Reduction Grants.

Due to the requirements of the federal NCLB, California either has made or is in the process of making major policy decisions regarding the instruction of its students. The following is a summary of the decisions and important upcoming issues related to federal funding.

- **Title I.** Of the above programs, Title I, which is a longstanding program to help low-income children, has undergone the most changes, with new requirements. Over the last year, California has made significant decisions regarding the implementation of the new Title I law. Likewise, there are still a number of important policy decisions that need to be made in the coming year.
 - Single accountability system. Under NCLB, California is required to develop and implement a single statewide accountability system. Currently, the state operates under the Public Schools Accountability Act (PSAA), which includes the Academic Performance Index, II/USP, and HPSGP. II/USP and HPSGP have provided significant funding to support improvement in the state's lowest performing schools. However, each one of these programs has different planning requirements, funding levels, interventions, and sanctions.

Furthermore, NCLB requires that all schools must be a part of the federal accountability system, which contains its own requirements, intervention strategies, and timelines. Specifically, all schools must take the same assessments and have their "adequate yearly progress" (AYP) measured. Currently, 57 percent of the state's schools receive Title I funding. Title I schools that do not make AYP for two consecutive years are subject to federal interventions and sanctions under Program Improvement. The chart below details the total number of low performing schools that are currently in state and federal programs and the enormous overlap that exists.

Program	Number of Schools
Federal Program Improvement only	288
II/USP only	690
HPSGP only	239
CSRDa only	24
PI ^b and II/USP	213
PI and HPSGP	101
PI, II/USP and CSRDa	131
II/USP and HPSGP	111
HPSGP and CSRDa	1
II/USP, CSRDa, and HPSGP	25
PI, II/USP, CSRDa, and HPSGP	15
TOTAL	1,969

Source: Legislative Analyst Office

^a Comprehensive School Reform Demonstration

^b Program Improvement

Each one of these programs has its own planning, implementation, and sanction requirements. There are overlapping pieces within all programs; however, the fact remains 728 schools of the 1,969 are in more than one intervention program. Essentially, California has a state accountability system that must somehow integrate with the new federal system, as specified under NCLB. Over the last year, the State Department of

Education (SDE) and State Board of Education (SBE) have worked to accomplish this goal. **However, significant policy decisions still need to be made and this will require legislative action.**

Also, it must be noted that federal law requires that states reserve 2 percent of their Title I Part A allocations (i.e., Title I "set-aside") for school improvement purposes, to help improve those schools that have been identified as needing improvement. This number grows to 4 percent in 2004-05 and beyond. Under this provision California is required to spend approximately, \$33 million⁴ of its federal Title I allotment for this purpose. In 2002-03, the budget provided a total of \$35.1 million⁵, pursuant to legislation, AB 312 (Strom-Martin), Chapter 1020, Statutes of 2002. Also, SDE estimates that there will be approximately \$15 million in savings from the 2002-03 allocation. The Title I "set-aside" is to support the following:

- State takeover in chronically low-performing schools,
 - Intervention and assistance teams in schools that are chronically low-performing but where the state determines that intervention will be more fruitful than state takeover for the school, and
 - Technical assistance and support to improve low-performing schools that are at risk of state takeover or intervention.
- Adequate Yearly Progress (AYP). The new federal law requires states to ensure that *all* pupils meet state-defined advanced or proficient level of achievement in English language arts (ELA) and math in twelve years (i.e., Adequate Yearly Progress). This is a departure from the previous law, under which states were held accountable for the aggregate progress of students. Also, the law requires that schools test 95 percent of all subgroups in order to meet annual improvement targets, which is an increase over California's current requirement for high schools.

In response to these new requirements, the SBE recently made a decision regarding the state's definition of Adequate Yearly Progress (AYP). SBE defined AYP for each school as a minimum percentage of students, including subgroups, performing at the "proficient" level each year in ELA and math. This minimum level will rise each year, which will effectively become the "target," in order for *all* students to meet AYP by 2014, as required by NCLB.

The minimum percentages for the AYP target in 2002-03 and 2003-04 will be 13.6 percent proficient for ELA and 16 percent proficient for mathematics. The definition of proficient is different for grades 2 through 8 and high school students. Also, the minimum level of students required to meet or exceed AYP applies separately to each subgroup. The following is an explanation of SBE's definition of proficient, as it relates to AYP:

- For grades 2-8: "Proficient and above" in reading-language arts and mathematics would be based on the percentage of students scoring at the proficient or advanced level on the California Standards Tests (CSTs). These tests assess how well students are mastering the state's rigorous academic content standards, which lay out what students should know and be able to do at each grade level.

⁴ This number is based on the estimated 2003 allocation of Title I funds.

⁵ \$29.1 million plus \$6 million in state General Fund money from II/USP.

- High School level (grades 9-11). The definition of “proficient” in ELA and math would be tied to scores on the California High School Exit Exam, which is a pass/fail test. “Cut scores” for achieving proficiency at the high school level would be equivalent to achieving proficiency on the California standards-based tests in ELA and math.

Below is a chart that illustrates the current performance of California's students at "proficient or above."

Percent of Students Proficient or Above in English Language Arts and Mathematics^a

	English Language Arts		Mathematics	
	Grade 3	Grade 7	Grade 3	Grade 7
All students	34%	33%	38%	30%
English Language Learners	12	16	25	9
Economically Disadvantaged	18	16	25	16
Special Education	17	6	21	6

Source: Legislative Analyst Office

^aResults from the 2002 California Standards Test

Under SBE's definition, the majority of California's students, particularly the underrepresented and special needs populations (which are also subgroups), would not currently meet the state's target for AYP and therefore, the schools that these students attend would not either. Likewise, because the targets for AYP will continually increase over time, many individuals argue that it is highly unlikely that these schools will ever be able to meet these targets. It is important to understand that once a Title I school fails to meet its targets, including subgroups, for two consecutive years, it becomes placed into federal Program Improvement (the federal, Title I accountability program or sanctions), which requires schools to offer a variety of interventions - supplemental services, school choice, and corrective actions. Currently, approximately 57 percent of California's schools receive Title I funding. As of January 2003, there are 955 schools in Program Improvement: 420 in their first year (i.e., school choice), 507 in level two (i.e., supplemental services); and 28 in level three (i.e., corrective action). According to the LAO, "once a school has missed its targets (i.e., Program Improvement), it will be very difficult for it to ever catch up because the target continues to rise. The level of growth required to meet these targets is unrealistically high in our view, and virtually every Title I school will likely be in Program Improvement within a few years."

- **Reading First – Bilingual/Alternative Programs.** This program is expected to provide a total of \$146.6 million, a \$15 million increase from 2003-04, in competitive grants to schools providing reading instruction to students in grades K-3. The 2002-03 Budget Act required that this funding be distributed pursuant to legislation, AB 65 (Strom-Martin), Chapter 730, Statutes of 2002. Since this time, the first round of grants has been awarded and SDE, with approval from SBE, is preparing to award the second cohort of schools.

However, as part of this process, there has been significant controversy regarding California's bilingual programs, or “alternative programs,” and their eligibility for this funding. The SBE has decided that the state's legal bilingual programs (authorized with a parent waiver, as required by Proposition 227), which provide English learners with instruction in

their primary language, are not eligible to receive these funds because they do not meet the requirements of the program. The requirements in question state that all eligible Reading First programs must have instruction and materials aligned to the state English language arts content standards and provide two hours of instruction in English a day. Bilingual programs cannot inherently meet these requirements simply because they provide instruction in a student's primary language, not English.

Recently, advocates representing bilingual programs filed a lawsuit in California Superior Court contending that federal law does not allow a state to exclude bilingual or alternative programs from receiving Reading First funding. In response, the court ordered an injunction, which states that bilingual programs must be eligible for funding at this time. After this action, the SBE adopted emergency regulations to specify that schools receiving Reading First funding must provide two hours of English instruction, as specified.

At this time, the issue is still not resolved. Another court date is set in the immediate future to review the facts after the SBE's emergency regulation action. Also, there is a legislative measure that is moving through the process, which directly addresses the issue of bilingual programs and Reading First eligibility. **It must be noted that the state is expected to receive an additional \$15 million in Reading First funds. This allocation will serve new eligible schools. Therefore, the issue of eligibility is very important.**

➤ **Title III – English Learner Accountability.** Title III, the Language Instruction for Limited English Proficient and Immigrant Students Program. The Title III program replaces the Immigrant Education Program and the Bilingual Education Grant Program, which was administered by the federal government and provided grants directly to school districts. In 2002-03, the SDE allocated approximately \$102.3 million to serve 1,504,131 LEP students enrolled in 740 local education agencies. In addition, Title III - LEP student program funds may be used for:

- Upgrading program objectives and instructional strategies;
- Identifying and improving curricula and materials, and assessments;
- Providing tutorials for academic and/or vocational education;
- Intensifying instruction;
- Acquiring or developing of educational technology;
- Coordinating language instruction programs with other programs and services; and
- Providing community participation programs including family literacy and parent outreach.

In order to continue receiving Title III funding, the state must develop two Annual Measurable Achievement Objectives (AMAOs) for LEP students. Schools will be held accountable for meeting these standards. The following are the two AMAOs that need to be defined and submitted to the federal government by September 1, 2003:

- 1) Gains in the percentage of children meeting annual California English Language Development Test (CELDT) growth objectives.

- 2) Annual increases in the percentage of students attaining English language proficiency as demonstrated by the CELDT.

Additions to CELDT. Furthermore, the No Child Left Behind Act of 2001 requires that each state conduct an annual assessment of the English language proficiency of their LEP students based on the state's English language development standards. California fulfills this requirement due to the fact that the CELDT is based on the English language development standards. However, SDE states that in order to conform to the federal law, a comprehension score will need to be developed and reading and writing will need to be tested in kindergarten and first grade. Currently, the CELDT does not test these grade levels in reading and writing.

- **Title VI – Assessment and Flexibility.** This funding is provided to states to help them develop the tests and data systems required by the No Child Left Behind Act of 2001 (NCLB). Since California already had a comprehensive assessment and accountability system at the time of passage of this new law, many of these funds can be utilized either 1) to offset state General Fund costs of implementing the assessment system or 2) for additional new proposals that are directly associated with implementing NCLB. In 2003-04, the Governor has allocated \$27.6 million for these purposes. SDE estimates that the state will receive an additional \$3 million for a total budget year allocation of \$30.6 million.
- Longitudinal Database. SB 1453 (Alpert), Chapter 1002, Statutes of 2002, established the California Longitudinal Pupil Achievement Data System and requires, subject to the availability of federal funds, SDE to contract for the development of proposals which will provide for the retention and analysis of longitudinal pupil achievement data on the STAR Program, CAHSEE, and CELDT. Furthermore, it requires SDE to contract for the development of proposals, which will provide for the retention and analysis of longitudinal pupil achievement data on the California Assessment of Academic Achievement test, the CELDT, and CAHSEE.

Student identifier. Chapter 1002 required a unique pupil identification number, to be developed. This identifier must be identical to the pupil identifier developed pursuant to the California School Information Services program, which shall be retained by each local education agency and used to ensure the accuracy of information on the header sheets of the STAR tests, CAHSEE, and CELDT.

As required by federal law, each state must provide specified data to the federal government. An example of this data, includes graduation rates, the ability to track the number of proficiency levels of English learners etc. The establishment of this database is critical to the state's ability to comply with NCLB.

In the 2002-03 budget, \$6.9 million in Title VI funding was set- side for this purpose, upon completion of an expenditure plan by SDE and its approval by the Department of Finance (DOF). As of February 2003, DOF has partially approved an expenditure plan totaling \$460,000 for the current year and estimated costs of \$1.1 million in the 2003-04 Budget year, which is contingent upon appropriation for this purpose in the 2003-04 Budget Act.

Further discussion and clarification of this issue is in Issue 11 below.

COMMENTS:

Title I. Budget staff notes that even though SBE is only required to submit a “general roadmap” or minimal specifications at this time to the federal government regarding the state’s plans to have a single accountability system, it is in the Legislature’s best interest to begin serious policy discussions regarding how to integrate the state and federal accountability systems, including intervention programs.

Furthermore, under SBE's definition of AYP, the majority of California's students, particularly the underrepresented and special needs populations (which are also subgroups), would not currently meet the state's target for AYP and therefore, the schools that these students attend would not either. Likewise, because the targets for AYP will continually increase over time, many individuals argue that it is highly unlikely that these schools will ever be able to meet these targets. It is important to understand that once a Title I school fails to meet its targets, including subgroups, for two consecutive years, it becomes placed into federal Program Improvement (the federal, Title I accountability program or sanctions), which requires schools to offer a variety of interventions - supplemental services, school choice, and corrective actions. Currently, approximately 57 percent of California's schools receive Title I funding.

DOF Title I comments. It argues that any discussion of a single accountability system will involve major policy discussions and must be undertaken carefully, considering the significant fiscal costs that are associated with the process.

LAO Title I comments. It recommends that the state begin to develop a framework for an integrated accountability system as soon as possible. The LAO acknowledges that this action must involve significant policy discussions via a comprehensive legislative process. Specifically, it provides the following guidelines for this process:

- Focus state interventions at the school district level.
- Target state interventions at the neediest schools.
- Provide less intensive interventions at higher performing schools.

Furthermore, the LAO states that any restructured accountability system will create costs pressures; however, because a more detailed proposal is necessary to make these cost estimates, an exact number is not available. But, it does recommend that the Legislature set aside \$50 million to address a redesigned accountability system. It does acknowledge that a restructured accountability system can be funded with a combination of state Proposition 98 and federal resources.

Title III comments. Budget staff would note that with the initial proposal to add a kindergarten and first grade reading and writing assessment to the CELDT will do two things: 1) require unknown additional testing costs because currently the state does not assess these grades for this content and 2) alter the assessment once again, which will create additional local training costs, as outlined is Issue 6 above.

LAO Title VI comments. It estimates that there will be approximately \$17 million for the 2002-03 current year⁶ in remaining Title VI funding. The majority of this “carryover” funding is due to the fact that DOF is only proposing to allocate \$460,000 of the \$6.9 million for the completion of

⁶ This assumes that there will be only \$460,000 in Title VI funding allocated for the longitudinal database in the 2002-03 current year.

the longitudinal database. The LAO notes that this funding can only be carried over for 27 months and any remaining funding must be returned to the federal government. Furthermore, it argues that the majority of this “carryover” funding should be not be used for other purposes; instead, it should be allocated for the completion of the longitudinal database, as authorized.

DOF Title VI comments. The Administration argues that only \$460,000 is needed for the current year for the purpose of beginning to provide Los Angeles Unified School District with student identifiers within the statutory funding of the California School Information Services (See Issue 11 below). Furthermore, DOF notes that it is their understanding that the providing LAUSD with student identifiers will take up all of the funding needed for the current year. Therefore, the first student identifiers assigned using SB 1453 (Alpert), Chapter 1002, Statutes of 2002, will not be issued until 2003-04.

Also, DOF notes that Chapter 1002 requires a request for proposals to develop a longitudinal database system. Therefore, it notes that CSIS is not to automatically assumed to be this database. It is eligible to submit a proposal and very well could be chosen to develop this database, but as of now, it is not the contractor.

SDE Title VI comments. The Department argues that the entire amount of funding allocated for Title VI should be utilized in the current year. The need to begin developing student identifiers for the longitudinal database is extremely important to the state’s ability to comply with the new federal law (See Issue 11 below for further discussion).

Budget Staff Title VI comments. Staff notes that if Title VI continues to have “carryover” funding, the Legislature should consider utilizing this funding for other proposals, so as not to have to return it to the federal government. The following are two suggestions:

- 1) Development of a primary language assessment. As explained above (Issue 8), the state is authorized to develop a primary language assessment, which measures a student’s knowledge of the state’s academic content in his or her primary language. Title VI funding can be used for this purpose.
- 2) CELDT training. As explained above (Issue 6), currently, the state does not provide funding to school districts for training to administer the CELDT. Likewise, with the proposed additional assessment requirements under Title III (i.e., assessing kindergartners and first graders in reading and writing), the test may change once again. An amount of Title VI funding can be set-aside for training purposes directly related to the CELDT.

ISSUE 13: CALIFORNIA SCHOOL INFORMATION SERVICES PROGRAM

The issue for the Subcommittee to consider is the Administration's proposal for the California School Information Services program (CSIS).

BACKGROUND:

CSIS is a multiyear project to develop, implement, and manage a statewide K-12 student-level database and information-transfer network. The Fiscal Crisis and Management Assistance Team (FCMAT), a part of the Kern County Office of Education, administers the program. CSIS will not maintain or store the student records for districts, but will facilitate the movement of records from school district to school district, and the aggregation of school district data required for state reporting. CSIS' goals are:

- 1) To build the capacity of local education agencies to implement and maintain effective pupil information systems that will support their program needs and promote the use of information for educational decision-making.
- 2) To enable the accurate and timely exchange of pupil records between local education agencies and to postsecondary institutions.
- 3) To assist local education agencies to transmit state and federal reports electronically to the State Department of Education (SDE).

As of January 2002, 12 consortia consisting of 219 local education agencies (LEAs) were participating in CSIS. These LEAs represent over 2.2 million students (37 percent of state enrollment). Based on the current funding schedule, all LEAs could be participating in CSIS by 2009-10.

2002-03 Budget act. There is \$11.3 million allocated for CSIS in the budget act. Of this amount, \$7 million is for local grants and \$4.3 million is for oversight purposes, which goes to FCMAT.

2002-03 Mid-year adjustment. The Governor proposed an across-the-board reduction to CSIS, which the Legislature rejected. However, it did reduce the program by \$1.6 million, or 14 percent, which equaled the funding needed for an additional cohort of schools to participate in CSIS. Therefore, there is a total of \$9.7 remaining in the current year for this program.

2003-04 Budget proposal. The Administration proposes a total of \$3.7 million, a \$6 million or 62 percent reduction, from the 2003-03 Budget Act, as revised. Of this funding, \$440,000 is for the Student Friendly Services program, \$3.1 million is for oversight purposes (this funding goes to FCMAT), and \$150,000 is allocated to the Sacramento County Office of Education for contract for independent project oversight of the CSIS program.

Title VI funds. As explained above (Issue 10), for the current year, CSIS will receive \$440,000 in Title VI funds and for the 2003-04 budget year, the Administration is proposing to allocate \$1.1 million in Title VI funding for purposes related to the development of student identifiers.

- *Student identifier reimbursement*⁷. Currently, DOF is only prepared to approve a reimbursement rate of 32 cents for each student identifier developed. For those identifiers that “cause problems,” (i.e., which means that more research is needed for that individual student in order to accurately associate that identifier with one student and not another student – verify birth date, home address etc.), it is recommending a reimbursement rate of up to \$1 per student identifier. These figures are based on estimates associated with developing individual identifiers for the STAR program.

COMMENTS:

DOF comments. As noted above in Issue 10, the Administration cautions individuals in linking CSIS with the development and implementation of a longitudinal database. It does agree that it must do the work for the development of a student identifier. Therefore, it has allocated \$1.1 million in federal Title VI funds for this purpose in the budget year.

SDE comments. The Department strongly feels that the reimbursement rate for the development of all student identifiers should be \$1 per identifier. It argues that this identifier will be the basis for the longitudinal database. Therefore, it is critical that funding be invested up front to ensure that this process is done in an accurate manner because this identifier will lead to the accurate calculation of graduation rates and the ability to track the state’s English learner students.

CSIS comments. The program concurs with SDE comments regarding the necessity for the \$1 reimbursement rate per student identifier. Furthermore, it notes that the development of an identifier is a very labor-intensive process that involves clerical activity and other issues associated with researching an individual student’s information.

LAO comments. Like SDE and CSIS, the LAO argues that the reimbursement rate for the student identifier should be \$1 per identifier. It argues that the state’s ability to gather accurate data is paramount to its ability to comply with NCLB. Likewise, it notes that federal Title VI funding was allocated for this purpose and under DOF’s recommendations regarding the development of the student identifier, there will be a significant amount of carryover funding. If this funding is not used within 27 months, the state must return it to the federal government.

The LAO also argues that using the STAR program as a comparable estimate for the reimbursement rate of a student identifier is inaccurate because the actual cost of completing this work has never been determined since the State Mandate Commission is still reviewing the claim regarding the actual mandated cost for STAR.

Budget Staff comments. Staff notes that the over the last several years, the Legislature has expressed strong commitment to the development of a comprehensive data system. It has argued that since the establishment of the Public Schools Accountability Act in 1999, the development and inclusion of accurate student data will be necessary to the overall success of the state’s assessment and accountability systems. For example, as part of the Academic Performance Index, current law requires the inclusion of graduation rates in the calculation, when it is deemed “reliable and valid.” Therefore, since the state does not have an accurate data system to measure this information, graduation rates have never been included in the API. Furthermore, under federal law, California is required to submit graduate rate data to the federal

⁷ As authorized under SB 1453 (Alpert), Chapter 1002, Statutes of 2002. See Issue 10 – Title VI for further explanation.

government in spring 2003. Since the state does not have an accurate system to calculate this data, it has proposed to utilize an alternative method of calculation.

ISSUE 14: FISCAL CRISIS AND MANGAGEMENT ASSISTANCE TEAM

The issue for the Subcommittee to consider is the Administration's proposal for the Fiscal Crisis Management and Assistance Team (FCMAT), including the deletion of funding for the Ed Data Website.

BACKGROUND:

The mission of the Fiscal Crisis and Management Assistance Team is to help California's local educational agencies fulfill their financial and management responsibilities by providing fiscal advice, management assistance, training and other related school business services. FCMAT operates from the office of the Kern County Superintendent of Schools under contract with the State Department of Education (CDE) and the governor's office. FCMAT reports to a board of directors comprised of one county superintendent and one district superintendent from each of the state's 11 service regions. A representative of the SDE also is on the board. Assembly Bill 1200 (AB1200) created FCMAT in 1991. The team can assist county offices of education in understanding their fiscal monitoring duties as required by AB1200, sometimes suggesting specific methods of carrying out the oversight responsibilities. FCMAT also provides management studies for districts of county offices requesting them. FCMAT also was charged with establishing a "library/ clearinghouse" of helpful information for school business operations. To accomplish this, an electronic Bulletin Board System (FCMAT BBS) was launched in 1994. Additionally, FCMAT created this web site in late 1995. FCMAT now coordinates statewide professional development efforts for school business officials.

As of January 2003, FCMAT has contracted to assist more than 300 local education agencies, including school districts and county offices of education. Some of these local educational agencies were experiencing severe fiscal crises that took years to develop. Some made direct requests to FCMAT for assistance with management or organizational issues. Through special communications and by making presentations on FCMAT services throughout the state, the team has called attention to the need to comply with AB1200 and has educated school business officials about its ramifications.

2002-03 Budget act. A total of \$10.7 million is allocated in the budget for FCMAT. Of this amount, \$5 million is for county office of education oversight purposes (i.e., AB 1200) and \$418,000 is for the administration of the Ed Data Website.

2002-03 Mid-year adjustment. The Governor proposed an across-the-board reduction to FCMAT. However, the Legislature rejected the majority of the across-the-board reductions, including the one to FCMAT. Therefore, there was not a mid-year budget reduction taken by this program.

2003-04 Budget Act. The Administration proposes a total of \$8.4 million for FCMAT. This represents a \$2.3 million, or 21 percent reduction, from the 2002-03 Budget Act, as revised.

- Elimination of Ed Data Website. The Governor proposes to delete \$418,000 from FCMAT, which is used to administer the Ed Data Website. The Ed Data Website is a web site that is available to the public and provides statewide data on California's schools and students. For example, it provides enrollment, school site information, and population information. It is administered by a partnership, which includes the State

Department of Education (SDE), the Alameda County Office of Education, EdSource, and FCMAT.

COMMENTS:

Budget Staff notes that during this time of significant fiscal crisis, school districts are experiencing significant budget reductions. Their ability to handle these reductions and remain fiscally solvent is a difficult task. Furthermore, during the 2003-03 Mid-Year Budget Adjustments, the Legislature established significant fiscal flexibility for school districts. Specifically, it allows them to access unrestricted reserves; something that was not allowed under previous statute. County offices of education are responsible for fiscal oversight of all school districts in the state, which includes monitoring the requirements associated with school district reserves. As a result, FCMAT's ability to continue fiscal oversight responsibilities should they arise is important. Likewise, with the recent state takeover of West Fresno Unified School District and the impending action regarding Oakland Unified School District, FCMAT's role is significant.

Also, regarding the elimination of the Ed Data Website, staff notes that many educators, policymakers, parents, and researchers use this web site on a daily basis to access important information. In March 2003 alone, there were 1.5 million "hits" to the web site and 97 percent of them came from computers associated with the State of California. Also, even though this web site is administered by a partnership, none of these partners contribute financial resources to the maintenance of this web site.